



MICROSEC FINANCIAL SERVICES LIMITED

(Our Company was incorporated as “Satyam Fiscal Services Private Limited” on June 6, 1989. The name of our Company was subsequently changed to “Microsec Financial Services Private Limited” pursuant to a fresh certificate of incorporation issued by the Registrar of Companies, West Bengal at Kolkata, dated October 17, 2005. Our status was subsequently changed to a public limited company and the word “private” was deleted from the name of our Company by a special resolution of the members of our Company passed at the Extra Ordinary General Meeting held on October 19, 2005. The fresh certificate of incorporation consequent to change of name was granted to our Company on October 20, 2005 by the Registrar of Companies, West Bengal at Kolkata. Our registered office was initially situated at 8/1 Lal Bazar Street, Bikaner Building, Block –B, Kolkata- 700 001 and subsequently it was shifted to 25D Harish Mukherjee Road, 1st Floor, Kolkata- 700 025 pursuant to a Board resolution dated March 28, 2005 and then it was shifted to Azingunj House, 2nd floor, 7 Camac Street, Kolkata- 700017 pursuant to a Board resolution dated May 30, 2005 and thereafter the registered office was shifted to our present address at “Shivam Chambers”, 1st Floor, 53 Syed Amir Ali Avenue, Kolkata - 700 019 pursuant to a Board resolution dated December 8, 2006. For further details, please see section entitled “History and Certain Corporate Matters” at page 65.)

Registered and Corporate Office: “Shivam Chambers”, 1st Floor, 53 Syed Amir Ali Avenue, Kolkata - 700 019.

For changes in our Registered Office see “History and Certain Corporate Matters” on page 65.

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Company Secretary and Compliance Officer: Mr. Biplab Kumar Mani; **Email:** info@microsec.in **Website:** www.microsec.in

PUBLIC ISSUE OF [●] EQUITY SHARES OF RS. 10 EACH (THE “EQUITY SHARES”) OF MICROSEC FINANCIAL SERVICES LIMITED (THE “COMPANY” OR “THE ISSUER”) FOR CASH AT A PRICE OF RS [●] PER EQUITY SHARE INCLUDING A SHARE PREMIUM OF RS. [●] PER EQUITY SHARE, AGGREGATING RS. 1600 MILLION (THE “ISSUE”). THE ISSUE WOULD CONSTITUTE [●]% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF THE COMPANY. THERE IS A RESERVATION OF [●] EQUITY SHARES OF RS. 10 EACH AGGREGATING RS. 80 MILLION FOR THE ELIGIBLE EMPLOYEES OF THE COMPANY (“EMPLOYEE RESERVATION PORTION”). THE NET ISSUE TO THE PUBLIC OF [●] EQUITY SHARES OF RS. 10 AT A PREMIUM OF RS. [●] AGGREGATING RS. 1520 MILLION (HEREINAFTER REFERRED TO AS THE “NET ISSUE”).*

* The Company is considering a Pre-IPO Placement of [●] Equity Shares with certain investors (“Pre IPO Placement”). The Pre IPO Placement is at the discretion of the Company. The Company will complete the issuance, if any, of such Equity Shares prior to the filing of the Red Herring Prospectus with the ROC. If the Pre IPO Placement is completed, the Issue size offered to the public will be reduced to the extent of such Pre IPO Placement, subject to a minimum Net Issue size of 10% of the post Issue paid-up capital being offered to the public.

PRICE BAND: RS. [●] TO RS. [●] PER EQUITY SHARE OF FACE VALUE OF RS. 10.

THE FACE VALUE OF THE EQUITY SHARES IS RS. 10 AND THE FLOOR PRICE IS [●] TIMES OF THE FACE VALUE AND THE CAPPRICE IS [●] TIMES OF THE FACE VALUE.

The Issue is being made through the 100% Book Building Process wherein at least 50% of the Net Issue to the public shall be allotted on a proportionate basis to Qualified Institutional Buyers (“QIBs”). 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Further, not less than 15% of the Net Issue to the public shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Net Issue to the public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further, [●] Equity Shares shall be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received at or above the Issue Price. If as a result of the Pre IPO Placement, the Net Issue is less than 25% of the post Issue paid up capital of the Company, then in terms of Rule 19(2)(b) of the Securities Contracts Regulation Rules, 1957, as amended from time to time (“SCRR”), the issue would be made through the 100% Book Building Process wherein at least 60% of the Net Issue to the public shall be allotted on a proportionate basis to QIBs. 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Further, not less than 10% of the Net Issue to the public shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 30% of the Net Issue to the public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further, [●] Equity Shares shall be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received at or above the Issue Price.

IPO GRADING

This Issue has been graded by [●] which through its letter dated [●] has assigned the Issue “IPO Grade [●]” indicating [●]. The said grading is valid for a period of two months. The IPO grading is assigned on a five point scale from 1 to 5 with an “IPO Grade 5” indicating strong fundamentals and an “IPO Grade 1” indicating poor fundamentals. For further details, please see section entitled “General Information” on page 6.

RISK IN RELATION TO THE FIRST ISSUE

This being the first public issue of Equity Shares of the Company, there has been no formal market for the Equity Shares of the Company. The face value of the Equity Shares is Rs. 10 per Equity Share and the Floor Price is [●] times the face value and the Cap Price is [●] times the face value. The Issue Price (as determined by the Company, in consultation with the Book Running Lead Manager, on the basis of assessment of market demand for the Equity Shares offered by way of book building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India (“SEBI”), nor does SEBI guarantee the accuracy or adequacy of this Draft Red Herring Prospectus. Specific attention of the investors is invited to “Risk Factors” beginning on page xiii of this Draft Red Herring Prospectus.

ISSUER’S ABSOLUTE RESPONSIBILITY

We, having made all reasonable inquiries, accept responsibility for and confirm that this Draft Red Herring Prospectus contains all information with regard to the Company and the Issue, which is material in the context of the Issue, that the information contained in this Draft Red Herring Prospectus is true and correct in all material aspects 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 Draft Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING ARRANGEMENT

The Equity Shares offered through this Draft Red Herring Prospectus are proposed to be listed on the NSE and the BSE. We have received in-principle approvals of the NSE and the BSE for the listing of our Equity Shares pursuant to their letters dated [●] and [●] respectively. For purposes of this Issue, the Designated Stock Exchange is the Bombay Stock Exchange.



BOOK RUNNING LEAD MANAGER	REGISTRAR TO THE ISSUE
 <p>SBI CAPITAL MARKETS LIMITED 202, Maker Tower ‘E’, Cuffe Parade Mumbai – 400 005, India Tel: +91 22 2218 9166 Fax: +91 22 2218 8332 Email: microsec.ipo@sbicaps.com Investor Grievance id: investor.relations@sbicaps.com Website: www.sbicaps.com Contact Person: Mr. Suchai Gorur</p>	 <p>INTIME SPECTRUM REGISTRY LIMITED C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai- 400 078 Tel: +91 022- 25960320 Fax: +91 022- 25960328/29 Email: mfsl.ipo@intimespectrum.com Website: www.intimespectrum.com Contact Person: Mr. Sachin Achar</p>
BID/ISSUE PROGRAMME	
BID/ ISSUE OPENS ON [●]	BID/ ISSUE CLOSES ON [●]

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SECTION I - GENERAL

DEFINITIONS AND ABBREVIATIONS

Company Related Terms

Term	Description
“MFSL”, “Microsec”, “Issuer”, “the Company” and “our Company”	Unless the context otherwise indicates, refers to Microsec Financial Services Limited, a public limited company incorporated under the Companies Act, 1956.
“we”, “us” and “our”	Unless the context otherwise indicates or implies, refers to Microsec Financial Services Limited together with its Subsidiaries.
AOA/Articles/Articles of Association	The Articles of Association of MFSL, as amended from time to time.
Auditors	The statutory auditors of our Company, M/s Vidya & Co, Chartered Accountants.
Board/ Board of Directors/our Board	Board of Directors of MFSL.
Directors/our Directors	Directors of MFSL, unless otherwise specified.
Microsec Group	The Company and its Subsidiaries
MOA/ Memorandum/Memorandum of Association	The Memorandum of Association of MFSL, as amended from time to time.
MCap	Microsec Capital Limited.
MCL	Microsec Commerze Limited.
MIBL	Microsec Insurance Brokers Limited.
MTL	MIL Technologies Limited.
MRPL	Microsec Resources Pvt. Limited.
Registered Office/ our Registered Office	The registered office of our Company presently situated at “Shivam Chambers”, 1 st Floor, 53 Syed Amir Ali Avenue, Kolkata- 700 019, India.
Subsidiaries / our Subsidiaries	Microsec Capital Limited, MIL Technologies Limited, Microsec Resources Pvt. Limited, Microsec Insurance Brokers Limited, Microsec Commerze Limited.

Issue Related Terms

Term	Description
Allotment/Allot	Unless the context otherwise requires, the allotment and transfer of Equity Shares, pursuant to the Issue.
Allottee	The successful Bidder to whom the Equity Shares are/ have been issued.
Banker(s) to the Issue	[•].
Bid	An indication to make an offer during the Bidding Period by a prospective investor to subscribe to the Equity Shares of our Company at a price within the Price Band, including all revisions and modifications thereto.
Bid / Issue Closing Date	The date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in a Bengali daily, an English national newspaper and a Hindi national newspaper each with wide circulation.

Term	Description
Bid / Issue Opening Date	The date on which the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in a Bengali daily, an English national newspaper and a Hindi national newspaper each with wide circulation.
Bid Amount	The highest value of the optional Bids indicated in the Bid-cum-Application Form and payable by the Bidder on submission of the Bid in the Issue.
Bid-cum-Application Form	The form in terms of which the Bidder shall make an offer to subscribe to Equity Shares of our Company in terms of this Draft Red Herring Prospectus and the Bid-cum-Application Form.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid-cum-Application Form.
Bidding / Issue Period	The period between the Bid/ Issue Opening Date and the Bid/ Issue Closing Date (inclusive of both days) and during which prospective Bidders can submit their Bids including any revisions thereof.
Book Building Process/ Method	Book building route as provided in Chapter XI of the SEBI Guidelines, in terms of which this Issue is being made.
Book Running Lead /BRLM	Book Running Lead Manager to the Issue, in this case being SBI Capital Markets Limited.
CAN/ Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process, including any revision thereof.
Cap Price	The higher end of the Price Band, above which no Bids will be accepted.
Cut-off Price	Cut-off price refers to any price within the Price Band finalized by the Company in consultation with the BRLM. A Bid submitted at Cut-off is a valid Bid at all price levels within the Price Band. Only Retail Bidders and Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 are allowed to bid at the Cut-off price
Depositories Act	The Depositories Act, 1996 as amended from time to time.
Depository Participant/DP	A depository participant as defined under the Depositories Act.
Depository/Depositories	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time, in this case being NSDL and CDSL.
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account after the Prospectus is filed with the RoC, following which the Board of Directors shall Allot Equity Shares to successful Bidders.
Designated Stock Exchange	The Bombay Stock Exchange Limited.
Draft Red Herring Prospectus	This Draft Red Herring Prospectus, issued in accordance with Section 60B of the Companies Act and the SEBI Guidelines which does not contain, <i>inter alia</i> , complete particulars on the price at which the Equity Shares are offered and the size (in terms of value) of the Issue.

Term	Description
Eligible Employees	Means permanent employees or Directors of the Company (or its Subsidiaries), who are Indian nationals based in India and are physically present in India on the date of submission of the Bid-cum-Application form.
Employee Reservation Portion	That portion of Issue being a maximum of Rs 80 million available for allocation to Eligible Employees.
Eligible NRI	An NRI from such jurisdiction outside India where it is not unlawful to make an offer or invitation under the Issue and in relation to whom the Red Herring Prospectus constitutes an invitation to subscribe to the Issue.
Equity Shares	Equity shares of our Company of Rs. 10 each, unless otherwise specified in the context thereof.
Escrow Account	Account opened with the Escrow Collection Bank(s) for the Issue and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid.
Escrow Agreement	Agreement to be entered into by our Company, the Registrar, BRLM, the Syndicate and the Escrow Collection Bank(s) for collection of the Bid Amounts and where applicable, refunds of the amounts collected to the Bidders on the terms and conditions thereof.
Escrow Collection Bank(s)	The banks which are clearing members and registered with SEBI as Banker to the Issue with whom the Escrow Account will be opened, in this case being [●].
First Bidder	The Bidder whose name appears first in the Bid-cum-Application Form or Revision Form.
Floor Price	The lower end of the Price Band, below which no Bids will be accepted.
Issue	Public issue of [●] Equity Shares for cash at a price of Rs [●] per Equity Share including a share premium of Rs. [●] per Equity Share, aggregating Rs. 1600 million.
Issue Price	The price at which Equity Shares will be issued and Allotted in terms of the Red Herring Prospectus or the Prospectus, as determined by us in consultation with the BRLM.
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 10% to 100% of the Bid Amount, as applicable.
Mutual Fund	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996.
Mutual Fund Portion	5% of the QIB Portion or [●] Equity Shares aggregating Rs. [●] available for allocation to Mutual Funds only, out of the QIB Portion.
Net Issue	Issue less the Employee Reservation Portion
NEFT	National Electronic Fund Transfer Service.
Net Proceeds	The proceeds of the Issue, after deducting the Issue related expenses, which is estimated at Rs. [●].
Non Institutional Bidders	All Bidders that are not QIBs or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 100,000 (but not including NRIs other than eligible NRIs).
Non-Institutional Portion	The portion of the Net Issue being not less than [●] Equity Shares aggregating Rs. [●] available for allocation to Non-Institutional Bidders.

Term	Description
Pay-in Date	Bidding/ Issue Closing Date with respect to Bidders whose Margin Amount is 100% of the Bid Amount or the last date specified in the CAN sent to Bidders with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, as applicable.
Pay-in-Period	(a) With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date; and extending until the Bid/ Issue Closing Date; and (b) With respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date and extending until the closure of the Pay-in Date.
Price Band	Price band of a minimum price (floor of the price band) of Rs. [●] and the maximum price (cap of the price band) of Rs. [●] including any revisions thereof.
Pricing Date	The date on which we, in consultation with the BRLM, finalize the Issue Price.
Promoters/ our Promoters	Mr. Banwari Lal Mittal, Mr. Ravi Kant Sharma and Mr. Rakesh Sony.
Promoter Group/ our Promoter Group	Mrs. Abha Mittal, Mr. Prabhu Dayal Khaitan, Mrs. Sushila Devi Khaitan, Mrs. Bharati Sharma, Mrs. Kavita Sony and M/s Luv-Kush Projects Limited
Prospectus	The prospectus to be filed with the RoC in terms of Section 60 of the Companies Act, containing, inter alia, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information, and including any corrigendum thereof.
Public Issue Account	Account opened with the Bankers to the Issue to receive monies from the Escrow Account on the Designated Date.
QIB Margin Amount	An amount representing at least 10% of the Bid Amount, being the amount QIBs are required to pay at the time of submitting a Bid.
QIB Portion	The portion of the Net Issue being at least [●] Equity Shares aggregating Rs. [●] available for allocation to QIBs.
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIIs, scheduled commercial banks, mutual funds registered with SEBI, venture capital funds registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million.
Refund Banker(s)	[●].
Refunds through electronic transfer of funds	Refunds through ECS, Direct Credit or RTGS, as applicable.
Registrar to the Issue	Registrar to the Issue, in this case being Intime Spectrum Registry Limited.
Retail Individual Bidder(s)	Individual Bidders (including HUFs) who have not Bid for Equity Shares for an amount more than Rs. 1,00,000 in any of the Bidding options in the Issue (including HUF applying through their Karta and eligible NRIs).
Retail Portion	The portion of the Net Issue being not less than [●] Equity Shares aggregating Rs. [●] available for allocation to Retail Individual Bidder(s).
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price

Term	Description
	in any of their Bid-cum-Application Forms or any previous Revision Form(s).
RHP or Red Herring Prospectus	The red herring prospectus which will be filed with RoC in terms of Section 60B of the Companies Act, at least three days before the Bid/ Issue Opening Date, including any modifications or corrigenda thereto.
RTGS	Real Time Gross Settlement.
Stock Exchanges	BSE and NSE.
Syndicate Agreement	Agreement to be entered into between the Syndicate and our Company in relation to the collection of Bids in this Issue.
Syndicate Member(s)	Intermediaries registered with SEBI and eligible to act as underwriters. In this case [●] have been appointed as the Syndicate Members.
TRS/ Transaction Registration Slip	The slip or document issued by the Syndicate to the Bidder as proof of registration of the Bid.
Underwriters	The BRLM and the Syndicate Member(s).
Underwriting Agreement	The Agreement between the Underwriters and our Company to be entered into on or after the Pricing Date.

Conventional and General Terms/ Abbreviations

Term	Description
A/c	Account.
Companies Act	Companies Act, 1956, as amended from time to time.
AGM	Annual General Meeting.
AS	Accounting Standards issued by the Institute of Chartered Accountants of India.
AY	Assessment Year.
BSE	Bombay Stock Exchange Limited.
CAGR	Compounded Annual Growth Rate.
CDSL	Central Depository Services (India) Limited.
CEO	Chief Executive Officer.
CIO	Chief Investment Officer.
CIT	Commissioner of Income Tax.
CST	Commissioner of Service Tax.
DIPP	Department of Industrial Policy and Promotion, Ministry of Commerce, Government of India.
DP ID	Depository Participant's Identity.

Term	Description
DSE	Delhi Stock Exchange Limited.
DTA	Domestic Tariff Area.
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation.
ECS	Electronic Clearing Service.
EGM	Extraordinary General Meeting.
EPS	Earnings Per Share i.e., profit after tax for a Fiscal/period divided by the weighted average number of equity shares/potential equity shares during that Fiscal/period.
ESOP/ESOS	Employee Stock Option Scheme, 2007 of our Company
EU	European Union.
FDI	Foreign Direct Investment.
FEMA	Foreign Exchange Management Act, 1999 read with rules and regulations promulgated thereunder and any amendments thereto.
FEMA Regulations	Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 and amendments thereto.
FII(s)	Foreign Institutional Investors as defined under SEBI (Foreign Institutional Investor) Regulations, 1995 registered with SEBI under applicable laws in India.
FIPB	Foreign Investment Promotion Board.
FVCI	Foreign venture capital investor registered under the Securities and Exchange Board of India (Foreign Venture Capital Investor) Regulations, 2000.
FVCI Regulations	Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000, as amended from time to time.
Financial Year/ Fiscal/ FY	Period of twelve months ended March 31 of that particular year.
GDP	Gross Domestic Product.
GIR Number	General Index Registry Number.
GoI/Government	Government of India.
HUF	Hindu Undivided Family.
I.T. Act	The Income Tax Act, 1961, as amended from time to time.
IT Department	Income Tax Department.
IFRS	International Financial Reporting Standards.
Indian GAAP	Generally Accepted Accounting Principles in India.

Term	Description
IPO	Initial Public Offering.
IT	Information Technology.
LAS	Loan Against Shares
LIBOR	London Interbank Offered Rate.
Merchant Banker	Merchant banker as defined under the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992.
MOU	Memorandum of Understanding.
NA	Not Applicable.
NAV	Net Asset Value being paid up equity share capital plus free reserves (excluding reserves created out of revaluation, preference share capital and share application money) less deferred expenditure not written off (including miscellaneous expenses not written off) and debit balance of 'profit and loss account', divided by number of issued equity shares outstanding at the end of Fiscal.
NBFC	Non Banking Financial Company as defined under the Reserve Bank of India Act, 1934 and regulations promulgated thereunder, as amended from time to time.
NR	Non-resident.
NRE Account	Non Resident External Account.
NRI	Non Resident Indian, is a person resident outside India, as defined under FEMA and the FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.
NRO Account	Non Resident Ordinary Account.
NSDL	National Securities Depository Limited.
NSE	The National Stock Exchange of India Limited.
OCB	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Transfer or Issue of Foreign Security by a Person resident outside India) Regulations, 2000.
OTCEI	Over the Counter Exchange of India Limited.
P/E Ratio	Price/Earnings Ratio.
PAN	Permanent Account Number allotted under the Income Tax Act, 1961.
Portfolio Manager	A portfolio manager as defined under the Securities and Exchange Board of India (Portfolio Mangers) Regulations, 1993.
PGDBM	Post Graduate Diploma in Business Management.

Term	Description
PLR	Prime Lending Rate.
QIB	Qualified Institutional Buyer.
RBI	The Reserve Bank of India.
RoC	The Registrar of Companies.
RONW	Return on Net Worth.
Rs.	Indian Rupees.
SCRA	Securities Contracts (Regulation) Act, 1956, as amended from time to time.
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time.
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992.
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time.
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 as amended from time to time.
Sec.	Section.
SICA	The Sick Industrial Companies (Special Provisions) Act, 1985 and amendments thereto.
Takeover Code	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended from time to time.
US / USA	United States of America.
US GAAP	Generally Accepted Accounting Principles in the United States of America.
Venture Capital Funds/VCF	Venture capital funds as defined and registered with SEBI under the Securities and Exchange Board of India (Venture Capital Fund) Regulations, 1996, as amended from time to time.
VCF Regulations	Securities and Exchange Board of India (Venture Capital Fund) Regulations, 1996, as amended from time to time.
Working Days	All days except Saturday, Sunday and any public holiday.

Industry Related Terms

Term	Description
AMC	Asset management company as defined under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.
AMFI	Association of Mutual Funds in India.
F&O	Futures and Options.
FMC	Forward Markets Commission.

Term	Description
IP	Intellectual Property
IRDA	Insurance Regulatory and Development Authority.
IS	Information Systems.
IT	Information Technology.
MCX	Multi Commodity Exchange of India Limited.
NCDEX	National Commodity and Derivatives Exchange Limited.
Nifty	National Stock Exchange Sensitive Index.
NMCE	National Multi-Commodity Exchange of India Limited.
PMS	Portfolio Management Services.
SENSEX	Bombay Stock Exchange Sensitive Index.
STT	Securities Transaction Tax.
VSAT	Very Small Aperture Terminal.

CERTAIN CONVENTIONS; PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA

Financial Data

Historically, our Promoters conducted our business in separate companies. Our business is also carried on through our Subsidiaries. Unless stated otherwise, the financial data in this Draft Red Herring Prospectus is derived from our restated consolidated financial statements prepared in accordance with Indian GAAP and included in this Draft Red Herring Prospectus. Our financial year ends on March 31 of each year, so all references to a particular financial year are to the twelve months ending March 31 of that year. Our current financial year commenced on April 1, 2007 and will end on March 31, 2008. In this Draft Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding-off. There are significant differences between Indian GAAP, IFRS, and U.S. GAAP; accordingly, the degree to which the Indian GAAP financial statements included in this Draft Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Draft Red Herring Prospectus should accordingly be limited. We have not attempted to explain those differences or quantify their impact on the financial data included herein, and we urge you to consult your own advisors regarding such differences and their impact on our financial data.

We have set forth in this Draft Red Herring Prospectus the following financial statements:

- stand-alone financial statements of MFSL for Fiscals 2003, 2004, 2005, 2006, 2007 and the six-month period ended September 30, 2007, prepared in accordance with Indian GAAP and restated in accordance with SEBI Guidelines;
- stand-alone financial statements of MCap for Fiscals 2003, 2004, 2005, 2006, 2007 and the six-month period ended September 30, 2007, prepared in accordance with Indian GAAP and restated in accordance with SEBI Guidelines;
- stand-alone financial statements of MCL for Fiscals 2003, 2004, 2005, 2006, 2007 and the six-month period ended September 30, 2007, prepared in accordance with Indian GAAP and restated in accordance with SEBI Guidelines;
- stand-alone financial statements of MIBL for Fiscals 2003, 2004, 2005, 2006, 2007 and the six-month period ended September 30, 2007, prepared in accordance with Indian GAAP and restated in accordance with SEBI Guidelines;
- stand-alone financial statements of for MTL Fiscals 2003, 2004, 2005, 2006, 2007 and the six-month period ended September 30, 2007, prepared in accordance with Indian GAAP and restated in accordance with SEBI Guidelines.
- stand-alone financial statements of MRPL for Fiscal 2003, 2004, 2005, 2006 and 2007 and the six-month period ended September 30, 2007, prepared in accordance with Indian GAAP and restated in accordance with SEBI Guidelines; and
- consolidated financial statements of MFSL and its Subsidiaries, as applicable, for Fiscals 2006, 2007 and the six-month period ended September 30, 2007, prepared in accordance with Indian GAAP and restated in accordance with SEBI Guidelines;

This Draft Red Herring Prospectus does not contain a pro forma balance sheet or a pro forma income statement prepared in accordance with common practices in other jurisdictions, which would have shown the historical results of our operations assuming the restructurings had occurred at the beginning of the relevant reporting periods.

Unless otherwise specified or the context otherwise requires, all references to a particular "Fiscal year", "fiscal", "Fiscal", "FY" or "Financial Year" in this Draft Red Herring Prospectus are to the twelve months ended March 31 of that year.

Unless otherwise specified or the context otherwise requires, all references to "India" in this Draft Red Herring Prospectus are to the Republic of India, together with its territories and possessions; all references to the "US" or the "USA" or the "United States" or the "U.S." are to the United States of America, together with its territories and possessions; and all references to the "U.K." or the "United Kingdom" are to the United Kingdom of Great Britain and Northern Ireland, together with its territories and possessions.

In this Draft Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

There are significant differences between Indian GAAP and IFRS; accordingly, the degree to which the Indian GAAP financial statements (consolidated or stand-alone) included in this Draft Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices, Indian GAAP, the Companies Act and the SEBI Guidelines. Any reliance by persons not familiar with Indian accounting practices, Indian GAAP, the Companies Act and SEBI Guidelines on the financial disclosures presented in this Draft Red Herring Prospectus should accordingly be limited. The Company has not attempted to reconcile or quantify those differences or their impact on the financial data included herein, and the Company urges you to consult your own advisors regarding such differences and their impact on our financial data.

Currency of Presentation

All references to "Rupees" or "Rs." or "INR" are to Indian Rupees, the official currency of the Republic of India. All references to "\$", "US\$", "USD", "U.S.\$", "U.S. Dollar(s)" or "U.S. Dollar(s)" are to United States Dollars, the official currency of the United States of America.

This Draft Red Herring Prospectus contains translations of certain U.S. Dollar and other currency amounts into Indian Rupees (and certain Indian Rupee amounts into U.S. Dollars and other currency amounts). These have been presented solely to comply with the requirements of Clause 6.9.7.1 of the SEBI Guidelines. These translations should not be construed as a representation that such Indian Rupee or U.S. Dollar or other amounts could have been, or could be, converted into Indian Rupees, at any particular rate, or at all.

Industry and Market Data

For definitions, please see "Definitions and Abbreviations" on page i of this Draft Red Herring Prospectus. Unless stated otherwise, industry data used throughout this Draft Red Herring Prospectus has been obtained from industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe that industry data used in this Draft Red Herring Prospectus is reliable, it has not been independently verified.

Further, the extent to which the market data presented in this Draft Red Herring Prospectus is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data and methodologies and assumptions may vary widely among different industry sources.

FORWARD-LOOKING STATEMENTS

This Draft Red Herring Prospectus contains certain “forward looking statements”. These forward looking statements can generally be identified by words or phrases such as “will”, “aim”, “will likely result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “will pursue” and similar expressions or variations of such expressions.

Similarly, statements that describe our objectives, strategies, plans or goals are also forward-looking statements. All forward looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement.

Important factors that could cause actual results to differ materially from the Company’s expectations include, among others:

- **Competitive environment:**

Our future results of operations will be affected by changes in the competitive environment. The degree to which competitive changes will affect us depends on the number and size of competitors, their approach to revenue structures and their hiring policies, including compensation levels for advisory and sales professionals.

- **Financial market trends:**

Our services are largely driven by trends in the financial markets. The current favourable business environment may not continue indefinitely. In the event of a market downturn, our businesses could be materially adversely affected in significant ways. Additionally, we are continually exposed to market volatility arising out of currency and interest rate fluctuations in major economic blocks of the world. We also face the geo-political risks arising from war situations or near war situations especially in Asia.

- **Changes in Indian political or economic conditions:**

Any event which has a significant impact on the economic and political situation in India could lead to a change in investor confidence and the level of investment and trading in securities, thereby affecting our revenues and costs.

- **Changes in government policies and regulation:**

The financial services industry in India and overseas is subject to extensive regulation by governmental and self-regulatory organizations. Changes to government and other regulatory policies could require changes to our systems and business operations and could involve additional costs and management time.

For further discussion of factors that could cause our actual results to differ, see the sections “Risk Factors”, “Our Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” beginning on pages xiii, 48 and 172, respectively. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated.

Neither we, our Directors and officers, Underwriter(s), nor any of their respective affiliates or associates has any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company and the BRLM will ensure that investors in India are informed of material developments until such time as the grant of final listing and trading permission by the Stock Exchanges for the Equity Shares allotted pursuant to the Issue.

SECTION II- RISK FACTORS

An investment in our Equity Shares involves a high degree of risk. You should carefully consider all of the information in this Draft Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. These risks and uncertainties are not the only issues that we face; additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also have a material adverse effect on our financial condition or business success. Any potential investor in, and purchaser of, the Equity Shares should also pay particular attention to the fact that we are governed in India by a legal and regulatory environment which in some material respects may be different from that which prevails in other countries. If any of the following risks or a combination of these risks (which have been quantified to the extent possible) materialise, our business, financial condition and results of operations could suffer, the trading price of our Equity Shares could decline and you may lose all or part of your investment in the Equity Shares.

In this section, any reference to “we”, “us”, “our” or “the Company” refers to Microsec Financial Services Limited on a consolidated basis.

INTERNAL RISK FACTORS

1. We have been penalised / have received several notices from the SEBI, National Stock Exchange of India Limited (NSE), National Securities Depository Limited (NSDL), National Commodity and Derivatives Exchange Limited (NCDEX) and Multi Commodity Exchange of India Limited (MCX)

We have received notices from SEBI for not exercising proper due diligence as a merchant banker and the NSE for various non-compliances including for certain alleged violations related to trading in the capital market and the futures and options segment. Further, we have received a number of letters from the NSDL inter alia for alleged lapses pertaining to opening of accounts and non-submission of internal reports. The NSDL has also levied penalties for entering incorrect PAN numbers aggregating approximately Rs. 38,000. The NCDEX has also issued letters including for incomplete client registration forms and has levied penalties aggregating approximately Rs. 19,000. MCX has also issued several letters imposing penalties for client code modifications and general non-compliances aggregating approximately Rs. 30,000. For further details, please see section titled “Outstanding litigation and material developments” on page 184 of this DRHP.

2. We are subject to extensive securities regulation and any failure to comply with these regulations could subject us to penalties or sanctions.

The securities market and our business are subject to extensive regulation including by the SEBI, the Reserve Bank of India (RBI), the Forward Markets Commission (FMC) and other governmental regulatory authorities. Additionally, we are also regulated by industry self-regulatory organizations, including the Stock Exchanges, the Commodities Exchanges. The regulatory environment in which we operate is also subject to change and we may be adversely affected as a result of new or revised legislation or regulations imposed by the SEBI, other governmental regulatory authorities or self-regulatory organizations. We may also be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organisations. Our subsidiary, MCap, is registered with the SEBI as a stockbroker and is a member of the BSE and the NSE. As such, brokers are subject to regulations which cover all aspects of the securities business, including sales methods and supervision; trading practices among broker-dealers and the conduct of directors, officers and employees of broker-dealers.

Compliance with many of the regulations applicable to us involves a number of risks, particularly in areas where applicable regulations may be subject to varying interpretation. The requirements imposed by securities regulators are designed to ensure the integrity of the financial markets and to protect customers and other third parties who deal with us. Consequently, these regulations often serve to limit our activities, including through capital adequacy, credit concentration and market conduct requirements. If we are found to have violated an applicable regulation, administrative or judicial proceedings may be initiated against us that may result in trading bans, censures, fines, deregistration or suspension of our brokerage activities, the suspension or disqualification of our officers or employees, or other adverse consequences. The imposition of any of these or other penalties could have a material adverse effect on our business, reputation, financial condition and results of operations.

We also are subject generally to changes in Indian law, as well as to changes in regulations and accounting principles. There can be no assurance that the laws governing the Indian financial services sector will not change in the future or that such changes would not adversely affect our business and future financial performance.

3. We require certain regulatory approvals and periodical renewals for conducting our business and failure to obtain or retain them in a timely manner, or at all, may adversely affect our operations.

We require certain approvals, licenses, registrations and permissions under various regulations, guidelines, circulars and statutes regulated by authorities such as the SEBI, the RBI, the Stock Exchanges, the FMC and certain other regulatory and government authorities, for operating our business. In particular, we are required to obtain a certificate of registration for carrying on each of our business activities from SEBI and other such regulatory authorities that are subject to numerous conditions. If we fail to maintain such registrations and licenses or to comply with applicable conditions of such licenses, or a regulator claims we have not complied with such conditions, our certificate of registration for carrying on a particular activity may be suspended and/or cancelled and we will not then be able to carry on such activity. This will materially and adversely affect our business, financial condition and results of operations.

We cannot assure you that we will be able to obtain approvals in respect of any application made by us in the future, in a timely manner or at all. For further details, please see section entitled “Regulations and Policies in India” and “Government and Other Approvals” at pages 56 and 188, respectively.

4. Our operations are significantly concentrated in the eastern and north eastern region, and failure to expand our operations may restrict our growth and adversely affect our business.

Historically, our operations have been focused on the eastern and north eastern regions of the country. Accordingly, a very substantial part of our revenues are generated from operations in eastern and north-east India. Our eastern and north eastern operations in the equity broking division have contributed 100%, and 96.1% to our total income in Fiscal 2006 and 2007, respectively.

However, we believe that future growth in business and revenues will be achieved through a pan-India footprint. Towards this end we have already established some branches in other regions such as Mumbai, Nasik, Pune, Delhi, Varanasi, and Srinagar. Failure to expand our operations either through branches or business associates or otherwise may restrict our growth potential and adversely affect our business plan. This will adversely affect our business operations and our growth of our business.

5. Our funding requirements and the deployment of the Net Proceeds are based on management estimates and may be revised from time to time, which may adversely affect our results of operations.

Our funding requirements and the deployment of the Net Proceeds are based on management estimates and have not been appraised by any bank, financial institution or any other independent institution. Substantial part of the funds raised through this Issue is proposed to be used for the financing activities of the Company. In Fiscal 2007, the financing activity contributed approximately 15% of our stand-alone revenues, but since this activity is fairly recent (one year), our results may differ substantially going forward. Further, in view of the highly competitive nature of the industry in which we operate, we may revise our management estimates from time to time and consequently our funding requirements may also change. This may result in the rescheduling of our funds deployment and a change in our proposed expenditure for a particular object which may adversely affect our results of operations.

6. We have no trademark / copyright protection for the trade name “Microsec” or the “Microsec” logo yet, as the application for registration of trademark made by MCap is pending till date.

We have filed applications with the concerned registry for trade mark and copyright registration of various product names that we use in our business under various classes. Most of these applications are pending as of the date of this Draft Red Herring Prospectus. Additionally, all our applications are made through our Subsidiaries. We have, through our subsidiary MCap, also filed an application for registration of the trademark “Microsec”, which is pending. We operate in a competitive environment where generating and maintaining brand recognition is a significant element of our business strategy. If we fail to obtain or enforce our trademark on our trade name and / or logo or if we are restricted from using the same, we may be required to amend or change our trade logo. Any such change could have a material adverse effect on our business, results of operations, financial condition and prospects.

7. Our risk management policies and procedures may leave us exposed to unidentified risks or unanticipated levels of risk.

We have established a variety of separate but complementary financial, credit, operational, compliance and legal reporting systems based on mandatory regulatory requirements as well as our business needs. However, the policies and procedures we employ to identify, monitor and manage risks may not be fully effective. Our risk management systems are based inter alia on the use of observed historical market behaviour, information regarding clients, monitoring of trading and extrapolation therefrom. Consequently, these methods may not predict future risk exposures, which could be significantly greater than what the historical measures indicate. Further, the information available to us may not be accurate, complete, up-to-date or properly evaluated. The effectiveness, therefore, of our ability to manage risk exposure cannot be completely or accurately predicted or fully assured. Illustratively, unexpectedly large or rapid movements or disruptions in one or more markets or other unforeseen developments could have a material adverse effect on our results of operations and financial condition.

Management of operational, legal and regulatory risk requires, among other things, policies and procedures to properly record and verify a large number of transactions and events. There can be no assurance that our policies and procedures will effectively and accurately record and verify this information. Failure of our risk management systems or exposure to unanticipated risks could lead to losses due to adverse changes in inventory values, decrease in the liquidity of trading positions, higher volatility in earnings, increase in our credit risk to customers as well as to third parties and increase in general systemic risk.

8. We face risks associated with providing loans against shares (LAS) in our lending business.

We are presently involved in providing LAS and propose to continue the LAS operations. As such, a substantial part of the Issue Proceeds is being ear-marked towards expanding our financing operations. We require our clients to deposit a minimum initial margin, and if our clients are unable to pay the balance amount to us before the pay-in date, we, at times, extend significant credit to clients at specified interest rates for the purchase of shares. In the case of highly volatile market or adverse movements in share price, it is possible that our clients may not be able to repay this debt. Failure to repay the debt for the aforementioned reasons or otherwise, would be detrimental to our business and profitability. We follow internal risk management guidelines while extending credit, including limits on leverage, quality of collateral, diversification, pre-determined margin call thresholds and pre-determined thresholds to liquidate collateral. These risk management guidelines require frequent reviews and updations, and at times may be inadequate. However, we are subject to risks inherent in extending credit, particularly during periods of rapidly declining markets in which the value of the collateral held by us could fall significantly below the client's indebtedness. In addition, there may be risk due to concentration of exposure(s) to a few clients. The occurrence of an unforeseen event of magnitude resulting in an adverse movement in share prices could severely impact our business if we are unable to successfully limit our losses caused by bad debts.

9. We have obtained short term credit facilities amounting to approximately Rs. 80 million from IL&FS Ltd which are repayable on demand. Our profitability will be adversely affected if we have to repay any or all of these facilities on demand.

We have been sanctioned credit facilities of Rs. 10 million, 30 million and 40 million from IL&FS Ltd. against the pledge of certain securities owned by us. Each of these facilities has a term of 6 months from the date of first disbursement and is repayable on demand. As of January 28, 2008, we had availed of a total of Rs. 78,054,043 under these facilities. If we are required to repay any or all of these facilities, our profitability will be adversely affected. Further, on the occurrence of an event of default, any enforcement by IL&FS Ltd. of the pledges created over the securities owned by us may adversely affect our operations and profitability.

10. We could be exposed to risks arising from fraud and trading errors.

We are engaged in a sector where our employees are authorised to execute trades on behalf of our clients. Frauds or other delinquencies by employees could include indulging in transactions that exceed authorized limits or present unacceptable risks to us; hiding unauthorized or unsuccessful trading activities from us; or the improper use of confidential information. Such misconduct could result in unacceptable business risks, losses, invite regulatory sanctions and seriously harm our reputation and could even lead to litigation. Furthermore, while our business associates work under our general supervision and control, each business associate is typically managed by an independent entrepreneur and not by us. We have significantly less control over the activities of our business associates than over our employees and the precautions we take to prevent and detect these activities may not be effective. Any delinquencies or trading errors on the part of our employees or business associates could materially affect our business operations, financial position and/or reputation.

11. We are exposed to risks attributable to derivatives trading by clients.

We offer our clients the facility to trade in derivative instruments in the commodities and securities markets, as currently permitted in India. Since these derivative instruments involve taking leveraged positions on the underlying assets, these are more risky to deal with compared to the other financial instruments. Our Subsidiaries are exposed to greater risk in dealing with derivative instruments since they deal with such instruments on behalf of their clients. We may face financial losses if our Subsidiaries fail to manage risks associated with their clients' dealings in derivative instruments, particularly due to price and market volatility.

12. Commodity futures trading may be illiquid. In addition, reduction in commodities volumes or suspensions/disruptions of market trading in the commodities markets and related futures markets may adversely affect our commodities brokerage business.

The commodity futures markets are subject to temporary distortions or other disruptions due to various factors, including the lack of liquidity, congestion, disorderly markets, limitations on deliverable supplies, strikes by transporters, the participation of speculators, government regulation and intervention, technical and operational or system failures, nuclear accident, terrorism, riots and natural catastrophes. In addition, commodity exchanges, including the MCX, NCDEX and NMCE are relatively new and have regulations that limit the amount of fluctuation in futures contract prices that may occur during a single business day. Limit prices may have the effect of precluding trading in a particular contract or forcing the liquidation of contracts at disadvantageous times or prices, consequently affecting the value of the commodities traded and the results and operations of our Company. Further, changes in the public policy due to change in the government or a major fluctuation in the commodity supply and demand may lead to adverse changes in the guidelines and / or contract governing the commodity futures market. Also, a decline in overall volumes in commodities would affect the future growth of revenues from our commodities business.

13. We are subject to uncertainties associated with the securities market and to fluctuating revenues.

As a financial services company, we are subject to uncertainties that are common in the securities industry. These include the volatility of domestic and international financial, bond and stock markets; extensive governmental regulation; litigation; intense competition; substantial fluctuations in the volume and price level of securities; and dependence on the solvency of various third parties. As a result, our revenues and earnings may vary significantly from quarter to quarter and from year to year. In periods of low trading volume, profitability is impaired because certain expenses remain relatively fixed. We are much smaller and have much less capital than many competitors in the securities industry and our revenues are likely to decline in such circumstances. If we are unable to correspondingly reduce expenses, our profit margins would erode. In addition, we have investments in venture capital funds, mutual funds and other investments, which may be subject to erosion in value due to adverse market movements.

14. Downturns or disruptions in the securities markets could reduce transaction volumes, causing a decline in our business and impacting our profitability.

Our business is materially affected by conditions in the financial markets and economic conditions generally, both in India and elsewhere in the world. Many factors or events could lead to a downturn in the financial markets including war, acts of terrorism, natural catastrophes and sudden changes in economic and financial policies. Any such events could affect confidence in the financial markets and lead to a decline in the investor interest. The capital markets are the primary source of our revenue, particularly through our investment banking activities and although we are attempting to diversify our revenue sources, we expect this business to continue to account for a significant portion of our revenues in the foreseeable future. Capital markets are exposed to additional risks, including liquidity, interest rate and foreign exchange related risks. Any downturn or disruption in the securities markets and the capital markets including a decline in the numbers and size of transactions would result in a material adverse effect on our results of operations.

15. Substantial part of our income may be of non-recurring nature.

Our historical financial statements may have included profits or gains on account of security profits, or fees determinable based on security profits. These profits might have arisen due to upswing in the capital market, and may not recur in the future. Hence, our past profits may not provide a basis for assessing or forecasting our future performance.

16. Our business is dependent on systems and operations availability and any interruptions in our transaction systems could lead to decline in our sales and profits.

We are dependent on our technology systems to perform the critical function of gathering, processing and communicating information efficiently, securely and without interruptions. We face risks arising from failures in our systems control processes or technology systems on which our ability to manage our business depends. Additionally, rapid increases in client demand may

strain our ability to enhance our technology and expand our operating capacity. At the core of our on-line trading system is an application based on very small aperture terminals (“VSAT”), which has a direct connection with the NSE and allows investors to trade securities on-line. The VSAT-based network allows us to provide investors with real-time market data such as streaming quotes from each market due to better connectivity. A breakdown or interruption in the Indian domestic satellite system could have a material adverse effect on our business and client base.

Our operations are highly dependent on the integrity of our technology systems and our success depends, in part, on our ability to make timely enhancements and additions to our technology in anticipation of client demands. To the extent we experience system interruptions, errors or downtime (which could result from a variety of causes, including changes in client use patterns, technological failure, changes to systems, linkages with third-party systems, and equipment and power failures), our business and operations could be significantly impacted. While we maintain back up of all records at our various offices in Kolkata, any unforeseen events or circumstances beyond our control at these offices could result in loss of data and records and adversely affect our results of operations. Though we have data backup systems located in our Kolkata and Mumbai offices, we are still substantially exposed to risks in case of natural or man-made disasters.

17. Security breaches could adversely impact our business.

We seek to protect our computer systems and network infrastructure from physical break-ins as well as security breaches and other disruptive problems caused by our increased internet connectivity. We employ security systems, including firewalls designed to minimize the risk of security breaches but there can be no assurance that these security measures will be successful. Breaches of our security measures could affect the security of information stored in and transmitted through these computer systems and network infrastructure. A failure in security measures could have a material adverse effect on our business and our future financial performance.

18. We are the investment advisor of a venture capital fund that may expose us to risk on claims on account of negligence, breach of trust or regulatory risks.

MFSL is the investment advisor of a venture capital fund. We derive substantial revenues from such investment advisory activities. In the six month period ended September 30, 2007, we derived an income of Rs. 25.64 million. As investments by the venture capital fund are based on the advice of MFSL, liabilities / claims may arise on account of alleged incorrect advice or negligence. Further, SEBI may bring in regulations on investment advisors that may impair or affect our ability to continue such advisory activity.

19. We face risks associated with potential acquisitions, investments, strategic partnerships or other ventures that could adversely affect our results of operations.

We propose to pursue strategic acquisition opportunities to enhance our capabilities and to capitalise on specific industry opportunities. Towards this end, we may acquire or make investments in complementary businesses, technology, services or products or enter into strategic partnerships with parties who can provide access to those assets, if appropriate opportunities arise. The general trend towards consolidation in the brokerage services industry increases the importance of our ability to successfully complete such acquisitions and investments. While acquisitions are not a pre-requisite for our future growth, inability to identify suitable acquisition targets, investment or strategic partnership or complete those transactions on commercially acceptable terms or at all, may affect our growth prospects. In the event we acquire another company, we may face difficulties in integrating the operations including the personnel, technology and software. In addition, the key personnel of the acquired company may decide not to work for us. In the event that we are unable to successfully integrate new acquisitions, we may need to invest heavily in the reorganization of our operations, which may lead to lower operating profits. Any of the foregoing could have a material adverse effect on our business, results of operations, financial condition and prospects.

20. Our insurance coverage may not adequately protect us against certain operating hazards and this may have an adverse effect on our business.

In compliance with requirements of the Indian stock exchanges, we maintain stock brokers’ indemnity policies that provide coverage against incomplete transactions and cyber crimes. In addition, we maintain voluntary insurance coverage against general risks. There can be no assurance that any claim under the insurance policies maintained by us will be honoured fully, in part or on time. To the extent that we suffer any loss or damage that is not covered by insurance or exceeds our insurance coverage, our results of operations and cash flow could be adversely affected. Further, the Company does not maintain business interruption insurance and Directors’ liability insurance.

Further, we are exposed to potential liability risks that are inherent in the provision of financial services. Such liabilities may exceed our available insurance coverage or arise from claims outside the scope of our insurance coverage. If our arrangements for insurance or indemnification are not adequate to cover claims, including in the case of claims exceeding policy aggregate limitations or exceeding the resources of the indemnifying party, we may be required to make substantial payments and our financial condition and results of operations may be adversely affected.

21. Our inability to attract and retain skilled personnel and significant competition for professional employees could adversely affect our business.

We are a professionally managed company and are governed by our Board of Directors. We have, over time, built a strong team of experienced professionals to oversee the operations and growth of our businesses. We operate in a sector wherein professionals with diverse expertise are required and our ability to meet future business challenges depends on our ability to attract and recruit skilled personnel for our operations, and we face strong competition to recruit and retain skilled and professionally qualified staff. The loss of key personnel, particularly a senior professional or any inability to manage the attrition levels in different employee categories could adversely impact our business, growth plans and control over various business functions.

22. We may require additional funds to satisfy our capital needs, which we may not be able to procure.

Our growth is dependent on our having a strong balance sheet to support our activities. We may need to raise additional capital from time to time, which we may not be able to procure. Additional capital requirements imposed due to changes in the regulatory regime, new guidelines or significant depletion in our existing capital base due to unusual operating losses or margin pressure from our securities-backed lending activities also may drive demand for additional financing. We may make further equity offerings in the future and any fresh issue of shares or convertible securities would dilute existing holdings. Moreover, additional funds may not be available on attractive terms and conditions, or at all. Our inability to procure additional funds to support our activities could have an adverse effect on our results of operations.

23. Any inability to manage our recent rapid growth could adversely affect our business and financial results.

Our consolidated revenues have grown from Rs. 125.70 million in Fiscal 2006 to Rs. 185.92 million in Fiscal 2007, at a CAGR of 47.91%. For the period ending September 30, 2007, our revenues grew at a rate of 97.30%. There can be no assurance that comparable levels of growth will continue, particularly in view of the non-recurring nature of certain income items. We may not be able to execute our strategy of increasing our client base in the future as well as effectively service our clients' requirements at the same level as before. Any failure on our part to scale our infrastructure, financial control and management capabilities to meet the challenges of rapid growth could adversely affect our business and financial results and could be detrimental to our long-term business outlook and reputation.

24. We may not be able to carry on our lending and investment activities beyond a regulatory limit.

We are presently not a systemically important NBFC as per the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, dated July 1, 2007. However, in terms of the said guidelines, an NBFC which has total assets of Rs. 100 crores or more as shown in the last audited balance sheet is classified as systemically important non deposit taking NBFC. After the Issue but before the balance sheet for the year ended March 31, 2009 is audited, our asset base will exceed Rs. 100 crores. The said guidelines restrict a systemically important NBFC from investing in excess of 15% and 25% of its owned funds (as defined in the said guidelines) in the shares of a company and the shares of a single group of companies, respectively. Similarly, the guidelines also restrict a systemically important NBFC from lending in excess of 15% and 25% of its owned funds in a single company and a single group of companies, respectively. Consequently, we may be required to apply to the RBI for an exemption from the aforementioned ceilings. In the event that we do not obtain the exemption from RBI, we will not be able to carry on our lending and investment activities beyond those maximum permissible regulatory limits.

25. We may operate on leased premises and we may lose possession of leased properties and related buildings and other improvements. Further, our Registered Office is also mortgaged in favour of lenders of MCap.

We propose to substantially expand our business. While presently we operate from owned properties, on increasing the scale of our operations, we may in the future enter into lease agreements. Any adverse impact on the title, ownership rights and/or development rights of the owners from whose premises we operate, or breaches of the contractual terms of such lease agreements

and/or leave and license agreements including delay in payment of annual rent, usage of the property other than for the purpose for which it was allotted, or transfer or assignment of land without prior consent of the lessor, may impede our operations. In the event such leases or licenses are not renewed, our operations and in turn profitability will be adversely impacted. Similarly, in case the mortgage security created over our Registered Office is enforced by MCap's lenders, our operations may be severely impeded.

26. Our contingent liabilities could adversely affect our financial condition.

Our contingent liabilities not provided for and outstanding guarantees as of September 30, 2007 (as disclosed in our financial statements) include:

Particulars	(Rs. in million)		
	Six-month period ended September 30, 2007	Fiscal 2007	Fiscal 2006
Corporate guarantee given to HDFC Bank by MFSL for credit facilities provided to MCap for Rs. 100.00 million.	100.00	60.00	-
Counter guarantee given to HDFC Bank by MCL for guarantee provided by bank to NCDEX & MCX on behalf of MCL.	5.00	5.00	5.00
MCap has provided counter guarantee to HDFC Bank for guarantee provided by bank to MCX & NCDEX in respect of MCL	5.00	5.00	5.00
MCap has provided counter guarantee to HDFC Bank for guarantee provided by the bank to National Security Clearing Corporation Ltd on behalf of MCap.	7.50	7.50	7.50
MCap has provided counter guarantee to United Bank of India for guarantee provided by the bank to National Security Clearing Corporation Ltd on behalf of MCap	5.00	5.00	5.00
MCap has provided counter guarantee to HDFC Bank for guarantee provided by the bank to Bombay Stock Exchange on behalf of MCap	2.50	2.50	2.50
MCap has provided counter guarantee to HDFC Bank for guarantee provided by the bank to Bombay Stock Exchange on behalf of MCap	5.00	-	-
MCap has provided counter guarantee to HDFC Bank for guarantee provided by the bank to Bombay Stock Exchange on behalf of MCap	2.50	-	-
MIBL has pledged HUDCO Bonds with HDFC Bank for providing credit facilities to MCap for Rs. 1.20 millions	1.20	1.20	-
Total	133.70	86.20	25.00

It is possible that one or more of these contingent liabilities will arise. Such occurrence could have a material adverse impact on our business, results of operations financial condition and prospects. For further details, please see section entitled "Financial Statements" at page 98.

27. Certain portion of the proceeds from this issue will be used to fund our subsidiaries.

As per our objects of the issue, out of the amount being raised for purpose of augmentation of long term working capital requirement, certain amount would be invested in our subsidiaries. Also, amount towards establishment of additional offices and acquisition of office infrastructure is being raised exclusively for our subsidiary, MCap. We cannot guarantee returns in the form of dividends from these investments in our subsidiaries. For further details, please see our section entitled "Objects of the Issue" on page 28.

28. In the last year, we have issued Equity Shares at a price less than the Issue Price.

The Price Band for the Issue is Rs. [●] to Rs. [●]. The Issue Price is expected to be determined by us in consultation with the BRLM on the Pricing Date. We have issued Equity Shares in the last 12 months which are at a price which are less than the issue price. Details of such issuances are set out below:

Date of allotment of the Equity Shares	No. of Equity Shares	Issue Price (Rs.)	Nature of Payment	Reasons for allotment
December 18, 2007	5,700,000	10	-	Bonus Shares
December 31, 2007	2,625,000	30	Cash	Preferential allotment
	280,000	75	Cash	Preferential Allotment
	1,660,500	125	Cash	Preferential Allotment
	45,000	126	Cash	Preferential Allotment

Some or all of the above stated issuances may be at a price that may be lower than the Issue Price. For further details, please see section entitled “Capital Structure” at page 13.

29. The Promoters will continue to hold a majority of post-Issue paid-up capital and can therefore determine the outcome of shareholder voting and influence our operations.

Subsequent to the completion of the Issue, our Promoters will own an aggregate of [●]% of our issued and paid-up Equity Share capital. They will, therefore, be able to exercise a significant degree of influence over us and will be able to control the outcome of any proposal that can be passed with a majority shareholder vote. This will include the ability to appoint directors to our Board and the right to approve significant actions at Board and at shareholders’ meetings, including the issue of Equity Shares and dividend payments, business plans, mergers and acquisitions, any consolidation or joint venture, any amendment to our Memorandum and Articles of Association

Our Promoters will also be able to cause us to take actions that are not in, or may conflict with, our interests and/or the interests of our minority shareholders, and there can be no assurance that such actions will not have an adverse effect on our business operations, financial performance and the price of our Equity Shares.

For further details, please see section entitled “Capital Structure” at page 13.

30. Exercise of options granted under our ESOP will result in dilution of investor shareholding.

Our Board has, at its meeting held on September 3, 2007, approved an employee stock option scheme (“ESOP”) for the grant of options not exceeding 700,000 Equity Shares following the issue and Allotment of Equity Shares pursuant to this Issue. The issue of options under the ESOP has also been approved by the Members at the Annual General Meeting held on September 28, 2007 and the exercise of such options will result in dilution of investor shareholding to the extent of options exercised.

EXTERNAL RISK FACTORS

31. Intense competition from existing and new entities may adversely affect our revenues and profitability.

We face significant competition from companies seeking to attract clients’ financial assets, including traditional and online brokerage firms, mutual fund companies and institutional players, having wide presence and a strong brand name. As we enter newer markets and launch new products and services, we are likely to face additional competition from those who may be better capitalized, have longer operating history, have greater retail and brand presence, and better management than us. If we are unable to manage our business it might impede our competitive position and profitability.

The financial services industry is rapidly evolving, intensely competitive and has few barriers to entry. We expect competition to continue and intensify in the future. Many of our competitors have significantly greater financial, technical, marketing and other resources than we do. Some of our competitors also offer a wider range of services and financial products than we do and have greater name recognition and a larger client base. These competitors may be able to respond more quickly to new or changing opportunities, technologies and client requirements. They may also be able to undertake more extensive promotional activities, offer more attractive terms to clients, and adopt more aggressive pricing policies. We may not be able to compete effectively with current or future competitors and competitive pressures faced by us may harm our business.

32. Our performance is linked to the stability of policies and the political situation in India.

The role of the Indian central and state governments in the Indian economy has remained significant over the years. Since 1991, the Government has pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. There can be no assurance that these liberalization policies will continue in the future. The rate of economic liberalisation could change, and specific laws and policies affecting financial services companies, foreign investment, currency exchange rates and other matters affecting investments in Indian companies could change as well. A significant change in India's economic liberalization and deregulation policies could disrupt business and economic conditions in India, thus affecting our business. The current Government is a coalition of several parties. The withdrawal of one or more of these parties could result in political instability. Any political instability could delay the reform of the Indian economy, which could materially adversely impact our business.

33. Terrorist attacks or war or conflicts involving countries in which we operate or where our customers are located could adversely affect the financial markets and adversely affect our business.

Terrorist attacks and other acts of violence, war or conflicts, particularly those involving India, as well as the U.S. and the EU, may adversely affect Indian and worldwide financial markets. Such acts may negatively impact business sentiment, which could adversely affect our business and profitability. India has from time to time experienced, and continues to experience, social and civil unrest, terrorist attacks and hostilities with neighbouring countries. Also, some of India's neighbouring countries have experienced, or are currently experiencing internal unrest. Such social or civil unrest or hostilities could disrupt communications and adversely affect the economy of such countries. Such events could also create a perception that investments in companies such as ours involve a higher degree of risk than investments in companies in other countries. This, in turn, could have a material adverse effect on the market for securities of such companies, including our Equity Shares. The consequences of any armed conflicts are unpredictable, and we may not be able to foresee events that could have an adverse effect on our business.

34. Natural calamities could have a negative impact on the Indian and other economies and harm our business.

India, Bangladesh, Indonesia and other Asian countries have experienced natural calamities such as earthquakes, floods, droughts and a tsunami in recent years. Some of these countries have also experienced pandemics, including the outbreak of avian flu. The extent and severity of these natural disasters and pandemics determines their impact on these economies. Prolonged spells of abnormal weather and other natural calamities could have an adverse impact on the economies in which we have operations, which could adversely affect our business and the price of our Equity Shares.

35. We will need final listing and trading approvals of the BSE and the NSE before trading commences.

The Equity Shares are new issues of securities for which there is currently no trading market. Our Company has received the in-principle approval of the NSE and the BSE for the listing of our Equity Shares pursuant to their letters dated [●] and [●], respectively and will apply to the Stock Exchanges for final listing and trading approvals after the Allotment of the Equity Shares in the Issue. There can be no assurance that we will receive such approvals on time or at all. Also, no assurance can be given that an active trading market for the Equity Shares will develop or as to the liquidity or sustainability of any such market, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which shareholders will be able to sell their Equity Shares. If an active market for the Equity Shares fails to develop or be sustained, the trading price of the Equity Shares could fall. If an active trading market were to develop, the Equity Shares could trade at prices that may be lower than their initial offering price.

36. Fluctuations in operating results and other factors may result in decreases in our Equity Share price.

Stock markets have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our Equity Shares. There may be significant volatility in the market price of our Equity Shares. If we are unable to operate profitably or as profitably as we have in the past, investors could sell our Equity Shares when it becomes apparent that the expectations of the market may not be realized, resulting in a decrease in the market price of our Equity Shares.

In addition to our operating results, the operating results of other financial services companies, changes in financial estimates or recommendations by analysts, governmental investigations and litigation, speculation in the press or investment community, the possible effects of a war, terrorist and other hostilities, adverse weather conditions, changes in general conditions in the economy or the financial markets, or other developments affecting the financial services industry, could cause the market price of our Equity Shares to fluctuate substantially.

37. Currency exchange rate fluctuations may affect the value of the Equity Shares.

The exchange rate between the Indian Rupee and the U.S. Dollar has changed substantially in recent years and may fluctuate substantially in the future. Fluctuations in the exchange rate between the U.S. Dollar and the Rupee may affect the value of your investment in our Equity Shares. Specifically, if there is a change in relative value of the Rupee to the U.S. Dollar, each of the following values will also be affected:

- The U.S. Dollar equivalent of the Indian Rupee trading price of our Equity Shares in India;
- The U.S. Dollar equivalent of the proceeds that you would receive upon the sale in India of any of our Equity Shares; and
- The U.S. Dollar equivalent of cash dividends, if any, on our Equity Shares, which will be paid only in Indian Rupees.

You may be unable to convert Rupee proceeds into U.S. Dollars or any other currency or the rate at which any such conversion could occur could fluctuate. In addition, our market valuation could be seriously harmed by the devaluation of the Rupee if U.S. investors analyze our value based on the U.S. Dollar equivalent of our financial condition and results of operations.

38. You will not be able to sell immediately on an Indian Stock Exchange any of the Equity Shares you purchase in the Issue.

Under the SEBI Guidelines, our Company is permitted to Allot Equity Shares within 15 days of the closure of the Issue. Consequently, the Equity Shares you purchase in the Issue may not be credited to your demat account, with Depository Participants until approximately 15 days after the Bid/Issue Closing Date. You can start trading in the Equity Shares only after they have been credited to your demat account and final listing and trading approvals are received from the Stock Exchanges. If the permissions to deal in and for an official quotation of our Equity Shares are not granted by any of the Stock Exchanges, our Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Draft Red Herring Prospectus. If such money is not repaid within eight days after our Company become liable to repay it, i.e. from the date of refusal or within 15 days from the Bid/Issue Closing Date, whichever is earlier, then the Company and every Director of the Company who is an officer in default shall, on and from such expiry of eight days, be jointly and severally liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act. Further, there can be no assurance that the Equity Shares allocated to you will be credited to your demat account, or that trading in the Equity Shares will commence, within the specified time periods.

39. There has been no public market for the Equity Shares prior to this Issue so the Issue Price may not be indicative of the value of the Equity Shares.

Prior to this Issue, there has been no public market for the Equity Shares in India or elsewhere. After this Issue, there will be no public market for the Equity Shares in any country other than India. The Issue Price will be determined by our Company in consultation with the BRLM and could differ significantly from the price at which the Equity Shares will trade subsequent to completion of this Issue. We cannot assure you that even after the Equity Shares have been approved for listing on the Stock Exchanges, any active trading market for the Equity Shares will develop or be sustained after this Issue, or that the offering price will correspond to the price at which the Equity Shares will trade in the Indian public market subsequent to this Issue.

Note to Risk Factors

- This is a public issue of [●] Equity Shares for cash at a price of Rs. 10 per Equity Share including a share premium of Rs. [●] per Equity Share aggregating to Rs. 1,600 million. There is a reservation of [●] Equity Shares of Rs. 10 each aggregating Rs. 80 million for the Eligible Employees of the Company (“Employee Reservation Portion”). The Net Issue to the public is of [●] Equity Shares of Rs. 10 per Equity Share at a premium of Rs. [●] aggregating Rs. 1,520 million (hereinafter referred to as the “Net Issue”). The Issue would constitute [●]% of the post Issue paid-up capital of our Company. The Company is considering a Pre-IPO Placement of [●] Equity Shares to certain investors prior to the Issue. If the Pre-IPO Placement is completed, the Net Issue would be reduced to the extent of the Pre-IPO Placement, subject to a minimum Net Issue size of 10% of the post Issue capital being offered to the public.

- The Issue is being made through the 100% Book Building Process wherein at least 50% of the Issue shall be available for allocation on a proportionate basis to Qualified Institutional Buyers (“QIBs”), out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. Further, not less than 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. If, as a result of the Pre-IPO Placement, the Issue size is reduced such that the Issue constitutes less than 25% of the post Issue paid-up capital of the Company, then in terms of Rule 19(2)(b) of the Securities Contract Regulation Rules, 1957, the Issue would be made through the 100% Book Building Process wherein at least 60% of the Issue would be allotted on a proportionate basis to QIBs out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. Further, not less than 10% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.
- Our net worth as of September 30, 2007, was Rs. 303.10 million on a consolidated basis, as per our restated consolidated financial statements under Indian GAAP.
- The average cost of acquisition of equity shares (on ‘first in first out’ basis) by each of our Promoters, is as set out below:
 - Mr. Banwari Lal Mittal – Re. 0.64
 - Mr. Ravi Kant Sharma – Rs. 29.48
 - Mr. Rakesh Sony – Rs. 30.00
- For further details, please see section entitled “Capital Structure” beginning at page 13.
- The net asset value/book value per Equity Share of Rs. 10 each, on a consolidated basis, was Rs. 30.31 and on a stand alone basis was Rs. 18.28, as at September 30, 2007, as per our restated consolidated financial statements and restated stand alone financial statements, respectively.
- Our Promoters, Directors and key managerial personnel are interested in our Company to the extent of remuneration and the Equity Shares held by them or their relatives and associates or held by the companies, firms and trusts in which they are interested as directors, member, partner and/or trustee and to the extent of the benefits arising out of such shareholding, if any, in our Company. For further details, please see sections entitled “Capital Structure”, “Our Promoters and Promoter Group” and “Our Management” at pages 13, 91 and 78, respectively.
- Our Company was incorporated as “Satyam Fiscal Services Private Limited” on June 6, 1989. The name of our Company was subsequently changed to “Microsec Financial Services Private Limited” pursuant to a fresh certificate of incorporation issued by the Registrar of Companies, West Bengal at Kolkata, dated October 17, 2005. Our status was subsequently changed to a public limited company and the word “private” was deleted from the name of our Company by a special resolution of the members of our Company passed at the Extra Ordinary General Meeting held on October 19, 2005. The fresh certificate of incorporation consequent to change of name was granted to our Company on October 20, 2005 by the Registrar of Companies, West Bengal at Kolkata. For further details, please see section entitled “History and Certain Corporate Matters” at page 65.
- For details of all the loans and advances made to any persons or companies in whom Directors are interested, please refer to “Financial Statements” at page 98.
- Trading in Equity Shares of our Company for all investors shall be in dematerialised form only. For further details, please see section entitled “Issue Procedure” at page 217.
- Investors may note that in case of over-subscription in the Issue, Allotment to QIBs, Non-Institutional Bidders and Retail Individual Bidders shall be on a proportionate basis. For further details, please see section entitled “Basis of Allotment” at page 233.

- Any clarification or information relating to the Issue shall be made available by the BRLM or our Company to the investors at large and no selective or additional information would be available for investors in any manner whatsoever. Investors may contact the BRLM and the Syndicate Members for any complaints pertaining to the Issue.
- The following table sets out our related party transactions. For further details pertaining to our related party transactions, refer to the notes on related party transactions in the section titled “Financial Statements” on pages 98.

Particulars	Key Management Personnel							Relatives of Key Management Personnel							Enterprises in which key management personnel exercise significant influence							Total						
	30-Sep-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03	30-Sep-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03	30-Sep-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03	30-Sep-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03				
Capital account																												
Equity shares capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Securities premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Preference share capital issued																												
Share application money paid																												
Optionally fully convertible debenture issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Optionally fully convertible debenture redeemed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Capital account transactions																												
ICD accepted	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
ICD repaid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Amount taken	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Amounts given	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Secondary market transactions :																												
Purchases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Brokerage received	0.12	0.15	0.37	0.12	0.00	0.00	0.15	0.19	0.60	0.14	0.08	0.01	0.20	0.48	0.17	-	-	-	0.28	0.34	0.97	0.27	0.08	0.01				
Fees received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Interest paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Guarantee commission	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			

SECTION III – INTRODUCTION

SUMMARY OF OUR BUSINESS, STRENGTHS AND STRATEGY

We are a well-diversified financial services company providing an array of services including investment banking, retail brokerage, wealth management, insurance broking and financing services to corporates/institutional/high net worth individual clients. Further, we are in the process of launching institutional equities and portfolio management services. We are headquartered in Kolkata and we operate from another around 176 business-locations in 49 Indian cities / towns.

The Microsec Group operates through Microsec Financial Services Limited (“MFSL”) and its Subsidiaries. MFSL, the ultimate holding company of all the Subsidiaries, is an NBFC, registered with the RBI and its main business includes giving loans against shares and rendering advisory services to clients. Our Subsidiaries are Microsec Capital Limited, Microsec Resources Private Limited, MIL Technologies Limited, Microsec Insurance Brokers Limited and Microsec Commerce Limited.

COMPETITIVE STRENGTHS

Strong regional presence

Over the last few years, we have built a superior position in the eastern region both in the equity broking and in the investment banking business. Of our total pan-India network of 176 branches covering 49 cities and towns, 79 branches are located in Kolkata and 117 branches are located in West Bengal as on January 19, 2008. 92.6 % of our gross revenues comes from the eastern region as on September 30, 2007.

Top management involvement

Our Promoters are actively involved in the day to day management of the affairs of the various companies of the Microsec Group. While Mr. B. L. Mittal is in overall charge of the company, Mr. Ravi Kant Sharma heads the brokerage business and Mr. Rakesh Sony heads the investment banking business. Our Promoters are also supported by a number of professionals with requisite expertise and experience in the various activities of the Company, including investment banking, equity sales and trading and commodities. We believe that the extensive experience and financial acumen of our management and professionals and their active involvement in the operations of the Company provides us with a significant competitive advantage.

Integrated business model

We offer a wide range of financial products and services to our investors which complement each other and this provides cross-selling opportunities. In the retail spectrum, we offer equity brokerage, commodities brokerage, personal financial services (including insurance brokerage and distribution of savings-products), internet trading, LAS etc. In the wealth spectrum, we offer PMS and wealth advisory services. In the institutional spectrum, we offer institutional equity and commodity broking services, investment banking, transaction advisory services and corporate loans.

Strong relationships

We believe that our focus on nurturing long-term relationships with companies and serving these companies throughout the course of their development has enabled us to form strong relationships with these clients. Based on our performance, we have received repeat business from many of our clients. Our dedicated focus on client coverage and our ability to provide ongoing and innovative solutions enables us to establish long-term relationships with institutional and high net worth individual clients. We believe that these relationships provide us with an advantage in attracting deal flow and securing transactions. Our dedicated relationship managers act as the single point contact between the client and various other concerned persons in the division.

BUSINESS STRATEGIES

Geographic expansion:

Currently, we operate through approximately 176 business locations in about 49 cities/towns of India. We now plan to expand our operations into smaller cities and towns that are either, in our understanding, under-serviced by financial service companies or where we believe we can develop our business. Further, we propose to expand our existing operations.

As at September 30, 2007, our operations in the equity broking segment outside the eastern and north eastern region garnered only Rs. 3.48 million which constitutes 7.4% our gross revenues. We, therefore, plan to establish a national footprint by entering regions where we currently do not have a presence including Gujarat, Rajasthan and the southern states. Since we do not have significant operations in these regions, we believe that these regions will afford greater opportunities for growth and expansion. We propose to expand by increasing the network of our branches and are open to growth through the inorganic route including acquisitions. We believe that our proposed expansion complemented by our client-focused relationship management, will allow us to increase our client base and help us increase our market share.

Focus on Investment banking business:

To capitalise on the growth in the securities markets and our growing list of clients in the investment banking business, we are continuously strengthening our investment banking team. We propose to increase our presence in this vertical, both in terms of team strength and geographic reach.

Expand our product portfolio:

In accordance with our strategy of creating an integrated business model, we propose to expand our operations by offering a gamut of financial services including PMS and towards this end, we have also obtained SEBI registration. Further, we have obtained empanelment from a few institutions and have also acquired office space in Mumbai for the purpose of providing institutional broking. Additionally, we propose, through, improved client relationship management, wealth management solutions, convenient and effective channels of distribution, to expand our wealth management business both in overall terms and location wise. We plan to significantly increase our financing, broking and third-party wealth management and financial instruments distribution business. We also plan to launch innovative new products and services in the background of markets as they are foreseen to be emerging with.

Strengthen our research capabilities:

We intend to further widen our research coverage by increasing the number of companies and business sectors that we cover. We also propose to enlarge our team of research analysts, advisors and dealers to strengthen relationships with our clients.

Continue to develop client relationships:

We plan to expand our business primarily by increasing the number of client relationships, as we believe that increased client relationships will add stability to our business. We seek to build on existing relationships and also focus on increasing our client base. We also believe that the rapid growth of the Small and Medium Enterprises (SMEs) offers us a significant opportunity to provide a wide variety of financial services and products to this segment. We also seek to offer our clients, diversified products and services to increase our per capita revenues by selling different products to the same client.

Pursue strategic acquisitions and alliances:

We propose to pursue strategic acquisition opportunities to enhance our capabilities, address specific industry opportunities to further enhance our industry and technical expertise, expand our operations geographically and benefit from an expanded client base. Presently, the Indian brokerage industry is experiencing significant consolidation involving the growth of corporate brokerage houses and increasing marginalization of small and regional brokers. Stricter regulatory and higher capital requirements have hastened this process, which provide opportunities for well-capitalized, professionally-managed corporate brokers to acquire smaller entities and brokers associated with regional exchanges. In conjunction with our strategy of geographical growth towards expansion of our retail business, we intend to selectively target smaller and / or regionally aligned brokers for acquisition. Simultaneously we also propose to explore opportunities for enhancing institutional equity partnership in the Company.

SUMMARY FINANCIAL INFORMATION

MICROSEC FINANCIAL SERVICES LTD.-CONSOLIDATED
STATEMENT OF RESTATED PROFIT AND LOSS

(Rupees in million)

Particulars	Year ended 31.03.2006	Year ended 31.03.2007	6 months ended 30.09.2007
Income			
Operation:			
Income from Operation	117.61	185.54	181.35
Other Income	8.09	0.38	2.06
Increase (decrease) in inventory	-	-	-
Total Income	125.70	185.92	183.41
Expenditure			
Operating Expenses	6.68	13.12	4.93
Staff costs	15.49	25.27	24.68
Administrative Expenses - Operational	26.20	22.13	17.41
- Distribution	13.78	22.71	2.45
Interest	3.63	0.13	0.83
Depreciation	9.64	14.52	10.26
Miscellaneous expenditure written off	0.29	0.36	1.30
Total Expenditure	75.70	98.24	61.84
Net Profit before tax and extraordinary items	50.00	87.68	121.57
Provision for taxation			
Income Tax (Including Short Provisions for earlier years, if any)	4.59	7.49	20.74
Deferred Tax Charges / (Benefits)	2.73	3.47	6.16
Fringe benefit Tax	0.29	0.30	0.16
Net Profit after tax and before extraordinary items	42.39	76.42	94.51
Extraordinary items (net of tax)	-	-	-
Net Profit after extraordinary items	42.39	76.42	94.51
Earlier year adjustments		-	-
Net Profit after tax	42.39	76.42	94.51
Balance in Profit & Loss account brought forward	0.01	28.07	83.17
Balance available for appropriation	42.40	104.49	177.68
Appropriations			
<i>Transfer to reserve</i>			
General reserve	-	-	-
Transfer to special reserve under section 45-IC of the Reserve Bank of India Act, 1934, of India	2.93	9.57	9.70
Capital redemption reserve	-	-	27.00
Proposed dividend	10.00	10.45	10.00
Tax on proposed dividend	1.40	1.47	1.70
Balance in Profit & Loss account	28.07	83.00	129.28
Total	42.40	104.49	177.68

MICROSEC FINANCIAL SERVICES LTD.-CONSOLIDATED

STATEMENT OF RESTATED ASSETS AND LIABILITIES

(Rupees in million)

	Particulars	As at 31.03.2006	As at 31.03.2007	As at 30.09.2007
A.	Assets			
	Fixed Assets- Gross Block	92.15	159.95	168.70
	Less : Accumulated Depreciation	21.55	35.91	46.17
	Net Block	70.60	124.04	122.53
	Less : Revaluation Reserve	-	-	-
	Net Block after adjustment for Revaluation Reserve	70.60	124.04	122.53
B.	Investments	21.55	48.15	64.81
C.	Deferred tax asset (net)	-	-	-
D.	Current assets, loans and advances			
	Stock in trade	0.06	2.06	0.85
	Receivables	23.91	17.86	171.88
	Cash & bank balances (Including FDR's)	25.70	41.85	57.44
	Other current assets	-	1.86	-
	Loans and advances	100.50	97.24	241.46
	Total	150.17	160.87	471.63
	Total Assets	242.32	333.06	658.97
E.	Liabilities & Provisions			
	Deferred tax liability (net)	4.75	8.57	14.72
	Loan funds			
	Secured loans	1.49	0.96	92.51
	Unsecured loans	-	-	-
	Sub-total	1.49	0.96	92.51
	Current liabilities & provision			
	Current liabilities	63.07	67.38	208.37
	Provisions	16.14	7.91	40.27
	Sub-total	79.21	75.29	248.64
	Total liabilities & provisions	85.45	84.82	355.87
F.	Net Worth	156.87	248.24	303.10
	Represented by:			
	Shareholders funds			
	Equity Share Capital	100.00	100.00	100.00
	5% Redeemable Preference Share Capital	-	27.00	-
	Reserves & surplus	56.87	121.24	203.10
	Less: Revaluation Reserve	-	-	-
	Reserves (Net of Revaluation Reserve)	56.87	121.24	203.10
	Less: Miscellaneous expenditure not written off	-	-	-
	Total	56.87	121.24	203.10
	Total net worth	156.87	248.24	303.10

THE ISSUE

Issue of	[●] Equity Shares of Rs. 10 each aggregating Rs. 1,600 million
Employee Reservation *	Not less than [●] Equity Shares of Rs. 10 each aggregating Rs. 80 million
Net Issue to the Public**	[●] Equity Shares of Rs. 10 each aggregating Rs. 1,520 million
<i>Of which</i>	
A) Qualified Institutional Buyers (QIB) portion	Not less than [●] Equity Shares aggregating Rs. [●] <i>(Allocation on a proportionate basis)</i>
<i>Of which</i>	
Available for allocation to Mutual Funds only	Not less than [●] Equity Shares aggregating Rs. [●] <i>(Allocation on a proportionate basis)</i>
Balance for all QIBs including Mutual Funds	[●] Equity Shares <i>(Allocation on a proportionate basis)</i>
B) Non-Institutional Portion	Not less than [●] Equity Shares aggregating Rs. [●] <i>(Allocation on a proportionate basis)</i>
C) Retail Portion	Not less than [●] Equity Shares aggregating Rs. [●] <i>(Allocation on a proportionate basis)</i>
Equity Shares outstanding prior to the Issue	2,03,10,500 Equity Shares
Equity Shares outstanding after the Issue	[●] Equity Shares
Use of Issue Proceeds	See “Objects of the Issue” beginning on page 28.

Under-subscription, if any, in the Employee Reservation Portion will be added back to the Non Institutional pPortion and the Retail Individual Portion and the proportionate allocation of such Equity Shares will be at the sole discretion of the Company in consultation with the BRLM.

*** The Company is considering a Pre-IPO Placement of [●] Equity Shares with certain investors. The Company will complete the issuance, if any, of such Equity Shares prior to the filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is completed the number of Equity Shares issued pursuant to the Pre-IPO Placement will be reduced from the Net Issue, subject to a minimum Issue size of 10% of the post Issue capital.*

GENERAL INFORMATION

Our Company was incorporated as “Satyam Fiscal Services Private Limited” on June 6, 1989. The name of our Company was subsequently changed to “Microsec Financial Services Private Limited” pursuant to a fresh certificate of incorporation issued by the Registrar of Companies, West Bengal at Kolkata, dated October 17, 2005. Our status was subsequently changed to a public limited company and the word “private” was deleted from the name of our Company by a special resolution of the members of our Company passed at the Extra Ordinary General Meeting held on October 19, 2005. The fresh certificate of incorporation consequent to change of name was granted to our Company on October 20, 2005 by the Registrar of Companies, West Bengal at Kolkata.

Registered and Corporate Office of our Company

Microsec Financial Services Limited

“Shivam Chambers”,

1st Floor, 53 Syed Amir Ali Avenue,

Kolkata- 700 019, West Bengal

India.

Registration Number: 21-47002

Company identification number: U65993WB1989PLC047002

Telephone: +91 33 30512100

Facsimile: +91 33 30512020

Email: info@microsec.in

Website: www.microsec.in

For details regarding change in our Registered Office, please see section entitled “History and Certain Corporate Matters” on page 65.

Address of Registrar of Companies

The Registrar of Companies, West Bengal

Nizam Palace, 2nd M.S.O. Building, 2ND Floor,

234/4, A.J.C Bose Road, Kolkata-700020

Board of Directors of the Issuer

Name, Designation, Occupation	Age	Address
Mr. Banwari Lal Mittal, Chairman and Managing Director, Service DIN: 00365809	39	25D, Harish Mukherjee Road, 3 rd Floor, Flat No.3A & B, Kolkata-700025
Mr. Ravi Kant Sharma, Director, Service DIN: 00364066	33	Space Town Housing Complex, VIP Road Raghunathpur, Block 10, Flat 3L, Kolkata-700052
Mr. Rakesh Sony, Director, Service DIN: 00363053	31	Space Town Housing Complex, VIP Road Raghunathpur, Block 8, Flat 4B, Kolkata-700052
Dr. Bidhubhusan Samal, Independent Director, Consultant DIN- 00007256	64	Flat- 1101, Lokhandwala Galaxy, Junction of NM Joshi & KK Marg, Near S. Bridge, Byculla (West), Mumbai- 400 011
Mr. Parimal Kr. Chattaraj, Independent Director, Management Consultant and Advocate DIN: 00893963	62	3H, Singhi Park, 48/3 Hungerford Street, Kolkata-700019
Mr. Vinod Kumar Kothari, Independent Director, Professional DIN- 00050850	46	1012, Krishna 224, AJC Bose Road, Kolkata- 700 017

For further details of our Directors, please see section entitled “Our Management” beginning on page 78.

Company Secretary and Compliance Officer

Mr. Biplab Kumar Mani

“Shivam Chambers”,
1st Floor, 53 Syed Amir Ali Avenue,
Kolkata- 700 019, India.
Telephone: +91 33 30512175
Facsimile: +91 33 30512020
Email: bmani@microsec.in

Investors can contact the Compliance Officer or the Registrar in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of Allotment, credit of Allotted Equity Shares in the respective beneficiary account or refund orders.

Book Running Lead Manager

SBI Capital Markets Limited

202, Maker Tower ‘E’
Cuffe Parade
Mumbai – 400 005, India
Tel: +91 22 2218 9166
Fax: +91 22 2218 8332
Email: microsec.ipo@sbicaps.com
Website: www.sbicaps.com
Contact Person: Mr. Suchai Gorur

Further, for all the Issue related queries and for redressal of investors’ complaints, investors may also write to [●].

Legal Advisors

Legal Advisor to the Issue

Amarchand & Mangaldas & Suresh A. Shroff & Co.

5th Floor, Peninsula Chambers,
Peninsula Corporate Park,
Ganpatrao Kadam Marg,
Lower Parel,
Mumbai – 400 013,
India.
Tel: +91 22 2496 4455
Fax: +91 22 2496 3666
Email: microsecipo@amarchand.com

Registrar to the Issue

Intime Spectrum Registry Limited

C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (West), Mumbai- 400 078
Tel: +91 022- 25960320
Fax: +91 022- 25960328/29
Email: mfsl.ipo@intimespectrum.com
Website: www.intimespectrum.com
Contact Person: Mr. Sachin Achar

Bankers to the Issue and Escrow Collection Banks

[•]

Bankers to the Company

HDFC Bank Ltd.

3A Gurusaday Road
Kolkata- 700 019,
India.
Tel: +91 033 22836924
Fax: +91 33 2283 6922
Email: amit.maheswari@hdfcbank.com

ICICI Bank Ltd.

Raso Court,
20 Sir R.N. Mukherjee Road,
Kolkata- 700 001,
India.
Tel: +91 33 4002 4382
Fax: +91 33 2242 9083
Email: shyam.agarwal@icicibank.com

ABN AMRO Bank

Azimganj House,
7 Camac Street,
Kolkata- 700017,
India.
Tel: +91 33 22820990
Fax: +91 33 2282 0844
Email: akhouri.malay@in.abnamro.com

Statutory Auditors to our Company and our Subsidiaries

M/s Vidya & Co, Chartered Accountants

21 Hemanta Basu Sarani,
Kolkata – 700 001,
India.

Arun Sawalka & Co., Chartered Accountants

1 Mullick Street, 3rd Floor,
Kolkata- 700 007
India.

IPO Grading

This Issue has been graded by [•] and has been assigned the “IPO Grade [•]” indicating [•] fundamentals, through its letter dated [•], 2008, which is valid for a period of two months. The IPO grading is assigned on a five point scale from 1 to 5 with an “IPO Grade 5” indicating strong fundamentals and an “IPO Grade 1” indicating poor fundamentals. A copy of the report provided by [•], furnishing the rationale for its grading is available for inspection at our Registered Office from 10.00 am to 4.00 pm on working days from the date of the Red Herring Prospectus until the Bid/Issue Closing Date.

Monitoring Agency

There is no requirement for a monitoring agency for the Issue in terms of Clause 8.17 of the SEBI Guidelines.

Inter se allocation of Responsibilities between the Book Running Lead Managers

The responsibilities and co-ordination for various activities in this Issue are as under:

Activities	Responsibility	Co-ordinator
Capital structuring with relative components and formalities	SBICAPS	SBICAPS
Due diligence of Company’s operations/ management/ business plans/ legal etc. Drafting and design of Draft Red Herring Prospectus including memorandum containing salient features of the Prospectus. The BRLM shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI	SBICAPS	SBICAPS

Activities	Responsibility	Co-ordinator
including finalization of Prospectus and RoC filing		
Drafting and approval of all statutory advertisements	SBICAPS	SBICAPS
Drafting and approval of all publicity material other than statutory advertisements including corporate advertisements, brochures, etc.	SBICAPS	SBICAPS
Appointment of other Intermediaries: Printers, Registrar, Advertising Agency and Banker to the Issue	SBICAPS	SBICAPS
Domestic institutions/banks/mutual funds marketing strategy: <ul style="list-style-type: none"> ▪ Finalize the list and division of investors for one on one meetings, institutional allocation 	SBICAPS	SBICAPS
International institutional marketing strategy and roadshow presentation: <ul style="list-style-type: none"> ▪ Finalize the list and division of investors for one on one meetings, institutional allocation ▪ Roadshow presentation 	SBICAPS	SBICAPS
Retail/Non-institutional marketing strategy which will cover, inter alia, <ul style="list-style-type: none"> ▪ Finalize media, marketing and public relation strategy, ▪ Finalize centers for holding conferences for brokers, etc. ▪ Finalize collection centers, ▪ Follow-up on distribution of publicity and Issue material including form, Prospectus and deciding on the quantum of the Issue material 	SBICAPS	SBICAPS
Managing the book, coordination with Stock Exchanges	SBICAPS	SBICAPS
Pricing and allocation to QIB Bidders	SBICAPS	SBICAPS
Post bidding activities including management of Escrow Accounts, coordinate non-institutional allocation, intimation of allocation and dispatch of refunds to Bidders, etc. The post issue activities of the Issue will involve essential follow up steps, which include finalization of trading and dealing instruments and dispatch of certificates and demat delivery of shares, with the various agencies connected with the work such as Registrars to the Issue, Banker to the Issue and the bank handling refund business. The BRLM shall be responsible for ensuring that these agencies fulfill their functions and enable them to discharge this responsibility through suitable agreements with the issuer.	SBICAPS	SBICAPS

Credit Rating

As the Issue is of equity shares, credit rating is not required.

Trustees

As the Issue is of equity shares, the appointment of trustees is not required.

Project Appraisal

None of the objects of the Issue have been appraised.

Book Building Process

The Book Building Process refers to the process of the collection of Bids, on the basis of the Red Herring Prospectus, within the Price Band. The Issue Price is fixed after the Bid/Issue Closing Date.

The principal parties involved in the Book Building Process are:

- (1) The Company;
- (2) The Book Running Lead Manager in this case being SBI Caps;
- (3) The Syndicate Members who are intermediaries registered with SEBI or registered as brokers with the BSE/NSE and eligible to act as underwriters. Syndicate Members are appointed by the BRLM; and
- (4) The Registrar to the Issue.

The Issue is being made through the 100% Book Building Process whereby at least 50% of the Issue shall be available for allocation on a proportionate basis to QIBs, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for Allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. Not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Further, [●] Equity Shares are available for allocation to the Eligible Employees, subject to valid Bids being received at or above the Issue Price. The Company is considering a Pre-IPO Placement of [●] Equity Shares with certain investors (“Pre-IPO Placement”). The Company will complete the issuance, if any, of such Equity Shares prior to the filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is completed the number of Equity Shares issued pursuant to the Pre-IPO Placement will be reduced from the Net Issue, subject to a minimum Issue size of 10% of the post Issue capital. If, as a result of the Pre-IPO Placement, the Issue size is reduced such that the Issue constitutes less than 25% of the post Issue paid-up capital of the Company, then in terms of Rule 19(2)(b) of the Securities Contract Regulation Rules, 1957, the Issue would be made through the 100% Book Building Process wherein at least 60% of the Issue would be allotted on a proportionate basis to QIBs out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. Further, not less than 10% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

QIBs are not allowed to withdraw their Bid(s) after the Bid/Issue Closing Date. In addition, QIBs are required to pay a 10% Margin Amount upon submission of their Bid and allocation to QIBs will be on a proportionate basis. For further details see “Terms of the Issue” on page 210 of this Prospectus.

We shall comply with applicable guidelines issued by SEBI for this Issue. In this regard, we have appointed SBI Capital Markets Limited as the BRLM to manage the Issue and to procure subscription to the Issue.

The process of Book Building under the SEBI DIP Guidelines is subject to change from time to time and investors are advised to make their own judgment about investing through this process prior to making a Bid or Application in the Issue.

Illustration of ‘Book Building’ and Price Discovery Process *(Investors should note that this example is solely for illustrative purposes and is not specific to the Issue)*

Bidders can bid at any price within the price band. For instance, assume a price band of Rs. 20 to Rs. 24 per share, issue size of 3,000 equity shares and receipt of five bids from bidders, details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the bidding centres during the bidding period. The illustrative book as shown below shows the demand for the shares of the issuer company at various prices and is collated from bids received from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
500	24	500	16.67%
1,000	23	1,500	50.00%
1,500	22	3,000	100.00%
2,000	21	5,000	166.67%
2,500	20	7,500	250.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired number of shares is the price at which the book cuts off, i.e., Rs. 22 in the above example. The issuer, in consultation with the book running lead managers, will finalise the issue price at or below such cut-off price, i.e., at or below Rs. 22 per share. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in the respective categories.

Steps to be taken by the Bidders for Bidding:

1. Check eligibility for making a Bid (see the section titled “Issue Procedure - Who Can Bid” on page 217);

2. Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid-cum-Application Form;
3. Ensure that you have mentioned your PAN in the Bid-cum-Application Form (see the section titled “Issue Procedure -Permanent Account Number or PAN”);
4. Ensure that the Bid-cum-Application Form is duly completed as per instructions given in the Red Herring Prospectus and in the Bid-cum-Application Form; and
5. Bids can only be submitted to the BRLM.

Withdrawal of the Issue

Our Company, in consultation with the BRLM, reserves the right not to proceed with the Issue at any time including after the Bid/Issue Opening Date, without assigning any reason therefor. Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which the Company shall apply for after Allotment and (ii) the final RoC approval of the Prospectus after it is filed with the RoC.

Bid/Issue Programme

Bidding Period/Issue Period

BID/ISSUE OPENS ON	[•], 2008
BID/ISSUE CLOSES ON	[•], 2008

Bids and any revision in Bids shall be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) during the Bidding/ Issue Period as mentioned above at the Bidding centres mentioned on the Bid-cum-Application Form except that on the Bid/Issue Closing Date, the Bids shall be accepted **only between 10 a.m. and 1 p.m.** (Indian Standard Time) and uploaded till (i) 5.00 p.m. in case of Bids by QIB Bidders and Non-Institutional Bidders where the Bid Amount is in excess of Rs. 1,00,000 and (ii) till such time as permitted by the NSE and the BSE, in case of Bids by Retail Individual Bidders where the Bid Amount is not more than Rs. 100,000. Due to limitation of time available for uploading the Bids on the Bid/Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/Issue Closing Date and, no later than 1 p.m (Indian Standard Time) on the Bid/Issue Closing Date. Bidders are cautioned that in the event a large number of Bids are received on the Bid/Issue Closing Date, as is typically experienced in public offerings, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation under the Issue. Bids will only be accepted on working days i.e. Monday to Friday (excluding any public holidays).

We reserve the right to revise the Price Band during the Bidding Period in accordance with the SEBI Guidelines. The cap on the Price Band should not be more than 20% of the Floor Price. Subject to compliance with the immediately preceding sentence, the Floor Price can move up or down to the extent of 20% of the Floor Price disclosed in the Red Herring Prospectus.

In case of revision in the Price Band, the Bidding/ Issue Period will be extended for three additional days after revision of Price Band subject to the Bidding/ Issue Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Bidding/ Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release, and also by indicating the change on the websites of the BRLM and at the terminals of the Syndicate.

Underwriting Agreement

After the determination of the Issue Price and allocation of Equity Shares of our Company, but prior to the filing of the Prospectus with the RoC, our Company will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through the Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLM shall be responsible for bringing in the amount devolved to fulfill its underwriting obligations. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters are subject to certain conditions to closing, as specified therein. The Underwriting Agreement is dated [•].

The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

(This portion has been intentionally left blank and will be filled in before filing of the Prospectus with the RoC)

Details of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. in million)
[●]	[●]	[●]
[●]	[●]	[●]

The above-mentioned description is indicative and will be finalized after the determination of the Issue Price and actual allocation of the Equity Shares.

In the opinion of our Board of Directors (based on a certificate given by the Underwriters), the resources of the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. The above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or are registered as brokers with the Stock Exchange(s). Our Board of Directors, at its meeting held on [●], has accepted and entered into the Underwriting Agreement mentioned above on behalf of our Company.

Allocation among the Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the Underwriters shall be severally responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default in payment, the respective Underwriter, in addition to other obligations defined in the Underwriting Agreement, will also be required to procure/subscribe to Equity Shares to the extent of the defaulted amount.

CAPITAL STRUCTURE

The share capital of our Company as of the date of this Draft Red Herring Prospectus is set forth below:

In Rs. million (except share data).

	Aggregate Value at nominal value (Rs.)	Aggregate Value at Issue Price
A) AUTHORISED SHARE CAPITAL		
3,50,00,000 Equity Shares	350.00	[●]
B) ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL		
2,03,10,500 fully paid up Equity Shares	203.10	[●]
C) PRESENT ISSUE IN TERMS OF THIS DRAFT RED HERRING PROSPECTUS		
[●] Equity Shares	[●]	1600.00
Out of the above:		
EMPLOYEE RESERVATION PORTION		
[●]Equity Shares of Rs. 10 each	[●]	80.00
NET ISSUE*		
[●]Equity Shares of Rs. 10 each	[●]	1520.00
D) EQUITY SHARE CAPITAL AFTER THE ISSUE		
[●] Equity Shares	[●]	[●]
E) SHARE PREMIUM ACCOUNT		
Before the Issue	267.62	[●]
After the Issue		[●]

The Issue has been authorized by a resolution of our Board dated September 3, 2007 and by special resolution passed pursuant to Section 81(1A) of the Companies Act, at the AGM of the shareholders of our Company held on September 28, 2007.

** The Company is considering a Pre-IPO Placement of [●] Equity Shares with certain investors. The Company will complete the issuance, if any, of such Equity Shares prior to the filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is completed the number of Equity Shares issued pursuant to the Pre-IPO Placement will be reduced from the Net Issue, subject to a minimum Issue size of 10% of the post Issue capital.*

Notes to the Capital Structure

1. Authorised Share Capital Build-Up

- a) The initial authorized capital of Rs.3,00,000 comprising of 30,000 Equity Shares was increased to Rs. 50,00,000 comprising of 5,00,000 Equity Shares pursuant to a resolution of the shareholders at an EGM held on March 22, 1995.
- b) The authorised Capital of the company was increased from Rs. 50,00,000 comprising of 5,00,000 equity shares to Rs. 60,00,000 comprising of 6,00,000 equity shares pursuant to a resolution of the shareholders at the EGM dated March 30, 2002.
- c) The authorised Capital of the company was increased from Rs. 60,00,000 comprising of 6,00,000 equity shares to Rs. 75,00,000 comprising of 7,50,000 equity shares pursuant to a resolution of the shareholders at the EGM dated March 31, 2003.

- d) The authorised Capital of the company was increased from Rs. 75,00,000 comprising of 7,50,000 equity shares to Rs. 81,00,000 comprising of 8,10,000 equity shares pursuant to a resolution of the shareholders at the EGM dated March 30, 2004.
- e) The authorised Capital of the company was increased from Rs. 81,00,000 comprising of 8,10,000 equity shares to Rs. 10,00,00,000 comprising of 1,00,00,000 equity shares pursuant to a resolution of the shareholders at the EGM dated October 19, 2005.
- f) The authorised Capital of the company was increased from Rs. 10,00,00,000 comprising of 1,00,00,000 equity shares to Rs. 12,70,00,000 comprising of 1,00,00,000 equity shares and 27,00,000 preference shares pursuant to a resolution of the shareholders at the EGM dated November 10, 2006.
- g) The authorized capital of the company has been restructured by converting the Rs. 2,70,00,000 preference shares capital to Equity shares capital pursuant to a resolution of the shareholders at the EGM dated 27th June, 2007.
- h) The authorised Capital of the company was increased from 12,70,00,000 comprising of 1,27,00,000 equity shares to Rs. 25,00,00,000 comprising of 2,50,00,000 equity shares pursuant to a resolution of the shareholders at the EGM dated June 30, 2007.
- i) The authorised Capital of the company was increased from Rs. 25,00,00,000 comprising of 2,50,00,000 equity shares to Rs. 35,00,00,000 comprising of 3,50,00,000 equity shares pursuant to a resolution of the shareholders at the EGM dated July 30, 2007.

We are considering a Pre IPO Placement of [●] Equity Shares to certain investors. We will complete the issuance of such Equity Shares pursuant to the Pre-IPO Placement, if any, prior to filing the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is successfully completed the number of Equity Shares issued for such purpose, will be reduced from Net Issue.

2. Share Capital History

(a) Equity Share Capital History of our Company

Date of allotment of the Equity Shares	No. of Equity Shares	Issue Price (Rs.)	Nature of Payment	Reasons for allotment	Cumulative number of Equity Shares	Cumulative Issued Capital (Rs.)	Cumulative Share Premium (Rs.)
March 12, 1990	9,300	10	Cash	Initial allotment	9,500	95,000	Nil
April 20, 1990	5,400	10	Cash	Further issue	14,900	1,49,000	Nil
June 11, 1991	12,500	10	Cash	Further issue	27,400	2,74,000	Nil
March 27, 1995	3,25,600	10	Cash	Further issue	3,53,000	35,30,000	Nil
July 17, 1995	1,45,000	10	Cash	Further issue	4,98,000	49,80,000	Nil
March 30, 2002	79,100	50	Cash	Further issue	5,77,100	57,71,000	31,64,000
March 31, 2003	1,13,240	50	Cash	Further issue	6,90,340	69,03,400	76,93,600
March 30, 2004	1,15,000	50	Cash	Further issue	8,05,340	80,53,400	1,22,93,600
October 24, 2005	1,60,000	500	Cash	Preferential allotment	9,65,340	96,53,400	9,06,93,600
October 26, 2005	86,88,060	-	Capitalization of Reserves and Surplus	Bonus issue	96,53,400	9,65,34,000	38,13,000
March 30,	3,46,600	75	Cash	Preferential	1,00,00,000	10,00,00,000	2,58,73,000

Date of allotment of the Equity Shares	No. of Equity Shares	Issue Price (Rs.)	Nature of Payment	Reasons for allotment	Cumulative number of Equity Shares	Cumulative Issued Capital (Rs.)	Cumulative Share Premium (Rs.)
2006				allotment			
December 18, 2007	57,00,000	-	Capitalization of Reserves and Surplus	Bonus issue	1,57,00,000	15,70,00,000	7,38,000
December 31, 2007	26,25,000	30	Cash	Preferential allotment	1,83,25,000	18,32,50,000	5,32,38,000
December 31, 2007	2,80,000	75	Cash	Preferential allotment	1,86,05,000	18,60,50,000	7,14,38,000
December 31, 2007	16,60,500	125	Cash	Preferential allotment	2,02,65,500	20,26,55,000	26,23,95,500
December 31, 2007	45,000	126	Cash	Preferential allotment	2,03,10,500	20,31,05,000	26,76,15,500

(b) *Preference Share Capital History of our Company*

Date of Allotment	Number of Preference Shares	Issue Price per Preference Share (in Rs.)	Reasons for Allotment	Consideration (cash or other than cash.)	Date of Conversion/ Redemption
November 28, 2006	27,00,000	10	Fresh issue	Cash	June 30 th , 2007

Except as mentioned in the table above, we have not made any issue of shares during the preceding one year. Further, none of the Equity Shares have been issued for consideration other than cash except for Bonus issue of Equity Shares.

3. Build up, Contribution and Lock-in of Promoters and Promoter Group

All Equity Shares, which are being locked in are eligible for computation of promoters' contribution as per Clause 4.6 of the SEBI Guidelines and are being locked in under Clause 4.11 of the SEBI Guidelines.

a) *Details of build up of Promoters' share capital in our Company and Promoters' lock in:*

[●] Equity Shares, constituting 20% of our post Issue Equity Share capital, held by Mr. Banwari Lal Mittal shall be considered for the purpose of Promoters' contribution and shall be locked in for three years from the date of Allotment. The number of Equity Shares to be locked in as part of Promoter's contribution will be decided after finalization of the post issue Equity Share capital.

Set forth below are the details of the build up of the Promoters' shareholding, Promoters contribution and lock in:

Name of the Promoter	Date of Acquisition /Transfer/ Transmission*	Consideration	No. of Equity Shares	Issue/ Acquisition Price (Rs. per Equity Share)	% of Pre-Issue paid-up capital	% of Post-Issue paid-up Capital	% of Expanded capital post exercise of ESOPs (assuming exercise of all options)	Period of Lock-in (years) from the date of allotment in IPO
Mr. Banwari Lal Mittal	August 1, 2005	Transferred from Nigolice Trading Pvt. Ltd, Deevee Commercial Limited and Arion Commercial Pvt. Limited.	8,00,000	10	3.94	[•]	[•]	[•]
	October 26, 2005	Bonus Shares	72,00,000	-	35.45	[•]	[•]	[•]
	December 18, 2007	Bonus Shares	45,60,000	-	22.45	[•]	[•]	[•]
	December 31, 2007	Transferred to Mr. Laxmi Narayan Mandhana, Mr. Sumit Kr. Agarwal and Mr. Manish Kr. Agarwal as Trustees of Microsec Vision (Employees) Trust	(12,00,000)	N.A	(5.91)	[•]	[•]	[•]
	Sub-Total			1,13,60,000		55.94	[•]	[•]
Mr. Ravi Kant Sharma	October 1, 2005	Transferred from Nigolice Trading Pvt. Ltd.	1,000	10	0.01	[•]	[•]	[•]
	October 26, 2005	Bonus Shares	9,000	-	0.04	[•]	[•]	[•]
	December 18, 2007	Bonus Shares	5,700	-	0.03	[•]	[•]	[•]

Name of the Promoter	Date of Acquisition /Transfer/ Transmission*	Consideration	No. of Equity Shares	Issue/ Acquisition Price (Rs. per Equity Share)	% of Pre-Issue paid-up capital	% of Post-Issue paid-up Capital	% of Expanded capital post exercise of ESOPs (assuming exercise of all options)	Period of Lock-in (years) from the date of allotment in IPO
	December 31, 2007	Cash	8,67,500	30	4.27	[•]	[•]	[•]
	December 31, 2007	Transferred to Mr. Laxmi Narayan Mandhana, Mr. Sumit Kr. Agarwal and Mr. Manish Kr. Agarwal as Trustees of Microsec Vision (Employees) Trust	(6,400)	N.A	(0.03)	[•]	[•]	
	Sub-Total		8,76,800		4.32	[•]	[•]	[•]
Mr. Rakesh Sony	December 31, 2007	Cash	6,00,000	30	2.95	[•]	[•]	[•]
	Sub-Total		6,00,000		2.95	[•]	[•]	[•]
Total			1,28,36,800		63.21	[•]	[•]	

* The face value of all shares issued to the Promoters is Rs. 10.

All Equity Shares, which are being included for computation of Promoters' contribution and three-year lock-in are locked in and are not ineligible for such purposes under Clause 4.6 of the SEBI Guidelines.

b) Details of build up of shareholding of Promoter Group locked in for one year:

Name of the Promoter	Date of Acquisition/Transfer*	Consideration*	No. of Equity Shares	Issue/ Acquisition Price (Rs. per Equity Share)**	% of Pre-Issue paid-up capital	% of Post-Issue paid-up Capital	Period of Lock-in (years) from the date of allotment
Mrs. Abha Mittal	October 1, 2005	Transferred from Nigolice Trading Pvt. Ltd	1,000	10	0.01	[•]	One
	October 26, 2005	Bonus	9,000	-	0.04	[•]	One
	December 18, 2007	Bonus	5,700	-	0.03	[•]	One

	Sub-Total		15,700		0.08	[•]	One
Luv-Kush Projects Limited	October 1, 2005	Transferred from Nigolice Trading Pvt. Ltd	340	10	0.00	[•]	One
	October 24, 2005	Cash	1,60,000	10	0.79	[•]	One
	October 26, 2005	Bonus	14,43,060	-	7.10	[•]	One
	March 31, 2006	Cash	3,46,600	10	1.71	[•]	One
	December 18, 2007	Bonus	11,11,500	-	5.47	[•]	One
	December 31, 2007	Transferred to Mr. Ravi Kant Sharma jointly with Luv-Kush Projects Limited as Trustees of Microsec Vision Trust One	-12,00,000	-	-5.91	[•]	One
	December 31, 2007	Transferred to Mr. Rakesh Sony jointly with Luv-Kush Projects Limited as Trustees of Microsec Vision Trust Two	-12,00,000	-	-5.91	[•]	One
	Sub-Total		6,61,500		3.26		One
Mr. Prabhu Dayal Khaitan	October 1, 2005	Transferred from Nigolice Trading Pvt. Ltd.	1,000	10	0.01	[•]	One
	October 26, 2005	Bonus	9,000	-	0.04	[•]	One
	December 18, 2007	Bonus	5,700	-	0.03	[•]	One
	Sub-Total		15,700		0.08		One
Mrs. Sushila Devi Khaitan	October 1, 2005	Transferred from Nigolice Trading Pvt. Ltd.	1,000	10	0.01	[•]	One
	October 26, 2005	Bonus	9,000	-	0.04	[•]	One
	December 18, 2007	Bonus	5,700	-	0.03	[•]	One
	Sub-Total		15,700		0.08		One
Mrs. Kavita Sony	December 31, 2007	Cash	6,00,000	30	2.95	[•]	One
	Sub -Total		600000		2.95		One
Mrs. Bharati Sharma	October 1, 2005	Transferred from Nigolice Trading Pvt. Ltd.	1,000	10	0.01	[•]	One
	October 26, 2005	Bonus	9,000	-	0.04	[•]	One
	December 18, 2007	Bonus	5,700	-	0.03	[•]	One
	December 31, 2007	Cash	3,07,500	30	1.51	[•]	One
	Sub-Total		3,23,200		1.59		One

Ravi Kant Sharma jointly with Luv-Kush Projects Limited (as Trustees of Microsec Vision Trust One)	December 31, 2007	Transferred from Luv-Kush Projects Limited	12,00,000	N.A**	5.91	[●]	One
	Sub-Total		12,00,000		5.91		One
Rakesh Sony jointly with Luv-Kush Projects Limited as Trustees of Microsec Vision Trust Two	December 31, 2007	Transferred from Luv-Kush Projects Limited	12,00,000	N.A**	5.91	[●]	One
	Sub-Total		12,00,000		5.91	[●]	One
Total			40,31,800		19.85	[●]	One

* The face value of all shares issued to the Promoters Group is Rs. 10

** These shares have been transferred by M/s. Luv-Kush Projects Limited to these trusts.

c) Details of share capital locked in for one year:

In terms of clause 4.14.1 of the SEBI Guidelines, in addition to 20% of post-Issue shareholding of our Company, other than Equity Shares to be allotted under our ESOS the entire pre-Issue equity share capital of our Company constituting 20,310,500 Equity Shares will be locked in for a period of one year from the date of Allotment in this Issue.

d) Other requirements in respect of lock-in:

In terms of Clause 4.16.1(a) of the SEBI Guidelines, the Equity Shares held by persons other than the Promoters prior to the Issue may be transferred to any other person holding the Equity Shares which are locked in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with the Takeover Code, as applicable.

Further, in terms of clause 4.16.1(b) of the SEBI Guidelines, Equity Shares held by the Promoters may be transferred to and among the Promoter Group or to a new promoter or persons in control of our Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with Takeover Code, as applicable.

In addition, the Equity Shares subject to lock-in will be transferable subject to compliance with the SEBI Guidelines, as amended from time to time.

Further, in terms of Clause 4.15 of the SEBI Guidelines, the locked-in Equity Shares held by the Promoters, as specified above, can be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions provided that the pledge of the Equity Shares is one of the terms of the sanction of such loans. Additionally, where the Equity Shares held by the Promoters are locked in for a period of three years, the same may be pledged, only if the loan has been granted by such bank or financial institutions, for the purpose of financing one or more of the objects of the current Issue.

4. Our shareholding pattern

The table below presents the shareholding pattern of our Company before the proposed Issue and as adjusted for the Issue:

	Pre-Issue		Post-Issue	
	No. of Equity Shares	%	No. of Equity Shares	%
Promoters				
Mr. Banwari Lal Mittal	1,13,60,000	55.93	1,13,60,000	[•]
Mr. Ravi Kant Sharma	8,76,800	4.32	8,76,800	[•]
Mr. Rakesh Sony	6,00,000	2.95	6,00,000	[•]
Sub Total (A)	1,28,36,800	63.20	1,28,36,800	[•]
Promoter Group				
Mrs. Abha Mittal	15,700	0.08	15,700	[•]
Mrs. Bharati Sharma	3,23,200	1.59	3,23,200	[•]
Mr. Prabhu Dayal Khaitan	15,700	0.08	15,700	[•]
Mrs. Sushila Devi Khaitan	15,700	0.08	15,700	[•]
M/s Luv-Kush Projects Limited	6,61,500	3.26	6,61,500	[•]
Mrs. Kavita Sony	6,00,000	2.95	6,00,000	
Mr. Ravi Kant Sharma jointly with M/s Luv-Kush Projects Limited (as Trustees of Microsec Vision Trust One)	12,00,000	5.91	12,00,000	[•]
Mr. Rakesh Sony jointly with M/s. Luv-Kush Projects Limited (as Trustees of Microsec Vision Trust Two)	12,00,000	5.91	12,00,000	[•]
Sub Total (B)	40,31,800	19.85	40,31,800	
Directors and employees				
Mr. Laxmi Narayan Mandhana, Mr. Sumit Kumar Agarwal and Mr. Manish Kr. Agarwal as trustees of Microsec Vision (Employees) Trust	12,06,400	5.94	12,06,400	[•]
Employees	2,50,000	1.23	2,50,000	[•]
Sub Total (C)	14,56,400	7.17	14,56,400	[•]
Others				
Others	1985500	9.78	1985500	[•]
Sub Total (D)	19,85,500	9.78	19,85,500	[•]
Issue to Public (E)	[•]	[•]	[•]	[•]
Total (A+B+C+D+E)	2,03,10,500	100.00	[•]	100.00

* Assuming that such shareholders shall continue to hold the same number of Equity Shares after the Issue. This does not include any Equity Shares that such shareholders may subscribe for and be allotted in the Issue.

Our shareholding pattern subsequent to the Issue and exercise of options, issued pursuant to ESOS 2007, is as set out below:

Post Issue expanded capital subsequent to the exercise of ESOPs (assuming exercise of all options)		
	No. of shares	%
Promoters		
Mr. Banwari Lal Mittal	1,13,60,000	[•]
Mr. Ravi Kant Sharma	8,76,800	[•]
Mr. Rakesh Sony	6,00,000	[•]
Sub Total (A)	1,28,36,800	[•]
Promoter Group		

Post Issue expanded capital subsequent to the exercise of ESOPs (assuming exercise of all options)		
	No. of shares	%
Mrs. Abha Mittal	15,700	[•]
Mrs. Bharati Sharma	3,23,200	[•]
Mr. Prabhu Dayal Khaitan	15,700	[•]
Mrs. Sushila Devi Khaitan	15,700	[•]
M/s Luv-Kush Projects Limited	6,61,500	[•]
Mrs. Kavita Sony	6,00,000	[•]
Mr. Ravi Kant Sharma jointly with M/s. Luv-Kush Projects Limited as Trustees of Microsec Vision Trust One	12,00,000	[•]
Mr. Rakesh Sony jointly with M/s. Luv-Kush Projects Limited as Trustees of Microsec Vision Trust Two	12,00,000	[•]
Sub Total (B)	40,31,800	[•]
Directors and employees		
Mr. Laxmi Narayan Mandhana, Mr. Sumit Kumar Agarwal and Mr. Manish Kr. Agarwal as Trustees of Microsec Vision (Employees) Trust	12,06,400	[•]
Employees	2,50,000	[•]
Sub Total (C)	14,56,400	[•]
Others		
Others	19,85,500	[•]
Sub Total (D)	19,85,500	[•]
Issue to Public (E)	[•]	[•]
ESOP (F)	7,00,000	[•]
Total (A+B+C+D+E+F)	[•]	100.00

The following directors of our Company hold Equity Shares:

S. No.	Name	Number of Equity Shares Held	Pre Issue %	Post Issue %*
1.	Mr. Banwari Lal Mittal	1,13,60,000	55.93	[•]
2.	Mr. Ravi Kant Sharma	8,76,800	4.32	[•]
3.	Mr. Rakesh Sony	6,00,000	2.95	[•]
	TOTAL	1,28,36,800	63.20	[•]

* Assuming that the Director does not subscribe for Equity Shares in the Issue.

3A. No Promoter / director of a Promoter Group entity has sold Equity Shares during the six months immediately preceding the date of filing of this Draft Red Herring Prospectus. No Promoter / director of a Promoter Group entity has purchased or sold Equity Shares during the six months immediately preceding the date of filing of this Draft Red Herring Prospectus except as follows:

Name of the Shareholder	No. of shares	Relationship	Price (Rs.)	Date of acquisition / sale ¹
Mr. Banwari Lal Mittal	45,60,000	Director / Promoter	Bonus Share	December 18, 2007

Mrs. Abha Mittal	5,700	Director / Promoter	Bonus Share	December 18, 2007
Mr. Prabhu Dayal Khaitan	5,700	Director / Promoter	Bonus Share	December 18, 2007
Mr. Ravi Kant Sharma	5700 867500	Director/ Promoter	Bonus Share 30	December 18, 2007 December 31, 2007
Mr. Rakesh Sony	6,00,000	Director/ Promoter	30	December 31, 2007

3B. Purchases of Equity Shares by Promoter/companies in the Promoter's group during the six months immediately preceding the date of filing of this Draft Red Herring Prospectus:

Name of Promoter	Date of purchase	Price at which shares purchased (in Rs.)	Number of Equity Shares
Mr. Banwari Lal Mittal	December 18, 2007	Bonus Share	45,60,000
Mr. Ravi Kant Sharma	December 18, 2007	Bonus Share	5,700
Mr. Ravi Kant Sharma	December 31, 2007	30	8,67,500
Mr. Rakesh Sony	December 31, 2007	30	6,00,000
M/s. Luv-Kush Projects Limited	December 18, 2007	Bonus Share	11,11,500
Mrs. Abha Mittal	December 18, 2007	Bonus Share	5,700
Mrs. Sushila Devi Khaitan	December 18, 2007	Bonus Share	5,700
Mr. Prabhu Dayal Khaitan	December 18, 2007	Bonus Share	5,700
Mrs. Bharati Sharma	December 18, 2007	Bonus Share	5,700
	December 31, 2007	30	3,07,500
Mrs. Kavita Sony	December 31, 2007	30	6,00,000

3C. Sales of shares by Promoters/companies in the Promoter's group during the six months immediately preceding the date of filing of this Draft Red Herring Prospectus:

Name of Promoter	Date of sale	Price at which shares sold (in Rs.)	Number of Equity Shares
Mr. Banwari Lal Mittal (Transferred to Mr. Laxmi Narayan Mandhana, Mr. Sumit Kr. Agarwal and Mr. Manish Kr. Agarwal as Trustees of Microsec Vision(Employees) Trust)	December 31,2007	Gifted	12,00,000
Mr. Ravi Kant Sharma (Transferred to Mr. Laxmi Narayan Mandhana, Mr. Sumit Kr. Agarwal and Mr. Manish Kr. Agarwal as Trustees of Microsec Vision(Employees) Trust)	December 31, 2007	Gifted	6,400
M/s. Luv-Kush Projects Limited (Transferred to Mr. Ravi Kant Sharma jointly with Luv-Kush Projects Limited as Trustees of Microsec Vision Trust One)	December 31, 2007	Declaration of Trust	12,00,000
M/s. Luv-Kush Projects Limited (Transferred to Mr. Rakesh Sony jointly with Luv-Kush Projects Limited as Trustees of Microsec Vision Trust Two)	December 31, 2007	Declaration of Trust	12,00,000

5. Top ten shareholders

The list of the top ten shareholders of our Company and the number of Equity Shares held by them is provided below:

- (a) Our top ten shareholders and the number of Equity Shares held by them as on the date of filing this Draft Red Herring Prospectus are as follows:

S. No.	Shareholder	No. of Equity Shares Held	Pre Issue %
1	Mr. Banwari Lal Mittal	1,13,60,000	55.93
2	Mr. Laxmi Narayan Mandhana, Mr. Sumit Kumar Agarwal and Mr. Manish Kr. Agarwal as Trustees of Microsec Vision (Employees) Trust	12,06,400	5.94
3	Mr. Ravi Kant Sharma jointly with Luv-Kush Projects Limited as Trustees of Microsec Vision Trust One	12,00,000	5.91
4	Mr. Rakesh Sony jointly with Luv-Kush Projects Limited as Trustees of Microsec Vision Trust Two	12,00,000	5.91
5	Mr. Ravi Kant Sharma	8,76,800	4.32
6	M/s Luv-Kush Projects Limited	6,61,500	3.26
7	Mr. Rakesh Sony	6,00,000	2.95
8	Mrs. Kavita Sony	6,00,000	2.95
9	Ms. Maa Sarda Consultants Pvt. Ltd	6,00,000	2.95
10	Mrs. Bharati Sharma	3,23,200	1.59

- (b) Our top ten shareholders and the number of Equity Shares held by them ten days prior to filing of this Draft Red Herring Prospectus are as follows:

S. No.	Shareholder	No. of Equity Shares Held	Pre Issue %
1	Mr. Banwari Lal Mittal	1,13,60,000	55.93
2	Mr. Laxmi Narayan Mandhana, Mr. Sumit Kumar Agarwal and Mr. Manish Kr. Agarwal as Trustees of Microsec Vision (Employees) Trust	12,06,400	5.94
3	Mr. Ravi Kant Sharma jointly with Luv-Kush Projects Limited as Trustees of Microsec Vision Trust One	12,00,000	5.91
4	Mr. Rakesh Sony jointly with Luv-Kush Projects Limited as Trustees of Microsec Vision Trust Two	12,00,000	5.91
5	Mr. Ravi Kant Sharma	8,76,800	4.32
6	M/s. Luv-Kush Projects Limited	6,61,500	3.26
7	Mr. Rakesh Sony	6,00,000	2.95
8	Mrs. Kavita Sony	6,00,000	2.95
9	M/s. Maa Sarda Consultants Pvt. Ltd	6,00,000	2.95
10	Mrs. Bharati Sharma	3,23,200	1.59

- (c) Our top ten shareholders and the number of Equity Shares held by them as of two years prior to filing this Draft Red Herring Prospectus were as follows:

S. No.	Shareholder	No. of Equity Shares Held	%
1.	Mr. Banwari Lal Mittal	80,00,000	82.88
2.	M/s. Luv Kush Projects Limited	16,03,400	16.62
3.	Mr. Ravi Kant Sharma	10,000	0.10
4	Mrs. Abha Mittal	10,000	0.10
5.	Mrs. Bharati Sharma	10,000	0.10
6.	Mr. Prabhu Dayal Khaitan	10,000	0.10
7	Mrs. Sushila Devi Khaitan	10,000	0.10

6. Employee stock option scheme:

The details of our ESOS are as provided below: -

a) *ESOS 2007*

ESOS scheme	Outstanding Options	Remarks
ESOS 2007	7,00,000	Our shareholders at the AGM dated September 28, 2007 approved the grant of options under our ESOP scheme (“ESOS”) and the options were granted pursuant to our Board resolution dated September 3, 2007.

The details of our ESOS are as set out below:

Particulars		Details																					
Options granted		The aggregate of all such grants shall not result into equity shares exceeding 10% of the issued, subscribed and paid up equity shares of the Company as on 31 st March, 2007 and for the time being, such grants shall not result in more than 7,00,000 (Seven lakhs) equity shares																					
Exercise price of options		Details given below.																					
<i>Period during which Options are Exercised</i>	<i>From the Vesting Date to the Specified Date and also upto less than a year from the Specified Date</i>	<i>At the end of one year from the Specified Date</i>	<i>At the end of two years from the Specified Date</i>	<i>At the end of three years from the Specified Date</i>	<i>At the end of four years from the Specified Date</i>																		
<i>Exercise price payable for such Vested Options</i>	<i>90% of the Market Price or Rs. 200/-, whichever is higher</i>	<i>75% of the Market Price or Rs. 10/-, whichever is higher</i>	<i>60% of the Market Price or Rs. 10/-, whichever is higher</i>	<i>40% of the Market Price or Rs. 10/-, whichever is higher</i>	<i>25% of the Market Price or Rs. 10/-, whichever is higher</i>																		
<p>Market Price being the latest available closing price, immediately prior to the date of the meeting of the Compensation Committee in which the Options exercised are considered for allotment by the Committee and this price shall be decided upon by the Committee, on the stock exchange.</p> <p>Specified Date means the date at the end of 12 months from the date, on which the Shares of the Company are allotted pursuant to the Initial Public Offer of the Company of its Shares leading to the Shares of the Company getting listed at National Stock Exchange and / or Bombay Stock Exchange.</p>																							
Total options vested (includes options exercised)		6,22,805																					
Options exercised		NIL																					
Total number of Equity Shares arising as a result of full exercise of options already granted		6,22,805																					
Options forfeited/ lapsed/ cancelled		NIL																					
Variations in terms of options		NIL																					
Money realised by exercise of options		Not exercisable till this date																					
Person wise details of options granted to																							
i)	Directors and key managerial employees	<table border="1"> <thead> <tr> <th>Name of employee</th> <th>No. of options granted</th> </tr> </thead> <tbody> <tr> <td>Mr. Laxmi Narayan Mandhana</td> <td>35,000</td> </tr> <tr> <td>Mr. Shamik Bhose</td> <td>17,500</td> </tr> <tr> <td>Mr. Sumit Agarwal</td> <td>50,000</td> </tr> <tr> <td>Mr. Pankaj Harlalka</td> <td>30,000</td> </tr> <tr> <td>Mr. Sanjay Kumar Agarwal</td> <td>20,000</td> </tr> <tr> <td>Mr. Ajai Kumar Agarwal</td> <td>10,125</td> </tr> <tr> <td>Mr. Manish Kumar Agarwal</td> <td>22,500</td> </tr> <tr> <td>Mr. Yogesh Parasrampuria</td> <td>22,500</td> </tr> </tbody> </table>				Name of employee	No. of options granted	Mr. Laxmi Narayan Mandhana	35,000	Mr. Shamik Bhose	17,500	Mr. Sumit Agarwal	50,000	Mr. Pankaj Harlalka	30,000	Mr. Sanjay Kumar Agarwal	20,000	Mr. Ajai Kumar Agarwal	10,125	Mr. Manish Kumar Agarwal	22,500	Mr. Yogesh Parasrampuria	22,500
Name of employee	No. of options granted																						
Mr. Laxmi Narayan Mandhana	35,000																						
Mr. Shamik Bhose	17,500																						
Mr. Sumit Agarwal	50,000																						
Mr. Pankaj Harlalka	30,000																						
Mr. Sanjay Kumar Agarwal	20,000																						
Mr. Ajai Kumar Agarwal	10,125																						
Mr. Manish Kumar Agarwal	22,500																						
Mr. Yogesh Parasrampuria	22,500																						

Particulars	Details
	Mr. Vishal Poddar 22,500
	Mr. Bajrang Lal Agarwal 19,000
	Mr. Sumit Bhattacharya 10,125
	Mr. Manav Goenka 22,500
	Mr. Ashish Bajaj 22,500
	Mr. Biplab Kumar Mani 7,200
	Mr. Naveen Vyas 9,000
	Mr. Mahendra Kumar Yadav 7,200
	Mr. Prabir Kumar Sarkar 10,125
	Mr. Soumesh Tripathi 7,500
	Mr. Atanu Ghosh 2,250
	Mr. Avijit Majumder 10,800
	Mr. Ashish Agarwal 10,800
ii) Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	Mr. LaxmiNarayan Mandhana 35,000 Mr. Sumit Kumar Agarwal 50,000
iii) Identified employees who are granted options, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	None
Fully diluted EPS [#] on a pre-Issue basis for Fiscal 2007 pursuant to issue of shares on exercise of options in accordance with the relevant accounting standard	Rs. 2.79
Vesting schedule	15 days from the date of grant letter
Lock-in	There is no lock-in under this scheme
Impact on profits and EPS [#] of the last three years	NA
Difference, if any, between employee compensation cost calculated using the intrinsic value of stock options and the employee compensation cost calculated on the basis of fair value of stock options	NA
Impact on profits of the Company and on the earnings per share ("EPS") arising due to difference in the accounting treatment and for calculation of the employee compensation cost (i.e., difference of the fair value of stock options over the intrinsic value of the stock options)	NA
Weighted average exercise price and weighted average fair value of options whose exercise price either equals or exceeds or is less than the market price of the stock	NA
Method and significant assumptions used to estimate the fair value of options granted during the year	NA
Method used	NA
Risk free interest rate	NA
Expected life	NA
Expected volatility	NA
Expected dividends	NA
Price of underlying shares in market at the time of option grant	NA

We undertake to conform to the accounting policies as specified in the Clause 13.1 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

7. Our Directors and the key management personnel who have been granted options pursuant to ESOS 2007 have confirmed to our Company that they do not intend to sell any Equity Shares arising from such options for three months

after the date of listing of the Equity Shares in this Issue. Other employees holding Equity Shares at the time of listing of Equity Shares and Equity Shares on exercise of vested options may sell Equity Shares within the three month period after the listing of the Equity Shares. This disclosure is made in accordance with paragraph 15.3 (b) and 15.3 (c) of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 2000.

8. Our Company, our Promoters, our Directors, our Promoter Group and the BRLM have not entered into any buy-back and/or standby arrangements for the purchase of Equity Shares of our Company from any person.
9. The Issue is being made through the 100% Book Building Process wherein at least 50% of the Issue shall be available for allocation on a proportionate basis to QIBs, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. Further, not less than 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further [●] Equity Shares aggregating Rs. 80 million shall be available for allocation to Eligible Employees in the Employee Reservation Portion, subject to valid Bids being received at or above the Issue Price. Undersubscription, if any, in the Employee Reservation Portion would be added to the Net Issue. In case of undersubscription in the Net Issue, spill over to the extent of undersubscription shall be permitted from the Employee Reservation Portion.
10. The Company is considering a Pre-IPO Placement of [●] Equity Shares with certain investors (“Pre-IPO Placement”). The Pre-IPO Placement is at the discretion of the Company. The Company will complete the issuance, if any, of such Equity Shares prior to the filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is completed the Issue Size offered to the public will be reduced to the extent of such Pre-IPO Placement, subject to a minimum Net Issue size of 10% of the post Issue capital being offered to the public. If, as a result of the Pre-IPO Placement, the Issue size is reduced to an extent such that the Issue constitutes less than 25% of the post Issue paid-up capital of the Company, then in terms of Rule 19(2)(b) of the Securities Contract Regulation Rules, 1957, the Issue would be made through the 100% Book Building Process where at least 60% of the Issue would be Allotted on a proportionate basis to QIBs out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. Further, not less than 10% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in the Retail or Non-Institutional Portion would be met with spill-over from other categories or combination of categories in the Company’s discretion, in consultation with the BRLM and the Designated Stock Exchange.
11. Under-subscription, if any, in the Retail or Non Institutional Portion would be met with spill over from other categories or combination of categories at the discretion of our Company in consultation with the BRLM. Under-subscription in the Employee Reservation Portion would be added back to the Retail Portion and the Non-Institutional Bidders Category.
12. Except as disclosed in this Draft Red Herring Prospectus our Directors, the Promoters, or the Promoter Group have not purchased or sold any securities of our Company, during a period of six months preceding the date of filing this Draft Red Herring Prospectus with the RoC.
13. An investor cannot make a Bid for more than the number of Equity Shares offered through the Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
14. Subject to the Pre-IPO Placement, there will be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Draft Red Herring Prospectus with the RoC until the Equity Shares to be issued pursuant to the Issue have been listed.
15. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. Our Company shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
16. As on the date of this Draft Red Herring Prospectus, the total number of holders of Equity Shares is 112.

17. We have not raised any bridge loans against the Issue Proceeds.
18. Except as disclosed in this Draft Red Herring Prospectus, we have not issued any Equity Shares out of revaluation reserves or for consideration other than cash.
19. Other than the stock options granted under our ESOS as detailed in note 6 above, there are no outstanding warrants, options or rights to convert debentures, loans or other instruments into the Equity Shares issued by the Company.
20. Only Eligible Employees will be eligible to apply in this Issue under the Employee Reservation Portion on a competitive basis. Bids by Eligible Employees can also be made in the Net Issue and such Bids shall not be treated as multiple Bids. Bidders under the Employee Reservation Portion can apply for a maximum of 10,000 Equity Shares. The Allotment in the Employee Reservation Portion will be on a proportionate basis. The unsubscribed portion, if any, from our Equity Shares in the Employee Reservation Portion will be added back to the Net Issue.
21. The Equity Shares held by the Promoters are not subject to any pledge.
22. Any oversubscription to the extent of 10% of the Net Issue can be retained for the purpose of rounding off while finalizing the basis of Allotment.
23. Our Promoters and members of our Promoter Group will not participate in this Issue.
24. Except as disclosed in this Draft Red Herring Prospectus, we have not issued any Equity Shares in the last one year at a price lower than the IPO price.
25. Subject to the Pre-IPO Placement, we do not, presently, intend or propose to alter our capital structure for a period of six months from the Bid/ Issue Opening Date, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise, except that (a) our Company may issue Equity Shares to the employees and Directors in accordance with our ESOS.
26. The following persons are in control (holding 10% or more of the voting rights) of M/s Luv-Kush Projects Limited, a company forming part of the Promoter Group.
 - Mr. Banwari Lal Mittal, Karta of the Banwari Lal Mittal HUF;
 - Mrs. Abha Mittal.

Further, details of the natural persons who are on the board of directors of any body corporate forming part of the Promoter Group have been disclosed in the section entitled "Our Promoters and Promoter Group" beginning at page 91 of this Draft Red Herring Prospectus.

27. The Equity Shares issued pursuant to the Issue shall be fully paid-up at the time of Allotment, failing which no Allotment shall be made.

OBJECTS OF THE ISSUE

The objects of this Issue are to (a) expand our financing business; (b) augment long term working capital requirement; (c) expand our domestic operations and network of branches and enhance the infrastructure of our existing operations; (d) enhance our existing technological capacity and (e) enhance our visibility and achieve the benefits of listing the Equity Shares of our Company on the Stock Exchanges. We believe that listing will enhance our brand name and create a public market for the Equity Shares of our Company thereby opening up avenues for us to raise capital in future.

Requirement of Funds

We intend to utilize Net Proceeds for financing the stated objects. The details of utilization of Net Proceeds are as per the table set forth below:

(Rs. in million)

Particulars	Amount
Financing activity	1,100.00
Augmenting long term working capital requirement	240.00
Establishment of additional offices and acquisition of office infrastructure	123.00
Enhancement of our existing technological capacity	30.00
Issue related expenses*	[●]
General corporate purposes*	[●]
Total*	[●]

* will be incorporated after finalization of issue price.

Our management, in view of the competitive and dynamic nature of the industry, will have the discretion to revise its business plan from time to time and consequently our funding requirement and deployment of funds may also change. This may, subject to compliance with applicable laws and regulations, also include rescheduling the proposed utilization of issue proceeds and increasing or decreasing expenditure for a particular object vis-à-vis the utilization of Issue Proceeds. In case of variations in the actual utilization of funds earmarked for the purposes set forth above, increased fund requirements for a particular purpose may be financed by surplus funds, if any, available in respect of the other purposes, for which funds are being raised in this issue. If surplus funds are unavailable, the required financing will be done through our internal accruals and/or debt.

Deployment of funds:

The details of the expenditure incurred / to be incurred towards the above-mentioned objectives and the proposed schedule of deployment of funds is set out below.

(Rupees in million)

Objects	Total estimated costs	Estimated schedule of deployments of funds	
		Fiscal year 2009	Fiscal year 2010
Financing activity	1,100.00	1,100.00	
Augmenting Long Term Working Capital Requirement	240.00	240.00	
Establishment of additional offices and acquisition of office infrastructure	123.00	80.00	43.00
Enhancement of our existing technological capacity	30.00	30.00	
Issue Related Expenses**	[●]	[●]	
General Corporate Purposes**	[●]	[●]	[●]
Total**	[●]	[●]	[●]

** will be incorporated after finalization of issue price.

Monitoring Utilization of Funds

Our Board will monitor the utilization of the Net Proceeds through its audit committee. We will disclose the details of the utilization of the Issue proceeds, including interim use, under a separate head in our financial statements, specifying the purpose for which such proceeds have been utilized or otherwise disclosed as per the disclosure requirements of our listing agreements with the Stock Exchanges and in particular Clause 49 of the Listing Agreement. In addition, we shall furnish to the stock exchange on a quarterly basis, a statement indicating material deviations, if any, in the use of the Net Proceeds.

Details of Objects

Certain part of the objects of the issue is proposed to be utilised towards investment in Subsidiaries either through equity or debt. We believe that such investments will provide scope for further growth in the business of the subsidiary by improving its working capital and/or helping it increase its net worth to do larger volume of regulated business. Any growth in the business of our Subsidiaries will bring in larger dividends or higher valuation of the equity investments of MFSL.

I. Financing Activities

Our Company provides loans against shares to our customers directly and also through our wholly owned subsidiary Microsec Resources Private Limited. The financing facility offered by us enables our customers to leverage their equity market positions to increase their exposure to the capital markets. Our business of providing loans against shares is complementary to our broking business as we understand equity markets better than entities that are purely into the lending business. As on December 31, 2007, 150 clients were registered with us for financing facilities and the amount of funds was Rs. 200 million approximately.

We provide the loans against a margin of 25 to 30% against those shares which are retained by the customer with us and which fall within our 'approved list of shares'. The approved list is reviewed periodically by the senior management team of our risk management department and by our Board. We have established effective risk management system & tools to monitor the financing provided to the customers. For further details please see section entitled "Our Business".

We estimate our requirement for this activity at Rs.1,100.00 million.

II. Augment Long Term Working Capital Requirement

Part of the issue proceeds will be used to fund our long term working capital requirement which mainly comprises margins to be placed with the stock and commodity exchanges and to meet additional margin requirement of the exchanges which varies on daily basis depending upon the volatility. We will fund our Subsidiaries, MCap and MCL, out of the Net Proceeds to enable them to increase their margins with the exchanges in order to facilitate higher business volume that would flow in from increased geographical presence. We propose to fund our Subsidiaries through capital infusion for their working capital requirement. In the present business scenario of equity and commodity broking, huge business volumes have emerged and the limiting factor is margins provided to the Exchanges. The issuer company wants to fund its above two Subsidiaries adequately to enable them to thus achieve higher business volumes.

III. Expanding our Domestic Operations and Network of Branches and enhance the infrastructure for our existing operations

At present, we have a network of 176 business locations across 49 cities and towns in India. Consistent with our strategy to expand our domestic operations and network of branches, we propose to establish another 50 branches, set-up a regional office in other region and strengthen the office infrastructure at Mumbai, out of the Net Proceeds. We intend to set up these branches in various parts of India by funding our subsidiary MCap through an infusion of funds. Although we do not believe that we will receive regular dividend inflows pursuant to such investments, since MCap will utilise all available resources into its business operations, we believe that such investments in the said subsidiaries is in line with the strategy of expanding our geographical presence.

The estimated cost for establishment of the branches primarily comprises advance rent and deposit for lease/license arrangements, expenditures on furniture and fixtures, installation of computers, network-connectivity etc.

Since the required equipments are standard in nature, the estimated costs remain largely the same for similar sized branches, irrespective of the location of the branch. However, the rents and deposits for lease/license arrangements and expenses towards furnishing may vary based on location, size and several other factors.

For branch expansion, currently some locations have already been identified for establishment of these branches. Based on the above factors and our experience in establishing branches so far, we expect to incur, on an average, Rs. 1.80 million in establishing one branch. The balance Rs. 33 million will be used in strengthening our office set-up in Mumbai and setting up a Regional Office at a strategic location.

(Rupees in million)

Particulars	Estimated cost of establishing one branch of Microsec Capital Limited
Deposits / Advance Rentals	0.30
Furniture and Fixtures	0.80
IT and Other office Equipment	0.30
Incidental and miscellaneous costs	0.40
Total estimated costs	1.80

Further, based on our past experience, the time taken to establish a branch may take up to 90 days from the date of identification of the location of the prospective branch. Since the time required in establishing a branch is relatively short, currently we have not made any prior arrangements for establishment of any of these branches. Further, no second-hand equipment and instruments are proposed to be purchased from the Net Proceeds.

For details regarding the business of MCap, please see section entitled ‘Our Business’, beginning on page 48.

IV. Enhancement of our technological capability

In order to further improve our service offering and to meet our technological needs due to expansion in our business lines, we are required to spend on our technology platforms and systems. The expenditure in technology will be towards infrastructure, trading applications, customer service platforms and server consolidation.

V. Issue Related Expenses

The expenses of this issue include, among others, underwriting and management fees, printing and distribution expenses, legal fees, advertisement expenses and listing fees. The estimated Issue expenses are as follows:

(Rupees in million)

Activity	Expenses
Lead manager fee and underwriting expenses	[•]
Advertising and Marketing expenses	[•]
Printing and stationary	[•]
IPO grading expenses	[•]
Others (Registrar’s fee, legal fee, etc)	[•]
Total	[•]

Means of Finance

The total fund requirement for the above-stated objectives as estimated by our Company is Rs.1,493 million and will be met from the issue proceeds.

In case of shortfall, if any, the same shall be met through internal accruals and/or debt. Our funding requirements and the deployment of the Issue Proceeds are based on the estimates of the management of our Company and have not been appraised by any bank or financial institution or other independent third party.

Interim use of funds

We intend to use the proceeds of the Issue to meet all or any of the uses of funds described above. Pending utilization for the purposes described above, we intend to invest the funds in high quality interest bearing liquid instruments including money market mutual funds, deposits with banks, for the necessary duration or reducing overdrafts. Such investments would be in accordance with investment policies approved by our Board from time to time. The Company confirms that pending utilization of the Issue proceeds, it shall not use the funds for any investments in the equity markets. In case, we

utilize a portion of the funds raised for meeting short term working capital requirements, we undertake that these funds would eventually be directed towards the objects of the issue mentioned herein.

Monitoring Utilization of Funds

Our Board will monitor the utilization of the Issue proceeds. Our Company will disclose the details of the utilization of the Issue proceeds, including interim use, under a separate head in our financial statements for Fiscal 2009 and Fiscal 2010, specifying the purpose for which such proceeds have been utilized. In addition, the same shall be disclosed in accordance with the disclosure requirements for our listing agreements with the Stock Exchange and in particular, Clause 49 of the Listing Agreement.

No part of the proceeds from the Issue will be paid by our company as consideration to our Promoters, our Directors, members of our Promoter Group, associates or key managerial employees.

BASIS FOR ISSUE PRICE

BASIS FOR THE ISSUE PRICE

The Issue Price will be determined by us in consultation with the BRLMs on the basis of assessment of market demand and on the basis of the following qualitative and quantitative factors for the Equity Shares offered through the Book Building Process. The face value of the Equity Shares is Rs. 10 and the Issue Price is [●] times the face value at the lower end of the Price Band and [●] times the face value at the higher end of the Price Band.

Qualitative Factors

For further information on some of the qualitative factors which form the basis for deciding the price, please refer to the sections titled 'Business Overview' on page no. 48 and 'Risk Factors' on page no. xiii.

Quantitative Factors

Information presented in this section is derived from the Company's restated financial statements prepared in accordance with Indian GAAP. Some of the quantitative factors, which form the basis for deciding the price, are as follows:

1. Earning Per Share (EPS) (Diluted)

Financial Period	Diluted EPS (Standalone) (Rs.)	Diluted EPS (Consolidated) (Rs.)	Weight
Year ended March 31, 2006	2.71	4.24	1
Year ended March 31, 2007	2.99	7.64	2
Six months ended September 30, 2007*	4.83	9.45	3
Weighted Average	3.86	7.98	

* EPS not annualized

Note:

- The earning per share has been computed by dividing net profit as restated, attributable to equity shareholders by restated weighted average number of Equity Shares outstanding during the year.
- The face value of each Equity Share is Rs. 10/-.

2. Price Earning Ratio (P/E Ratio)

- A. Based on the six months ended September 30, 2007, the Diluted EPS (Consolidated) is Rs 9.45
- B. P/E based on the above EPS is [●] at the Floor Price and [●] at the Cap Price.
- C. P/E based on Weighted average EPS is [●] at the Floor Price and [●] at the Cap Price.
- D. Peer group P/E*
 - (i) Highest 403.2
 - (ii) Lowest 57.3
 - (iii) Peer group Average 175.7

* P/E based on trailing twelve month earnings for the peer set we have shown below
Source: Capital Market Vol. XXII/24 dated Jan 28- Feb 10, 2008 (Industry-Financial & investment services)

3. Return on Net Worth

Financial Period	RoNW (%) (Standalone)	RoNW (%) (Consolidated)	Weight
Year ended March 31, 2006	19.59	27.02	1
Year ended March 31, 2007	19.71	37.73	2
Six months ended September 30, 2007*	27.12	34.28	3
Weighted Average	23.40	34.22	

* RONW not annualized

Note: The RoNW has been computed by dividing net profit after tax as restated, by Average Net worth excluding revaluation reserve at the end of the year/period

Minimum Return on Total Net Worth post-Issue to maintain pre-Issue EPS for fiscal year ended March 31, 2007 is [●].

4. Net Asset Value (NAV)*

Financial Period	NAV(Rs) (Standalone)	NAV(Rs) (Consolidated)
NAV as at March 31,2007	17.39	24.82
NAV as at September 30,2007	18.24	30.31
NAV after the issue	[●]	[●]

Net asset value per equity share (Rs) =
$$\frac{\text{Net worth excluding revaluation reserve and preference share capital at the end of the year/period}}{\text{Number of equity shares outstanding at the end of year/period}}$$

5. Comparison with other Listed Companies

	EPS (Rs) (TTM)*	P/E ratio***	Net Asset Value Per Share (Rs.) For Fiscal 2007	FV (Rs)	RoNW (%) For Fiscal 2007	Total Income for year ended March 31, 2007 (Rs. in Million)
Microsec Financial Services Ltd	7.64**	[●]	24.82	10	37.73	183.41
Edelweiss Capital Ltd	3.5	403.2	214.5	5	9.1	753
Geojit Financial Services	2.1	57.3	9.7	1	17.2	1099
Emkay Shares	5.8	66.5	46.9	10	12.4	608

* TTM – Trailing Twelve Months extracted from Capital Market Vol. XXII/24 dated Jan 28- Feb10, 2008

** Diluted EPS calculated for the year ended March 31, 2007

*** Trailing Twelve Months extracted from Capital Market Vol. XXII/24 dated Jan 28- Feb10, 2008

All data for peer group companies are for full fiscal 2007; all figures for the Company are based on its financial statements and for year ended March 31, 2007. The P/E is based on trailing twelve month earnings.

Source: Capital Market Vol. XXII/24 dated Jan 28- Feb10, 2008 (Industry- Financial & investment services); only select companies that represent Financial Services companies have been identified as peer group.

The Issue Price of Rs. [●] is determined by the company, in consultation with the BRLMs on the basis of assessment of market demand for the Equity Shares through the Book Building Process and is justified based on the above accounting ratios. For further information, please refer to the sections titled 'Risk Factors', 'Business Overview' and 'Financial Statements' on pages xiii, 48 and 98 of this DRHP.

STATEMENT OF TAX BENEFITS

Date: November 21, 2007

Auditor's Report on Statement of Possible Tax Benefits

We hereby report that we have reviewed the enclosed Annexure 'A' which states the possible tax benefits available to Misrosec Financial Services Ltd. ('the issuer') and its shareholders under the Income-tax Act, 1961 and the Wealth-tax Act, 1957, presently in force in India. Several of these benefits are dependent on the Issuer or its members fulfilling the conditions prescribed under the relevant provisions of the respective tax laws. Hence, the ability of the Issuer or its members to derive the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives, the Issuer may or may not choose to fulfill. The company does not enjoy any special tax benefits as of now.

The benefits discussed below are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the change tax laws and the fact that the issuer will not distinguish between the shares offered for subscription and the shares offered for sale by the selling shareholders each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

We do not express any opinion or provide any assurance as to whether:

- a) the Issuer or its shareholders will continue to obtain these benefits in future; or
- b) the conditions prescribed for availing the benefits have been / would be met.

The contents of this annexure are based on the information, explanations and representations obtained from the Issuer and on the basis of our understanding of the business activities and operations of the Issuer.

Your faithfully,

For **VIDYA & CO.**
Chartered Accountants

(Jitendra Nagar)
Partner
M.No.055659

Annexure A

I. Tax Benefits available to the Issuer under the Income-tax Act, 1961 ('the Act')

Special Tax Benefits available to the Issuer Company

There are no special tax benefits available to the issuer company.

General Benefits available to the Issuer Company

1. Depreciation Benefits

Under section 32 of the Act, the Issuer is entitled to claim depreciation at the prescribed rates on specified tangible and intangible assets used by the Issuer for the purposes of its business and subject to other conditions listed in the Act.

Unabsorbed depreciation, if any, for an assessment year can be carried forward and set off against income from any other source in the subsequent assessment years as per section 32 subject to the provisions of section 72(2) and section 73(3) of the Act.

2. Minimum Alternate Tax and Credit for the same

The Issuer would be required to pay tax on its book profits under the provisions of section 115JB of the Act in case where tax on its "total income" (the term defined under section 2(45) of the Act) is less than 10% of its "book profits" (the term defined under section 115JB of the Act). Such tax is referred to as Minimum Alternate Tax ("MAT").

The difference between the MAT paid for any assessment year commencing on or after 1 April 2006 and the tax on its total income payable for that assessment year shall be allowed to be carried forward as "MAT credit". The MAT credit shall be utilised to be set off against taxes payable on the total income in the subsequent assessment years. However, it can be carried forward only upto 7 assessment years succeeding the assessment year in which such MAT was paid.

3. Exemption from Dividends and Income from units of specified Mutual Funds

Section 10(34) of the Act provides an exemption in respect of any income by way of dividends referred to in section 115-O of the Act (whether interim or final). Dividends referred to in section 115-O of the Act would cover dividends declared, distributed or paid by the domestic companies in respect of which the distributing company is liable to pay dividend distribution tax. Similarly the income received from units of a Mutual Funds specified under section 10(23D) of the Act or in respect of units from the Administrator of the specified undertaking (other than income arising from transfer of such units) is exempt from tax under section 10(35) of the Act. Also, section 94(7) of the Act provides that losses arising from the sale/transfer of shares or units purchased within a period of three months prior to the record date and sold/transferred within three months or nine months respectively after such date, will be disallowed to the extent dividend income on such shares or units are claimed as tax exempt.

4. Capital Gains

- (a) Capital gains arising on transfer of long-term capital assets, being equity shares in a company or units of equity oriented mutual fund on sale on which securities transaction tax is paid, is exempt under section 10(38) of the Act whereas short-term capital gains is subject to a concessional rate of tax under section 111A of the Act at the rate of 10% (plus applicable surcharge, education cess and secondary and higher education cess). However, profits on transfer of above referred long term capital asset shall not be reduced in computing the book profits for the purposes of computation of MAT under section 115JB of the Act.

If the shares or units on which securities transaction tax has been paid are treated as stock-in trade liable to tax as business profits, rebate can be claimed from the income tax payable by the Issuer in accordance with provisions of section 88E of the Act towards such securities transaction tax.

- (b) The benefit of exemption from tax under section 10(38) of the Act on long-term capital gains, or, concessional rate of tax under section 111A of the Act on short-term capital gains will not be available where no securities transaction tax is applicable. In such cases, under the provisions of section 112 of the Act, taxable long-term capital gains, if any, on sale or transfer of listed securities or units or zero coupon bonds issued in accordance

with the specified scheme would be charged to tax at the concessional rate of 20% (plus applicable surcharge, education cess and secondary and higher education cess) after considering indexation benefits or at 10% (plus applicable surcharge, education cess and secondary and education cess) without indexation benefits in accordance with and subject to the provision of section 48 of the Act. Under section 48 of the Act, the long-term capital gains arising on sale or transfer of capital assets excluding bonds and debentures (except capital indexed bonds issued by the Government) will be computed after indexing the cost of acquisition/improvement.

Further deduction under Chapter VI-A of the Act would not be allowed from such short term capital gains, which are subject to tax under section 111A of the Act.

- (c) As per the provisions of section 54EC of the Act and subject to the conditions specified therein, long term capital gains arising to the Issuer [other than those exempt under section 10(38)] shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which such bonds are transferred or otherwise converted into money. The maximum investment permissible for the purposes of claiming the exemption in the above bonds by any person in a financial year is Rs. 5 million.

II. Tax Benefits available to the Members of the Issuer under the Income- tax Act, 1961

1. Resident Members

a) Under section 10(32) of the Act, any income of minor children clubbed in the total income of the parent under section 64(1A) of the Act, will be exempt from tax to the extent of Rs. 1,500 per minor child, whose income is so included.

b) The characterization of gains / losses, arising from sale of shares, as capital gains or business income would depend on the nature of holding in the hands of the member and various other factors.

c) Section 10(34) of the Act provides an exemption in respect of any income by way of dividends referred to in section 115-O (whether interim or final). Dividends referred to in section 115-O would cover dividends declared, distributed or paid by the domestic companies in respect of which the distributing company is liable to pay dividend distribution tax. However, it may be pertinent to note that section 14A of the Act restricts claim for deduction of expenses incurred in relation to exempt income. Also, section 94(7) of the Act provides that losses arising from the sale/transfer of shares purchased up to three months prior to the record date and sold or transferred within three months after such date, will be disallowed to the extent dividend income on such shares are claimed as tax exempt by the shareholder.

(d) Long-term capital gains would arise to resident shareholders where the equity shares are held for a period of more than 12 months prior to the date of transfer of the shares. In accordance with and subject to the provisions of section 48 of the Act, in order to compute capital gains, the following amounts would be deductible from the full value of consideration:

- (i) Cost of acquisition/improvement of the shares as adjusted by the Cost inflation Index notified by the Central Government and
- (ii) Expenditure incurred wholly and exclusively in connection with the transfer of the shares.

(e) Capital gains arising on transfer of long-term capital assets, being equity shares in a company on sale of which securities transaction tax is paid, is exempt under section 10(38) of the Act whereas short-term capital gains is subject to tax under section 111A of the Act at the rate of 10% (plus applicable surcharge, education cess and secondary and higher education cess).

However, in case of members being company, profits on transfer of above referred long term capital asset shall not be reduced in computing the book profits for the purposes of computation of MAT under section 115JB of the Act.

If the equity shares on which securities transaction tax has been paid are treated as stock-intrade liable to tax as business profits at the maximum marginal rate, rebate can be claimed in accordance with provisions of section 88E of the Act towards such securities transaction tax.

(f) The benefit of exemption from tax under section 10(38) of the Act on long-term capital gains, or, concessional rate of tax under section 111A of the Act on short-term capital gains will not be available where no securities transaction tax is applicable. In such cases, under the provisions of section 112 of the Act, taxable long-term capital gains, if any, on sale or transfer of listed securities would be charged to tax at the concessional rate of 20% (plus applicable surcharge, education cess and secondary and higher education cess) after considering indexation benefits or at 10% (plus applicable surcharge, education cess and secondary and higher education cess) without indexation benefits in accordance with and subject to the provision of section 48 of the Act. Under section 48 of the Act, the long-term capital gains arising out of sale or transfer of shares will be computed after indexing the cost of acquisition/improvement.

Further no deduction under Chapter VI-A of the Act would be allowed in computing such short term capital gains subject to tax under section 111A of the Act.

g) As per the provisions of section 54EC of the Act and subject to the conditions specified therein, long term capital gains arising to the members [other than those exempt under section 10(38)] shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of the transfer. If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which such bonds are transferred or otherwise converted into money. The maximum investment permissible for the purposes of claiming the exemption in the above bonds by any person in a financial year is Rs. 5 million.

h) Under section 54F of the Act, where in the case of an individual or Hindu Divided Family ('HUF') capital gains arise from transfer of long term assets [other than a residential house and those exempt under section 10(38) of the Act] then such capital gain, subject to the conditions and to the extent specified therein, will be exempt if the net sales consideration from such transfer is utilised, for purchase of residential house property within a period of one year before or two year from the date of transfer, or for construction of residential house property within a period of three years after the date of transfer. If only a part of the net consideration is so reinvested, the exemption shall be proportionately reduced.

2. Non Resident other than Foreign Institutional Investors

a) Under section 10(32) of the Act, any income of minor children clubbed in the total income of the parent under section 64(1A) of the Act, will be exempt from tax to the extent of Rs. 1,500 per minor child, whose income is so included.

b) The characterization of gains / losses, arising from sale of shares, as capital gains or business income would depend on the nature of holding in the hands of the member and various other factors.

c) Section 10(34) of the Act provides an exemption in respect of any income by way of dividends referred to in section 115-O (whether interim or final). Dividends referred to in section 115-O would cover dividends declared, distributed or paid by the domestic companies in respect of which the distributing company is liable to pay dividend distribution tax. However, it may be pertinent to note that section 14A of the Act restricts claim for deduction of expenses incurred in relation to exempt income. Also, section 94(7) of the Act provides that losses arising from the sale/transfer of shares purchased up to three months prior to the record date and sold or transferred within three months after such date, will be disallowed to the extent dividend income on such shares are claimed as tax exempt by the shareholder.

(d) Long-term capital gains would arise to non-resident shareholders where the equity shares are held for a period of more than 12 months prior to the date of transfer of the shares. In accordance with and subject to the provisions of section 48 of the Act, in order to compute capital gains, the following amounts would be deductible from the full value of consideration:

(i) Cost of acquisition/improvement of the shares as adjusted by the Cost Inflation Index notified by the Central Government and

(ii) Expenditure incurred wholly and exclusively in connection with the transfer of the shares

As per the provisions of the first proviso to section 48 of the Act, capital gains arising from the transfer of equity shares acquired by non-residents in foreign currency are to be computed by converting the cost of acquisition/improvement, expenditure incurred wholly and exclusively in connection with such transfer and the full value of the consideration received or accruing into the same

foreign currency as was initially utilised in the purchase of equity shares and the capital gains so computed in such foreign currency shall then be re-converted into Indian currency. Cost indexation benefits will not be available in such case. Further, the aforesaid manner of computation of capital gains shall be applicable in respect of every reinvestment thereafter in and sale of, shares in, or debentures of an Indian company.

- (e) Capital gains arising on transfer of long-term capital assets, being equity shares in a company on sale of which securities transaction tax is paid, is exempt under section 10(38) of the Act whereas short-term capital gains is subject to tax under section 111A of the Act at the rate of 10% (plus applicable surcharge, education cess and secondary and higher education cess).

If the equity shares on which securities transaction tax has been paid are treated as stock-intrade liable to tax as business profits at the maximum marginal rate, rebate can be claimed in accordance with provisions of section 88E of the Act towards such securities transaction tax.

- (f) The benefit of exemption from tax under section 10(38) of the Act on long-term capital gains, or, concessional rate of tax under section 111A of the Act on short-term capital gains will not be available where no securities transaction tax is applicable. In such cases, under the provisions of section 112 of the Act, taxable long-term capital gains, if any, on sale or transfer of listed securities would be charged to tax at the concessional rate of 20% (plus applicable surcharge, education cess and secondary and higher education cess) after considering indexation benefits or at the rate of 10% (plus applicable surcharge, education cess and secondary and education cess) without indexation benefits in accordance with and subject to the provisions of section 48 of the Act.

However, in the case of companies, long term capital gains so earned (which are exempt under section 10(38) of the Act) shall be taken into account in computing the book profits for the purposes of computation of MAT.

Further no deduction under Chapter VI-A of the Act would be allowed in computing such short term capital gains subject to tax under section 111A of the Act.

g) As per the provisions of section 54EC of the Act and subject to the conditions specified therein, long term capital gains arising to the members [other than those exempt under section 10(38)] shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of the transfer. If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which such bonds are transferred or otherwise converted into money. The maximum investment permissible for the purposes of claiming the exemption in the above bonds by any person in a financial year is Rs. 5 million.

h) Under section 54F of the Act, where in the case of an individual or HUF capital gain arise from transfer of long term assets [other than a residential house and those exempt under section 10(38) of the Act] then such capital gain, subject to the conditions and to the extent specified therein, will be exempt if the net sales consideration from such transfer is utilised, for purchase of residential house property within a period of one year before or two year from the date of transfer, or for construction of residential house property within a period of three years after the date of transfer. If only a part of the net consideration is so reinvested, the exemption shall be proportionately reduced.

i) As per section 90 of the Act, the provisions of the Act or the provisions of the applicable Double Tax Avoidance Agreement, whichever is more beneficial to the taxpayer / assessee, would apply subject to satisfaction of various conditions.

3. Special optional provisions available to Non Resident Indians under the Act

a) A Non Resident Indian (NRI), i.e. an individual being a citizen of India or person of Indian origin has an option to be governed by the special provisions contained in Chapter XII-A of the Act, i.e. "*Special Provisions relating to certain incomes of Non-Residents*".

b) Under section 115E of the Act, where the NRI has subscribed to the shares of the company in convertible foreign exchange, long term capital gains arising to the non resident on transfer of such shares [in cases not covered under section 10(38) of the Act] be chargeable to tax at concessional flat rate of 10% (plus applicable surcharge, education cess and secondary and higher education cess). In computing the capital gains for non residents, arising from transfer of shares or debentures of an Indian

company, no indexation benefit is allowed. However, in such cases all the non residents have been provided with a protection against foreign exchange fluctuation under the first proviso to section 48 of the Act.

c) Under provisions of section 115F of the Act, long term capital gains [not covered under section 10(38) of the Act] arising to the NRI from the transfer of such shares (referred in Paragraph 3(b) hereof) shall be exempt from income tax if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or otherwise converted into money within three years from the date of their acquisition.

d) Under provisions of section 115G of the Act, it shall not be necessary for the NRI to furnish his return of income if his only source of income is investment income or long term capital gains or both arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted there from in accordance with Chapter XVII-B of the Act.

e) Under section 115-I of the Act, the NRI may elect not to be governed by the provisions of Chapter XII-A of the Act for any assessment year by furnishing his return of income under section 139 of the Act declaring therein that the provisions of the Chapter shall not apply to him for that assessment year and if he does so, the provisions of this Chapter shall not apply to him. In such a case the tax on investment income and long term capital gains would be computed as per normal provisions of the Act, in which case the above stated provisions from point (c) to (h) in paragraph II.2 would be applicable.

4. Foreign Institutional Investors (FIIs)

a) Section 10(34) of the Act provides an exemption in respect of any income by way of dividends referred to in section 115-O (whether interim or final). Dividends referred to in section 115-O would cover dividends declared, distributed or paid by the domestic companies in respect of which the distributing company is liable to pay dividend distribution tax.

b) The characterization of gains / losses arising from sale of shares as capital gains or business income would generally depend on the nature of holding in the hands of the member and various other factors.

c) Under section 111A of the Act, capital gains arising from transfer of short term capital assets, *inter alia*, being an equity share in a company, which is subject to STT will be taxable @10% (plus applicable surcharge, education cess and secondary and higher education cess). In other cases, under section 115AD of the Act, the short term capital gains would be chargeable to tax @30% (plus applicable surcharge, education cess and secondary and higher education cess).

d) Under section 10(38) of the Act, any long term capital gain arising on or after October 1, 2004, from the transfer of a long term capital asset, *inter alia*, being an equity share in a company, where such transaction is chargeable to STT, is exempt from tax in the hands of the member. However, in the case of companies, long term capital gains so earned may be required to be taken into account in computing the book profits for the purposes of computation of MAT.

e) Section 115AD provides special provisions for taxability of various types of income of FIIs. Under section 115AD long term capital gains arising from transfer of shares in a company [other than those mentioned in point (d) above], are taxed at the rate of 10% (plus applicable surcharge, education cess and secondary and higher education cess). Such capital gains would be computed without giving effect to the first and second proviso to section 48 of the Act. In other words, the benefit of indexation or the adjustment in respect of foreign exchange fluctuation, as mentioned under the two provisos would not be allowed while computing the capital gains.

Any income of FII (other than dividend referred to in section 115-O of the Act) received in respect of securities (other than unit referred to in section 115AB of the Act) shall be charged at concessional rate of 20% (plus applicable surcharge, education cess and secondary and higher education cess)

f) As per the provisions of section 54EC of the Act and subject to the conditions specified therein, long term capital gains arising [other than those exempt under section 10(38)] shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which such bonds are transferred or otherwise converted into money. The maximum investment permissible for the purposes of claiming the exemption in the above bonds by any person in a financial year

is Rs. 5 million.

g) As per section 90 of the Act, the provisions of the Act or the provisions of the applicable Double Tax Avoidance Agreement, whichever is more beneficial to the taxpayer / assessee, would apply subject to satisfaction of other conditions.

5. Mutual Funds

As per the provisions of section 10(23D) of the Act, all mutual funds set up by public sector banks, public financial institutions or mutual funds registered under the Securities and Exchange Board of India Act, 1992 ('SEBI') or authorized by the Reserve Bank of India are eligible for exemption from income-tax, subject to the conditions specified therein, on their entire income including income from investment in the shares of the Issuer.

III. Tax Benefits under the Wealth Tax Act, 1957

Shares in a company held by a member will not be treated as an asset within the meaning of section 2(ea) of Wealth-tax Act, 1957. Hence, wealth tax is not leviable on shares held in a company.

Notes:

2 *All the above benefits are as per the current tax law as amended by the Finance Act, 2006.*

3 *The stated benefits will be available only to the sole/first named holder in case the share are held by joint holders.*

SECTION IV – ABOUT THE COMPANY

INDUSTRY

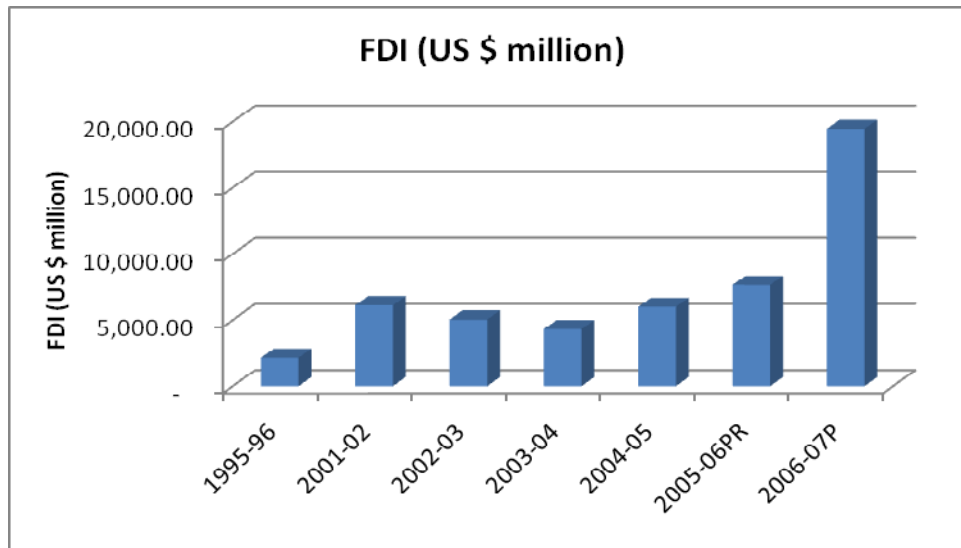
The information presented in this section has been obtained from publicly available documents from various sources including stock exchanges, industry websites, from publications of government and Company estimates. These sources generally state that the information contained therein has been obtained from sources believed to be reliable, but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although, we believe industry, market and government data used in this Draft Red Herring Prospectus is reliable and that website data is as current as practicable, these have not been independently verified. Similarly, internal Company estimates, which we believe to be reliable, have not been verified by any independent agency.

Overview of the Indian Economy

The Indian economy is one of the largest in the world with a gross domestic product (GDP) at current prices for the year 2006 estimated to be Rs. 39,582.327 billion (Source: <http://www.imf.org/> (International Monetary Fund - World Economic Outlook, October 2007) (accessed December 26, 2007)). It is amongst the fastest-growing major economies in the world, with a real GDP growth rate of 9.4% recorded for the period 2006-2007 (Source: RBI Annual Report 2006-2007)

In recent years, India has become a preferred global destination for FDI for a number of factors, including the presence of a large consumer market and efforts by the government to position it as one of the front-runners of the rapidly growing Asia Pacific region. There has also been a significant increase in portfolio investment into India over the last few years. Overall, India attracted foreign direct investment (“FDI”) of around US\$ 48,590.26 million and portfolio investment of US\$ 43,122.60 million between Fiscal 2001 and Fiscal 2007. The recent trends in FDI and portfolio investment are set out below.

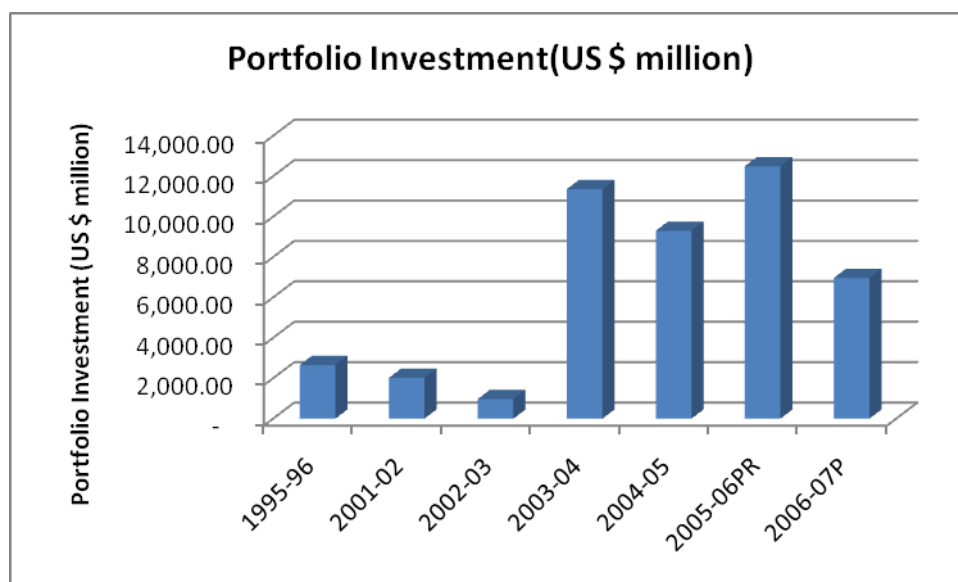
Foreign Direct Investment*



PR: Partially Revised. P: Provisional.

* Source: RBI Annual Report 2006-2007

Portfolio Investment



PR: Partially Revised. P: Provisional.

* Source: RBI Annual Report 2006-2007

India's economic growth in comparison to other developing countries and country groups, in percentage terms at constant prices, as well as estimated growth for Fiscal 2007 and 2008 has been set out below.

Country/Group Name	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008
World	2.5	3.1	4.0	5.3	4.8	5.4	5.2	4.8
Advanced economies	1.2	1.6	1.9	3.2	2.5	2.9	2.5	2.2
Newly industrialized Asian economies	1.2	5.5	3.2	5.9	4.7	5.3	4.9	4.4
Other emerging market and developing countries	4.3	5.1	6.7	7.7	7.5	8.1	8.1	7.4
Developing Asia	6.0	7.0	8.3	8.8	9.2	9.8	9.8	8.8
Brazil	1.3	2.7	1.1	5.7	2.9	3.7	4.4	4.0
China	8.3	9.1	10.0	10.1	10.4	11.1	11.5	10.0
India	3.9	4.5	6.9	7.9	9.0	9.7	8.9	8.4
Mexico	0.0	0.8	1.4	4.2	2.8	4.8	2.9	3.0
Russia	5.1	4.7	7.3	7.2	6.4	6.7	7.0	6.5

(Source: <http://www.imf.org/> (International Monetary Fund - World Economic Outlook, October 2007) (as of December 26, 2007))

Indian Financial Services Sector

The Indian financial services industry has experienced sizeable growth in the last few years. The industry has gained in significant breadth and depth due to the various financial market reforms undertaken by the regulatory bodies, the introduction of innovative customised financial instruments in the recent years and the entry of multi-skilled domestic and international players. Sectors such as banking, asset management have been liberalised to allow private sector involvement, which has contributed to the development and modernisation of the financial services sector. This is particularly evident in the certain select sectors, such as the entire gamut of the investment banking services, equities, derivatives, commodities brokerage, asset-finance, asset-management, savings and investment products residential mortgage and insurance services, where innovative products catering to the present day needs and expanding delivery channels have helped achieve high growth rates.

Investment Banking Space in India – Trends emerging

Globalisation has resulted in a greater inflow/outflow of trade and services to and from India. Indian companies are acquiring companies abroad in addition to setting up manufacturing facilities / full-fledged service offices in foreign countries. Simultaneously, the investment by foreign entities in India has also increased significantly.

Indian companies have also enhanced their competitiveness, *inter-alia*, by increasing productivity and efficiency of business operations. All these activities have opened up growth avenues for the investment banking business in India.

The growth in the Indian investment banking space is set out below.

Indian Investment Banking	Year ended December 31,			
	2004	2005	2006	2007 YTD Till 9 th Oct.'07
	(US\$ Billion)			
Merger & Acquisitions				
Total Volume	9.7	36.6	38.8	86.51
Equity & Equity-Linked				
Total Volume	8.9	14.1	18.3	25.1
Issues	42	144	209	185

(Source: Bloomberg (as of October 09, 2007))

Regulatory and business developments in the Capital Markets in the recent past

The following regulatory and other developments have taken place in the Indian capital markets since India's economic reforms (year 1991) that have brought-in huge growth to this Industry.

- **Securities and Exchange Board of India (SEBI) Act, 1992**

As a part of the ongoing reforms process, the Capital Issues (Control) Act, 1974 was repealed in 1992 and replaced by the SEBI Act, 1992, paving the way for market-determined allocation of resources. In terms of the various regulations and guidelines of the SEBI, issuers complying with eligibility criteria are allowed the freedom to issue securities at market-determined rates. SEBI exercises control over the market through the issuance of investor-friendly guidelines and regulations for various capital market activities and well co-ordinated and orderly conduct of intermediaries and stock exchanges.

SEBI's primary objective is of protecting the interests of investors in securities. It requires critical data of the market participants to be disclosed on specified forms. An Investor Education and Protection Fund has also been established for the promotion of awareness among investors and protection of investor interests. The Department of Economic Affairs, Department of Company Affairs, SEBI and the stock exchanges have also set up investor grievance divisions. The individual exchanges also maintain investor protection funds to satisfy certain investor claims. All these cumulatively have provided huge orderly growth to the Capital Markets in India, which is a barometer of any Country's financial health.

- **Technology**

Technology has been one of the key enablers of the consolidation that has taken place in the Indian broking industry. New technology such as screen-based trading, electronic matching and paperless securities (dematerialisation of securities in accordance with the Depositories Act, 1996) have made the process of trading convenient and streamlined. Better telecom connectivity and lower costs have made large interconnected operations across multiple locations for centralised operations possible, which facilitates effective risk management and control. This has significantly contributed in bringing in huge scales of business to the broking industry.

- **Trading Cycle**

In the early 1990s, trades were accumulated over a trading cycle and at the end of the cycle, trades were netted out, this was followed by payment of cash and delivery of securities to settle the balance. This trading cycle varied from 14 days for specified securities to 30 days for others and settlement took another fortnight. In order to reduce large open positions, the trading cycle was reduced to a week. The stock exchanges, however, continued to have different weekly trading cycles, which enabled shifting of positions from one exchange to another. Rolling settlement on a T+5 basis was introduced in 1996 and as a result, for specified

scrips, the trading cycle was reduced to one day. It was made mandatory for all stock exchanges to follow a uniform weekly trading cycle in respect of scrips not under rolling settlement. All scrips were moved to the rolling settlement system in December, 2001. The settlement period has been reduced progressively from the initial T+5 to the current T+2 settlement cycle.

- **Derivatives Trading**

To assist market participants in managing risks better other than through hedging and arbitrage and to ensure large trading volumes to act as a major guard against huge volatility for shallow operating bases, the Securities Contracts (Regulation) Act, 1956 (“SCRA”) was amended in 1995 to lift the ban on options in securities. The SCRA was amended further in December, 1999 to expand the definition of “securities” to include “derivatives” so that the whole regulatory framework governing trading of securities could govern trading of derivatives as well. In the meantime, exchanges developed their infrastructure and the information system required to implement trading discipline in derivative instruments. Derivative trading commenced in June, 2000 on the NSE and the BSE. The market offers index futures and index options on three indices and stock options and stock futures on individual stocks and futures in interest rate products like the notional 91-day T-bills and the notional 10-year bonds.

- **Demutualisation (Segregation of ownership from management)**

Historically, brokers owned, controlled and managed the stock exchanges in India. In March, 2001, the Government proposed to corporatise the stock exchanges and thereby segregate the ownership, management and the trading membership. The Government has offered a variety of tax incentives to facilitate corporatisation and demutualisation of stock exchanges. The NSE has adopted a demutualised governance structure where ownership, management and trading rights are separated to help reduce conflict of interest. The BSE has also recently completed the process of demutualisation. Demutualisation has immensely aided in bringing the management of stock-exchanges under independent professionals.

Indian Capital Markets – where it stands today

Presently, there are 23 recognized stock exchanges in India, including the Over-The-Counter Exchange of India (“OTCEI”) and the NSE, which was set up as a model exchange to provide nationwide services to investors. There were 4,867 companies listed on the BSE and 1,329 companies listed on NSE as on October 31, 2007. In 2003, NCDEX and MCX were also set up for trading of futures in various commodities.

Additionally, the growth of the Indian economy and Indian companies has coincided with a sharp increase in foreign direct investment, including significant participation from private equity firms, ever-increasing merger and acquisition (“M&A”) activity, and a growing demand for credit from both corporations and consumers. Along with this, there has been a proliferation in the presence of intermediaries such as investment banks and securities firms that are closely associated with the performance of the markets and provide extensive services for raising of capital in various forms in India. This has totally changed the investment banking and capital market landscape in the country, offering huge growth potential in this space.

Though, the equity markets in India are well developed, the country’s debt market continues to lag behind and urgently needs substantial investments and reforms. Corporate borrowing requirements through national sources are primarily met through the domestic banking system due to the limited development of the corporate bond market. Only very large corporations are able to tap the international banking system for their funding requirements. However, the RBI has, of late, also been placing restrictions on these international borrowings by establishing limits on the amount and the rates at which corporations can borrow abroad. The growth of the debt markets in a systematic and scalable manner should help in the further development of the Indian capital markets.

Primary Equity Market

The primary segment of the capital markets in India has been witnessing a surge in activities driven by the strong fundamentals of the Indian economy, a well-developed secondary market, structural reforms by the government, and an investor friendly framework provided by SEBI. In addition, sustained growth of the corporate sector and its increasing capital requirements have resulted in a record level of capital raising from the primary equity market in the recent years, as set out in the table below.

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
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Domestic Offerings (Rs. billion)	56.92	18.78	37.22	130.80	211.54
IPO and Follow on Offerings	49.80	14.07	27.15	96.36	169.37
Rights Offering	7.12	4.71	10.07	34.44	42.17
International Offerings (US\$ Million)					
ADRs/GDRs	477	600	459	613	2,552

Source: RBI

Secondary Equity Market

The Indian equity markets have witnessed a strong rally since 2003 with the benchmark BSE Sensex crossing the 20,000 mark in October, 2007 from 6,600 in January, 2005, setting a new historical high. As in the case of the primary markets, the primary drivers for the record level of activity in the secondary market have been the strong economic growth and growing corporate profitability, leading to increased international and domestic investor interest.

Growth of business-volumes traded in Secondary Market (NSE)

	Year ended March 31,			
	Unit	2005	2006	2007
Capital Market				
No. of Companies Listed		970	1,069	1,228
Traded Quantity	Million	79,768	84,448	85,546
Turnover	Rs. Million	11,400,710	15,695,560	19,452,850
Derivatives				
Number of Contracts		77,017,185	157,619,271	216,883,573
Turnover	Rs. Million	25,469,820	48,241,740	73,562,420

Source: www.nseindia.com (as of December 26, 2007)

Growth of business-volumes traded in Secondary Market (BSE)

	Unit	2005	2006	2007
Capital Market				
No. of Companies Listed		4,731	4,781	4,821
Traded Quantity	Million	237	264	346
Turnover	Rs. Million	5,187,000	8,161,000	9,561,000

Source: <http://www.bseindia.com/> (as of December 26, 2007)

Equity Brokerage

The evolution of the Indian capital markets due to increased trading volumes, increased regulation, customer sophistication, better technology and increased risk-control requirements has stimulated rapid consolidation. As a result, significant changes have been introduced to strengthen risk management systems. Changes in the regulatory framework and settlement mechanism have resulted in the smaller operating participants losing their market share, leading to a large consolidation in the industry, which is an ongoing process.

The market share of the top five brokers on the NSE has increased from 10% in Fiscal 2003 to approximately 15% in March, 2007. The market share of the top ten brokers on the NSE has grown from approximately 16% in Fiscal 2003 to 24% in March, 2007, and the share of the top 25 brokers on the NSE has grown from 29% in Fiscal 2003 to 43% in March, 2007. These figures indicate a long-term consolidation process in a highly fragmented securities brokerage industry, with numerous smaller participants exiting the market and larger brokers gaining market share.

The following table illustrates the trading volume on the NSE and the percentage traded by the top 'N' brokers from 2003.

Percentage share of top 'N' members in turnover

Year ended March 31	No. Of Members				
	5	10	25	50	100
2003	10	16	29	42	59
2004	12	17	30	44	61
2005	14	20	35	49	65
2006	15	23	38	53	68
2007	15	24	43	57	71

Source: <http://www.nseindia.com/> (NSE Fact Book 2007) (as of December 26, 2007)

Internet Trading

The growing sophistication of retail investors, availability of reliable internet connectivity, sophistication of internet-based trading products and lower transaction costs have fuelled the growth of online trading volumes.

At the end of March, 2007, 74 members on the capital market segment and 68 [source: NSE Website] members on the futures and options segment were permitted to allow investors' web-based access to NSE's trading system. The members of the NSE in turn registered 2,248,711 clients for web-based access as of March 31, 2007. In the NSE Capital Market segment, about 1120.3 million trades [source: NSE Website] for Rs. 2,328,569 million constituting 11.97% of total trading volume, was routed and executed through the internet. The following table illustrates the growth of online trading.

Growth in online trading

Year Ended March 31,	Enabled Members	Registered Clients	Trading Volume (Rs. million)	% of total trading volume
2003	80	346,420	153,60	2.48
2004	70	463,560	379,450	3.45
2005	78	849,696	810,338	7.11
2006	142	1,443,291	1,834,285	11.68
2007	74	2,248,711	2,328,579	11.97

Source: <http://www.nseindia.com/> (NSE Fact Book 2007) (as of December 26, 2007)

Mutual Funds

The mutual fund industry has also experienced considerable activity over the last few years with the total assets under management ("AUM") growing from Rs.1,396 billion as of March 31, 2004 to Rs. 5499 billion as of December 31, 2007. In recent years, the industry has witnessed consolidation in favour of private sector mutual funds with their assets under management growing from Rs.1,049 billion as of March 31, 2004 to Rs. 4471 billion as of December, 2007. [Source- www.amfiindia.com]

The mutual fund sector can broadly be divided based on the nature of the schemes launched by the mutual funds. The fixed-income asset class, which comprises income, liquid, gilt and money market schemes, comprises a major share of total funds under management. The other two asset classes – equity and balanced schemes – have experienced significant growth in 2005 and during 2006 on account of the buoyant stock market.

Assets under Management with MF

(Rs. in Million)

Indian Mutual Funds	Year ended March 31,				December 31, 2007
	2004	2005	2006	2007	
Income	625,240	476,050	602,780	1,193,220	19,73,420
Growth	236,130	367,570	928,670	1,133,860	19,21,290
Balanced	40,800	48,670	74,930	91,100	1,99,370
Liquid/Money Market	417,040	540,680	615,000	720,060	11,23,490

Gilt & Others	76,950	63,030	97,240	125,640	2,81,790
Total	1,396,160	1,496,000	2,318,620	3,263,880	54,99,360

Source: <http://www.amfiindia.com/> (as of December 31, 2007)

Steps have also been taken to improve the governance practices in the industry, which have helped the growth of the industry.

Insurance Sector

With the liberalisation of the insurance sector, various Indian private and foreign companies (such as New York Life, Aviva, Allianz, Standard Life, Lombard General, AIG) have targeted the hitherto untapped market.

The presence of these new market participants has heightened the competition, resulting in a paradigm shift in approach and led to the launch of innovative products, services and value-added benefits. Public sector companies have also become aggressive in terms of product offerings, marketing and distribution. Further, the Insurance Regulatory and Development Authority (IRDA) has played a proactive role as a regulator and a facilitator in the sector's development.

Financial Services Sector in India - Industry Outlook in the short to Medium term

The present size of the Indian financial services sector is relatively small when compared to the volumes that are expected in this sector. Existing low penetration levels, increasing affordability of credit and rising income levels have, led to a growing demand for retail financial products. India has a large retail investor-base spread throughout the country with a huge pool of untapped expendable funds. The confidence of small investors has increased with the growing levels of education and financial awareness, and the tightening of regulatory systems, which have led to several innovative savings products making inroads in the market.

Exposure to global practices has made the Indian customer more discerning and demanding. Further, as a result of falling interest rates, bank deposits and other traditional investment avenues are losing their attraction and Indian investors availing of alternative investment opportunities such as equity markets are also investing significantly in newer financial products.

While huge opportunities exist in the financial services sector these are also coupled with several challenges. The sector requires extremely cost-effective distribution system that is capable of offering flexibility and convenience to the customer. There has been a clear shift of business towards those entities that are able to offer products and services in the most innovative, cost efficient manner, with an integrated model and with value-added services. The financial sector will need to adopt a customer-centric business focus. It will also have to create value for its shareholders as well as its customers, competing for the capital necessary to fund growth as well as for customer market share. The financial services industry is undergoing a consolidation with the large number of small players turning into few large players and the process is to continue. In future, it is expected that the market share will be captured by the players who can offer a complete bouquet of financial products and services.

The burgeoning middle class income-group in the country, the huge upsurge in education and health facilities, a high GDP growth rate, fast pace of globalisation of Indian businesses, a large and still un-serviced or under-serviced consumption market in the country offer significant scope for the financial services sector.

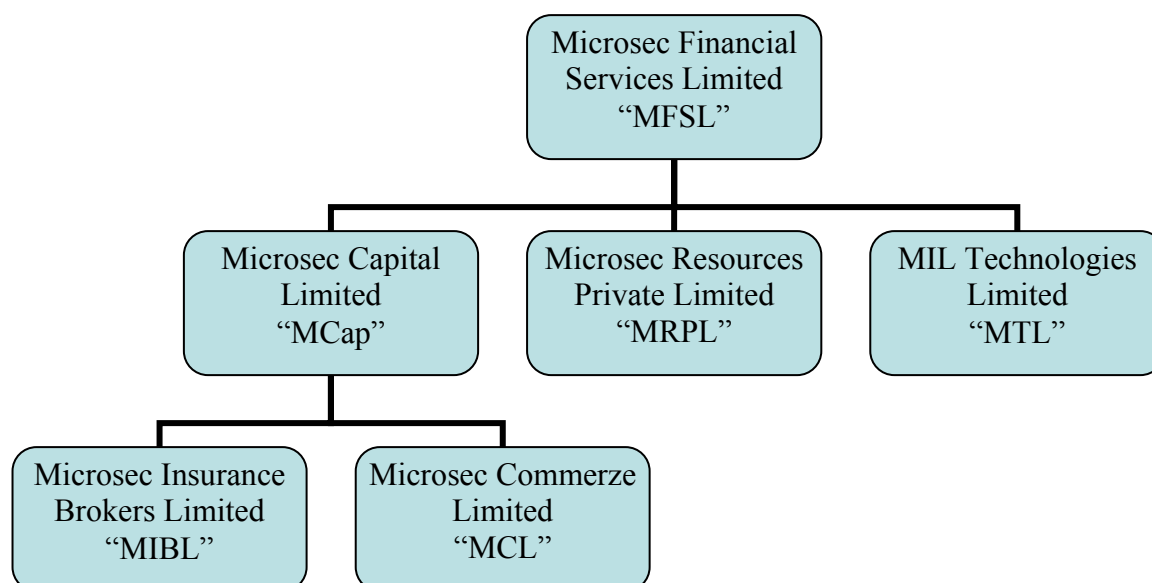
OUR BUSINESS

In this section of the DRHP, the terms “we”, “our”, “us” refer to MFSL or its Subsidiaries as the context may require.

Overview

We are a well-diversified financial services company providing an array of services including investment banking, retail brokerage, wealth management, insurance broking and financing services to our clients. Further, we are in the process of launching institutional equities and portfolio management services. We are headquartered in Kolkata and we operate from another around 176 business-locations in 49 Indian cities / towns.

The Microsec Group operates through Microsec Financial Services Limited (“MFSL”) and its Subsidiaries. MFSL, the ultimate holding company of all the Subsidiaries, is an NBFC, registered with the RBI and its main business includes giving loans against shares and rendering advisory services to clients. Our Subsidiaries are Microsec Capital Limited, Microsec Resources Private Limited, MIL Technologies Limited, Microsec Insurance Brokers Limited and Microsec Commerze Limited.



MCap and MRPL are 100% subsidiaries of MFSL. Further, MIBL and MCL are 100% subsidiaries of MCap. 80.00% and 20.00% of the shareholding in MTL is held by MFSL and MCap respectively.

The group employs approximately 325 employees as of January 18, 2008. In Fiscal 2006 and 2007, our consolidated total income was Rs. 125.70 million and Rs. 185.92 million respectively. In Fiscal 2006 and 2007, our consolidated profit after taxation was Rs. 42.39 million and Rs. 76.42 million respectively. Consolidated total income and profit after tax in the 6 months' period ended September 30, 2007 stands at Rs. 183.41 million and Rs. 94.51 million respectively.

Microsec Financial Services Limited is an RBI registered NBFC and is the ultimate holding company of all the subsidiary companies. MFSL provides financing (loans against shares) to various Clients, including our broking Clients. Such financing allows Clients to partially pay for a certain amount of stocks up to a sanctioned limit and the balance is then funded by MFSL.

Microsec Capital Limited is the Microsec Group's flagship company and manages the group's investment banking and equity broking business. MCap is registered with SEBI as a stock broker, a merchant banker, a depository participant and a portfolio manager. It is also in the business of distribution of financial savings products.

Microsec Commerze Limited offers services in the commodities market and is registered as a member of MCX and NCDEX. We trade for our clients in a wide variety of commodities, including agricultural products, bullion, industrial products, oil and oil seeds and energy products.

Microsec Insurance Brokers Limited offers insurance broking services and is registered with the IRDA. It distributes products of both life insurance and non life insurance companies.

Microsec Resources Private Limited provides ‘loan against shares’ facility to the clients including broking clients of the group. MRPL is an RBI registered NBFC.

MIL Technologies Limited is engaged in the business of software development and data processing.

The services provided by the group are discussed in detail hereunder:

INVESTMENT BANKING

Our investment banking business is operated through MCap, provides a broad range of advisory services, including in equity capital markets transactions, mergers and acquisitions, business restructuring, debt-syndication, structured finance, private equity and other business consultancy. As of January 18, 2008, the investment banking division has managed 12 equity capital market offerings aggregating to Rs. 4,408 million. In the debt capital markets, we help our clients raise funds including through foreign currency convertible bond issuances (“FCCBs”). As of December 31, 2007, we have a number of assignments in the pipeline including IPOs, rights issues, mergers and acquisitions, private equity and other corporate advisory services. The total order book size for our equity offerings stands at approximately Rs. 11,000 million as of January 18, 2008.

The business is primarily driven by the strength of the corporate relationships of the Company and its parent backed by its strong focus and understanding of the growth oriented mid market companies, which are effectively leveraged for origination of new assignments. The group’s investment banking team has played a large role in changing the perception of pan-India investors towards small and medium enterprises, as the issues floated by it have received good response across the country.

Our gross investment banking revenue from this activity in the 6 months period ended September 30, 2007, is Rs. 19.77 million.

The transactions that we have handled in the past are set out below.

Equity issues:

(in Rs. Million)

Company	Issue size	Microsec’s role
Chandi Steel Industries Limited	55	Lead Manager
Jai Balaji Sponge Limited	100	Lead Manager
Ramakrishna Forgings Limited	122.5	Lead Manager
MSP Steels & Power Limited	160	Lead Manager
Shri Ramrupai Balaji Steels Limited	440	Book Running Lead Manager
Vikash Metal & Power Limited	250	Lead Manager
Ramsarup Industries Limited	300	Lead Manager
Rohit Ferro-tech Limited	508	Lead Manager
Malu Paper Mills Limited	200	Lead Manager
Adhunik Metaliks Limited	1,000	Co-Book Running Lead Manager
Tantia Construction Limited	562.5	Book Running Lead Manager
Godawari Power & Ispat Limited	710	Co-Book Running Lead Manager

Note: Prime Database has ranked MCap at all India 9th rank in terms of number of capital issues handled in the Financial Year 2005-06

EQUITY BROKING

Retail Broking

Our retail broking business primarily covers secondary market equity broking. As of January 18, 2008, we had approximately more than 12,000 clients including high net worth clients. The ability of the MCap to provide and share real time information, backed personalised customer care has enabled it to increase its customer base despite the cluttered industry space. To service our clients' trading information needs, we have a team of technical and fundamental research analysts and we propose to further strengthen the research function, which is also one of our future strategies. Our equity brokerage revenue in the 6 months period ended September 30, 2007 is Rs. 46.99 million.

(Rs. Million)

Particulars	6 months period ended September 30, 2007	March 2007	March 2006
Total Group Revenue	183.41	185.92	125.70
Earnings – Equity Broking & Depository Participant Division	49.87	59.04	34.36
Percentage contribution from retail broking & depository business	27.2%	31.8%	27.3%

Depository Participant Services

Depository participant services form part of our integrated offering to our equity trading and other clients. Our total depository accounts have increased to more than 13000 as of January 18, 2008. The aggregate value of securities held in our depository as on January 18, 2008 was Rs. 2,241 million.

Since MCap is registered both as broker and depository participant, it provides smooth functioning of total process and servicing. This also cuts down transaction time and hassles. Being the own DP, looking at the margining requirement before sales also becomes easy, as the shares are actually with broker's entity only.

Online Equity Portal

Our online equity trading portal 'Microclick' was officially launched in April, 2007. The online portal has been designed by Asian CERC Information Technology Limited. This portal offers several beneficial features, most important of which are low cost transaction execution and less human interference. The portal has been designed in a manner to provide different products to the clients tailored to meet their specified requirements - fixed as well as variable brokerage models.

MCap has 1,243 registered clients as on January 18, 2008 on its internet trading platform and at present MCap executes on an average 1000 trades on a daily basis translating into a turnover of approximately Rs.30 million.

Institutional broking

We have, recently, commenced initiatives for providing institutional equity services. MCap has applied to all major institutions for empanelment as an equity broker and has recently received approvals from two institutions. MCap is in the process of creating a dedicated institutional team in Mumbai for servicing institutional clients and has taken separate office space for this service. We believe that the institutional broking business will provide us with added visibility and also ensure a broad-based client profile.

COMMODITY BROKING

Commodity broking in India is comparatively new and gives investors the opportunity to hedge risks of capital market fluctuations. The commodities segment has emerged as an additional class of investment for investors in recent times. We are targeting our equity trading clients for investment in globally-traded commodities such as metal, bullion and oil and gas.

The Microsec Group's commodity broking operations are managed by, MCL. It provides expert research and analysis to its clients in various commodities, listed in NCDEX and MCX. It provides technical analysis through trained and qualified analysts.

The research team formulates trading strategies depending on the risk-return profile of the client. The relationship manager team provides support to our commodities team.

INSURANCE BROKING

MIBL is an IRDA licensed insurance broker. It offers consultancy and guidance to its clients in the insurance spectrum. It is authorized to deal with all the insurance companies in India, both - in life as well as non-life segments. It provides the company's clients with customised insurance solutions for mitigation of personal as well as corporate risks after understanding their specific requirements and risk appetite.

LOAN AGAINST SHARES

Through our loans against shares ("LAS"), we have entered into the business of lending against capital market investments. Our LAS business helps our clients leverage their equity market positions to take increased exposure.

This facility is provided by our non banking financial companies, MFSL and MRPL. Through this business, we advance funds to borrowers against specified securities. Only a certain percentage of the market value of securities is advanced as loan to the borrower, and this helps to provide a cushion for market fluctuations in the value of security. The borrower is required to keep a maintenance margin with the concerned NBFC and is responsible for infusing additional funds in case the margin falls below the prescribed limit, failing which the NBFC has the power to sell the client's securities to the extent that would be required in order to maintain the required margin.

DISTRIBUTION OF MUTUAL FUNDS AND OTHER SAVINGS PRODUCTS

As part of the wealth management services, MCap focuses on the distribution of mutual funds to the Institutions/Corporate and retail. Going forward, we are planning to further increase our distribution of mutual fund schemes, tax savings instruments, bonds, life insurance products etc. as we have the necessary resources in terms of personnel, expertise etc. and we expect good volumes in this business.

This function is supported by the retail and institutional sales and distribution network of the company. The retail distribution network is used in distribution of new issues at the retail level and the institutional equities group helps in the private placement and placement of new issues with the institutions.

PORTFOLIO MANAGEMENT SERVICES

MCap has received registration from SEBI on August 27, 2007, for Portfolio Management Services ("PMS") to provide investment advisory and planning services to high net worth individuals. MCap has already designed the portfolio management schemes and the structure. We are in the process of finalizing the required software for the PMS. The Company shall soon start launching this product selectively and aggressively.

ADVISORY SERVICES

MFSL and MCap both provide corporate advisory services, while MFSL also provides investment advisory service to a venture capital fund. Since inception in early 2007, the business has, as of the six months ended September 30, 2007, contributed Rs. 25.6 million (this income may be non-recurring) to our consolidated revenues which constitutes 13.96%. While this business is in a nascent stage, we believe that the scope for growth in this particular area is substantial. Additionally, we provide corporate

advisory services to select clients. MFSL's income from corporate advisory services in the year ended March 31, 2006 was Rs. 11.5 million, in the year ended March 31, 2007 was Rs.18 million and in six months ended September 30, 2007 it is Rs.39.4 million.

COMPETITIVE STRENGTHS

Strong regional presence

Over the last few years, we have built a superior position in the eastern region both in the equity broking and in the investment banking business. Of our total pan-India network of 176 branches covering 49 cities and towns, 78 branches are located in Kolkata and total 98 branches are located in West Bengal as on January 18, 2008.

Top management involvement

Our Promoters are actively involved in the day to day management of the affairs of the various companies of the Microsec Group. While Mr. B. L. Mittal is in overall charge of the company, Mr. Rakesh Sony heads the Investment Banking function and Mr. Ravi Kant Sharma heads the Brokerage and Wealth Management function. Our Promoters are also supported by a number of professionals with requisite expertise and experience in the various activities of the Company, including investment banking, equity sales and trading and commodities. We believe that the extensive experience and financial acumen of our management and professionals and their active involvement in the operations of the Company provides us with a significant competitive advantage.

Integrated business model

We offer a wide range of financial products and services to our investors which complement each other and this provides cross-selling opportunities. In the retail spectrum, we offer equity brokerage, commodities brokerage, personal financial services (including insurance brokerage and distribution of savings-products), internet trading, LAS etc. In the wealth spectrum, we offer PMS and wealth advisory services. In the institutional spectrum, we offer institutional equity and commodity broking services, investment banking, transaction advisory services and corporate loans.

Strong relationships

We believe that our focus on nurturing long-term relationships with companies and serving these companies throughout the course of their development has enabled us to form strong relationships with these clients. Based on our performance, we have received repeat business from many of our clients. Our dedicated focus on client coverage and our ability to provide ongoing and innovative solutions enables us to establish long-term relationships with institutional and high net worth individual clients. We believe that these relationships provide us with an advantage in attracting deal flow and securing transactions. The role of dedicated relationship manager is of acting as a single point contact between the client and various other concerned persons in the division.

BUSINESS STRATEGIES

Geographic expansion:

Currently, we operate through approximately 176 business locations in about 49 cities/towns of India. We now plan to expand our operations into smaller cities and towns that are either, in our understanding, under-served by financial service companies or where we believe we can develop our business. Further, we propose to expand our existing operations.

As at September 30, 2007, our operations outside the eastern region garnered only Rs. 3.48 million which constitutes 7.4% our gross revenues. We, therefore, plan to establish a national footprint by entering regions where we currently do not have a presence including Gujarat, Rajasthan and the southern states. Since we do not have significant operations in these regions we believe that these regions will afford greater opportunities for growth and expansion. We propose to expand by increasing the network of our branches and business associates and are open to growth through the inorganic route as well. We believe that our proposed expansion complemented by our client-focused relationship management, will allow us to increase our client base, particularly those in the high net worth individual segment and help us increase our market share.

Expand our product portfolio:

In accordance with our strategy of creating an integrated business model, we propose to expand our operations by offering a gamut of financial services including PMS and towards this end, we have also obtained SEBI registration. Further, we have obtained empanelment from a few institutions and have also acquired office space in Mumbai for the purpose of providing institutional broking. Additionally, we propose, through, improved client relationship management, wealth management solutions, convenient

and effective channels of distribution, to expand our wealth management business both in overall terms and location wise. We plan to significantly increase our financing, broking and third-party wealth management and financial instruments distribution business. We also plan to launch innovative new products and services in the background of markets as they are foreseen to be emerging with.

Strengthen our research capabilities:

We intend to further widen our research coverage by increasing the number of companies and business sectors that we cover. We also propose to enlarge our team of research analysts, advisors and dealers to strengthen relationships with our clients. Strong research results facilitate scope for wealth creation for our clients and we propose to increase our strength in this department by increasing the number of research analysts.

Continue to develop client relationships:

We plan to expand our business primarily by increasing the number of client relationships, as we believe that increased client relationships will add stability to our business. We seek to build on existing relationships and also focus on increasing our client base. We also believe that the rapid growth of the Small and Medium Enterprises Sector (SMEs) offers us a significant opportunity to provide a wide variety of financial services and products to this segment. We also seek to offer our clients, diversified products and services to increase our per capita revenues by selling different products to the same client.

Pursue strategic acquisitions and alliances:

We propose to pursue strategic acquisition opportunities to enhance our capabilities, address specific industry opportunities to further enhance our industry and technical expertise, expand our operations geographically and benefit from an expanded client base. Presently, the Indian brokerage industry is experiencing significant consolidation involving the growth of corporate brokerage houses and increasing marginalization of small and regional brokers. Stricter regulatory and higher capital requirements have hastened this process, which provide opportunities for well-capitalized, professionally-managed corporate brokers to acquire smaller entities and brokers associated with regional exchanges. In conjunction with our strategy of geographical growth towards expansion of our retail business, we intend to selectively target smaller and / or regionally aligned brokers for acquisition. Simultaneously we also propose to explore opportunities for enhancing institutional equity partnership in the Company.

SUPPORT SYSTEMS

Technology

We recognise the need to have a sophisticated technology network in place to meet our customer needs as well as to maintain a robust risk management system. To that end, we have set up a dedicated data centre at our office at Kolkata and have invested in high-performance trading software. Our technology infrastructure is aimed at ensuring that our trading and information systems are reliable and performance-enhancing and that the client data is protected.

The highlights of our technology infrastructure and system include:

- A well-balanced technology team comprising managerial personnel, engineering graduates, software engineers, application support managers, network and hardware managers managing our IT infrastructure across our business locations;
- Managing a complex multi-product/multi-architecture system serving the needs of our retail, online broking, institutional and wealth management customers;
- Balanced in-house/outsourcing approach to IT combined with a quick response to business needs;
- Scalable platforms for order-management and risk management requiring minimal human intervention;
- Sophisticated server and network infrastructure;
- Redundancy (alternate connectivity) for network;
- 24 x 7 x 365 connectivity with high data speed;

- Data back-up is taken on an incremental basis on tape drives and sent to another location.
- Use of both VSAT / leased lines;
- Power back up

Risk Management

We believe that effective risk management is of primary importance to the success of our operations. Accordingly, we have risk management processes to monitor, evaluate and manage the principal risks we assume in conducting our activities. These risks include market, credit, liquidity, operational, legal and reputational risks.

We seek to monitor and control our risk exposure through a variety of separate but complementary financial, credit, operational, compliance and legal reporting systems based on mandatory regulatory requirements as well as our business needs. Our Board of Directors has overall responsibility for monitoring enterprise-wide risk. Credit risk related to loans against shares business and the book debts of share broking, commodities broking and derivatives business on behalf of clients is monitored by the whole-time directors in charge of the respective operations. Market risk in our case arises out of unfavourable movements in the prices of our investments, and is monitored by the whole-time Director, in charge of such investments. Legal risk arising out of compliances under various laws is being monitored by the respective whole-time director with his compliance team supplemented by the Chief Financial Officer and the Company Secretary, in consultation with domain experts from time to time. We have well-documented policies and guidelines for compliance and risk management. The risk management policy is reviewed regularly by management and is regularly updated to take care of changing market dynamics. Management information systems (“MIS”) statement on the overall exposure is submitted on a daily basis to the risk-management team and the Managing Director.

Our risk management system (“RMS”) monitors our market exposure on the basis of the total margin collected from clients, the total margin deposited with the exchanges and the lines of credit available from the banks. Our risk management department analyses this data in conjunction with our risk management policies and takes appropriate action wherever necessary to minimize risk.

As part of our regulatory obligation, we use technology for the monitoring of circular trading (manipulation of stock), the positions of traders, the impact of volatility and any concentration of position in a few scrips.

Receivable management

Client receivables are closely monitored to ensure timely collection. Business locations ensure that client cheques are deposited into the designated account after making an entry in the system. In order to facilitate an easy flow of funds, and to prepare for a ‘T+1’ environment, we have a centralised collection management system in place. The accounts are reconciled at periodic intervals. The system alerts us to any bounced cheques so that appropriate action can be taken. This primarily is the reason why we have virtually nil bad-debts in our business.

Audit and inspection

We actively review our existing concurrent audit and inspection procedures to enhance their effectiveness, usefulness and timeliness. The report of the Internal Auditor is reviewed by Board. The audit committee of the Board will take further measures for ensuring effective internal audit systems.

Security and disaster recovery

The organisation has a comprehensive information security policy and conducts periodic systems and network penetration tests to review the vulnerability of our infrastructure. The organisation continues to verify the robustness of its IT processes to achieve a comprehensive control. We have also established a site at Mumbai where our entire data back up is maintained.

Competition

We face stiff competition in all of our main business lines of investment banking and equity broking. Our primary competitors differ in each respective business and include both domestic and foreign institutions. Some of our competitors include SREI Capital Market, Ashika Capital Market, BMA Securities, Guinness Securities and Eureka Stock Brokers.

Human Resources

As at January 18, 2008, we employed approx. 325 employees on our pay-roll in the issuer company and its Subsidiaries.. We believe that our ability to grow depends to a significant extent on our ability to attract and retain the best talent in the market place. The key elements of our human resource strategy include:

- Objectively set performance based reward and recognition mechanism;
- Work culture designed and evolved around the principles of ownership and accountability;
- Creating a second line support for all key positions through employee career planning process;
- Regular on and off site training programs for skill enhancement

REGULATIONS AND POLICIES IN INDIA

We offer varied financial services, including investment banking, retail and institutional equity broking and research, commodities broking and research, asset management, venture capital funding, depository services, financial services, portfolio management services, mutual fund distribution services, risk analysis and distribution of life and non-life insurance products. Further, we intend to offer financial services such as wealth management services, venture capital business and merchant banking. The legal framework governing the above financial services and products is discussed below. The regulations set out below are not exhaustive, and are only intended to provide general information to Bidders and is neither designed nor intended to be a substitute for professional legal advice. Taxation statutes such as the Income Tax Act, 1961, Central Sales Tax Act, 1956 and applicable local sales tax statutes, labour regulations such as the Employees State Insurance Act, 1948 and the Employees Provident Fund and Miscellaneous Act, 1952, and other miscellaneous regulations such as the Trade and Merchandise Marks Act, 1958 and applicable shops and establishments statutes apply to us as they do to any other Indian company. For details of government approvals obtained by us in compliance with these regulations, please see section entitled "Government and Other Approvals" beginning on page 188. The statements below are based on the current provisions of Indian law, and the judicial and administrative interpretations thereof, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions.

I. NBFC Regulations

The Reserve Bank of India Act, 1934

The RBI is entrusted with the responsibility of regulating and supervising activities of NBFCs by virtue of the power vested in it under Chapter III B of the Reserve Bank of India Act of 1934 ("**RBI Act**"). The RBI Act defines an NBFC under Section 45-I (f) as:

- “
- (i) *a financial institution which is a company;*
 - (ii) *a non-banking institution which is a company and which has as its principal business the receiving of deposits, under any scheme or arrangement or in any other manner, or lending in any manner;*
 - (iii) *such other non-banking institution or class of such institutions as the RBI may, with the previous approval of the Central Government and by notification in the Official Gazette, specify.”*

A “financial institution” and a “non- banking institution” have been defined under sections 45-I(c) and 45-I(e) of the RBI Act, respectively.

The RBI has clarified through a press release (Ref. No. 1998-99/1269) dated April 8, 1999, that in order to identify a particular company as an NBFC, it will consider both the assets and the income pattern as evidenced from the last audited balance sheet of the company to decide its principal business. The company will be treated as an NBFC (a) if its financial assets are more than 50 per cent of its total assets (netted off by intangible assets); and (b) income from financial assets should be more than 50 per cent of the gross income. Both these tests are required to be satisfied as the determinant factor for principal business of a company.

The RBI Act mandates that no NBFC shall commence or carry on the business of a non-banking financial institution without obtaining a certificate of registration. In case an NBFC does not accept deposits from the public ("**NBFC-ND**"), it shall obtain a certificate of registration without authorisation to accept public deposits. The NBFC must also have a net owned fund of Rs. 20 million.

Under Section 45 – IC of the RBI Act, every NBFC must create a reserve fund and transfer thereto a sum not less than 20 per cent of its net profit every year, as disclosed in the profit and loss account and before any dividend is declared. Such a fund is to be created by every NBFC irrespective of whether it is an NBFC-ND. Further, no appropriation can be made from the fund for any purpose without prior written approval of the RBI.

Public Deposit Regulations

As per the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998 (Notification No.DFC.118/DG(SPT)-98) dated January 31, 1998 (as amended from time to time and last amended on July 01, 2006) ("**Public Deposit Regulations**"), an NBFC-ND is entitled to certain exemptions from the norms and conditions stipulated on NBFCs taking

deposits. In order to benefit from these exemptions, the board of directors of the NBFC-ND must pass a resolution for non-acceptance of public deposits and such NBFC-ND should not have accepted any public deposits during the relevant period/ year.

Certain financial companies, including *inter alia* insurance companies, companies doing business as a stock broker or sub-broker, merchant banking companies, housing finance companies, venture capital fund companies, are exempt from the requirement of obtaining a certificate of registration or complying with the Public Deposit Regulations.

Prudential Norms

As per the Non Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 2007(Notification No. DNBC.192/DG(VL)-2007 dated February 22, 2007 and as updated from time to time) (“**Prudential Norms**”), the RBI has issued detailed directions on prudential norms, which *inter alia*, prescribe guidelines on income recognition, asset classification and provisioning requirements applicable to NBFCs, exposure norms, constitution of audit committee, disclosures in the balance sheet, requirement of capital adequacy, restrictions on investments in land and building and unquoted shares. The Prudential Norms are not applicable to NBFCs-ND holding investments in the securities of its group/holding/ subsidiary companies where the book value of such holding is not less than 90 per cent of its total assets and where such NBFC-ND is not trading in such securities and is not a systemically important NBFC-ND.

Systemically Important NBFCs-ND

All NBFCs – ND with an asset size of Rs. 1000 million or more as per the last audited balance sheet will be considered as a systemically important NBFC – ND (“**NBFC-ND-SI**”). All NBFCs–ND–SI are required to maintain a minimum Capital to Risk-weighted Assets Ratio (“**CRAR**”) of 10%. An NBFC–ND–SI is not allowed to:

- a) lend to
 - i) any single borrower exceeding 15% of its owned fund; and
 - ii) any single group of borrowers exceeding 25% of its owned fund;
- b) invest in
 - i) the shares of another company exceeding 15% of its owned fund; and
 - ii) the shares of a single group of companies exceeding 25% of its owned fund;
- c) lend and invest (loans/investments taken together) exceeding
 - i) 25% of its owned fund to a single party; and
 - ii) 40% of its owned fund to a single group of parties.

Know Your Customer Guidelines

The RBI has extended the Know Your Customer (“**KYC**”) guidelines to NBFCs and advised all NBFCs to adopt the same with suitable modifications depending upon the activity undertaken by them and ensure that a proper policy framework of anti-money laundering measures is put in place. The KYC policies are required to have certain key elements, including *inter alia* customer acceptance policy, customer identification procedures, monitoring of transactions and risk management, adherence to KYC guidelines and the exercise of due diligence by persons authorized by the NBFC, including its brokers and agents.

Corporate Governance Guidelines

Pursuant to an RBI Circular dated May 8, 2007, all NBFC-ND-SIs are required to adhere to certain corporate governance norms including constitution of an audit committee, a nomination committee, a risk management committee and certain other norms in connection with disclosure and transparency and connected lending.

Norms for excessive interest rates

In addition, the RBI has recently introduced (RBI/2006-07/414 dated May 24, 2007) whereby the RBI has requested all NBFCs to put in place appropriate internal principles and procedures in determining interest rates and processing and other charges.

II. Dealing in Securities

Securities regulation in India takes place under the provisions of the SCRA, SEBI Act, the Depositories Act, 1996 and the rules and regulations promulgated thereunder.

Securities Contracts Regulations Act, 1956

The SCRA seeks to prevent undesirable transactions in securities by regulating the business of dealing in securities and other related matters. The SCRA provides for grant of recognition for stock exchanges by the Central Government. Every recognized stock exchange is required to have in place a set of rules relating to its constitution and bye-laws for the regulation and control of contracts.

The bye-laws normally provide *inter alia* for:

- (i) the opening and closing of markets and the regulation of the hours of trade;
- (ii) the fixing, altering or postponing of days for settlements;
- (iii) the determination and declaration of market rates, including the opening, closing highest and lowest rates for securities;
- (iv) the terms, conditions and incidents of contracts, including the prescription of margin requirements, if any, and conditions relating thereto, and the forms of contracts in writing;
- (v) the regulation of the entering into, making, performance, recession and termination of contracts, including contracts between members or between a member and his constituent.

The Securities and Exchange Board of India Act, 1992

Pursuant to Section 12 of the SEBI Act, and the rules, regulations and guidelines issued by SEBI, a stockbroker, sub-broker and depository participant or any other intermediary associated with the securities market, may buy, sell or deal in securities only after obtaining a valid certificate of registration from SEBI in accordance with the applicable regulations.

Stock Broker Regulations

The Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations, 1992, as amended from time to time (“**Stock Broker Regulations**”) provides that no person shall carry on activity as a stock broker unless he holds a certificate granted by SEBI under the Stock Broker Regulations.

Further, the Stock Broker Regulations provides the eligibility criteria and conditions required to be satisfied in order to obtain the certificate of registration. They further provide the procedure for obtaining the certificate of registration to carry on business as a stock broker and/or a sub-broker who is required to be affiliated to a stock broker registered under the aforesaid regulations. On registration, the stockbroker and sub-broker are required to adhere to a code of conduct prescribed under the Stock Broker Regulations. In addition, a stock broker and/or a sub-broker is required to abide by the rules, regulations and bye-laws of the stock exchange or stock exchanges of which it is a member. Further, in case of any change in its status or constitution, the stock broker and/or the sub-broker are required to obtain the prior permission of SEBI in order to continue to buy, sell or deal in securities in any stock exchange.

Apart from the registration of stockbrokers and sub-brokers, the Stock Broker Regulations provide for registration of trading and clearing members. A trading member is a member of the derivatives exchange or derivatives segment of a stock exchange and who settles the trade in the clearing corporation or clearing house through a clearing member. A clearing member is a member of a clearing corporation or clearing house of the derivative exchange or derivatives segment of an exchange, which clears and settles transactions in securities.

The minimum net worth for clearing members is Rs. 30 million (Rs. 10 million for acting as a self-clearing member) and are required to deposit a sum of at least Rs. 5 million with the clearing corporation or clearing house of the derivatives exchange or derivatives segment of an exchange, as applicable. The code of conduct specified for stock brokers is applicable *mutatis mutandis* to the trading and clearing members.

Internet Trading

Internet based trading was approved by SEBI through its Circular No. SMDRP/POLICY/CIR-06/2000 dated January 31, 2000. The circular provides that SEBI registered stock brokers interested in providing internet based trading services must obtain formal permission of the concerned stock exchange. The stock exchange, before giving permission must ensure the fulfilment of certain minimum conditions such as a minimum net worth of Rs.5 million, the system used by the broker has provision for security, reliability and confidentiality of data through use of encryption technology and has adequate backup systems and data storage

capacity. The broker's web site providing the internet based trading facility should contain information meant for investor protection. Certain mandatory security features are also prescribed in the circular for all internet based trading systems.

III. Depository Regulation

The Depositories Act, 1996

The Depositories Act, 1996 (as amended from time to time) provides for regulation of depositories in securities and other related matters. Every person subscribing to securities offered by an issuer has the option either to receive the security certificates or hold securities with a depository. All securities held by a depository are required to be dematerialised and in a fungible form. A depository after obtaining a certificate of commencement of business from SEBI can enter into an agreement with one or more participants as its agent. Any person, through a participant, may enter into an agreement with any depository for availing its services.

Depository Regulations

The Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996, as amended from time to time ("**Depository Regulations**") provide *inter alia* the eligibility criteria and the procedure for obtaining the certificate of registration to carry on business as a depository participant. They also provide the various rights and obligations of the depository participants. On registration, the depository participant is required to adhere to a code of conduct prescribed under the Depository Regulations.

The depository is deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of a beneficial owner. The depository does not have any voting rights or any other rights in respect of securities held by it. The beneficial owner of the securities is entitled to all the rights and benefits and is subjected to all the liabilities in respect of his securities held by a depository.

IV. Merchant Banking

Merchant Banker Regulations

No merchant banking activities can be carried by any person shall as a Merchant Banker unless he holds a certificate granted by SEBI under the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992, as amended from time to time ("**Merchant Banker Regulations**"). Further, the Merchant Banker Regulations provides the eligibility criteria, procedure for obtaining the certificate of registration to carry on business as a Merchant Banker. Based on the satisfaction of the specified capital adequacy requirements, SEBI grants registration for merchant banking activities.

According to the category identified, the Merchant Bankers are permitted to carry out certain activities as are prescribed in the Merchant Banker Regulations. Further, the Merchant Bankers are required to adhere to a code of conduct prescribed under the Merchant Banker Regulations.

V. Mutual Funds

Mutual Funds Regulations

The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 govern the law pertaining to the business of mutual funds in India. The SEBI, with a view to improving professional standards, has made it mandatory for all mutual funds to appoint agents/distributors who have obtained certification from the AMFI. In case of firms/companies, the requirement of certification is made applicable to the persons engaged in sales and marketing.

The AMFI has issued guidelines in consonance with the various circulars issued by SEBI in this regard. The primary objective of these guidelines is to ensure that mutual funds do not use unethical means to sell, market or induce any Investor to buy units of their scheme(s) and mobilize funds on the strength of professional fund management and practice as well as sound risk management policies. These guidelines are mandatory. Mutual funds are required to ensure compliance with these guidelines both by intermediaries distributing their products and through them, sub-brokers acting on behalf of such intermediaries.

Mutual Fund distribution by NBFCs

NBFCs can market and distribute mutual fund products as agents of mutual funds, with prior approval of the RBI as provided for under RBI Circular (DNBS (PD) CC No. 84/03.10.27/2006-07), dated December 4, 2006, for an initial period of two years and a review thereafter. NBFCs must however, comply with certain minimum requirements, such as a minimum net owned fund of Rs.1000 million and net profit as per last two years audited balance sheet.

Further, the NBFC should comply with the SEBI guidelines/regulations, including their code of conduct, for distribution of mutual fund products. In this regard, the NBFCs should not adopt any restrictive practice forcing its customers to opt for a particular mutual fund product sponsored by it and the customers should be allowed to exercise their own choice. In addition, the participation by a company's customer in mutual fund products should be purely on a voluntary basis and this information should be stated in all publicity material distributed by the company in a prominent way.

There are other aspects of mutual fund distribution which must be complied with, such as adherence to KYC guidelines and the provisions of the Prevention of Money Laundering Act, 2000. Moreover, the company must comply with Public Deposit Regulations and the Prudential Norms and any other instructions/ provisions of the RBI Act, to the extent applicable.

VI. Insurance Broking

Insurance Act, 1938

The Insurance Act, 1938 (“**Insurance Act**”) embodies the law relating to the business of insurance in India. Under the provisions of the Insurance Act, no person shall pay or contract to pay any remuneration or reward whether by way of commission or otherwise, for soliciting or procuring insurance business in India to any person except an insurance agent, licensed under the provisions of the Insurance Act. The Insurance Regulatory Development Authority (“**IRDA**”), established under the Insurance Regulatory and Development Authority Act, 1991 (“**IRDA Act**”), is authorized to issue to any person making an application in the manner determined by the regulations, a license to act as an insurance agent for the purpose of soliciting or procuring insurance business. The IRDA was constituted, *inter alia*, with the objective of protecting the interests of holders of insurance policies, regulating, promoting and ensuring the orderly growth of the insurance industry.

Insurance Broker Regulations

The Insurance Regulatory and Development Authority (Insurance Brokers) Regulations, 2002, as amended from time to time (“**Insurance Broker Regulations**”) provide *inter alia* for licensing and capital requirements for persons who are insurance brokers. These regulations require that a company interested in entering the business of dealing in insurance or reinsurance to apply to the IRDA for a license and also prescribe a ‘Code of Conduct for Insurance Brokers’ to follow.

VII. Commodities Regulation under Forward Contracts (Regulation) Act, 1952

Commodities trading, is governed by the Forward Contracts (Regulation) Act, 1952 (“**FCRA**”) and the Forward Contracts (Regulation) Rules, 1954 (“**FCRR**”). The FCRA provides, *inter alia*, for the establishment of the Forward Markets Commission (“**FMC**”). Associations interested in dealing with forward contracts, such as commodity exchanges like the MCX and NCDEX must make applications in the prescribed format as provided under the FCRR.

A trading-cum-clearing member or an institutional clearing member of such an exchange is a person who has the right to clear transactions in contracts that are executed in the trading system of the exchange. A trading-cum-clearing member is therefore subject to the rules and bye-laws framed by the exchanges in order to govern the trade in commodities. In case of difference between the provisions of any rules, the regulations or bye-laws of the exchange and the provisions of FCRA or FCRR, the provisions of the FCRA or FCRR shall prevail, except where the FCRA or FCRR allows the application or enforcement of the rules, articles, bye-laws or regulations of the exchange.

VIII. Portfolio Management Services

Portfolio Manager Regulations

The Securities and Exchange Board of India (Portfolio Managers) Regulation, 1993 (“**Portfolio Manager Regulations**”) provide that no person shall carry on activity as a Portfolio Manager unless he holds a certificate granted by SEBI under the Portfolio Manager Regulations. A Portfolio Manager has been defined as a person who pursuant to a contract or arrangement with a client,

advises or directs or undertakes on behalf of the client (whether as a discretionary Portfolio Manager or otherwise) the management or administration of a portfolio of securities or the funds of the client.

The Portfolio Manger Regulations lay down *inter alia* the eligibility criteria, conditions for grant of certificate to a Portfolio Manager and their general responsibilities. Further, the Portfolio Manager Regulations prescribe a code of conduct which shall be followed by every Portfolio Manager. A Portfolio Manager must fulfill the prescribed capital adequacy requirement of net worth of not less than Rs. 5 million.

IX. Insider Trading

Insider Trading Regulations

The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time (“**Insider Trading Regulations**”) govern the law with respect to insider trading in India. The Insider Trading Regulations *inter alia* prohibit all insiders from dealing in securities of a listed company when the insider is in possession of unpublished price sensitive information (“**UPSI**”). It further prohibits an insider from communicating, counseling or procuring, directly or indirectly, any UPSI to any person who while in possession of such UPSI is likely to deal in such securities.

Information is said to be price sensitive if it is likely to materially affect the price of the securities of the company to which it relates. Under the Insider Trading Regulations, the concept of an “insider” is related to those of a connected person and a deemed connected person. A person is said to be connected to a company when he or she is a director, employee or officer in the company or stands in a professional or business relationship with the company and when he or she may reasonably be expected to have access to UPSI and includes *inter alia* market intermediaries, Merchant Bankers, share transfer agents, registrars to an issue, debenture trustees, brokers, Portfolio Managers, investment advisors.

The Insider Trading Regulations further provide that all listed companies and organisations associated with the securities market including *inter alia* intermediaries as defined under the SEBI Act, asset management companies, trustees of mutual funds etc. should frame a code of internal procedures and conduct based on the Model Code of Conduct specified under the Insider Trading Regulations.

X. Foreign Investment in NBFCs

FDI in an Indian company is governed by the provisions of the FEMA read with the FEMA Regulations and the Foreign Direct Investment Policy issued in November 2006 (“**FDI Policy**”) by the DIPP.

FDI is permitted (except in the prohibited sectors) in Indian companies either through the automatic route or the approval route, depending upon the sector in which FDI is sought to be made. Under the automatic route, no prior Government approval is required for the issue of securities by Indian companies/ acquisition of securities of Indian companies, subject to the sectoral caps and other prescribed conditions. Investors are required to file the required documentation with the RBI within 30 days of such issue/acquisition of securities.

However, if the foreign investor has any previous joint venture/tie-up or a technology transfer/trademark agreement in the “same field” in India, prior approval from the FIPB is required even if that activity falls under the automatic route, except as otherwise provided.

Under the approval route, prior approval from the FIPB or RBI is required. FDI for the items/activities that cannot be brought in under the automatic route may be brought in through the approval route. Approvals are accorded on the recommendation of the FIPB, which is chaired by the Secretary, DIPP, with the Union Finance Secretary, Commerce Secretary and other key Secretaries of the Government of India as its members.

As per the sector specific guidelines of the Government of India, the following relevant caps are presently applicable for FDI in NBFCs:

- (a) FDI/NRI investments is allowed under the automatic route in the following NBFC activities:
 - i) Merchant banking;

- ii) Underwriting;
 - iii) Portfolio Management Services;
 - iv) Investment Advisory Services;
 - v) Financial Consultancy;
 - vi) Stock Broking;
 - vii) Asset Management;
 - viii) Venture Capital;
 - ix) Custodial Services;
 - x) Factoring;
 - xi) Credit Reference Agencies;
 - xii) Credit rating Agencies;
 - xiii) Leasing & Finance;
 - xiv) Housing Finance;
 - xv) Forex Broking;
 - xvi) Credit card business;
 - xvii) Money changing Business;
 - xviii) Micro Credit; and
 - xix) Rural Credit.
- (b) Minimum Capitalisation Norms for fund based NBFCs:
- i) For FDI up to 51% - US\$ 0.5 million to be brought upfront
 - ii) For FDI above 51% and up to 75% - US \$ 5 million to be brought upfront
 - iii) For FDI above 75% and up to 100% - US \$ 50 million out of which US \$ 7.5 million to be brought upfront and the balance in 24 months
- (c) Minimum capitalization norm of US \$ 0.5 million is applicable in respect of all permitted non-fund based NBFCs with foreign investment
- (d) Foreign investors can set up 100% operating subsidiaries without the condition to disinvest a minimum of 25% of its equity to Indian entities, subject to bringing in US\$ 50 million as at (b) (iii) above (without any restriction on number of operating subsidiaries without bringing in additional capital)
- (e) Joint Venture operating NBFC's that have 75% or less than 75% foreign investment will also be allowed to set up subsidiaries for undertaking other NBFC activities, subject to the subsidiaries also complying with the applicable minimum capital inflow i.e. (b)(i) and (b)(ii) above.
- (f) FDI in the NBFC sector is put on automatic route subject to compliance with guidelines of the RBI in this regard. RBI would issue appropriate guidelines in this regard.

Where FDI is allowed on an automatic basis without FIPB approval, the RBI would continue to be the primary agency for the purposes of monitoring and regulating foreign investment. In cases where FIPB approval is obtained, no approval of the RBI is required except with respect to fixing the issuance price, although a declaration in the prescribed form, detailing the foreign investment, must be filed with the RBI once the foreign investment is made in the Indian company. The foregoing description applies only to an issuance of shares by, and not to a transfer of shares of, Indian companies. Every Indian company issuing shares or convertible debentures in accordance with the RBI regulations is required to submit a report to the RBI within 30 days of receipt of the consideration and another report within 30 days from the date of issue of the shares to the non-resident purchaser.

FII Regulations

FII's including institutions such as pension funds, investment trusts, asset management companies, nominee companies and incorporated/institutional Portfolio Managers, are allowed to make portfolio investments in all securities of listed and unlisted companies in India. Investments by registered FII's or non-resident Indians made through a stock exchange are known as portfolio investments. Foreign investors wishing to invest and trade in Indian securities in India under the portfolio investment route are required to register with the SEBI under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations 1995 ("**FII Regulations**"). Foreign investors are not necessarily required to register with the SEBI under the FII Regulations, as FII's may invest in securities of Indian companies pursuant to the FDI route discussed above.

FII's that are registered with SEBI are required to comply with the provisions of the FII Regulations. A registered FII may buy, subject to certain ownership restrictions, and sell freely securities issued by any Indian company (excluding companies in certain sectors). The total holding of each FII/SEBI approved sub-account shall not exceed 10 per cent of the total paid-up capital of an Indian company and the total holdings of all FII/sub-accounts of FII's aggregated shall not exceed 24 per cent of the paid-up capital. The threshold of 24 per cent can be increased to the sectoral cap or statutory limit applicable to the Indian company concerned by resolution of such company's board of directors followed by the passing of a special resolution by such company.

XI. Laws Regulating Transfer of Property

Transfer of Property Act, 1882

The transfer of property, including immovable property, between living persons, as opposed to the transfer of property by the operation of law, is governed by the Transfer of Property Act, 1882 ("**T.P. Act**"). The T.P. Act establishes the general principles relating to the transfer of property including among other things identifying the categories of property that are capable of being transferred, the persons competent to transfer property, the validity of restrictions and conditions imposed on the transfer and the creation of contingent and vested interest in the property.

Registration Act, 1908

The Registration Act, 1908 ("**Registration Act**") has been enacted with the object of providing public notice of execution of documents affecting a transfer of interest in property. Section 17 of the Registration Act identifies documents for which registration is compulsory and includes among other things, any non-testamentary instrument which purports or operates to create, declare, assign, limit or extinguish, whether in present or in future, any right, title or interest, whether vested or contingent, in immovable property of the value of one hundred rupees or more, and a lease of immovable property for any term exceeding one year or reserving a yearly rent. Section 18 of the Registration Act provides for non-compulsory registration of documents as enumerated in the provision.

The Indian Stamp Act, 1899

The Indian Stamp Act, 1899 ("**Stamp Act**") provides for the imposition of stamp duty at specified rates on instruments listed in Schedule I of the Act. The applicable rates for stamp duty on these instruments, including those relating to conveyance, are prescribed by state legislation. Instruments chargeable to duty under the Stamp Act which are not duly stamped are inadmissible in a court of law and have no evidentiary value. Public officials have the power to impound such documents and if the executor wants to rectify them, he may have to pay a penalty of up to 10 times the original stamp value.

The Easements Act, 1882

The law relating to easements is governed by the Easements Act, 1882 ("**Easements Act**"). The right of easement is derived from the ownership of property and has been defined under the Easements Act to mean a right which the owner or occupier of land possesses for the beneficial enjoyment of that land and which permits him to do or to prevent something from being done in respect of certain other land not his own. Under this law an easement may be acquired by the owner of immovable property, i.e. the "dominant owner", or on his behalf by the person in possession of the property. Such a right may also arise out of necessity or by virtue of a local custom.

XII. Laws relating to Employment

Shops and Establishments legislations in various states

The provisions of various Shops and Establishments legislations, as applicable, regulate the conditions of work and employment in shops and commercial establishments and generally prescribe obligations in respect of *inter alia* registration, opening and closing hours, daily and weekly working hours, holidays, leave, health and safety measures and wages for overtime work.

Labour Laws

Various labour laws may be applicable, including the Contract Labour (Regulation and Abolition) Act, 1970, the Minimum Wages Act, 1948, the Payment of Bonus Act, 1965, the Payment of Wages Act, 1936, the Payment of Gratuity Act, 1972, the Employees' Provident Funds and Miscellaneous Provisions Act, 1952.

XIII. Laws relating to Intellectual Property

The Trademarks Act, 1999, The Patents Act, 1970 and the Copyright Act, 1957 *inter alia* govern the law in relation to intellectual property, including patents, copyrights, trade marks, service marks, brand names, trade names and research works.

HISTORY AND CERTAIN CORPORATE MATTERS

Our Company was incorporated as “Satyam Fiscal Services Private Limited” on June 6, 1989. The name of our Company was subsequently changed to “Microsec Financial Services Private Limited” pursuant to a fresh certificate of incorporation issued by the Registrar of Companies, West Bengal at Kolkata, dated October 17, 2005. Our status was subsequently changed to a public limited company and the word “private” was deleted from the name of our Company by a special resolution of the members of our Company passed at the Extra Ordinary General Meeting held on October 19, 2005. The fresh certificate of incorporation consequent to change of name was granted to our Company on October 21, 2005 by the Registrar of Companies, West Bengal at Kolkata.

Our Promoters acquired the entire shareholding of the Company from the previous shareholders on October 1, 2005. The Company also held the entire shareholding of Microsec Capital Limited (“**MCap**”) on November 24, 2005 and Microsec Resources Private Limited (“**MRPL**”) on February 2, 2006. Since MCap, prior to its acquisition by the Company, held the entire equity share capital of Microsec Commerce Limited (“**MCL**”) and Microsec Risk Management Limited (as it then was), on acquisition by the Company, MCL and Microsec Risk Management Limited became the indirect subsidiaries of the Company. Further, MIL Technologies Limited held the entire shareholding of Microsec Technologies Limited as on October 1, 2005 and the entire share capital of MIL Technologies Limited were held by Our Company on March 31, 2006 respectively.

Changes in our Registered Office

Details of changes of our Registered Office since incorporation are herein below:

Date of change	Date of Board resolution	From	To
Since incorporation	--	8/1 Lal Bazar Street, Bikaner Building, Block-B, Kolkata- 700 001	8/1 Lal Bazar Street, Bikaner Building, Block-B, Kolkata- 700 001
March 28, 2005	March 28, 2005	8/1 Lal Bazar Street, Bikaner Building, Block-B, Kolkata- 700 001	25D Harish Mukherjee Rd., 1E First Floor, Kolkata- 700 025
May 30, 2005	May 30, 2005	25D Harish Mukherjee Rd., 1E First Floor, Kolkata- 700 025	Azimganj House, , 2nd Floor, 7 Camac Street, Kolkata – 700 017
December 11, 2006	December 8, 2006	Azimganj House, 2nd Floor, 7 Camac Street, Kolkata – 700 017	“Shivam Chambers”, 1 st Floor, 53 Syed Amir Ali Avenue, Kolkata - 700 019

Key Events and Milestones

Following are the key events and milestones achieved by our Company and our Subsidiaries:

Year	Events
2000	MCap received certificate as Stock Broker of ISE Cash Market
2000	MCap received certificate as sub-broker to ISE Securities Services Limited for NSE
2003	MFSL received registration certificate as non banking financial institution not accepting public deposit with RBI
2003	MCL received membership of NCDEX as “Trading –cum – clearing member”
2003	MIBL received licence from IRDA to act as “ Insurance Brokers”
2003	MCL received certificate enrollment as AMFI registered mutual fund advisor.
2003	MCap received registration as Merchant Banker in the Category –I from SEBI.
2004	MCap received membership of the NSE as Stock Broker
2004	MCap received membership of the Future and Options Segment of the NSE
2004	MCL received membership of MCX as “Trading –cum – clearing member”
2005	MCap received certificate from SEBI to act as underwriter
2005	MCap received membership of the BSE as Stock Broker
2005	MCap received registration as Depository Participant with NSDL
2006	MRPL received amended registration certificate as Non Banking Financial Institution in MRPL name not

Year	Events
	accepting public deposit from RBI (original registration in the old name of the company was received in the year 2004)
2006	MCap received membership of NSE as Self Clearing member
2007	MCap received membership of the Future and Options Segment of the BSE
2007	MTL received certificate under Software Technologies Park.
2007	MCap empaneled as Institutional Broker with State Bank of India and Allahabad Bank
2007	MCap received registration as Depository Participant with CDSL
2007	MCap received registration as Portfolio Manager from SEBI.

Our shareholding pattern as on date of the Draft Red Herring Prospectus is as set out below:

	Pre-Issue		Post-Issue	
	No. of Equity Shares	%	No. of Equity Shares	%
Promoters				
Mr. Banwari Lal Mittal	1,13,60,000	55.93	1,13,60,000	[●]
Mr. Ravi Kant Sharma	8,76,800	4.32	8,76,800	[●]
Mr. Rakesh Sony	6,00,000	2.95	6,00,000	[●]
<i>Sub Total (A)</i>	1,28,36,800	63.20	1,28,36,800	[●]
Promoter Group				
Mrs. Abha Mittal	15,700	0.08	15,700	[●]
Mrs. Bharati Sharma	3,23,200	1.59	3,23,200	[●]
Mr. Prabhu Dayal Khaitan	15,700	0.08	15,700	[●]
Mrs. Sushila Devi Khaitan	15,700	0.08	15,700	[●]
M/s Luv-Kush Projects Limited	6,61,500	3.26	6,61,500	[●]
Mrs. Kavita Sony	6,00,000	2.95	6,00,000	[●]
Ravi Kant Sharma jointly with Luv-Kush Projects Limited as Trustees of Microsec Vision Trust One	12,00,000	5.91	12,00,000	[●]
Rakesh Sony jointly with Luv-Kush Projects Limited as Trustees of Microsec Vision Trust Two	12,00,000	5.91	12,00,000	[●]
<i>Sub Total (B)</i>	40,31,800	19.85	40,31,800	[●]
Directors and employees				
Mr. Laxmi Narayan Mandhana, Mr. Sumit Kumar Agarwal and Mr. Manish Kr. Agarwal as Trustees of Microsec Vision (Employees) Trust	12,06,400	5.94	12,06,400	[●]
Employees	2,50,000	1.23	2,50,000	[●]
<i>Sub Total (C)</i>	14,56,400	7.17	14,56,400	[●]
Others				
Others	19,85,500	9.78	19,85,500	[●]
<i>Sub Total (D)</i>	19,85,500	9.78	19,85,500	[●]
Issue to Public (E)		[●]	[●]	[●]
Total (A+B+C+D+E)	2,03,10,500	100.00	[●]	100.00

*Assuming that such shareholders shall continue to hold the same number of Equity Shares after the Issue. This does not include any Equity Shares that such shareholders may subscribe for and be allotted in the Issue.

Our Main Objects

Our main objects as presently contained in our Memorandum is as follows:

- To promote, form or acquire any company and to take or otherwise acquire, hold and dispose off or otherwise deal in and invest in any shares, debentures and other securities in or of any company or companies;
- To carry on the business of financing, lending, leasing, hire purchase arrangements and providing assets on rent;
- To carry on the business of investment, finance and to acquire by purchase or otherwise, buy, underwrite, subscribe, exchange, hold, sell, transfer, hypothecate, deal in and dispose of any shares, bonds, stocks, obligations, securities, debentures, debenture stocks, bonds, properties & certificates;
- To provide all kinds of consultancy and advisory services;
- To promote, run and operate mutual funds, venture capital fund, portfolio management services subject to required regulatory licenses;
- To carry on business of information technology & information technology enabled services including hardware, software, process management, facility management, e- commerce and internet services.

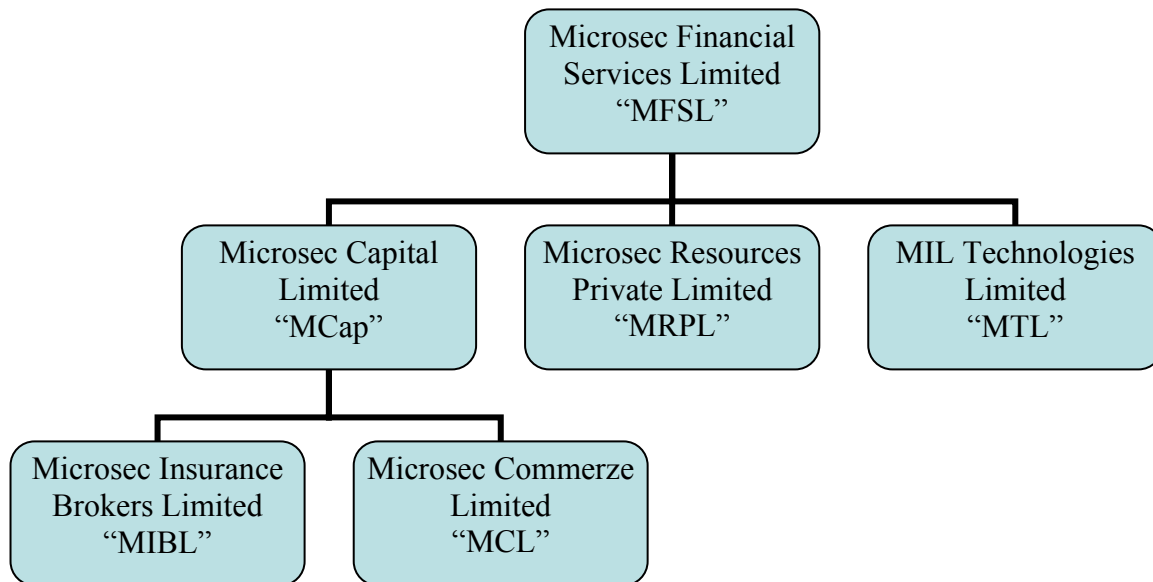
Changes in the Memorandum

Since incorporation, the following changes have been made to the Memorandum:

Date of Shareholders' Approval	Amendment
March 22, 1995	Change of clause V of the Memorandum of Association
March 30, 2002	Change of clause V of the Memorandum of Association
March 31, 2003	Change of clause V of the Memorandum of Association
March 30, 2004	Change of capital clause "V" of the Memorandum of Association
July 4, 2005	Change of name from Satyam Fiscal Services Private Limited to Microsec Financial Services Private Limited
October 19, 2005	<ol style="list-style-type: none"> 1. Change of Capital clause "V" of the Memorandum of Association. 2. Change of main object by substitution existing of clauses 1 & 2 by new clauses 1 to 5 and by addition of new clause 32 and 33 in the ancillary of the main object. 3. Alteration of articles of association the clause no 1 o 79 of the Articles of association of the company be altered by way of substitution thereof by clause 1 to 197. 4. Change of Status from Private to Public.
November 10, 2006	<ol style="list-style-type: none"> 1. Addition of clause 6 to the existing main object clause 2. Change of Capital clause "V" of the Memorandum of Association
June 27, 2007	Change of capital clause "V" of the Memorandum of Association
June 30, 2007	Change of capital clause "V" of the Memorandum of Association
July 30, 2007	Change of capital clause "V" of the Memorandum of Association
September 28, 2007	Alteration of Articles of Association by inserting new clauses no - 52A, 52B, 52C, 52D, 52E

Our Corporate Structure:

Our Corporate Structure is shown below. For further information on our subsidiaries, please see “Our Subsidiaries” on page 70.



FINANCING ARRANGEMENTS

Credit facilities from IL&FS Ltd

The Company has been sanctioned credit facilities of Rs. 10 million, 30 million and 40 million from IL&FS Ltd. against the security of certain securities owned by the Company. As at January 28, 2008, the Company had availed Rs. 78,054,043 of these facilities. Each of these facilities has a term of 6 months from the date of first disbursement and an applicable rate of interest of 14% p.a. These facilities are repayable on demand. In consideration of the credit facilities the Company has pledged certain securities owned by it in favour of IL&FS Ltd. and has executed irrevocable powers of attorney in favour of IL&FS Ltd. for dealing with the pledged securities.

Mortgage of our Registered Office in favour of HDFC Bank for credit facilities extended to MCap

Our Registered Office has been mortgaged in favour of HDFC Bank, Mumbai as security for a Rs. 100 million facility (50 million overdraft facility and 50 million bank guarantee facility) granted by HDFC Bank to MCap.

A memorandum of entry which records the equitable mortgage, by way of constructive delivery of title deeds of the Registered Office, has been executed by HDFC Bank. Additionally, a director's declaration-cum-undertaking in respect of this mortgage has been signed by Mr. R K Sharma, director of the Company. Further, Mr. R K Sharma, in his individual capacity, has executed a letter of continuing guarantee in favour of HDFC Bank for guaranteeing the repayment of the credit facilities extended by HDFC Bank to MCap. We have received a certificate of registration dated October 11, 2007 for the mortgage from the Ministry of Company Affairs, Government of India.

Additionally, for the above facility extended to MCap by HDFC Bank, MCap has mortgaged its seventh floor office at Mittal Tower, Nariman Point, Mumbai. Similarly, MTL has mortgaged its office at Azimganj House, Camac Street, Kolkata.

OUR SUBSIDIARIES

The following information with respect to our Subsidiaries is in accordance with Indian GAAP.

We currently have the following Subsidiaries:

- a. Microsec Capital Limited;
- b. MIL Technologies Limited;
- c. Microsec Resources Pvt. Limited;
- d. Microsec Insurance Brokers Limited;
- e. Microsec Commerze Limited.

The significant details of our Subsidiaries are as provided below:

a) **Microsec Capital Limited (“MCAp”)**

Microsec Capital Limited, a company incorporated under the Companies Act, 1956, was incorporated on July 14, 1995, as Lokpriya Mercantile Pvt. Ltd, with its registered office at 30 Chowringhee Road, Suit No.10, 2nd Floor. Kolkata 700016. It was subsequently converted to a public limited company and the word “private” was deleted and consequently the name was changed to Lokpriya Mercantile Limited on February 2, 2000. The name was changed to Microsec India Limited on February 16, 2000 and the name was further changed to Microsec Capital Limited on October 24, 2005. It is a wholly owned subsidiary of our Company. MCAp is registered with the SEBI as a stock broker, a Category I Merchant Banker, a depository participant and a portfolio manager.

The registered office of MCAp is presently situated at Shivam Chambers, 1st Floor, 53 Syed Amir Ali Avenue, Kolkata- 700 019.

Shareholding Pattern:

As at February 3, 2008, the shareholding pattern of MCAp was as follows:

S. No.	Name of Shareholder	Number of equity shares of Rs. 10 each	% of Issued Capital
1.	Microsec Financial Services Limited	1,488,555	99.99 / 100.00
2.	Banwari Lal Mittal	1	0.00
3.	Ravi Kant Sharma	1	0.00
4.	Rakesh Sony	1	0.00
5.	Manish Kumar Agarwal	1	0.00
6.	Sumit Kumar Agarwal	1	0.00
7.	Ranjit Dutta	1	0.00
	Total	1,488,561	100.00

There has been no change in the capital structure of MCAp in the last six months.

Board of Directors

The Board of Directors of MCAp comprises the following persons:

Mr. Banwari Lal Mittal
Mr. Ravi Kant Sharma
Mr. Rakesh Sony
Mr. Sandip Agarwal

Financial performance

The audited financial results of MCap for Fiscals 2005, 2006 and 2007 and for the six month period ended September 30, 2007 are set forth below:

(In Rs. million, except per share data)

	Fiscal 2005	Fiscal 2006	Fiscal 2007	For the period ended September 30, 2007
Total Revenue	24.01	75.39	101.69	71.07
Profit/ (Loss) after tax	3.19	17.30	21.08	21.20
Equity capital (par value Rs. 10 per share)	14.89	14.89	14.89	14.89
Reserves and Surplus (excluding revaluation reserves)	92.75	110.16	131.63	153.00
Earnings/ (Loss) per share (diluted) (Rs.)	2.16	11.63	14.16	28.08
Book value per equity share (Rs.)	72.31	84.00	98.43	112.78

b) MIL Technologies Limited (MTL)

MIL Technologies Limited, a company incorporated under the Companies Act, 1956, was incorporated on May 10, 2002. MTL received its certificate of commencement of business on May 27, 2002. It is engaged in the business of software development and data processing.

The registered office of MTL is situated at Azimganj House, 2nd Floor, 7 Camac Street, Kolkata- 700 017.

Shareholding Pattern

As at February 3, 2008, the shareholding pattern of MTL was as follows:

S. No.	Name of Shareholder	Number of equity shares of Rs. 10 each*	% of Issued Capital
1.	Microsec Financial Services Limited	49,400	78.79
2.	Banwari Lal Mittal	100	0.16
3.	Ravi Kant Sharma	100	0.16
4.	Rakesh Sony	100	0.16
5.	Manish Kumar Agarwal	100	0.16
6.	Rajiv Sharma	100	0.16
7.	Pradeep Kr. Choadhary	100	0.16
8.	Microsec Capital Limited	12,700	20.26
	Total	62,700	100.00

There has been no change in the capital structure of MTL in the last six months.
Sl No. 2 to 7 above are holding shares in MTL as representatives of MFSL.

Board of Directors

The Board of Directors of MTL comprises the following persons:

Mr. Banwari Lal Mittal
 Mr. Ravi Kant Sharma
 Mr. Rakesh Sony

Financial performance

The audited financial results of MTL for Fiscals 2005, 2006 and 2007 and for the six month period ended September 30, 2007 are

set forth below:

(In Rs. million, except per share data)

	Fiscal 2005	Fiscal 2006	Fiscal 2007	For the period ended September 30, 2007
Total Revenue	8.85	10.91	6.7	6.16
Profit/ (Loss) after tax	0.53	1.67	0.21	3.11
Equity capital (par value Rs. 10 per share)	0.50	0.50	0.63	0.63
Reserves and Surplus (excluding revaluation reserves)	0.56	2.23	15.02	18.13
Earnings/ (Loss) per share (diluted) (Rs.)	10.56	11.44	3.78	99.15
Book value per equity share (Rs.)	21.17	54.63	249.51	299.08

c) Microsec Resources Private Limited (MRPL)

Microsec Resources Limited, a company incorporated under the Companies Act, 1956, was incorporated on December 12, 1994 as M/S. Godfrey Agencies Pvt. Ltd at 4/28 Brijham Housing Complex, 255 Canal Street, Kolkata-700048. Subsequently the name was changed to Keshav Resources Private Limited on August 4, 1999. The name was further changed to Microsec Resources Private Limited on February 22, 2006. It is a non-banking finance company registered with the Reserve Bank of India and is presently engaged in the business of providing loans including loans against shares.

The registered office of MRPL is presently situated at Azimganj House, 2nd Floor, 7 Camac Street, Kolkata- 700 017.

Shareholding Pattern

As at February 3, 2008, the shareholding pattern of MRPL was as follows:

S. No.	Name of Shareholder	Number of equity shares of Rs. 10 each	% of Issued Capital
1.	Microsec Financial Services Limited	319,999	99.99
2.	Banwari Lal Mittal	1	0.01
	Total	320,000	100.00

On November 2, 2007, MRPL issued 10,000 equity shares of face value of Rs. 10 to MFSL at a premium of Rs. 990 per share. Mr. B.L.Mittal holds 1 share in MRPL as representative of MFSL.

Board of Directors

The Board of Directors of MRPL comprises of Mr. Banwari Lal Mittal, Mr. Ravi Kant Sharma and Mr. Rakesh Sony.

Financial performance

The audited financial results of MRPL for Fiscals 2005, 2006 and 2007 and for the six month period ended September 30, 2007 are set forth below:

(In Rs. million, except per share data)

	Fiscal 2005	Fiscal 2006	Fiscal 2007	For the period ended September 30, 2007
Total Revenue	27.65	37.24	76.89	33.20
Profit/ (Loss) after tax	0.19	0.92	1.85	18.77
Equity capital (par value Rs. 10 per share)	3.10	3.10	3.10	3.10
Reserves and Surplus (excluding revaluation reserves)	0.59	1.52	3.42	22.19

	Fiscal 2005	Fiscal 2006	Fiscal 2007	For the period ended September 30, 2007
Earnings/ (Loss) per share (diluted) (Rs.)	0.62	2.96	5.95	121.10
Book value per equity share (Rs.)	11.91	14.90	21.04	81.58

Deep Discount Debentures

To meet its long term commitments and to meet its business requirement, MRPL has issued deep discounts debenture to the different corporate bodies. All these debentures are currently held by MCL. These deep discount debentures are of different maturity value and at different discount prices. The details are set out as follows:

Amount in Rupees.

Sl. No.	Face Value	Maturity Value	Discount Value	Issue date	Maturity date	Period
1.	50,00,000/-	10,00,00,000/-	9,50,00,000/-	June 1, 1999	May 31, 2019	20 Years
2.	100,00,000/-	7,50,00,000/-	6,50,00,000/-	December 13, 2001	December 12, 2021	20 Years
3.	100,00,000/-	7,50,00,000/-	6,50,00,000/-	December 17, 2001	December 16, 2021	20 Years

d) Microsec Insurance Brokers Limited (MIBL)

Microsec Insurance Brokers Limited, a company incorporated under the Companies Act, 1956, was incorporated on October 9, 2002, as M/S. Microsec Risk Management Ltd at Azimganj House, 7 Camac Street, 2nd floor, Kolkata-700017 and received the certificate of commencement of business on October 21, 2002. The name was changed to Microsec Insurance Brokers Limited on August 24, 2007. It is registered with the Insurance Regulatory Development Authority (“IRDA”) as a composite broker and distributes products and services of both life and non-life insurance companies.

The registered office of MIBL is presently situated at Shivam Chambers, 1st Floor, 53 Syed Amir Ali Avenue, Kolkata- 700 019.

Shareholding Pattern

As at February 3, 2008, the shareholding pattern of MIBL was as follows:

S. No.	Name of Shareholder	Number of equity shares of Rs. 10 each	% of Issued Capital
1.	Microsec Capital Limited	516,054	99.99/100
2.	Banwari Lal Mittal	1	0.00
3.	Ravi Kant Sharma	1	0.00
4.	Rakesh Sony	1	0.00
5.	Rajiv Sharma	1	0.00
6.	Sandeep Sharma	1	0.00
7.	Sumit Kr Agarwal	1	0.00
Total		5,16,060	100.00

There has been no change in the capital structure of MIBL in the last six months.

Board of Directors

The Board of Directors of MIBL comprises of:

Mr. Banwari Lal Mittal
Mr. Ravi Kant Sharma
Mr. Rakesh Sony

Financial performance

The audited financial results of MIBL for Fiscals 2005, 2006 and 2007 and for the six month period ended September 30, 2007 are set forth below:

(In Rs. million, except per share data)

	Fiscal 2005	Fiscal 2006	Fiscal 2007	For the period ended September 30, 2007
Total Revenue	7.25	5.14	4.00	3.56
Profit/ (Loss) after tax	0.69	1.06	0.30	0.53
Equity capital (par value Rs. 10 per share)	5.16	5.16	5.16	5.16
Reserves and Surplus (excluding revaluation reserves)	6.89	7.96	8.27	8.80
Earnings/ (Loss) per share (diluted) (Rs.)	1.34	2.06	0.58	2.06
Book value per equity share (Rs.)	23.36	25.43	26.02	27.05

e) Microsec Commerze Limited (“MCL”)

Microsec Commerze Limited, a company incorporated under the Companies Act, 1956, was incorporated on December 7, 1994, as M/S. Mittal Management & Tax Consultants Pvt. Ltd with its registered office at 161/1, M.G Road, Room no.40, Kolkata-700007.

Subsequently the name was changed to Mittal Management Private Limited on September 19, 1997. The status was subsequently changed to public limited company and the word “private” was deleted and its name was changed to Mittal Management Limited on March 27, 2002. The name was changed to Microsec Commerze Limited on September 9, 2003.

It is engaged in the business of commodity trading.

The registered office of MCL is presently situated at Shivam Chambers, 1st Floor, 53 Syed Amir Ali Avenue, Kolkata- 700 019.

Shareholding Pattern

As at February 3, 2008, the shareholding pattern of MCL was as follows:

S. No.	Name of Shareholder	Number of equity shares of Rs. 10 each	% of Issued Capital
1.	Microsec Capital Limited	16,02,944	99.99/100
2.	Banwari Lal Mittal	1	0.00
3.	Ravi Kant Sharma	1	0.00
4.	Rakesh Sony	1	0.00
5.	Ranjit Dutta	1	0.00
6.	Manish Kr Agarwal	1	0.00
7.	Sumit Kr Agarwal	1	0.00
Total		16,02,950	100.00

There has been no change in the capital structure of MCL in the last six months.

Board of Directors

The Board of Directors of MCL comprises of:

Mr. Banwari Lal Mittal
 Mr. Ravi Kant Sharma
 Mr. Rakesh Sony
 Mr. Shamik Bhose

Financial performance

The audited financial results of MCL for Fiscals 2005, 2006 and 2007 and for the six month period ended September 30, 2007 are set forth below:

(In Rs. million, except per share data)

	Fiscal 2005	Fiscal 2006	Fiscal 2007	For the period ended September 30, 2007
Total revenue	4.38	8.96	25.45	8.57
Profit/ (Loss) after tax	(58.88)	2.78	20.59	6.01
Equity capital (par value Rs. 10 per share)	16.03	16.03	16.03	16.03
Reserves and Surplus (excluding revaluation reserves)	17.99	20.77	41.36	47.37
Earnings/ (Loss) per share (diluted) (Rs.)	(36.74)	1.74	12.85	7.50
Book value per equity share (Rs.)	21.22	22.96	35.81	39.55

Other Confirmations

None of our Subsidiaries is listed on any stock exchange and none of them has completed any public or rights issue in the three years preceding this Draft Red Herring Prospectus.

Further, none of our Subsidiaries has become a sick company under the SICA, or is currently under winding up and do not have negative net worth.

Mergers and Amalgamations:

Merger of Ravindra Shelter Limited with Microsec Financial Service Limited

The High Court of Calcutta in Company Petition No. 16 of 2006 and Company Application No. 760 of 2005 sanctioned the scheme of amalgamation of Ravindra Shelter Limited with Microsec Financial Service Limited. The same was declared to be binding from December 1, 2005, on MFSL (the “**Transferee Company**”) and its shareholders and Ravindra Shelter Limited (the “**Transferor Company**”) and its shareholders. Leave was granted to the Transferor Company to apply for dissolution and all its properties, rights, interests, liabilities, duties, proceedings, suits or appeals pending against were transferred to the Transferee Company. The Transferee Company was instructed to obtain approval from the RBI if necessary and all other approvals required under the applicable law. The amalgamation was undertaken for better and efficient management of the business and to obtain economies of scale as both the companies were engaged in the business of financial services and the Transferor Company was a wholly owned subsidiary of the Transferee Company. Since the Transferor Company is a wholly owned subsidiary of the Transferee Company, no shares were issued or allotted and accordingly all equity shares held by the Transferee Company in the Transferor Company were cancelled.

Merger of Kautilya Advisory Private Limited with Microsec Capital Limited

The High Court of Calcutta in Company Petition No. 36 of 2007 and Company Application No. 620 of 2006 sanctioned the scheme of amalgamation of Kautilya Advisory Private Limited with Microsec Capital Limited. The scheme was declared to be binding from September 1, 2006, on MCap (the “**Transferee Company**”) and its shareholders and Kautilya Advisory Private Limited (the “**Transferor Company**”) and its shareholders. Leave was granted to the Transferor Company to apply for dissolution and all its properties, rights, interests, liabilities, duties, proceedings, suits or appeals pending against were transferred to the Transferee Company. The amalgamation was undertaken for better and efficient management of the business and to obtain economies of scale as the Transferor Company was engaged in the business of consultancy services and the Transferee Company is engaged in the business of financial services. Since the Transferor Company was a wholly owned subsidiary of the Transferee Company, no shares were issued or allotted and accordingly all equity shares held by the Transferee Company in the Transferor Company were cancelled.

Merger of Microsec Technologies Limited with MIL Technologies Limited

The High Court of Calcutta in Company Petition No. 17 of 2006 and Company Application No. 759 of 2005 sanctioned the scheme of amalgamation of MIL Technologies Limited (the “**Transferee Company**”) and Microsec Technologies Limited (the “**Transferor Company**”). The scheme was declared to be binding from April 1, 2005 on the Transferee Company and its shareholders and the Transferor Company and its shareholders. Leave was granted to the Transferor Company to apply for dissolution and all its properties, rights, interests, liabilities, duties, proceedings, suits or appeals pending against were transferred to the Transferee Company. The amalgamation was undertaken for better and efficient management of the business and to obtain economies of scale as the Transferor Company was engaged in the business of information technology services and software development and the Transferee Company is engaged in the business of and data processing services. Since the Transferor Company was a wholly owned subsidiary of the Transferee Company, no shares were issued or allotted and accordingly all equity shares held by the Transferee Company in the Transferor Company were cancelled.

Litigation

For information on details relating to the litigation in relation to our Subsidiaries, please see section entitled “Outstanding Litigation and Material Developments” on page 184.

Material Agreements

1. Share Subscription and Shareholders Agreements

Shareholders Agreement A

On December 29, 2007, the Company, Luv-Kush Projects Limited (“**LKPL**”), Mr. Ravi Kant Sharma and Mrs. Bharati Sharma (“**co-promoters**” as defined therein) entered into a Share Subscription and Shareholders Agreement (the “**Shareholders Agreement A**”).

In terms of the provisions of this Shareholders Agreement A, the co-promoters shall subscribe to 1,175,000 Equity Shares of the Company (the “**Subscription Shares**”) for an aggregate consideration of Rs. 35,250,000. If the Equity Shares of the Company are not listed on a recognized stock exchange by August 31, 2008 (or such other date as may be decided by LKPL) then the co-promoters will sell the Subscription Shares to LKPL.

The Subscription Shares held by the co-promoters must be transferred to LKPL in the event Mr. Ravi Kant Sharma ceases to be in the whole time employment of the Company or any of its Subsidiaries, as the case may be, any time within three years after the listing of the shares of the Company. LKPL, on this event of acquisition, has agreed to further transfer these shares to Microsec Vision (Employees) Trust.

If the Subscription Shares are transferred after the listing of the Equity Shares of the Company it must be at the book value price (determined by generally acceptable accounting principles of the ICAI as on the last audited accounts of the Company), certified by the Statutory Auditors. If the Subscription Shares are transferred prior to listing of the Equity Shares of the Company it must be at the subsequent sale price (determined as the price which gives the co-promoter a financial return of 15% p.a. on the amount of investment in the Subscription Shares, from the date of Allotment to the date of sale, reduced to the extent of dividend received on the shares to be transferred).

Further, if any time during this period of 3 (three) years, any of the co-promoters are desirous of transferring the Subscription Shares held by them, then such Subscription Shares must be transferred to LKPL at the book value price. In case Mr. Ravi Kant Sharma transfers his shares he shall to the extent of his rights and interest in the shares jointly held with LKPL, transfer the same to the sole ownership of LKPL. The co-promoters have subscribed to the Subscription Shares in the following ratio:

S.No.	Shareholder	Number of Subscription Shares	Total Subscription Amount (in Rupees)
1.	Mr. Ravi Kant Sharma	8,67,500	26,025,000

2.	Mrs. Bharati Sharma	307,500	9,225,000
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Further, the Subscription Shares may not be encumbered in any manner till the expiry of three years from the date of listing of the shares of the Company. After the expiry of this period if the co-promoters decide to transfer the Subscription Shares, they must first offer the same to LKPL. If LKPL accepts the offer, then the Subscription Shares agreed to be purchased must be transferred on a spot delivery basis and in any event within seven business days. However, if LKPL does not exercise its right of first refusal then the co-promoters may sell the Subscription Shares to a third party on the same terms and conditions as those offered to LKPL and within a period of thirty days from the date of receipt of the Right-of-first-refusal Notice by LKPL.

In the event, Mr. Ravi Kant Sharma ceases to be an employee of the Company or any of its subsidiaries, he shall not for a period of six months thereafter, without the prior written consent of the Board be either directly or indirectly, employed, engaged or otherwise concerned or interested in any related business whatsoever. Further, for a period of two years thereafter, he shall not solicit any employee and/or representative from the Company or any of its Subsidiaries.

Shareholders Agreement B

On December 29, 2007, the Company, Luv-Kush Projects Limited (“**LKPL**”), Mr. Rakesh Sony and Mrs. Kavita Sony (“**co-promoters**” as defined therein) entered into a Share Subscription and Shareholders Agreement (the “**Shareholders Agreement B**”).

In terms of the Shareholders Agreement B, the co-promoters shall subscribe to 1,200,000 Equity Shares of the Company (the “**Subscription Shares**”) for an aggregate consideration of Rs. 36,000,000. The shareholders have subscribed to the subscription shares in the following ratio:

S.No.	Shareholder	Number of Subscription Shares	Total Subscription Amount (in Rupees)
1.	Mr. Rakesh Sony	6,00,000	1,80,00,000
2.	Mrs. Kavita Sony	6,00,000	1,80,00,000

The provisions of Shareholders Agreement *mutatis mutandis* have been replicated in this Shareholders Agreement B.

Details of past performance

For further details in relation to our financial performance in the previous five financial years, including details of non-recurring items of income, please see section entitled “Financial Information” on page 98.

OUR MANAGEMENT

Board of Directors

Under our Articles of Association, our Company is required to have not less than three directors and not more than twelve directors. Our Company currently has six directors on our Board.

Name, Designation, Father's Name, Residential Address, Occupation and Term	Age (years)	Other Directorships
<p>Mr. Banwari Lal Mittal Designation: Chairman and Managing Director (Son of Late Sanwar Mal Mittal) Residential Address: 25D, Harish Mukherjee Road, 3rd Floor, Flat No.3A & B, Kolkata-700025 Occupation: Service Not liable to retire by rotation</p>	39	<ol style="list-style-type: none"> 1. Microsec Capital Limited 2. Microsec Commerze Limited 3. Microsec Resources Pvt. Ltd 4. MIL Technologies Limited 5. Microsec Insurance Brokers Limited 6. Luv-Kush Projects Limited
<p>Mr. Ravi Kant Sharma Designation: Non Executive Director (Son of Mr. Sajjan Kumar Sharma) Residential Address: Space Town Housing Complex, VIP Road Raghunathpur, Block 10, Flat 3L, Kolkata-700052 Occupation: Service Liable to retire by rotation</p>	33	<ol style="list-style-type: none"> 1. Microsec Capital Limited 2. Microsec Insurance Brokers Limited 3. Microsec Commerze Limited 4. MIL Technologies Limited 5. Microsec Resources Private Limited
<p>Mr. Rakesh Sony Designation: Non Executive Director (Son of Mr. Ram Gopal Sony) Residential Address: Space Town Housing Complex, VIP Road Raghunathpur, Block 8, Flat 4B, Kolkata-700052 Occupation: Service Liable to retire by rotation</p>	31	<ol style="list-style-type: none"> 1. Microsec Capital Limited 2. Microsec Insurance Brokers Limited 3. Microsec Commerze Limited 4. MIL Technologies Limited 5. Microsec Resources Private Limited
<p>Dr. Bidhubhusan Samal Designation: Independent Director (Son of Late Nabaghan Samal) Residential Address: Flat- 1101, Lokhandwala Galaxy, Junction of NM Joshi & KK Marg, Near S. Bridge, Byculla (West), Mumbai- 400 011 Occupation: Consultant Liable to retire by rotation</p>	64	<ol style="list-style-type: none"> 1. M/s Jaiprakash Associates 2. Surana Industries Limited 3. Zicom Electronic Security Systems Limited 4. Mayfair Hotels and Resorts 5. Shriram Life Insurance Company Pvt. Ltd 6. Karn Merchant Bankers Limited 7. Shrijee Foundation (Charitable Trust) 8. ARSS Infrastructure Projects Limited 9. Jaiprakash Power Ventures Ltd
<p>Mr. Parimal Kr. Chattaraj Designation: Independent Director (Son of Late Basant Kumar Chattaraj) Residential Address: 3H, Singhi Park,</p>	62	<ol style="list-style-type: none"> 1. Tantia Constructions Limited

Name, Designation, Father's Name, Residential Address, Occupation and Term	Age (years)	Other Directorships
48/3 Hungerford Street, Kolkata-700019 Occupation: Management Consultant and Advocate, Calcutta High Court Liable to retire by rotation		
Mr. Vinod Kumar Kothari Designation: Independent Director (Son of Mr. Hanuman Mal Kothari) Residential Address: B-42, Metropolitan Co-operative Housing Society, Canal South Road, Kolkata- 700 039 Occupation: Professional Liable to retire by rotation	46	<ol style="list-style-type: none"> 1. Vinod Kothari Consultants Pvt. Ltd. 2. Wise Mens Consultancy Co. Pvt. Ltd. 3. Academy of Financial Services Pvt. Ltd. 4. Rupa & Company Ltd 5. Greenply Industries Limited 6. Association of Leasing and Financial Services Companies. 7. Gontermann-Peipers (India) Limited

Brief Biography of Directors

Mr. Banwari Lal Mittal

Mr. Banwari Lal Mittal is the founder of the Microsec Group and is the Chairman and Managing Director of the Company. He has 15 years of experience in different fields including investment banking, wealth management and corporate advisory. Mr. Mittal is a fellow member of the Institute of Chartered Accountants of India, the Institute of Company Secretaries of India and the Institute of Costs and Works Accountants of India. He has in the earlier part of his career worked with the M.P. Birla Group in a managerial position for about 8 years. Mr. Mittal has been, and is also presently, part of a number of committees of chambers of commerce.

Mr. Ravi Kant Sharma

Mr. Ravi Kant Sharma is the Managing Director and Chief Executive Officer of the brokerage & wealth management business of MCap. Mr. Sharma is the co-founder of the Microsec Group and is associated with it since 1999. Mr. Sharma holds a bachelor's degree in commerce from Calcutta University and is a fellow member of the Institute of Chartered Accountants of India. He has an experience of more than 10 years in wealth management and capital market operations.

Mr. Rakesh Sony

Mr. Rakesh Sony, the Managing Director and Chief Executive Officer of the investment banking business of MCap, is a 31 year old Chartered Accountant having more than 10 years of hands on experience in the investment banking sphere. After finishing his graduation from St Xavier's College, Kolkata with a first class, he qualified as a Chartered Account in the year 1998. He started his professional career as an investment banker working closely with the leading corporates in India and abroad. In the year 2002, he co-promoted Microsec Group. He has handled various prestigious assignments in India and abroad. He is also a part of the capital market committee of the Institute of Chartered Accountants of India, Eastern Regional Council.

Dr. Bidhubhusan Samal

Dr. Bidhubhusan Samal, aged 64 years, is an independent Director of MFSL and has done Doctorate in Economics. He is having more than 35 years of experience in Banking & Financial Sector. He has been awarded the Seva Ratna Award. In his professional career, he has been the Chairman and Managing Director of Allahabad Bank, Industrial Investment Bank of India and Chairman of All Bank Finance Limited. He was also a Member of Securities Appellate Tribunal, Ministry of Finance, Government of India. Presently, he is a member of Employment Mission set up by the Govt. of Orissa under the Chairmanship of the Hon'ble Chief Minister and a Member of Task Force (MOU) nominated by Govt. of India, Ministry of Heavy Industries & Public Enterprises, New Delhi. He is on the Board of several reputed companies in India.

Mr. Parimal Kumar Chattaraj

Mr. Chattaraj is the founder of Vertex Consulting (Organization & HR Solutions) and has experience of over 30 years. His professional background is BSC, PGDM, LLB, specializing in organizational behaviour. He has worked in management positions in India and abroad contributing to business strategy, aligning employee skill to business, creating learning organization & leadership development. Associated with reputed Management Institutes & Business Schools, he strongly believes in academics/research as essential ingredient of business growth. He is also Registered Advocate in Calcutta High Court providing legal support/advice to corporate houses and selective clients.

Mr. Vinod Kumar Kothari

Mr. Kothari is a Chartered Accountant and a Company Secretary with a strong academic record. Mr. Kothari is an accomplished trainer on securitization and offers training courses on securitization and credit derivatives all over the world. Mr. Kothari is also the author of various books, for example, 'Securitization: The Financial Instrument of the Future', 'Credit Derivatives and Synthetic Securitization', 'Financing and Hire-purchase' and 'Securitization, Asset Reconstruction and Enforcement of Security Interests'. Mr. Kothari is currently a visiting faculty at Indian Institute of Management, Joka, Kolkata and teaches corporate bankruptcy at National University of Judicial Sciences, Kolkata, a premier law college in India.

Borrowing powers of the Board

The borrowing powers of the Board under Section 293(1) (d) of the Companies Act, 1956, was increased to Rs. 1000 million over and above the aggregate of our Company's paid-up capital and free reserves pursuant to a shareholders' resolution dated July 30, 2007.

Shareholdings of the Directors in the Company:

For details regarding Equity Shares held by the Directors, please see "Capital Structure" on page 13.

Term of Office

All Directors are liable to retire by rotation (except Mr. Banwari Lal Mittal who has been appointed as the Chairman and Managing Director

Interests of the Directors

Our Directors may be regarded as interested in our Equity Shares, if any Equity Shares are held by, subscribed for by or allotted to any of the companies, firms and trusts, of which they are employees, directors, members, partners or trustees including, in particular, the Promoters they represent. For further details regarding Equity Shares held by the directors, please see "Capital Structure" on page 13.

We have neither entered into any contracts in the last two years prior to the date of this Draft Red Herring Prospectus, in which our Directors are parties, directly or indirectly, nor have payments been made to them in respect of any such contracts and nor is it proposed to make payments to them other than as described in "Consolidated Financial Statements – Related Party Transactions" on page 96 of this Draft Red Herring Prospectus. Our Directors have no interest in any property acquired by our Company within two years of the date of this Draft Red Herring Prospectus or proposed to be acquired by our Company.

Compensation of the Directors

Our Articles provide for sitting fees and commission for the Directors as determined by the Board. Pursuant to the Board resolution dated November 3, 2007, sitting fees of Rs. 12,500/- is payable to each Director for his or her attendance at a Board Meeting of the Company. Further, sitting fees of Rs. 7,500/- is payable to each member of the Audit Committee and Rs. 5,000/- is payable to each other committee member for his or her attendance at a meeting.

Mr. Banwari Lal Mittal was appointed as the Managing Director of the Company under the Companies Act, 1956, subject to Central Government approval, for a period of 3 (three) years effective from July 3, 2007. The terms of his appointment and remuneration, approved at the Extraordinary General Meeting of the Company held on July 30, 2007, are set out below.

Details of remuneration of the Managing Director:

Mr. Banwari Lal Mittal	
Basic Salary	Rs. 2,00,000/- p.m.
Special Pay	Nil
Performance Linked Pay / Long-Term Incentive compensation	Nil
Education Allowance	Nil
Perquisites:	
Housing Accommodation	Nil
Gas/Fuel/Water/Electricity /Telephone/upkeep and Maintenance Expense	Nil
Medical Expenses	Nil
Leave Travel Expenses/Allowances	Nil
Traveling	Nil
Provident Fund/Superannuation Fund / Leave encashment /Gratuity/Personal Accident Insurance	Rs. 2,00,000/- (Rupees Two Lacs only) per annum will be payable as Gratuity and leave pay. The Gratuity amount shall be as per the provisions of Payment of Gratuity Act, 1972 and the balance amount in Rs. 2.00 lacs towards leave pay shall be payable annually.
Gratuity	As per the provision of Payment of Gratuity Act, 1972
Car	The Company will provide the Company's car for official duties and also reimburse all the expenses incurred for running and maintenance of the car including the salary of driver.
Club	Nil

The aggregate of the salary, special pay, allowances and perquisites in any Financial Year shall be subject to the limits prescribed from time to time under Sections 198, 309 and other applicable provisions of the Companies Act, 1956, read with Schedule XIII to the said Act as may for the time being, be in force, or otherwise as may be permissible at law.

So long as Mr. Banwari Lal Mittal functions as the Managing Director of the Company, he will not be subject to retirement by rotation.

Where in any Financial Year, the Company has no profits or its profits are inadequate, the foregoing amount of remuneration and benefits shall be paid or given to the Managing Director in accordance with the applicable provisions of Schedule XIII of the Companies Act, 1956 and subject to the approval of the Central Government, wherever required.

Changes in the Board of Directors in the last three years

Name	Date of Appointment	Date of Resignation	Reason
Fiscal 2005			
Mr. Sunil Kr. Sharma	06.06.1989	-	First Director
Mr. Suman Bose	11.4.1990	-	First Director
Fiscal 2006			

Mr. Sunil Kr. Sharma	06.06.1989	27.9.2005	Resignation
Mr. Suman Bose	11.4.1990	27.9.2005	Resignation
Mr. Sandeep Sharma	28.3.2005	30.5.2005	Appointment/Resignation
Mr. Narshing Mittal	28.3.2005	30.5.2005	Appointment/Resignation
Mr. Banwari Lal Mittal	30.5.2005	-	Appointed as Additional Director
Mr. Ravi Kant Sharma	30.5.2005	-	Appointed as Additional Director
Mr. Rakesh Sony	27.9.2005	-	Appointed as Additional Director
Fiscal 2007			
NIL	NIL	NIL	NIL
As of January 31, 2008			
Mr. Parimal Kumar Chattaraj	02.4.2007		Appointed as Additional Director -
Mr. Vinod Kumar Kothari	03.11.2007		Appointed as Additional Director
Dr. Bishubhusan Samal	03.11.2007		Appointed as Additional Director

Corporate Governance

The provisions of the listing agreement to be entered into with the Stock Exchanges will be applicable to our Company immediately upon the listing of our Equity Shares with the Stock Exchanges. Our Company has complied with the corporate governance code in accordance with Clause 49 (as applicable), especially in relation to appointment of independent Directors to our Board and constitution of the audit committee, investor grievance committee and remuneration committee. Our Company undertakes to take all necessary steps to continue to comply with all the requirements of Clause 49 of the listing agreement to be entered into with the Stock Exchanges. In addition, our Company has adopted a code of conduct for corporate governance and a code of conduct for prevention of insider trading.

Currently our Board has six Directors, of which the Chairman of the Board is an executive director and in compliance with the requirements of Clause 49 of the Listing Agreement, our Company has three independent directors on our Board.

Audit Committee

The audit committee was re-constituted by our Directors at their meeting held on November 3, 2007 (“Audit Committee”). The Audit Committee comprises Mr. Vinod Kumar Kothari (independent Director), as the Chairman, and other members including Mr. Parimal Kumar Chattaraj (independent Director) and Mr. Ravi Kant Sharma (non –executive non independent Director).

The terms of reference of the Audit Committee include:

The Audit Committee shall have the following powers:

- 1) To investigate any activity within its terms of reference.
- 2) To seek information from any employee.
- 3) To obtain outside legal or other professional advice.
- 4) To secure attendance of outsiders with relevant expertise, if it considers necessary.

The role of the Audit Committee shall include the following:

- 1) Oversight of the company’s financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- 2) Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- 3) Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- 4) Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
 - a. Matters required to be included in the Director’s Responsibility Statement to be included in the Board’s report in terms of clause (2AA) of section 217 of the Companies Act, 1956
 - b. Changes, if any, in accounting policies and practices and reasons for the same
 - c. Major accounting entries involving estimates based on the exercise of judgment by management

- d. Significant adjustments made in the financial statements arising out of audit findings
 - e. Compliance with listing and other legal requirements relating to financial statements
 - f. Disclosure of any related party transactions
 - g. Qualifications in the draft audit report.
- 5) Reviewing, with the management, the quarterly financial statements before submission to the board for approval
 - 6) Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
 - 7) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
 - 8) Discussion with internal auditors any significant findings and follow up thereon.
 - 9) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
 - 10) Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
 - 11) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
 - 12) To review the functioning of the Whistle Blower mechanism, in case the same is existing.
 - 13) Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Further, pursuant to a Board resolution dated December 31, 2007, the role of the Audit Committee has been expanded to include the following:

“Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.”

The Audit Committee shall mandatory review the following information:

- 1) Management discussion and analysis of financial condition and results of operations;
- 2) Statement of significant related party transactions, periodically submitted by management;
- 3) Management letters or the letters of internal control weaknesses issued by the statutory auditors;
- 4) Internal audit reports relating to internal control weaknesses; and
- 5) The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee

Shareholders / Investors Grievance Committee

The shareholders / investors grievance committee of the Company comprises Mr. Vinod Kumar Kothari (non executive independent Director), as the Chairman, and other members including Mr. Parimal Kumar Chattaraj (non executive independent Director), Mr. Banwari Lal Mittal, Chairman and Managing Director (Executive and non independent Director), Mr. Ravi Kant Sharma (non executive non independent Director) and Mr. Rakesh Sony (non executive non independent Director). The function of the share / investor grievance committee is to supervise share transfer and also to redress the grievances of the shareholders/investors, if any.

IPO Committee

The IPO committee of the Company comprises of Mr. Banwari Lal Mittal, Mr. Ravi Kant Sharma, Mr. Rakesh Sony, Mr. Laxmi Narayan Mandhana and Mr. Biplab Kumar Mani. The terms of reference of the committee are as follows:

- a) to decide on the actual size of the public offer, including any offer for sale by promoters/shareholders, exercise of any green-shoe (over-allotment) option and/or reservation on a firm or competitive basis, timing, pricing and all the terms and conditions of the issue of the shares, including the price, and to accept any amendments, modifications, variations or alterations thereto;

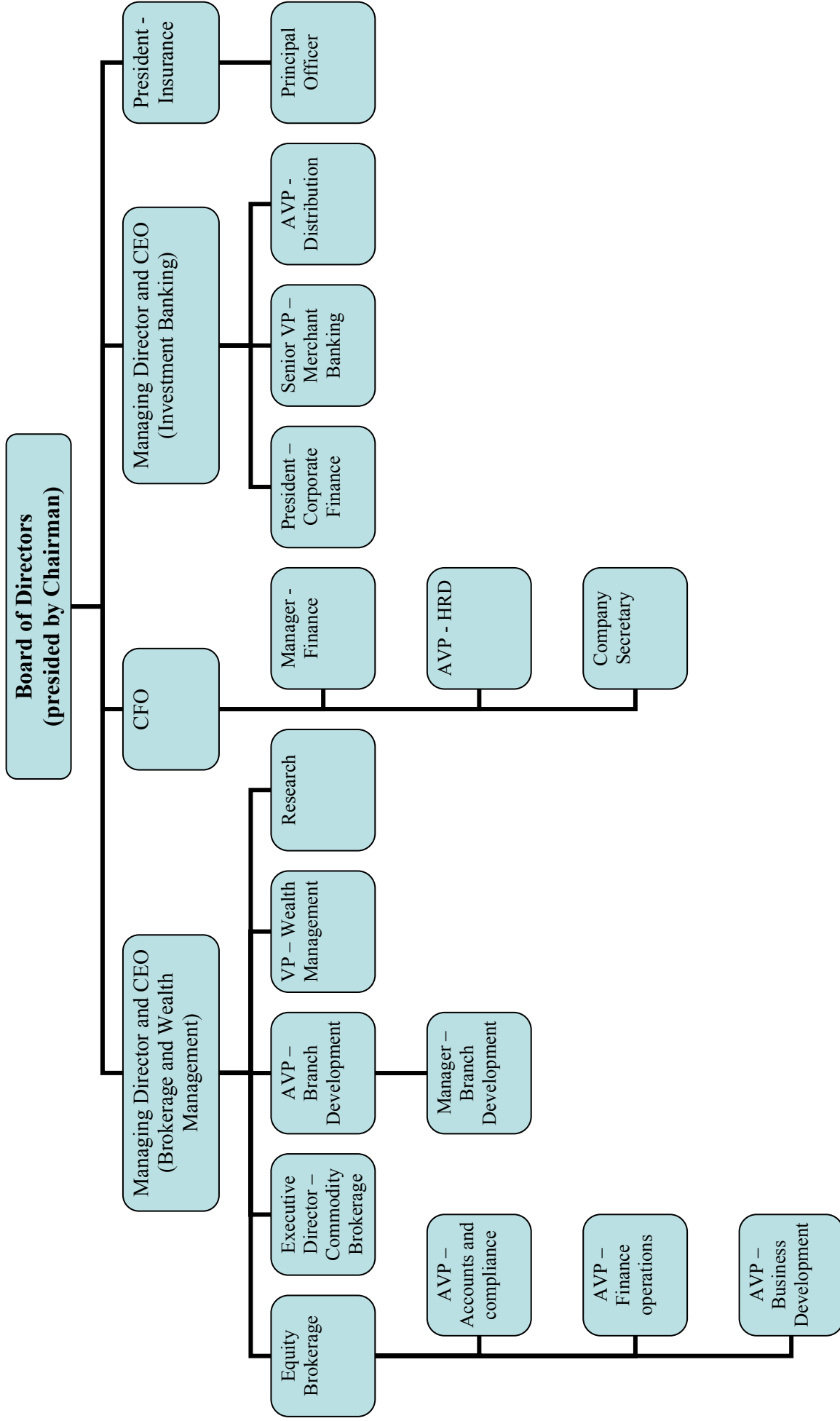
- b) to appoint and enter into arrangements with the book running lead managers, co-mangers to the issue, underwriters to the issue, syndicate members to the issue, brokers to the issue, escrow collection bankers to the issue, registrars, legal advisors and any other agencies or persons;
- c) to finalize and settle and to execute and deliver or arrange the delivery of the draft offering document (the draft red herring prospectus), red herring prospectus, final prospectus, syndicate agreement, underwriting agreement, escrow agreement and all other documents, deeds, agreements and instruments as may be required or desirable in connection with the issue of shares by the Company;
- d) to open a separate current Account in the name of MFSL with a scheduled bank to receive applications along with application monies in respect of the issue of the shares of the Company and also to issue the refunds;
- e) to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or desirable for such purpose, including without limitation, allocation and allotment of the shares as permissible in law, issue of share certificates in accordance with the relevant rules;
- f) to make any applications to the FIPB, RBI and such other authorities, as may be required, for the purpose of issue of shares by the Company to non-resident investors such as NRIs and FIIs;
- g) to make applications for listing of the equity shares of the Company in one or more stock exchange(s) and to execute and to deliver or arrange the delivery of the listing agreement(s) or equivalent documentation to the concerned stock exchange(s);
- h) to finalize the basis of allocation and to allot the shares to the successful allottees; and
- i) to settle all questions, difficulties or doubts that may arise in regard to such issues or allotment as it may, in its absolute discretion deem fit.

Additionally, the IPO committee is also authorised to approve the Draft Red Herring Prospectus, Red Herring Prospectus and the Prospectus and file the same with SEBI and the RoC, as the case may be.

Remuneration and Compensation Committee

The remuneration committee of the Company comprises Mr. Parimal Kr. Chattaraj (non executive independent director) as the Chairman and other members including Dr. Bidhubhusan Samal (non executive independent Director) Mr. Vinod Kumar Kothari (non executive independent Director). The functions of the remuneration committee are to determine on behalf of the Board and on behalf of the shareholders with agreed terms of reference, the company's policy on specific remuneration packages for executive directors including pension rights and compensation payment, if any.

MICROSEC GROUP – ORGANISATION CHART



Key Management Personnel

Details of the key managerial personnel of the Company and its Subsidiaries are set out below.

Laxmi Narayan Mandhana (CFO)

As a Chartered Accountant and a qualified Company Secretary with over 19 years of experience in handling the finance functions entailing mergers, acquisitions and project activities, Mr. Mandhana is the in-charge of financial and corporate functions of the Microsec Group. In addition to his hands-on experience in asset financing business of about 7 years, he also has a wide experience in corporate finance, taxation, accounts etc. He is also a part of Finance Committee of CII (Confederation of Indian Industry), Eastern Region. Prior to joining the Microsec Group, Mr. Mandhana was employed with the Hindustan National Glass and Industries Ltd. His date of joining was September 11, 2007. His annual cost to company is Rs. 1.2 million.

Shamik Bhowe (Executive Director – Commodity Markets)

Mr Bhowe has served as a senior trader and in senior managerial positions with major trading houses and e-commerce ventures. A Master in Economics with over 21 years of working experience, Mr. Bhowe has been a nominee member at world trade bodies like Grain and Feed Trade Association (GAFTA) and Federation of Oils, Seeds and Fats (FOSFA), Indian trade bodies like Bombay Oils & Oilseeds Exchange, a founding committee member of Coffee Futures Exchange of India - Bangalore (COFEI) and has also been a speaker and panelist in conferences organized by Futures Market Commission (FMC), Associated Chambers of Commerce and Industry of India (ASSOCHAM) and Indian Chamber of Commerce on development of the commodity futures market and warehouse receipt finance in India. He has also been advisor to some sugar companies, MCX and a product committee member of NCDEX. Prior to joining the Microsec Group, Mr. Bhowe was employed with the Balrampur Chini Mills as an advisor. His date of joining was May 2, 2007. His remuneration for the Fiscal Year 2007 was Rs. 1.4 million.

S. Sengupta (President – Insurance Broking)

A qualified Associate of Chartered Insurance Institute, London, Mr. Sengupta has experience of over four decades in the insurance field. He is an Ex-Regional Head of the New India Assurance Co. Ltd. and Ex-Chairman of the Fire Sub-Committee of Calcutta Regional Committee of Tariff Advisory Committee. He has a deep knowledge of risk management together with knowledge of the insurance business. Prior to joining the Microsec Group, Mr. Sengupta was employed with Birla Technical Services. His date of joining was July 1, 2003. His remuneration for the Fiscal Year 2007 was Rs. 0.39 million.

Sumit Agarwal (President – Corporate Finance)

A Chartered Accountant, Sumit is a finance professional and specializes in providing banking solutions. He has over six years of experience in corporate finance mostly in steel, infrastructure and the power industries. His date of joining was July 12, 2002. His remuneration for the Fiscal Year 2007 was Rs. 0.52 million.

Pankaj Harlalka (Senior Vice President – Merchant Banking)

Mr. Harlalka is a Company Secretary and has more than 10 years of experience in the area of corporate legal affairs. He is responsible for conducting the due diligence process, preparing of all statutory documents and liaising with statutory authorities to get the necessary clearances and approvals. Prior to joining the Microsec Group, Mr. Harlalka was an independent practising company secretary. His date of joining was November 7, 2003. His remuneration for the Fiscal Year 2007 was Rs. 0.52 million.

Sanjay Kumar Agarwal: (Vice President - Investment Banking)

A Chartered Accountant and a Cost Accountant, Mr Agarwal has 9 years of experience in handling corporate banking, treasury of a large corporate and general managerial functions in several corporate sectors. Due to the outstanding performance in effecting savings in interest cost of the Company, he has been awarded a special appreciation letter from IDBI Bank & Atul Ltd. Prior to joining the Microsec Group, Mr. Agarwal was employed with Nilon. His date of joining was September 24, 2007. His annual cost to company is Rs. 1.4 million.

Ajai Kumar Agrawal: (Vice President – Consulting)

A science graduate and a Cost and Works Accountant, Mr Agarwal has a post qualification experience of 19 years in different companies like Birla Corporation Ltd., SWIL Ltd., Electrosteel Castings Ltd. He has developed several accounting systems, target costing techniques, suggested procedures for optimization of working capital etc. He is an expert in budgeting, analysis & tracking systems, formulation of operating strategy, cost and investment feasibility analysis etc. He is working with our investment banking division and his key responsibilities include making business plans, involvement in valuation of firms, preparing project reports and liaising with banks for corporate finance proposals. His write-ups are also published in the ICWAI Journal - "The Management Accountant". Due to the outstanding performance in effecting savings in interest cost of the company, he has also been awarded a special appreciation letter from M/s. Birla Corporation Ltd. Prior to joining the Microsec Group, Mr. Agarwal was employed with Birla Corporation. His date of joining was November 4, 2006. His remuneration for the Fiscal Year 2007 was Rs. 0.192 million.

Manish Kumar Agarwal (Asst. Vice President – Compliance)

A Chartered Accountant and a Company Secretary having more than 8 years of post qualification experience in the field of finance and equity broking, Mr. Agarwal holds a significant position as in-charge of compliance and registration matters of the Company. He is responsible for ensuring compliance with all relevant rules and regulations. Additionally, he is also involved in the daily administration work of the company. Prior to joining the Microsec Group, Mr. Agarwal was employed with the Bachawat group. His date of joining was July 1, 2005. His remuneration for the Fiscal Year 2007 was Rs. 0.325 million.

Yogesh Parasrampururia (Asst. Vice President – Business Development)

A commerce graduate, Mr. Parasrampururia has completed a professional course in network centric computing, and had joined Microsec Group as a Manager - Depository Services subsequently being promoted to Head - Depository Services. Prior to joining the Microsec Group, Mr. Parasrampururia was employed with Vedika Securities (P) Ltd. His date of joining was May 7, 2005. His remuneration for the Fiscal Year 2007 was Rs. 0.273 million.

Vishal Poddar (Asst. Vice President – Wealth Management)

A post graduate diploma holder in business administration with a specialization in finance, Mr Poddar is responsible for distribution of wealth management products. He joined Microsec Group as a Business Development Manager and was gradually promoted to Assistant Vice President. His date of joining was February 15, 2005. His remuneration for the Fiscal Year 2007 was Rs. 0.334 million.

Bajrang Lal Agarwal (Asst. Vice President - Operations and Finance)

A Chartered Accountant with a total experience of 6 years and a post qualification experience of 4 years in the stock market, Mr. Agarwal holds a key position in finance operations of equity market division of the Company that involves supervision of the day-to-day operations of back office and monitoring net debtors positions. He has also been assigned an additional responsibility of looking after total risk management of stock broking division of the Company. Prior to joining the Microsec Group, Mr. Agarwal was employed with Lohia Securities Ltd. His date of joining was November 1, 2006. His remuneration for the Fiscal Year 2007 was Rs. 0.154 million.

Sumit Bhattacharya (Asst. Vice President – HRD)

With a gold medalist MBA with a diploma in Labour Laws & Administrative Laws and having a post qualification experience of over 7 years in core human resources, personnel and administrative functions in different divisions like retail, IT, education, manufacturing and financial services, Mr. Bhattacharya is heading Microsec Group's human resources department. He has a vast exposure in the area of formulation and implementation of human resources policies, organization restructuring and employee development measures, performance management system, compensation & benefits management and rewards & recognition system implementation and statutory compliances. His current responsibilities include talent acquisition & engagement, organisational restructuring in alignment with the ambitious growth plans of the Company, streamlining human resources policies & procedures, employee training & development, introducing social security systems and compliance with laws relating to these and employee counseling. Prior to joining the Microsec Group, Mr. Bhattacharya was employed with Khadim India Ltd. His date of joining was September 19, 2006. His remuneration for the Fiscal Year 2007 was Rs. 0.123 million.

Manav Goenka: (Asst. Vice President - Investment Banking)

Mr Goenka is an MBA, with a specialization in finance and has more than 3 years of experience in investment banking. He is responsible for conducting the due diligence process, preparing of all statutory documents and liaising with statutory authorities to get the necessary clearances and approvals. He is also handling assignments relating to mergers, acquisitions and valuations. His date of joining was April 11, 2005. His remuneration for the Fiscal Year 2007 was Rs. 0.39 million.

Ashish Bajaj (Asst. Vice President – Investment Banking)

Mr Bajaj is a member of the Institute of Company Secretaries of India. He was top ranker in Company Secretary final examination. He has more than 8 years of experience in finance, legal and the secretarial fields. Prior to joining our Company he was employed with Tantia Constructions Limited as Company Secretary and Compliance Officer and handled the public issue of Tantia Constructions Limited. Prior to joining the Microsec Group, Mr. Bajaj was employed with Tantia Constructions. His date of joining was July 15, 2006. His remuneration for the Fiscal Year 2007 was Rs. 0.276 million.

Biplab Kumar Mani (Company Secretary)

As a Company Secretary with more than 3 years of experience in the area of corporate law and Stock Exchange compliances, Mr Mani is the Company Secretary of MFSL. He has had substantial exposure in independent management of the secretarial department at the corporate level. In Microsec Group, Biplab manages the processes concerning company legislation and regulations. Prior to joining the Microsec Group, Mr. Mani was employed with Vinay Cements Ltd. His date of joining was February 19, 2007. His remuneration for the Fiscal Year 2007 was Rs. 0.029 million.

Naveen Vyas: (Senior Manager – Research)

An MBA (Finance), having a post qualification experience of over 3 years in financial services industries, Mr Vyas specializes in doing in-depth analysis of the companies, their financial strength and valuation. He is responsible for doing research on the companies and also for assembling of fundamental reports on these. His thorough study of the macro factors of Indian economy is an important basis for the same. His date of joining was October 4, 2005. His remuneration for the Fiscal Year 2007 was Rs. 0.260 million.

Mahendra Kumar Yadav: (Manager – Accounts)

As a qualified Chartered Account, Mr Yadav holds more than 5 years of experience in the areas of Accounts, Audit, MIS and Taxation. He is presently looking after these functions. Prior to joining the Microsec Group, Mr. Yadav was employed with Jumac Manufacturing Pvt. Ltd. His date of joining was February 12, 2007. His remuneration for the Fiscal Year 2007 was Rs. 0.03 million.

Prabir Kumar Sarkar: (Sr. Research Analyst)

Mr. Sarkar is a diploma holder in mechanical engineering with a diploma in business management and has successfully undergone different courses in technical studies. He has also qualified NSE Certification in Financial Markets (NCFM) Certification from NSE and Multi Commodity Exchange Certified Professional (MCCP) from MCX. He has had experience over 9 years as a specialized technical analyst in the arena of security, currency and commodity in various companies. He was the head of technical analysis throughout his previous employments. He also ensures proper presentation of technical research reports and plays a role in generating the intra-day or short term positional calls for trading purpose. Prior to joining the Microsec Group, Mr. Sarkar was employed with Reymont Commodities Pvt. Ltd. His date of joining was November 6, 2006. His remuneration for the Fiscal Year 2007 was Rs. 0.073 million.

Soumesh Tripathi: (Sr. Manager- Business Development)

A Commerce Graduate with a diploma in computer software applications from NIIT, Mr Tripathi is a senior member in the commodities department. With 4 years of experience, he specializes in corporate hedging in the futures market and holds good knowledge in the metals sector (steel, copper, aluminum, zinc). Presently he is undergoing MBA (Marketing) from IISWBM to enhance his expertise. Prior to joining the Microsec Group, Mr. Tripathi was employed with Micro Network Systems. His date of joining was July 1, 2004. His remuneration for the Fiscal Year 2007 was Rs. 0.195 million.

Atanu Ghosh: (Technology - Head)

A diploma holder in computer science along with CISCO Certified Network Associate (CCNA) & Microsoft Certified Professional (MCP) and having more than 5 years of experience in network administration, IT infrastructure planning and implementation. He heads Microsec Group's technology department. Prior to joining the Microsec Group, Mr. Ghosh was employed with Infrotonix Channel. His date of joining was May 8, 2006. His remuneration for the Fiscal Year 2007 was Rs. 0.156 million.

Avijit Majumder: (Team Leader – Equity Sales)

Having more than 5 years of experience as a team leader, Mr Majumder has successfully handled trading of HNI & retail clients. He is also having good leadership skills in achieving defined target by motivating team members Prior to joining the Microsec Group, Mr. Agarwal was employed with the Bachhawat group.with Indiabulls Securities Ltd. as team leader. His date of joining was May 8, 2007. His annual cost to company is Rs. 0.349 million.

Ashish Agarwal : (Team Leader – Equity Sales)

A post graduate diploma holder in management, with a specialization in finance, Mr Agarwal has had more than 3 years of experience in acquisition, handling and retention of HNI and retail clients. Prior to joining the Microsec Group, Mr. Agarwal was employed with Indiabulls Securities Ltd. as Associate Relationship Manager (ARM). His date of joining was October 3, 2006. His remuneration for the Fiscal Year 2007 was Rs. 0.132 million.

None of our Directors or key managerial personnel is related to each other.

All our key managerial personnel are permanent employees of our Company or our Subsidiaries.

Shareholding of the Key Managerial Personnel

Other than as disclosed below, none of our key managerial personnel holds Equity Shares in our Company.

Name of Key Managerial Person	Number of Equity Shares
Mr. Laxmi Narayan Mandhana	10,000
Mr. Shamik Bhowse	10,000
Mr. Sumit Kumar Agarwal	100,000
Mr. Pankaj Harlalka	50,000
Mr. Manish Kr. Agarwal	10,000
Mr. Yogesh Parasarampuria	10,000
Mr. Vishal Poddar	10,000
Mr. Bajrang Lal Agarwal	10,000
Mr. Manav Goenka	10,000
Mr. Ashish Bajaj	10,000

Bonus or profit sharing plan of our Key Managerial Personnel

Except the ESOS 2007, there is no other bonus or profit sharing plan for our key managerial personnel. For details of ESOS 2007, please see section entitled “Capital Structure” on page 13.

Interest of Key Managerial Personnel

Except as disclosed below, none of our key managerial personnel have any interest in our Company and/or our Subsidiaries other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business and to the extent of Equity Shares held by them in our Company and/or our Subsidiaries.

None of our key managerial employees are directors in our Promoter Group companies.

Set forth below are our key managerial employees who are directors in our Subsidiaries.

Name	Directorships
Mr. Shamik Bhose	MCL

For further details, please see the sections entitled “History and Certain Corporate Matters” and “Our Promoters and Promoter Group” on page 65 and 91, respectively.

Changes in our Key Managerial Personnel

The changes in our key managerial personnel during the last three years are as follows:

Name	Designation	Company	Date of change	Reason
Mr. Nirmal Bazaz	CEO & Executive Director	Microsec Insurance Brokers Ltd.(Formerly Microsec Risk Management Limited)	February 28, 2005	Resignation
Mr. Shekhar Kumar Jain	Chief Operating Officer	Microsec Commerze Limited	August 31, 2005	Resignation
Mr. Brij Mohan Sony	VP – Business Development	Microsec Capital Limited	October 31, 2005	Resignation
Mr. Ankit Gupta	Chief Operating Officer	Microsec Commerze Limited	November 30, 2006	Resignation
Mr. Kamalesh Agarwal	AVP – IB	Microsec Capital Limited	November 30, 2006	Resignation

Employee Stock Option Scheme

For details of our ESOS 2007, please see the section entitled “Capital Structure” on page 13.

Loans taken by Directors / Key Managerial Personnel

Our Directors and key managerial personnel have not taken any loan from our Company.

Payment or benefit to our officers (non-salary related)

No amount or benefit has been paid or given to any officer of our Company within the two preceding years from the date of filing of this Draft Red Herring Prospectus or is intended to be paid, other than in the ordinary course of their employment, other than the options granted to them under our ESOS and the shares allotted to them by the Company. The details of ESOPs granted to KMPs is given on page 13 under para 6 of “Capital Structure” and number of shares of MFSL held by KMPs is given under para “Shareholding of the Key Managerial Personnel” on page 89 of this section.

OUR PROMOTERS AND PROMOTER GROUP

Promoters

The following individuals are the Promoters of the Company:

1. Mr. Banwari Lal Mittal;
2. Mr. Ravi Kant Sharma; and
3. Mr. Rakesh Sony.

The details of our Promoters who are individuals are as follows:

1. Banwari Lal Mittal



Identification Particulars	Details
Age	39
PAN	ADMMPM0065G
Passport No.	F4841742
Voter ID Number	HZG3561545
Driving License Number	WB-012007452760
Bank Account Number	0081840000086 – HDFC Bank Limited, Stephen House, Kolkata.

A BRIEF BIOGRAPHY

Mr. Banwari Lal Mittal is the founder of Microsec Group and is the Chairman and Managing Director of the Company. He has 15 years of experience in different fields including investment banking, wealth management and corporate advisory. Mr. Mittal is a fellow member of the Institute of Chartered Accountants of India, the Institute of Company Secretaries of India and the Institute of Costs and Works Accountants of India. He has in the earlier past of his career worked with the M.P. Birla Group in a managerial position for about 8 years. Mr. Mittal has been, and is also presently, part of a number of committees of chambers of commerce.

2. Ravi Kant Sharma



Identification Particulars	Details
Age	33
PAN	AIWPS1830J
Passport No.	F6213987
Voter ID Number	WB/21/143/255140
Driving License Number	WB-012005202176
Bank Account Number	840592, ABN AMRO, Camac Street Branch

A BRIEF BIOGRAPHY

Mr. Ravi Kant Sharma is the Managing Director and Chief Executive Officer of the Brokerage & Wealth Management business of Microsec Capital Limited. Mr. Sharma is the co-founder of the Microsec Group and is associated with it since 1999. Mr. Sharma holds a bachelor's degree in commerce from Calcutta University and is a fellow member of the Institute of Chartered Accountants of India. He has an experience of more than 10 years in wealth management and capital market operations.

3. Rakesh Sony



Identification Particulars	Details
Age	31
PAN	ALDPS1789A
Passport No.	A6367913
Voter ID Number	NA
Driving License Number	WB01337789
Bank Account Number	840638, ABN AMRO Bank, Camac Street Branch

A BRIEF BIOGRAPHY

Mr. Rakesh Sony, the Managing Director and Chief Executive Officer of the investment banking business of Microsec Capital Limited, is a 31 year old Chartered Accountant having more than 10 years of hands on experience in the investment banking sphere. After finishing his graduation from St Xavier's College, Kolkata with a first class, he qualified as a Chartered Account in the year 1998. He started his professional career as an investment banker working closely with the leading corporates in India and abroad. In the year 2002, he co-promoted Microsec Group. He has handled various prestigious assignments in India and abroad. He is also a part of the capital market committee of the Eastern Regional Council of the Institute of Chartered Accountants of India.

For other details relating to our Promoters, including addresses, terms of appointment as our Directors and other directorships, please see section entitled "Our Management" at page 78.

Interest in promotion of our Company

Mr. Banwari Lal Mittal, Mr. Ravi Kant Sharma and Mr. Rakesh Sony are our Promoters and acquired the Company - Satyam Fiscal Services Private Limited in 2005. The current shareholding of the Promoters in our Company is as set out below:

S. No.	Name of Shareholder	Number of equity shares of Rs. 10 each	% of Issued Capital
1.	Mr. Banwari Lal Mittal	1,13,60,000	55.93
2.	Mr. Ravi Kant Sharma	8,76,800	4.32
3.	Mr. Rakesh Sony	6,00,000	2.95

Interest in the property of the Company

The Promoters do not have any interest in any property acquired by our Company within two years preceding the date of this Draft Red Herring Prospectus or proposed to be acquired by our Company.

Relationship of Promoters with each other and with the Directors

Our Promoters are neither related inter-se nor related to the Directors of our Company.

Payment of benefits to our Promoters during the last two years

Except as stated in the section entitled "Financial Statements" on page 98 and for the remuneration drawn by them in their capacity as Directors of the Company, there has been no payment of benefits to our Promoters during the last two years from the date of filing of this Draft Red Herring Prospectus.

Related Party Transactions

For details of the related party transactions, see the “Related Party Transactions” forming part of section entitled “Financial Statements” on page 98.

Other Undertakings and Confirmations

Our Company undertakes that the details of the permanent account numbers, bank account numbers and passport numbers of our Promoters will be submitted to the Stock Exchanges at the time of filing this Draft Red Herring Prospectus with the Stock Exchanges.

Our Promoters and Promoter Group entities, including relatives of the Promoters, have confirmed that they have not been detained as willful defaulters by the RBI. Further, except as disclosed in the sections entitled “Outstanding Litigation and Material Developments” and “Risk Factors” beginning on pages 184 and xiii, respectively, our Promoters and Promoter Group entities, including relatives of the Promoters, have confirmed that they are not subject to any proceedings initiated by any Governmental authority.

Additionally, there are no violations of securities laws committed by them in the past or are pending against them and none of our Promoters or persons in control of bodies corporate forming part of our Promoter Group have been restricted from accessing the capital markets for any reasons, by SEBI or any other authorities, except for those disclosed in the section entitled “Outstanding Litigation and Material Developments” and “Risk Factors” beginning on pages 184 and xiii, respectively.

Common Pursuits

The Promoters and the Promoters Group entities are not engaged in any activity carried out by the Company except for LKPL is also an ‘NBFC’ registered with the RBI and is largely into the business of making investments in shares and providing loan facilities.

Promoter Group

In addition to the Promoters named above, the following natural persons, companies, HUFs and partnerships form a part of the Promoter Group.

The natural persons who are part of the Promoter Group (being the immediate relatives of our Promoters), apart from the individual Promoters mentioned above are as follows:

S. No.	Name	Relationship with the Promoters	Address	Shareholding in the Company	% shareholding in the Company
1.	Mrs. Gomti Devi Mittal	Mother of Mr. Banwari Lal Mittal	25D Harish Mukherjee Road, Flat-3A &B, 3 rd Floor, Kolkata- 700 025	-	-
2.	Mrs. Abha Mittal	Wife of Mr. Banwari Lal Mittal	25D Harish Mukherjee Road, Flat-3A &B, 3 rd Floor, Kolkata- 700 025	15,700	0.08
3.	Ms. Saloni Mittal (Minor)	Daughter of Mr. Banwari Lal Mittal	25D Harish Mukherjee Road, Flat-3A &B, 3 rd Floor, Kolkata- 700 025	-	-
4.	Ms. Vidhi Mittal (Minor)	Daughter of Mr. Banwari Lal Mittal	25D Harish Mukherjee Road, Flat-3A &B, 3 rd Floor, Kolkata- 700 025	-	-
5.	Mr. Sushila Devi Khaitan	Sister of Mr. Banwari Lal Mittal	25D Harish Mukherjee Road, Flat-3A &B, 3 rd Floor, Kolkata- 700 025	15,700	0.08
6.	Mr. Arjun Mittal	Brother of Mr. Banwari Lal Mittal	161/1 M.G. Road, 2 nd Floor, Room No- 40, Kolkata- 700 007	-	-
7.	Mr. Narsingh Mittal	Brother of Mr. Banwari Lal Mittal	25D Harish Mukherjee Road, Flat-3A &B, 3 rd Floor, Kolkata- 700	-	-

			025		
8.	Mrs. Bhagwati Agarwal	Sister of Mr. Banwari Lal Mittal	Venkateshwara Complex, Opp. Agrasen Hospital, Central Spine Building No. 08, Flat No. 106, Vidyadharnagar, Jaipur-302023	-	-
9.	Mrs. Deepika Agarwal	Sister of Mr. Banwari Lal Mittal	P-4, New Howrah Bridge Approach Road, Kashiram Block, 1 st Floor, Kolkata- 700 001	-	-
10.	Mr. Sajjan Kumar Sharma	Father of Mr. Ravi Kant Sharma	Space Town Housing Complex, VIP Road Raghunathpur, Block 10, Flat 3L, Kolkata-700052	-	-
11.	Mrs. Kanta Devi Sharma	Mother of Mr. Ravi Kant Sharma	Space Town Housing Complex, VIP Road Raghunathpur, Block 10, Flat 3L, Kolkata-700052	-	-
12.	Mrs. Bharati Sharma	Wife of Mr. Ravi Kant Sharma	Space Town Housing Complex, VIP Road Raghunathpur, Block 10, Flat 3L, Kolkata-700052	3,23,200	1.59
13.	Master Mohit Sharma (Minor)	Son of Mr. Ravi Kant Sharma	Space Town Housing Complex, VIP Road Raghunathpur, Block 10, Flat 3L, Kolkata-700052	-	-
14.	Miss Stuti Sharma (Minor)	Daughter of Mr. Ravi Kant Sharma	Space Town Housing Complex, VIP Road Raghunathpur, Block 10, Flat 3L, Kolkata-700052	-	-
15.	Mr. Rajiv Sharma	Brother of Mr. Ravi Kant Sharma	Space Town Housing Complex, VIP Road Raghunathpur, Block 10, Flat 3L, Kolkata-700052	-	-
16.	Mr. Ram Gopal Soni	Father of Mr. Rakesh Sony	Space Town Housing Complex, VIP Road Raghunathpur, Block 8, Flat 4B, Kolkata-700052	-	-
17.	Mrs. Sushila Devi Sony	Mother of Mr. Rakesh Sony	Space Town Housing Complex, VIP Road Raghunathpur, Block 8, Flat 4B, Kolkata-700052	-	-
18.	Mrs. Kavita Sony	Wife of Mr. Rakesh Sony	Space Town Housing Complex, VIP Road Raghunathpur, Block 8, Flat 4B, Kolkata-700052	6,00,000	2.95
19.	Mr. Sunil Sony	Brother of Mr. Rakesh Sony	Space Town Housing Complex, VIP Road Raghunathpur, Block 8, Flat 4B, Kolkata-700052	-	-
20.	Master Yash Vardhan Sony (Minor)	Son of Mr. Rakesh Sony	Space Town Housing Complex, VIP Road Raghunathpur, Block 8, Flat 4B, Kolkata-700052	-	-
21.	Mrs. Punam Soni	Sister of Mr. Rakesh Sony	10, Madan Chatterjee Lane, Kolkata- 700 007	-	-
22.	Mrs. Suman Soni	Sister of Mr. Rakesh Sony	33, Shiv Thakur Lane, Kolkata-700 007	-	-
23.	Mrs. Mala Soni	Sister of Mr. Rakesh Sony	Flat- A1207, Glacier Block, Brigade Gardenia, J.P. Nagar, VII th Phase, Bangalore- 560078	-	-

Promoter Group Companies & Entities

Luv-Kush Projects Limited (“Luv-Kush”)

Luv-Kush Projects Limited, a NBFC registered with the Reserve Bank of India, was incorporated on March 9, 1989. Its registered office is situated at 25D, Harish Mukherjee Road, 3rd Floor, Flat No.3A & B, Kolkata-700025.

Luv-Kush is an NBFC registered with RBI and is mainly into the business of making investment in shares and providing loans..

The Board of Directors of Luv-Kush as at January 18, 2008, is comprised as under:

Mr. Banwari Lal Mittal

Mrs. Abha Mittal

Mr. Prabhu Dayal Khaitan

Brief financial details of Luv-Kush from the audited accounts for the past three years are as follows:

(in Rs. million, except per share data)

Particulars	As at and for the year ended March 31, 2005	As at and for the year ended March 31, 2006	As at and for the year ended March 31, 2007	For the half year ended September 30, 2007
Total Revenue	0.26	3.35	6.30	3.93
Profit after tax	0.00	2.90	5.34	2.82
Equity Capital	10.00	11.30	12.11	12.50
Reserves	0.03	134.73	219.65	261.08
EPS (Rs.)	0.00	2.57	4.41	4.51 (Annualised)
Book value/share (Rs.)	10.03	129.14	191.38	218.86

(Source: Audited Financial Statements)

The shareholding pattern of Luv-Kush as at January 18, 2008 is set out below:

S. No	Name of the Shareholder	No. of shares	Percentage of holding
1	B.L. Mittal (HUF)	550,020	45.42
2	Mrs. Abha Mittal	449,950	37.16
3	Mrs. Sushila Devi Khaitan	10	0.00
4	Mr. Prabhu Dayal Khaitan	10	0.00
5	Mr. Narsingh Mittal	10	0.00
6	Brand Management Private Limited	69,035	5.70
7	Prism Impex Private Limited	71,414	5.90
8	Arena Textile and Industries Limited	70,550	5.82
	Total	1,210,999	100.00

Luv-Kush is not a listed company.

RELATED PARTY TRANSACTIONS

For details on related party transactions of our Company on a stand alone and consolidated basis, see Annexure [●] - Notes to Accounts to the Company's restated stand alone financial statements and the Company's restated consolidated financial statements in the section entitled "Financial Statements" on page 98.

DIVIDEND POLICY

Interim dividends are declared by the Board after considering the interim financial statement for the period for which interim dividends are declared. Interim financial statements are prepared considering the profit before depreciation and taxes, depreciation for the full year, taxation including the deferred tax and any anticipated losses for the year. Final dividends are declared at the Annual General Meeting of the shareholders based on the recommendations by the Board. Generally, the factors that may be considered by the Board before making any recommendations for the dividend are future expansion plans and capital requirements of the Company, profit earned during the financial year, liquidity of the Company and applicable taxes on dividend in hands of recipients including dividend distribution tax payable by the Company. The policy as described above may be amended as decided by the Board from time to time. For details of dividends declared by our Company, please see section entitled “Financial Statements” beginning on page 98.

SECTION V – FINANCIAL INFORMATION

FINANCIAL INFORMATION - CONSOLIDATED

To,

Date: 08.11.2007

The Board of Directors
Microsec Financial Services Limited
Shivam Chamber, 1st floor,
53, Syed Amir Ali Avenue
Kolkata - 700019

Dear Sirs,

1. We have examined the attached consolidated financial information of **Microsec Financial Services Limited** and its subsidiaries, (“the Group”), as approved by the Board of Directors of the Company, prepared in terms of the requirements of Paragraph B, Part II of Schedule II of the Companies Act, 1956 (“the Act”) and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 as amended up to date (“SEBI Guidelines”) and in terms of our engagement agreed upon with you in accordance with our engagement letter dated October 19, 2007 requesting us to examine financial information referred to above and proposed to be included in the Offer Document being issued by the Company in connection with the proposed issue of Equity shares of the Company.
2. These informations have been prepared by the Management from the financial statements for the last two periods i.e. years ended March 31, 2006 and 2007, and the half year ended September 2007.
3. These financial statements have been audited by either of us in our individual capacity or by other auditors, whose reports have been furnished to us, and in our opinion, in so far as it relates to the amount included in respect of subsidiaries, it is based solely on reports of the respective auditors.
4. In accordance with the requirements of Paragraph B of Part II of Schedule II of the Act, the SEBI Guidelines and terms of our engagement as aforesaid, we further report that:
 - a) The Consolidated Restated Summary Statement of Assets and Liabilities of the Company as at March 31, 2006 and 2007, and September 30, 2007; Consolidated Profits and Losses and Consolidated Statement of Cash flows of the Company for the years ended March 31, 2006 and 2007, half year ended September 30, 2007 examined by us, as set out in Annexures I, II and V respectively to this report are after making adjustments and regrouping as in our opinion are appropriate as per Annexure IIIA and read with Notes on Adjustments on account of Restatements /Audit Qualifications as appearing in Annexure IIIB and the Significant Accounting Policies and Notes to the Accounts as appearing in Annexure IV.
 - b) Based on above and also as per the reliance placed on reports submitted by either of us in our individual capacity or by other auditors for some subsidiaries, whose reports have been furnished to us, and in our opinion, in so far as it relates to the amounts included in respect of subsidiaries, it is based solely on reports of the respective auditors for the respective years, we are of the opinion that the restated financial information have been made after incorporating:
 - (i) Adjustments for the changes in accounting Policies retrospectively in respective financial years to reflect the same accounting treatment as per changed accounting policy for all the reporting periods.
 - (ii) Adjustments for the material amounts in the respective financial years to which they relate.
 - (iii) Extra-ordinary items that need to be disclosed separately in the accounts.
 - c) We have also examined the following consolidated other financial information set out in Annexures prepared by the management and approved by the Board of Directors relating to the Company and its subsidiaries, associates and joint ventures years ended March 31, 2006 and 2007 and half year ended September 30, 2007 for the purpose of inclusion in the Offer Document:-

- i) Statement of Fixed Assets, as appearing in Annexure VI to the report on the Restated Consolidated Financial Statements of the Group;
 - ii) Statement of Value of Investments, as appearing in Annexure VII to the report on the Restated Consolidated Financial Statements of the Group;
 - iii) Statement of Sundry Debtors, as appearing in Annexure VIII to the report on the Restated Consolidated Financial Statements of the Group;
 - iv) Statement of Cash & Bank Balances, as appearing in Annexure IX to the report on the Restated Consolidated Financial Statements of the Group;
 - v) Statement of Loans and Advances , as appearing in Annexure X to the report on the Restated Consolidated Financial Statements of the Group;
 - vi) Statement of Secured Loans, as appearing in Annexure XI to the report on the Restated Consolidated Financial Statements of the Group;
- There are no unsecured loans during the reporting period.
- vii) Statement of Share Capital, as appearing in Annexure XII to the report on the Restated Consolidated Financial Statements of the Group;
 - viii) Details of Contingent Liabilities, as appearing in Annexure XIII to the report on the Restated Consolidated Financial Statements of the Group;
 - ix) Details of Other Income, as appearing in Annexure XIV to the report on the Restated Consolidated Financial Statements of the Group;
 - x) Capitalisation Statement as appearing in Annexure XV to the report on the Restated Consolidated Financial Statements of the Group;
 - xi) Statement on Related Party Transactions, prepared in accordance with Accounting Standard 18 issued by the Chartered Accountants of India, as appearing in Annexure XVI to the report on the Restated Consolidated Financial Statements of the Group;
 - xii) Statement on Tax Shelters and Provisions , as appearing in Annexure XVII to the report on the Restated Consolidated Financial Statements of the Group;
 - xiii) Major Accounting Ratio , as appearing in Annexure XVIII to the report on the Restated Consolidated Financial Statements of the Group;
 - xiv) Statement of Segmental Reporting as in Annexure – XIX;
 - xv) Statement of Restated Assets & Liabilities, Statement of Restated Profit & Loss and Statement of Restated Cash Flows of Microsec Capital Ltd. as in Annexure XX;
 - xvi) Statement of Restated Assets & Liabilities, Statement of Restated Profit & Loss and Statement of Restated Cash Flows of Microsec Commerze Ltd. as in Annexure XXI;
 - xvii) Statement of Restated Assets & Liabilities, Statement of Restated Profit & Loss and Statement of Restated Cash Flows of Microsec Insurance Brokers Ltd. as in Annexure XXII;
 - xviii) Statement of Restated Assets & Liabilities, Statement of Restated Profit & Loss and Statement of Restated Cash Flows of Microsec Resources Pvt. Ltd. as in Annexure XXIII;

- xix) Statement of Restated Assets & Liabilities, Statement of Restated Profit & Loss and Statement of Restated Cash Flows of MIL Technologies Ltd. as in Annexure XXIV;
 - xx) Statement of Dividend as in Annexure – XXV.
5. In our opinion the financial information contained in Annexures I to XXV of this report read along with the Significant Accounting Policies and Notes to accounts included in Annexure IV to this report, prepared after making adjustments and regrouping as considered appropriate and read with our observations contained above, have been prepared in accordance with the requirements of Part II of Schedule II of the Act and the SEBI Guidelines.
 6. Our report is intended solely for use of the management and for inclusion in the offer document in connection with the proposed issue of equity shares of the Company and should not be used for any other purpose except with our prior consent in writing.

Your faithfully,

For VIDYA & CO.
Chartered Accountants

(Jitendra Nagar)
Partner

MICROSEC FINANCIAL SERVICES LTD.-CONSOLIDATED
STATEMENT OF RESTATED ASSETS AND LIABILITIES

Annexure - I
(Rupees in million)

	Particulars	As at 31.03.2006	As at 31.03.2007	As at 30.09.2007
A.	Assets			
	Fixed Assets- Gross Block	92.15	159.95	168.70
	Less : Accumulated Depreciation	21.55	35.91	46.17
	Net Block	70.60	124.04	122.53
	Less : Revaluation Reserve	-	-	-
	Net Block after adjustment for Revaluation Reserve	70.60	124.04	122.53
B.	Investments	21.55	48.15	64.81
C.	Deferred tax asset (net)	-	-	-
D.	Current assets, loans and advances			
	Stock in trade	0.06	2.06	0.85
	Receivables	23.91	17.86	171.88
	Cash & bank balances (Including FDR's)	25.70	41.85	57.44
	Other current assets	-	1.86	-
	Loans and advances	100.50	97.24	241.46
	Total	150.17	160.87	471.63
	Total Assets	242.32	333.06	658.97
E.	Liabilities & Provisions			
	Deferred tax liability (net)	4.75	8.57	14.72
	Loan funds			
	Secured loans	1.49	0.96	92.51
	Unsecured loans	-	-	-
	Sub-total	1.49	0.96	92.51
	Current liabilities & provision			
	Current liabilities	63.07	67.38	208.37
	Provisions	16.14	7.91	40.27
	Sub-total	79.21	75.29	248.64
	Total liabilities & provisions	85.45	84.82	355.87
F.	Net Worth	156.87	248.24	303.10
	Represented by:			
	Shareholders funds			
	Equity Share Capital	100.00	100.00	100.00
	5% Redeemable Preference Share Capital	-	27.00	-
	Reserves & surplus	56.87	121.24	203.10
	Less: Revaluation Reserve	-	-	-
	Reserves (Net of Revaluation Reserve)	56.87	121.24	203.10
	Less: Miscellaneous expenditure not written off	-	-	-
	Total	56.87	121.24	203.10
	Total net worth	156.87	248.24	303.10

MICROSEC FINANCIAL SERVICES LTD.-CONSOLIDATED
STATEMENT OF RESTATED PROFIT AND LOSS

Annexure - II
(Rupees in million)

Particulars	Year ended 31.03.2006	Year ended 31.03.2007	6 months ended 30.09.2007
Income			
Operation:			
Income from Operation	117.61	185.54	181.35
Other Income	8.09	0.38	2.06
Increase (decrease) in inventory	-	-	-
Total Income	125.70	185.92	183.41
Expenditure			
Operating Expenses	6.68	13.12	4.93
Staff costs	15.49	25.27	24.68
Administrative Expenses - Operational	26.20	22.13	17.41
- Distribution	13.78	22.71	2.45
Interest	3.63	0.13	0.83
Depreciation	9.64	14.52	10.26
Miscellaneous expenditure written off	0.29	0.36	1.30
Total Expenditure	75.70	98.24	61.84
Net Profit before tax and extraordinary items	50.00	87.68	121.57
Provision for taxation			
Income Tax (Including Short Provisions for earlier years, if any)	4.59	7.49	20.74
Deferred Tax Charges / (Benefits)	2.73	3.47	6.16
Fringe benefit Tax	0.29	0.30	0.16
Net Profit after tax and before extraordinary items	42.39	76.42	94.51
Extraordinary items (net of tax)	-	-	-
Net Profit after extraordinary items	42.39	76.42	94.51
Earlier year adjustments		-	-
Net Profit after tax	42.39	76.42	94.51
Balance in Profit & Loss account brought forward	0.01	28.07	83.17

Balance available for appropriation	42.40	104.49	177.68
Appropriations			
<i>Transfer to reserve</i>			
General reserve	-	-	-
Transfer to special reserve under section 45-IC of the Reserve Bank of India Act, 1934, of India	2.93	9.57	9.70
Capital redemption reserve	-	-	27.00
Proposed dividend	10.00	10.45	10.00
Tax on proposed dividend	1.40	1.47	1.70
Balance in Profit & Loss account	28.07	83.00	129.28
Total	42.40	104.49	177.68

MICROSEC FINANCIAL SERVICES LIMITED - CONSOLIDATED

NOTES ON ADJUSTMENT FOR RESTATED FINANCIAL STATEMENTS

Summary

Annexure IIIA

Below mentioned is a summary of results of restatement made in the audited accounts for the respective years and its impact on the profits/losses of the Company

(Rupees In millions)

Particulars	Refer Note	6 months ended 30.09.2007	Year ended 31.03.2007	Year ended 31.03.2006
Profit/(loss) after tax as per audited accounts		94.51	76.34	42.64
Adjustments for Changes in accounting policies		-	-	-
Preliminary expenses written back	(a)	-	0.08	(0.25)
Deferred revenue expenditure written back		-	-	-
Net total adjustments		-	0.08	(0.25)
Profit/(loss) after tax as per restatement		94.51	76.42	42.39

a) Preliminary expenses written back

During the year ended 31st March,2006 & 31st March,2007 preliminary expenses incurred were amortised over a period of five years from the year in which they were incurred. For the purposes of this statement, such preliminary expenses were expensed in very first year of consolidation / in the year in which expenses were incurred as per the requirements of Accounting Standard 26 – Intangible Assets issued by the Institute of Chartered Accountants of India.

b) Material regroupings

Appropriate adjustments have been made in the restated summary statements of assets and liabilities, Profits and Losses, wherever required, by a reclassification of the corresponding items of income, expenses, assets and liabilities, in order to bring them in line with the groupings as per the audited financials of the Company for the year ended 30th September 2007 and the requirements of the Guidelines issued by the Securities and Exchange Board of India (Disclosure and Investor Protection Guidelines 2000) as amended from time to time.

Statement of Auditors Qualification

Annexure IIB

Other Audit qualification matters for emphasis which do not require any corrective adjustment in the financial information are as follows:

None

MICROSEC FINANCIAL SERVICES LTD. CONSOLIDATED

Significant Accounting Policies and notes on accounts

A SIGNIFICANT ACCOUNTING POLICIES:

i) Basis of preparation of Financial Statements

The consolidated financial statements have been prepared under the historical cost convention in accordance with the Generally Accepted Accounting Principles (GAAP) as followed in India and the provisions of the Companies Act, 1956, as adopted consistently by the Company. All income and expenditure having a material bearing on the financial statements are recognized on an accrual basis.

These financial statements are duly complied with the Directions issued by Reserve Bank of India as regards Income recognition, Asset Classification, Provisioning as applicable to NBFC under Non- Banking Financial (Non – Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

ii) Use of Estimates

The presentation of Financial Statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the Financial Statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognized in the period in which the results are known/materialised.

iii) Principles of Consolidation

The consolidated financial statements of the Company and its subsidiary companies have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. The intra-group transactions and unrealized profits or losses are fully eliminated.

The difference if any between the cost of Investment in the subsidiary companies and the net asset value at the time of acquisition of shares in the subsidiary is recognized in the Financial Statement as Goodwill or Capital Reserve, as the case may be.

iv) Revenue Recognition

Revenue is recognised when there is reasonable certainty of its ultimate realisation/collection.

Fees from Professional services and other advisory services are recognized on accrual basis.

Fees from Investment Banking activities including issue Management, Mergers & Acquisitions, Investment and other advisory services are recognised on accrual basis.

Brokerage on Equity market and commodities transactions are recognised on trade date basis and excludes service tax, wherever recovered.

Underwriting Commission is recognised on closure of issue.

Interest income from financing activities and others is recognized on accrual basis.

v) **Fixed Assets**

- (a) Tangible Fixed Assets- are stated at historical cost less accumulated depreciation.
- (b) Intangible Assets-are stated at cost of acquisition less accumulated amortisation.
- (c) Assets acquired on amalgamation are stated as per scheme.

vi) **Impairment of Fixed Assets**

An asset is treated as impaired when the carrying cost of the asset exceeds its recoverable value. The impairment is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there is a change in the estimate of recoverable amount.

vii) **Depreciation/Amortisation on Fixed Assets**

(a) Depreciation on Tangible Fixed Assets

Depreciation is provided on written down value method, at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956.

(b) Amortisation on Intangible Assets

- Software is amortised over the useful life of the assets.
- Business rights are amortised over the useful life of the assets.

viii) **Investments**

Investments are recorded by the Company at cost, which includes acquisition charges such as brokerage, fees and duties. Provision is made for any diminution, other than temporary, in the value of long term investments. Investments acquired under amalgamation are stated as per scheme.

ix) **Advances, Classification, Income recognition and Provisioning**

Loans and Advances in the nature of loans are classified as per the RBI guidelines into performing and non -performing assets and income recognition and provisioning norms are also applied to these assets as per RBI directives as applicable to the Company.

x) **Securities held as Stock in Trade**

Securities held as stock-in-Trade are shown as current assets and are valued at lower of cost and net realisable value.

xi) **Taxes on Income**

Provision for taxation is made on the basis of current liability method. Deferred tax liability/asset has been provided in the books in accordance with Accounting Standard 22 (Accounting for Taxes on income).

xii) **Provisions, Contingent liabilities and Contingent assets**

- Provision involving substantial degree of estimation in measurement are recognised when there is a present obligation as result of past events and is probable that there will be an outflow of resources.
- Contingent liabilities are not recognised, but are disclosed by way of notes on accounts.
- Contingent assets are neither recognized nor disclosed in the Financial Statement.

xiii) **Retirement Benefits**

(a) **Gratuity**

The Company has participated in group gratuity cum life assurance scheme of Life Insurance Corporation of India for gratuity payable to the employees and contribution thereto, based on an actuarial valuation, is charged to the profit and Loss Account and the shortfall, if any, being disclosed as a provision.

(b) **Leave Encashment Benefits**

The employees of the company are entitled to encash their unavailed leave accrued during the course of their employment in accordance with the Company's rules and regulation. The same is therefore accounted on accrual basis.

xiv) **Accounting for Government Grants**

Government grant is recognized on acceptance and reasonable certainty of receipt of grant. Government grant for investment in Fixed Assets is deducted from the cost of assets while revenue grant is charged to the revenue account.

B List of subsidiaries and Proportion of ownership

Name of the Company	Type	Percentage of Holding
Microsec Capital Limited	Subsidiary	100%
Microsec Commerze Limited	Subsidiary	100%
Microsec Risk Management Limited	Subsidiary	100%
MIL Technologies Limited	Subsidiary	100% *
Microsec Resources Private Limited	Subsidiary	100 %

* It includes 20% held by Microsec Capital Limited (A Wholly Owned Subsidiary of Microsec Financial Services Limited)

C NOTES ON ACCOUNTS

(i) Mr.B.L.Mittal, an existing director has been duly appointed the Managing Director of the Microsec Financial Services Limited w.e.f 02.04.07

(ii) The Preference Shares have been duly redeemed at par on 30th June, 2007

(iii) Microsec Financial Services Ltd. has acquired 14,88,561 equity shares (100%) of Rs.10/- each of Microsec Capital Ltd. The same have been transferred in the name of the Company on July 10, 2006 after getting approval from Securities & Exchange Board of India (SEBI) and stock Exchanges. Besides Microsec Financial Services Ltd. has also acquired 50,000 (100%) and 3,10,000 (100%) equity Share capital of Rs 10/- each of MIL Technologies Limited and Microsec Resources Private Limited respectively.

(iv) In respect of amounts as mentioned under section 205C of the Companies Act, 1956, there were no dues required to be credited to the investor education and Protection Fund as on 30th September, 2007.

(v) Microsec Financial Services Ltd. has provided Corporate Guarantee and has created equitable mortgage as Security for the said guarantee for credit facilities extended by HDFC Bank to the extent of Rs.10 Crores to Microsec Capital Limited (a wholly owned Subsidiary of Microsec Financial Services Limited).

(vi) The Honorable High Court of Kolkata has passed an order dated 5th April 2006, of Amalgamation of Ravindra Shelter Ltd. with Microsec Financial Services Ltd. u/s 391 & 394 of the Companies Act 1956, with effect from 1st December 2005.

Information relating to the Amalgamation is given below

a)	Name and general nature of business of the Amalgamating Company	Ravindra Shelter Ltd-Consultancy & Advisory Services
b)	Effective date of Amalgamation for Accounting Purpose	01.12.2005
c)	The Method of Accounting used to Reflect the Amalgamation	Purchase Method
d)	Particulars of the scheme sanctioned under the statute	Scheme of Amalgamation u/s 391 & 394 of the Companies Act,1956
e)	Consideration for the amalgamation and a description of the Consideration paid or contingently payable	The amalgamation has been with the 100% subsidiary Company. Investment in shares of the Subsidiary Company is Rs. 86,67,600/-
f)	The amount of any difference between the consideration and the value of net identifiable assets acquired and the treatment thereof including the period of amortization of any goodwill arising on amalgamation	Cash, Bank Balances and net current assets have been recorded at realizable value. Balance Investment in shares of amalgamating Company is allocated to the balance assets of the amalgamating Company on proportionate basis.

vii) The Honorable High Court of Kolkata has passed an order dated 22nd March 2006, of Amalgamation of Microsec Technologies Ltd.with MIL Technologies Ltd. u/s 391 & 394 of the Companies Act 1956, with effect from 1st April 2005.

a)	Name and general nature of business of the Amalgamating Company	Microsec Technologies Ltd- Information Technology, Software development & data processing services.
----	---	---

b)	Effective date of Amalgamation for Accounting Purpose	01.04.2005
c)	The Method of Accounting used to Reflect the Amalgamation	Pooling of Interests Method, Amalgamation in the nature of Merger
d)	Particulars of the scheme sanctioned under the statute	Scheme of Amalgamation u/s 391 & 394 of the Companies Act, 1956
e)	Description and no. of shares issued, together with the percentage of each company's equity shares exchanged to effect the Amalgamation	The amalgamation has been with the 100% subsidiary Company. Investment in shares of the subsidiary Company is Rs.5,00,000/-
f)	The amount of any difference between the consideration and the value of net identifiable assets acquired and the treatment thereof including the period of amortization of any goodwill arising on amalgamation	Investment in shares of Rs.5,00,000/- squared off with the capital of transferor Company. The Surplus and Reserves of Rs.10,93,634.40 of transferor Company has been added in aggregate surplus and Reserves.

viii) There were no dues payable to Small Scale Industrial Undertakings as on 30.09.2007. This has been determined on the basis of information available with the company and relied upon by auditors.

ix) In respect of amounts as mentioned under section 205C of the Companies Act, 1956, there were no dues required to be credited to the Investor Education and Protection Fund as on 30th September, 2007.

x) For preparation of these Consolidated Financial Statement, Uniform accounting policies for like transaction and other events in similar circumstances have been adapted and presented to the extent possible, in the same manner as the parent company's separate financial statement.

xi) The Honourable High Court of Kolkata has passed an order dated 26.03.2007 of amalgamation of Kautilya Advisory Pvt. Ltd. with Microsec Capital Ltd. u/s 391 & 394 of the Companies Act 1956, with effect from 1st September 2006.

Information relating to the Amalgamation is given below:

a)	Name and general nature of business of The Amalgamating company	Kautilya Advisory Pvt. Ltd. - Consultancy & Advisory Services
b)	Effective date of Amalgamation for accounting Purpose	01.09.2006
c)	The Method of Accounting used to Reflect the Amalgamation	Purchase Method

d)	Particulars of the scheme sanctioned under the Statute	Scheme of Amalgamation u/s 391 & 394 of the Companies Act, 1956
e)	Consideration for the Amalgamation and a description of the consideration paid or contingently payable	The Amalgamation has been with the 100% subsidiary company. Investment in shares of Subsidiary Company is Rs. 19,89,700/-
f)	The amount of any difference between the consideration and the value of net identifiable assets acquired and the treatment thereof including the period of amortization of any goodwill arising on any amalgamation	Cash, Bank Balances, Investments and Net Current Assets have been recorded at net realizable value. Balance Investment in shares of amalgamating Company is allocated to the balance assets of the amalgamating company on proportionate basis.
g)	Addition in Fixed Assets in the books of Microsec Capital Ltd.	Computer Software Rs.23,49,093/- Business Rights Rs. 35,15,579/-

(xii) Fixed Deposit with Bank includes:-

Of Microsec Capital Limited

- Deposit of Rs. 8,00,000/- with HDFC Bank Ltd. pledged with East India Securities Ltd., F&O Clearing member.
- Deposit of Rs. 23,75,000/- with HDFC Bank Ltd. pledged with HDFC Bank Ltd., for obtaining Bank Guarantee in favour of National Securities Clearing Corporation Ltd. (NSCCL) & Bombay Stock Exchange Ltd. (BSE)
- Deposit of Rs. 95,25,00,000/- with HDFC Bank Ltd. pledged with HDFC Bank Ltd., for obtaining Bank Guarantee facility.
- Deposit of Rs.1,13,75,000/- with HDFC Bank pledged with HDFC Bank Ltd. for obtaining Overdraft facility.

Of Microsec Commerze Limited

- Deposit of Rs. 16,00,000/- with HDFC Bank Ltd. pledged with National Commodity and Derivatives Exchange Ltd. (NCDEX)
- Deposit of Rs. 5,00,000/- with HDFC Bank Ltd. pledged with Multi Commodity Exchange of India Ltd. (MCX)

(xiii) Contingent liability to the extent not provided for:

Microsec Commerze Ltd

- Given guarantee in favour of HDFC Bank Ltd. in respect of bank guarantee of Rs. 40,00,000/- and Rs. 10,00,000/- given by bank to National Commodity and Derivatives Exchange Ltd. (NCDEX) and Multi Commodity Exchange of India Ltd. (MCX) respectively in respect of its subsidiary company.

Microsec Capital Ltd

- Given bank guarantee of Rs. 75,00,000/- obtained from HDFC Bank Limited in favour of National Securities Clearing Corporation Ltd.

- Given bank guarantee of Rs. 25,00,000/- obtained from HDFC Bank Ltd. in favour of Bombay Stock Exchange Ltd.
- Given bank guarantee of Rs.50,00,000 obtained from United Bank of India in favour of National Securities Clearing Corporation Ltd.
- Given Counter Guarantee in favour of HDFC Bank Ltd. in respect of bank guarantee of Rs. 40,00,000/- and Rs. 10,00,000/- given by bank to National Commodity and Derivatives Exchange Ltd. (NCDEX) and Multi Commodity Exchange of India Ltd. (MCX) respectively in respect of its fully owned subsidiary company Microsec Commerze Limited
- Given bank guarantee of Rs. 25,00,000/- obtained from HDFC Bank Ltd. in favour of Bombay Stock Exchange Ltd.
- Given bank guarantee of Rs. 50,00,000/- obtained from HDFC Bank Ltd. in favour of Bombay Stock Exchange Ltd.

Microsec Insurance Brokers Ltd

- HUDCO Bonds held by Microsec Insurance Brokers Ltd pledged with HDFC bank for providing Credit facilities to its Holding Company Microsec Capital Limited to the extent of Rs. 12,00,000/-.

(xiv) In compliance with Accounting Standard relating to “Accounting for Taxes on Income” (AS-22) issued by the Institute of Chartered Accountants of India, the Company has taken a debit for an appropriate amount in the Profit and Loss Account of the respective year towards deferred tax liability for the year.

- xv) Paise have been rounded off to the nearest rupees.
- xvi) Figures in bracket represent negative figures.
- xvii) Segmental wise break-up in terms of AS-17 is enclosed as separate enclosure
- xviii) Related Party Disclosure is enclosed as separate annexure

MICROSEC FINANCIAL SERVICES LTD.-CONSOLIDATED
STATEMENT OF RESTATED CASH FLOW

Annexure - V
(Rupees in million)

	Particulars	Year ended 31.03.2006	Year ended 31.03.2007	6 months ended 30.09.2007
A.	Cash Flow from Operating Activities			
	Net Profit after tax	42.39	76.42	94.51
	Depreciation and amortization	21.84	14.88	11.56
	Loss (Profit) on sale of fixed assets	-	-	-
	Provision for gratuity	0.05	0.09	(0.09)
	Bad debts and advances written off	-	-	-
	Operating cash flow before working capital changes	64.28	91.39	105.97
	Adjustment for			
	(Increase)/decrease in Stock in trade	20.23	(2.00)	1.21
	(Increase)/decrease in debtors	(23.92)	6.06	(154.02)
	(Increase)/decrease in other current assets	-	(1.86)	1.86
	(Increase)/decrease in Loans & Advances	(100.49)	3.27	(144.22)
	Increase/(decrease) in current liabilities	63.07	4.31	232.29
	Cash (used in)/generated from operations	23.17	101.16	43.10
	Income tax / Other tax provisions	9.43	6.74	26.90
	Net cash (used in)/generated from operating activities	32.60	107.90	70.00
B.	Cash Flow from Investing Activities			
	Proceeds from sale of fixed assets	-	-	-
	Addition to fixed assets	(92.15)	(67.80)	(8.75)
	(Increase)/Decrease in Investment	(21.55)	(26.60)	(16.65)
	Net cash (used in)/generated from investing activities	(113.70)	(94.40)	(25.40)
C.	Cash Flows from Financing Activities			
	Proceeds from issue of Share Capital including premium received	106.00	27.00	
	Preliminary /Share Issue Expense	(0.72)	(0.50)	(2.25)
	Redemption of Preference Shares	-		(27.00)
	(Repayment of)/proceeds from loans	1.49	(0.53)	0.24
	Dividend & Dividend Distribution tax	-	(23.32)	-
	Net cash generated from/(used in) financing activities	106.77	2.65	(29.01)
D.	Net increase / decrease in cash and cash equivalents	25.67	16.15	15.59
E.	Cash and Cash equivalents at the beginning of the period	0.03	25.70	41.85
F.	Cash and Cash equivalents at the end of the period	25.70	41.85	57.44

MICROSEC FINANCIAL SERVICES LTD.-CONSOLIDATED
DETAILS OF FIXED ASSETS

Annexure - VI
(Rupees in million)

Particulars	As at 31.03.2006	As at 31.03.2007	As at 30.09.2007
Fixed Assets			
Tangible Assets			
Land	3.78	4.02	4.02
Office Premises	45.34	54.84	54.84
Computer & Allied Equipment	7.06	21.72	23.87
Furniture & Fixture	5.60	31.63	32.73
Office Equipment	3.11	11.66	11.98
Motar Car	3.09	3.44	4.85
Intangible Assets			
Software	23.67	28.61	31.49
Business Rights	0.50	4.02	4.02
Capital Work in Progress			0.90
Total	92.15	159.95	168.70

MICROSEC FINANCIAL SERVICES LTD.-CONSOLIDATED
DETAILS OF INVESTMENTS

Annexure - VII
(Rupees in million)

Particulars	As At 31.03.2006	As At 31.03.2007	As At 30.09.2007
	Rs.	Rs.	Rs.
Long term Investment - Quoted	2.13	1.99	0.94
Aggregate Book value (Rs.)	2.13	1.99	0.94
Aggregate Market value/quoted value (Rs.)	3.01	2.70	1.65
Diminution in the value (Rs.)	-	-	-
Other Long term Investment			
Unquoted	8.40	4.71	1.50
Investment in Venture Capital Fund	-	30.00	53.00
Investment in units of Mutual Fund	9.29	9.72	7.57
Investments in Bonds	1.73	1.73	1.80
Total	21.55	48.15	64.81

MICROSEC FINANCIAL SERVICES LTD.-CONSOLIDATED
AGING SCHEDULE OF SUNDRY DEBTORS

Annexure - VIII
(Rupees in million)

Age wise Break-up	As at 31.03.2006	As at 31.03.2007	As at 30.09.2007
Due for Less than six months	23.88	17.86	171.88
Due for More than six months	0.03	-	-
Total	23.91	17.86	171.88

MICROSEC FINANCIAL SERVICES LTD.-CONSOLIDATED
STATEMENT OF CASH & BANK BALANCES

Annexure - IX
(Rupees in million)

Particulars	At at 31.03.2006	At at 31.03.2007	As at 30.09.2007
Cash in hand	0.58	0.78	0.67
Bank balances (In Current a/c)	15.18	15.21	12.28
Bank balances (In Fixed Deposit a/c)	9.94	25.86	44.49
Total	25.70	41.85	57.44

MICROSEC FINANCIAL SERVICES LTD.-CONSOLIDATED
STATEMENT OF LOANS & ADVANCES

Annexure - X
(Rupees in million)

Particulars of Loan	As at 31.03.2006	As at 31.03.2007	As at 30.09.2007
Advance recoverable in cash or in kind or for value to be received			
Unsecured Considered Good	65.58	59.73	157.50
Unsecured Considered doubtful	-	-	-
Less: Provision for doubtful advances	-		-
Net Advance recoverable in cash or in kind or for value to be received	65.58	59.73	157.50
Advance Income tax / Other taxes	5.86	6.31	9.14
Deposits	29.06	31.20	74.82
Total	100.50	97.24	241.46

MICROSEC FINANCIAL SERVICES LTD.-CONSOLIDATED
STATEMENT OF SECURED LOAN

Annexure - XI
(Rupees in million)

Particulars	As at 31.03.2006	As at 31.03.2007	As at 30.09.2007
Loan against pledge of shares from ILFS in Microsec Financial services Ltd. *	-	-	39.95
Vehicle Financing - In Microsec Capital Ltd.	1.49	0.96	1.22
Bank Overdraft - Microsec Capital Ltd.**	-	-	51.34
Total	1.49	0.96	92.51

* The details of Loans are as under :

Name of Lender	Nature	Sanctioned Amount	Rate of Interest	Repayment Terms	Securities Offered
Infrastructure Leasing & Financial Services Ltd.	Line of credit	40	14%	On Demand	shares

** The details of Loans are as under :

Name of Lender	Nature	Sanctioned Amount	Rate of Interest	Repayment Terms	Securities Offered
HDFC Bank	OD against Property	48.92	13.5%	----	Office Premises
HDFC Bank	OD against Fixed Deposit	48.92	13.5%	----	Fixed Deposit

MICROSEC FINANCIAL SERVICES LTD.-CONSOLIDATED
SHAREHOLDING PATTERN OF MICROSEC FINANCIAL SERVICES LTD as on 30.09.2007

Annexure - XII
(Rupees in million)

(A) Promoter				
Name	Date of Acquisition	No. of Shares	Cost	Cost Per Shares
B L Mittal	01.08.2005	800,000	8000000	10.00
	26.10.2005	7,200,000	Bonus	-
Ravi Kant Sharma	01.10.2005	1,000	10,000	10.00
	26.10.2005	9,000	Bonus	-
	Total	8,010,000	8,010,000	
(B) Promoter Group				
Name	Date of Acquisition	No. of Shares	Cost	Cost Per Shares
Abha Mittal	01.10.2005	1,000	10000	10.00
	26.10.2005	9,000	Bonus	-
Prabhu Dayal Khaitan	01.10.2005	1,000	10000	10.00
	26.10.2005	9,000	Bonus	-
Sushila Devi Khaitan	01.10.2005	1,000	10000	10.00
	26.10.2005	9,000	Bonus	-
Bharti Sharma	01.10.2005	1,000	10,000	10.00
	26.10.2005	9,000	Bonus	-
	Total	40,000	40,000	
(C) Others				
Name	Date of Acquisition	No. of Shares	Cost	Cost Per Shares
Luv Kush Projects Ltd.	01.10.2005	340	3,400	10.00
	24.10.2005	160,000	80,000,000	500.00
	26.10.2005	1,443,060	Bonus	-
	31.03.2006	346,600	25,995,000	75.00
	Total	1,950,000	105,998,400	
Total Shareholding		10,000,000	114,048,400	

MICROSEC FINANCIAL SERVICES LTD.-CONSOLIDATED
DETAILS OF CONTIGENT LIABILITIES AS ON 30.09.2007

Annexure - XIII
(Rupees in million)

Sl. No.	Particulars	Amount
1	Corporate Guarantee given to HDFC Bank by Microsec Financial Services for Credit facilities provided to subsidiary Company Microsec Capital Ltd for Rs. 100.00 millions	100.00
2	Counter Guarantee given to HDFC Bank by Microsec Commerze Ltd for Guarantee Provided by bank to NCDEX & MCX on behalf of Company	5.00
3	Microsec Capital has Provided Counter Guarantee to HDFC Bank for Guarantee Provided by Bank to MCX & NCDEX in respect of Subsidiary co. M/s Microsec Commerze Ltd	5.00
4	Microsec Capital has Provided Counter Guarantee to HDFC Bank for Guarantee Provided by Bank to National Security Clearing Corporation Ltd on behalf of the Company	7.50
5	Microsec Capital has Provided Counter Guarantee to United Bank of India for Guarantee Provided by Bank to National security Clearing Corporation Ltd on behalf of the Company	5.00
6	Microsec Capital has Provided Counter Guarantee to HDFC Bank for Guarantee Provided by Bank to Bombay Stock Exchange on behalf of the Company	2.50
7	Microsec Capital has Provided Counter Guarantee to HDFC Bank for Guarantee Provided by Bank to Bombay Stock Exchange on behalf of the Company	5.00
8	Microsec Capital has Provided Counter Guarantee to HDFC Bank for Guarantee Provided by Bank to Bombay Stock Exchange on behalf of the Company	2.50
9	Microsec Insurance Brokers Pledged HUDCO Bonds with HDFC bank for providing Credit Facilities to Microsec capital Ltd for Rs. 1.20 millions	1.20
	Total	133.70

MICROSEC FINANCIAL SERVICES LTD.-CONSOLIDATED
DETAILS OF OTHER INCOME

Annexure - XIV
(Rupees in million)

Particulars	Year ended 31.03.2006	Year ended 31.03.2007	6 months ended 30.09.2007
	Rs.	Rs.	Rs.
Dividend	0.20	0.28	0.05
Stock /Derivatives Difference	1.14	-	-
Subsidy Income	2.25	-	2.02
Miscellaneous Income	0.16	0.10	-
Diminuation In Investment Written Back	4.33	-	-
Total	8.09	0.38	2.06

MICROSEC FINANCIAL SERVICES LTD.-CONSOLIDATED
CAPITALIZATION STATEMENT

Annexure - XV
(Rupees in million)

Particulars	Pre-issue as at 30.09.2007	Adjusted for the Public Issue
Borrowing		
Short-Term debt	52.56	
Long-Term debt	39.95	
Total debt	92.51	
Shareholders' funds		
Share Capital		
-Equity	100.00	
Less : Call-in-arrears	-	
-Preference	-	
Share premium	24.62	
Reserve & Surplus		
Statutory Reserve	22.20	
Capital Redemption Reserve	27.00	
Surplus in Profit & Loss a/c	129.28	
Less : Miscellaneous Expenditure not W/off.	-	
Total Shareholders Funds	303.10	
Long-term Debt/Equity ratio	0.31	

Notes to the accounts

Related Parties

A) Key management personnel :

Banwari Lal Mittal
Ravi Kant Sharma
Rakesh Sony
Parimal Kumar Chattaraj
Laxmi Narayan Mandhana
Shamik Bhowse
S. Sengupta
Neeraj Sawalka
Sumit Agarwal
B. P. Benia
Pankaj Harlalka
Ajai Kumar Agrawal
Sanjay Kumar Agrawal
Purushottam Binani
Ritesh Shaw
Yogesh Parasrampurua
Vishal Poddar
Bajrang Lal Agarwal
Manish Kumar Agarwal
Sumit Bhattacharya
Biplab Mani
Atanu Ghosh
Naveen Vyas
Ashish Bajaj
Prabir Kumar Sarkar
Avijit Majumder
Ashish Agarwal
Projjal Sengupta

B) Relatives of key management personnel with whom transactions have taken place during the period/ year :

Abha Mittal
Narsingh Mittal
Rajiv Sharma
Sajjan Kumar Sharma
Bharti Sharma
Kavita Sony
Rashmi Harlalka
Sunita Binani
Bulaki Das Binani
Ghanshyam Das Agarwal
Usha Devi Agarwal
Nawal Kishore Vyas
Ritu Bajaj

C) Enterprises in which key management personnel exercise significant influence, with whom transactions have taken place during the period/year :

- There have been some transactions with M/s Luv-Kush Projects Ltd., an entity/enterprise, in which, key management personnel exercise significant influence as outlined below:

**MICROSEC FINANCIAL SERVICES LTD.-CONSOLIDATED
NOTES TO THE ACCOUNTS RELATED PARTY**

**Annexure - XVI
(Rupees in million)**

Particulars	Key Management Personnel						Relatives of Key Management Personnel						Enterprises in which key management personnel exercise significant influence						Total					
	30-Sep-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03	30-Sep-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03	30-Sep-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03						
Capital account																								
Equity shares capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Securities premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Preference share capital issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Share application money paid	-	-	-	-	-	-	-	-	-	-	-	(27)	-	-	-	-	27	-						
Optionally fully convertible debenture issued	-	-	-	-	-	-	-	-	-	-	-	50	-	-	-	-	-	-						
Optionally fully convertible debenture redeemed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Capital account transactions																								
ICD accepted	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
ICD repaid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Amount taken	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Amounts given	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Secondary market transactions :																								
Purchases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Brokerage received	0.12	0.15	0.37	0.12	0.00	0.00	0.15	0.19	0.60	0.14	0.08	0.01	0.20	0.48	0.17	-	0.34	0.97						
Fees received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Interest paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Guarantee commission	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						

MICROSEC FINANCIAL SERVICES LTD.-CONSOLIDATED
TAX SHELTER STATEMENT

Annexure - XVII
(Rupees in million)

Particulars	As at 31.03.2006	As at 31.03.2007	As at 30.09.2007
Tax Rate	33.66%	33.66%	33.99%
Tax Rate as per MAT u/s 115JA/JB	8.42%	11.22%	11.33%
Tax at actual rate of profit	15.74	28.21	39.29
Adjustment			
Permanent Differences			
i) Profit on sale of Investment	(4.62)	(9.41)	(7.71)
ii) Securities Transaction Tax	0.03	0.03	
iii) Difference in Tax Rates on STCG	(0.11)		
iv) Dividend u/s 10 (34)	(0.07)	(0.10)	
v) Exempted Interest	(0.05)	(0.05)	(0.02)
vi) Gratuity Provided	0.02		
vii) Software Technology U/s 10A			0.34
viii) Share of Profit from Trust			(0.45)
Timing Differences			
i) Difference between Tax Depn. & Book Depn.	(5.01)	(14.47)	(3.34)
Net Adjustments	(9.81)	(24.00)	(11.18)
Tax Savings thereon	(9.81)	(24.00)	(11.18)
Brought forward Loss adjusted	(1.48)	(4.04)	(2.41)
Total Tax as per normal provisions	4.45	4.21	28.11
Taxable Income as per MAT	40.99	61.79	108.99
Tax as per MAT	3.45	6.93	12.35
Tax as per I.T higher of (Normal or MAT)	4.45	6.93	28.11
Mat adjustment			(3.26)
Interest u/s 234	0.04	0.38	
Total Tax as per return	4.49	7.31	24.85
Share Loss as per return carried forward	26.82	21.19	13.89

MICROSEC FINANCIAL SERVICES LTD.-CONSOLIDATED
ACCOUNTING RATIOS

Annexure - XVIII

Particulars	As at 31.03.2006	As at 31.03.2007	As at 30.09.2007
Networth (Rs.) (A)	156,870,963	248,239,708	303,103,180
Adjusted Profit after Tax (Rs.) (B)	42,390,259	76,420,981	94,509,304
No. of Shares outstanding at the end (C)	10000000	10000000	10000000
Weighted average number of Shares outstanding (D)	10000000	10000000	10000000
Earning Per Share- Annualised (EPS) (Rs.) (B/D)	4.24	7.64	18.90
Return on Net Worth - Annualised (%) (B/A)	27.02	37.73	68.57
Net Asset Value per Share (Rs.) (A/C)	15.69	24.82	30.31
Other Ratios			
Cash Earning per Share- Annualised (Rs.)	5.23	9.13	21.21

Notes:

1. The ratios have been computed as below:

Earnings per share (Rs)	=	$\frac{\text{Net profit attributable to equity shareholders}}{\text{Weighted average number of equity shares outstanding during the year/period}}$
Return on net worth (%)	=	$\frac{\text{Net profit after tax}}{\text{Average Net worth excluding revaluation reserve at the end of the year/period}}$
Net asset value per equity share (Rs)	=	$\frac{\text{Net worth excluding revaluation reserve and preference share capital at the end of the year/period}}{\text{Number of equity shares outstanding at the end of the year/period}}$

2. Net profit, as restated as appearing in the statement of profits and losses has been considered for the purpose of computing the above ratios. These ratios are computed on the basis of the standalone (unconsolidated) restated financial statements of the Company.

3. Earnings per share calculations are done in accordance with Accounting Standard 20 "Earnings per share" issued by the Institute of Chartered Accountants of India.

MICROSEC FINANCIAL SERVICES LTD.-CONSOLIDATED
SEGMENTAL REPORTING

Annexure – XIX
(Rupees in million)

	Financial and Investment Management Activities			Investment Banking & Consultancy			Capital Market Brokerage			Commodity Brokerage			Insurance Brokerage			Total			
	As at 31.03.006	As at 30.09.2007	As at 31.03.2007	As at 31.03.2006	As at 31.03.2007	As at 30.09.2007	As at 31.03.2006	As at 31.03.2007	As at 31.03.2006	As at 31.03.2007	As at 31.03.2006	As at 31.03.2007	As at 31.03.2006	As at 31.03.2007	As at 31.03.2006	As at 31.03.2007	As at 31.03.2006	As at 31.03.2007	
Particulars	36.22	69.96	87.05	42.50	46.29	32.74	32.88	54.74	51.49	8.96	10.92	8.58	5.14	4.00	3.56	125.70	185.92	183.41	
Revenue																			
Less : Inter Segment Revenue																			
Total	36.22	69.96	87.05	42.50	46.29	32.74	32.88	54.74	51.49	8.96	10.92	8.58	5.14	4.00	3.56	125.70	185.92	183.41	
Expenses	12.74	12.52	9.58	28.42	32.11	9.02	25.35	45.50	37.76	5.26	4.71	2.54	3.93	3.41	2.94	75.70	98.24	61.84	
Less : Inter segment Expenses																			
Total	12.74	12.52	9.58	28.42	32.11	9.02	25.35	45.50	37.76	5.26	4.71	2.54	3.93	3.41	2.94	75.70	98.24	61.84	
Exceptional Items																			
Profit Before Tax	23.48	57.45	77.47	14.08	14.18	23.72	7.53	9.24	13.73	3.70	6.21	6.03	1.21	0.60	0.61	50.00	87.68	121.57	
Other Information																			
Segment assets	125.65	164.41	287.56	41.69	46.68	56.79	53.64	84.27	252.77	7.10	22.98	46.07	14.25	14.72	15.79	242.32	333.06	658.97	
Segment Liability	36.37	27.16	172.93	6.85	1.37	2.55	29.81	45.31	148.59	7.42	2.23	16.28	0.26	0.18	0.81	80.70	76.25	341.15	

**MICROSEC CAPITAL LIMITED.-
STATEMENT OF RESTATED ASSETS AND LIABILITIES**

Annexure

-XX-
(Rupees in million)

Particulars	As at 31.03.2003	As at 31.03.2004	As at 31.03.2005	As at 31.03.2006	As at 31.03.2007	As at 30.09.2007
A. Assets						
Fixed Assets- Gross Block	4.02	30.13	37.87	26.74	55.25	62.67
Less : Accumulated Depreciation	0.99	2.38	8.59	5.27	11.85	16.38
Net Block	3.03	27.75	29.28	21.47	43.39	46.29
Less : Revaluation Reserve	-	-	-	-	-	-
Net Block after adjustment for Revaluation Reserve	3.03	27.75	29.28	21.47	43.39	46.29
B. Investments						
Deferred tax asset (net)	68.18	74.99	62.02	61.64	73.61	84.46
C.						
D Current assets, loans and advances						
Receivables						
Inventories						
Receivables						
		3.19	9.96	14.86	15.37	125.14
Cash & bank balances		3.68	28.20	17.76	28.09	38.49
Other current assets	0.69	0.61	19.42	1.72	1.86	-
Loans and advances	2.77	6.21	3.84	46.60	33.22	80.07
Total						
	7.06	13.69	61.43	80.94	78.54	243.70
Total Assets	78.28	116.43	152.72	164.05	195.54	374.45
E. Liabilities & Provisions						
Deferred tax liability (net)						
Loan funds						

	Secured loans					0.24	0.55	1.49	0.96	52.56
	Unsecured loans	-	-	-	-	-	-	-	-	
		-	-	-	-	0.24	0.55	1.49	0.96	52.56
	Current liabilities & provision									
	Sundry liabilities	5.40	7.73	32.75	39.08	7.73	39.08	42.80	42.80	146.41
	Provisions	0.40	3.36	4.77	5.45	3.36	5.45	5.27	5.27	7.91
		5.80	11.09	37.52	44.53	11.09	44.53	48.07	48.07	154.32
	Total liabilities & provisions	5.80	11.33	39.01	45.08	11.33	45.08	49.03	49.03	206.87
F.	Net Worth	72.48	105.11	125.04	107.63	105.11	107.63	146.51	146.51	167.58
	Represented by:									
	Shareholders funds									
	Share Capital	12.14	14.89	14.89	14.89	14.89	14.89	14.89	14.89	14.89
	Reserves & surplus	60.35	90.22	110.71	93.41	90.22	93.41	131.79	131.79	152.69
	Less: Revaluation Reserve	-	-	-	-	-	-	-	-	-
	Reserves (Net of Revaluation Reserve)	60.35	90.22	110.71	93.41	90.22	93.41	131.79	131.79	152.69
	Less: Miscellaneous expenditure not written off	-	-	0.56	0.66	-	0.66	0.17	0.17	-
	Total	60.35	90.22	110.16	92.75	90.22	92.75	131.63	131.63	152.69
	Total Net Worth	72.48	105.11	125.04	107.63	105.11	107.63	146.51	146.51	167.58

**MICROSEC CAPITAL LIMITED.-
STATEMENT OF RESTATED PROFIT AND LOSS**

(Rupees in million)

Particulars	Year ended 31.03.2003	Year ended 31.03.2004	Year ended 31.03.2005	Year ended 31.03.2006	Year ended 31.03.2007	6 month ended 30.09.2007
Income						
Operation:						
Income from Operation	4.85	11.87	24.01	75.33	98.76	69.02
Other Income	-	0.85	-	0.05	2.93	1.44
Increase (decrease) in inventory	-	-	-	-	-	-
Total Income	4.85	12.72	24.01	75.39	101.69	70.46
Expenditure						
Staff costs	0.68	1.97	4.63	10.74	20.77	20.98
Operating Expenses	-	-	1.00	5.08	11.85	5.58
Administrative Expenses	2.65	4.03	6.15	20.55	15.11	11.98
Selling & distribution expenses	-	-	-	13.78	22.71	2.45
Interest	-	-	-	0.13	0.11	-
Depreciation	0.45	1.39	6.21	2.89	6.74	4.53
Miscellaneous expenditure written off	0.03	-	0.17	0.35	0.39	1.27
Total Expenditure	3.80	7.39	18.15	53.52	77.69	46.78
Net Profit before tax and extraordinary items	1.05	5.33	5.85	21.86	24.00	23.68
Provision for taxation						
Income Tax (Including Short Provisions for earlier years, if any)	0.08	0.40	0.45	2.42	2.65	2.64

Deferred Tax Charges / (Benefits)	0.26	2.56	2.18	1.91	-	
Fringe benefit Tax				0.23	0.26	0.14
Net Profit after tax and before extraordinary items	0.71	2.37	3.22	17.30	21.08	20.90
Extraordinary items (net of tax)	-	-	-	-	-	
Net Profit after extraordinary items	0.71	2.37	3.22	17.30	21.08	20.90
Earlier year adjustments	-	-	0.03	-	-	
Net Profit after tax	0.71	2.37	3.19	17.30	21.08	20.90
Balance in Profit & Loss account brought forward	1.34	2.04	4.42	7.61	24.91	45.99
Balance available for appropriation	2.04	4.42	7.62	24.91	45.99	66.89
Appropriations						
Transfer to general reserve	-	-	-	-	-	
Proposed dividend	-	-	-	-	-	
Tax on proposed dividend	-	-	-	-	-	
Balance carried to Balance Sheet	2.04	4.42	7.62	24.91	45.99	66.89
Total	2.04	4.42	7.62	24.91	45.99	66.89

MICROSEC CAPITAL LIMITED.-
STATEMENT OF RESTATED CASH FLOW

(Rupees in million)

	Particulars	Year ended 31.03.2003	Year ended 31.03.2004	Year ended 31.03.2005	Year ended 31.03.2006	Year ended 31.03.2007	6 months ended 30.09.2007
A.	Cash Flow from Operating Activities						
	Net Profit l (Loss) after tax	0.71	2.37	3.19	17.30	21.08	20.90
	Adjustment for						
	Depreciation and amortization	0.47	1.39	6.38	3.24	6.98	5.79
	Investments written off	-	-	-	-	-	-
	Loss (Profit) on sale of fixed assets	-	-	-	-	-	-
	Financial Expenses	-	-	-	-	-	-
	Operating cash flow before working capital changes	1.18	3.76	9.57	20.55	28.06	26.69
	Adjustment for						
	(Increase)/decrease in Stock in trade	(16.50)	(0.01)	57.08	-	-	-
	(Increase)/decrease in debtors	-	-	(6.77)	(4.90)	(0.50)	(109.77)
	(Increase)decrease in other current assets	(1.73)	(6.55)	(16.45)	(25.05)	13.23	(44.99)
	(Increase)decrease in trade payable	2.70	2.57	31.35	(6.33)	10.05	103.61
	Cash (used in)/generated from operations	(14.35)	(0.23)	74.78	(15.74)	50.83	(24.46)
	Income tax for the year	0.34	2.96	2.09	4.61	0.50	2.64
	Net cash (used in)/generated from operating activities	(14.00)	2.73	76.87	(11.13)	51.33	(21.82)
B.	Cash Flow from Investing Activities						
	Proceeds from sale of fixed assets	-	-	-	-	-	-
	Addition to fixed assets	(1.74)	(26.11)	(7.74)	(0.37)	(28.51)	(7.43)
	(Increase)/Decrease in Investment	(9.09)	(6.79)	(44.10)	0.37	(11.97)	(10.85)
	Interest received	-	-	-	-	-	-
	Net cash (used in) generated from investing activities	(10.83)	(32.90)	(51.83)	0.00	(40.47)	(18.27)
C.	Cash Flows from Financing Activities						

	Proceeds from issue of Share Capital including premium received	25.83	30.25	-	-	-	-
	Preliminary / Share Issue Expenses	(0.03)	-	(0.83)	(0.25)	-	(1.10)
	(Repayment of) /proceeds from secured loans	-	-	0.32	-	-	-
	Interest paid on loans	-	-	-	-	-	-
	Proceeds / (Repayment) from borrowings	-	-	-	0.94	(0.53)	51.59
	Dividend & Dividend Distribution tax	-	-	-	-	-	-
	Net cash generated from (used in) financing activities	25.80	30.25	(0.51)	0.69	(0.53)	50.49
	Net increase / decrease in cash and cash equivalents	0.96	0.08	24.52	(10.44)	10.33	10.40
E.	Cash and Cash equivalents at the beginning of the period	2.64	3.60	3.68	28.20	17.76	28.09
F.	Cash and Cash equivalents at the end of the period	3.60	3.68	28.20	17.76	28.09	38.49

MICROSEC COMMERZE LIMITED.-
STATEMENT OF RESTATED ASSETS AND LIABILITIES

ANNEXURE XXI
(Rupees in million)

	Particulars	As at 31.03.2003	As at 31.03.2004	As at 31.03.2005	As at 31.03.2006	As at 31.03.2007	As at 30.09.2007
A.	Assets						
	Fixed Assets- Gross Block	0.17	0.37	7.45	0.82	1.22	1.29
	Less : Accumulated Depreciation	0.13	0.14	1.62	0.42	0.59	0.70
	Net Block	0.04	0.23	5.84	0.40	0.63	0.59
	Less : Revaluation Reserve	-	-	-	-	-	-
	Net Block after adjustment for Revaluation Reserve	0.04	0.23	5.84	0.40	0.63	0.59
B.	Investments	73.30	91.74	32.55	25.93	45.45	51.35
C.	Deferred tax asset (net)	0.07	0.16	0.01	-	-	-
D.	Current assets, loans and advances						
	Receivables	0.02	-	-	-	-	2.93
	Cash & bank balances	0.09	0.68	4.90	5.17	4.68	15.93
	Other current assets	-	-	-	-	-	-
	Loans and advances	0.10	1.88	8.71	13.59	9.74	9.76
	Total	0.21	2.56	13.61	18.76	14.42	28.62
	Total Assets	73.61	94.69	52.00	45.10	60.50	80.56
E.	Liabilities & Provisions						
	Deferred tax liability (net)	-	-	-	0.87	0.87	0.87
	Loan funds						
	Secured loans	-	-	-	-	-	-
	Unsecured loans	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-
	Current liabilities & provision						
	Sundry liabilities	0.09	1.79	17.94	7.41	2.08	16.11

	Provisions	0.00	-	0.04	0.01	0.15	0.17
	Sub-total	0.10	1.79	17.98	7.42	2.23	16.28
	Total liabilities & provisions	0.10	1.79	17.98	8.29	3.10	17.16
F.	Net Worth	73.52	92.90	34.02	36.80	57.39	63.40
	Represented by:						
	Shareholders funds						
	Share Capital	14.07	16.03	16.03	16.03	16.03	16.03
	Reserves & surplus	59.46	76.87	17.99	20.77	41.36	47.37
	Less: Revaluation Reserve	-	-	-	-	-	-
	Reserves (Net of Revaluation Reserve)	59.46	76.87	17.99	20.77	41.36	47.37
	Less: Miscellaneous expenditure not written off	0.01	0.00	-	-	-	-
	Total	59.45	76.87	17.99	20.77	41.36	47.37
	Total net worth	73.52	92.90	34.02	36.80	57.39	63.40

MICROSEC COMMERZE LIMITED.-
STATEMENT OF RESTATED PROFIT AND LOSS

(Rupees in million)

Particulars	Year ended 31.03.2003	Year ended 31.03.2004	Year ended 31.03.2005	Year ended 31.03.2006	Year ended 31.03.2007	6 months ended 30.09.2007
Income						
Operation:						
Income from Operation	0.24	0.04	4.38	8.96	25.45	8.57
Other Income	-	-	-	-	-	-
Total Income	0.24	0.04	4.38	8.96	25.45	8.57
Expenditure						
Operating Expenses	-	-	-	1.60	1.18	0.52
Staff costs	-	0.19	1.12	1.03	1.14	1.08
Administrative Expenses	0.22	0.13	1.26	2.47	2.22	0.82
Interest	-	-	-	0.00	0.00	0.00
Depreciation	0.01	0.02	1.47	0.16	0.17	0.11
Miscellaneous expenditure written off	0.01	0.01	-	-	-	-
Total Expenditure	0.24	0.34	3.85	5.26	4.71	2.54

Net Profit before tax and extraordinary items	0.00	(0.30)	0.53	3.70	20.74	6.03
Provision for taxation						
Income Tax (Including Short Provisions for earlier years)	0.00		0.04	0.01	0.13	0.02
Deferred Tax Charges / (Benefits)	0.00	(0.09)	0.15	0.89	-	-
Fringe benefit Tax				0.02	0.01	0.01
Net Profit after tax and before extraordinary items	0.00	(0.21)	0.33	2.78	20.59	6.01
Extraordinary items (Diminution in Value on Inv)	-	-	59.22	-	-	-
Net Profit after extraordinary items	0.00	(0.21)	(58.88)	2.78	20.59	6.01
Earlier year adjustments	-	-	-	-	-	-
Net Profit after tax	0.00	(0.21)	(58.88)	2.78	20.59	6.01
Balance in Profit & Loss account brought forward	0.21	0.21	0.00	(58.88)	(56.10)	(35.51)
Balance available for appropriation	0.21	0.00	(58.88)	(56.10)	(35.51)	(29.50)
Appropriations						
Transfer to general reserve	-	-	-	-	-	-
Proposed dividend	-	-	-	-	-	-
Tax on proposed dividend	-	-	-	-	-	-
Balance in Profit & Loss account	0.21	0.00	(58.88)	(56.10)	(35.51)	(29.50)
Total	0.21	0.00	(58.88)	(56.10)	(35.51)	(29.50)

MICROSEC COMMERZE LIMITED.-
STATEMENT OF RESTATED CASH FLOW

(Rupees in million)

	Particulars	Year ended 31.03.2003	Year ended 31.03.2004	Year ended 31.03.2005	Year ended 31.03.2006	Year ended 31.03.2007	6 months ended 30.09.2007
A.	Cash Flow from Operating Activities						
	Net Profit after tax	0.00	(0.21)	(58.88)	2.78	20.59	6.01
	Adjustment for						
	Depreciation and amortization	0.01	0.02	1.47	0.16	0.17	0.11

	Investment Written Off	-	-	59.22		-	-
	Loss (Profit) on sale of Fixed Assets	-	-	-	4.89	-	-
	Bad Debts & Advances Written Off	-	-	-	-	-	-
	Operating Cash Flow before Working Capital Changes	0.02	(0.19)	1.81	7.83	20.76	6.12
	Adjustment for						
	(Increase)/Decrease in Debtors	0.01	0.02		-	-	(2.93)
	(Increase)/Decrease in Other Current Assets	(0.07)	(1.78)	(6.83)	(4.88)	3.85	(0.02)
	Increase/(Decrease) in Other in Trade Payable	(9.71)	1.70	16.15	(10.53)	(5.33)	14.03
	Cash (Used in)/ Generated from operations	(9.75)	(0.25)	11.13	(7.58)	19.28	17.19
	Income Tax for the year	0.00	(0.09)	0.20	0.85	0.14	0.03
	Net Cash (Used in)/ Generated from operating activities	(9.75)	(0.35)	11.33	(6.72)	19.42	17.22
B.	Cash Flow from Investing Activities						
	Proceeds from sale of fixed assets	-	-	-	-	-	-
	Addition to fixed assets	-	(0.20)	(7.08)	0.38	(0.40)	(0.07)
	(Increase)/Decrease in Investment	(17.16)	(18.44)	(0.03)	6.61	(19.52)	(5.90)
	Net Cash (Used in)/ Generated from investing activities	(17.16)	(18.65)	(7.11)	7.00	(19.91)	(5.97)
C.	Cash Flows from Financing Activities						
	Proceeds from issue of share capital including premium received	23.78	19.60	-	-	-	-
	preliminary/Share Issue Expense	(0.01)	(0.01)	-	-	-	-
	(Repayment of)/ proceeds from loans	-				-	
	Dividend & Dividend Distribution tax	-	-	-	-	-	-
	Net cash generated from Financing Activities	23.77	19.59	-	-	-	-
D.	Net increase / decrease in cash and cash equivalents	(3.14)	0.59	4.22	0.27	(0.49)	11.25

E.	Cash and Cash equivalents at the beginning of the period	3.23	0.09	0.68	4.90	5.17	4.68
F.	Cash and Cash equivalents at the end of the period	0.09	0.68	4.90	5.17	4.68	15.93

MICROSEC INSURANCE BROKERS LIMITED.-
STATEMENT OF RESTATED ASSETS AND LIABILITIES

ANNEXURE XXII
(Rupees in million)

	Particulars	As at 31.03.2003	As at 31.03.2004	As at 31.03.2005	As at 31.03.2006	As at 31.03.2007	As at 30.09.2007
A.	Assets						
	Fixed Assets- Gross Block	-	7.20	9.59	10.16	12.05	12.05
	Less : Accumulated Depreciation	-	0.25	3.53	5.94	7.31	7.90
	Net Block	-	6.94	6.06	4.22	4.74	4.15
	Less : Revaluation Reserve	-	-	-	-	-	-
	Net Block after adjustment for Revaluation Reserve	-	6.94	6.06	4.22	4.74	4.15
B.	Investments	1.84	2.99	3.21	2.38	1.73	1.79
C.	Deferred tax asset (net)	-	-	-	-	-	-
D.	Current assets, loans and advances						
	Receivables	0.00	1.05	1.28	0.59	1.03	2.27
	Cash & bank balances	1.01	1.25	1.39	1.27	1.31	1.34
	Loans & Advances	7.51	1.52	2.22	5.79	5.91	6.23
	Total	8.52	3.82	4.88	7.65	8.25	9.83
	Total assets	10.36	13.76	14.15	14.25	14.72	15.78
E.	Liabilities & Provisions						
	Deferred tax liability (net)	-	0.32	0.94	0.87	1.12	1.01
	Loan funds						
	Secured loans	-	-	-	-	-	-
	Unsecured loans	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-
	Current liabilities & provision						
	Sundry liabilities	0.01	1.97	1.05	0.06	0.13	0.58
	Provisions	0.00	0.11	0.10	0.20	0.05	0.23
	Sub-total	0.01	2.08	1.15	0.26	0.18	0.81

	Total liabilities & provisions	0.01	2.40	2.09	1.13	1.29	1.82
F.	Net Worth	10.36	11.36	12.05	13.12	13.43	13.96
	Represented by:						
	Shareholders funds						
	Share Capital	5.16	5.16	5.16	5.16	5.16	5.16
	Reserves & surplus	5.22	6.21	6.91	7.97	8.27	8.80
	Less: Revaluation Reserve	-	-	-	-	-	-
	Reserves (Net of Revaluation Reserve)	5.22	6.21	6.91	7.97	8.27	8.80
	Less: Miscellaneous expenditure not written off	0.02	0.02	0.01	0.01	-	-
	Total	5.20	6.19	6.89	7.96	8.27	8.80
	Total net worth	10.36	11.36	12.05	13.12	13.43	13.96

MICROSEC INSURANCE BROKERS LIMITED.-
STATEMENT OF RESTATED PROFIT AND LOSS

(Rupees in million)

Particulars	Year ended 31.03.2003	Year ended 31.03.2004	Year ended 31.03.2005	Year ended 31.03.2006	Year ended 31.03.2007	6 months ended 30.09.2007
Income						
Operation:						
Income from Operation	0.13	4.10	7.14	5.02	4.00	3.56
Other Income	0.00	0.13	0.11	0.12	-	-
Total Income	0.13	4.23	7.25	5.14	4.00	3.56
Expenditure						
Staff costs	0.02	1.33	1.49	0.58	0.75	0.34
Administrative Expenses	0.11	1.22	1.06	0.93	1.28	2.01
Depreciation	-	0.25	3.28	2.41	1.37	0.59
Miscellaneous expenditure written off	0.01	0.01	0.01	0.01	0.01	-
Total Expenditure	0.13	2.81	5.83	3.93	3.41	2.94
Net Profit before tax and extraordinary items	0.00	1.42	1.42	1.21	0.60	0.61
Provision for taxation						
Income Tax (Including Short Provisions for earlier years, if any)	0.00	0.11	0.10	0.20	0.05	0.18
Deferred Tax Charges / (Benefits)	-	0.32	0.62	(0.07)	0.24	(0.10)
Fringe benefit Tax	-	-	-	0.01	0.00	0.01
Net Profit after tax and before extraordinary items	0.00	0.99	0.69	1.06	0.30	0.53

Extraordinary items (net of tax)	-	-	-	-	-	
Net Profit after extraordinary items	0.00	0.99	0.69	1.06	0.30	0.53
Earlier year adjustments	-	-	-	-	-	
Net Profit after tax	0.00	0.99	0.69	1.06	0.30	0.53
Balance in Profit & Loss account brought forward	-	0.00	0.99	1.69	2.75	3.05
Balance available for appropriation	0.00	0.99	1.69	2.75	3.05	3.58
Appropriations						
Transfer to general reserve	-	-	-	-	-	-
Proposed dividend	-	-	-	-	-	-
Tax on proposed dividend	-	-	-	-	-	-
Balance in Profit & Loss account	0.00	0.99	1.69	2.75	3.05	3.58
Total	0.00	0.99	1.69	2.75	3.05	3.58

MICROSEC INSURANCE BROKERS LIMITED.-
STATEMENT OF RESTATED CASH FLOW

(Rupees in million)

	Particulars	Year ended 31.03.2003	Year ended 31.03.2004	Year ended 31.03.2005	Year ended 31.03.2006	Year ended 31.03.2007	6 months ended 30.09.2007
A.	Cash Flow from Operating Activities						
	Net Profit / (Loss) after tax	0.00	0.99	0.69	1.06	0.30	0.53
	Adjustment for						
	Depreciation and amortization	0.01	0.58	3.91	2.35	1.37	0.59
	Investments written off	-	-	-	-	-	-
	Loss (Profit) on sale of fixed assets	-	-	-	-	-	-
	Bad debts and advances written off	-	-	-	-	-	-
	Financial Expenses	-	-	-	-	-	-
	Operating cash flow before working capital changes	0.01	1.57	4.60	3.41	1.67	1.12
	Adjustment for						
	(Increase)/decrease in debtors	(0.00)	(1.05)	(0.23)	0.69	(0.44)	(1.24)
	(Increase)/decrease in other current assets	(7.51)	5.99	(0.69)	(3.57)	(0.12)	(0.31)
	Increase/(decrease) in trade payable						

		0.01	1.97	(0.93)	(0.99)	(0.08)	0.45
	Cash (used in)/generated from operations	(7.50)	8.48	2.75	(0.47)	1.03	0.02
	Income tax for the year	0.00	0.11	(0.01)	0.09	0.25	0.07
	Net cash (used in)/generated from operating activities	(7.50)	8.58	2.74	(0.37)	1.28	0.09
B.	Cash Flow from Investing Activities						
	Dividend received on current investment	-	-	-	-	-	-
	Proceeds from sale of fixed assets	-	-	-	-	-	-
	Addition to fixed assets		(7.20)	(2.39)	(0.58)	(1.89)	-
	(Increase)/Decrease in Investment	(1.84)	(1.15)	(0.22)	0.83	0.65	(0.06)
	Interest received	-	-	-	-	-	-
	Net cash (used in)/generated from investing activities	(1.84)	(8.35)	(2.61)	0.25	(1.24)	(0.06)
C.	Cash Flows from Financing Activities						
	Proceeds from issue of Share Capital including premium received	10.46	-	-	-	-	-
	Preliminary /Share Issue Expense	(0.11)	-	-	-	-	-
	(Repayment of)/proceeds from secured loans	-	-	-	-	-	-
	(Repayment of)/proceeds from unsecured loans	-	-	-	-	-	-
	Interest paid on loans	-	-	-	-	-	-
	Dividend & Dividend Distribution tax	-	-	-	-	-	-
	Net cash generated from/(used in) financing activities	10.35	-	-	-	-	-
D.	Net increase / decrease in cash and cash equivalents	1.01	0.24	0.14	(0.12)	0.04	0.03
E.	Cash and Cash equivalents at the beginning of the period	-	1.01	1.25	1.39	1.27	1.31
F.	Cash and Cash equivalents at the end of the period	1.01	1.25	1.39	1.27	1.31	1.34

**MICROSEC RESOURCES PRIVATE LIMITED.-
STATEMENT OF RESTATED ASSETS AND LIABILITIES**

**ANNEXURE XXIII
(Rupees in million)**

	Particulars	As at 31.03.2003	As at 31.03.2004	As at 31.03.2005	As at 31.03.2006	As at 31.03.2007	As at 30.09.2007
A.	Assets						
	Fixed Assets- Gross Block	0.35	0.35	0.36	0.36	2.59	2.59
	Less : Accumulated Depreciation	0.17	0.20	0.23	0.25	0.34	0.78
	Net Block	0.18	0.15	0.13	0.11	2.26	1.82
	Less : Revaluation Reserve	-	-	-	-	-	-
	Net Block after adjustment for Revaluation Reserve	0.18	0.15	0.13	0.11	2.26	1.82
B.	Investments	-	-	-	-	-	-
C	Deferred tax asset (net)	0.02	0.02	0.02	0.02	-	-
D.	Current assets, loans and advances						
	Inventories	22.07	4.43	3.31	0.03	2.03	0.85
	Cash & bank balances	1.10	24.33	2.18	1.17	0.71	0.89
	Loans and advances	11.90	10.19	44.23	51.68	55.08	98.78
	Total	35.07	38.95	49.73	52.88	57.82	100.52
	Total Assets	35.27	39.12	49.87	53.01	60.08	102.34
E.	Liabilities & Provisions						
	Deferred tax liability (net)	-	-	-	-	0.18	0.20
	Loan funds						
	Secured loans	-	-	-	-	-	-
	Unsecured loans	31.77	35.61	39.95	44.92	50.45	66.51
	Sub-total	31.77	35.61	39.95	44.92	50.45	66.51
	Current liabilities & provision						
	Sundry liabilities	0.00	0.01	6.14	2.90	2.25	0.02
	Provisions	0.04	0.00	0.10	0.56	0.67	10.32
	Sub-total					2.92	

		0.04	0.02	6.24	3.47		10.34
	Total liabilities & provisions	31.81	35.63	46.18	48.39	53.56	77.05
F	Net Worth	3.46	3.49	3.69	4.62	6.52	25.29
	Represented by:						
	Shareholders funds						
	Share Capital	3.10	3.10	3.10	3.10	3.10	3.10
	Reserves & surplus	0.44	0.46	0.65	1.57	3.42	22.19
	Less: Revaluation Reserve	-	-	-	-	-	-
	Reserves (Net of Revaluation Reserve)	0.44	0.46	0.65	1.57	3.42	22.19
	Less: Miscellaneous expenditure not written off	0.08	0.07	0.06	0.05	-	-
	Total	0.36	0.39	0.59	1.52	3.42	22.19
	Total net worth	3.46	3.49	3.69	4.62	6.52	25.29

MICROSEC RESOURCES PRIVATE LIMITED.-
STATEMENT OF RESTATED PROFIT AND LOSS

(Rupees in million)

Particulars	Year ended 31.03.2003	Year ended 31.03.2004	Year ended 31.03.2005	Year ended 31.03.2006	Year ended 31.03.2007	6 months ended 30.09.2007
Income						
Operation:						
Income from Operation	13.57	53.96	27.62	37.28	76.67	33.20
Other Income	0.00	0.03	0.03	0.07	0.22	-
Total Income	13.57	53.99	27.65	37.34	76.89	33.20
Expenditure						
Operating Expenses	10.00	50.04	22.01	29.39	68.36	1.18
Staff costs	-	-	0.51	0.31	-	-
Administrative Expenses	0.07	0.04	0.44	0.41	0.15	0.02
Interest	3.41	3.84	4.37	5.80	5.54	3.12
Depreciation	0.04	0.03	0.03	0.02	0.08	0.44
Miscellaneous expenditure written off	0.01	0.01	0.01	0.01	0.05	-
Total Expenditure	13.53	53.96	27.36	35.95	74.17	4.77

Net Profit before tax and extraordinary items	0.04	0.03	0.29	1.40	2.72	28.44
Provision for taxation						
Income Tax (Including Short Provisions for earlier years, if any)	0.02	0.01	0.10	0.47	0.67	9.65
Deferred Tax Charges / (Benefits)	0.00	0.00	(0.00)	(0.00)	0.20	0.01
Fringe benefit Tax				0.02	-	-
Net Profit after tax and before extraordinary items	0.02	0.02	0.19	0.92	1.85	18.77
Extraordinary items (net of tax)	-	-	-	-	-	-
Net Profit after extraordinary items	0.02	0.02	0.19	0.92	1.85	18.77
Earlier year adjustments	-	-	-	-	-	-
Net Profit after tax	0.02	0.02	0.19	0.92	1.85	18.77
Balance in Profit & Loss account brought forward	0.02	0.02	0.01	0.03	0.15	0.80
Balance available for appropriation	0.04	0.03	0.20	0.95	2.00	19.57
Appropriations						
Transfer to general reserve	-	-	-	-	-	-
Debenture redemption reserve	0.02	0.02	0.18	0.80	1.20	1.20
Proposed dividend	-	-	-	-	-	-
Tax on proposed dividend	-	-	-	-	-	-
Balance in Profit & Loss account	0.02	0.01	0.03	0.15	0.80	18.37
Total	0.04	0.03	0.20	0.95	2.00	19.57

MICROSEC RESOURCES PRIVATE LIMITED.-
STATEMENT OF RESTATED CASH FLOW

(Rupees in million)

	Particulars	Year ended 31.03.2003	Year ended 31.03.2004	Year ended 31.03.2005	Year ended 31.03.2006	Year ended 31.03.2007	6 months ended 30.09.2007
A.	Cash Flow from Operating Activities						
	Net Profit /(Loss) after tax	0.02	0.02	0.19	0.92	1.85	18.77
	Adjustment for						
	Depreciation and amortization	0.05	0.05	0.04	0.03	0.13	0.44

	Loss (Profit) on sale of fixed assets	-	-	-	-	-	-
	Bad debts and advances written off	-	-	-	-	-	-
	Financial Expenses	-	-	-	-	-	-
	Operating cash flow before working capital changes	0.07	0.06	0.23	0.95	1.99	19.21
	Adjustment for						
	(Increase)/decrease in Stock in trade	(5.53)	17.64	1.12	3.28	(2.00)	1.18
	(Increase)/decrease in Loans & Advances	2.99	1.71	(34.04)	(7.45)	(3.40)	(43.70)
	Increase/(decrease) in trade payable	3.40	3.86	10.46	1.74	4.89	13.82
	Cash (used in)/generated from operations	0.94	23.26	(22.23)	(1.48)	1.48	(9.49)
	Income tax for the year	0.02	(0.04)	0.09	0.46	0.30	9.67
	Net cash (used in)/generated from operating activities	0.96	23.23	(22.14)	(1.01)	1.78	0.18
B.	Cash Flow from Investing Activities						
	Proceeds from sale of fixed assets	-	-	-	-	-	-
	Addition to fixed assets	-	-	(0.01)	-	(2.24)	-
	(Increase)/Decrease in Investment	-	-	-	-	-	-
	Interest received	-	-	-	-	-	-
	Net cash (used in)/generated from investing activities	-	-	(0.01)	-	(2.24)	-
C.	Cash Flows from Financing Activities						
	Proceeds from issue of Share Capital including premium received	-	-	-	-	-	-
	Preliminary /Share Issue Expense	-	-	-	-	-	-
	(Repayment of)/proceeds from loans	-	-	-	-	-	-
	Interest paid on loans	-	-	-	-	-	-
	Dividend & Dividend Distribution tax	-	-	-	-	-	-
	Net cash generated from/(used in) financing activities	-	-	-	-	-	-

D.	Net increase / decrease in cash and cash equivalents	0.96	23.23	(22.15)	(1.01)	(0.46)	0.18
E.	Cash and Cash equivalents at the beginning of the period	0.14	1.10	24.33	2.18	1.17	0.71
F.	Cash and Cash equivalents at the end of the period	1.10	24.33	2.18	1.17	0.71	0.89

MIL TECHNOLOGIES LIMITED.-
STATEMENT OF RESTATED ASSETS AND LIABILITIES

ANNEXURE XXIV
(Rupees in million)

	Particulars	As at 31.03.2003	As at 31.03.2004	As at 31.03.2005	As at 31.03.2006	As at 31.03.2007	As at 30.09.2007
A.	Assets						
	Fixed Assets- Gross Block	13.35	18.46	23.96	23.61	27.49	28.18
	Less : Accumulated Depreciation	0.72	2.91	4.86	9.13	11.23	12.14
	Net Block	12.63	15.56	19.10	14.48	16.26	16.03
	Less : Revaluation Reserve	-	-	-	-	-	-
	Net Block after adjustment for Revaluation Reserve	12.63	15.56	19.10	14.48	16.26	16.03
B.	Investments	0.05	0.05	0.05	0.05	11.39	10.14
C.	Deferred tax asset (net)	0.01	-	-	-	-	-
D.	Current assets, loans and advances						
	Inventories	0.03	0.03	0.03	0.03	0.03	-
	Receivables	0.12	3.10	0.02	3.41	0.70	2.05
	Cash & bank balances	0.45	0.23	0.11	0.08	0.14	0.09
	Loans and advances	4.88	2.67	0.38	9.14	0.40	0.81
	Total	5.47	6.03	0.54	12.66	1.27	2.95
	Total Assets	18.16	21.63	19.68	27.18	28.91	29.13
E.	Liabilities & Provisions						
	Deferred tax liability (net)	-	-	0.23	0.67	0.57	0.57
	Loan funds						
	Secured loans	16.80	16.80	16.80	-	-	-
	Unsecured loans	-	-	-	-	-	-
	Sub-total	16.80	16.80	16.80	-	-	-
	Current liabilities & provision						
	Sundry liabilities	0.90	4.28	1.52	23.60	12.34	9.24
	Provisions	-	0.02	0.07	0.18	0.35	0.57

	Sub-total	0.90	4.30	1.59	23.78	12.70	9.80
	Total liabilities & provisions	17.70	21.10	18.63	24.45	13.27	10.37
F.	Net Worth	0.46	0.53	1.06	2.73	15.64	18.75
	Represented by:						
	Shareholders funds						
	Share Capital	0.50	0.50	0.50	0.50	0.63	0.63
	Reserves & surplus	(0.02)	0.04	0.57	2.23	15.02	18.13
	Less: Revaluation Reserve	-	-	-	-	-	-
	Reserves (Net of Revaluation Reserve)	(0.02)	0.04	0.57	2.23	15.02	18.13
	Less: Miscellaneous expenditure not written off	0.01	0.01	0.01	-	-	-
	Total	(0.04)	0.03	0.56	2.23	15.02	18.13
	Total net worth	0.46	0.53	1.06	2.73	15.64	18.75

MIL TECHNOLOGIES LIMITED.-
STATEMENT OF RESTATED PROFIT AND LOSS

Particulars	(Rupees in million)					
	Year ended 31.03.2003	Year ended 31.03.2004	Year ended 31.03.2005	Year ended 31.03.2006	Year ended 31.03.2007	6 months ended 30.09.2007
Income						
Operation:						
Income from Operation	2.17	21.22	8.84	8.66	6.66	4.14
Other Income	-	0.00	0.01	2.25	0.04	2.02
Increase (decrease) in inventory	0.03	0.00	(0.00)	0.00	-	-
Total Income	2.20	21.23	8.85	10.91	6.70	6.16
Expenditure						
Staff costs	0.25	1.20	1.64	2.69	2.18	1.01
Administrative Expenses	0.37	15.08	1.75	1.19	2.07	0.82
Interest	0.88	2.67	2.67	2.67	0.01	-
Depreciation	0.72	2.18	1.96	3.63	2.10	0.91
Miscellaneous expenditure written off	0.00	0.00	0.00	0.02	-	-
Total Expenditure	2.23	21.14	8.02	10.19	6.36	2.74
Net Profit before tax and extraordinary items	(0.03)	0.09	0.83	0.72	0.34	3.42
Provision for taxation						
Income Tax (Including Short	-	0.02	0.07	0.13	0.21	0.30

Provisions for earlier years,if any)						
Deferred Tax Charges / (Benefits)	(0.01)	0.01	0.23	-	(0.10)	-
Fringe benefit Tax	-	-	-	0.02	0.01	0.00
Net Profit after tax and before extraordinary items	(0.02)	0.06	0.53	0.57	0.21	3.11
Extraordinary items (net of tax)	-	-	-	-	-	-
Net Profit after extraordinary items	(0.02)	0.06	0.53	0.57	0.21	3.11
Earlier year adjustments	-	-	-	-	-	-
Capital reserve on amalgamation	-	-	-	1.09	-	-
Net Profit after tax	(0.02)	0.06	0.53	1.67	0.21	3.11
Balance in Profit & Loss account brought forward	-	(0.02)	0.04	0.57	2.23	2.44
Balance available for appropriation	(0.02)	0.04	0.57	2.23	2.44	5.55
Appropriations						
Transfer to general reserve	-	-	-	-	-	-
Capital reserve on amalgamation	-	-	-	1.09	1.09	1.09
Proposed dividend	-	-	-	-	-	-
Tax on proposed dividend	-	-	-	-	-	-
Balance in Profit & Loss account	(0.02)	0.04	0.57	1.14	1.35	4.46
Total	(0.02)	0.04	0.57	2.23	2.44	5.55

MIL TECHNOLOGIES LIMITED.-
STATEMENT OF RESTATED CASH FLOW

(Rupees in million)

	Particulars	Year ended 31.03.2003	Year ended 31.03.2004	Year ended 31.03.2005	Year ended 31.03.2006	Year ended 31.03.2007	6 months ended 30.09.2007
A.	Cash Flow from Operating Activities						
	Net Profit after tax	(0.02)	0.06	0.53	0.57	0.21	3.11
	Depreciation and amortization	0.73	2.19	1.96	3.64	2.10	0.91
	Investments written off	-	-	-	-	-	-
	Loss (Profit) on sale of fixed assets	-	-	-	-	-	-
	Bad debts and advances written off	-	-	-	-	-	-
	Interest Cost	-	-	-	-	-	-
	Operating cash flow before working capital changes	0.71	2.25	2.49	4.21	2.31	4.02

	Adjustment for						
	(Increase)/decrease in Stock in trade	(0.03)	(0.00)	0.00	(0.00)	-	0.03
	(Increase)/decrease in debtors	(0.12)	(2.98)	3.07	(3.39)	2.71	(1.35)
	(Increase)/decrease in Loans & Advances	(4.88)	2.21	2.29	(8.76)	8.74	(0.41)
	Increase/(decrease) in trade payable	0.90	3.38	(2.76)	22.08	(11.25)	(1.86)
	Cash (used in)/generated from operations	(3.42)	4.85	5.10	14.14	2.50	0.43
	Income tax for the year	(0.01)	0.03	0.28	0.10	0.07	0.21
	Net cash (used in)/generated from operating activities	(3.43)	4.89	5.38	14.25	2.57	0.64
B.	Cash Flow from Investing Activities						
	Proceeds from sale of fixed assets					-	
	Addition to fixed assets	(13.35)	(5.11)	(5.50)	0.35	(3.88)	(0.69)
	(Increase)/Decrease in Investment	(0.05)	-	-	(0.00)	(11.34)	-
	Surplus on Amalgamation of Subsidiary	-	-	-	2.17	-	-
	Interest received	-	-	-	-	-	-
	Net cash (used in)/generated from investing activities	(13.40)	(5.11)	(5.50)	2.53	(15.22)	(0.69)
C.	Cash Flows from Financing Activities						
	Increase in Share Capital	0.50	-	-	-	12.70	-
	Share Issue Expense	(0.02)	-	-	-	-	-
	Proceeds from borrowings	16.80	-	-	-	-	-
	Repayments of borrowings	-	-	-	(16.80)	-	-
	Dividend & Dividend Distribution tax	-	-	-	-	-	-
	Net cash generated from/(used in) financing activities	17.28	-	-	(16.80)	12.70	-
D.	Net increase / decrease in cash and cash equivalents	0.45	(0.22)	(0.12)	(0.03)	0.06	(0.05)
E.	Cash and Cash equivalents at the beginning of the period	-	0.45	0.23	0.11	0.08	0.14

F.	Cash and Cash equivalents at the end of the period	0.45	0.23	0.11	0.08	0.14	0.09
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MICROSEC FINANCIAL SERVICES LIMITED – CONSOLIDATED
 Details of Dividend Paid

Annexure-XXV

Rupees in Million

Class of Shares	Face Value	Year ended 31.03.2006	Year ended 31.03.2007	6 months ended 30.09.2007
Equity Shares				
Eq. Sh. Capital as at year end	10.00	100.00	100.00	100.00
Rate of Interim / Final Dividend		10%	10%	10%
Aggregate Amt of Eq.Dividend		10.00	10.00	10.00
Preference Shares	10.00			
Pref. Sh. Capital as at year end			27.00	
Rate of Interim / Final Dividend			5%	
Aggregate Amt of Pref.Dividend			0.45	

FINANCIAL INFORMATION – STANDALONE

To,

Date : 08.11.2007

The Board of Directors
Microsec Financial Services Limited
Shivam Chamber, 1st floor,
53, Syed Amir Ali Avenue
Kolkata - 700019

Dear Sirs,

1. We have examined the attached financial information of **Microsec Financial Services Limited (“the Company”)**, as approved by the Board of Directors of the Company, prepared in terms of the requirements of Paragraph B, Part II of Schedule II of the Companies Act, 1956 (“the Act”) and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 as amended up to date (“SEBI Guidelines”) and in terms of our engagement agreed upon with you in accordance with our engagement letter dated October 19, 2007 requesting us to examine financial information referred to above and proposed to be included in the Offer Document being issued by the Company in connection with the proposed issue of Equity shares of the Company.
2. This information have been prepared by the Management from the financial statements for the last five periods i.e. years ended March 31, 2003, 2004, 2005, 2006 and 2007, and the half year ended September 2007.
3. In accordance with the requirements of Paragraph B of Part II of Schedule II of the Act, the SEBI Guidelines and terms of our engagement as aforesaid, we further report that:
 - a) The Restated Summary Statement of Assets and Liabilities of the Company as at March 31, 2003, 2004, 2005, 2006 and 2007, and September 30, 2007; Profits and Losses and Statement of Cash flows of the Company for the years ended March 31, 2003, 2004, 2005, 2006 and 2007, half year ended September 30, 2007 examined by us, as set out in Annexures I, II and III respectively to this report are after making adjustments and regrouping as in our opinion are appropriate and the Significant Accounting Policies and Notes to the Accounts as appearing in Annexure IV.
 - b) Based on above, we are of the opinion that the restated financial information have been made after incorporating:
 - i) Adjustments for the changes in accounting Policies retrospectively in respective financial years to reflect the same accounting treatment as per changed accounting policy for all the reporting periods.
 - ii) Adjustments for the material amounts in the respective financial years to which they relate.
 - iii) Extra-ordinary items that need to be disclosed separately in the accounts.
 - c) We have also examined the following other financial information set out in Annexures prepared by the management and approved by the Board of Directors relating to the Company for the years ended March 31, 2003, 2004, 2005, 2006 and 2007 and half year ended September 30, 2007 for the purpose of inclusion in the Offer Document:-
 - i) Tax Shelter Statement, as appearing in Annexure V to the report on the Restated Financial Statements of the Company;
 - ii) Statement of Accounting Ratios, as appearing in Annexure VI to the report on the Restated Financial Statements of the Company;
 - iii) Capitalisation Statement, as appearing in Annexure VII to the report on the Restated Financial Statements of the Company;
 - iv) Statement of Sundry Debtors , as appearing in Annexure VIII to the report on the Restated Financial Statements of the Company;
 - v) Statement of Secured Loans , as appearing in Annexure IX to the report on the Restated Financial Statements of the Company;There are no unsecured loans during the reporting period.

- vi) Statement of Loans and Advances, as appearing in Annexure X to the report on the Restated Financial Statements of the Company;
 - vii) Statement of Contingent Liabilities, as appearing in Annexure XI to the report on the Restated Financial Statements of the Company;
 - viii) Statement of Investments, as appearing in Annexure XII to the report on the Restated Financial Statements of the Company;
 - ix) Details of Dividend paid, as appearing in Annexure XIII to the report on the Restated Financial Statements of the Company;
4. In our opinion the financial information contained in Annexures I to XIII of this report read along with the Significant Accounting Policies and Notes to accounts included in Annexure IV to this report, are prepared after making adjustments and regrouping as considered appropriate and read with our observations contained above, have been prepared in accordance with the requirements of Part II of Schedule II of the Act and the SEBI Guidelines.
5. Our report is intended solely for use of the management and for inclusion in the offer document in connection with the proposed issue of equity shares of the Company and should not be used for any other purpose except with our prior consent in writing.

Yours faithfully,

For VIDYA & CO.
Chartered Accountants

(Jitendra Nagar)
Partner

**MICROSEC FINANCIAL SERVICES LTD.-STANDALONE
STATEMENT OF RESTATED ASSETS AND LIABILITIES**

Annexure – I
(Rupees in million)

Particulars	As at 31.03.2003	As at 31.03.2004	As at 31.03.2005	As at 31.03.2006	As at 31.03.2007	As at 30.09.2007
Assets						
Fixed Assets- Gross Block	-	-	-	30.46	61.34	61.91
Less : Accumulated Depreciation	-	-	-	0.54	4.59	8.27
Net Block	-	-	-	29.92	56.75	53.64
Less : Revaluation Reserve	-	-	-	-	-	-
Net Block after adjustment for Revaluation Reserve	-	-	-	29.92	56.75	53.64
Investments	-	-	-	131.03	128.17	129.26
Deferred tax asset (net)	-	-	-	-	-	-
Current assets, loans and advances						
Inventories	13.19	12.03	20.29	-	-	-
Receivables	0.04	2.09	-	5.06	0.77	39.48
Cash & bank balances	0.00	0.08	0.03	0.24	6.92	0.71
Loans and advances	1.39	6.19	0.01	8.45	5.06	74.27
Total	14.62	20.38	20.33	13.75	12.75	114.47
Total Assets	14.62	20.38	20.33	174.71	197.67	297.37
Liabilities & Provisions						
Deferred tax liability (net)	-	-	-	-	-	-
Loan funds						
Secured loans	-	-	-	-	-	39.95
Unsecured loans	-	-	-	-	-	-
Sub-total	-	-	-	-	-	39.95
Current liabilities & provision						
Sundry liabilities	0.02	0.02	0.00	32.82	19.96	51.56
Provisions	0.00	0.00	0.00	12.77	3.77	23.42
Sub-total	0.02	0.03	0.01	45.58	23.73	74.97

Total liabilities & provisions	0.02	0.03	0.01	45.58	23.73	114.92
Net Worth	14.6	20.35	20.32	129.13	173.94	182.44
Represented by:						
Shareholders funds						
Equity Share Capital	6.9	8.05	8.05	100	100	100
Preference Share Capital					27	
Reserves & surplus	7.71	12.31	12.31	29.13	46.94	82.44
Less: Revaluation Reserve	-	-	-	-	-	-
Reserves (Net of Revaluation Reserve)	7.71	12.31	12.31	29.13	46.94	82.44
Less: Miscellaneous expenditure not written off	0.01	0.01	0.04	-	-	-
Total	7.69	12.3	12.27	29.13	46.94	82.44
Total net worth	14.6	20.35	20.32	129.13	173.94	182.44

**MICROSEC FINANCIAL SERVICES LTD.-STANDALONE
STATEMENT OF RESTATED PROFIT AND LOSS**

Annexure – II
(Rupees in million)

Particulars	Year ended 31.03.2003	Year ended 31.03.2004	Year ended 31.03.2005	Year ended 31.03.2006	Year ended 31.03.2007	6 months ended 30.09.2007
Income						
Operation:						
Income from Operation	0.04	2.68	1.37	17.03	39.54	62.63
Other Income	-	-	-	-	-	0.00
Increase (decrease) in inventory	8.03	(1.17)	8.27	-	-	-
Total Income	8.07	1.51	9.64	17.03	39.54	62.63
Expenditure						
Operating Expenses	8.03	1.48	9.60	-	-	-
Staff costs	0.02	0.02	0.01	0.14	0.43	1.26
Administrative Expenses	0.01	0.01	0.01	0.31	1.40	0.61
Interest	-	-	-	-	-	0.82
Depreciation	-	-	-	0.54	4.06	3.67
Miscellaneous expenditure written off	0.01	0.01	0.01	0.04	-	-

Total Expenditure	8.07	1.51	9.63	1.03	5.89	6.37
Net Profit before tax and extraordinary items	(0.00)	0.00	0.00	16.00	33.65	56.26
Provision for taxation						
Income Tax (Including Short Provisions for earlier years, if any)	0.00	0.00	0.00	1.36	3.77	7.95
Deferred Tax Charges / (Benefits)	-	-	-	-	-	-
Fringe benefit Tax	-	-	-	-	0.01	-
Net Profit after tax and before extraordinary items	(0.00)	0.00	0.00	14.64	29.87	48.31
Extraordinary items (net of tax)	-	-	-	-	-	-
Net Profit after extraordinary items	(0.00)	0.00	0.00	14.64	29.87	48.31
Earlier year adjustments	-	-	-	-	-	-
Net Profit after tax	(0.00)	0.00	0.00	14.64	29.87	48.31
Balance in Profit & Loss account brought forward	0.01	0.01	0.01	0.01	0.32	8.70
Balance available for appropriation	0.01	0.01	0.01	14.65	30.20	57.02
Appropriations						
Transfer to Reserve						
General reserve	-	-	-	-	-	-
Transfer to special reserve under section 45-IC of the Reserve Bank of India Act, 1934, of India	-	-	-	2.93	9.57	9.70
Capital redemption reserve	-	-	-	-	-	27.00
Proposed dividend	-	-	-	10.00	10.45	10.00
Tax on proposed dividend	-	-	-	1.40	1.47	1.70
Balance in Profit & Loss account	0.01	0.01	0.01	0.32	8.70	8.62
Total	0.01	0.01	0.01	14.65	30.20	57.02

**MICROSEC FINANCIAL SERVICES LTD.-STANDALONE
STATEMENT OF RESTATED CASH FLOW**

Annexure – III
(Rupees in million)

	Particulars	Year ended 31.03.2003	Year ended 31.03.2004	Year ended 31.03.2005	Year ended 31.03.2006	Year ended 31.03.2007	6 months ended 30.09.2007
A.	Cash Flow from Operating Activities						
	Net Profit / (Loss) after tax	(0.00)	0.00	0.00	14.64	29.87	48.31
	Depreciation and amortization	0.01	0.01	0.01	0.58	4.06	3.67
	Investments written off	-	-	-	-	-	-
	Loss (Profit) on sale of fixed assets	-	-	-	-	-	-
	Bad debts and advances written off	-	-	-	-	-	-
	Operating cash flow before working capital changes	0.00	0.01	0.01	15.22	33.93	51.99
	Adjustment for						
	(Increase)/decrease in Stock in trade	(8.03)	1.17	(8.27)	20.29	-	-
	(Increase)/decrease in debtors	2.26	(2.05)	2.09	(5.06)	4.29	(38.72)
	(Increase)/decrease in Loans & Advances	0.11	(4.80)	6.18	(8.44)	3.39	(69.21)
	Increase/(decrease) in trade payable	(0.05)	0.00	(0.02)	32.81	(12.86)	31.60
	Cash (used) in/generated from operations	(5.71)	(5.67)	(0.01)	54.82	28.75	(24.34)
	Income taxes for the year	0.00	0.00	(0.00)	1.36	2.41	7.95
	Net cash (used in)/generated from operating activities	(5.70)	(5.67)	(0.01)	56.18	31.16	(16.39)
B.	Cash Flow from Investing Activities						
	Proceeds from sale of fixed assets	-	-	-	-	-	-
	Addition to fixed assets	-	-	-	(30.46)	(30.89)	(0.56)
	(Increase)/Decrease in Investment	-	-	-	(131.03)	2.87	(1.09)
	Net cash (used in)/generated from investing activities	-	-	-	(161.49)	(28.02)	(1.66)
C.	Cash Flows from Financing Activities						

	Proceed from issue of Share Capital including premium received	5.66	5.75	-	106.00	27.00	
	Preliminary / Share Issue Expense	(0.01)	(0.01)	(0.04)	(0.47)	(0.14)	(1.12)
	(Repayment of)/ proceeds from secured loans	-	-	-	-	-	39.95
	Redemption of Preference Share	-	-	-	-	-	(27.00)
	Dividend & Dividend Distribution tax	-	-	-	-	(23.32)	-
	Net cash generated from(used in) financing activities	5.66	5.74	(0.04)	105.53	3.54	11.84
D.	Net increase / decrease in cash and cash equivalents	(0.05)	0.08	(0.05)	0.21	6.68	(6.21)
E.	Cash and Cash equivalents at the beginning of the period	0.05	0.00	0.08	0.03	0.24	6.92
F.	Cash and Cash equivalents at the end of the period	0.00	0.08	0.03	0.24	6.92	0.71

MICROSEC FINANCIAL SERVICES LTD.

Annexure IV

Significant Accounting Policies and notes on accounts

A SIGNIFICANT ACCOUNTING POLICIES:

i) Basis for preparation of Financial Statements

The financial statements have been prepared under the historical cost convention in accordance with the Generally Accepted Accounting Principles (GAAP) as followed in India and the provisions of the Companies Act, 1956, as adopted consistently by the Company. All income and expenditure having a material bearing on the financial statements are recognized on an accrual basis and on the Accounting Principle of a Going Concern.

Accounting Policies not specifically referred to otherwise are consistent and are in consonance with generally accepted accounting principles..

These financial statements are complied duly complying with the Directions issued by Reserve Bank of India as regards Income recognition, Asset Classification, Provisioning as applicable to NBFC under Non-Banking Financial (Non – Deposit Accepting or Holding) Companies Prudential Norms

(Reserve Bank) Directions, 2007.

ii) Use of Estimates

The presentation of Financial Statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the Financial Statements and

the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognized in the period in which the results are known/materialised.

iii) **Revenue Recognition & Expenditure**

All revenue & expenditure have been recognized on accrual basis except Dividend & Interest which have been accounted for as and when received.

Revenue is recognised when there is reasonable certainty of its ultimate realisation/collection.

Fees from Professional services and other advisory services are recognised on accrual basis.

Stock in Trade

Stock in Trade is valued at cost.

iv) **Fixed Assets**

(a) Tangible Fixed Assets- are stated at historical cost less accumulated depreciation.

(b) Intangible Assets-are stated at cost of acquisition less accumulated amortisation.

(c) Assets acquired on amalgamation are stated as per scheme.

v) **Impairment of Fixed Assets**

An asset is treated as impaired when the carrying cost of the asset exceeds its recoverable value. The impairment is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there is a change in the estimate of recoverable amount.

vi) **Depreciation/Amortisation on Fixed Assets**

(a) Depreciation on Tangible Fixed Assets

Depreciation is provided on written down value method, at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956.

(b) Amortization on Intangible Assets

Software is amortized on straight-line basis over the period of useful life.

vii) **Investments**

Investments are accounted for and categorized as per RBI's applicable directive and are recorded by the Company at cost, which includes acquisition charges such as brokerage, fees and duties. Provision is made for any diminution, other than temporary, in the value of long-term investments. Investments acquired under amalgamation are stated as per scheme.

viii) **Advances, Classification, Income recognition and Provisioning**

Loans and Advances in the nature of loans are classified as per the RBI guidelines into performing and non -performing assets and income recognition and provisioning norms are also applied to these assets as per RBI directives as applicable to the Company.

ix) **Taxes on Income**

Provision for taxation is made on the basis of current liability method. Deferred tax liability/asset has been provided in the books in accordance with Accounting Standard 22 (Accounting for Taxes on income).

x) **Provisions, Contingent liabilities and Contingent assets**

- Provision involving substantial degree of estimation in measurement are recognized when there is a present obligation as result of past events and is probable that there will be an outflow of resources.
- Contingent liabilities are not recognised, but are disclosed by way of notes on accounts.
- Contingent assets are neither recognized nor disclosed in the Financial Statement.

xi) **Retirement Benefits**

(a) **Gratuity**

The Company has participated in group gratuity cum life assurance scheme of Life Insurance Corporation of India for gratuity payable to the employees and contribution thereto, based on an actuarial valuation, is charged to the profit and Loss Account and the unfounded amount being disclosed as a provision.

(b) **Leave Encashment Benefits**

The employees of the company are entitled to encash their unavailed leave accrued during the course of their employment in accordance with the Company's rules and regulation. The same is therefore accounted on accrual basis.

Miscellaneous Expenditure

Preliminary Expenses are amortised over a period of ten equal installments..

Preliminary Expenses incurred after 01.04.1998 are amortised over a period of five years in five equal installments.

MICROSEC FINANCIAL SERVICES LTD.

B NOTES ON ACCOUNTS

- i) The entire Preference Share have been redeemed at par on 30th June, 2007.
- ii) The management has assessed that there is no impairment of Fixed Assets requiring provisioning in the Accounts. Accordingly there is no debit/credit to the P/L Account for the impairment of Assets.
- iii) The Company has provided Corporate guarantee and had created equitable mortgage as security for the said guarantee for Credit facilities extended by HDFC Bank to the extent of Rs. 10 Crores to Microsec Capital Limited (a wholly owned subsidiary Company).
- iv) There were no dues payable to Small Scale Industrial Undertakings as on 30.09.2007. This has been determined on the basis of information available with the company.
- v) Useful Operating life of the Computer Software has been estimated to be 36 months.
- vi) The Honorable High Court of Kolkata has passed an order dated 5th April 2006, of Amalgamation of Ravindra Shelter Ltd. With the Company u/s 391 & 394 of the Companies Act 1956, with effect from 1st December, 2005.
- vii) Information relating to the Amalgamation is given below : -

a)	Name and general nature of business of the	Ravindra Shelter Ltd.-Consultancy & Advisory
----	--	--

	Amalgamating Company	Services
b)	Effective date of Amalgamation for Accounting Purpose	01.12.2005
c)	The Method of Accounting used to Reflect the Amalgamation	Purchase method
d)	Particulars of the scheme sanctioned under the statute	Scheme of Amalgamation u/s 391 & 394 of the Companies Act, 1956
e)	Consideration for the amalgamation and a description of the consideration paid or contingently payable.	The amalgamation has been with the 100% subsidiary Company. Investment in shares of the Subsidiary Company is Rs. 86,67,600/-
f)	The amount of any difference between the consideration and the value of net identifiable assets acquired, and the treatment thereof including the period of amortisation of any goodwill arising on amalgamation.	Cash, Bank Balances and net current assets have been recorded at realizable value. Balance Investment in shares of amalgamating Company is allocated to the balance assets of the amalgamating Company on proportionate basis.

- viii) The company has acquired 14,88,561 equity shares (100%) of Rs. 10/- each of Microsec Capital Ltd. The same have been transferred in the name of the Company on 10th July 2006 after getting approval from Securities & Exchange Board of India (SEBI) and Stock Exchanges.
Besides the Company has also acquired 50,000 (100%) & 3,10,000 (100%) equity share capital of Rs. 10/- each of MIL Technologies Ltd. & Microsec Resources Private Ltd. respectively.
- ix) In respect of amounts as mentioned under section 205C of the Companies Act, 1956, there were no dues required to be credited to the Investor Education and Protection Fund as on 31st March, 2007.
- x) The company has been registered as Non Banking Finance Company with Reserve Bank of India under Section 45 IA of the Reserve Bank of India Act, 1934 ; vide Registration No. B. 05-05346 dated 29.01.2003 and continues to carry on the business of Non- Banking Financial Institution (NBFI), hence is entitled to continue to hold the said NBFC certificate.
- xi) Paise have been rounded off to the nearest rupees.
- xii) Figures in bracket represent negative figures.
- xiii) Previous year's figures have been regrouped/rearranged wherever necessary to conform to current year's groupings and classifications.

- xiv) In the opinion of the Board of Directors of the company the current Assets, Loans & Advances and deposits are approximately of the value stated in the accounts, if realized in the ordinary course of business unless otherwise stated. The provision for all known liabilities are adequate and not in excess of the amount reasonably required.

- xv) During the period, the company has only one segments i.e. Financing & Investment management . In view of this, disclosure required by As-17 “Segmental reporting” is not applicable.

**MICROSEC FINANCIAL SERVICES LTD.-STANDALONE
TAX SHELTER STATEMENT**

Annexure – V
(Rupees in million)

Particulars	As at 31.03.2003	As at 31.03.2004	As at 31.03.2005	As at 31.03.2006	As at 31.03.2007	As at 30.09.2007
Tax Rate	36.75%	35.88%	36.59%	33.66%	33.66%	33.99%
Tax Rate as per MAT u/s 115JA/JB	7.88%	7.69%	7.84%	8.42%	11.22%	11.33%
Tax at actual rate of profit	(0.00)	0.00	0.00	5.39	11.33	19.12
Adjustment						
Permanent Differences						
i) Profit on sale of Investment	-	-	-	(1.28)	(6.87)	(7.37)
ii) Securities Transaction Tax	-	-	-	0.01	0.00	-
iii) Difference in Tax Rates on STCG	-	-	-	(0.11)	-	-
iv) Dividend u/s 10 (34)	-	-	-	-	(0.01)	(0.00)
Timing Differences						
i) Difference between Tax Dep & Book Dep	-	-	-	(2.65)	(3.88)	(0.58)
ii)	-	-	-	-	-	-
iii)	-	-	-	-	-	-
Net Adjustments	-	-	-	(4.02)	(10.76)	(7.95)
Tax Savings thereon	-	-	-	(4.02)	(10.76)	(7.95)
Brought forward Loss adjusted	-	-	-	-	-	(0.01)
Total Tax as per normal provisions	(0.00)	0.00	0.00	1.36	0.56	11.16
Taxable Income as per MAT	(0.00)	0.00	0.00	16.00	33.62	56.26
Tax as per MAT	(0.00)	0.00	0.00	1.35	3.77	6.37
Tax as per I.T higher of (Normal or MAT)	(0.00)	0.00	0.00	1.36	3.77	11.16
Mat Credit adjusted	-	-	-	-	-	(3.21)
Interest u/s 234	-	-	-	0.03	0.34	-
Total Tax as per return	-	-	-	1.39	4.12	11.16
Share Loss as per return carried forward	-	-	-	1.70	1.81	1.36

**MICROSEC FINANCIAL SERVICES LTD.-STANDALONE
ACCOUNTING RATIOS**

Annexure – VI
(Rupees in million)

Period ended	Year ended 31.03.2003	Year ended 31.03.2004	Year ended 31.03.2005	Year ended 31.03.2006	Year ended 31.03.2007	6 months ended 30.09.2007
Net Worth (Rs.) (A)	14,597,221	20,349,108	20,320,167	129,125,039	173,941,814	182,441,539
Adjusted Profit after Tax (Rs.) (B)	(3,073)	1,397	643	14,640,335	29,873,011	48,314,225
No. of Shares outstanding at the end (C)	690340	805340	805340	10000000	10000000	10000000
Weighted average number of Shares outstanding (D)	633720	747840	805340	5402670	10000000	10000000
Earning Per Share - Annualised (EPS) (Rs.) (B/D)	(0.00)	0.00	0.00	2.71	2.99	9.66
Return on Net Worth - Annualised (%) (B/A)	(0.02)	0.01	0.00	19.59	19.71	54.23
Net Asset Value per Share (Rs.) (A/C)	21.14	25.27	25.23	12.91	17.39	18.24
Other Ratios						
Cash Earning per Share - Annualised (Rs.)	0.00	0.01	0.01	2.82	3.39	10.40

Notes:

1. The ratios
have been
computed as
below:

$$\begin{aligned} \text{Earnings per share (Rs)} &= \frac{\text{Net profit attributable to equity shareholders}}{\text{Weighted average number of equity shares outstanding during the year/period}} \\ \text{Return on net worth (\%)} &= \frac{\text{Net profit after tax}}{\text{Average Net worth excluding revaluation reserve at the end of the year/period}} \\ \text{Net asset value per equity share (Rs)} &= \frac{\text{Net worth excluding revaluation reserve and preference share capital at the end of the year/period}}{\text{Number of equity shares outstanding at the end of the year/period}} \end{aligned}$$

2. Net profit, as restated as appearing in the statement of profits and losses has been considered for the purpose of computing the

above ratios. These ratios are computed on the basis of the standalone (unconsolidated) restated financial statements of the Company.

3. Earnings per share calculations are done in accordance with Accounting Standard 20 "Earnings per share" issued by the Institute of Chartered Accountants of India.

**MICROSEC FINANCIAL SERVICES LTD.-STANDALONE
CAPITALIZATION STATEMENT**

Annexure – VII
(Rupees in million)

	Pre-issue as at 30.09.2007	Adjusted for the Public Issue
Borrowing		
Short-Term debt	-	
Long-Term debt	39.95	
Total debt	39.95	
Shareholders' funds		
Share Capital		
-Equity	100.00	
Less : Calls-in-arrears	-	
-Preference	-	
Share premium	24.62	
Reserves & surplus	57.82	
Less : Miscellaneous Expenditure not W/off.	-	
Total Shareholders Funds	182.44	
Long-term Debt/Equity ratio	0.22	

**MICROSEC FINANCIAL SERVICES LTD.-STANDALONE
AGING SCHEDULE OF SUNDRY DEBTORS**

Annexure – VIII
(Rupees in million)

Age wise Break-up	As at 31.03.2003	As at 31.03.2004	As at 31.03.2005	As at 31.03.2006	As at 31.03.2007	As at 30.09.2007
Due for Less than six months	0.04	2.09	-	5.06	0.77	39.48
	-	-	-	-		

Due for More than six months					-	-
Total	0.04	2.09	-	5.06	0.77	39.48

**MICROSEC FINANCIAL SERVICES LTD.-STANDALONE
DETAILS OF SECURED LOANS**

Annexure – IX
(Rupees in Million)

Particulars	As at 31.03.2003	As at 31.03.2004	As at 31.03.2005	As at 31.03.2006	As at 31.03.2007	As at 30.09.2007
Infrastructure Leasing & Financial Services Ltd *	-	-	-	-	-	39.95
Total	-	-	-	-	-	39.95

Note: The company was debt free till 31.03.07

* The details of Loans are as under :

Name of Lender	Nature	Sanctioned	Rate of Interest	Repayment Terms	Securities Offered
Infrastructure Leasing & Financial Services Ltd.	Line of Credit	40	14%	On Demand	shares

**MICROSEC FINANCIAL SERVICES LTD.-STANDALONE
DETAILS OF LOANS AND ADVANCES**

Annexure – X
(Rupees in Million)

Particulars	As at 31.03.2003	As at 31.03.2004	As at 31.03.2005	As at 31.03.2006	As at 31.03.2007	As at 30.09.2007
LOANS TO SUBSIDIARY COMPANIES						
Subsidiary Company	-	-	-	6.96	-	19.02
Advances recoverable in cash or in kind or for value to be received						
- Secured - Considered Good	-	-	-	-	-	-
- Unsecured - Considered Good	1.38	6.18			3.96	52.58
- Considered doubtful	-	-	-	-	-	-
Advance Income tax / other taxes	0.01	0.01	0.01	1.30	0.91	2.48
Deposits	-	-	-	0.19	0.19	0.19
Total	1.39	6.19	0.01	8.45	5.06	74.27

Note : No Loans and Advances have been given to any Company / Firm other than Group / Subsidiary Companies as stated above , where the promoters / directors are interested.

**MICROSEC FINANCIAL SERVICES LTD.-STANDALONE
DETAILS OF CONTINGENT LIABILITIES AS ON 30.09.2007**

Annexure – XI
(Rupees in million)

Sl. No.	Particulars	Amount
1	Corporate Guarantee given to HDFC Bank for Credit facilities provided to subsidiary Company Microsec Capital Limited for Rs. 100.00 millions	100.00
	Total	100.00

**MICROSEC FINANCIAL SERVICES LTD.-STANDALONE
DETAILS OF INVESTMENTS**

Annexure – XII
(Rupees in million)

Particulars	As at 31.03.2003	As at 31.03.2004	As at 31.03.2005	As at 31.03.2006	As at 31.03.2007	As at 30.09.2007
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Long Term Investment -Quoted	-	-	-	0.89	-	-
Aggregate Book value (Rs.)	-	-	-	0.89	-	-
Aggregate Market value/quoted value (Rs.)	-	-	-	0.62	-	-
Diminution in the value (Rs.)	-	-	-	0.27	-	-
Other Long term Investment						
Unquoted	-	-	-	7.89	4.61	1.50
Subsidiary Companies	-	-	-	122.25	122.25	122.25
Investment in Venture Capital Fund	-	-	-	-	-	5.00

Investment in Mutual Funds	-	-	-	-	1.30	0.50
Investment in Bonds						
In Associated Companies	-	-	-	-	-	-
In Others	-	-	-	-	-	-
Total	-	-	-	131.03	128.17	129.26

**MICROSEC FINANCIAL SERVICES LTD.-STANDALONE
DETAILS OF DIVIDEND PAID**

Annexure – XIII
(Rupees in million)

Class of Shares	Face Value	Year ended 31.03.2003	Year ended 31.03.2004	Year ended 31.03.2005	Year ended 31.03.2006	Year ended 31.03.2007	6 months ended 30.09.2007
Equity Shares							
Eq. Sh. Capital as at year end	10.00	-	-	-	100.00	100.00	100.00
Rate of Interim / Final Dividend					10%	10%	10%
Aggregate Amt of Eq.Dividend					10.00	10.00	10.00
Preference Shares							
Pref. Sh. Capital as at year end		-	-	-		27.00	
Rate of Interim / Final Dividend						5%	
Aggregate Amt of Pref.Dividend						0.45	

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations is based upon, and should be read in conjunction with, our restated consolidated financial statements as of and for the six months ended September 30, 2007, and the years ended March 31, 2007, 2006 and 2005, including the schedules, annexures and notes thereto and the reports thereon, in the section titled "Financial Statements" on page 98 of this Draft Red Herring Prospectus. These financial statements are based on our audited consolidated financial statements and are restated in accordance with paragraph B(1) of Part II of Schedule II of the Companies Act and the SEBI Guidelines. Our audited consolidated financial statements are prepared in accordance with Indian GAAP.

The audit committee of the Board of MFSL was reconstituted on November 3, 2007. The financial statements of MFSL or any of the subsidiaries have been approved by their respective Boards, and where applicable, by the earlier audit committee. The current subsidiaries of the Company, Microsec Capital Limited, MIL Technologies Limited and Microsec Resources Private Limited were acquired by us on November 24, 2005, March 30, 2006 and February 1, 2006 respectively. As a result, our consolidated results of operations have been prepared for the first time in the Financial year 2005-06 and hence the results of MFSL stand-alone for the year ended March 31, 2005 given in the table below under "Discussion on Results of Operations" are not comparable to the year ended March 31, 2006 (Consolidated). Our Subsidiary Microsec Capital Limited has two wholly-owned subsidiaries – Microsec Insurance Brokers Limited and Microsec Commerze Limited on and from Financial year 2002-03 and Financial year 2005-06 respectively

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding such risks and uncertainties, see the sections titled "Forward-Looking Statements" and "Risk Factors" beginning on pages xii and xiii of this Draft Red Herring Prospectus respectively.

BUSINESS OVERVIEW

We are a well-diversified financial services company providing an array of services including investment banking, retail brokerage, wealth management, insurance broking, Depository-participant and financing services to corporate / institutional / high net worth individual clients. Further, we are in the process of launching institutional equities and portfolio management services., We are headquartered in Kolkata and our products and services are distributed through 176 business locations spread across 49 cities and towns.

We operate through Microsec Financial Services Limited ("MFSL") and its Subsidiaries. MFSL, the ultimate holding company of all the Subsidiaries, is an NBFC, registered with the RBI and its main business includes giving loans against shares and rendering advisory services to clients. Our Subsidiaries are Microsec Capital Limited ("MCap"), Microsec Resources Private Limited ("MRPL"), MIL Technologies Limited ("MTL"), Microsec Insurance Brokers Limited ("MIBL") and Microsec Commerze Limited ("MCL").

MCap and MRPL are 100% subsidiaries of MFSL. Further, MIBL and MCL are 100% subsidiaries of MCap. 80.00% and 20.00% of the shareholding in MTL is held by MFSL and MCap respectively.

The Microsec Group employs approximately 325 employees as of January 18, 2008. In Fiscal 2006 and 2007, our consolidated total income was Rs. 125.70 million and Rs. 185.92 million respectively. In Fiscal 2006 and 2007, our consolidated profit after taxation was Rs. 42.39 million and Rs. 76.42 million respectively. Consolidated total income and profit after tax in the 6 months' period ended September 30, 2007 stands at Rs. 183.41 million and Rs. 94.51 million respectively.

Our group-wise results of operations for the six months ended 30th September, 2007 is outlined below.

(Rs. million)

Entity	Gross Revenue	PAT
MFSL	62.63	45.19
MCap	70.47	20.90
MRPL	32.02	18.77
MCL	8.57	6.01
MIBL	3.56	0.53
MTL	6.16	3.11
TOTAL	183.41	94.51

SIGNIFICANT DEVELOPMENTS AFTER SEPTEMBER 30, 2007 THAT MAY AFFECT FUTURE OPERATIONS

Our Directors are not aware of any developments after September 30, 2007 that may adversely and materially affect, or are likely to affect, our business and profitability or the value of our assets or our ability to pay our liabilities within the next twelve months. Details of preferential issue of capital made on December 31, 2007 have been provided in the section entitled "Capital Structure" on page 13.

FACTORS AFFECTING RESULTS OF OPERATIONS

Our financial condition and results of operations are affected by numerous factors. We believe the following are of importance.

Dependence on the income of MFSL

MFSL is into business of providing loans against shares and wealth management advisory services. The giving of loans is totally dependent upon the resource availability with MFSL both through its own capital and borrowed capital. The leverage of borrowed capital to the bottom-line of MFSL is very important as this means of borrowed resource, offers an opportunity for interest arbitrage. Similarly, the revenue stream from wealth management advisory service depends upon how much wealth is under financial advice of the Company.

Dependence on the business of MCap

Our investment banking, equity broking, consultancy and depositories activities are carried out through MCap and MCap contributed 59.97% and 54.69% of our total consolidated revenues for the year ended March 31, 2006 and year ended March 31, 2007 respectively. Microsec Group is substantially dependent on the business of MCap and any increase or decrease in MCap's

revenues and profit margins may cause our consolidated results to increase or decrease sizably. In addition, the Microsec Group results are also dependent on our equity brokerage business, where market volatility at times affects the business volumes. In other words, the business of MCap is to a large extent dependant upon the given state of capital markets in India. Our strategy is to actively grow our other lines of businesses also so that any decline in our capital market business should therefore not affect our overall financial condition and operating results. The increased thrust on fund-based activity shall provide us a large insulation from capital market fluctuations in our business.

Competition

We face significant competition from other Indian and foreign brokerage houses, investment banks, and public and private sector commercial banks operating in the markets in which we operate. In recent years, international banks have also entered these markets. Some of these firms have greater resources, a longer operating history (than in case of our business) and / or a more widely recognised brand than us, which may give them a competitive advantage. Our ability to grow our revenues will depend on demand for our products and services in preference to those of our competitors. We can always differentiate ourselves favourably from our competitors only on our unique customer segmentation, product capabilities and our service conditions to clients.

Stock market trends

The merchant banking and equity broking business in the Microsec Group is dependent on favourable capital market conditions and other factors that affect the volume of stock trading in India. In recent years, although the Indian and world securities markets have fluctuated considerably, the trend has overall been upwards. Revenues have increased because of increased trading volumes and we expect the current positive market sentiment to continue for a fairly long time as the growth of any developing economy towards its journey to developed economy is primarily dependent upon a pre-existing robust financial market. However, there are many factors outside our control which may offset future increases or result in a decline in equity-broking volumes. However, the increasing thrust of the Microsec Group on fund-based activities should provide adequate guard from any decline in capital-market related revenues.

Growth in the Indian economy

General economic conditions in India have a significant impact on our consolidated results of operations. The Indian economy has grown rapidly over the past decade and is expected to continue to grow in the future. We believe growth in the overall economy has driven, and will drive, the underlying demand for investment products and services both in terms of the availability of capital for investment and the availability of such products and services. The world at large is convinced with India's huge growth potential in decades to come.

Geographical expansion and new branch openings

We deliver our products and services through multiple business locations. As at January 18, 2008, we had 176 business locations spread across 49 cities and towns. Our increased geographical spread has contributed to increased net revenues.

Regulatory developments

We are regulated by the Companies Act and some of our activities are subject to supervision and regulation by statutory and regulatory authorities including the SEBI, FMC, RBI, CDSL, NSDL, OTCEI and Stock and Commodity exchanges. For more information, see the section titled "Regulations and Policies" beginning on page 56 of this Draft Red Herring Prospectus. We are therefore subject to changes in Indian law, as well as to changes in regulations, government policies and accounting principles.

Recruitment and retention of employees

We are dependent on our Directors, senior management and other key personnel. There is high demand in the Indian financial services industry for senior management and qualified employees and we must reward employees in line with the market to remain competitive and to retain as well as attract well-qualified individuals. In addition, our employee base has increased as our network has grown and as we have entered into new business areas, including venture capital management business and distribution business which requires hiring of a number of qualified personnel.

New business products

We have recently expanded our business offerings to include wider areas of corporate consultancy, venture capital management, Portfolio Management Service and distribution of third party savings products. The competitive edge of the organisation can be maintained only if it comes out with innovative financial products that the market may demand at any given point of time. This offers a major challenge which our organisation would like to meet through its professional acumen.

Technology

We recognise the need to have state-of-the-art technology in place across our whole network to allow customers to avail of advanced trading systems, real time information and access to research reports online. We expect that advances in technology will enable us to provide a more efficient trade execution and ancillary services to our customers, which is expected to have a positive impact on our revenues, although this may be partially offset by initial capital investment costs.

For further details, see the sections entitled “Risk Factors”, “Business” and “Industry Overview” in this Draft Red Herring Prospectus.

DISCUSSION ON RESULTS OF OPERATIONS

MFSL commenced operations under the present management in Fiscal 2006. The current subsidiaries of the Company, MCap, MTL and MRPL were acquired by us on November 24, 2005, March 30, 2006 and February 1, 2006 respectively. As a result, the first set of Consolidated Results were required to be made for the first time in the financial year 2005-06 and hence the results of operations for the year ended March 31, 2005 given for MFSL stand-alone are not comparable to the year ended March 31, 2006 (Consolidated). The following table sets forth select financial data from our restated consolidated profit and loss accounts, for the year ended March 31, 2005 (MFSL stand-alone only), 2006 and 2007 and for the six months period ended September 30, 2007. Our restated consolidated and stand-alone profit and loss account provided under the head “Financial Information” give details about our sources of revenue for each company separately and consolidated as well.

RESTATED PROFIT AND LOSS ACCOUNT

Particulars	Year ended March 31, 2005		Year ended March 31, 2006		Year ended March 31, 2007		6 Months ended September 30, 2007	
	Rs. Millions	% of Total Income	Rs. Millions	% of Total Income	Rs. Millions	% of Total Income	Rs. Millions	% of Total Income
Income								
Income from Operation	1.37	14.22%	117.61	93.57%	185.54	99.80%	181.35	98.87%
Other Income	8.27	85.78%	8.09	6.43%	0.38	0.20%	2.06	1.13%
Total Income	9.64	100.00%	125.7	100.00%	185.92	100.00%	183.41	100.00%
Expenditure								
Operating Expenses	9.60	99.59%	6.68	5.31%	13.12	7.06%	4.93	2.69%
Staff costs	0.02	0.21%	15.49	12.32%	25.27	13.59%	24.68	13.46%
Administrative Expenses - Operational	0.01	0.10%	26.2	20.84%	22.13	11.90%	17.41	9.49%
Administrative Expenses - Distribution	-	0.00%	13.78	10.96%	22.71	12.22%	2.45	1.33%
Interest	-	0.00%	3.63	2.89%	0.13	0.07%	0.83	0.45%
Depreciation	-	0.00%	9.64	7.67%	14.52	7.81%	10.26	5.59%
Miscellaneous expenditure written off	0.01	0.10%	0.29	0.23%	0.36	0.19%	1.3	0.71%
Total Expenditure	9.64	100.00%	75.7	60.22%	98.24	52.84%	61.84	33.72%
Net Profit before tax and extraordinary items	-	0.00%	50	39.78%	87.68	47.16%	121.57	66.28%
Provision for taxation								
Income Tax (Including Short Provisions for earlier years, if any)	0.00	0.00%	4.59	3.65%	7.49	4.03%	20.74	11.31%
Deferred Tax Charges / (Benefits)	-	0.00%	2.73	2.17%	3.47	1.87%	6.16	3.36%
Fringe benefit Tax	-	0.00%	0.29	0.23%	0.3	0.16%	0.16	0.09%
Net Profit after tax and extraordinary items	0.00	0.00%	42.39	33.72%	76.42	41.10%	94.51	51.53%
Extraordinary items (net of tax)	-	-	-	-	-	-	-	-

Net Profit after extraordinary items	0.00	0.00%	42.39	33.72%	76.42	41.10%	94.51	51.53%
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Note: Year ended March, 2005 figures are not comparable for the reason explained in the first para.

Revenues

Our revenues consist of income from operations and other income.

Income from Operations

Our income from operations consists principally of investment banking consultancy fees, interest on loans, investment management revenue, brokerage income, advisory fees, savings products distribution commission, insurance broking, depository income etc.

Interest income

Interest income is earned from giving corporate loans and financing our customers, including broking customers, through our loans against shares business.

Brokerage income

Income from brokerage business is through our execution of third party trades for equities, derivatives and commodities on the exchanges. The income from brokerage services is driven principally by the number of active clients and the volume of business done by them. Client growth has been a significant driver of revenue growth in our broking business. Growth in total client numbers has been driven primarily by our increased geographical presence, and enhanced skilled and competent trade and execution teams aided by well structured research team.

Investment Management Revenue

The source of this revenue is our investment activity and long-term capital growth in sectors and companies identified by us.

Other Income

Other income consists primarily of dividends, subsidies received and interest earned on bank deposits.

Expenditure

Our expenditure primarily consists of operating expenses, staff costs and administrative expenses.

Operating expenses

The principal components of our operating expenses are bank and dematerialisation charges, charges payable to NSDL and SEBI, technology upgradation expenses and transaction charges etc.

Staff Costs

Staff costs include salaries, bonuses, ex-gratia payments, directors' remuneration, contributions to applicable statutory funds and training costs. Our staff costs have increased, and are expected to continue to increase, substantially since the year ended March 31, 2006, resulting principally from increase in business necessitating the increase in both the number of employees and increments in salaries.

Administrative expenses

The principal components of administrative expenses relate to costs associated with advertisement, telephones, electricity, repairs, rates and taxes, printing and stationery, travelling, legal and professional fees, marketing expenses, audit fees, etc. We have sought to increase the awareness of our brand, products and services and to increase our market presence and share. We have been incurring marketing and brand promotion expenses. The expansion of our business locations network has also led to an increase in the amount of space we lease, which in turn has increased rent and ancillary charges. Legal and professional fees relate to fees paid to accountants, financial experts, IT and other consultants.

Interest Cost

Interest principally includes interest and other fees charged by banks and financial institutions. Interest is charged on our overdraft facilities. Bank charges consist of fees charged pertaining to bank guarantees obtained in our business.

Taxation

Current tax: Current tax is the provision made for income tax liability on the profits for the applicable financial period in accordance with applicable tax laws.

Deferred tax: Deferred tax arises from timing differences between book profits (accounting) and taxable profits that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using tax rates and laws that have been enacted or substantially enacted as of the date of our balance sheet.

Fringe benefit tax: The Company, in accordance with applicable laws, has to pay fringe benefit tax.

COMPARISON OF FINANCIAL PERFORMANCE IN RECENT YEARS ON THE MAJOR HEADS OF THE PROFIT AND LOSS ACCOUNT

Comparison of financial performance of the 6 months ended September 30, 2007 with the year ended March 31, 2007

Income: Total revenues have grown from Rs.185.92 million for Fiscal 2007 to Rs.183.41 million in the 6 months period ended September 30, 2007. The major growth in revenues has come from the capital market division of MCap contributing higher revenues by about Rs.24 million. The Investment banking activity of MCap also showed positive growth and contributed to the total income. Growth was also realised due to better financial returns in its loan activity. The fee based income for asset management advisory services in MFSL also helped increase overall revenues. Part of this income may be non-recurring in nature.

Other income: Other income increased from Rs. 0.38 million for Fiscal 07 to Rs.2.06 million in the 6 months period ended September 30, 2007. This is attributable to a receipt of Rs.2 million from the Government. of West Bengal for subsidy earned from the Department of SSI in MIL Technologies Ltd.

Depreciation: The increase in absolute amount of depreciation from Rs.14.52 million in Fiscal 07 to Rs.10.26 million in 6 months period ended September 30, 2007 is primarily because the Company has started operating from another office at Shivam Chambers in Kolkata as well. Higher depreciation was a result of this increased capital expenditure.

Administrative expenses: The distribution administrative expenses have come down from 12% of total revenues in Fiscal 2007 to 1.33% in the 6 months period ended September 30, 2007. This is primarily because in the 6 months period ended September 30, 2007, the distribution business vertical of the Company dealing in distribution of mutual fund and other financial products could not carry out its business to the full potential. As a result of lower volumes, the distribution expenses associated with this vertical also have come down.

Operating expenses: The drop in the operating expenses from 7.06% in Fiscal 2007 to 2.69% in the 6 months period ended September 30, 2007 was because of a relative drop in expenses pursuant to an increase in total revenues during the latter period.

Provision for taxation: The provision for tax in the 6 months period ended September 30, 2007 is higher when compared to the figures for Fiscal 2007. This is because unlike in Fiscal 2007, the benefit of credits for earlier years was no longer available in Fiscal 2008.

Comparison of financial performance of the year ended March 31, 2007 with the year ended March 31, 2006

Income: Income from operations has increased from Rs.117.61 million in Fiscal 2006 to Rs. 185.54 million in Fiscal 2007. Approximately Rs.42 million of higher comparative billing was achieved in the Investment Banking Division of MCap. Another about Rs.16 million came from higher revenues from capital market brokerage activity in MCap.

Other income: The amount of other income in Fiscal 2006 was Rs.8.09 million, which in Fiscal 2007 was Rs.0.38 million. In Fiscal 2006, MITL received subsidy from the Department of SSI to the tune of Rs.2.24 million and about Rs.4.33 million was credited to the profit and loss account by MCL on account of write back of provisions on investments created in the earlier years as the corresponding investments recovered their investment values in Fiscal 2006 and such value was duly realised by selling off the said investments.

Operating expenses: The operating expenses to total revenue have increased from 5.32% of revenue in Fiscal 2006 to 7.06% in Fiscal 2007. Reasons attributable to the same are the scheme offered by MCap to open DP accounts without any charges from the clients, whereas MCap paid approx. Rs. 1 million to NSDL. The incidence of SEBI turnover charges was also higher in Fiscal 2007 by about Rs. 1.4 million as compared to Fiscal 2006.

Staff costs: Staff costs, which was 12.32 % of total income in Fiscal 2006 showed a marginal increase to 13.59 % of total income in Fiscal 2007

Interest cost: The interest cost has fallen from Rs.3.63 million in Fiscal 2006 to Rs.0.13 million in Fiscal 2007. Reduction in interest was because of external loans having been paid back with the objectives of saving on interest cost.

Administrative expenses: The savings in operational administrative expenses occurred because of control over expenditure, whereas total revenue grew by about 50%, thereby containing the costs.

Comparison of financial performance of the year ended March 31, 2006 with the year ended March 31, 2005

As the Company began its operations under the present Management in Fiscal 2005, the profit after tax for the said year was nil. The current subsidiaries of the Company, MCap, MTL and MRPL were acquired by us on 24-11-2005, 30-03-2006 and 01-02-2006 respectively. As a result, our results of operations for the year ended March 31, 2005 (MFSL stand-alone only) are not comparable to the year ended March 31, 2006 (consolidated results).

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Our primary liquidity requirements have been to extend loans, finance our own working capital needs and capital expenditure. We require working capital to meet our requirement for funds in connection with our payments in the ordinary course of our business. The need for having appropriate levels of trading exposure fluctuates on a regular basis depending on the trading needs. To fund these costs, we currently rely principally on our own cash flows from operations. As at March 31, 2007, MFSL had a consolidated Net-worth of Rs.248 million, which was majorly deployed in fixed assets and giving of loans. As per the needs, we also access short-term credit or overdraft facilities to meet margin requirements to fund short term working capital.

Cash Flows

We have already submitted our restated consolidated Cash Flows under the heading 'Financial Information' on page 98 of this Draft Red Herring Prospectus.

Our net cash from operating activities for the year ended March 31, 2007 was Rs.107.90 million. For the year ended March 31, 2006 it was Rs. 32.60 million. Cash from operating activities reflects both our operating profit (net of tax) as well as our working capital position, which principally consists of changes in debtors, loans and advances and current liabilities. In addition, approximately Rs.97.24 million was appearing under "loans and advances" in the consolidated Balance Sheet as at the year ended March 31, 2007.

Our net cash used in investing activities for the year ended March 31, 2007 was Rs.94.40 million. Net cash used in investing activities was Rs.113.70 million in the year ended March 31, 2006. The changes in cash from or used in investing activities vary from period to period based on capital expenditure and sale or purchase of investment in equity shares and mutual funds.

Our net cash flow from financing activities was Rs.106.77 million for the year ended March 31, 2006 and it was Rs.2.65 million for the year ended March 31, 2007, which reflects further augmentation of net worth by way of fresh issue of Shares.

Review of Assets and Liabilities (Consolidated)

Fixed Assets

Fixed assets comprise gross block, which mainly comprise office premises, computer and other related equipments and software, vehicles, furniture & fixture etc.

Our gross fixed assets have increased from Rs.92.1 million as at March 31, 2006 to Rs.159.9 million as at March 31, 2007, principally as a result of the expansion of our businesses, including acquisitions of new premises, as well as acquisitions of hardware, software and technology in connection with our programme of maintaining updated technology.

Investments

As at March 31, 2007, investments principally consisted of:

- Long-term investments, totalling Rs.48.1 million, in fully paid ordinary or equity shares of various quoted and unquoted companies and also in bonds and mutual funds.
- A current investment, totalling Rs.2.03 million.

Investments are classified as either current or long term based on management's intention at the time of purchase.

Current Assets, Loans and Advances

Current assets, loans and advances typically fluctuate on a day-to-day basis as a result of our broking and margin advancing activities, depending on, amongst other things, our trading volumes. current assets, loans and advances mainly comprised of:

- Sundry debtors, which principally relate to amounts receivable from customers on whose behalf we undertake trades as well as amounts receivable from the exchanges, if any.
- Cash and bank balances
- Loans and advances, which principally relate to loans given, deposits made with the Stock Exchanges and advance tax and tax deducted at source
- Other current assets.

As at March 31, 2007, our cash and bank balances were Rs. 41.8 million, of which Rs. 25.8 million was in fixed deposits and a further Rs. 15.2 million was in current accounts. The fixed deposits relate principally to deposits made with banks in connection with guarantees issued or made for best utilisation of short-term surpluses.

The loans and advances of the Microsec Group have more or less remained at the same level of Rs.100 million as at March 31, 2007 as compared to that on March 31, 2006.

Current Liabilities and Provisions

Current liabilities and provisions principally consist of current liabilities in connection with margin monies deposited by customers to facilitate trading on their behalf and amounts payable to customers on whose behalf we undertake trades as well as amounts payable to exchanges, if any. provisions include provisions for exgratia payments and certain taxation matters.

Loans

Secured loans as at March 31, 2007 amounted to Rs.0.9 million and mainly consisted of car loans secured by hypothecation of the motor car.

Contingent Obligations

Our principal contingent obligations relate to guarantees given to the Exchanges and Regulatory Authorities by banks in the ordinary course on our behalf for meeting, daily margin and other contractual commitments, against which we have provided some counter-guarantees. The level of guarantees fluctuates on a regular basis in connection with our trading and broking activity and the related requirements in respect thereof.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Unusual or infrequent events or transactions

Other than as described in this Draft Red Herring Prospectus, particularly in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” the Company believes, there are no events that may be described as unusual or infrequent events and transactions.

Significant economic/regulatory changes

The Company’s business is highly dependent on the regulatory environment. Most of the activities carried out by the Group are regulated by SEBI and require prior registration in most of the cases. The operations are regulated and are subject to periodic review/ inspection from regulatory agencies and stock exchanges. Since the level of operations is dependent on the general economic conditions, any changes in the economic conditions may affect the revenues and profitability of the Company. Other than as described in this Draft Red Herring Prospectus, particularly in “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, the Company believes, there are no significant economic / regulatory changes that materially affect or are likely to affect the income from continuing operations.

Known trends and uncertainties

Other than as described in this Draft Red Herring Prospectus, in “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, the Company believes, there are no trends or uncertainties that have or had or are expected to have a material adverse impact on revenues or income of the Company from continuing operations.

Future relationship between costs and income

Other than as described in this Draft Red Herring Prospectus, particularly in “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, the Company believes, there are no known factors, which will have a material adverse impact on the operation and finances of the Company and its subsidiaries, taken as a whole.

New Products or business segments

Other than as described in this Draft Red Herring Prospectus, particularly in “Our Business”, the Company is not planning as of date for introducing any new products or business segments.

Seasonality of business

Our business to some extent is dependent on the state of capital markets, level of activity in the primary and secondary market and overall economic conditions prevailing both locally and globally. The level of our operations, income and profitability may be affected by such factors. However, the organisation is continuously growing successfully its income from non-capital-market segment. In Fiscal 2007, non-capital-market income constituted 45% of the Microsec Group’s consolidated revenues.

Dependence on single or few suppliers / customers

Our operations are not significantly dependent on a single or a few suppliers or customers.

Competitive Conditions

We expect competition to intensify for existing and potential new customers. For further details, see the sections titled “Factors affecting results of operations” beginning on page 173 of this Draft Red Herring Prospectus, “Risk Factors” beginning on page xiii of this Draft Red Herring Prospectus and “Business” beginning on page 48 of this Draft Red Herring Prospectus.

FINANCIAL INDEBTEDNESS

The Microsec Group, as on September 30, 2007, has utilised loan facilities from Banks/Financial Institutions for Rs. 92.51 million in the business of the organisation.

Borrowings by the Subsidiaries:

The Stock Exchanges require MCap and NCDEX and MCX requires MCL, to maintain margin deposits in the form of cash deposits, bank guarantees, FDRs or shares or any combination thereof as prescribed which are suitable for the Microsec Group as well as the exchanges for exposure purposes. For the said purpose and also for the purpose of meeting its working capital requirements, we have availed of certain facilities: Set forth below is a brief summary of our aggregate borrowings, in addition to the facilities referred to above.

Category of Borrowing Outstanding Amount (Rs. in Millions) availed of as on September 30, 2007

Bank Guarantees: Rs. 27.5 million

Overdraft Facilities: Rs. 92.51 million

SECTION VI: OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as stated below there are no outstanding litigation, suits, criminal or civil prosecutions, proceedings or tax liabilities against our Company and our Subsidiaries, Directors, Promoters and Promoter Group Companies, and there are no defaults, non-payment of statutory dues, over-dues to banks/financial institutions, defaults against banks/financial institutions, defaults in dues payable to holders of any debenture, bonds and fixed deposits and arrears of preference shares issued by our Company, defaults in creation of full security as per terms of issue/other liabilities, proceedings initiated for economic/civil/any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part 1 of Schedule XIII of the Companies Act) other than unclaimed liabilities of our Company or Subsidiaries and no disciplinary action has been taken by SEBI or any stock exchanges against our Company, Promoters or Directors. Unless stated to the contrary, the information provided below is as of the date of this Draft Red Herring Prospectus.

Neither the Company nor its Promoters, members of the Promoter Group, Subsidiaries, associates and Directors have been declared as wilful defaulters by the RBI or any other Governmental authority and, except as disclosed in this section in relation to litigation, there are no violations of securities laws committed by them in the past or pending against them.

I. Contingent liabilities not provided for as of September 30, 2007

Our contingent liabilities not provided for and outstanding guarantees as of September 30, 2007 (as disclosed in our financial statements) include:

Particulars	Six-month period ended September 30, 2007	Fiscal 2007	Fiscal 2006	Fiscal 2005
Corporate Guarantee given to HDFC Bank by Microsec Financial Services for Credit facilities provided to subsidiary Company Microsec Capital Ltd for Rs. 100.00 millions.	100.00	60.00	-	-
Counter Guarantee given to HDFC Bank by Microsec Commerze Ltd for Guarantee Provided by bank to NCDEX & MCX on behalf of Company.	5.00	5.00	5.00	-
MCap has Provided Counter Guarantee to HDFC Bank for Guarantee Provided by Bank to MCX & NCDEX in respect of Subsidiary co. M/s Microsec Commerze Ltd.	5.00	5.00	5.00	-
MCap has Provided Counter Guarantee to HDFC Bank for Guarantee Provided by Bank to National Security Clearing Corporation Ltd on behalf of the Company.	7.50	7.50	7.50	-
MCap has Provided Counter Guarantee to United Bank of India for Guarantee Provided by Bank to National security Clearing Corporation Ltd on behalf of the Company	5.00	5.00	5.00	-
MCap has Provided Counter Guarantee to HDFC Bank for Guarantee Provided by Bank to Bombay Stock Exchange on behalf of the Company	2.50	2.50	2.50	-
MCap has Provided Counter Guarantee to HDFC Bank for Guarantee Provided by Bank to Bombay Stock Exchange on behalf of the Company	5.00	-	-	-
MCap has Provided Counter Guarantee to HDFC Bank for Guarantee Provided by Bank to Bombay Stock Exchange on behalf of the Company	2.50	-	-	-

Microsec Insurance Brokers Pledged HUDCO Bonds with HDFC bank for providing Credit Facilities to MCap for Rs. 1.20 millions	1.20	1.20	-	-
Total	133.70	86.20	25.00	-

For further details, please see section entitled “Financial Statements” on page 98.

Proceedings involving our Subsidiaries

A. Microsec Capital Limited (MCap)

Notices from SEBI

1. SEBI through its letter dated January 5, 2004 asked MCap to show cause why action should not be taken against them for not exercising proper due diligence as a merchant banker as incorrect information had been provided in the prospectus and application form for the initial public offering of Jai Balaji Sponge Ltd. MCap replied to the same and SEBI through its letter dated February 10, 2004 has warned MCap to exercise proper due diligence in the future.
2. SEBI through its letter dated March 29, 2007 has advised MCap to exercise adequate and proper due diligence as MCap had omitted to sign the letter dated February 14, 2007, due diligence certificate and the enclosures thereto in the transaction pertaining to the open offer to the shareholders of Dunlop India Ltd. in accordance with the SEBI (Substantial acquisition of Shares and Takeover) Regulations, 1997. MCap replied to the same through its letter dated April 3, 2007. SEBI has not initiated any further action in this regard.

Notices from the Stock Exchanges

1. The NSE through its letter dated August 27, 2007, requested MCap to furnish certain information within seven (7) days from the date of the letter in respect of certain alleged violations related to trading in the futures and options segment. The allegations *inter alia* include that the contract notes were not issued in the prescribed format and that the margin collected was wrongly reported. The letter was sent pursuant to an inspection undertaken by a team of officers of the NSE on December 27, 2006, January 2, 2007 and January 3, 2007. Further, MCap was advised to immediately stop the violations and report the same as a part of their reply. The same was without prejudice to the disciplinary proceedings / actions that the NSE may initiate. MCap through a letter dated September 3, 2007, replied to the specific allegations and stated that the observations had been noted and implemented. The NSE has not initiated any further action in this regard.
2. The NSE through its letter dated August 13, 2007, requested MCap to furnish certain information within seven (7) days from the date of the letter in respect of certain alleged violations related to trading in the capital market segment. The allegations *inter alia* include that the electronic contract notes were not issued in the prescribed format and that client information was not periodically reviewed. The letter was sent pursuant to an inspection undertaken by a team of officers of the NSE during January 2007. Further, MCap was advised to immediately stop the violations and report the same as a part of their reply. The same was without prejudice to the disciplinary proceedings / actions that the NSE may initiate. MCap through a letter dated August 20, 2007, replied to the specific allegations and stating that the observations had been noted and implemented. The NSE has not initiated any further action in this regard.
3. The Bombay Stock Exchange (BSE), through its letter dated November 23, 2007, has proposed to undertake an inspection of the books of accounts and other documents of MCap, which is proposed to be initiated in the near future.

Correspondences with the NSDL

1. The NSDL, pursuant to their visit to MCap on December 7, 2006, made a number of observations pertaining to the activities of the company in its capacity as a depository participant. Majority of the observations *inter alia* pertain to opening of accounts including incorrect name and address mismatch. MCap replied through its letter dated December 16, 2006. NSDL has not initiated any further action in this regard.

2. The NSDL, pursuant to their visit to MCap on June 11, 2007, made a number of observations pertaining to the activities of the company in its capacity as a depository participant. The observations *inter alia* pertaining to opening an account including capturing of multiple signatures, absence of introductions and proper verification and the non submission of the internal audit report. MCap replied through its letter dated June 18, 2007. Subsequently, through a letter dated August 8, 2007, NSDL made certain further observations such as keeping NSDL informed about the status of specific client and submission of a revised Form B, which were required to be complied with by MCap by August 28, 2007. MCap through its letter dated August 25, 2007, replied to the same. NSDL has not initiated any further action in this regard.
3. The NSDL pursuant to their visit to MCap on June 6, 2006, made a number of observations pertaining to the activities of the company in its capacity as a depository participant. The observations *inter alia* pertain to opening of accounts including incorrect name. MCap replied through its letter dated June 12, 2006. NSDL has not initiated any further action in this regard.
4. The NSDL pursuant to their visit to MCap on December 2, 2005, made a number of observations pertaining to the activities of the company in its capacity as a depository participant. The observations *inter alia* pertain to opening an account, non collection of ID proof of directors in cases of corporate accounts and sending the statement of transactions. NSDL stated that compliance was expected within a week. MCap through its letter dated December 9, 2005 replied to the same. Subsequently, through a letter dated February 6, 2006, NSDL stated that such deviations in the future were liable to attract penalty. Furthermore, NSDL through its letter dated January 6, 2006, requested MCap to confirm compliance with the observations. MCap has through its letter dated January 20, 2006, confirmed compliance with the observations. NSDL has not initiated any further action in this regard.
5. The NSDL pursuant to their visit to MCap on June 29, 2005, made a number of observations pertaining to the activities of the company in its capacity as a depository participant. The observations *inter alia* include that the NET (please expand the term) Buei protocol was not installed on the server. MCap replied to the same through a letter dated July 4, 2005. Through letters dated July 21, 2005 and August 4, 2005, NSDL made further observations requiring compliance. Subsequent to MCap's confirmation through its letter dated August 8, 2005, that it has complied with such further observations, NSDL has not initiated any further action in this regard.
6. NSDL has sent several letters to MCap for entering incorrect PAN numbers of certain account holders. Penalty has also been levied through these letters aggregating approximately Rs.38,000. MCap has replied to these letters. NSDL has not initiated any further action with regard to these letters.

B. Microsec Commerze (MCL)

Correspondences with the NCDEX

1. NCDEX through its letter dated August 24, 2007, requested MCL to rectify certain deficiencies / irregularities. The deficiencies *inter alia* include non-receipt in writing of the order cancellation / modification slips. The said letter was issued pursuant to an inspection undertaken on August 21, 2007 and MCL was also advised to immediately stop the violations and report the same as a part of their reply by September 10, 2007. The same was without prejudice to the disciplinary actions that NCDEX may initiate. MCL replied through a letter dated September 6, 2007. NCDEX has not initiated any further action in this regard.
2. MCL through its letter dated June 14, 2007, submitted its Compliance Report for the period ended March 31, 2007 to NCDEX which also points out certain non compliances of MCL. NSDEX has not initiated any further action in this regard.
3. NCDEX through its letter dated April 28, 2007, stated that MCL has not entered PAN numbers of certain account holders. There has been no further correspondence by NCDEX in this regard.
4. NCDEX through its letter dated March 8, 2007, stated that MCL had not submitted PAN details of the directors prior to November 25, 2006. MCL replied to the same. NCDEX has not initiated any further action in this regard.
5. NCDEX through its letter dated April 29, 2005, stated that the net worth computation submitted by MCL as on March 31, 2004, was not in accordance with the rules of NCDEX. There has been no further correspondence by NCDEX in this regard.

6. NCDEX through its letter dated December 20, 2004, requested MCL to rectify certain deficiencies / irregularities. The deficiencies *inter alia* include incomplete client registration forms. The letter was sent pursuant to an inspection undertaken on December 16, 2004, and also stated that without prejudice to the disciplinary actions that NCDEX may take, MCL was advised to immediately stop the violations and report the same as a part of their reply. MCL replied through a letter dated December 31, 2004. NCDEX has not initiated any further action in this regard.
7. NCDEX has sent several letters to MCL levying penalty for late / non submission of client information, disablement charges, modification of trades aggregating to an approximate sum of Rs. 18,570. NCDEX has not initiated any further action in this regard.

Correspondences with the Multi Commodity Exchange of India Limited (MCX)

1. MCL through its letter dated August 24, 2007, submitted its Compliance Report 2006-2007 to MCX which also points out certain non compliances of MCL. MCX has not initiated any further action in this regard.
2. MCX has sent several letters to MCL levying penalty for client code modification, non compliance on shortage and general non compliances aggregating to an approximate sum of Rs. 29,543. There has been no further correspondence by MCX in this regard.

C. Microsec Resources Private Limited (MRPL)

1. MRPL received a notice dated December 31, 2007 enclosing the assessment order from the Income Tax Office under Sections 274 read with Section 271 of the Income Tax Act, 1961 alleging that MRPL had concealed particulars of its income for the assessment year 2005-2006 and directing MRPL to appear before the assessing officer on February 25, 2008. On January 14, 2008 a notice of demand was received by MRPL stating that a sum amounting to Rs. 20,54,460 be paid within 35 days of the service of the notice in respect of the assessment year 2005-2006. Non payment would result in the imposition of interest and penalty. The company has preferred an appeal against the said assessment.

In addition to the above, there are a number of insubstantial penalties / fines levied on MCap and MCL for minor administrative infractions.

SECTION VII: GOVERNMENT AND OTHER APPROVALS

In view of the approvals listed below, our Company can undertake this Issue and our current business activities and no further major approvals from any governmental or regulatory authority or any other entity are required to undertake the Issue or continue our business activities. Unless otherwise stated, these approvals are all valid as of the date of this Draft Red Herring Prospectus. For further details in connection with the regulatory and legal framework within which we operate, see the section entitled “Regulations and Policies in India” beginning on page 56.

Approvals related to the Issue

1. The Board of Directors has, pursuant to a resolution dated September 3, 2007, authorised the Issue;
2. The shareholders of our Company have, pursuant to a resolution dated September 28, 2007 under Section 81(1A) of the Companies Act, authorised the Issue; and
3. Our Company has made an application dated February 4, 2008 to FIPB for its approval for issue of up to 9 million Equity Shares or up to 30.7 % of the post issue paid-up capital of our Company, to non-resident investors, such as FIIs, VCFs, FVCIs, multilateral and bilateral development financial institutions and non-resident Indians, on repatriation basis at an offer price to be discovered through 100% book building route prescribed by SEBI.

Approvals obtained by our Subsidiaries for change in shareholding pattern

Our Subsidiary, MCap, has received the following approvals for change in shareholding pattern of our Company, pursuant to the Issue:

S. No.	Approval Granted	Authority	Reference/ Registration Number	Date Granted	Validity
1.	Microsec Capital Limited	National Stock Exchange of India Limited	NSE/MEM/1902/ 31122007017	December 31, 2007	Valid till suspension or cancellation
2.	Microsec Capital Limited	Bombay Stock Exchange Limited	MSD/MM/AK/RD/ 22186/2008	January 2, 2008	Valid till suspension or cancellation
3.	Microsec Capital Limited	Inter-connected Stock Exchange of India Limited	07-08/ISE/1415/GK	December 31, 2007	Valid till suspension or cancellation

Business Approvals

We have received the following significant Government and other approvals pertaining to our business which is conducted through our Subsidiaries:

S. No.	Approval Granted	Authority	Reference/ Registration Number	Date Granted	Validity
A. Microsec Financial Services Limited					
1.	Certificate of Registration to commence business of NBFC without accepting public deposits	RBI (Department of Non-Banking Supervision)	B-05.05346 (in lieu of certificate number B-05-05346 dated January 29, 2003)	November 9, 2005	Valid till further notice

B. Microsec Capital Limited					
1.	Certificate of registration as a Stock Broker (member of the BSE) in cash segment	SEBI	INB011115939	August 12, 2005	Valid till suspension or cancellation
2.	Certificate of registration as a Stock Broker (member of NSE) in cash segment	SEBI	INB231115933	September 9, 2004	Valid till suspension or cancellation
3.	Certificate of registration as a trading member of the BSE in derivative (futures and options) segment	SEBI	INF011115939	May 24, 2007	Valid till suspension or cancellation
4.	Certificate of registration as a clearing member of the NSE in derivative (futures and options) segment	SEBI	INF231115933	October 12, 2006	Valid till suspension or cancellation
5.	Certificate of registration as a Sub-Broker (affiliated to ISE Securities & Services Ltd. – a member of NSE and holding a SEBI registration no. INB231077737)*	SEBI	INS230744034/23-10777	September 28, 2000	Valid till suspension or cancellation
6.	Certificate of registration as a Stock Broker (as Dealer of Inter-Connected Stock Exchange of India Ltd.)*	SEBI	INB241115931	July 11, 2000	Valid till suspension or cancellation
7.	Certificate of registration as Portfolio Manager	SEBI	INP000002304	August 27, 2007	Valid from August 27, 2007 to August 26, 2010
8.	Certificate of registration as Participant (in NSDL)*	SEBI	IN-DP-NSDL-245-2005	February 24, 2005	Valid from February 24, 2005 to February 23, 2010
9.	Certificate of Registration as Participant (in CDSL)	SEBI	IN-DP-CDSL-424-2007	September 27, 2007	Valid from September 27, 2007 to September 26, 2012
10.	Certificate of registration as a Merchant Banker in Category I	SEBI	INM000010791	April 5, 2006	Valid from March 18, 2006 to March 15, 2009
11.	Certificate of registration as an Underwriter	SEBI	INU000001181	February 8, 2005	Valid from February 8, 2005 to February 7, 2008

12.	Certificate of registration from AMFI as AMFI Registered Mutual Fund Advisor	AMFI	ARN-3087	March 19, 2003	March 19, 2008
13.	Certificate of registration as a Stock Broker (member of NSE) in F&O segment	SEBI	INF 231115933	14.10.2004	Valid till suspension or cancellation

C. Microsec Resources Private Limited

1.	Certificate of Registration to commence business of NBFC without accepting public deposits	RBI (Department of Non-Banking Supervision)	B-05.06241 (in lieu of certificate number B-05.06241 dated March 10, 2004)	April 21, 2006	Valid till further notice
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D. Microsec Commerze Limited

1.	Certificate of Membership as Trading-cum-Clearing Member of NCDEX	NCDEX	NCDEX-CO-03-00089	February 12, 2007 (the certificate records that Microsec Commerze Limited has been admitted with effect from December 26, 2003)	Valid till cessation or suspension of membership
2.	Certificate of Membership as Trading-cum-Clearing Member of MCX (as on December 12, 2004)	MCX	28025	December 17, 2004	Valid till suspension or cancellation
3.	Allotment of Unique Membership Code	FMC	MCX/TCM/CORP/0687	December 22, 2005	Valid till suspension or cancellation
4.	Allotment of Unique Membership Code	FMC	NCDEX/TCM/CORP/0026	December 20, 2005	Valid till suspension or cancellation

E. Microsec Insurance Brokers Limited

1.	Certificate of renewal of license granted for acting as 'direct broker'	IRDA	134 (License code – DB-046/02)	March 20, 2006	Valid till March 19, 2009
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F. MIL Technologies Limited

1.	Licence of permission under Software Technologies Park	Ministry of Communication & Information Technology,	STPK:DIR:488:2006-07	16.2.2007	From March 19, 2007 to February 16, 2012
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* Certificate in the name of Microsec India Limited

Taxation Related Approvals

S. No.	Approval Granted	Authority	Reference/ Registration Number	Date Granted	Validity
A. Microsec Financial Services Limited					
1.	Permanent Account Number	IT Department	AADCS7147N	June 6, 1989	Valid till suspension or cancellation
3.	Tax Deduction Account Number	IT Department	CALM07541C	November 25, 2005	Valid till suspension or cancellation
2.	Certificate of Registration under Section 69 of the Finance Act, 1994 granting Service Tax Code	Assistant Commissioner, Service Tax, Kolkata	AADCS7147N ST001	January 24, 2007	Valid till suspension or cancellation
B. Microsec Capital Limited					
1.	Permanent Account Number	IT Department	AAACL6332R	July 14, 1995	Valid till suspension or cancellation
2.	Allotment of Tax Deduction Account Number	IT Department	CALM04995E	March 23, 2006 (in the name of MCap)	Valid till suspension or cancellation
3.	Certificate of Registration under Section 69 of the Finance Act, 1994 granting Service Tax Code	Assistant Commissioner, Service Tax, Kolkata	AAACL6332R ST001	January 22, 2007	Valid till suspension or cancellation
C. Microsec Commerze Limited					
1.	Permanent Account Number	IT Department	AACCM2612 B	December 7, 1994	Valid till suspension or cancellation
2.	Allotment of Tax Deduction Account Number	IT Department	CALM04718A	December 7, 1994	Valid till suspension or cancellation
3.	Certificate of Registration under Section 69 of the Finance Act, 1994 granting Service Tax Code	Assistant Commissioner, Service Tax, Kolkata	AACCM2612 BST001	January 22, 2007	Valid till suspension or cancellation
D. Microsec Resources Private Limited					
1.	Permanent Account Number	IT Department	AABCG2396 M	December 12, 1994	Valid till suspension or cancellation
2.	Allotment of Tax Deduction Account Number	IT Department	CALK02830C	March 28, 2006 (in the	Valid till suspension or

				name of MRML)	cancellation
3.	Certificate of Registration under Section 69 of the Finance Act, 1994 granting Service Tax Code	Assistant Commissioner, Service Tax, Kolkata	N.A	N.A	Valid till suspension or cancellation
E. Microsec Insurance Brokers Limited					
1.	Permanent Account Number	IT Department	AADCM3059 K	October 9, 2002	Valid till suspension or cancellation
2.	Allotment of Tax Deduction Account Number	IT Department	CALM04188C	October 9, 2002	Valid till suspension or cancellation
3.	Certificate of Registration under Section 69 of the Finance Act, 1994 granting Service Tax Code	Assistant Commissioner, Service Tax, Kolkata	AADCM3059 KST001	January 22, 2007	Valid till suspension or cancellation
F. MIL Technologies Limited					
1	Permanent Account Number	IT Department	AADCM4151 G	May 10, 2002	Valid till suspension or cancellation
2	Allotment of Tax Deduction Account Number	IT Department	CALM03919G	May 10, 2002	Valid till suspension or cancellation
3	Certificate of Registration under Section 69 of the Finance Act, 1994 granting Service Tax Code	Assistant Commissioner, Service Tax, Kolkata	AADCM4154 GST001	April 7, 2006	Valid till suspension or cancellation

* In the name of Microsec Risk Management Limited

Corporate Approvals

S. No.	Approval Granted	Authority	Reference/ Registration Number	Date Granted	Validity
A. Microsec Financial Services Limited					
1.	Certificate of Incorporation as "Satyam Fiscal Services Private Limited"	RoC, West Bengal	21-47002 of 1989	June 6, 1989	Valid till cancellation or winding up
2.	Fresh Certificate of Incorporation consequent to the change of name to "Microsec Financial Services Private Limited"	RoC, West Bengal	21-47002 of 1989	October 17, 2005	Valid till cancellation or winding up
3.	Fresh Certificate of Incorporation consequent to the change in status of our Company to a public limited	RoC, West Bengal	21-47002 of 1989	October 21, 2005	Valid till cancellation or winding up

company and change in name to “Microsec Financial Services Limited”

B. Microsec Capital Limited					
1.	Certificate of Incorporation as “Lokpriya Mercantile Private Limited”	RoC, West Bengal	21-72876 of 1995	July 14, 1995	Valid till cancellation or winding up
2.	Fresh Certificate of Incorporation consequent to the change in status of our Company to a public limited company and change in name to “Lokpriya Mercantile Limited”	RoC, West Bengal	21-72876 of 1995	February 2, 2000	Valid till cancellation or winding up
3.	Fresh Certificate of Incorporation consequent to the change of name to “Microsec India Limited”	RoC, West Bengal	21-72876 of 1995	February 16, 2000	Valid till cancellation or winding up
4.	Fresh Certificate of Incorporation consequent to the change of name to “Microsec Capital Limited”	RoC, West Bengal	21-72876 of 1995	October 24, 2005	Valid till cancellation or winding up
C. Microsec Resources Private Limited					
1.	Certificate of Incorporation as “Godfrey Agencies Private Limited”	RoC, West Bengal	21-66509 of 1994	December 12, 1994	Valid till cancellation or winding up
2.	Fresh Certificate of Incorporation consequent to the change of name to “Keshav Resources Private Limited”	RoC, West Bengal	21-66509 of 1994	August 5, 1999	Valid till cancellation or winding up
3.	Fresh Certificate of Incorporation consequent to the change of name to “Microsec Resources Private Limited”	RoC, West Bengal	21-66509 of 1994	February 24, 2006	Valid till cancellation or winding up
D. Microsec Commerze Limited					
1.	Certificate of Incorporation as “Mittal management & Tax Consultants Private Limited”	RoC, West Bengal	21-66386 of 1994	December 7, 1994	Valid till cancellation or winding up
2.	Fresh Certificate of Incorporation consequent to the change of name to “Mittal Management Private Limited”	RoC, West Bengal	21-66386 of 1994	September 23, 1997	Valid till cancellation or winding up
3.	Fresh Certificate of Incorporation consequent to the change in status of our	RoC, West Bengal	21-66386 of 1994	March 27, 2002	Valid till cancellation or winding up

	Company to a public limited company and change in name to "Mittal Management Limited"				
4.	Fresh Certificate of Incorporation consequent to the change of name to "Microsec Commerze Limited"	RoC, West Bengal	21-66386 of 1994	September 10, 2003	Valid till cancellation or winding up

F. Microsec Insurance Brokers Limited

1.	Certificate of Incorporation as "Microsec Risk Management Limited"	RoC, West Bengal	U67200 WB 2002 PLC 095275	October 9, 2002	Valid till cancellation or winding up
2.	Certificate of commencement of business to "Microsec Risk Management Limited"	RoC, West Bengal	U67200 WB 2002 PLC 095275	October 21, 2005	Valid till cancellation or winding up
3.	Fresh Certificate of Incorporation consequent to the change of name to "Microsec Insurance Brokers Limited"	RoC, West Bengal	U67200 WB 2002 PLC 095275	August 24, 2007	Valid till cancellation or winding up

G. MIL Technologies Limited

1.	Certificate of Incorporation as "MIL Technologies Limited"	RoC, West Bengal	U72200 WB 2002 PLC094642	May 10, 2002	Valid till cancellation or winding up
2.	Certificate of commencement of business to "MIL Technologies Limited"	RoC, West Bengal	U72200 WB 2002 PLC094642	May 27, 2002	Valid till cancellation or winding up

Establishment / Branch Related Approvals

S. No.	Approval Granted	Authority	Reference/Registration Number	Date Granted	Valid till
A. Microsec Financial Services Limited					
1.	Certificate of Registration under the West Bengal Shops & Establishments Act, 1963 for 1 st Floor, 53, Syed Amir Ali Avenue as a Commercial Establishment	Registering Authority	Kol/Kar/P-II/42730	October 12, 2007	October 11, 2010
2.	Certificate of enlistment (trade license)	Kolkata Municipal Corporation Department (License Department)	07/0278273	December 12, 2007	March 31, 2008
B. Microsec Capital Limited					
1.	Certificate of Registration under the West Bengal Shops &	Registering Authority	Kol/Kar/P-II/42747	October 15, 2007	October 14, 2010

	Establishments Act, 1963 for 1 st Floor, 53, Syed Amir Ali Avenue as a Commercial Establishment				
2.	Certificate of enlistment (trade license)	Kolkata Municipal Corporation Department (License Department)	07/0278286	December 24, 2007	March 31, 2008
C. Microsec Commerze Limited					
1.	Certificate of Registration under the West Bengal Shops & Establishments Act, 1963 for 1 st Floor, 53, Syed Amir Ali Avenue as a Commercial Establishment	Registering Authority	Kol/Kar/P-II/42746	October 15, 2007	October 14, 2010
2.	Certificate of enlistment (trade license)	Kolkata Municipal Corporation Department (License Department)	07/0285793	December 12, 2007	March 31, 2008
D. Microsec Resources Private Limited					
1.	Certificate of Registration under the West Bengal Shops & Establishments Act, 1963 for 2 nd Floor, 7, Camac Street, Kolkata – 17 as a Commercial Establishment	Registering Authority	Kol/Park/P-II/42500/07	August 28, 2007	August 27, 2010
E. Microsec Insurance Brokers Limited					
1.	Certificate of Registration under the West Bengal Shops & Establishments Act, 1963 for 1 st Floor, 53, Syed Amir Ali Avenue as a Commercial Establishment*	Registering Authority	Kol/Kar/P-II/42728	October 11, 2007	October 10, 2010
2.	Certificate of enlistment (trade license)*	Kolkata Municipal Corporation Department (License Department)	07/0281378	December 20, 2007	March 31, 2008
F. MIL Technologies Limited					
1.	Certificate of Registration under the West Bengal Shops & Establishments Act, 1963 for 2 nd Floor, 7, Camac Street, Kolkata - 17 as a Commercial Establishment	Registering Authority	Kol/Park/P-II/42231/07	July 12, 2007	July 11, 2010
2.	Certificate of enlistment (trade license)	Kolkata Municipal Corporation Department (License Department)	07/0281376	December 30, 2007	March 31, 2008

* In the name of Microsec Risk Management Limited

The significant approvals for operation of the significant branches of the Company and its Subsidiaries are as provided below:

S. No.	Approval Granted	Authority	Reference/Registration Number	Date Granted	Valid till
A. Microsec Financial Services Limited					
Nil					
B. Microsec Capital Limited					
Location	Approval Granted	Authority	Reference/Registration Number		
Asansol (West Bengal)	Certificate Of Enlistment- Trade Licence	Kolkata Municipal Corporation Department	45600		
Bhubaneshwar (Orissa)	N/A	N/A	N/A		
Jackson Lane(Kol-WB)	Certificate Of Enlistment- Trade Licence	Kolkata Municipal Corporation Department	136984		
Bura Bazar (Kol-WB)	Certificate Of Enlistment- Trade Licence	Kolkata Municipal Corporation Department	07/0115144		
Canning Street (Kol-WB)	Certificate Of Enlistment- Trade Licence	Kolkata Municipal Corporation Department	07/0007699		
Fairlie Place (Kol-WB)	Certificate Of Enlistment- Trade Licence	Kolkata Municipal Corporation Department	07/0011436		
Hariram Goenka Street (Kol-WB)	Certificate Of Enlistment- Trade Licence	Kolkata Municipal Corporation Department	130593		
Girish Park (Kol-WB)	Certificate Of Enlistment- Trade Licence	Kolkata Municipal Corporation Department	07/0146304		
Jora Mandir (Kol-WB)	Certificate Of Enlistment- Trade Licence	Kolkata Municipal Corporation Department	Applied		
New Alipur (Kol-WB)	Certificate Of Enlistment- Trade Licence	Kolkata Municipal Corporation Department	07/0347983		
C. Microsec Commerze Limited					
Nil					
D. Microsec Resources Private Limited					
Nil					
E. Microsec Insurance Brokers Limited					
Nil					

Intellectual Property Related Approvals

Copyrights

S. No.	Approval Granted	Authority	Reference/Registration	Date Granted	Valid till
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Number						
A. Microsec Capital Limited						
1.	“CLUB KAUTILYA” Artistic work*	– Deputy Registrar of Copyrights	A-73950/2005	June 3, 2005		In terms of section 22 of the Copyright Act, 1957

*In the name of Microsec India Limited

Trademarks

S. No.	Approval Granted	Authority	Reference/Registration Number	Class	Date Granted	Valid till
A. Microsec Capital Limited						
1.	‘MICROSEC - PARTNERS IN GROWTH’*	Registrar of Trademarks	607740	36	February 17, 2007 (effective October 20, 2003)	October 19, 2013
2.	‘MICROSEC - PARTNERS IN GROWTH’*	Registrar of Trademarks	372366	16	May 17, 2005 (effective October 3, 2002)	October 2, 2012
3.	‘INSURING SUCCESS’*	Registrar of Trademarks	460053	36	November 9, 2005 (effective April 12, 2004)	April 11, 2014
4.	‘CLUB KAUTILYA’*	Registrar of Trademarks	438448	36	October 6, 2005 (effective September 26, 2003)	September 25, 2013
B. Microsec Insurance Brokers Limited						
1.	‘INSURING SUCCESS’**	Registrar of Trademarks	442079	16	October 13, 2005 (effective April 1, 2003)	March 31, 2013
2.	‘FOUR PILLAR STRATEGY’	Registrar of Trademarks	442743	16	October 14, 2005 (effective July 7, 2003)	July 6, 2013
3.	‘CLUB KAUTILYA’	Registrar of Trademarks	442737	16	October 14, 2005 (effective July 7, 2003)	July 6, 2013

*In the name of Microsec India Limited

** In the name of Microsec Risk Management Limited

Applied for:

The Company’s Subsidiaries have filed the following applications with the Trademark Registry, GoI, for grant of certificates of registration of the following names and marks, all of which are currently pending registration:

S. No.	Description of application	Class	Filed on	Application / Reference No.
A. Microsec Capital Limited				
1.	‘FINANCIAL DOCTOR’	36	February 23, 2005	1340444

2.	'BUYING SHARE IS NOT BUYING POTATO'	36	December 22, 2005	1407968
3.	'SAUDA SAMAJH KE'	36	December 22, 2005	1407967
4.	'PERSONAL – PRUDENT - PROACTIVE'	36	October 19, 2006	1499060
5.	'MICROSEC – MICRO FOCUS MEGA WEALTH'	36	October 19, 2006	1499055
6.	'I SEND MY MONEY TO WORK'	36	October 19, 2006	1499056
7.	'MICROSEC – VIEW POINT'	36	October 19, 2006	1499059
8.	'SMALL THINGS MATTER'	36	October 19, 2006	1499058
9.	'MICROSEC'	36	October 19, 2006	1499057
10.	'I LISTEN TO MICROSEC BECAUSE MICROSEC LISTENS TO ME'	36	November 21, 2006	1506102
11.	'CALENDAR OF WEALTH CREATORS'	36	February 9, 2007	1529593

SECTION VIII: OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Issue has been authorised by our Board pursuant to a resolution passed at its meeting held on September 3, 2007. Our shareholders subsequently authorised issue by a special resolution passed pursuant to Section 81(1A) of the Companies Act, at our AGM held on September 28, 2007. Further, the Board approved and authorized this Draft Red Herring Prospectus through its resolution dated January 29, 2008.

We have obtained all necessary governmental, regulatory consents and approvals and have received all necessary contractual consents required for the Issue. For further details, please see section entitled “Government and Other Approvals” on page 188.

Prohibition by SEBI

Our Company, our Subsidiaries, our Directors, our Promoters, and the members of our Promoter Group have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

Dr. Bidhubhusan Samal, our Independent Director who is an ex member of the Securities and Appellate Tribunal, Government of India, was on the board of directors of Prime Property Development Corporation Limited (*Prime*) from January 16, 2006 to January 16, 2008. Prior to him being appointed as a director of Prime, SEBI by an ex-parte order dated September 29, 2005, *inter alia* prohibited Prime from accessing the capital markets and further prohibited Prime, its directors and promoters from buying, selling or dealing in any manner in the shares of Prime. The restriction continues to date.

Further, our Promoters and Promoter group entities have confirmed that none of them have been detained as willful defaulters by the RBI or any other governmental authority and there are no violations of securities laws committed by them in the past or are pending against them.

Eligibility for the Issue

As per Clause 2.2.1 of SEBI DIP Guidelines, an unlisted company may make an initial public offering of equity shares, only if it meets the following conditions; with eligibility criteria calculated in accordance with financial statements under Indian GAAP:

- a) The company has net tangible assets of at least Rs. 30 million in each of the preceding three full years (of 12 months each), of which not more than 50% is held in monetary assets;

Provided that, if more than 50% of the net tangible assets are held in monetary assets, the company has made firm commitments to deploy such excess monetary assets in its business/project;
- b) The company has a track record of distributable profits in terms of section 205 of the Companies Act, 1956, for at least three out of immediately preceding five years;

Provided further that extraordinary items shall not be considered for calculating distributable profits in terms of section 205 of Companies Act, 1956;
- c) The company has a net worth of at least Rs. 10 million in each of the preceding three full years (of 12 months each);
- d) In case the company has changed its name within the last one year, at least 50% of the revenue for the preceding one full year is earned by the company from the activity suggested by the new name; and
- e) The aggregate of the proposed issue and all previous issues made in the same financial year in terms of size (i.e., offer through offer document and firm allotment and promoters’ contribution through the offer document), does not exceed five times its pre-issue networth as per the audited balance sheet of the last financial year.)

The Company does not satisfy the eligibility criteria as specified in clause 2.2.1 of the SEBI DIP Guidelines.

However, in terms of Clause 2.2.2 of SEBI DIP Guidelines, it may make an initial public offering of Equity Shares, only if it meets the following conditions:

- a) The issue is made through the book-building process, with at least 50% of net offer to public being allotted to the Qualified Institutional Buyers (QIBs), failing which the full subscription monies shall be refunded.
- b) The minimum post-issue face value capital of the Company shall be Rs. 100 million.
- c) The prospective allottees are not less than one thousand (1000) in number.

The Issue is being made through the 100% Book Building Process wherein at least 50% of the Issue shall be available for allocation on a proportionate basis to QIBs, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. Further, not less than 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further [●] Equity Shares aggregating Rs. 80 million shall be available for allocation to the Eligible Employees in the Employee Reservation Portion, subject to valid Bids being received at or above the Issue Price. The Company is considering a Pre-IPO Placement of [●] Equity Shares with certain investors. The Pre-IPO Placement is at the discretion of the Company. The Company will complete the issuance, if any, of such Equity Shares prior to the filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is completed the Issue Size offered to the public will be reduced to the extent of such Pre-IPO Placement, subject to a minimum Net Issue size of 10% of the post Issue capital being offered to the public. If, as a result of the Pre-IPO Placement, the Issue size is reduced to an extent such that the Issue constitutes less than 25% of the post Issue paid-up capital of the Company, then in terms of Rule 19(2)(b) of the Securities Contract Regulation Rules, 1957, the Issue would be made through the 100% Book Building Process where at least 60% of the Issue would be Allotted on a proportionate basis to QIBs out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. Further, not less than 10% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will refunded forthwith.

Furthermore, the size of the offer to the public shall be at least Rs. [●] million and a minimum of [●] million securities are issued to the public, excluding reservations and promoter contribution

DISCLAIMER CLAUSE

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. LEAD MERCHANT BANKER, SBI CAPITAL MARKETS LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURES AND INVESTOR PROTECTION) GUIDELINES IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE LEAD MERCHANT BANKER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MERCHANT BANKER, SBI CAPITAL MARKETS LIMITED, HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED FEBRUARY 5, 2008 WHICH READS AS FOLLOWS:

- 1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATIONS LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER**

MATERIALS, MORE PARTICULARLY REFERRED TO IN THE ANNEXURE, IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE ISSUE.

- 2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY,**

WE CONFIRM THAT:

- A) THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
 - B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
 - C) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE ISSUE.**
- 3. WE CONFIRM THAT BESIDE OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID.**
 - 4. WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE NET WORTH OF THE UNDERWRITERS TO FULFILL THEIR UNDERWRITING COMMITMENTS.**
 - 5. WE CERTIFY THAT WRITTEN CONSENT FROM SHAREHOLDERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED / SOLD / TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT PROSPECTUS WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT PROSPECTUS.**
 - 6. WE CERTIFY THAT CLAUSE 4.6 OF THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000, WHICH RELATES TO SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE CLAUSE HAVE BEEN MADE IN THE DRAFT PROSPECTUS/LETTER OF OFFER.**
 - 7. WE UNDERTAKE THAT CLAUSES 4.9.1, 4.9.2, 4.9.3 AND 4.9.4 OF THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION AND SUBSCRIPTION FROM ALL FIRM ALLOTTEES WOULD BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE .WE UNDERTAKE THAT AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE BOARD. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE COMPANY ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE.**
 - 8. WHERE THE REQUIREMENTS OF PROMOTERS' CONTRIBUTION IS NOT APPLICABLE TO THE ISSUER, WE CERTIFY THE REQUIREMENTS OF PROMOTERS' CONTRIBUTION UNDER CLAUSE 4.10 {SUB-CLAUSE (A), (B) OR (C), AS MAY BE APPLICABLE} ARE NOT APPLICABLE TO THE ISSUER.**
 - 9. WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUER AND THAT THE**

ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.

- 10. WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SECTION 73(3) OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE PROSPECTUS/LETTER OF OFFER. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION.**
- 11. WE CERTIFY THAT NO PAYMENT IN THE NATURE OF DISCOUNT, COMMISSION, ALLOWANCE OR OTHERWISE SHALL BE MADE BY THE ISSUER OR THE PROMOTERS, DIRECTLY OR INDIRECTLY, TO ANY PERSON WHO RECEIVES SECURITIES BY WAY OF FIRM ALLOTMENT IN THE ISSUE.**
- 12. WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE PROSPECTUS THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE.**
- 13. WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT PROSPECTUS/LETTER OF OFFER:**
 - (A) AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME THERE SHALL BE ONLY ONE DENOMINATION FOR THE SHARES OF THE COMPANY AND**
 - (B) AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE BOARD FROM TIME TO TIME.)**

THE FILING OF DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI, FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE LEAD MERCHANT BANKER(S) ANY IRREGULARITIES OR LAPSES IN DRAFT RED HERRING PROSPECTUS.

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THIS DRAFT RED HERRING PROSPECTUS WITH THE REGISTRAR OF COMPANIES IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT.

Disclaimer from the Company and the BRLM

The BRLM, our Company and our Directors accept no responsibility for statements made otherwise than in this Draft Red Herring Prospectus or in the advertisement or any other material issued by or at our instance and anyone placing reliance on any other source of information, including the website of the Company, www.microsec.in or the website of any Subsidiary, any Promoter, Promoter Group Company, or of any affiliate or Associate of the Company or its Subsidiaries, would be doing so at his/her own risk.

The BRLM accepts no responsibility, save to the limited extent as provided in the memorandum of understanding entered into BRLM with the Company on January 31, 2008, and the Underwriting Agreement to be entered into between the Underwriters and the Company.

All information shall be made available by us and the BRLM to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports, at Bidding centers or elsewhere.

Neither our Company nor the Underwriters is liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Investors who Bid in the Issue will be required to confirm and will be deemed to have represented to the Company and the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable

laws, rules, regulations, guidelines and approvals to acquire Equity Shares and will not Issue, sell, pledge or transfer the Equity Shares to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company. The Company, the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares.

Disclaimer in Respect of Jurisdiction

This Issue is being made in India to persons resident in India including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other trust law and who are authorized under their constitution to hold and invest in shares, Public financial institutions as specified in Section 4A of the Companies Act, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, and to non-residents including multilateral and bilateral institutions, FIIs registered with SEBI and eligible NRIs provided that they are eligible under all applicable laws and regulations to hold Equity Shares of the Company. This Draft Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to Equity Shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Draft Red Herring Prospectus comes is required to inform himself or herself about, and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Kolkata, India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Draft Red Herring Prospectus has been submitted to SEBI. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and this Draft Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Draft Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of our Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933 (the “Securities Act”) or any state securities laws in the United States and are being offered or sold only outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Disclaimer clause of the BSE

As required, a copy of this Draft Red Herring Prospectus shall be submitted to the BSE. The BSE has given through its letter dated [●], permission to our Company to use the BSE’s name in this offer document as one of the stock exchanges on which our Company’s Equity Shares are proposed to be listed. The BSE has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to our Company. The BSE does not in any manner:-

- i. warrant, certify or endorse the correctness of completeness of any of the contents of this offer document; or
- ii. warrant that our Company’s securities will be listed or will continue to be listed on the BSE; or
- iii. take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed that this offer document has been cleared or approved by the BSE. Every person who desires to apply for or otherwise acquires any securities of our Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Disclaimer clause of the NSE

As required, a copy of this Draft Red Herring Prospectus shall be submitted to the NSE. The NSE has given vide its letter ref.: [●] dated [●], permission to the Issuer to use the NSE's name in this offer document as one of the stock exchanges on which this Issuer's securities are proposed to be listed. The NSE has scrutinized this draft offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by the NSE should not in any way be deemed or construed that the offer document has been cleared or approved by the NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; nor does it warrant that this Issuer's securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of this Issuer.

Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Filing

A copy of this Draft Red Herring Prospectus has been filed with SEBI at the Securities and Exchange Board of India, Corporation Finance Department, Plot No. C4-A, "G" Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051, India.

A copy of this Draft Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, would be delivered for registration to the RoC and a copy of the Prospectus to be filed under Section 60 of the Companies Act would be delivered for registration with RoC at the office of the Registrar of Companies, West Bengal at Kolkata, India.

Listing

Applications have been made to the BSE and the NSE for permission to deal in and for an official quotation of our Equity Shares. The Bombay Stock Exchange Limited will be the Designated Stock Exchange with which the basis of Allotment will be finalized.

If the permissions to deal in and for an official quotation of our Equity Shares are not granted by any of the Stock Exchanges, our Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Draft Red Herring Prospectus. If such money is not repaid within eight days after our Company become liable to repay it, i.e. from the date of refusal or within 15 days from the Bid/Issue Closing Date, whichever is earlier, then the Company and every Director of the Company who is an officer in default shall, on and from such expiry of eight days, be jointly and severally liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within seven Working Days of finalization of the basis of Allotment for the Issue.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:

“Any person who:

- (a) Makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or**
- (b) Otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name**

shall be punishable with imprisonment for a term which may extend to five years.”

Consents

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the auditors, the legal advisors, the

Bankers to the Company, the Bankers to the Issue; and (b) the Book Running Lead Managers, the Syndicate, the Escrow Collection Banks and the Registrar to the Issue to act in their respective capacities, have been obtained and would be filed along with a copy of this Draft Red Herring Prospectus with the RoC as required under Sections 60 and 60B of the Companies Act and such consents will not be withdrawn up to the time of delivery of this Draft Red Herring Prospectus for registration with the RoC.

In accordance with the Companies Act, 1956 and the SEBI Guidelines, M/s. Vidya & Company, Chartered Accountants have given their written consent to the inclusion of their report in the form and context in which it appears in this Draft Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus for registration with the RoC.

[•], the agency engaged by us for the purpose of obtaining IPO grading in respect of this Issue, has given its written consent to the inclusion of its report in the form and context in which it will appear in this Draft Red Herring Prospectus and such consent and report will not be withdrawn up to the time of delivery of this Draft Red Herring Prospectus and the Prospectus to the RoC.

As the offered Equity shares have not been and will not be registered under the US Securities Act of 1933, [•], Chartered Accountants and [•], have not issued and the Company has not filed their consent under the US Securities Act of 1933.

Expert Opinion

Except for the report provided by [•], furnishing the rationale for its grading, our Company has not obtained any expert opinions.

Expenses of the Issue

Except as disclosed in the sections titled “Objects of the Issue” on page 28, the expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees.

The estimated Issue expenses are as under*:

Activity	<i>(Rs. in million)</i>		
	Expenses (Rs. in million)	As a % of Issue size	As a % of Total Issue Expenses
Lead management fee, underwriting and selling commissions	[•]	[•]	[•]
Advertising and Marketing expenses	[•]	[•]	[•]
Printing and stationery	[•]	[•]	[•]
IPO grading expenses	[•]	[•]	[•]
Others (Registrar’s fees, legal fees, etc.)	[•]	[•]	[•]
Total estimated Issue expenses	[•]	[•]	[•]

*Will be completed after finalization of the Issue Price.

Fees Payable to the Book Running Lead Manager and the Syndicate

The total fees payable to the Book Running Lead Manager and the Syndicate (including underwriting commission and selling commission) will be as stated in the engagement letter with the BRLM dated October 19, 2007, a copy of which is available for inspection at our Registered Office from 10.00 am to 4.00 pm on Working Days from the date of this Draft Red Herring Prospectus until the Bid/Issue Closing Date.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue for processing of application, data entry, printing of CAN/refund order, preparation of refund data on magnetic tape, printing of bulk mailing register will be as per the Memorandum of Understanding dated November 3, 2007 signed with our Company, a copy of which will be available for inspection at our Registered Office from 10.00 am to 4.00 pm on Working Days from the date of this Draft Red Herring Prospectus until the Bid/Issue Closing Date..

The Registrar to the Issue will be reimbursed for all out-of-pocket expenses including cost of stationery, postage, stamp duty and communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable it to send refund orders or Allotment advice by registered post/speed post/under certificate of posting.

Fees Payable to the Escrow Bankers

No fees is payable to the Escrow Banker / Bankers to the Issue.

Bidding Period / Issue Period

BID / ISSUE OPENS ON	[●]
BID / ISSUE CLOSES ON	[●]

Bids and any revision in Bids shall be accepted **only between 10 a.m. and 3 p.m** (Indian Standard Time) during the Bidding Period/Issue Period as mentioned above at the bidding centres mentioned on the Bid-cum-Application Form except that on the Bid Closing Date, the Bids shall be accepted **only between 10 a.m. and 1 p.m.** ((Indian Standard Time) and uploaded till such time as permitted by the BSE and NSE.

We reserve the right to revise the Price Band during the Bidding Period/Issue Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in the Red Herring Prospectus.

In case of revision in the Price Band, the Bidding Period/Issue Period will be extended for three additional days after revision of Price Band subject to the Bidding Period/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding Period/Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE by issuing a press release, and also by indicating the change on the websites of the BRLM and at the terminals of the Syndicate.

Designated Date and Allotment of Equity Shares

We will ensure that the Allotment of Equity Shares is done within 15 days of the Bid Closing Date/Issue Closing Date. After the funds are transferred from the Escrow Accounts to the Issue Account on the Designated Date, we would ensure the credit to the successful Bidders depository account within two working days of the date of Allotment.

As per SEBI Guidelines, **Equity Shares will be issued and Allotment shall be made only in the dematerialised form to the allottees.** Allottees will have the option to re-materialise the Equity Shares, if they so desire, in the manner stated in the Depositories Act.

Letters of allotment or refund orders

We shall give credit to the beneficiary account with Depository Participants within two working days from the date of the Allotment of Equity Shares. Applicants residing at 15 centres where clearing houses are managed by the Reserve Bank of India (RBI) will get refunds through ECS only except where applicant is otherwise disclosed as eligible to get refunds through direct credit & RTGS. In case of other applicants, we shall ensure despatch of refund orders, if any, of value up to Rs. 1,500 by “Under Certificate of Posting”, and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post. Applicants to whom refunds are made through Electronic transfer of funds will be send a letter through ordinary post intimating them about the mode of credit of refund within 15 days of closure of Issue.

We shall ensure despatch of refund orders, if any, by “Under Certificate of Posting” or registered post or speed post or Electronic Clearing Service or Direct Credit or RTGS, as applicable, only at the sole or First Bidder’s sole risk within 15 days of the Bid Closing Date/Issue Closing Date, and adequate funds for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by us.

In accordance with the requirements of the Stock Exchanges and SEBI Guidelines, we undertake that:

- Allotment shall be made only in dematerialised form within 15 days from the Issue Closing Date;
- Despatch of refund orders shall be done within 15 days from the Issue Closing Date; and
- We shall pay interest at 15.0% per annum (for any delay beyond the 15-day time period as mentioned above), if Allotment is not made, refund orders are not despatched and in case where a refund is made through electronic mode, the refund instructions have not been given to the clearing system, and demat credit within the 15-day time prescribed above, provided that the beneficiary particulars relating to such Bidders as given by the Bidders is valid at the time of the upload of the electronic transfer.

We will provide adequate funds required for despatch of refund orders or Allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Bank(s) and payable at par at places where Bids are received. The bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Payment of Refund

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid-cum-Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details including nine digit MICR code. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLM nor we shall have any responsibility and undertake any liability for the same.

The payment of refund, if any, would be done through various modes in the following order of preference

Direct Credit – For investors having their Bank Account with the Escrow Bankers, i.e. [●], the refund amount would be credited directly to their Bank Account with the Escrow Banker.

RTGS – Investors desirous of taking direct credit of refund through RTGS, will have to provide the IFSC code in the Bid cum Application form.

ECS - Payment of refund would be done through ECS for applicants residing at one the 15 centers, namely Ahmedabad, Bangalore, Bhuvaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram, where clearing houses for ECS are managed by Reserve Bank of India. This would be subject to availability of complete Bank Account Details including MICR code from the depository.

For all the other applicants excepts for whom payment of refund is possible through I, II and III, the refund orders would be despatched “Under Certificate of Posting” for refund orders less than Rs. 1500 and through Speed Post/Registered Post for refund orders exceeding Rs. 1500.

IPO Grading

This Issue has been graded by [●] and has been assigned the “IPO Grade [●]” indicating average fundamentals, through its letter dated [●], which is valid for a period of two months. The IPO grading is assigned on a five point scale from 1 to 5 with an “IPO Grade 5” indicating strong fundamentals and an “IPO Grade 1” indicating poor fundamentals. A copy of the report provided by [●], furnishing the rationale for its grading. A copy of the same is available for inspection at our Registered Office from 10.00 am to 4.00 pm on Working Days from the date of this Draft Red Herring Prospectus until the Bid/Issue Closing Date.

Investors may note that an IPO Grade by [●] is a statement of current opinion of [●] and is not a statement of appropriateness of the graded security for any of the investors. Such grade is assigned with due care and caution on the basis of analysis of information and clarifications obtained from the issuer concerned and also other sources considered reliable by [●]. However, [●] makes no representation or warranty, express or implied as to the accuracy, authenticity, timelines, or completeness of such information. An IPO Grade by [●] is not (a) a comment on the present or future price of the security concerned (b) a certificate of statutory compliance and/or (c) a credit rating. Further the IPO Grade by [●] is not a recommendation of any kind including but not limited to recommendation to buy, sell, or deal in the securities of such Issuer nor can it be considered as an authentication of any of the financial statements of the company and [●] shall not be liable for any losses incurred by users from any use of the grade in any manner. It is advisable that the professional assistance be taken by any prospective investor in the securities of the company including in the fields of investment banking, tax or law while making such investment. All services and information provided by [●] is provided on an “as is” basis, without representation and warranties of any nature.

Particulars regarding Public or Rights Issues during the Last Five Years

Our Company has not made any public or rights issues during the last five years.

Previous issues of shares otherwise than for Cash

Our Company has not issued any Equity Shares for consideration otherwise than for cash, except for Bonus Shares, as more

particularly described under ‘Share Capital History’ in the section titled ‘Capital Structure’.

Commission and Brokerage paid on Previous Issues of the Equity Shares

There has been no public issue of our Equity Shares in the past. Thus, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares since our Company’s inception.

Companies under the Same Management

Our Company does not have any companies under the same management within the meaning of section 370(1) (B) of the Companies Act, other than our Subsidiaries and group companies, the details of which are provided in the sections titled “History and Certain Corporate Matters” and “Our Promoters and Promoter Group” beginning on pages 65 and 91, respectively.

Promise v/s performance

Except as disclosed in the section titled “Our Promoters and Promoter Group” beginning on page 91, neither our Company nor any Promoter Group companies have made any previous public or rights issues.

Outstanding Debentures or Bonds

Our Company does not have any outstanding debentures or bonds.

Outstanding Preference Shares

Our Company does not have any outstanding preference shares.

Stock Market Data of our Equity Shares

This being an initial public issue of our Company, the Equity Shares are not listed on any stock exchange.

Other Disclosures

Except as disclosed in the section entitled Capital Structure, our Promoters, the Promoter Group and our Directors have not purchased or sold any securities of our Company during a period of six months preceding the date on which this Draft Red Herring Prospectus is filed with SEBI.

Mechanism for Redressal of Investor Grievances

The memorandum of understanding between the Registrar to the Issue and our Company will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of letters of Allotment, demat credit, refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, application number, number of shares applied for, amount paid on application, Depository Participant, and the bank branch or collection centre where the application was submitted.

Disposal of Investor Grievances by the Company

We estimate that the average time required by our Company or the Registrar to the Issue for the redressal of routine investor grievances shall be 10 Working Days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, the Company will seek to redress these complaints as expeditiously as possible.

Our Company has appointed Mr. Biplab Kumar Mani, our Company Secretary, as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

Mr. Biplab Kumar Mani
“Shivam Chambers, 1st Floor”,
53 Syed Amir Ali Avenue,
Kolkata – 700 019,

India.
Telephone: +91 33 30512175
Facsimile: +91 33 30512020
Email: bmani@microsec.in

Changes in Auditors

Except as set out below there have been no changes in our statutory auditors over the last three years.

Year	Name of Auditors	REASON OF CHANGE
2006	VIDYA & CO.	Appointment
2005	SANJEEV KUMAR MISHRA & CO.	Resignation

Capitalization of Reserves or Profits

Our Company has not capitalized its reserves or profits during the last five years, except for issue of Bonus Shares more particularly under 'Share Capital History' in the section titled 'Capital Structure'.

Revaluation of Assets

The Company has not revalued its assets in the last five years.

Purchase of property

There is no property which we have purchased or acquired or propose to purchase or acquire which is to be paid for wholly, or in part, from the Net Proceeds or the purchase or acquisition of which has not been completed on the date of this Draft Red Herring Prospectus, other than property in respect of which:

- (a) the contracts for the purchase or acquisition were entered into in the ordinary course of the business, and the contracts were not entered into in contemplation of the Issue nor is the Issue contemplated in consequence of the contracts; or
- (b) the amount of the purchase money is not material; or
- (c) disclosure has been made in this Draft Red Herring Prospectus in the section titled "Our Business" on page 48.

Tax Implications

Investors that are allotted Equity Shares in the Issue will be subject to capital gains tax on any resale of the Equity Shares at applicable rates, depending on the duration for which the investors have held the Equity Shares prior to such resale and whether the Equity Shares are sold on the stock exchanges. For details, please see section titled "Statement of Tax Benefits" on page 34.

Servicing behavior

There has been no default in payment of statutory dues or of interest or principal in respect of our borrowings or deposits. Please see the section titled "Financial Statements" on pages 98 for details of borrowings of our Company.

Payment of Benefits to Officers of our Company

Except as stated in the sections titled "Our Management" beginning on page 78, no amount or benefit has been paid or given or is intended to be paid or given during the preceding two years to any of the Company's officers except the normal remuneration rendered as Directors, officers or employees or except as Shares allotted to them by the Company including options granted under the ESOP Scheme. Except statutory benefits upon termination of their employment in the Company or superannuation, no officer of the Company is entitled to any benefit upon termination of such officer's employment in the Company or superannuation. None of the beneficiaries of loans, and advances and sundry debtors are related to the Directors of the Company.

SECTION IX: ISSUE INFORMATION

TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, our Memorandum and Articles, the terms of this Draft Red Herring Prospectus and the Prospectus, Bid-cum-Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the Allotment advice and other documents/ certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to all applicable laws, guidelines, rules, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government of India, the Stock Exchanges, the Registrar of Companies, the RBI, the FIPB and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Authority for the Issue

Our Board authorised the Issue pursuant to a resolution passed at its meeting held on September 3, 2007. Our shareholders subsequently authorised the Issue by a special resolution passed pursuant to Section 81(1A) of the Companies Act, at our AGM held on September 28, 2007 and authorised the IPO Committee to take decisions on behalf of the Board in relation to the Issue. Further, the Board approved and authorized this Draft Red Herring Prospectus through its resolution dated January 29, 2008.

We have obtained all necessary governmental, regulatory consents and approvals and have received all necessary contractual consents required for the Issue For further information, see section titled “Government and Other Approvals” on page 188.

For further details, see the sections titled “Risk Factors”, “Capital Structure”, “Objects of the Issue” and “History and Certain Corporate Matters” on pages xiii, 13, 28 and 65 respectively.

Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of the Companies Act, our Memorandum and Articles and shall rank pari passu in all respects with the existing Equity Shares of our Company including rights in respect of dividend. The Allottees in receipt of Allotment of Equity Shares under this Issue will be entitled to dividends and/or other corporate benefits, if any, declared by the Company after the date of Allotment. For further details, see the section titled “Main Provisions of the Articles of Association” beginning on page 241 of this Draft Red Herring Prospectus.

Mode of Payment of Dividend

Our Company shall pay dividends to shareholders of our Company as per the provisions of the Companies Act.

Face Value and Issue Price

The face value of the Equity Shares is Rs. 10 each. The Floor Price of Equity Shares is Rs.[●] per Equity Share and the Cap Price is Rs.[●] per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares.

The face value of the shares is Rs. 10 and the Floor Price is [●] times of the face value and the Cap Price is [●] times of the face value.

Compliance with SEBI Guidelines

Our Company shall comply with all applicable disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholder

Subject to applicable laws, rules, regulations and guidelines and the provisions of our Articles, the equity shareholders of the Company shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;

- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act, the terms of the listing agreement executed with the Stock Exchanges, and our Company's Memorandum and Articles.

For a detailed description of the main provisions of our Articles relating to voting rights, dividend, forfeiture and lien, transfer and transmission, and/or consolidation/splitting, see the section titled "Main Provisions of the Articles of Association" beginning on page 241.

Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares shall be Allotted only in dematerialised form. As per the applicable law, the trading of our Equity Shares shall only be in dematerialised form. Since trading of our Equity Shares will be in dematerialised form, the tradable lot is one Equity Share. Allotment in this Issue will be only in electronic form in multiples of [●] Equity Shares, subject to a minimum Allotment of [●] Equity Shares.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with the competent courts/authorities in Kolkata, India.

Nomination Facility to Investor

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidders, may nominate any one person in whom, in the event of the death of the sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares Allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of our Company or to the registrar and transfer agents of our Company.

In accordance with Section 109B of the Companies Act, any Person who becomes a nominee by virtue of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

To register himself or herself as the holder of the Equity Shares; or

To make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the Allotment of Equity Shares in the Issue will be made only in dematerialised form, there is no need to make a separate nomination with our Company. Nominations registered with respective Depository Participant of the applicant would prevail. If the investors are required to change their nomination, they are requested to inform their respective Depository Participant.

Minimum Subscription

If our Company does not receive the minimum subscription of 90% of the Issue, including devolvement of underwriters within 60 days from the Bid/Issue Closing Date, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after our Company becomes liable to pay the amount, our Company shall pay interest prescribed under Section 73 of the Companies Act.

Further, in terms of clause 2.2.2A of the SEBI Guidelines, the Company shall ensure that the number of prospective Allottees to

whom Equity Shares will be allotted will not be less than 1,000.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933 (the “Securities Act”) or any state securities laws in the United States and are being offered or sold only outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Application by Eligible NRIs, FIIs registered with SEBI

It is to be distinctly understood that there is no reservation for eligible NRIs and FIIs registered with SEBI. All Non Residents, NRIs, FIIs and multi-lateral and bilateral development financial institutions and any other foreign investor applicants will be treated on the same basis with other categories for the purpose of allocation.

In terms of the FVCI Regulations and the VCF Regulations, FVCIs and VCFs are allowed to invest in domestic companies, which are not engaged in activities classified as a prohibited item under the negative list provided within the FVCI Regulations and the VCF Regulations, respectively, which includes non-banking financial services. In view of the same, FVCIs and VCFs are not eligible to participate in the Issue. Further, as per existing regulations, OCBs cannot participate in the Issue.

Arrangement for disposal of Odd Lots

There are no arrangements for disposal of odd lots.

Restriction on transfer of shares

There are no restrictions on transfers and transmission of shares/ debentures and on their consolidation/ splitting except as provided in our Articles. For details, see the section titled “Main Provisions of the Articles of Association” beginning on page 241.

Withdrawal of the Issue

The Company, in consultation with the BRLM, reserves the right not to proceed with the Issue at any time after the Bid/Issue Opening Date but before the Board meeting for Allotment, without assigning any reason therefor. Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which the Company shall apply for after Allotment and (ii) the final RoC approval of the Prospectus after it is filed with the RoC. In terms of the SEBI Guidelines, the QIBs shall not be allowed to withdraw their Bids after the Bid/Issue Closing Date.

ISSUE STRUCTURE

The present Issue of [●] Equity Shares comprising a Net Issue of [●] Equity Shares aggregating Rs. 1,520 million and an Employee Reservation Portion of [●] Equity Shares aggregating Rs. 80 million, at a price of Rs. [●] for cash aggregating Rs. 1,600 million is being made through the Book Building Process. The Company is considering a Pre-IPO Placement of [●] Equity Shares with certain investors. The Pre-IPO Placement is at the discretion of the Company. The Company will complete the issuance, if any, of such Equity Shares prior to the filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is completed the Issue Size offered to the public will be reduced to the extent of such Pre-IPO Placement, subject to a minimum Net Issue size of 10% of the post Issue capital being offered to the public.

	QIBs	Non-Institutional Bidders⁽⁴⁾	Retail Bidders⁽⁴⁾	Individual	Employee Reservation Portion⁽³⁾
Number of Equity Shares ^{(1)#}	At least [●] Equity Shares.	At least [●] Equity Shares or Issue less allocation to QIB Bidders and Retail Individual Bidders.	At least [●] Equity Shares or Issue less allocation to QIB Bidders and Non-Institutional Bidders.		Up to [●] Equity Shares
Percentage of Issue size available for allocation	At least 50% of Issue being allocated. However, up to 5% of the QIB Portion shall be available for allocation proportionately to Mutual Funds only.	At least 15% of Issue or the Issue less allocation to QIB Bidders and Retail Individual Bidders.	At least 35% of Issue or the Issue less allocation to QIB Bidders and Non-Institutional Bidders.		Rs. [●] million
Basis of allocation if respective category is oversubscribed	Proportionate as follows: (a) [●] Equity Shares shall be allocated on a proportionate basis to Mutual Funds; and (b) [●] Equity Shares shall be Allotted on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate		Proportionate
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds Rs. [●].	Such number of Equity Shares that the Bid Amount exceeds Rs. [●].	[●] Equity Shares.		[●] Equity Shares and in multiples of [●] Equity Share thereafter.
Maximum Bid	Such number of Equity Shares not exceeding the size of the Issue, subject to applicable limits.	Such number of Equity Shares not exceeding the size of the Issue subject to applicable limits.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. [●].		[●] Equity Shares
Mode of Allotment	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.		Compulsorily in dematerialized form.
Bid/Allotment Lot	[●] Equity Shares in multiples of [●] Equity Shares	[●] Equity Shares in multiples of [●] Equity Shares	[●] Equity Shares in multiples of [●] Equity Shares		[●] Equity Shares in multiples of [●] Equity Shares

	QIBs	Non-Institutional Bidders⁽⁴⁾	Retail Bidders⁽⁴⁾	Individual	Employee Reservation Portion⁽³⁾
Trading Lot	One Equity Share	One Equity Share	One Equity Share		One Equity Share
Who can Apply ⁽²⁾	Public financial institutions as specified in Section 4A of the Companies Act, FIIs registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million in accordance with applicable law.	Eligible NRIs, Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, scientific institutions societies and trusts.	Resident individuals, HUF (in the name of Karta), Eligible NRIs applying for Equity Shares such that the Bid Amount does not exceed Rs. [●] in value.	Indian	Eligible Employees
Terms of Payment	Margin Amount shall be payable at the time of submission of Bid-cum-Application Form to the member of the Syndicate.	Margin Amount shall be payable at the time of submission of Bid-cum-Application Form to the member of the Syndicate.	Margin Amount shall be payable at the time of submission of Bid-cum-Application Form to the member of the Syndicate.		Margin Amount applicable to Eligible Employees at the time of submission of Bid-cum-Application Form to the Syndicate Members.
Margin Amount	At least 10% of Bid Amount	Full Bid Amount on Bidding	Full Bid Amount on Bidding		Full Bid Amount.

Notes:

- (1) *Subject to valid Bids being received at or above the Issue Price. At least 50% of the Net Issue shall be available for Allotment to QIB Bidders. 5% of the QIB Portion shall be available for Allotment on a proportionate basis to Mutual Funds only. Mutual Funds participating in the 5% share in the QIB Portion will also be eligible for Allocation in the remaining QIB Portion. Further, not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. If the aggregate demand from Mutual Funds is less than [●] Equity Shares, the balance Equity Shares available for Allotment in the Mutual Fund reservation will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders in proportion to their Bids.*
- (2) *In case the Bid-cum-Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and the names are in the same sequence in which they appear in the Bid-cum-Application Form.*

- (3) *Under-subscription, if any, in the Employee Reservation Portion will be added back to either the Non-Institutional Portion and the Retail Individual Bidders portion and the proportionate of such Equity Shares shall be at the sole discretion of the Company in consultation with the BRLM.. In case of under-subscription in the Net Issue, spill-over to the extent of under-subscription shall be permitted from the Employee Reservation Portion.*
- (4) *Under-subscription, if any, in Retail Bidders category would be first allowed to be met with spill over from Non Institutional Bidder category, Non-Institutional Bidders category would be first allowed to be met with spill over from Retail Bidder category at the sole discretion of the Company, in consultation with the BRLM.*

If the Pre-IPO Placement is completed the number of Equity Shares issued pursuant to the Pre-IPO Placement will be reduced from the Net Issue, subject to a minimum Issue size of 10% of the post Issue capital.

Withdrawal of the Issue

The Company, in consultation with the BRLM, reserves the right not to proceed with the Issue at any time after the Bid/Issue Opening Date but before the Board meeting for Allotment, without assigning any reason therefor. Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which the Company shall apply for after Allotment and (ii) the final RoC approval of the Prospectus after it is filed with the RoC. In terms of the SEBI Guidelines, the QIBs shall not be allowed to withdraw their Bids after the Bid/Issue Closing Date.

Letters of Allotment or Refund Orders

The Company shall give credit to the beneficiary account with Depository Participants within two Working Days from the date of the finalisation of basis of allocation. Please note that only Bidders having a bank account at any of the 15 centres where the clearing houses for the ECS are managed by the RBI are eligible to receive refunds through the modes stated above. For all the other Bidders, including Bidders who have not updated their bank particulars, along with the nine-digit MICR code, the refund orders shall be dispatched within 15 days of the Bidding/ Issue Closing Date “Under Certificate of Posting” for refund orders less than or equal to Rs. 1,500 and through speed post/registered post or Direct Credit, NEFT, RTGS or ECS at the sole or first Bidder’s sole option, for refund orders exceeding Rs. 1,500.

Interest in Case of Delay in Dispatch of Allotment Letters/ Refund Orders

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, the Company undertakes that:

- Allotment shall be made only in dematerialised form within 15 days from the Bid/ Issue Closing Date;
- that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of the Bid/Issue Closing Date, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund; and
- The Company shall pay interest at 15% per annum, if Allotment is not made, refund orders are not dispatched and/ or demat refund instructions have not been given to the clearing system in the disclosed manner within the 15 day time prescribed above.

The Company will provide adequate funds required for dispatch of refund orders or Allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Bidding/ Issue Programme

BID/ISSUE OPENS ON	[•], 2008
BID/ISSUE CLOSES ON	[•], 2008

Bids and any revision in Bids shall be accepted only between 10 a.m. and 3 p.m. (Indian Standard Time) during the Bidding/ Issue Period as mentioned above at the Bidding centres mentioned on the Bid-cum-Application Form except that on the Bid/ Issue Closing Date, the Bids shall be accepted only between 10 a.m. and 1 p.m. (Indian Standard Time) and uploaded till (i) 5 p.m. in

case of Bids by QIB Bidders and Non-Institutional Bidders where the Bid Amount is in excess of Rs. 100,000 and (ii) till such time as permitted by the NSE and the BSE, in case of Bids by Retail Individual Bidders where the Bid Amount is up to Rs. 100,000. Due to limitation of time available for uploading the Bids on the Bid/Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/Issue Closing Date and, no later than 1 p.m (Indian Standard Time) on the Bid/Issue Closing Date. Bidders are cautioned that in the event a large number of Bids are received on the Bid/Issue Closing Date, as is typically experienced in public offerings, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation under the Issue. Bids will only be accepted on Working Days.

In case of revision in the Price Band, the Bidding/ Issue Period will be extended for three additional days after revision of Price Band subject to the Bidding/ Issue Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Bidding/ Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release, and also by indicating the change on the websites of the BRLM and at the terminals of the Syndicate.

ISSUE PROCEDURE

Book Building Procedure

The Issue is being made through the 100% Book Building Process whereby at least 50% of the Issue shall be available for allocation on a proportionate basis to QIBs, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. Not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Further, [●] Equity Shares shall be available for allocation to the Eligible Employees, subject to valid Bids being received at or above the Issue Price. The Company is considering a Pre-IPO Placement of [●] Equity Shares with certain investors ("Pre-IPO Placement"). The Pre-IPO Placement is at the discretion of the Company. The Company will complete the issuance, if any, of such Equity Shares prior to the filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is completed the Issue Size offered to the public will be reduced to the extent of such Pre-IPO Placement, subject to a minimum Net Issue size of 10% of the post Issue capital being offered to the public. If, as a result of the Pre-IPO Placement, the Issue size is reduced to an extent such that the Issue constitutes less than 25% of the post Issue paid-up capital of the Company, then in terms of Rule 19(2)(b) of the Securities Contract Regulation Rules, 1957, the Issue would be made through the 100% Book Building Process where at least 60% of the Issue would be Allotted on a proportionate basis to QIBs out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. Further, not less than 10% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through a member of the Syndicate. QIB Bids can be submitted only through the BRLM. In the case of QIB Bidders, the BRLM may reject any Bid at the time of acceptance of the Bid-cum-Application Form, provided that the reasons for rejecting the same are provided to such Bidders in writing. In case of Non-Institutional Bidders, Retail Individual Bidders and Employee Reservation Portion the Bids would be rejected only on technical reasons.

Investors should note that the Equity Shares would be allotted to all successful Bidders only in the dematerialized form. Bidders will not have the option of getting allotment of the Equity Shares in physical form. The Equity Shares on allotment shall be traded only in the dematerialized segment of the Stock Exchanges.

The information below is given for the benefit of the Bidders. The Company and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws, regulations or approvals.

Illustration of Book Building and Price Discovery Process (Investors may note that this illustration is solely for the purpose of easy understanding and is not specific to the Issue)

Bidders can bid at any price within the price band. For instance, assume a price band of Rs 20 to Rs 24 per share, issue size of 3,000 equity shares and receipt of five bids from bidders out of which one bidder has bid for 500 shares at Rs. 24 per share while another has bid for 1,500 shares at Rs. 22 per share. A graphical representation of the consolidated demand and price would be made available at the bidding centers during the bidding period. The illustrative book as shown below shows the demand for the shares of the company at various prices and is collated from bids from various investors.

Bid Quantity	Bid Amount (Rs.)	Cumulative Quantity	Subscription
500	24	500	16.67%
1,000	23	1,500	50.00%
1,500	22	3,000	100.00%
2,000	21	5,000	166.67%
2,500	20	7,500	250.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired quantum of shares is the price at which the book cuts off i.e. Rs. 22 in the above example. The issuer, in consultation with the BRLM, will finalize the issue price at or below such cut off price i.e. at or below Rs. 22. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in respective category.

Bid-cum-Application Form

Bidders shall only use the specified Bid-cum-Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Draft Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorised our Company to make the necessary changes in this Draft Red Herring Prospectus and the Bid-cum-Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid-cum-Application Form for various categories, is as follows:

Category	Colour of Bid-cum-Application Form
Resident Indians and Eligible NRIs applying on a non-repatriation basis	White
Non-Residents, Eligible NRIs, FIIs, registered Multilateral and Bilateral Development Financial Institutions and other Non-Residents applying on a repatriation basis	Blue
Eligible Employees	Red

Who can Bid?

- Persons eligible to invest under all applicable laws, rules, regulations and guidelines;
- Indian nationals resident in India who are majors, or in the names of their minor children as natural/legal guardians in single or joint names (not more than three);
- HUFs, in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid-cum-Application Form as follows: “Name of Sole or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta”. Bids by HUFs would be considered at par with those from individuals;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in equity shares;
- Indian Mutual Funds registered with SEBI;
- Eligible NRIs on a repatriation basis or on a non-repatriation basis subject to applicable laws. NRIs other than Eligible NRIs are not eligible to participate in this Issue;
- Indian Financial Institutions, commercial banks (excluding foreign banks), regional rural banks, co-operative banks (subject to RBI regulations and the SEBI Guidelines and regulations, as applicable);
- FIIs registered with the SEBI;
- State Industrial Development Corporations;
- Multilateral and bilateral development financial institutions;
- Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/societies and who are authorised under their constitution to hold and invest in equity shares;
- Scientific and/or industrial research organisations in India authorised to invest in equity shares;
- Insurance Companies registered with the IRDA;
- Subject to the applicable law, Provident Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;
- Pension Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares; and
- As per existing regulations promulgated under the FEMA, OCBs cannot Bid in the Issue. Further, in terms of the FVCI Regulations and the VCF Regulations, FVCIs and VCFs are not eligible to participate in the Issue.

For further details, please see the section titled “Terms of the Issue” on page 210.

Participation by Associates of BRLM / members of the Syndicate

The BRLM shall not be allowed to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the BRLM/ members of the Syndicate may subscribe to Equity Shares in the Issue either in

the QIB Portion or in Non Institutional Portion as may be applicable to such investors, where the allocation is on a proportionate basis. Such Bidding and subscription may be on their own account or on behalf of their clients.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

Bids by Mutual Funds

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand is greater than [●] Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

In accordance with the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Bids by Eligible Employees

The following permanent employees, Directors of the Company, except any Promoters or members of the Promoter Group, present in India as on the date of submission of the Bid cum Application Form.

Bids under Employee Reservation Portion by Eligible Employees shall be made only in the prescribed Bid cum Application Form or Revision Form (i.e. red colour Form).

Eligible Employees, as defined above, should mention the Employee Number at the relevant place in the Bid cum Application Form.

The sole/first Bidder shall be Eligible Employees.

Only Eligible Employees (as defined above) would be eligible to apply in this Issue under the Employee Reservation Portion.

Eligible Employees can apply at Cut-Off Price if the Bid Amount does not exceed Rs. [●].

For the Employee Reservation Portion at the Cut-Off Price and for a maximum Bid which is calculated on the basis of Equity Shares provided in the Employee Reservation Portion into the Cut-Off Price.

If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand. If the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, refer to "Basis of Allocation" on page 233 of this Draft Red Herring Prospectus.

Undersubscription, if any, in the Employee Reservation Portion would be included in the Net Issue. In case of undersubscription in the Net Issue, spill over to the extent of under-subscription shall be permitted from the Employee Reservation Portion.

Bid by Eligible Employees can also be made in the "Net Issue" portion and such Bids shall not be treated as multiple bids.

Bids by Eligible NRIs

Bid-cum-Application Forms will be made available for Eligible NRIs at our registered and corporate office, with the members of the Syndicate and the Registrar to the Issue.

NRI applicants may note that only such applications as are accompanied by payment in free foreign exchange shall be considered for Allotment. The Eligible NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the application form meant for Resident Indians.

Bids by FIIs

In accordance with the current regulations, the following restrictions are applicable for investments by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of our post-Issue issued capital. In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. As of now, the aggregate FII holding in our Company cannot exceed 24% of our total issued capital. The said 24% limit can be increased up to 100% by passing a resolution by the Board followed by passing a special resolution to that effect by the shareholders of our Company. The Company has not obtained board or shareholders approval to increase the FII limit to more than 24%.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended, an FII or its sub account may issue, deal or hold, off shore derivative instruments such as Participatory Notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed on any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of “know your client” requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

The above information is given for the benefit of the Bidders. The Bidders are advised to make their own enquiries about the limits applicable to them. The Company and the BRLM do not accept any responsibility for the completeness and accuracy of the information stated hereinabove. The Company and the BRLM are not liable to inform the investors of any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid Size

For Retail Individual Bidders: The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Share thereafter, so as to ensure that the Bid Amount (provided revision of Bids, if any) payable by the Bidder does not exceed Rs. 100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 100,000. In case the Bid Amount is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allocation under the Non-Institutional Bidders portion. The Cut-off option is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

For Non-Institutional Bidders and QIBs: The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of [●] Equity Shares thereafter. A Bid cannot be submitted for more than the Issue. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. Under existing SEBI Guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay QIB Margin upon submission of Bid.

For Employee Reservation Portion: The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter. The maximum Bid in this category by an Eligible Employee cannot exceed [●] Equity Shares.

In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIBs are not allowed to Bid at ‘Cut-off’.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Draft Red Herring Prospectus.

Refund amounts following a permitted withdrawal of a Bid shall be paid in the manner described under paragraph “Payment of Refund”.

Information for the Bidders:

- We will file the Red Herring Prospectus with the RoC at least 3 (three) days before the Bid/Issue Opening Date.
- The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid-cum-Application Form to potential investors.
- Any investor (who is eligible to invest in the Equity Shares) who would like to obtain the Red Herring Prospectus and/ or the Bid-cum-Application Form can obtain the same from our registered office or from any of the members of the Syndicate.
- Eligible investors who are interested in subscribing for the Equity Shares should approach any of the BRLM or Syndicate Members or their authorised agent(s) to register their bids.
- We and the BRLM shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with RoC and also publish the same in three widely circulated newspapers (one each in an English national Daily, a Hindi national newspaper and a Gujarati newspaper). This advertisement, subject to the provisions of Section 66 of the Companies Act shall be in the format prescribed in Schedule XX–A of the SEBI DIP Guidelines, as amended from time to time.
- The Bids should be submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of the members of the Syndicate. Bid-cum-Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.
- The Syndicate shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.
- The Bidding/ Issue Period shall be for a minimum of three days and not exceeding seven days. In case the Price Band is revised, the revised Price Band and the Bidding Period will be published in three widely circulated newspapers (one each in an English national Daily, a Hindi national newspaper and a Gujarati newspaper) and the Bidding/ Issue Period may be extended, if required, by an additional three days, subject to the total Bidding/ Issue Period not exceeding 10 working days.
- The Price Band has been fixed at Rs. [●] to Rs. [●] per Equity Share of Rs. 10 each, Rs. [●] being the lower end of the Price Band and Rs. [●] being the higher end of the Price Band. The Bidders can bid at any price within the Price Band, in multiples of Rs. 1 (One).
- We reserve the right to revise the Price Band, in consultation with the BRLM, during the Bidding Period, in accordance with SEBI DIP Guidelines. The higher end of the Price Band should not be more than 20% of the lower end of the Price Band. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band can move up or down to the extent of 20% of the lower end of the Price Band disclosed in the Red Herring Prospectus.
- In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to the stock exchanges, by issuing a public notice in three widely circulated newspapers (one each in an English national Daily, a Hindi national newspaper and a Gujarati newspaper), and also by indicating the change on the websites of the BRLM and at the terminals of the Syndicate Members.
- We can finalise the Issue Price within the Price Band in accordance with this clause, in consultation with the BRLM, without the prior approval of, or intimation, to the Bidders.

Method and Process of Bidding

- Each Bid-cum-Application Form will give the Bidder the choice to Bid for up to three optional prices (for details see paragraph “Bids at Different Price Levels” on page 222) within the Price Band and specify the demand (i.e., the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid-cum-Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation/Allotment and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.
- The Bidder cannot Bid on another Bid-cum-Application Form after Bids on one Bid-cum-Application Form have been submitted to any member of the Syndicate. Submission of a second Bid-cum-Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or Allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph “Bids at Different Price Levels and Revision of Bids” on page 222 of this Draft Red Herring Prospectus.
- The Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, (“TRS”), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid-cum-Application Form.

- During the Bidding/Issue Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids, subject to the terms of the Syndicate Agreement and the Red Herring Prospectus.
- Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the paragraph “Terms of Payment and Payment into the Escrow Accounts” on page 227.

Bids at Different Price Levels and Revision of Bids

- The Bidder can Bid at any price within the Price Band. The Bidder has to Bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders and Eligible Employees applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may Bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIBs, Non-Institutional Bidders and Eligible Employees bidding in excess of Rs. 100,000 and such Bids shall be rejected.
- Retail Individual Bidders and Eligible Employees who Bid at the Cut-Off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders and Eligible Employees bidding at Cut-Off Price shall deposit the Bid Amount based on the higher end of the Price Band in the Escrow Account. In the event the Bid Price is higher than the subscription amount payable by the Retail Individual Bidders and Eligible Employees, who Bid at Cut off Price (i.e., the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders and Eligible Employees, who Bid at Cut off Price, shall receive the refund of the excess amounts from the Escrow Account.
- In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Eligible Employees who had Bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the higher end of the Revised Price Band (such that the total amount i.e., original Bid Price plus additional payment does not exceed Rs. 100,000, if such Bidder wants to continue to Bid at Cut-off Price), with the Syndicate Member to whom the original Bid was submitted. In case the total amount (i.e., original Bid Price plus additional payment) exceeds Rs. 100,000 for Retail Individual Bidders the Bid will be considered for allocation under the Non-Institutional Portion in terms of this Draft Red Herring Prospectus. If, however, such Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the higher end of the Price Band prior to revision, the number of Equity Shares Bid for shall be adjusted downwards for the purpose of Allotment, such that no additional payment would be required from such Bidder and such Bidder is deemed to have approved such revised Bid at Cut-off Price.
- In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders and Eligible Employees who have Bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.
- In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain [●] Equity Shares irrespective of whether the Bid Price payable on such minimum application is not in the range of Rs. [●] to Rs.[●].
- During the Bidding/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid-cum-Application Form.
- Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the Revision Form, the Bidder must also mention the details of all the options in his or her Bid-cum-Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid-cum-Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being revised, in the Revision Form. The members of the Syndicate will not accept incomplete or inaccurate Revision Forms.
- The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid.
- Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.
- Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Draft Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of a cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.

- When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.
- Bids and revisions of Bids must be:
- Made only in the prescribed Bid-cum-Application Form or Revision Form, as applicable (white colour for Resident Indians, blue colour for NRIs and FIIs and applying on repatriation basis, pink colour for Bidders under the Employee Reservation portion).
- Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid-cum-Application Form or in the Revision Form. Incomplete Bid-cum-Application Forms or Revision Forms are liable to be rejected.
- For Retail Individual Bidders, the Bid must be for a minimum of [●] Equity Shares and in multiples of [●] thereafter subject to a maximum Bid Amount of Rs. 100,000.
- For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Price exceeds or equals Rs. 100,000 and in multiples of [●] Equity Shares thereafter. Bids cannot be made for more than the Issue Size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.
- NRIs for a Bid Price of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Price of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation; by other eligible Non Resident Bidders for a minimum of such number of Equity Shares and in multiples of [●] thereafter that the Bid Price exceeds Rs. 100,000.
- Bids by Non Residents, NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI on a repatriation basis shall be in the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.
- In single name or in joint names (not more than three, and in the same order as their Depository Participant details).
- Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Electronic Registration of Bids

The Syndicate will register the Bids using the on-line facilities of the Stock Exchanges. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted. The Stock Exchanges will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Syndicate and their authorised agents during the Bidding Period. Syndicate Members can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a half hourly basis. On the Bid Closing Date, the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges. This information will be available with the BRLM on a regular basis. The aggregate demand and price for Bids registered on the electronic facilities of Stock Exchanges will be uploaded on a half hourly basis, consolidated and displayed on-line at all bidding centres and the website of the Stock Exchanges. A graphical representation of consolidated demand and price would be made available at the bidding centres during the Bidding Period. At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

- Name of the investor.
- Investor Category – Individual, Corporate, NRI, FII, or Mutual Fund etc.
- Numbers of Equity Shares Bid for.
- Bid price.
- Bid-cum-Application Form number.
- Whether Margin Amount has been paid upon submission of Bid-cum-Application Form.
- Depository Participant Identification Number and Client Identification Number of the beneficiary account of the Bidder.

A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate. The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated / allotted either by the members of the Syndicate or by us. Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

In case of QIB Bidders, members of the syndicate also have the right to accept the Bid or reject it. However, such rejection should be made at the time of receiving the Bid and only after assigning a reason for such rejection in writing. In case on Non-Institutional Bidders and Retail Individual Bidders who Bid, Bids would not be rejected except on the technical grounds listed on page 230 of this Draft Red Herring Prospectus.

The permission given by the Stock Exchanges to use their network and software of the online IPO system should not in any way be deemed or construed to mean compliance with various statutory and other requirements by our Company and/or that the BRLM are cleared or approved by the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, its Promoters, the management or any scheme or project of our Company.

It is also to be distinctly understood that the approval given by the Stock Exchanges should not in any way be deemed or construed that this Draft Red Herring Prospectus has been cleared or approved by the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the Stock Exchanges.

Only Bids that are uploaded on the online IPO system of the Stock Exchanges shall be considered for allocation/ Allotment. In case of discrepancy of data between the BSE or the NSE and the members of the Syndicate, the decision of the BRLM based on the physical records of Bid Application Forms shall be final and binding on all concerned.

GENERAL INSTRUCTIONS

DO's:

- Check if you are eligible to apply;
- Read all the instructions carefully and complete the applicable Bid-cum-Application Form;
- Ensure that the details about Depository Participant and beneficiary account are correct as Allotment of Equity Shares will be in the dematerialized form only;
- Ensure that the Bid is within the Price Band;
- Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a member of the Syndicate;
- Ensure that you have been given a TRS for all your Bid options;
- Submit the Bid with the applicable Margin Amount;
- QIBs shall submit their Bid only to the BRLM or to Syndicate Members duly appointed in this regard;
- Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;
- Each of the Bidders (NRIs), should mention their Permanent Account Number (PAN) allotted under the IT Act. If you have mentioned "Applied for", in the Bid-cum-Application Form in the section dealing with PAN or have not obtained a PAN, ensure that you submit Form 60 or 61, as the case may be, together with permissible documents as address proof;
- Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects;

- Ensure that the name(s) given in the Bid-cum-Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid-cum-Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid-cum-Application Form.

DON'Ts:

- Do not Bid for lower than the minimum Bid size;
- Do not Bid/ revise Bid price to less than the lower end of the Price Band or higher than the higher end of the Price Band;
- Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the members of the Syndicate;
- Do not pay the Bid Price in cash, by money order or by postal order or by stockinvest;
- Do not send Bid-cum-Application Forms by post; instead submit the same to a member of the Syndicate only;
- Do not Bid at Cut Off Price (for QIB Bidders and Non-Institutional Bidders and Bidders in the Employee Reservation Portion applying for a Bid Amount exceeding Rs. 100,000);
- Do not Bid for a Bid Amount exceeding Rs. 100,000 (for Retail Individual Bidders);
- Do not fill up the Bid-cum-Application Form such that the Equity Shares Bid for exceeds the Issue Size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations; and
- Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.

Instructions for Completing the Bid-cum-Application Form

Bidders can obtain Bid-cum-Application Forms and / or Revision Forms from the members of the Syndicate.

Bidder's Depository Account and Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid-cum-Application Form, the Registrar to the Issue will obtain from the Depository the demographic details including address, Bidders bank account details, MICR code and occupation (hereinafter referred to as 'Demographic Details'). These Bank Account details would be used for giving refunds to the Bidders. Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in despatch/ credit of refunds to Bidders at the Bidders sole risk and neither the BRLM nor the Registrar nor the Escrow Collection Banks nor our Company shall have any responsibility and undertake any liability for the same. Hence, Bidders should carefully fill in their Depository account details in the Bid-cum-Application Form.

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the CANs/Allocation Advice and printing of Bank particulars on the refund orders or for refunds through electronic transfer of funds, as applicable. The Demographic Details given by Bidders in the Bid-cum-Application Form would not be used for any other purpose by the Registrar to the Issue.

By signing the Bid-cum-Application Form, the Bidder would be deemed to have authorised the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

In case of Bidders receiving refunds through electronic transfer of funds, delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid-cum-Application Form would be used only to ensure despatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither our Company, the Registrar, Escrow Collection Bank(s) nor the BRLM shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories, which matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

We reserve the right, in our absolute discretion, to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice/ refunds through electronic transfer of funds, the Demographic Details given on the Bid-cum-Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid-cum-Application Form instead of those obtained from the depositories.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid-cum-Application Form. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

An approval of the RBI is required for the transfer of Equity Shares to Eligible NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions and other Eligible NRIs pursuant to the Issue for sale. As per the RBI regulations, OCBs are not permitted to participate in the Issue.

There is no reservation for Non Residents, NRIs, FIIs and foreign venture capital funds and all Non Residents, NRI, FII and foreign venture capital funds applicants will be treated on the same basis with other categories for the purpose of allocation.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum of association and articles of association and/or bye laws must be lodged along with the Bid-cum-Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid-cum-Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of the certificate of registration issued by the Insurance Regulatory and Development Authority must be lodged along with the Bid-cum-Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by provident funds with minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with minimum corpus of Rs. 250 million, a certified copy of the certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid-cum-Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

We in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application form, subject to such terms and conditions that our Company and the BRLM may deem fit.

PAYMENT INSTRUCTIONS

Escrow Mechanism

The Company and the members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Bank(s) for the collection of the Bid Amount payable upon submission of the Bid-cum-Application Form and for amounts payable pursuant to allocation in the Issue.

The Escrow Collection Banks will act in terms of this Draft Red Herring Prospectus, the Prospectus and the Escrow Agreement. The Escrow Collection Bank (s) for and on behalf of the Bidders shall maintain the monies in the Escrow Account. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account will be transferred to the Refund Account for the benefit of the Bidders who are entitled to refunds as per the terms of the Escrow Agreement, this Draft Red Herring Prospectus and the Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Company, the members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Accounts

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation/Allotment as per the following terms.

Each category of Bidders i.e., QIB Bidders, Non-Institutional Bidders and Retail Individual Bidders, shall provide the applicable Margin Amount, with the submission of the Bid-cum-Application Form, draw a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details see the section titled “Issue Procedure – Terms of Payment and Payment into the Escrow Account” on page 552) and submit the same to the member of the Syndicate to whom the Bid is being submitted. The Bidder may also provide the applicable Margin Amount by way of EFT or RTGS mechanism. Bid-cum-Application Forms accompanied by cash/stock invest/ money order shall not be accepted. The Margin Amount payable by each category of Bidders is mentioned in the section titled “Issue Structure” on page 539. The maximum Bid price has to be paid at the time of submission of the Bid-cum-Application Form based on the highest Bidding option of the Bidder. However, if the applicable Margin Amount for Bidders is 100%, the full amount of payment has to be made at the time of submission of the Bid-cum-Application Form. QIB Bidders will be required to deposit a margin of at least 10% at the time of submitting their Bids.

Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated/Allotted at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled.

The payment instruments for payment into the Escrow Account should be drawn in favour of:

In case of resident QIB Bidders: “Escrow Account– [●]”

In case of Non Resident QIB Bidders: “Escrow Account– [●]”

In case of Resident Retail and Non-Institutional Bidders: “[●]”

In case of Non Resident Retail Non-Institutional Bidders: “[●]”

In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted

out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder Bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account.

In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to Special Rupee Account.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank, which will hold the monies deposited in the Escrow Accounts for the benefit of the Bidders until the Designated Date.

7. Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on Bidding, after adjustment towards the balance amount payable on the Equity Shares allocated\ will be refunded to the Bidder from the Refund Account.

8. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation/Allotment to the Bidders.

9. Payments should be made by cheque, or demand draft drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid-cum-Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ Stockinvest/Money Orders/ Postal orders will not be accepted.

10. Bidders are advised to mention the number of application form on the reverse of the cheque / demand draft to avoid misuse of instruments submitted along with the Bid-cum-Application Form.

11. In case clear funds are not available in the Escrow Accounts as per final certificates from the Escrow Collection Banks, such Bids are liable to be rejected.

Payment by Stockinvest

In terms of the Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Hence, payment through stockinvest would not be accepted in this Issue.

Submission of Bid-cum-Application Form

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid.

Separate receipts shall not be issued for the money payable on the submission of Bid-cum-Application Forms or Revision Forms. However, the collection centre of the members of the Syndicate will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form. All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications are given below:

1. All applications with the same name and age will be accumulated and taken to a separate process file which would serve as probable multiple master.
2. In this master, a check will be carried out for the same PAN/GIR numbers. In cases where the PAN/ GIR numbers are different, the same will be deleted from this master.
3. The addresses of all these applications from the multiple master will be strung from the address master. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters, i.e., commas, full stops, hashes etc. Sometimes, the name, the first line of the address and pin code will be converted into a string for each application received and a photo match will be carried out among all the applications processed. A print-out of the addresses will be made to check for common names. Applications with the same name and same address will be treated as multiple applications.
4. The applications will be scanned for similar DP ID and client identity numbers. In cases where applications bear the same numbers, these will be treated as multiple applications.
5. After the aforesaid procedures, a print-out of the multiple master will be taken and the applications physically verified to tally signatures and also father's/husband's names. On completion of this, the applications will be identified as multiple applications.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

The Company reserves the right to reject, in its absolute discretion, all or any multiple Bids in any or all categories.

In cases where there are more than 20 valid applicants having a common address, such shares will be kept in abeyance, post Allotment and released on confirmation of KYC norms by the depositories.

Permanent Account Number or PAN

Bidders or, in the case of a Bid in joint names, each of the Bidders, should mention his/her PAN allotted under the I.T. Act SEBI has recently issued a circular directing that with effect from July 2, 2007, PAN would be the sole identifiable number for participants transacting in the securities market, irrespective of the amount of transaction. It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground. In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration.

Unique Identification Number ("UIN")

SEBI has, with effect from July 2, 2007 declared that the PAN would be the sole identification number for participants transacting in the securities market, irrespective of the amount of transaction. Thus the use of UIN has been discontinued.

THE COMPANY'S RIGHT TO REJECT BIDS

In case of QIB Bidders, the Company, in consultation with the BRLM, may reject Bids provided that the reason for rejecting the Bid shall be provided to such Bidders in writing.

In case of Non-Institutional Bidders, and Retail Individual Bidders who Bid, our Company has a right to reject Bids based on technical grounds.

Consequent refunds shall be made as described in this Draft Red Herring Prospectus and will be sent to the Bidder's address at the Bidder's risk.

Grounds for Technical Rejections

1. Bidders are advised to note that Bids are liable to be rejected inter alia on the following technical grounds:
2. Amount paid does not tally with the amount payable for the highest value of Equity Shares Bid for;
3. Age of First Bidder not given;
4. In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;
5. Bid by persons not competent to contract under the Indian Contract Act, 1872 including minors and insane persons;
6. Form 60 or Form 61 declaration along with documentary evidence in support of address given in the declaration, not given;
7. GIR number furnished instead of PAN;
8. Bids for lower number of Equity Shares than specified for that category of investors;
9. Bids at a price less than lower end of the Price Band;
10. Bids at a price more than the higher end of the Price Band;
11. Bids or revision thereof by QIB Bidders and Non-Institutional Bidders where the Bid Amount is in excess of Rs. 100,000, uploaded after 5.00 p.m. on the Bid/Issue Closing Date;
12. Bids for number of Equity Shares which are not in multiples of [●];
13. Category not ticked;
14. Multiple Bids as defined in this Draft Red Herring Prospectus;
15. In case of Bids under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
16. Bids accompanied by Stockinvest/money order/postal order/cash;
17. Signature of sole and / or joint Bidders missing;
18. Bid-cum-Application Forms does not have the stamp of the BRLM or the members of the Syndicate;
19. Bid-cum-Application Forms does not have Bidder's depository account details;
20. Bid-cum-Application Forms are not delivered by the Bidders within the time prescribed as per the Bid-cum-Application Forms, Bid/Issue Opening Date advertisement and this Draft Red Herring Prospectus and as per the instructions in this Draft Red Herring Prospectus and the Bid-cum-Application Forms;
21. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's account number;
22. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;

23. Bids in respect where the Bid-cum-Application Form do not reach the Registrar prior to the finalisation of the basis of Allotment;
24. Bids where clear funds are not available in Escrow Accounts as per final certificate from the Escrow Collection Banks;
25. Bids by OCBs;
26. Bids by FVCIs and VCFs;
27. Bids by any person outside India if not in compliance with applicable foreign and Indian Laws; and
28. Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority.
29. Bids in the Employee Reservation Portion by employees who are not Eligible Employees.
30. Bids by persons who are ineligible or are prohibited under any law, regulations or rules by SEBI or any competent authority or an order of a court of competent jurisdiction.

Price Discovery and Allocation

After the Bid/Issue Closing Date, the BRLM will analyse the demand generated at various price levels.

The Company in consultation with the BRLM shall finalise the “Issue Price” and the number of Equity Shares to be allocated in each investor category.

The allocation to QIBs will be at least 50% of the Issue and allocation to Non-Institutional and Retail Individual Bidders will be at least 15% and 35% of the Issue, respectively, on a proportionate basis, in a manner specified in the SEBI Guidelines and this Draft Red Herring Prospectus, in consultation with the Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.

Under-subscription, if any, in the Non-Institutional category and the Retail Individual category would be met with spill over from any other category at the sole discretion of our Company in consultation with the BRLM. However, if the aggregate demand by Mutual Funds is less than 227,284 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be Allotted proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has been met, under subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company in consultation with the BRLM, and the Designated Stock Exchange.

Allocation to Eligible NRIs, FIIs etc. applying on repatriation basis will be subject to applicable law and the terms and conditions stipulated by the RBI, while granting permission for Allotment of Equity Shares to them in this Issue.

The BRLM, in consultation with the Company shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.

The Company reserves the right to cancel the Issue at any time after the Bid/Issue Opening Date but before the Allotment without assigning any reasons whatsoever.

In terms of the SEBI Guidelines, QIBs shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.

The Company in consultation with the BRLM, reserves the right to reject any Bid procured from QIB Bidders, by any or all members of the Syndicate. Rejection of Bids made by QIBs, if any, will be made at the time of submission of Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing.

The Allotment details shall be put on the website of the Registrar to the Issue.

Signing of Underwriting Agreement and RoC Filing

The Company, the BRLM and the members of the Syndicate shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s)/ Allotment to the Bidders.

After signing the Underwriting Agreement, the Company would update and file the updated Draft Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue size, underwriting arrangements and would be complete in all material respects.

Filing of the Draft Red Herring Prospectus and the Prospectus with the RoC

The Company will file a copy of the Draft Red Herring Prospectus and the Prospectus with the RoC in terms of Section 56, Section 60 and Section 60B of the Companies Act.

Announcement of pre-Issue Advertisement

Subject to Section 66 of the Companies Act, the Company shall, after receiving final observations, if any, on this Draft Red Herring Prospectus from the SEBI, publish an advertisement, in the form prescribed by the SEBI Guidelines, in two widely circulated national newspapers (one each in English and Hindi) and a with a wide circulation.

Advertisement regarding Issue Price and Prospectus

A statutory advertisement will be issued by the Company after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price along with a table showing the number of Equity Shares and the amount payable by an investor. Any material updates between the date of the Draft Red Herring Prospectus and the Prospectus shall be included in such statutory advertisement.

Issuance of Confirmation of Allocation Note ("CAN")

Upon approval of the basis of Allotment by the Designated Stock Exchange, the BRLM, or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated/Allotted Equity Shares in the Issue. The approval of the basis of allocation by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail and Non-Institutional Bidders. However, the investor should note that the Company shall ensure that the instructions by the Company for demat credit of the Equity Shares to all investors in this Issue shall be given on the same date of Allotment.

The BRLM and/or their affiliates would dispatch a CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the entire Bid Amount into the Escrow Account at the time of Bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.

Bidders who have been allocated/Allotted Equity Shares and who have already paid the Bid Amount into the Escrow Account at the time of Bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of his or her cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the Allotment to such Bidder.

The Issuance of CAN is 'Subject to "Allotment Reconciliation and Revised CANs" as set forth herein.

Notice to QIBs: Allotment Reconciliation and Revised CANs

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bid Applications received. Based on the electronic book, QIBs will be sent a CAN on or prior to [•], 2007, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the physical book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange and specified in the physical book. As a result, a revised CAN may be sent to QIBs, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. It is not necessary that a revised CAN will be sent. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased Allotment of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

Designated Date and Allotment of Equity Shares

The Company will ensure that the Allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Public Issue Account on the Designated Date, the Company would ensure the credit to the successful Bidders depository account. Allotment of the Equity Shares to the Allottees shall be within two Working Days of the date of Allotment.

In accordance with the SEBI Guidelines, Equity Shares will be issued and Allotment shall be made only in the dematerialised form to the Allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated/Allotted to them pursuant to this Issue.

BASIS OF ALLOTMENT

A. For Retail Individual Bidders

Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the successful Retail Individual Bidders will be made at the Issue Price.

The Issue size less Allotment to Non-Institutional and QIB Bidders shall be available for Allotment to Retail Individual Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.

If the valid Bids in this portion are less than or equal to [●] Equity Shares at or above the Issue Price, full Allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.

If the valid Bids in this portion are greater than [●] Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter. For the method of proportionate basis of allocation, refer below.

B. For Non-Institutional Bidders

Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.

The Issue size less Allotment to QIBs and Retail Portion shall be available for Allotment to Non-Institutional Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.

If the valid Bids in this portion are less than or equal to [●] Equity Shares at or above the Issue Price, full Allotment shall be made to Non-Institutional Bidders to the extent of their demand.

If the valid Bids in this portion are greater than [●] Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of [●] Equity Shares. For the method of proportionate basis of allocation, refer below.

C. For QIB Bidders

Bids received from QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allocation to QIB Bidders will be made at the Issue Price.

The QIB Portion shall be available for allocation to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

Allotment shall be undertaken in the following manner:

(a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:

(i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.

(ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full Allotment to the extent of valid Bids received above the Issue Price.

(iii) Equity Shares remaining unsubscribed, if any, and not allocated to Mutual Funds shall be available for Allotment to all QIB Bidders as set out in (b) below;

(b) In the second instance allocation to all QIB Bidders shall be determined as follows:

In the event of over subscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be Allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.

Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.

Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

The aggregate Allotment to QIB Bidders shall not be less than [●] Equity Shares.

D. For Employee Reservation Portion

Bids received from the Eligible Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the successful Eligible Employees will be made at the Issue Price.

If the aggregate demand in this category is less than or equal to [●] Equity Shares aggregating Rs. [●] million at or above the Issue Price, full Allotment shall be made to the Eligible Employees to the extent of their demand.

If the aggregate demand in this category is greater than [●] Equity Shares aggregating Rs. [●] million at or above the Issue Price, the Allotment shall be made on a proportionate basis up to a minimum of [●] Equity Shares and in multiple of [●] ([●]) Equity Share thereafter.

Only Eligible Employees eligible to apply under the Employee Reservation Portion.

For the method of proportionate basis of Allotment, refer below.

Method of Proportionate Basis of Allotment in the QIB, Retail, Non-Institutional and Employee Reservation Portions

In the event of the Issue being over-subscribed, we shall finalize the basis of Allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrar to the Issue shall be responsible for ensuring that the basis of Allotment is finalized in a fair and proper manner.

The Allotment shall be made in marketable lots, on a proportionate basis as explained below:

- (a) Bidders will be categorized according to the number of Equity Shares applied for.
- (b) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- (c) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.
- (d) In all Bids where the proportionate Allotment is less than [●] Equity Shares per Bidder, the Allotment shall be made as follows:
 - Each successful Bidder shall be allotted a minimum of [●] Equity Shares; and

- The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.
- (e) If the proportionate Allotment to a Bidder is a number that is more than [●] but is not a multiple of [●] (which is the marketable lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower multiple whole number. Allotment to all Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.
- (e) If the Equity Shares allocated on a proportionate basis to any category are less than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for Allotment shall be first adjusted against any other category, where the allotted Equity Shares are not sufficient for proportionate Allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

The BRLM, the Registrar to the Issue and the Designated Stock Exchange shall ensure that the basis of Allotment is finalized in a fair and proper manner in accordance with the SEBI Guidelines. The drawing of lots (where required) to finalize the basis of Allotment shall be done in the presence of a public representative on the Governing Board of the Designated Stock Exchange.

Procedure and Time of Schedule for Allotment and demat Credit of Equity

The Issue will be conducted through a "100% book building process" pursuant to which the members of the Syndicate will accept Bids for the Equity Shares during the Bidding Period. The Bidding Period will commence on [●], 2007 and expire on [●], 2007. Following the expiration of the Bidding Period, the Company, in consultation with the BRLM, will determine the Issue Price, and, in consultation with the BRLM, the basis of allocation and entitlement to Allotment based on the Bids received and subject to confirmation by the Stock Exchange(s). Successful Bidders will be provided with a confirmation of their allocation (subject to a revised confirmation of allocation) and will be required to pay any unpaid amount for the Equity Shares within a prescribed time. The SEBI Guidelines require the Company to complete the Allotment to successful Bidders within 15 days of the expiration of the Bidding Period. The Equity Shares will then be credited and Allotted to the investors' demat accounts maintained with the relevant Depository Participant. Upon approval by the Stock Exchanges, the Equity Shares will be listed and trading will commence.

Method of Proportionate Basis of Allotment in the Issue

In the event of the Issue being over-subscribed, the Company shall finalize the basis of Allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrar to the Issue shall be responsible for ensuring that the basis of Allotment is finalized in a fair and proper manner.

The Allotment shall be made in marketable lots, on a proportionate basis as explained below:

Bidders will be categorized according to the number of Equity Shares applied for.

The total number of Equity Shares to be Allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

Number of Equity Shares to be Allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

In all Bids where the proportionate Allotment is less than [●] Equity Shares per Bidder, the Allotment shall be made as follows:

The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares Allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above; and

Each successful Bidder shall be Allotted a minimum of [●] Equity Shares.

If the proportionate Allotment to a Bidder is a number that is more than [●] but is not a multiple of one (which is the marketable lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. Allotment to all in such categories would be arrived at after such rounding off.

If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares Allotted to the Bidders in that category, the remaining Equity Shares available for Allotment shall be first adjusted against any other category, where the Allotted shares are not sufficient for proportionate Allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

Investors should note that the Equity Shares will be Allotted to all successful Bidders in dematerialized form only. Bidders will not have the option of being Allotted Equity Shares in physical form.

PAYMENT OF REFUNDS

Bidders must note that on the basis of name of the Bidders, Depository Participant's name, DP ID, Beneficiary Account number provided by them in the Bid-cum-Application Form, the Registrar will obtain, from the Depositories, the Bidders' bank account details, including the nine digit Magnetic Ink Character Recognition ("MICR") code as appearing on a cheque leaf. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in dispatch of refund order or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the Bidders' sole risk and neither the Company, the Registrar, Escrow Collection Bank(s), Bankers to the Issue nor the BRLM shall be liable to compensate the Bidders for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

Mode of making refunds

The payment of refund, if any, would be done through various modes in the following order of preference:

ECS – Payment of refunds would be mandatorily done through ECS for applicants having an account at any of the following fifteen centers: Ahmedabad, Bangalore, Bhubaneswar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for applicants having a bank account at any of the abovementioned fifteen centers, except where the applicant, being eligible, opts to receive refund through direct credit or RTGS. Refunds through ECS may also be done at other locations based on operational efficiency and in terms of demographic details obtained by Registrar from the Depository Participants.

Direct Credit – Applicants having bank accounts with the Refund Banker(s), as mentioned in the Bid-cum-Application Form, shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company.

RTGS – Applicants having a bank account at any of the abovementioned fifteen centres and whose refund amount exceeds Rs. 1 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid-cum-application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

NEFT (National Electronic Fund Transfer) – Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency. The process flow in respect of refunds by way of NEFT is at an evolving stage hence use of NEFT is subject to operational feasibility, cost and process efficiency. In the event that NEFT is not operationally feasible, the payment of refunds would be made through any one of the other modes as discussed in the sections.

For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be dispatched under certificate of posting for value up to Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Letters of Allotment or Refund Orders

The Company shall give credit to the beneficiary account with Depository Participants within two Working Days from the date of the finalization of basis of allocations. Applicants residing at fifteen centers where clearing houses are managed by the RBI, will get refunds through ECS only except where applicant is otherwise disclosed as eligible to get refunds through direct credit and RTGS. Our Company shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500, by "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or first Bidder's sole risk within 15 days of the Bid/Issue Closing Date, except for Bidders who have opted to receive refunds through the ECS facility or RTGS or direct credit. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post, intimating them about the mode of credit of refund within 15 days of the Bid/Issue Closing Date.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI DIP Guidelines, the Company further undertakes that:

Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue Closing Date; and

The Company shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if Allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 day time prescribed above.

The Company will provide adequate funds required for dispatch of refund orders or Allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by our Company, as the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Disposal of applications and application moneys and interest in case of delay

The Company shall ensure dispatch of Allotment advice, refund orders (except for Bidders who receive refunds through electronic transfer of funds) and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the Allotment to the Stock Exchanges within two Working Days of date of Allotment of Equity Shares.

In case of applicants who receive refunds through ECS, direct credit or RTGS, the refund instructions will be given to the clearing system within 15 days from the Bid/ Issue Closing Date. A suitable communication shall be sent to the Bidders receiving refunds through this mode within 15 days of Bid/ Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

The Company shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven Working Days of Allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, the Company further undertakes that:

Allotment of Equity Shares shall be made only in dematerialized form within 15 (fifteen) days of the Bid/Issue Closing Date;

Dispatch of refund orders or in a case where the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within 15 (fifteen) days of the Bid/Issue Closing Date would be ensured; and

The Company shall pay interest at 15% (fifteen) per annum for any delay beyond the 15 (fifteen)-day time period as mentioned above, if Allotment is not made and refund orders are not dispatched or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within the 15 (fifteen)-day time prescribed above as per the guidelines issued by the Government of

India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of section 68A of the Companies Act, which is reproduced below:

“Any person who:

- (a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or
- (b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years”.

UNDERTAKINGS BY OUR COMPANY

We undertake the following:

- That the complaints received in respect of this Issue shall be attended to by our Company expeditiously;
- That all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven Working Days of finalisation of the basis of Allotment;
- That funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the Issuer.
- That where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of the Bid/ Issue Closing Date, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.
- That the certificates of the securities/ refund orders to the non-resident Indians shall be dispatched within specified time; and
- No further issue of Equity Shares shall be made till the Equity Shares offered through this Draft Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.
- The Company shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

Utilisation of proceeds of Issue

Our Board of Directors certifies that:

- All monies received out of the Issue shall be credited / transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- Details of all monies utilised out of Issue shall be disclosed under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilised;
- Details of all unutilised monies out of the Issue, if any shall be disclosed under the appropriate head in the balance sheet indicating the form in which such unutilised monies have been invested;
- Our Company shall comply with the requirements of Clause 49 of the Listing Agreement in relation to the disclosure and monitoring of the utilization of the Net Proceeds.
- The utilization of monies received under the Employee Reservation Portion shall be disclosed under an appropriate head in the balance sheet of the Company, indicating the purpose for which such monies have been utilized; and

Our Company shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received. Pending utilization for the purposes described above, we intend to temporarily invest the funds in high quality, interest/dividend bearing liquid instruments including money market Mutual Funds, deposits with banks for the necessary duration. Such investments would be in accordance with investment policies approved by the Board from time to time.

Withdrawal of the Issue

The Company in consultation with the BRLM reserves the right not to proceed with the Issue at anytime including after the Bid/Issue Opening Date without assigning any reason thereof. Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which the Company shall apply for after Allotment and (ii) the final RoC approval of the Prospectus after it is filed with the RoC. In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing date.

EQUITY SHARES IN DEMATERIALIZED FORM WITH NSDL OR CDSL

As per the provisions of Section 68B of the Companies Act, the Allotment of Equity Shares in this Issue shall be only in a dematerialised form, (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among the Company, the respective Depositories and the Registrar to the Issue:

Agreement dated January 23, 2008 with NSDL, the Company and the Registrar to the Issue.

Agreement dated [●] with CDSL, the Company and the Registrar to the Issue.

All Bidders can seek Allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.

The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's identification number) appearing in the Bid-cum-Application Form or Revision Form.

Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder

Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.

If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.

The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid-cum-Application Form vis-à-vis those with his or her Depository Participant.

Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

The trading of the Equity Shares of the Company would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid-cum-Application Form number, Bidders Depository Account Details, number of Equity

Shares applied for, date of Bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

Investors can contact the Compliance Officer or the Registrar to the Issue in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of Allotment, credit of Allotted shares in the respective beneficiary accounts, refund orders etc.

Restrictions on Foreign Ownership of Indian Securities

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of the Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. Our Company has obtained all the necessary approvals from the concerned governmental authorities for the Issue. For further details, see the sections titled “Regulations and Policies in India” and “Government and Other Approvals” beginning on pages 56 and 188, respectively.

Subscription by foreign investors (NRIs/FIIs)

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without the prior approval of the RBI, so long as the price of the equity shares to be issued is not less than the price at which the equity shares are issued to residents.

There is no reservation for Non Residents, NRIs, FIIs, multi-lateral and bilateral development financial institutions and any other foreign investor. All Non Residents, NRIs and FIIs, multi-lateral and bilateral development financial institutions and any other foreign investor applicants will be treated on the same basis with other categories for the purpose of allocation.

As per existing regulations, OCBs, FVCIs and VCFs cannot participate in the Issue. For further details, please see the section titled “Terms of the Issue” on page 210.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933 (the “Securities Act”) or any state securities laws in the United States and are being offered and sold only outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

The above information is given for the benefit of the Bidders. The Company and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

SECTION X: MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF THE COMPANY

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the Articles of Association relating to voting rights, dividends, liens, forfeiture, restrictions on transfer and transmission of Equity Shares or debentures and/or on their consolidation/splitting are detailed below. Please note that each provision herein below is numbered as per the corresponding article number in the Articles of Association and capitalized / defined terms herein have the same meaning given to them in the Articles of Association.

Capital

3. The Authorised Share Capital of the company shall be the capital as specified in Clause V of the Memorandum of Association, with power to increase and reduce the Share Capital of the company and to divide the shares in the Capital for the time being into several classes as permissible in law and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company to vary, modify, amalgamate or abrogate any such rights, privileges or conditions in such manner as may for time being be provided in the Articles of Association.

Increase of Capital by the Company and how carried in to effect

4. The Company in General Meeting may, from time to time, increase the Capital by the creation of new Shares. Such increase to be of such aggregate amount and to be divided into such shares of such respective amounts as the resolution shall prescribe. Subject to the provisions of the Act, any shares of the original or increased capital shall be issued upon such terms and conditions and with such rights and privileges annexed thereto, as the General Meeting resolving upon the creation thereof, shall direct, and if no direction be given, as the Directors shall determine, and in particular, such shares may be issued with a preferential or qualified right to dividends, or otherwise and in the distribution of assets of the Company, and with a right of voting at general meetings of the Company in conformity with Section 87 of the Act. Whenever the Capital of the Company has been increased under the provisions of this Article, the Directors shall comply with the provisions of Section 97 of the Act.

Redeemable Preference Shares

6. Subject to the provisions of Section 80 of the Act, the Company shall have the power to issue Preference Shares which at or at the option of the Company are liable to be redeemed and the resolution authorising such issue shall prescribe the manner, terms and conditions of redemption.

Provision applicable on the issue redeemable Preference shares

7. On the issue of Redeemable Preference Shares under the provisions of Article 6 hereof, the following provisions shall take effect :
 - (a) no such shares shall be redeemed except out of the profits of the Company which would otherwise be available for dividend or out of the proceeds of a fresh issue of shares made for the purpose of the redemption.
 - (b) no such shares shall be redeemed unless they are fully paid.
 - (c) Where any such shares are redeemed otherwise than out of the proceeds of a fresh issue, there shall, out of the profits which would otherwise have been available for dividend, be transferred to a reserve fund, to be called the "Capital Redemption Reserve Account" a sum equal to the nominal amount of the shares redeemed and the provisions of the Act relating to the reduction of the share capital of the Company shall, excepts as provided in Section 80 of the Act, apply as if the Capital Redemption Reserve Account were paid up share capital of the Company.

Reduction of Capital

8. The Company may (subject to the Provisions of Section 78, 80, 100 to 105 both inclusive, of the Act) from time to time by Special Resolution reduce its capital, any Capital Redemption Reserve Account or Share Premium Account in any manner for the time being authorised by law, and in particular, capital may be paid off on the footing that it may be called upon again or otherwise. This Article is not to derogate from any power the Company would have if the were omitted.

9. Sub-division consolidation and cancellation of shares

Subject to the provisions of Section 94 of the Act, the Company in General Meeting may from time to time sub-divide consolidate its shares, or any of them, and the resolution whereby any share is sub-divided, may determine that, as between the holders of the shares resulting from such sub-division one or more of such shares shall have some preference or special advantage as regards dividend, capital or otherwise over or as compared with the other or others. Subject as aforesaid, the Company in General Meeting may also cancel shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

10. Modification of rights

Whenever the Capital is divided into different classes of shares all or any of the rights and privileges attached to each class may, subject to the provisions of Sections 106 and 107 of the Act, be modified, commuted, affected or abrogated or dealt with by agreement between the Company and any person purporting to contract on behalf of that class, provided such agreement is ratified in writing by holders of at least three-fourths of nominal value of the issued shares of the class or is confirmed by a Resolution passed at a separate General Meeting of the holders of shares of that class and supported by the votes of the holders of at least three-fourths of those shares, and all the provisions hereinafter contained as to General Meetings shall mutatis mutandis apply to every such Meeting, but so that the quorum thereof shall be members present in person or by proxy and holding three-fourths of the nominal amount of the issued shares of the class. This Article is not to derogate from any power the Company would have if it were omitted.

SHARES AND CERTIFICATES

11. Register and index of Members

The Company shall cause to be kept a Register and index of Members in accordance with Sections 150 and 151 of the Act. The Company shall be entitled to keep in any State or country outside India a branch Register of Members resident in that State or country.

12. Shares to be Numbered Progressively And no share to be subdivided

The shares in the Capital shall be numbered progressively according to their several denominations, and except in the manner hereinbefore mentioned, no share shall be sub-divided. Every forfeited or surrendered share shall continue to bear the number by which the same was originally distinguished.

Further Issue of Capital

13. (1) Where at the time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares, then :
- a. Such further shares shall be offered to the persons who on the date of the offer, are holders of the equity shares of the Company, in proportion as near as circumstances admit, to the capital paid-up on those shares at the date.
 - b. Such offer shall be made by a notice specifying the number of shares offered and limiting a time not being less than fifteen days from the date of the offer and the offer, if not accepted, will be deemed to have been declined.
 - c. The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in favour of any other person and the notice referred to in sub clause (b) hereof shall contain a statement of this right.
 - d. After the expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board may dispose of them in such manner as they are most beneficial to the company.
- (2) Notwithstanding anything contained in the sub-clause (1) thereof, the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in clause (a) of sub clause (1) hereof) in any manner whatsoever.
- (i) if a special resolution to that effect is passed by the company in general meeting; or
 - (ii) where no such special resolution is passed, if the votes cast (whether on a show of hands or on a poll, as the case may be) in favour of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any, of. The Chairman) by members who, being entitled so to do, vote in person, or where proxies are allowed, by proxy, exceed the votes if any, cast against the proposal by members so entitled to voting and the Central Government is satisfied on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the Company.
- (1) Nothing in sub-clause (c) of (1) hereof shall be deemed;
 - (a) To extend the time within which the offer should be accepted; or

- (b) To authorise any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.
- (2) Nothing in this article shall apply to the increase of the subscribed capital of the company caused by the exercise of an option attached to the debenture issued by the company:
 - (i) To convert such debentures or loans into shares in the company; or
 - (ii) To subscribe for shares in the company.
 Provided that the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term :
 1. Either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with rules, if any, made by that government in this behalf; and
 2. in the case of debentures or loans or other than debentures issued to or loans obtained from government or any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the company in general meeting before the issue of the debentures or raising of the loans.

Shares at the disposal of the Directors

14, Subject to the provisions of section 81 of the act and these Articles, the shares in the capital of the company for the time being shall be under the control of the directors who may issue, allot or otherwise dispose of the same or any of them such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of section 79 of the act) at discount and at such time as they may from time to time think fit and with the sanction of the company in the general meeting to give to any persons the option or right to call for any shares either at par or premium during such time and for such consideration as the directors think fit, and may issue and allot shares in the capital of the company on payment in full or part of any property sold and transferred or for any services rendered to the company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that option or right to call of shares shall not be given to any persons without the sanction of the company in the general meeting.

15. The power also to company in general meeting to authorize issue of shares

In addition to and without derogating from the powers for the purpose conferred on the Board under Articles 13 and 14, the Company in General Meeting may, subject to the provisions of Section 81 of the Act, determine that any shares (whether forming part of the original capital or of any increased capital of the Company) shall be offered to such persons whether (members or not) in such proportion and on such terms and conditions and either (subject to compliance with the provisions of Sections 78 and 79 of the Act) at a premium or at a discount as such General Meeting shall determine and with full power to give any person (whether a member or not) the option to call for or be allotted shares of any class of the Company, either (subject to compliance with the provisions of Sections 78 and 79 of the Act) at a premium or at par or at a discount as such General Meeting shall determine and with full power to give any person (whether a member or not) the option being exercisable at such times and for such consideration as may be directed by such General Meeting of the Company and the General Meeting may make any other provisions whatsoever for the issue, allotment or disposal of any shares.

16. Acceptance of shares

Any application signed by or on behalf of an applicant for shares in the Company, followed by an allotment of any share shall be an acceptance of shares within the meaning of these Articles and every person who, does or otherwise accepts shares and whose name is on the Register shall for the purpose of these Articles, be a member.

17. Deposit and call to be a debt payable immediately

The money (if any) which the Board shall, on the allotment of any share being made by them require or direct to be paid by way of deposit, call or otherwise in respect of any shares allotted by them shall immediately on the insertion of the name of the allottee in the Register of Members as the name of the holder of such shares, become a debt due to and recoverable by the Company from the allottee thereof, and shall be paid by him accordingly.

18. Liability of Members

Every member, or his heirs, executors or administrators shall pay to the Company the portion of the capital represented by his share or shares which may, for the time being, remain unpaid thereon, in such amounts, at such time or times, and in such manner as the Board shall, from time to time in accordance with the Company's regulations, require or fix for the payment thereof.

19. Limitation of time for issue of certificates

Every member shall be entitled, without payment, to one or more certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the directors so approve (upon paying such fee as the directors may from time to time determine) to several certificates each for one or more of such shares and the company shall complete and have ready for delivery of such certificates within 3 month from the date of allotment, unless the conditions of issue thereof otherwise provide or within 2 month of the receipt of application of registration of transfer, transmission, subdivision, consolidation or renewal of any of its shares as the case may be. Every certificates of shares shall be under the seal of the company and shall specify the no. and distinctive nos. of shares in respect of which it is issued and the amount Paid-up thereon and shall be in such form as the directors may prescribe or approve, provided that in respect of a share or shares held jointly by several persons, the company shall not be bound to issue more than one certificate and delivery of a certificate of shares to one of several joint holders shall be sufficient delivery to all such holders.

20 Issue of New Certificate in Place of One Defaced, lost or Destroyed

If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the company, a new certificate may be issued in lieu thereof, and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the company and on execution of such indemnity as the company deem adequate, being given, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate. Every certificate under the article shall be issued without payment of fees if the directors so decide, or on payment of such fees (not exceeding Rs.2 for each certificate) as the directors shall prescribe, provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced, worn out.

21 The first named joint holder deemed to be sole holder

If any share stands in the names of two or more persons, the person first named in the register shall, as regards receipt of dividends or bonus or service of notice and all or any earlier matter connected with the Company, except voting at meetings, be deemed the sole holder thereof, but the joint holders of a share shall be severally as well as jointly liable for the payment of all installments and calls due in respect of such shares for all incidents thereof according to the Company's regulations.

22 :Company not bound to recognize any interest in share other than that of registered holder

Except as ordered by a Court of competent jurisdiction, or as by law required, the Company shall not be bound to recognize any equitable, contingent, future or partial interest in any share, or (except provided) any right in respect of a share other than an absolute right thereto, in accordance with these Articles, in the person from time to time registered as the holder thereof; but the Board shall be at liberty at their sole discretion to register any share in the joint names of any two or more persons or the survivor or survivors of them.

23. Buy back of Securities by the Company

The Company shall have power, subject to and in accordance with all the applicable provisions of the Act and the rules made thereunder, to purchase any of its own fully paid shares or other specified securities whether or not they are redeemable and may make a payment out of its free reserves or securities premium account of the Company or proceeds of any shares or other specified securities provided that no buy back of any kind of shares or other specified securities shall be made out of the proceeds of an earlier issue of the same kind of shares or same kind of other specified securities or from such other sources as may be permitted by Law on such terms, conditions and in such manner as may be prescribed by the Law from time to time in respect of such purchase.

24. Any debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on the condition that they shall be convertible into shares of any denomination and with any privileges and conditions as to redemption, surrender, drawing, allotment of share, attending (but not voting) at the general meeting, appointment of directors and otherwise. Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the company in the general meeting by a special resolution.

Buy Back of Securities by the Company

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UNDERWRITING AND BROKERAGE

25. Commission may be paid

Subject to the provisions of Section 76 of the Act, the Company may at any time pay a commission to any person in consideration of his subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares in or debentures of the Company, but so that the commission shall not exceed in the case of shares, five per cent of the price at which the shares are issued, and in the case of debentures, two and a half per cent of the price at which the debentures are issued. Such commission may be satisfied by payment of cash or by allotment of fully or partly paid shares or partly in one way and partly in the other.

26. Brokerage

The Company may pay a reasonable sum for brokerage.

INTEREST OUT OF CAPITAL

27. Where any shares are issued for the purpose of raising money to defray the expenses of the Construction of any work or building, or the provision of any plant, which cannot be made profitable for a lengthy period, the Company may pay interest on so much of that share capital as is for the time being paid-up, for the period, at the rate and subject to the conditions and restrictions provided by Section 208 of the Act and may charge the same to capital as part of the cost of construction of the work or building, or the provision of plant.

CALLS

28. (a) Directors may make calls

The Board may, from time to time and subject to the terms on which any shares have been issued and subject to the conditions of allotment, by a resolution passed at a meeting of the Board (and not by circular resolution) make such call as it thinks fit upon the members in respect of all moneys unpaid on the shares held by them respectively, and each member shall pay the amount of every call so made on him to the person or persons and at the times and places appointed by the Board. A call may be made payable by installments.

- (b) That option or right to call of shares shall not be given to any person except with the sanction of the issuer in general meetings.

29 Notice of calls

Fifteen days notice in writing of any call shall be given by the Company specifying the time and place of payment, and the person or persons to whom such call shall be paid.

30. Calls to date from resolution

A call shall be deemed to have been made at the time when the resolution authorising such call was passed at a meeting of the Board.

31 Calls may be revoked or postponed

A call may be revoked or postponed at the discretion of the Board.

32. The option or right to call of shares not be given to any person except with the sanction of the company in general meeting.

33 The joint-holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

34 Directors may extend time

The Board may, from time to time at its discretion, extend the time fixed for the payment of any call, and may extend such time as to all or any of the members who from residence at a distance or other cause, the Board may deem fairly entitled to such extension, but no member shall be entitled to such extension save as a member of grace and favour.

35. Calls to carry interest

If any member fails to pay any call due from him on the day appointed for. Payment thereof, or any such extension thereof as aforesaid, he shall be liable to pay interest of the same from the day appointed for the payment thereof to the time of actual payment at such rate as shall from time to time be fixed by the Board, but nothing in this Article shall render it obligatory for the Board to demand or recover any interest from any such member.

36 Sums deemed to be calls

Any sum, which may by the terms of issue of a share becomes payable on allotment or at any fixed date, whether on account of the nominal value of the share or by way of premium, shall for the purposes of these Articles be deemed to be a call duly made and payable, on the date on which by the terms of issue the same becomes payable and in case of non-payment, all the relevant provisions of these Articles as to payment of interest and expenses, forfeiture or otherwise, shall apply as if such sum had become payable by virtue of a call duly made and notified.

37 Proof on trial of suit for money due on shares

On the trial or hearing of any action or suit brought by the Company against any member or his representatives for the recovery of any money claimed to be due to the Company in respect of his shares, it shall be sufficient to prove that the name of the member, in respect of whose shares, the money is sought to be recovered appears entered on the Register of Members as the holder, at or subsequently to the date at which the money is sought to be recovered, is alleged to have become due on the shares in respect of such money is sought to be recovered; that the resolution making the call is duly recorded in the Minute Book; and that notice of such call was duly given to the member or his representatives used in pursuance of these Articles and that it shall not be necessary to prove the appointment of the Directors who made such call, nor that a quorum of Directors was present at the Board at which any call was made nor that the meeting at which any call was made duly convened or constituted nor any other matters whatsoever, but the proof of the matter aforesaid shall be conclusive evidence of the debt.

38. Partial payment not to preclude forfeiture

Neither the receipt by the Company of a portion of any money which shall from time to time be due from any member to the Company in respect of his shares, either by way of principal or interest, nor any indulgence granted by the Company in respect of the payment of any such money, shall preclude the Company from thereafter proceeding to enforce a forfeiture of such shares as hereinafter provided.

39 Calls in advance

The directors may, if they think fit, subject to the provisions of section 92 of the Act, agree to and receive from any member willing to advance the same whole or any part of the moneys due upon the shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the company may pay interest at such rate, as the member paying such sum in advance and the directors agree upon provided that money paid in advance of calls shall not confer a right to

participate in profits or dividend. The directors may at any time repay the amount so advanced. The members shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable. The provisions of these Articles shall mutatis mutandis apply to the calls on debenture of the company.

LIEN

40. Company to have lien on shares

The Company shall have a first and paramount lien upon all the shares/ debentures (other than fully paid-up shares/debentures) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof, for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares/debentures and no equitable interest in any shares shall be created except upon the footing, and upon the condition that that this Article will have full effect and any such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares. Unless otherwise agreed, the registration of a transfer of shares shall operate as a waiver of the Company's lien, if any, on such shares/debentures. The directors may at any time declare any shares/ debentures wholly or in part to be exempt from the provision of this clause

41. As to enforcing lien by sale

For the purpose of enforcing such lien, the Board may sell the shares subject thereto in such manner as they shall think fit, and for that purpose may cause to be issued a duplicate certificate in respect of such shares and may authorise one of their member to execute a transfer thereof on behalf of and in the name of such member. No sale shall be made until such period as aforesaid shall have arrived, and until notice in writing of the intention to sell shall have been served on such member or his representatives and default shall have been made by him or them in payment, fulfillment, or discharge of such debts, liabilities or engagements for fourteen days after such notice.

42. Application of proceeds of sale

The net proceeds of any such sale shall be received by the Company and applied in or towards payment of such part of the amount in respect of which the lien exists as is presently payable and the residue, if any, shall (subject to a like lien for sums not presently payable as existed upon the shares before the sale) be paid to the persons entitled to the shares at the date of the sale.

FORFEITURE OF SHARE

43. If call or installment not paid notice may be given

If any member fails to pay any call or installment on or before the day appointed for the payment of the same the Board may at any time thereafter during such time as the call or installment remains unpaid, serve notice on such member requiring him to pay the same, together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non payment

44. Form of notice

The notice shall name a day (not being less Than Thirty days from the date of the notice) and a place or places on and at which such call or instalment and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of non payment at or before the time, and at the place appointed the shares in respect of which such call was made or installment is payable will be liable to be forfeited.

45. If notice not complied with shares may be forfeited

If the requisitions of any such notice as aforesaid be not complied with, any shares in respect of which such notice has been given may, at any time thereafter, before payment of all calls or installments, interest and expenses, due in respect thereof, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.

46. Notice of forfeiture to a member

When any shares shall have been so forfeited, notice of the forfeiture shall be given to the member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the Register of Members, but no forfeiture shall be in any manner invalidated, by any omission or neglect to give such notice or to make any such entry as aforesaid.

47. Forfeited share to become property of the company

Any share so forfeited shall be deemed to be the property of the Company, and the Board may sell, re allot or otherwise dispose of the same in such manner as think fit

48. Power to annul forfeiture

The Board may, at any time before any share so forfeited shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as it thinks fit.

49. Liability on forfeiture

A person whose share has been forfeited shall cease to be a member in respect of the forfeited share, but shall notwithstanding, remain liable to pay, and shall forthwith pay to the Company, all calls, or installment, interest and expenses, owing in respect of such share at the time of the forfeiture, together with interest thereon, from the time of forfeiture until payment, at such rate as the Board may determine and the Board may enforce the payment thereof, to any party thereof, without any deduction or allowance for the value of the shares at the time of forfeiture, but shall not be under any obligation to do so.

50. Effect of forfeiture

The forfeiture of a share involve extinction, at the time of the forfeiture, of all interest and all claims and demands against the Company in respect of the share and all other rights, incidental to the share except only such of those rights as by these Articles are expressly saved.

51. Evidence of forfeiture

A duly verified declaration in writing that the declarant is a Director of the Company, and that certain shares in the Company have been duly forfeited on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares and such declaration and the receipt of the Company for the consideration, if any, given for the shares on the sale or disposition thereof shall constitute a good title to such shares; and the person to whom any such share is sold shall be registered as the member in respect of such share and shall not be bound to see to the application of the purchase money, nor shall his title to such share be affected by any irregularity or invalidity in the proceedings in reference to such forfeiture, sale or disposition.

52. Cancellation of share certificate in respect of forfeited shares

Upon any sale, re-allotment or other disposal under the provisions of the preceding. Articles, the certificate or certificates originally issued in respect of the relative shares shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting member) stand cancelled and become null and void and of no effect, and the Directors, shall be entitled to issue a duplicate certificate or certificates in respect of the said shares to the person or persons, entitled thereto.

52A:ADRs/GDRs

The Company shall, subject to the provisions of the Act, compliance with all applicable laws, rules and regulations, have power to issue ADRs or GDRs on such terms and in such manner as the Board deems fit including their conversion and repayment. Such terms may include, at the discretion of the Board, limitations on voting by holders of ADRs or GDRs, including without limitation, exercise of voting rights in accordance with the directions of the Board or otherwise.

52B: EMPLOYEES STOCK OPTIONS

Subject to the provisions of section 81 of the Act and the applicable law, the Company may issue options to the whole-time directors, officers, or employees of the Company, its subsidiaries or its parent, which would give such directors, officers or

employees, the benefit or right to purchase or subscribe at a future date, the securities offered by the Company at a predetermined price, in terms of schemes of employee stock options or employees share purchase or both.

52C: VARIATION OF SHARE HOLDER'S RIGHTS

If at any time the share capital is divided into different classes of shares, all or any of the rights and privileges attached to any class (unless otherwise prohibited by the terms of issue of the shares of that class) may, subject to the provisions of sections 106 and 107 of the Act, whether or not the Company is being wound up, be modified, commuted, affected, abrogated, varied or dealt with by the consent in writing of the holders of not less than three fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of three fourths of the issued shares of that class. To every such separate meeting the provisions of these regulations relating to general meeting shall mutatis mutandis apply but so that necessary quorum shall be five members or all the members holding or represented by proxy of the entire issued share of the class in the question.

52D: POWER TO ISSUE SHARES WITH DIFFERENTIAL VOTING RIGHTS

The Company shall have the power to issue Shares with such differential rights as to dividend, voting or otherwise, subject to the compliance with requirements as provided for in the Companies (Issue of Share Capital with Differential Voting Rights) Rules, 2001, or any other law as may be applicable.

52E: POWER TO ISSUE SHARE WARRANTS

The Company may issue share warrants subject to and in accordance with the provisions of Sections 114 and 115, and accordingly, the Board may in its discretion, with respect to any share which is fully paid up on an application in writing signed by the person registered as holder of the share, and authenticated by such evidence (if any) as the Board may from time to time require as to the identity of the persons signing the application, and on receiving the certificate (if any) of the share and the amount of the stamp duty on the warrant and such fee as the Board may from time to time require, issue a share warrant.

TRANSFER AND TRANSMISSION OF SHARES

53. Register of transfers

The Company shall keep a book to be called the "Register of Transfers", and therein shall be fairly and directly entered particulars of every transfer or transmission of any share.

54. Instruments of transfer

The instrument of transfer shall be in writing and all provision of section 108 of the Companies Act, 1956 and statutory modification there of for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.

55. To be executed by transferor and transferee

Every such instrument of transfer shall be executed both by transferor and the transferee and the transferor shall be deemed to remain the holder of such share until the name of the transferee shall have been entered in the Register of Members in respect thereof. The Board shall not issue or register a transfer of any share in favour of a minor (except in cases when they are fully paid up).

56. Transfer books when closed

The Board shall have power on giving seven days' previous notice by advertisement in some newspaper circulating in the district in which the Office of the Company is situated to close the transfer books, the Register of Members or Register of Debenture holders at such time or times and for such period or periods, not exceeding thirty days at a time and not exceeding in the aggregate forty-five days in each year, as it may deem expedient.

57. Directors may refuse to register transfer

Subject to the provisions of section 111A, these Articles and other applicable provisions of the Act or any other law for the time being in force, the Board may refuse whether in pursuance of any power of the Company under these Articles or otherwise to register the transfer of, or the transmission by operation of law of the right to, any shares or interest of a member in or debentures of the Company. The Company shall within one month from the date on which the instrument of transfer, or the intimation of such

transmission, as the case may be, was delivered to the Company, send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission, as the case may be, giving reasons for such refusal. Provided that the registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except where the Company has a lien on shares.

58. Nomination

Every holder of shares in, or Debentures of the Company, may at any time nominate, in the manner prescribed under the Act, a person to whom his Shares in or Debentures of the Company shall vest in the event of death of such holder.

Where the Shares in, or Debentures of the Company are held by more than one person jointly, the joint holders may together nominate, in the prescribed manner, a person to whom all the rights in the Shares or Debentures of the Company, as the case may be, held by them shall vest in the event of death of all joint holders.

Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, or in these Articles, in respect of such Shares in or Debentures of the Company, where a nomination made in the prescribed manner purports to confer on any person the right to vest the Shares in, or Debentures of the Company, the nominee shall, on the death of the Shareholders or holder of Debentures of the Company or, as the case may be, on the death of all the joint holders become entitled to all the rights in the Shares or Debentures of the Company to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner under the provisions of the Act.

Where the nominee is a minor, it shall be lawful for the holder of the Shares or holder of Debentures to make the nomination to appoint, in the prescribed manner under the provisions of the Act, any person to become entitled to the Shares in or Debentures of the Company, in the event of his death, during the minority.

59. Transmission in the name of nominee

Any person who becomes a nominee by virtue of the provision of the above Article, upon production of such evidence as may be required by the Board and subject as hereinafter provided, elect, either :

- a) to be registered himself as holder of the shares or debentures, as the case may be; or
- b) to make such transfer of the shares or debentures, as the case may be, as the deceased shareholder or debenture holder, as the case may be, could have made.

If the nominee, so becoming entitled, elects himself to be registered as holder of the Shares or Debentures, as the case may be, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects and such notice shall be accompanied with death certificate of the deceased shareholder or debenture holder and the certificate(s) of Shares or Debentures, as the case may be, held by the deceased in the Company.

Subject to the provisions of Section 109B(3) of the Act and these Articles, the Board may register the relevant Shares or Debentures in the name of the nominee of the transferee as if the death of the registered holder of the Shares or Debentures had not occurred and the notice or transfer were a transfer signed by that shareholder or debenture holder, as the case may be.

A nominee on becoming entitled to Shares or Debentures by reason of the death of the holder, or joint holders shall be entitled to the same dividend and other advantages to which he would be entitled if he were the registered holder of the Share or Debenture, except that he shall not before being registered as holder of such Shares or Debentures, be entitled in respect of them to exercise any right conferred on a member or Debenture holder in relation to meetings of the Company.

The Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the Shares or Debentures, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonus, interest or other moneys payable or rights accrued or accruing in respect of the relevant Shares or Debentures, until the requirements of the notice have been complied with.

60. No transfer to insolvent etc.

No share shall in any circumstances be transferred to any insolvent or persons of unsound mind.

61. Registration of persons entitled to shares otherwise than by transfer (The transmission article)

Subject to the provisions of articles 56 and 57, any person becoming entitled to shares in consequence of the death, lunacy, bankruptcy or insolvency of any member, or the marriage of a female member, or by any lawful means other than by a transfer in accordance with these presents, may with the consent of the Board of Directors (which it shall not be under any obligation to give) upon producing such evidence that he sustains the character in respects of which he proposes to act under this article of his title, as the holder of the shares or elect to have some person nominated by him and approved by the Board of Directors, registered as such holder, provided nevertheless, that if such person shall elect to have his nominee registered he shall testify the election by executing to his nominee an instrument of transfer in accordance with the provisions herein contained and until he does so, he shall not be freed from any liability in respect of the shares. This Article is referred to in these Articles as the Transmission Article.

62. Person entitled may receive dividend without being registered as a member

A person entitled to a share by transmission shall, subject to the right of the Directors to retain such dividends or money as hereinafter provided, be entitled to receive and may give discharge for any dividends or other moneys payable in respect of the share.

63. Transfer to be presented with evidence of title

Every instrument of transfer shall be presented to the Company duly stamped for registration accompanied by such evidence as the Board of Directors may require to prove the title of the transferor, his right to transfer the shares and generally under and subject to such conditions and regulations as the Board of Directors shall from time to time prescribe, and every registered instrument of transfer shall remain in the custody of the Company until destroyed by order of the Board of Directors.

64. Conditions of registration of transfer

For the purpose of the registration of a transfer, the certificate or certificates of the share or shares to be transferred must be delivered to the Company along with (same as provided in Section 108 of the Act) a properly stamped and executed instrument of transfer.

65. Fee on transfer or transmission

No fee shall be charged for registration of transfer, transmission, probate, succession certificate and letters of administration, certificate of death or marriage, power of attorney or similar other document.

66. Company not liable for disregards of a notice in prohibiting registration of transfer

The Company shall incur no liability or responsibility whatsoever in consequence of its registering or giving effect to any transfer of shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of Members) to the Prejudice of persons having or claiming any equitable right, title or interest to or in the said shares, notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer, and may have entered such notice, or deferred thereto, in any book of the Company, and the Company shall not be bound or required to regard or attend or give effect to any notice which may be given to it of any equitable right title or interest, or be under any liability whatsoever for refusing or neglecting so to do, though it may have been entered or referred to in some book of the Company; but the Company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereto, if the Board of Directors shall so think fit.

DEMATERIALISATION OF SECURITIES

67. Definitions

The provisions of this Article shall apply notwithstanding anything to the contrary contained in any other Articles.

1. For the purpose of this Article

‘Beneficial Owner’ means a person or persons whose name is recorded as such with a depository’ ‘SEBI’ means the Securities & Exchange Board of India; established under Section 3 of the Securities & Exchange Board of India Act, 1992 and

‘Depository’ means a company formed and registered under the Companies Act, 1956, and which has been granted a certificate of registration to act as depository under Securities & Exchange Board of India Act, 1992; and wherein the securities of the Company are dealt With in accordance With the provisions of the Depositories Act, 1996.

2. Dematerialization of Securities

The Company shall be entitled to dematerialize securities and to offer securities in a dematerialized form pursuant to the Depositories Act, 1996.

3. Options for investors

Every holder of or subscriber to securities of the Company shall have the option to receive certificates for such securities or to hold the securities with a Depository. Such a person who is the beneficial owner of the securities can at any time opt out of a depository, if permitted bylaw, in respect of any securities in the manner provided by the Depositories Act, 1996 and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificates for the Securities.

If a person opts to hold his Securities with the depository, the Company shall intimate such depository the details of allotment of the Securities, and on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of the Securities

4. Securities in depositories to be in fungible form

All securities held by a depository shall be domaterialized and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372A of the Act shall apply to a depository in respect of the securities held by on behalf of the beneficial owners.

5. Rights of Depositories and beneficial owners

- (a) Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of securities of the Company on behalf of the beneficial owner.
- (b) Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.
- (c) Every person holding securities of the Company and u~hose name is entered as the beneficial owner of securities in the record of the depository shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of the securities which are held by a depository and shall be deemed to be a Member of the Company.

6. Service of Documents

Notwithstanding anything contained in the Act or these Articles to the contrary, where securities of the Company are held in a depository, the records of the beneficiary ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.

7. Transfer of securities

Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a depository.

8. Allotment of securities dealt with in a depository

Notwithstanding anything contained in the Act or these Articles, where securities are dealt with by a depository, the Company shall intimate the details thereof to the depository immediately on allotment of such securities

9. Distinctive number of securities held in a Depository
Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held with a depository.

10. Register and index of Beneficial Owners

The Register and Index of beneficial owners maintained by a depository under the Depositories Act, 1996 shall be deemed to be the Register and Index of Members and Security holders for the purposes of these Articles.

BORROWING POWERS

69. Power to borrow

The Board may, from time to time, at its discretion subject to the provisions of Section 292 of the Act, raise or borrow, either from the Directors or from elsewhere and secure the payment of any sum or sums of money for the purpose of the Company; provided that the Board shall not without the sanction of the Company in General Meeting borrow any sum of money which together with money borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) exceed the aggregate for the time being of the paid up capital of the Company and its free reserves, that is to say, reserves not set aside for any specific purpose.

70. Conditions on which money may be borrowed

The Board may raise or secure the repayment of such sum or sums in such; manner and upon such terms and conditions in all respects as it thinks fit and in particular, by the issue of bonds, perpetual or redeemable, debentures or debenture-stock, or any mortgage, or other security on the undertaking of the whole or any part of the property of the Company (both present and future including its uncalled capital for the time being).

71. Issued at discounts etc. with special privileges

Any debentures, debenture-stock, bonds other securities may be issued at a discount and otherwise debentures, debenture-stock, bonds and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued. Debentures, debenture-stock, bonds or other securities with a right of conversion into or allotment of shares shall be issued only with sanction of the Company in General Meeting.

72. Instrument of transfer

Save as provided in Section 108 of the Act, no transfer of debentures shall be registered unless a proper instrument of transfer duly stamped and executed by the transferor and transferee has been delivered to the Company together with the certificate or certificates of the debentures

73. Notice of refusal to register members

If the Board refuses to register the transfer of any debentures, the Company shall, within one month from the date on which the instrument of transfer was lodged with the company, send to the transferee and to the transferor the notice of such refusal.

74. Register of mortgages etc. to be kept

The Board shall cause a proper Register to be kept in accordance with the provisions of Section 143 of the Act of all mortgages, debentures and charges specifically affecting the property of the Company, and shall cause the requirements of Sections 118 and 125 and 127 to 144, both inclusive of the Act in that behalf to be duly complied with, so far as they are ought to be complied with by the Board

75. Register and index of debenture holders

The Company shall, if at any time it issues debentures, keep Register and Index of Debenture holders in accordance with Section 152 of the Act. The Company shall have the power to keep in any State or Country outside India a Branch Register of debenture-stock, resident in that State or Country.

CONVERSION OF SHARES INTO STOCK AND RECONVERSION

76. Shares may be converted to stock

The Company in General Meeting may convert any paid-up shares into stock; and when any shares shall have been converted into stock, the several holders of such stock may henceforth transfer their respective interest therein, or any part of such interest, in the same manner and subject to the same regulations as, and subject to which the shares from which the stock arose might have been transferred, if no such conversion had taken place or as near thereto as circumstances will admit. The Company may at any time re-convert any stock into paid-up shares of any denomination.

77. Rights of stock Holders

The holders of stock shall, according to the amount of stock held by them have the same rights, privileges and advantages as regards dividends and voting at the meetings of the Company, and other matters as if they held the shares from which the stock arose; but no such privileges or advantages (except participation in the dividends and profits of the Company and in the assets of winding-up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage.

MEETING OF MEMBERS

78. Annual General Meeting Summary

The company shall in each year hold a General Meeting as its Annual General Meeting in addition to any other meetings in that year. All General Meetings other than Annual General Meeting shall be Extraordinary General Meetings. The first Annual General Meeting shall be held within eighteen months from the date of incorporation of the company and the next Annual General Meeting shall be held within six months after the expiry of the financial year in which the first Annual General Meeting was held and thereafter an Annual General Meeting of the Company shall be held within six months after the expiry of each financial year, provided that not more than fifteen months shall elapse between the date of one Annual General Meeting and that of the next. Nothing contained in the foregoing provisions shall be taken as affecting the right conferred upon the Registrar under the provisions of Section 166(1) of the Act to extend the time within which any Annual General Meeting may be held. Every Annual General Meeting shall be called for on a time during business hours, on a day that is not a public holiday, and shall be held in the office of the company or at some other place within the city in which the office of the Company is situated as the Board may determine and the Notices calling the Meeting shall specify it as the Annual General Meeting. The Company may in anyone Annual General Meeting fix the time for its subsequent Annual General Meeting. Every member of the Company shall be entitled to attend either in person or by proxy and the Auditor of the Company shall be entitled to attend and to be heard at any General Meeting which he attends on any part of the business, concerns him as Auditor. At every Annual General Meeting of the Company there shall be laid on the table the Directors' Report (if not already attached in the Audited statement of Accounts) the proxy Register with proxies and the Register of Directors' Share holdings of which latter Register shall remain open and accessible during the continuance of the meeting. The Board shall cause to be prepared the Annual List of Members, summary of the Share Capital, Balance Sheet and Profit and Loss Account and forward the same to the Registrar in accordance with Sections 159, 161 and 220 of the Act.

79. Extraordinary General Meeting

The Board may, whenever it thinks fit, call an Extraordinary General Meeting and it shall do so upon a requisition in writing by any member or members holding in the aggregate not less than one-tenth of such of the paid-up capital as at the date carries the right of voting in regard to the matter in respect of which the requisition has been made.

80. Regulation of the Members to state objects of meeting

Any valid requisition so made by members must state the object or objects of the meeting proposed to be called and must be signed by the requisitionists and be deposited at the office provided that such requisition may consist of several documents in file form each signed by one or more requisitionists.

81. On receipt of requisitions Directors to call meeting and in default requisiteness may do so

Upon the receipt of any such requisition, the Board shall forthwith call an Extraordinary General Meeting, and if they do not proceed within twentyone days from the date of the requisition being deposited at the office to cause a meeting to be called on a day not later than forty-five days from the date of deposit of the requisition, the requisitionists, or such of their number as represents either a majority in value of the paid-up share capital of the Company as is referred to in Section 169(4) of the Act, which ever is less, may themselves call the meeting, but in either case, any meeting so called shall be held within three months from the date of the delivery of the requisition as aforesaid.

82. Meeting called by requisitionist

Any meeting called under the foregoing Articles by the requisitionists shall be called in the same manner, as nearly as possible, as that in which meetings are to be called by the Board.

83. Twenty one days notice of meeting to be given

Twenty-one days' notice at least of every General Meeting, Annual or Extraordinary and by whosoever called, specifying the day, place and hour of meeting, and the general nature of the business to be transacted thereat, shall be given in the manner hereinafter provided, to such persons as are under these Articles entitled to receive notice from the Company. Provided that in the case of an Annual General Meeting with the consent in writing of all the members entitled to vote thereat and in the case of any other meeting, with the consent of members holding not less than 95 percent of such part of the paid up share capital of the Company as gives a right to vote at the meeting any be convened by a shorter notice. In the case of an Annual General Meeting, if any business other than (i) the consideration of the Accounts, Balance Sheets and Reports of the Board of Directors and Auditors (ii) the declaration of dividend, (iii) the appointment of Directors in place of those retiring (iv) the appointment of and fixing of remuneration of the Auditors, is proposed to be transacted then in that event there shall be annexed to the notice of the Meeting a statement setting out all materials facts concerning each such item of business including, in particular, the nature of concern or interest, if any, therein of every director, and the Manager (if any). Where any such item of special business relates to or affects any other Company, the extent of shareholding interest in other company of every Director and the Manager, if any, of the Company shall also be set out in the Statement if the extent of such share holding interest is not less than 20 percent of the paid-up share capital of that other company Where any item of business consists of the according of approval to any document by the meeting, the time and place where the document can be inspected shall be specified in the statement aforesaid.

84. Omissions to given notice and to invalidate a resolution passed

The accidental omission to give any such notice as aforesaid to any of the members, or the non receipt thereof, shall not invalidate the holding of the meeting or any resolution passed at any such meeting.

85. Meeting not to transact business not mentioned in notice

No General Meeting, Annual or Extraordinary, shall be competent to enter upon, discuss or transact any business which has not been mentioned in the notice or notices upon which it was convened.

86. Five members present in person shall be quorum for a General Meeting.

87. Quorum of General Meeting

A body corporate being a member shall be deemed to be personally present if it is represented in accordance with Section 187 of the Act.

88. If quorum not present meeting to be dissolved or adjourned

If, at the expiration of half an hour from the time appointed for holding a meeting of the Company, a quorum shall not be present, the meeting, if convened by or upon the requisition of members shall stand dissolved, but in any other case the meeting shall stand adjourned to the same day in the next week or, if that day is a public holiday, until the next succeeding day which is not a public holiday, at the same time and place, or to such other day and at such oilier time and place in the city or town in which the office of the Company is for the time being situate as the Board may determine and if at such adjourned meeting a quorum is not present at the expiration of half an hour from the time appointed for holding the meeting, the members present shall be quorum and may transact the business for which the meeting was called.

89. Chairman of general meeting

The Chairman (if any) of the Board shall be entitled to take the chair at every General Meeting, whether Annual or Extraordinary. If there be no such Chairman of the Board, or if at any meeting he shall not be present within fifteen minutes of the time appointed for holding such meeting, or if he shall be unable or unwilling to take the Chair, then the directors present may choose one of their member to be the Chairman of the meeting. If no director be present or if all the directors present decline to take the chair, then the Members present shall elect one of their number to be Chairman.

90. No business shall be discussed at any General Meeting except the election of a Chairman, while the chair is vacant.

91 Chairman with consent may adjourn meeting

The Chairman with the consent of the members may adjourn any meeting from time to time and from place to place in the city in which it is held but, no business shall be transacted at any adjourned meeting other than the business, left unfinished at the meeting from which the adjournment took place.

92. Questions at general meeting decided

At any General Meeting a resolution put to vote at the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded by at least five members having the right to vote on the resolution and present in person or by proxy, or by the Chairman of the Meeting or by any member or members holding not less than one-tenth of the total voting power in respect of the resolution or by any member or members present in person or by proxy and holding shares in the Company conferring a right to vote on the resolution, being shares on which an aggregate sum has been paid-up on all the shares conferring that right, and unless a poll is demanded, a declaration by the Chairman that a resolution has on a show of hands, been carried unanimously, or by a particular majority, or lost, and an entry to that effect in the Minute Book of the Company shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against the resolution.

93. Chairman's casting vote

In the case of an equality of votes, the Chairman shall, both on a show of hands and at a poll (if any), have a casting vote in addition to the vote or votes to which he may be entitled as a member.

94. Poll if be taken if demanded

If a poll is demanded as aforesaid, the same shall, subject to Article 89 be taken at such time (not later than forty-eight hours from the time when the demand was made) and place in the city or town in which the Office of the Company is for the time being situate and either by open voting or by ballot, as the Chairman shall direct, and either at once or after an interval or adjournment or otherwise, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll may be withdrawn at any time by the person or person who made the demand.

95. Scrutinizers at poll

Where a poll is to be taken, the Chairman of the meeting shall appoint two scrutineers to scrutinize the vote given on the poll and to report thereon to him. One of the scrutinizers so appointed shall always be a member (not being an officer or employee of the Company) present at the meeting provided such member is available and willing to be appointed. The Chairman shall have power at any time before the result of the poll is declared to remove a Scrutinizer from office and fill vacancies in the office of Scrutinizer from such removal or from any other cause

96. In what case poll taken without adjournment

Any poll duly demanded on the election of Chairman of a meeting or on any question of adjournment shall be taken at the meeting forthwith.

97. Demand of poll not to prevent transaction of other business

The demand for a poll except on the questions of the election of the Chairman and of an adjournment shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.

VOTE OF MEMBERS

98. Members in arrears not to vote

No member shall be entitled to vote either personally or by proxy, at any General Meeting or Meeting of a class of shareholders, either upon a show of hands or upon a poll in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or, in regard to which the Company has, and has exercised any right of lien.

99. Number of vote which a person entitled

Subject to the provisions of these Articles and without prejudice to any special privileges or restrictions as to voting for the time being attached to any class of shares for the time being forming part of the Capital of the Company, every member not disqualified by the last preceding Article shall be entitled to be present, and to speak and vote at such meeting, and on a show of hands every member present in person shall have one vote and upon a poll the voting rights of every member present in person or by proxy shall be in proportion to his shares of the paid-up equity share capital of the Company. Provided, however, if any preference shareholder be present at any meeting of the Company, save as provided in clause (b) of sub-section (2) of Section 87, he shall have a right to vote only on resolutions placed before the meeting which directly affect the rights attached to his preference shares.

100. Casting on votes by a member entitled more than one vote

On a poll taken at meeting of the Company a member entitled to more than one vote, or his proxy or other person entitled to vote for him, as the case may be, need not, if he votes, use all his votes or cast in the same way all the votes he used or may abstain from voting.

101. How members non composmentia and minor may vote

A member of unsound mind or in respect of whom an order has been made by any Court having jurisdiction in lunacy may vote whether on a show of hands or on a poll, by his committee or other legal guardian; and any such committee or guardian may vote by proxy, if any member be a minor, the vote in respect of his share or shares shall be by his guardian, or any of his, guardians, if more than one, to be selected in case of dispute by the Chairman of the meeting.

102. Vote of joint holders

If there be joint holders of any shares, anyone of such person may vote at any meeting or may appoint another person (whether a member or not) as his proxy in respect of such shares, as if he were solely entitled thereto by the proxy so appointed shall not have any right to speak at the meeting and, if more than one of such joint holders be present at any meeting that one of the said persons so present whose name stands higher on the Register shall alone be entitled to speak and to vote in respect of such shares, but the other or others of the joint-holders shall be entitled to be present at the meeting. Several executors or administrators of a deceased member in whose name shares stand shall for the purpose of these Articles to be deemed joint holders thereof.

103. Voting in person or by proxy

Subject to the provisions of these Articles, votes may be given either personally or by proxy. A body corporate being a member may vote either by a proxy or by a representative duly authorised in accordance with Section 187 of the Act, and such representative shall be entitled to exercise the same rights and powers (including the rights to vote by proxy) on behalf of the body corporate which he represents as the body could exercise if it were an individual member.

104. Votes in respect of shares of deceased and insolvent members

Any person entitled under Article 60, to transfer any share may vote at any General Meeting in respect thereof in the same manner, as if he were the registered holder of such shares, provided that forty eight hours at least before the time of holding the meeting or adjourned meeting, as the case may be at which he proposes to vote he shall satisfy the Directors of his right to transfer such shares and give such indemnity (if any) as the Directors may require or the Directors shall have previously admitted his right to vote at such meeting in respect thereof.

105. Appointment of proxy

Every proxy (whether a member or not) shall be appointed in writing under the hand of the appointer or his attorney, or if such appointer is a corporation under the common seal of such corporation, or be signed by an officer or any attorney duly authorised

by it, and any Committee or guardian may appoint such proxy. The proxy so appointed shall not have any right to speak at the meeting.

106. Proxy either for specified meeting or a period

An instrument of proxy may appoint a proxy either for the purpose of a particular meeting specified in the instrument and any adjournment thereof or. It may appoint for the purpose of every meeting of the Company, or of every meeting to be held before a date specified in the instrument and every adjournment of any such meeting.

107. A member present by proxy shall be entitled to vote only on a poll.

108. Deposit of instrument of appointment

The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority shall be deposited at the office not later than forty eight hours before the time for holding the meeting at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of twelve months from the date of its execution.

109. Form of proxy

Every instrument of proxy whether for a specified meeting or otherwise shall, as nearly as circumstances will admit, be in any of the forms set out in Schedule IX of the Act.

110. Validity of votes given by proxy notwithstanding death of member

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal, or revocation of the proxy or any power of attorney under which such proxy was signed, or the transfer of the share in respect of which the vote is given, provided that no intimation in writing of the death or insanity, revocation or transfer shall have been received at the office before the meeting.

111. Time for objection of votes

No objection shall be made to the validity of any vote, except at any meeting or poll at which such vote shall be tendered, and every vote whether given personally or by proxy, not disallowed at such meeting or poll shall be deemed valid for all purposes of such meeting or poll whatsoever.

112. Passing of resolution by postal ballot

Notwithstanding any thing contained in the foregoing, the company shall transact such business, as may be specified by the Central Government from time to time, through the means of postal ballot. In case of resolutions to be passed by postal ballot, no meeting need to be held at a specified time and space requiring physical presence of members to form a quorum. Where a resolution will be passed by postal ballot the company shall, in addition to the requirements of giving requisite clear days notice, send to all the members the following :

- i) Draft resolution and relevant explanatory statement clearly explaining the reasons thereof.
- ii) Postal ballot for giving assent or dissent, in writing by members; and
- iii) Postage prepaid envelope (by Registered Post) for communicating assents or dissents on the postal ballot to the company with a request to the members to send their communications within 30 days from the date of dispatch of Notice

The Company shall also follow such procedure, for conducting vote by postal ballot and for ascertaining the assent or dissent, as may be prescribed by the Act and the relevant Rules made there under.

113. Chairman of meeting to be the judge of validity of any vote

The Chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting. The Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.

114. Meetings of General Meeting and inspection thereof by members

- (1) The Company shall cause minutes of all proceedings of every General Meeting to be kept by making within thirty days of the conclusion of every such meeting concerned, entries thereof in books kept for that purpose with their pages consecutively numbered.
- (2) Each page of every such book shall be initialed or signed and the last page of the record of proceedings of such meeting in such books shall be dated and signed by the Chairman of the same meeting within the aforesaid period of thirty days or in the event of the death or non availability of that Chairman within that period, by a Director duly authorised by the Board for the purpose.
- (3) In no case the minutes of proceedings of a meeting shall be attached to any such book as aforesaid by pasting or otherwise.
- (4) The minutes of each meeting shall contain a fair and correct summary of the proceedings thereat.
- (5) All appointments of Officers made at any meeting aforesaid shall be included in the minutes of the meetings.
- (6) Nothing herein contained shall require or be deemed to require the inclusion in any such minutes of any matter which in the opinion of the Chairman of the meeting :
 - (a) is or could reasonably be regarded, as, defamatory of any person or
 - (b) is irrelevant or immaterial to the proceeding, or
 - (c) is detrimental to the interest of the Company

The Chairman of the meeting shall exercise an absolute discretion in regard to the inclusion or non-inclusion of any matter in the minutes on the aforesaid grounds

- (7) Any such minutes shall be evidence of the proceedings recorded therein.
- (8) The book containing the minutes of proceedings of General Meetings shall be kept at the office of the Company and shall be open during business hours for such periods not being less in the aggregate than two hours in each day as the Directors determine, to the inspection of any member without charge.

DIRECTORS

115. 1. Until otherwise determined by a General Meeting of the Company and subject to the provisions of Section 252 of the Act, the number of Directors (excluding Debenture and Alternate Directors, (if any) shall not be less than three nor more than twelve.

2. The first Directors of the Company were the following :
- i) Mr. Arun Kumar Khetan
 - ii) Mr. Sunil Kumar Sharma

116. Power to appoint ex-officio directors

If at any time the Company obtains any loan or any assistance in connection there with by way of guarantee or otherwise from any person, firm, body corporate, local authority or public body (hereinafter called "the institution") or if at any time the Company issues any shares, debentures and enters into any contract or arrangement with the institution, whereby the institution subscribes for or underwrites the issue of the Company's shares or debentures or provides any assistance to the Company in any manner and it is a term of the relative loan, assistance, contract or agreement that the institution shall have the right to appoint one or more directors to the Board of the Company, then subject to the provisions of Section 225 of the Act and subject to the terms and conditions of such loan, assistance, contract or arrangement, the institution shall be entitled to appoint one or more director or

Directors, as the case may be, to the Board of the Company and to remove from office any director so appointed and to appoint another in his place or in the place of Director so appointed who resigns or otherwise vacates his office, Any such appointment or removal shall be made in writing and shall be served at the office of the Company. The director or directors so appointed shall neither be required to hold any qualification share nor be liable to retire by rotation and shall continue in the office for so long as the relative loan, assistance, contract or arrangement, as the case may be, subsists.

117. If it is provided by the Trust Deed, securing or ptherwise in connection with any issue of debentures of the Company, that any person or persons shall have power to nominate a Director of the Company, then in the case of any and every such issue of debenture, the person or persons having such power may exercise such power from time to time and appoint a Director accordingly. Any Director so appointed is herein referred to as Debenture Director. A Debenture Director may be removed from office at any time by the person or persons in whom for the time being is vested the power under which he was appointed and another Director may be appointed in his place. A Debenture Director shall not be allowed to hold any qualification share.

118. Restrictions on directorship

If the Company at any time have a minimum paid up capital of Rupees Five Crore or such sum as may be prescribed and at least one thousand or more small shareholders, then the company may, suo motu or upon requisition of not less than one tenth of the total number of small shareholders, proceed to appoint a nominee from amongst small shareholders as a Director of the Company. The small 'shareholders' director shall before his appoint, file his consent, to act as a Director, in writing to the Company and the tenure of such appointment shall be three years at a time without retirement by rotation, but shall be eligible for reappointment for another tenure. He shall, however, not be appointed as Managing Director or Whole Time Director under any circumstances and shall be subject to same disqualifications and shall vacate his office on the same grounds as are applicable to other Directors, in pursuance of these Articles. The company shall follow such Rules as may be prescribed by the Central Govt. in this behalf.

Restrictions on directorship

No small shareholders' director appointed in accordance with the provisions of this Article shall hold office at the same time as "small shareholders' director" in more than two companies.

119. Appointment of alternate directors

The Board may appoint an Alternate Director to act for a Director (hereinafter called "the Original Director") during his absence for a period of not less than three months from the State in which the meetings of the Board are ordinarily held. An Alternate Director appointed under this Article shall not hold office for a period longer than that permissible to the Original director in whose place he has been appointed and shall vacate the office of the Original Director when he returns to that State. If the terms of office of the Original Director are determined before he so returns to that state, any provisions in the Act or in these Articles for the automatic reappointment of any retiring Director in default of another appointment shall apply to the Original Director and not to the Alternate Director.

120. Directors power to add to the Board or the appointment of Additional director

Subject to the provisions of Sections 260 and 264 of the Act, the Board shall have power at any time and from time to time to appoint any other qualified person to be an Additional Director, but so that the total number of Directors shall not at any time exceed the maximum 12 fixed under the Article 111. Any such Additional Director shall hold office only up to the date of the next Annual General Meeting.

121. Share qualification of directors

Until otherwise determined by the Company in General Meeting, a Director shall not be required to hold any shares in the capital of the Company as his qualification.

122. Directors can act before acquiring qualification

Without prejudice to the restrictions imposed by Section 226 of the Act, a Director who is required to hold qualification shares may act as a Director before acquiring such shares but shall, if he is not already qualified, obtain his qualification, and every Director other than a Director appointed by the Central or a State Government shall file with the Company a, declaration specifying the qualification shares held by him within two months from his appointment as a director.

123. Director's power to fill casual vacancies

Subject to the provisions of Section 262, 264 and 284(6) of the Act, the Board shall have power at any time and from time to time to appoint any other qualified person to be a Director to fill a casual vacancy Any person so appointed shall hold office only up to the date to which the Director in whose place he is appointed would have held office if it had not been vacated by him.

124. Remuneration of Directors

- (1) Subject to the provisions of the Act, a Managing Director, or Managing Directors or Director who is/are in the whole-time employment of the Company may be paid remuneration either by way of a monthly payment or at a specified percentage of the net profits of the Company or partly by one way and partly by the other.
- (2) Subject to the provisions of the Act, a Director who is neither in the whole-time employment nor a Managing Director, may be paid remuneration either:
 - i) by way of monthly, quarterly or annual payment or
 - ii) by way of commission if the Company by a special resolution authorised such payment.
- (3) The fees payable to a Director (including a Managing or whole-time Director, if any), for attending a Meeting of the Board or Committee thereof may be in accordance with and subject to the provisions of Section 309 of the Act or such other sum as the Company in General Meeting may from time to time determine.

125. Reimbursement of expenses to Directors for attending meeting of the Board

The Board may allow any pay to any director who is not a bonafide resident of the place where the meetings of the Board are ordinarily held and who shall come to such place for the purpose of attending any meeting, such sum as the Board may consider fair compensation for traveling, boarding, lodging and other expenses, in addition to his fee for attending such meeting as above specified; and if any Director be called upon to go or resided out of the ordinary place of his residence on the Company's business, he shall be entitled to be repaid and reimbursed any traveling or other expenses incurred in connection with business of the Company.

126. Directors may act notwithstanding any vacancies

The continuing Directors may act notwithstanding any vacancy in their body but if, and so long as their number is reduced below the minimum number fixed by the Article 111 hereof, the continuing Directors not being less than three, may act for the purpose of increasing the number of directors to that number or for summoning a General Meeting but for no other purpose.

127. Vacation of office of director

- (1) The office of a Director shall ipso facto be vacated if :
 - a) he fails to obtain within the time specified in sub-section (1) of Section 270 of the Act, or at any time thereafter ceases to hold, the share qualification, if any necessary for his appointment; or
 - b) he is found to be of unsound mind by a Court of competent jurisdiction; or
 - c) he applies to be adjudicated an insolvent; or
 - d) he is adjudged insolvent; or
 - e) he is convicted by a Court in India of any offence and is sentenced in respect thereof to imprisonment for not less than six months; or
 - f) he fails to pay any call in respect of shares of the Company held by him, whether alone or jointly with others, within six months from the last date fixed for the payment of the call; or
 - g) he absents from three consecutive meetings of the Board or from all meetings of the Board for a continuous period of three months, whichever is the longer, without obtaining leave of absence from the Board; or
 - h) he or any firm of which he is a partner or any private company of which he is a director, accepts a loan, or any guarantee or security for a loan, from the Company in contravention of Section 295 of the Act; or
 - i) he acts in contravention of Section 299 of the Act; or
 - j) he has been removed from office in pursuance of Section 203 of the Act; or
 - k) by notice in writing to the Company that he resigns his office; or
 - l) any office or place of profit under the Company or under any subsidiary of the Company is held in contravention of Section 314 of the Act and by operation of that Section he is deemed to vacate the office.

(2) Notwithstanding any matter or thing in sub-clauses (d), (e) and (j) of clause (1), the disqualification referred to in those sub-clauses shall not take effect :

- a) for thirty days from the date of adjudication sentence or order; or
- b) where an appeal or petition is preferred within the thirty days aforesaid against the adjudication, sentence or conviction resulting in the sentence, or order until the expiry of seven days from the date on which such appeal or petition is disposed of; or
- c) where within the seven days aforesaid any further appeal or petition is preferred in respect of the adjudication, sentence, conviction or order, and the appeal or petition, if allowed, would result in the removal of the disqualification until such further appeal or petition is disposed of.

128. Director may contract with company

1. A Director or his relative, a firm in which such Director or relative is a partner, or any other partner in such firm or a private company of which the Director is a member or a private company of which the Company is a member or director, may enter into any contract with Company for the sale, purchase or supply of any goods, materials, or services or for underwriting the subscription of any shares in, or debentures of the Company, provided that the sanction of the Board is obtained before or within three months of the date on which the contract is entered into in accordance with Section 297 of the Act.
2. No sanction shall, however, be necessary for :
 - a) any purchase of goods and materials from the Company, or the sale of the goods or materials to the Company, by any such director, relative, firm partner or private company as aforesaid for cash at prevailing market prices; or
 - b) any contract or contracts between the Company on one side and any such Director, relative, firm, partner or private company on the other side for sale, purchase or supply of any goods, materials and services in which either the Company or the director, relative, firm, partner or private company, as the case may be, regularly trades or does business, where the value of the goods and materials or the, cost of such services does not exceed Rs. 5,000/- Rupees Five Thousand only) in the aggregate in any year comprised in the period of the contract or contracts.

Provided that in the circumstances of urgent necessity, a Director, relative, firm, partner or private company as aforesaid may 'without obtaining the consent of the Board enter into any such contract with the Company for the sale, purchase or supply of any goods, materials or services even if the value of such goods or the cost of such services exceeds Rs.5,000/- Rupees Five Thousand only) in the aggregate in any year comprised in the period of the contract and the consent of the Board shall be obtained to such contract or contracts at a meeting within three months of the date on which the contract was entered into.

129: Disclosure of interest

A director of the Company who is in any way, whether directly or indirectly concerned or interested in a contract or proposed contract or arrangement entered into or to be entered into by or on behalf of the company, shall disclose the nature of his concern or interest at a meeting of the Board in the manner provided in Section 299(2) of the Act; provided that it shall not be necessary for a Director to disclose his concern or interest in any contract or arrangement entered into or to be entered into with any other company where any of the Directors of the Company either himself or along with his relatives holds or hold two per cent of the paid-up share capital in any such other company.

130: General notice of interest

A General Notice given to the Board by the Directors, to the effect that he is a director or member of a specified body corporate or is a member of a specified firm and is to be regarded as concerned or interested in any contract or arrangement which may, after the date of the notice, be entered into with that body corporate or firm, shall be deemed to be a sufficient disclosure of concern or interest in relation to any contract or arrangement so made. Any such general notice shall expire at the end of the financial year in which it is given but may be renewed for a further period of one financial year at a time by a fresh notice given in the last month of the financial year in which it would have otherwise expired of such general notice and no renewal thereof, shall be of effect unless it is given at a meeting of the Board or the Director concerned takes reasonable steps to secure that it is brought up and read at the first meeting of the Board after it is given.

131: Interested director not to participator vote in Board's proceeding

No director shall as Director take any part in the discussion of, or vote on any contract or arrangement entered into by or on behalf of the Company, if he is in any way whether directly or indirectly concerned or interested in such contract or arrangement; nor shall his presence count for the purpose of forming a quorum at the time of any such discussion or vote; and if he does vote, his vote shall be void; provided however, that nothing herein contained shall apply to :-

- a) any contract of indemnity against any loss which the Directors or any one or more of them, may suffer by reason of becoming or being sureties or a surety for the Company.
- b) any contract or arrangement entered into or to be entered into with a public company or a private company which is a subsidiary of a public company in which the interest of the Director consists solely
 - i) in his being
 - a) a director in such company, and
 - b) the holder of not more than shares of such number or value therein as is requisite to qualify him for appointment as a Director thereof, he having been nominated as such Director by the Company
 - ii) in his being a member holding not more than 2% of its paid-up share capital

132: Register of contracts in which directors are interested.

The Company shall keep a Register in accordance with Section 301(1) and shall within the time specified in section 301 (2) enter therein such of the particulars as may be relevant having regard to the application thereto of Section 297 or Section 299 of the Act as the case may be. The Register aforesaid shall also specify, in relation to each Director of the Company the names of the bodies corporate and firms of which notice has been given by him under Article 125. The Register shall be kept at the office of the company and shall be open to inspection at such office, and extracts may be taken therefrom and copies thereof in the same manner, and on payment of the same fee as in the case of the Register of Members of the Company and the provision of Section 163 of the Act shall apply accordingly.

133: Directors may be directors of companies promoted by the company.

A Director may be or become a director of any company promoted by the Company or in which it may be interested as a vendor, shareholder, or otherwise, and no such director shall be accountable for any benefits received as director or shareholder of such company except in so far as Section 209(6) or Section 314 of the Act may be applicable.

134: Retirement and rotation of directors

At every Annual General Meeting of the Company, one-third of such of the Directors for the time being as are liable to retire by rotation or if their number is not three or a multiple of three, the number nearest to one-third shall retire from office.

135: Ascertainment of Directors retiring by rotation and filling of vacancies.

Subject to Section 256(2) of the Act, the Directors to retire by rotation under Article 129 at every Annual General Meeting shall be those (other than Managing Director and or any Director or Directors who by virtue of the Provisions of any agreement referred to in Article-116 are not liable to retire) who have been longest in the office since their last appointment, but as between persons who became directors on the same day; those who are 135. Subject to Section 256(2) of the Act, the Directors to retire by rotation under Article 129 at every Annual General Meeting shall be those (other than Managing Director and or any Director or Directors who by virtue of the Provisions of any agreement referred to in Article-116 are not liable to retire) who have been longest in the office since their last appointment, but as between persons who became directors on the same day; those who are to retire, shall, in default of, and subject to any agreement among themselves, be determined by lot.

136: Retiring Director eligible for re-election

A retiring Director shall be eligible for re-election.

137: Filling up of vacancies at general meeting

Subject to Sections 258 and 259 of the Act, the Company at the General Meeting at which a Director retires in manner aforesaid may fill up the vacated office by electing a person thereto.

138: Provisions for default of appointment.

- a) If the place of the retiring Director is not so filled up and the meeting has not expressly, resolved not to fill the vacancy, the meeting shall stand adjourned until the same day in the next week, at the same time and place.
- b) If at the adjourned meeting also, the place of the retiring Director is not filled up and that meeting also has not expressly resolved not to fill the vacancy, the retiring Director shall be so deemed to have been reappointed at the adjourned meeting, unless :
 - i) at that meeting or at the previous meeting the resolution for the reappointment of such Director has been put to the meeting and lost
 - ii) the retiring Director has, by a notice in writing addressed to the Company or its Board expressed his unwillingness to be so reappointed;
 - iii) he is not qualified or is disqualified for appointment;
 - iv) a resolution whether special or ordinary, is required for the appointment or reappointment by virtue of any provisions of the Act; or
 - v) the provision to sub-section (2) of Section 263 of the Act is applicable to the case.

139: Company may increase or reduce the number of directors.

Subject to Section 259 of the Act, the Company may, by Ordinary Resolution, from time to time, increase or reduce the number of directors, and may after their qualifications the Company (subject to the provisions of Section 284 of the Act) remove any Director before the expiration of his period of office and appoint another qualified person in his stead. The person so appointed shall hold Office during such time as the director in whose place he is appointed would have held the same if he had not been removed.

140: Notice of candidate for office of directors except in certain cases.

- 1) No person not being a retiring Director, shall be eligible for appointment to the office of director at any General Meeting unless he or some member intending to propose him has, not less than fourteen days before the meeting, left at the office of the Company a notice in writing under his hand signifying his candidature for the office of Director or the intention of such member to propose him as a candidate for that office.
- 2) Every person (other than a director retiring by rotation or otherwise or a person who has left at the office of the Company a notice under Section 257 or the Act signifying his candidature for the office of a Director) proposed as a candidate for the office of a Director, shall sign and file with the Company, the consent in writing to act as a Director, if appointed.
- 3) A person other than a Director reappointed after retirement by rotation or immediately on the expiry of his term of office, or an Additional or Alternate Director, or a person filling a casual vacancy in the office of a Director under Section 262 of the Act, appointed as a Director or reappointed as an Additional or Alternate Director, immediately on the expiry of his term of office, shall not act as a Director of the Company unless he has within thirty days of his appointment signed and filed with the Registrar his consent in writing to act as such Director.

141: Register of Directors etc. and notification of charge to Registrar.

- a) The Company shall keep at its office a Register containing the particulars of its Directors, Managers, Secretaries and other persons mentioned in Section 303 of the Act and shall otherwise comply with the provisions of the said Section in all respects.
- b) The Company shall in respect of each of its Directors also keep at its office a Register, as required by Section 307 of the Act, and shall otherwise duly comply with the provisions of the said Section in all respects.

142:

- a) Disclosure by directors of appointment only in other body corporate

Every Director (including a person deemed to be a Director by virtue of the Explanation to sub-section (1) of Section 303 of the Act, Managing Director, Manager, or Secretary of the Company, shall within twenty days of his appointment to any of the above offices in any other body corporate, disclose to the Company the particulars relating to his office in the other body which are required to be specified under sub-section (1) of Section 303 of the Act.

- b) Disclosure by a Director of his holding of share and debenture of company etc.

Every Director and every person deemed to be a Director of the Company by virtue of sub-section (10) of Section 307 of the Act, shall give notice to the Company of such matters relating to himself as may be necessary for the purpose of enabling the Company to comply with the provision of that section.

MANAGING DIRECTORS

143: Board may appoint Managing Director or Managing Directors.

Subject to the provisions of the Act and of these Articles, the Board shall have power to appoint from time to time any of its member or members as Managing Director or Managing Directors of the Company for fixed term not exceeding five years at a time and upon such terms and conditions as the Board thinks fit and subject to the provisions of Article 140, the Board may by resolution vest in such Managing Director or Managing Directors such of the powers hereby vested in the Board generally as it thinks fit, and such powers may be made exercisable for such period or periods and upon such conditions and subject to such restrictions as it may determine. The remuneration of a Managing Director may be by way of monthly payment, fee for each meeting or participation in profits, or by any or all these modes, or any other mode not expressly prohibited by the Act.

144: Restriction on Management

The Managing Director or Managing Directors shall not exercise the powers to:

- a) make calls on share holders in respect of money unpaid on the shares in the Company.
- b) issue debentures; and except to the extent mentioned in the resolution passed at the Board meeting under Section 292 of the Act, shall also not exercise the powers to;
- c) borrow moneys, otherwise than on debentures;
- d) invest the funds of the Company, and
- e) make loans.

145: Certain persons appointed

The Company shall not appoint or employ, or continue the appointment or employment of a person as its Managing or whole-time Director who :

- a) is an discharged insolvent, or has at any time been adjudged as insolvent;
- b) suspends, or has at any time suspended payment to his creditors, or makes, or has at any time made a composition with them; or
- c) is, or has, at any time been convicted by a Court of an offence involving moral turpitude.

146: Managing Director Special position of Managing Director.

A Managing Director shall not while he continues to hold that office be subject to the retirement by rotation, in accordance with Article 129. If he ceases to hold the office of Director, he shall ipso facto and immediately cease to be a Managing Director.

PROCEEDINGS OF THE BOARD OF DIRECTORS

147: Meetings of Directors

The Directors may meet together as a Board for the dispatch of business from time to time, and shall so meet at least once in every three months and at least four such meetings shall be held in every year. The Directors may adjourn and otherwise regulate their meetings as they think fit.

148: Notice of Meeting

Notice of every meeting of the Board shall be given in writing to every Director for the time being in India, and at his usual address in India; to every other Director.

149: When meeting to be convened

The Secretary shall, as and when directed by the Directors to do so convene a meeting of the Board by giving a notice in writing to every other Director

150: Chairman

The Board shall appoint a Chairman of its meetings and determine the period for which he is to hold office. If no Chairman is appointed, or if at any meeting of the Board the Chairman is not present within five minutes after the time appointed, for holding the same, the Directors present shall choose some one of their member to be the Chairman of such meeting

151: Quorum

The quorum for a meeting of the Board shall be determined from time to time in accordance with the provisions of the Section 287 of the Act. If a quorum shall not be present within fifteen minutes from the time appointed for holding a meeting of the Board it shall be adjourned until such date and time as the Chairman of the Board shall appoint.

152: Exercise of powers to be valid in meetings where quorum is present

A meeting of the Board of which a quorum be present shall be competent to exercise all or any of the authorities, powers and discretions by or under these Articles for the time being vested in or exercisable by the Board.

153: Matter to be decided on majority of votes

Subject to the provisions of Sections 316, 327(4) and 386 of the Act, questions arising at any meeting shall be decided by a majority of votes, and in case of any equality of votes, the Chairman shall have a second or casting vote.

154: Power to appoint committee and a delegate

The Board may subject to the provisions of the Act, from time to time and at any time delegate any of its powers to a committee consisting of such Director or Directors as it thinks fit, and may from time to time revoke such delegation. Any committee so formed shall, in the exercise of the powers so delegated, conform to any regulation that may from time to time be imposed upon it by the Board.

155: Proceeding of committee

The meetings and the proceedings of any such Committee consisting of two or more members shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Board so far as the same are applicable thereto, and are not superseded by any regulations made by the Board under the Article 149.

156: Resolution without Board Meeting/ Resolution by Circulation

Save in those case where a resolution is required by Sections 262, 292,297,316,372(4) and 386 of the Act, to be passed at a meeting of the Board, a resolution shall be as valid and effectual as if it had been passed at a meeting of the Board or Committee of the Board, as the case may be, duly called and constituted, if a draft thereof in writing is circulated, together with the necessary papers, if any, to all the Directors, or to all the members of the Committee of the Board, as the case may be, then in India (not being less in number than the quorum fixed for a meeting of the Board or Committee, as the case may be) and to all other Directors, or members of the Committee, at their usual address in India, and has been approved by such of them as are then in India, or by a majority of them as are entitled to vote on the resolution.

157: Acts of Board Committee valid notwithstanding formal appointment

All acts done by any meeting of the Board or by a Committee of the Board or by any person acting as a Director shall notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of such Director or persons acting as aforesaid, or that they or any of them were disqualified or had vacated office or that the appointment of any of them had been terminated by virtue of any provisions contained in the Act or in these Articles, be as valid as if every such person had been duly appointed, and was qualified to be a Director and had not vacated his office or his appointment had not been terminated; provided that nothing in this Article shall be deemed to give validity to acts done by a Director after his appointment has been shown to the Company to be invalid or to have been terminated.

158: Minutes of proceedings of meeting of Board

- 1) The Company shall cause minutes of all proceedings of every meeting of the Board and Committee thereof to be kept by making within thirty days of the conclusion of every such meeting entries thereof in the books kept for that purpose with their pages consecutively numbered.
- 2) Each page of every such book shall be initialled or signed and the last page of the record of proceedings of each meeting in such book shall be dated and signed by the Chairman of the said meeting or the Chairman of the next succeeding meeting.
- 3) In no case shall the minutes of proceedings of a meeting be attached to any such book as aforesaid by a pasting or otherwise.
- 4) The minutes of each meeting shall contain a fair and correct summary of the proceedings thereat.
- 5) All appointments of officers made at any of the meetings aforesaid shall be included in the minutes of the meetings.
- 6) The minutes shall also contain:
 - a) the names of the Directors present at the meeting; and
 - b) in the case of each resolution passed at the meeting the names of the Directors, if any, dissenting from or not concurring in the resolution.
- 7) Nothing contained in sub-clause (1) to (6) shall be deemed to require the inclusion in any such minutes of any matter which, in the opinion of the Chairman of the meeting :
 - a) is or could reasonably be regarded as defamatory of any person.
 - b) is irrelevant or immaterial to the proceedings; or
 - c) is detrimental to the interest of the Company.
- 8) Minutes of meetings kept in accordance with the aforesaid provisions shall be evidence of the proceedings recorded therein.

159: Power of Director

The Board may exercise all such powers of the Company and do all such acts, and things as are not, by the Act, or any other Act, or by the Memorandum, or by the Articles of the Company, required to be exercised by the Company in General Meeting subject nevertheless to these Articles, to the provisions of the Act, or any other Act and to such regulations being not inconsistent with the aforesaid regulations or provisions, as may be prescribed by the Company in General Meeting but no regulations made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made. Provided that the Board shall not, except with the consent of the Company in General Meeting :

- a) sell, lease or otherwise dispose of the whole, or substantially the whole of the undertaking of the Company, or where the Company owns more than one undertaking, of the whole, or substantially the whole of any such undertaking.
- b) remit, or give time for the repayment of any debt due by a Director.
- c) invest, otherwise than in trust securities, the amount of compensation received by the Company in respect of the compulsory acquisition of any such undertaking as is referred to in clause (a), or of any premises or properties used for any such undertaking and without which it cannot be carried on or can be carried on only with difficulty or only after a considerable time.
- d) borrow moneys where the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business), will exceed the aggregate of the paid up capital of the Company and its free reserves that is to say, reserve not set apart for any specific purpose. Provided further that the powers specified in Section 292 of the Act shall, subject to these Articles, be exercised only at meetings of the Board, unless the same be delegated to the extent there in stated; or
- e) contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, any amounts the aggregate of which will, in any financial year, exceed twenty five thousand rupees or five per cent of its average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Act during the three financial years immediately preceding, whichever is greater.

160: Absolute powers of Board in certain cases

Without prejudice to the general powers conferred by the last preceding Article and so as not in any way to limit or restrict those powers, and without prejudice to the other powers conferred by these Articles, but subject to the restrictions contained in the last preceding Article, it is hereby declared that the Directors shall have the following powers; that is to say, power:

- 1) To pay the costs, charges and expenses preliminary and incidental to the promotion, formation, establishment and registration of the Company.
- 2) To pay any charge to the capital account of the Company and Commission or interest lawfully payable there out under the provisions of Sections 76 and 208 of the Act.
- 3) Subject to Sections 292 and 297 of the Act to purchase or otherwise acquire for the Company any property, rights or privileges which the Company is authorised to acquire, at or for such price or consideration and generally on such terms and conditions as they may think fit and in any such purchase or other acquisition to accept such title as the Directors may believe or may be advised to be reasonably satisfactory.
- 4) At their discretion and subject to the provisions of the Act to pay for any property, rights or privileges acquired by or services rendered to the Company, either wholly or partially, in shares, bonds, debentures, mortgages, or other securities of the Company, and such shares may be issued either as fully paid up or with such amount credited as paid up thereon as may be agreed upon all or any part of the property of the Company and its uncalled capital or not so charged;
- 5) To secure the fulfillment of any contracts or engagement entered into by the Company by mortgage or charge of all or any of the property of the Company and its uncalled capital for the firm being or in such manner as they may think fit;
- 6) To accept from any member, as far as may be permissible by law, a surrender of his shares or any part thereof, on such terms and conditions as shall be agreed;
- 7) To appoint any person to accept and hold in trust for the Company and property belonging to the Company, in which it is interested, or for any other purposes; and execute such deeds and do all such things as may be required in relation to any trust, and to provide for the remuneration of such trustee or trustees;
- 8) To institute, conduct, defend, compound or abandon any legal proceedings by or against the Company or its officers, or otherwise concerning the affairs of the Company, and also to compound and allow time for payment or satisfaction of any debts due, and of any claim or demands by or against the Company and to refer any differences to arbitration, and observe and, perform any awards made thereon;
- 9) To act on behalf of the Company in all matters relating to bankrupts and insolvents;
- 10) To make and give receipts, releases and other discharges for moneys payable to the Company and for the claims and demands of the Company.
- 11) Subject to the provisions of Sections 292, 295, 370 and 372 of the Act, to invest and deal with any moneys of the Company not immediately required for the purpose thereof upon such security (not being shares of this Company), or without security and in such manner as they think fit, and from time to time to vary the size of such investments. Save as provided in Section 49 of the Act, all investments shall be made and held in the Company's own name;
- 12) To execute in the name and on behalf of the Company in favour of any Director or other person who may incur or be about to incur any personal liability whether as principal or surety, for the benefit of the Company, such mortgages of the Company's property (present or future) as they think fit, and any such mortgage may contain a power of sale and such other powers, provisions, covenants and agreements as shall be agreed upon.
- 13) To determine from time to time who shall be entitled to sign, on the Company's behalf, bills, notes, receipts, acceptances, endorsements, cheques, dividends, warrants, releases, contracts and documents and to give the necessary authority for such purpose;
- 14) To distribute by way of bonus amongst the staff of the Company, share or shares in the profits of the Company, and to give to any officer or other person employed by the Company a commission on the profits of any particular business or transaction; and to charge such bonus or commission as part of the working expenses of the Company;
- 15) To provide for the welfare of Directors or ex-Directors or employees or ex-employees of the Company and their wives, widows and families or the dependents or connections of such persons by building or contributing to the building of houses, dwellings or by grants of money, pension, gratuities, allowances, bonus or other payments, or by creating and from time to time subscribing or contributing to provident and other associations, institutions; funds or trusts and by providing or subscribing or contributing towards places of instructions and recreation, hospitals and dispensaries, medical and other attendance and other assistance as the Board shall think fit; and to subscribe or contribute or otherwise to assist or to guarantee money to charitable, benevolent, religious, scientific, national or other institutions or objects which shall have any moral or other claim to support or aid by the Company, either by reason of locality of operation, or of public and general utility or otherwise;
- 16) Before recommending any dividend, to set aside out of the profits of the Company such sums as they may think proper for depreciation or to Depreciation Fund, or to an Insurance Fund, or as a Reserve Fund, or Sinking fund, or any Special Fund to meet contingencies or to repay Debentures or Debenture stock, or for special dividends or for equalized dividends or for repairing, improving, extending and maintaining any of the property of the Company or for such other purpose (including the purposes referred to in the preceding clause), as the Board may, in their absolute discretion, think conducive to the interest of the Company, and subject to Section 292 of the Act, to invest the several sums so set aside or so much thereof as required to be invested upon such investments (other than shares of the Company) as they may think

fit, and from time to time to deal with and vary such investments and dispose of and apply and expand all or any part thereof for the benefit of the Company, in such manner and for such purpose as the Board in their absolute discretion think conducive to the interest of the Company, notwithstanding that the matters to which the Board apply or upon which they expend the same, or any part thereof, may be matters to or upon which the capital moneys of the Company might rightly be applied or expended; and to divide the Reserve Fund into such special Funds as the Board may think fit, with full power to transfer the whole, or any portion of a Reserve Fund or division of a Reserve Fund to another Reserve Fund or division, of a Reserve Fund and with full power to employ the assets constituting all or any of the above Funds, including the Depreciation Fund, in the business of the Company or in the purchase or repayment of Debentures or debenture stock, and without being bound to keep the same, separate from the other assets, and without being bound to pay interest on the same with power, however, to the Board at their discretion to pay or allow to the credit of such funds interest at such rate as the Board may think proper.

- 17) Subject to the provisions of the Act to appoint, and at their discretion remove or suspend such general managers, managers, secretaries, assistants, supervisor, clerks, agents and servants of permanent, temporary or special services as they may for time to time think fit, and to determine their powers and duties and fix their salaries or emoluments or remuneration, and to require security in such instances and to such amount as they may think fit also from time to time provide for the management and transaction of the affairs of the Company in any specified locality in India, or elsewhere in such manner as they think fit; and the provisions contained in the four next following subclauses shall be without prejudice to the general powers conferred by this sub-clause.
- 18) To comply with the requirements of any local law which in their opinion it shall, in the interest of the Company, be necessary or expedient of comply with;
- 19) From time to time and at any time to establish any Local Board for managing any of the affairs of the Company in any specified locality in India or elsewhere and to appoint any persons to the members of such Local Boards and to fix their remuneration.
- 20) Subject to Section 292 & 293 of the Act from time to time and at any time, delegate to any person so appointed any of the powers, authorities and discretion for the time being vested in the Board, other than their power to make calls or to make loans or borrow or moneys, and to authorise the Members for the time being of any such Local Board, or any of them to fill up any vacancies therein and to act notwithstanding vacancies, and any such appointment or delegation may be made on such terms and subject to such conditions as the Board may think fit, and the Board may at any time remove any person so appointed, and may annul or vary any such delegation.
- 21) At any time and from time to time by Power of Attorney under the Seal of the Company, to appoint any person or persons to be the Attorney or Attorneys of the Company, for such purposes and with such powers, authorities and discretion (not exceeding those vested in or exercisable by the Board under these presents and excluding the powers to make calls and excluding also, except in their limits authorised by the Board, the power to make loans and borrow money') and for' such period and subject to such conditions as the Board may from time to time think fit; and any such appointment may (if the Board thinks fit) be made in favour of the members or any of the Members of any Local Board, established as aforesaid or in favour of any company, or the share holders, directors, nominees or managers of any company or firm or otherwise in favour of any fluctuating body of persons whether nominated directly by the Board and any such power of Attorney may contain such powers for the protection or convenience of persons dealing with such attorneys as the Board may think fit and may contain powers enabling any such delegates or attorneys as aforesaid to sub-delegate all or any of the powers, authorities and discretions for the time being vested in them;
- 22) Subject to Sections 294, 294A, 297 and 301 of the Act, for or in relation to any of the matters aforesaid or otherwise for the purposes of the Company to enter into all such contracts, and to execute and do all such acts, deeds and things in the name and on behalf of the Company as they may consider expedient;
- 23) Subject to the provisions of Companies Act, 1956, the Board may pay such remuneration to Chairman/Vice Chairman of the Board upon such conditions as they may think fit.

THE SECRETARY

161: Secretary

The Directors may from time to time appoint, and at their discretion, remove the Secretary provided that where the Board comprises only three Directors, neither of them shall be the Secretary. The Secretary appointed by the directors pursuant to this Article shall be a whole-time Secretary. The Directors may also at any time appoint some person, who need not be Secretary, to keep the registers required to be kept by the Company.

THE SEAL

162: The seal, its custody and use

- a) The Board shall provide a Common Seal for the purposes of the Company, and shall have power from time to time to destroy the same and substitute a new Seal in lieu thereof and the Seal shall never be used except by the authority of the Board or a Committee of the Board previously given.
- b) The Company shall also be at liberty to have an official; Seal in accordance with Section 50 of the Act, for use in any territory, district or place outside India.

163: Every Deed or other instrument, to which the seal of the Company is required to be affixed, shall unless the same is executed by a duly constituted attorney, be signed by two Directors or one Director and Secretary or some other person appointed by the Board for the purpose, provided that in respect of the Share Certificate, the Seal shall be affixed in accordance with the Article 19(a).

164: Division of profits

The profits of the Company, subject to any special rights relating thereto created or authorized to be created by these Articles, and subject to the provisions of these Articles shall be divisible among the members in proportion to the amount of capital paid-up on the shares held by them respectively.

165: The Company in general meeting may declare a dividend

The Company in General Meeting may declare dividends to be paid to members according to their respective rights, but no dividend shall exceed the amount recommended by the Board, but the company in general meeting may declare a smaller dividend.

166: Dividend only to be paid out of profits

No dividend shall be declared or paid otherwise than out of the profits of the financial year arrived at after providing for depreciation in accordance, with the provisions of Section 205 of the Act or out of the profits of the Company for any previous financial year or years arrived at after providing for depreciation in accordance with these provisions and remaining undistributed or out of both, provided that;

- a) if the Company has not provided for depreciation for any previous financial year or years, it shall, before declaring or paying a dividend for any financial year, provide for such depreciation out of the profits of the financial year or years.
- b) if the Company has incurred any loss in any previous financial year or years, the amount of the loss or any amount which is equal to the amount provided for depreciation for that year or those years whichever is less, shall be set off against the profits of the company for the year for which the dividend is proposed to be declared or paid or against the profits of the Company for any previous financial year or years arrived at in both cases after providing for depreciation in accordance with the provisions of sub-section (2) of Section 205 of the Act, or against both.

167: Interim Dividend

The Board may, from time to time, pay to the Members such interim dividend as in their judgment, the position of the Company justifies.

168: Calls in advance not to carry rights to participate in profits

Where capital is paid in advance of calls such capital may carry interest but shall not in respect thereof confer a right to dividend or participate in profits.

169: Payment of prorata dividend

All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portion of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date, such share shall rank for dividend accordingly.

170: Dividend to be kept in abeyance

The Board may retain the dividends payable upon shares in respect of which any person is under the Article 60 entitled to become a member or which any person under that Article is entitled to transfer; until such a person shall become a member, in respect of such shares or duly transfer the same.

171: Receipts for dividends

Anyone of several person who are registered as joint-holders of any share may give effectual receipts for all dividends or bonus and payments on account of dividends or bonus or other moneys payable in respect of such shares.

172: Deduction of money owned to the company

No member shall be entitled to receive payments of any interest or dividend in respect of his share or shares, while any money may be due or owing from him to the Company in respect of such share or shares or otherwise howsoever, either alone or jointly with any other person or persons and the Board may deduct from the interest or dividend payable to any member all sums of money so due from him to the Company.

173: Rights to dividend where shares transferred

A transfer of share shall not pass the right to any dividend declared thereon before the registration of the transfer.

174: Manner of paying dividend

Unless otherwise directed, any dividend may be paid by cheque or warrant or by a pay-slip or receipt having the force of a cheque or warrant sent through the post to the registered address of the member or person entitled or in case of joint-holders to that one of them first named in the Register in respect of the joint-holdings. Every such cheque or Warrant shall be made payable to the order of the person to whom it is sent. The Company shall not be liable or responsible for any cheque or Warrant or pay-slip or receipt lost in transmission, or for any dividend lost to the member or person entitled thereto by the forged endorsement of any cheque or warrant or the forged signature of any pay-slip or receipt or the fraudulent recovery of the dividend by any other means.

175: Non-forfeiture of unclaimed dividend

No unclaimed dividend shall be forfeited by the Board unless the claim thereto becomes barred by law and the company shall comply with the provision of Sections 205A and 205C of the Act in respect of all unclaimed or unpaid dividends.

176: Dividend may be set off against calls

Any General Meeting declaring a dividend may, on the recommendation of the Directors, make a call on the members of such amount as the meeting fixes, but so that the call on each member shall not exceed the dividend and the dividend may, if so arranged between the Company and the member, be set off against the calls.

177:

Where the company has declared a dividend but which has not been paid or claimed within 30 days from the date of the declaration, transfer the total amount of dividend which remains unpaid or unclaimed within the said period of 30 days to a special account to be opened by the Company in that behalf in any scheduled bank to be called "Unpaid dividend of Microsec Financial Services Limited". Any money transferred to the unpaid dividend account of the Company which remains unpaid/unclaimed for a period of 7 years from the date of such transfer, shall be transferred by the Company to the Investor Education and Protection Fund established under the sub section (1) of section 205C of the Act.

CAPITALISATION OF RESERVES

178: Issue of Bonus Shares

Any General Meeting may resolve that any moneys, investments, or other assets forming part of undivided profits of the Company standing to the credit of the Reserves, or any Capital Redemption Reserve Fund, in the hands of the company and available for dividend or representing premiums received on the issue of shares and standing to the credit of the Share Premium Account be capitalised and distributed amongst such of the members as would be entitled to receive the same if distributed by way of dividend all in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalised

fund be applied on behalf of such members in paying up in full any un issued shares, debentures, or debenture-stock of the Company which shall be distributed accordingly or in or towards payment of the uncalled liability on any issued shares, all that such distribution or payment shall be accepted by such members in full satisfaction of their interest in the said capitalised sum. Provided that any sum standing to the credit of a Share Premium Account or a Capital Redemption Reserve Fund may, for the purposes of this Article, only be applied in the paying up of un issued shares to be issued to members of the Company as fully paid bonus shares.

179: Utilization of undistributed capital profits

A General Meeting may resolve that any surplus money arising from the realisation of any capital asset of the Company or any investments representing the same, or any other undistributed profits of the Company not subject to charge for income tax, be distributed among the members on the footing that they receive the same as capital.

180: Resolving issues of fractional certificates

For the purpose of giving effect to any resolution under the two last preceding articles hereof the Board may settle any difficulty which may arise in regard the distribution as it thinks expedient and in particular may issue fractional certificates, and may fix the value of distribution of any specific assets, and may determine that cash payment shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest such cash or specific assets in trustees upon such trusts for the persons entitled to the Board. Where requisite, a proper contract shall be filed in accordance with Section 75 of the Act, and the Board may appoint any person to sign such contract on behalf of the person entitled to the dividend or capital fund, and such appointment shall be effective.

WINDING UP

195: Liquidators powers

The Liquidator on any winding-up (whether voluntary, under supervision or compulsory) may, with the sanction of a Special Resolution but subject to the rights attached to any preference share capital, divide among the contributories in specie any part of the assets of the Company and may with the like sanction vest any part of the assets of the Company in trustees upon such trusts for the benefit of the contributories as the Liquidator, with the like sanction shall think fit.

INDEMNITY AND RESPONSIBILITY

196: Person when to be indemnified by the company

Every officer or agent for the time being of the Company shall be indemnified out of the assets of the Company against all liability incurred by him in defending any proceeding, whether civil or criminal in which judgment is given in his favour or in which he is acquitted or discharged or in connection with any application under Section 633 of Act, in which relief is granted to him by the Court.

SECRECY

197: No members to enter the premises of the company without permission

Subject to the provisions of these Articles and the Act no member, or other person (not being a Director) shall be entitled to enter the property of the Company or to inspect or examine the Company's premises or properties of the Company without the permission of the Directors or to require discovery of or any information respecting any detail of the Company's trading or any matter which is or may be in the nature of a trade secret, mystery of trade, or secret process or of any matter whatsoever which may relate to the conduct of the business of the Company and which in the opinion of the Directors will be inexpedient in the interest of the Company to communicate.

SECTION XI: OTHER INFORMATION
MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Draft Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These contracts, copies of which have been attached to the copy of this Draft Red Herring Prospectus, delivered to the Registrar of Companies for registration and also the documents for inspection referred to hereunder, may be inspected at the registered office/corporate office of our Company from 10.00 am to 4.00 pm on Working Days from the date of this Draft Red Herring Prospectus until the Bid/Issue Closing Date.

Material Contracts to the Issue

1. Letter of appointment from our Company dated October 9, 2007 to SBI Capital Markets Limited appointing them as the BRLM.
2. Memorandum of Understanding between our Company and the BRLM dated January 31, 2008.
3. Memorandum of Understanding between our Company and Registrar to the Issue dated November 3, 2007.
4. Escrow Agreement between the Company, the BRLM, the Escrow Banks and the Registrar to the Issue dated [●].
5. Syndicate Agreement between the Company, the BRLM and the Syndicate dated [●].
6. Underwriting Agreement between the Company, the BRLM and the Syndicate dated [●].

Material Documents

1. Our Memorandum and Articles of Association, as amended from time to time.
2. Our certification of incorporation.
3. Board resolution in relation to the Issue dated September 3, 2007.
4. Shareholders' resolutions in relation to the Issue dated September 28, 2007.
5. Shareholders' resolution dated July 30, 2007, for appointment of Mr. B.L. Mittal as our Managing Director.
6. Agreement dated July 3, 2007 between our Company and Mr. B.L. Mittal appointing Mr. B.L. Mittal as our Managing Director.
7. Report of the auditors, M/s Vidya & Co., Chartered Accountants, prepared as per the Indian GAAP and disclosed in this Draft Red Herring Prospectus.
8. Statement of General Tax Benefits from M/s Vidya & Co., Chartered Accountants dated November 21, 2007, Auditor's Report on possible Income-tax benefits available to the Company and its shareholders.
9. Copies of annual reports of our Company for past five financial years.
10. Report of the IPO grading agency, [●], dated [●] furnishing the rationale for its grading, disclosed in this Draft Red Herring Prospectus.
11. Consent of the auditors, M/s Vidya & Co., Chartered Accountants, for inclusion of their reports prepared as per the Indian GAAP and their report on accounts, in the form and context in which they appear in this Draft Red Herring Prospectus.
12. Consent of the IPO grading agency, [●], for inclusion of their IPO grading report furnishing the rationale for its grading, in the form and context in which they appear in this Draft Red Herring Prospectus.

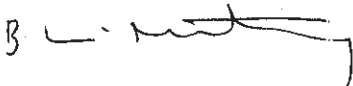
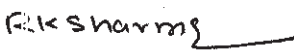
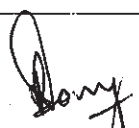
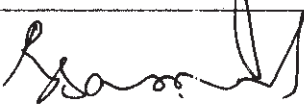

13. Consents of Bankers to the Company, BRLM, Registrar to the Issue, Legal Counsel to the Issue, Directors of the Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities.
14. Applications filed with the NSE and the BSE, for obtaining their in-principle listing approval dated February [●], 2008.
15. In-principle listing approvals received from the NSE and the BSE dated [●] and [●], respectively.
16. Tripartite Agreement between NSDL, our Company and the Registrar to the Issue dated January 23, 2008.
17. Tripartite Agreement between CDSL, our Company and the Registrar to the Issue dated [●], 2007.
18. Due diligence certificate to SEBI from the BRLM dated February 5, 2008.
19. SEBI observation letter No. [●] dated [●].
20. Application dated February 4, 2008 filed with the FIPB.

Any of the contracts or documents mentioned in this Draft Red Herring Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.


DECLARATION

We, the Directors of the Company, certify that all relevant provisions of the Companies Act, 1956, and the guidelines issued by the GoI or the guidelines issued by Securities and Exchange Board of India, applicable, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or the rules made or guidelines issued thereunder, as the case may be, and that all approvals and permissions required to carry on the business of our Company have been obtained, are currently valid and have been complied with. We further certify that all the statements in this Draft Red Herring Prospectus are true and correct.

Signed by the Directors of our Company

Mr. Banwari Lal Mittal	
Mr. Ravi Kant Sharma	
Mr. Rakesh Sony	✓ 
Dr. Bidhubhusan Samal	
Mr. Parimal Kr. Chattaraj	
Mr. Vinod Kumar Kothari	

Signed by the Group Chief Finance Officer

Mr. Laxmi Narayan Mandhana 

Signed by the Company Secretary

Mr. Biplab Kumar Mani 

Date: February 05, 2008.

Place: Kolkata