

## DRAFT RED HERRING PROSPECTUS

March 16, 2010



Please read Section 60B of the Companies Act, 1956  
(The Draft Red Herring Prospectus will be updated  
and become Red Herring Prospectus upon RoC filing)

**100% Book Building Issue**

# ACROPETAL TECHNOLOGIES LIMITED

(Acropetal Technologies Limited was originally incorporated on April 25, 2001 as a public limited company under the Companies Act, 1956 and obtained Certificate of Commencement of Business on May 02, 2001. The Corporate Identification Number of our Company is U79200KA2001PLC028944. For details of changes to our Registered Office, please refer to the chapter titled "History and Other Corporate Matters" beginning on page 112 of the Draft Red Herring Prospectus)

**Registered Office:** #2/10, 3<sup>rd</sup> Floor, Ajay Plaza, 1<sup>st</sup> Main, N.S. Palya, Bannerghatta Road, Bangalore – 560 076, Karnataka, India.

**Tel. No :** + 91-80-4155 9501/02; **Fax No:** + 91-80-2678 9553; **E-mail:** [ipo@acropetal.com](mailto:ipo@acropetal.com); **Website:** [www.acropetal.com](http://www.acropetal.com)

**Contact Person:** Mr. Jamili Jalaiah, Compliance Officer

**Promoter:** Mr. D. Ravi Kumar

**PUBLIC ISSUE OF [●] EQUITY SHARES OF RS.10/- EACH AT A PRICE OF RS. [●] PER EQUITY SHARE (INCLUDING A PREMIUM OF RS. [●] PER EQUITY SHARE) FOR CASH AGGREGATING RS. 17,000 LACS (THE "ISSUE"), BY ACROPETAL TECHNOLOGIES LIMITED (THE "COMPANY" OR THE "ISSUER"). THE ISSUE WILL CONSTITUTE [●] % OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF OUR COMPANY. THE NET ISSUE\* TO PUBLIC WILL CONSTITUTE [●] % OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF OUR COMPANY.**

\* Our Company is considering a Pre – IPO Placement of up to [●] Equity Shares with some investors. The Pre – IPO Placement, if any, will be completed before the filing of the Red Herring Prospectus with the RoC. The number of Equity Shares in the Issue will be reduced to the extent of the Equity Shares proposed to be allotted in the Pre – IPO Placement, if any, subject to the Net Issue to the public being at least 25% of the fully diluted post – Issue paid up capital of our Company.

**Price Band: Rs. [●] To Rs. [●] Per Equity Share of Face Value of Rs. 10 Each.**

The Price Band and the minimum bid lot size will be decided by our Company, in consultation with the Book Running Lead Manager and advertised at least two working days prior to the bid/issue opening date.

**The Floor Price is [●] times of the Face Value and the Cap Price is [●] times of the Face Value**

In case of revision in the Price Band, the Bidding/Issue Period shall be extended for three additional working days after such revision, 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, shall be widely disseminated by notification to the Bombay Stock Exchange Limited (BSE) and The National Stock Exchange of India Limited (NSE), whose online IPO system will be available for bidding, by issuing a press release and by indicating the change on the website of the Book Running Lead Manager (BRLM) and the terminals of the member(s) of the Syndicate.

The Issue is being made under sub-regulation (1) of Regulation 26 of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 and through a 100% Book Building Process wherein not more than 50% of the Issue will be allocated to Qualified Institutional Buyers (QIBs) on a proportionate basis, subject to valid bids being received at or above the Issue Price. Provided that our Company may allocate up to 30% of the QIB Portion, to Anchor Investors, on a discretionary basis ("Anchor Investor Portion"). For details, see "Issue Procedure" on page 221. Out of the portion available for allocation to the QIBs, 5% will be available for allocation to Mutual Funds only. Mutual Fund Bidders shall also be eligible for proportionate allocation under the balance available for the QIBs. Further, 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.

### RISKS IN RELATION TO THE FIRST ISSUE

This being the first issue of Equity Shares of our Company, there has been no formal market for our Equity Shares. The face value of the Equity Shares is Rs.10/- and the Floor Price is [●] times of the Face Value and the Cap Price is [●] times of the Face Value. The price band (has been determined and justified by the BRLM and the issuer as stated under the chapter on "Basis for Issue Price" beginning on page 70 of the Draft Red Herring Prospectus) should not be taken to be indicative of the market price of our Equity Shares after our Equity Shares are listed. No assurance can be given regarding an active or sustained trading in the Equity Shares of our Company nor regarding the price at which the Equity Shares will be traded after listing.

### GENERAL RISK

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 risk involved. The Equity Shares have not been recommended or approved by the Securities and Exchange Board of India (SEBI) nor does the SEBI guarantee the accuracy or adequacy of this document. Specific attention of the investors is invited to the statement of 'Risk Factors' beginning on Page 12 of the Draft Red Herring Prospectus.

### ISSUER'S ABSOLUTE RESPONSIBILITY

Our Company, having made all reasonable enquiries, accepts responsibility for, and confirms that the Draft Red Herring Prospectus contains all information with regard to our Company and the Issue, which is material in the context of the Issue; that the information contained in the 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 document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

### IPO GRADING

The Issue has been graded by [●] and has been assigned a grade of [●]/5 indicating [●] fundamentals. The IPO Grading is assigned on a 5 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 and grading rationale, please refer to page 40 of the Draft Red Herring Prospectus under the section 'General Information'.

### LISTING ARRANGEMENT

The Equity Shares issued through the Draft Red Herring Prospectus are proposed to be listed on Bombay Stock Exchange Limited (BSE) and on The National Stock Exchange of India Limited (NSE). In-principle approvals have been received from BSE and NSE for the listing of the Equity Shares vide their letters dated [●] and [●] respectively. For the purposes of this Issue, BSE shall be the Designated Stock Exchange.

### BOOK RUNNING LEAD MANAGER



**Saffron Capital Advisors Private Limited**

SEBI Registration No: INM000011211

204, Vishwananak, Gurunanakwadi, Andheri Ghatkoper Link Road,  
Chakala, Andheri (East), Mumbai - 400 099.

Tel No: +91 22 4082 0905 / 0903

Fax No: +91 22 4082 0999

Website: [www.saffronadvisor.com](http://www.saffronadvisor.com)

Email: [acropetal.ipo@saffronadvisor.com](mailto:acropetal.ipo@saffronadvisor.com)

Investor Grievance Id: [investorgrievance@saffronadvisor.com](mailto:investorgrievance@saffronadvisor.com)

Contact Person: Mr. Saurabh Vijay

### REGISTRAR TO THE ISSUE



**Sharex Dynamic (India) Private Limited**

SEBI Registration No: INR000002102

17/B, 2nd Floor, Dena Bank Building  
Horniman Circle, Fort  
Mumbai - 400 001.

Tel No: +91 22 2270 2485 / 2264 1376

Fax No: +91 22 2264 1349

Email: [atl.ipo@sharexindia.com](mailto:atl.ipo@sharexindia.com)

Website: [www.sharexindia.com](http://www.sharexindia.com)

Contact Person: Mr. B.S. Baliga

### BID / ISSUE PROGRAMME #

**BID/ISSUE OPENS ON : [●], 2010**

**BID/ISSUE CLOSES ON : [●], 2010**

# Anchor Investor Bid/Issue Period shall be one day prior to the Bid/Issue Opening Date

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## SECTION I - DEFINITIONS AND ABBREVIATIONS

### CONVENTIONAL/GENERAL TERMS

Term	Description
Act/ Companies Act	The Companies Act, 1956, as amended from time to time
Equity Shares	The Equity Shares of face value of Rs. 10 each of Acropetal Technologies Limited
Indian GAAP	Generally Accepted Accounting Principles in India
Non Resident	A person who is not an NRI, FII and is not a person resident in India
NRI/ Non-Resident Indian	A person resident outside India, as defined under FEMA and who is a citizen of India or a Person of Indian Origin as defined under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
Quarter	A period of three continuous months
RBI Act	The Reserve Bank of India Act, 1934
SEBI	Securities and Exchange Board of India
SEBI Act	Securities and Exchange Board of India Act, 1992 as amended from time to time.
SEBI (ICDR) Regulations, 2009	Means the regulations for Issue of Capital and Disclosure Requirements issued by Securities and Exchange Board of India, constituted in exercise of powers conferred by Section 30 of the Securities and Exchange Board of India Act, 1992 (as amended), called Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.
Stock Exchanges	Bombay Stock Exchange Limited (BSE) and The National Stock Exchange of India Limited (NSE), referred to as collectively

### ISSUE RELATED TERMS

Term	Description
Allotment/ Allotment of Equity Shares	Unless the context otherwise requires, Allotment of Equity Shares pursuant to this Issue
Allottee	The successful Bidder to whom the Equity Shares are being/have been allotted
Anchor Investor	A Qualified Institutional Buyer, making an application for a value of Rupees Ten Crore or more in the Public Issue made through the Book Building process in accordance with SEBI (ICDR) Regulations, 2009
Anchor Investor Issue Price	The final price at which Equity Shares will be issued and allotted in terms of the Red Herring Prospectus and the Prospectus to the Anchor Investors, which will be a price equal to or higher than the Issue Price but not higher than the Cap Price. The Anchor Investor Issue Price will be decided by our Company in consultation with the BRLM.
Anchor Investor Margin Amount	An amount representing 25% of the Bid Amount payable by Anchor Investors at the time of submission of their Bid
Anchor Investor Portion	The portion of the Net Issue, being up to 30% of the portion available to QIBs, being [●] Equity Shares of our Company, which will be allocated to the Anchor Investors by our Company in consultation with the BRLM, on a discretionary basis. One third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Anchor Investor Bids being received from domestic Mutual Funds at or above the price at which allocation will be made to Anchor Investors.
Anchor Investor Bid/Issue Period	The date one working day prior to the Bid/Issue Opening Date i.e. [●], on which bidding by Anchor Investors shall open and shall be completed
Applications Supported by Blocked Amount (ASBA)	Application Supported by Blocked Amount means an application (whether physical or electronic) subscribing to an Issue containing an authorization to block the Bid Amount in their specified bank account with Self Certified Syndicate Bank
ASBA Bidders/Investor	A Bidder / an Investor other than QIB Bidder, who intends to apply through ASBA process

<b>Term</b>	<b>Description</b>
ASBA Form / ASBA BCAF	The Bid-cum-Application Form, whether physical or electronic, used by an ASBA Bidder to make a Bid, which will be considered as the application for Allotment for the purpose of Red Herring Prospectus and Prospectus
ASBA Bid Revision Form	The form used by ASBA Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid-cum-Application Forms or any previous Revision Form(s)
Banker(s) to the Issue / Escrow Collection Banks	The banks which are clearing members and registered with SEBI as Banker to the Issue at which the Escrow Account for the Issue will be opened and in this case being [●]
Bid	<p>An indication to make an offer made during the Bidding Period by a prospective investor or on the Anchor Investor Bidding Date by an Anchor Investor, pursuant to submission of a Bid-cum-Application Form to subscribe to the Equity Shares of our Company at a price within the Price Band, including all revisions and modifications thereto</p> <p>For the purposes of ASBA Bidders, it means an indication to make an offer during the Bidding Period by any Bidder other than QIB Bidder pursuant to the submission of an ASBA Bid-cum-Application Form to subscribe to the Equity Shares</p>
Bid Lot/ Minimum bid lot	[●] Equity Shares and in multiples of [●] Equity Shares thereafter.
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 for this Issue
Bid/ Issue Closing Date	Except in relation to Anchor Investor, the date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in a widely circulated English and Hindi national newspapers, and a regional language newspaper.
Bid-cum-Application Form / Bid Form	The form in terms of which the Bidder shall make an offer to subscribe to the Equity Shares of our Company and which will be considered as the application for allotment in terms of the Red Herring Prospectus
Bid/ Issue Opening Date	Except in relation to Anchor Investor, the date on which the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in widely circulated English and Hindi national newspapers and a regional language newspaper.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid-cum-Application Form, including an ASBA Bidder and Anchor Investor.
Bid/ 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 (excluding Anchor Investors) can submit their Bids including any revisions thereof.
Book Building Process	Book Building Process as provided under Schedule XI of SEBI (ICDR) Regulations, 2009, in terms of which this Issue is being made
Brokers to this Issue	Brokers registered with any recognized Stock Exchange, appointed by the Members of the Syndicate
BRLM	Book Running Lead Manager to this Issue, in this case being Saffron Capital Advisors Private Limited
CAN/ Confirmation of Allocation Note	<p>Except in relation to Anchor Investor, 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 revisions thereof.</p> <p>In relation to Anchor Investors, the note or advice or intimation of allocation of Equity Shares sent to the successful Anchor Investors who have been allocated Equity Shares after discovery of the Anchor Investor Issue Price, including any revisions thereof.</p>
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalized and above which no Bids will be accepted in this case being Rs. [●]

<b>Term</b>	<b>Description</b>
Cut-off /Cut-off Price	Any price within the Price Band finalized by our Company in consultation with the BRLM. A bid submitted at the Cut-off Price is a valid Bid at all price levels within the Price Band.
Controlling Branches	Such branches of the SCSBs which co-ordinate Bids received under this Issue by the ASBA Bidders with the BRLM, the Registrar to the Issue and the Stock Exchange(s) and a list of which is available at <a href="http://www.sebi.gov.in">www.sebi.gov.in</a>
Depository	A body corporate registered with SEBI under the SEBI (Depositories and Participants) Regulations, 1996, as amended from time to time
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository Participant	A Depository Participant as defined under the Depositories Act, 1996
Designated Branches	Branch offices of the SCSBs which the respective SCSB has identified as a designated branch at which the physical ASBA Form can be submitted by an ASBA Investor.
Designated Date	The date on which funds are transferred from the Escrow Account of our Company 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	Bombay Stock Exchange Limited (BSE)
Draft Red Herring Prospectus/ DRHP	The Draft Red Herring Prospectus which does not have complete particulars on the price at which the Equity Shares are offered and size of the Issue, which was filed with the SEBI and Stock Exchanges. It will become a Red Herring Prospectus issued in accordance with the provisions of Section 60B of the Companies Act after filing with the RoC at least three days before the opening of the Issue. It will become a Prospectus after filing with the RoC after determination of the Issue Price
Electronic ASBA Application / Bid	Submission of ASBA Bid-cum-Application Form electronically, by an ASBA Investor, through the internet banking facility offered by the SCSBs.
Eligible NRI	NRI's from such jurisdiction outside India where it is not unlawful for our Company to make this Issue or an invitation under this Issue and in relation to whom the Red Herring Prospectus constitutes an invitation to subscribe to the Equity Shares offered herein.
Equity Shares	Equity shares of our Company of face value of Rs. 10 each unless otherwise specified in the context thereof
Escrow Account	An Account opened with Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid
Escrow Agreement	Agreement entered into amongst our Company, the Registrar to this Issue, the Escrow Collection Banks, the BRLM and the Syndicate Member(s) in relation to the collection of the Bid Amounts and dispatch of the refunds (if any) of the amounts collected, to the Bidders
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 the Issue Price will not be finalized and below which no Bids will be accepted in this case being Rs. [●]
Issue	Public Issue of [●] Equity Shares of Rs.10 each at a Price of Rs. [●] per Equity Share (including a premium of Rs. [●] per Equity Share) for cash aggregating Rs. 17,000 Lacs ("The Issue"), by Acropetal Technologies Limited (the "Company" or the "Issuer"). The Issue will constitute [●]% of the fully diluted Post Issue Paid-up capital of our Company. The Net Issue to Public will constitute [●]% of the fully diluted Post Issue Paid-up capital of our Company.
Issue Management Team	The team managing this Issue as set out in the chapter titled 'General Information' in the Draft Red Herring Prospectus

<b>Term</b>	<b>Description</b>
Issue Price	The final price at which Equity Shares will be issued and allotted in term of the Red Herring Prospectus. The Issue Price will be decided by our Company in consultation with the BRLM on the Pricing Date
Issue Period	The Issue period shall be [●], 2010 being the Bid/Issue Opening date, to [●], 2010 being the Bid/Issue Closing date
Issue Proceeds	The proceeds of the Issue that will be available to our Company being upto Rs. 17,000 Lacs
Margin Amount	The amount paid by the Bidder (except ASBA Investor) at the time of submission of his/her Bid, which may range from 10% to 100% of the Bid Amount as applicable.
Mutual Funds	Mutual funds registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996, as amended from time to time
Mutual Fund Portion	That portion of the Net Issue, being 5% of the QIB Portion or [●] Equity Shares shall be available for allocation on a proportionate basis to Mutual Funds only
Net QIB Portion	The portion of the QIB Portion less the number of Equity Shares allotted to the Anchor Investors, being [●] Equity Shares to be allotted to QIB's on a proportionate basis.
Non Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs.1,00,000
Non Institutional Portion	The portion of the Net Issue being not less than 15% of the Issue i.e. [●] Equity Shares of Rs.10 each available for allocation to Non Institutional Bidders on a proportionate basis, subject to receipt of valid Bids at or above the Issue Price
Overseas Corporate Body	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 and which was in existence on October 03, 2003 and immediately before such date had taken benefits under the general permission granted to Overseas Corporate Bodies under the FEMA. Overseas Corporate Bodies are not permitted to invest in this Issue.
Pay-in Date	Bid/Issue Closing Date or the last date specified in the CAN sent to Bidders receiving allocation who pay less than 100% Margin Amount at the time of bidding, as applicable and which shall with respect to Anchor Investors, be a date not later than two days after the Bid Closing Date.
Pay-in-Period	This term means (i) 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, (ii) 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 as specified in the CAN and (iii) With respect to Anchor Investors, the Anchor Investor Bidding Date and the last date specified in the CAN which shall not be later than two days after the Bid Closing Date.
Physical ASBA Application / Bid	ASBA Bid-cum-Application Forms submitted by an ASBA Investor physically with the designated branches of the SCSBs.
Pre-IPO Placement	A Pre-IPO Placement of upto Rs. [●] Lacs with certain investors is being considered by our Company and will be completed prior to the filing of the Red Herring Prospectus with the RoC.
Price Band	Being the Price Band of a minimum price (Floor Price) of Rs. [●] and the maximum price (Cap Price) of Rs. [●] and includes revisions thereof.
Pricing Date	The date on which our Company in consultation with the BRLM finalizes the Issue Price
Prospectus	The prospectus to be filed with the RoC in terms of Section 60 of the Companies Act, containing, <i>inter alia</i> , the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information.
Public Issue Account	Account opened with the Bankers to the Issue to receive monies from the Escrow

Term	Description
	Account and accounts of ASBA Investors for this Issue on the Designated Date.
Qualified Institutional Buyers or QIBs	<p>“Qualified Institutional Buyer” means:</p> <ul style="list-style-type: none"> <li>(i) a mutual fund, venture capital fund and foreign venture capital investor registered with the Board;</li> <li>(ii) a foreign institutional investor and sub-account (other than a sub-account which is a foreign corporate or foreign individual), registered with the Board;</li> <li>(iii) a public financial institution as defined in section 4A of the Companies Act, 1956;</li> <li>(iv) a scheduled commercial bank;</li> <li>(v) a multilateral and bilateral development financial institution;</li> <li>(vi) a state industrial development corporation;</li> <li>(vii) an insurance company registered with the Insurance Regulatory and Development Authority;</li> <li>(viii) a provident fund with minimum corpus of twenty five crore rupees;</li> <li>(ix) a pension fund with minimum corpus of twenty five crore rupees;</li> <li>(x) National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India;</li> <li>(xi) Insurance funds set up and managed by Army, Navy or Air Force of the Union of India</li> </ul>
QIB Portion	The portion of this Issue being not more than 50% (including Anchor Investor Portion) of the Issue, i.e. [●] Equity Shares of Rs 10 each available for allocation on proportionate basis to QIBs of which 5% shall be available for allocation on proportionate basis to Mutual Funds registered with SEBI, subject to valid bids being received at or above the Issue Price.
Refund Account	The no-lien account maintained by the Refund Bank(s) to which the surplus money shall be transferred on the Designated Date.
Refund Bank	The bank(s) which have been appointed / designated for the purpose of refunding the amount to investors (except ASBA Investors) either through the electronic mode as prescribed by SEBI and / or physical mode in accordance with the procedure contained in the Chapter titled “Issue Procedure” beginning on page 221 of the Draft Red Herring Prospectus.
Resident Retail Individual Investor /Resident Retail Individual Bidder	A Retail Individual Bidder who is a “person resident in India” (as defined in Foreign Exchange Management Act, 1999) and who has Bid for Equity Shares for an aggregate amount not more than Rs. 100,000 in all of the bidding options in the Issue
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) who have not Bid for an amount more than Rs. 1,00,000 in any of the bidding options in this Issue
Retail Portion	The portion of this Issue being not less than 35% of the Issue i.e. [●] Equity Shares of Rs. 10 each 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 in any of their Bid-cum-Application Forms or any previous Revision Form(s)
Red Herring Prospectus/ RHP	The Red Herring Prospectus to be issued in accordance with Section 60B of the Companies Act, which will not have complete particular of the price at which the Equity Shares are offered and the size of the Issue. The Red Herring Prospectus will be filed with the RoC at least three days before the bid/ Issue Opening date and will become Prospectus after filing with the RoC after determination of the Issue Price
Registrar to the Issue or Registrar	In this case being, Sharex Dynamic (India) Private Limited
Self Certified Syndicate Bank (SCSB)	Self Certified Syndicate Bank (SCSB) is a Banker to an Issue registered under SEBI (Bankers to an Issue) Regulations, 1994 and which offers the service of ASBA, including blocking of bank account and a list of which is available on <a href="http://www.sebi.gov.in">http://www.sebi.gov.in</a>

<b>Term</b>	<b>Description</b>
Syndicate	The BRLM and the Syndicate Member(s)
Syndicate Agreement	The agreement to be entered into between our Company, BRLM and the Syndicate Member(s), in relation to the collection of Bids in this Issue
Syndicate Member(s)	Intermediaries registered with SEBI and eligible to act as underwriters. Syndicate Member(s) are appointed by the BRLM in this case being [●]
TRS or Transaction Registration Slip	The slip or document issued by the Syndicate Member(s) to the Bidder as proof of registration of the Bid on the online system of BSE/NSE.
Underwriters	The BRLM and the Syndicate Member(s).
Underwriting Agreement	The Agreement among the Underwriters and our Company to be entered into on or after the Pricing Date.

### **ISSUER RELATED TERMS**

<b>Term</b>	<b>Description</b>
“Acropetal Technologies Limited”, “Acropetal Technologies”, “our Company”, “the Company”, “the Issuer Company”, “the Issuer” “we”, “us”, and “our”	Unless the context otherwise requires, refers to Acropetal Technologies Limited, a public limited company incorporated under the Companies Act, 1956.
Articles/ Articles of Association	The Articles of Association of Acropetal Technologies Limited
Auditors	The Statutory Auditors of our Company namely, M/s. K. Gopalakrishnan & Co., Chartered Accountants.
Board / Board of Directors	The Board of Directors of Acropetal Technologies Limited unless otherwise specified or any committee constituted thereof
Memorandum/ Memorandum of Association	The Memorandum of Association of Acropetal Technologies Limited
Objects of the Issue / Project	The present issue is being made to raise the funds for the following purposes: <ol style="list-style-type: none"> <li>1. To finance the funds required for our potential acquisitions</li> <li>2. To set up a Software Development Centre cum Corporate Office at Hosur Road, Bangalore</li> <li>3. Expansion &amp; Establishment of offices</li> <li>4. Part Repayment of Term Loans</li> <li>5. Additional Long Term Working Capital requirements</li> <li>6. General Corporate Purposes</li> <li>7. Meeting Public Issue expenses</li> </ol>
Promoter(s)	Unless the context otherwise requires, refers to Mr. D. Ravi Kumar
Promoter–Director (s)	Unless the context otherwise requires, refers to Mr. D. Ravi Kumar
Promoter Group Entities/ Group Companies / Associate Companies	<ul style="list-style-type: none"> <li>▪ Ecologix Knowledge Solution Private Limited</li> <li>▪ Kinfotech Private Limited</li> <li>▪ Binary Spectrum Softech Private Limited</li> </ul>
Registered Office of our Company	#2 /10, 3 <sup>rd</sup> Floor, Ajay Plaza, 1 <sup>st</sup> Main, N.S. Palya Bannerghatta Road, Bangalore – 560076, Karnataka
RoC	Registrar of Companies, Karnataka, Bangalore situated at E-Wing, 2 <sup>nd</sup> Floor, Kendriya Sadana, Koramangala, Bangalore - 560 034



Subsidiary/ Subsidiary Company	Vision Info Inc., UAE
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### INDUSTRY RELATED TERMS

Term	Description
APAC	Asia Pacific
ATE	Automated Test Equipment
ATM	Automated Teller Machine
ASIC	Application Specific Integrated Circuits
BFSI	Banking, Financial Services and Insurance
BI	Business Intelligence
BPO	Business Process Outsourcing
CEMA	Central & Eastern Europe, Middle East and Africa
CMS	Case Management System
CRM	Customer Relationship Management
EDS	Engineering Design Solutions/Services
ERP	Enterprise Resource Planning
EU	European Union
EoU	Export oriented Unit
GDP	Gross domestic profit
GOI	Government of India
HIPAA	Health Insurance Portability and Accountability Act
ISV	Independent Software Vendor
IT	Information Technology
ITES	Information Technology Enabled Service
IVR	Interactive Voice Response
MIS	Management Information System
NASSCOM	The National Association of Software and Services Companies
NEGP	National E-Governance Plan
NIC	National Informatics Centre
NMS	Network Management System
OS	Operating System
RMS	Resource Management System
R&D	Research & Development
RFID	Radio Frequency Identification
SMB	Small and Medium Businesses
STPI	Software Technology Parks of India
TMS	Transportation Management System
WebPM	Web Based Project Management

### ABBREVIATIONS

Abbreviation	Full Form
AGM	Annual General Meeting
AS	Accounting Standards issued by the Institute of Chartered Accountants of India
ASBA	Applications Supported by Blocked Amount
BRLM	Book Running Lead Manager
BSE	Bombay Stock Exchange Limited
Bn	Billion
CAIIB	Certified Associate of Indian Institute of Bankers
CAN	Confirmation of Allocation Note
CAGR	Compounded Annual Growth Rate

Abbreviation	Full Form
CB	Controlling Branch
CDSL	Central Depository Services (India) Limited
CENVAT	Central Value Added Tax
CESTAT	Central Excise and Services Tax Appellate Tribunal
CIN	Corporate Identification Number
DB	Designated Branch
DGFT	Directorate General of Foreign Trade
DIN	Director's Identification Number
DP	Depository Participant
DP ID	Depository Participant's Identification Number
ECS	Electronic Clearing System
EGM	Extraordinary General Meeting of the shareholders
EPS	Earnings per Equity Share
FCL	Foreign Currency Loans
FCNR Account	Foreign Currency Non Resident Account
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and the rules and regulations issued thereunder
FDI	Foreign Direct Investment
FII	Foreign Institutional Investor [as defined under SEBI (Foreign Institutional Investors) Regulations, 1995, as amended from time to time] registered with SEBI under applicable laws in India
FIPB	Foreign Investment Promotion Board
FIs	Financial Institutions
FMCG	Fast Moving Consumer Foods
FVCI	Foreign Venture Capital Investors registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000
FY	Financial Year
GAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product
GIR Number	General Index Registry Number
GoI / Government	Government of India
HNI	High Net Worth Individual
HUF	Hindu Undivided Family
IEM	Industrial Entrepreneur Memorandum
ICAI	Institute of Chartered Accountants of India
ICWAI	The Institute of Cost and Works Accountants of India
INR	Indian National Rupee
IPO	Initial Public Offering
MAPIN	Market Participant and Investor Database
MODVAT	Modified Value Added Tax
MNC's	Multi-National Corporations
Mn	Million
NAV	Net Asset Value
NEFT	National Electronic Fund Transfer
NR	Non-Resident
NRE Account	Non Resident (External) Account
NRI	Non-Resident Indian
NRO Account	Non Resident (Ordinary) Account
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
OCB	Overseas Corporate Body
P/E Ratio	Price / Earnings Ratio

<b>Abbreviation</b>	<b>Full Form</b>
PAN	Permanent Account Number
PAT	Profit After Tax
PBT	Profit Before Tax
PPP	Public Private Partnership
RBI	The Reserve Bank of India
RoNW	Return on Net Worth
Rs.	Indian Rupees
RTGS	Real Time Gross Settlement
SCRA	Securities Contracts (Regulation) Act, 1956, as amended from time to time
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SCSB	Self Certified Syndicate Bank
SEBI	The Securities and Exchange Board of India
SPV	Special Purpose Vehicle
TAN	Tax Deduction Account Number
TIN	Taxpayers Identification Number
TRS	Transaction Registration Slip
UIN	Unique Identification Number issued in terms of SEBI (Central Database of Market Participants) Regulations, 2003, as amended from time to time
UoI	Union of India
WDV	Written Down Value
w.e.f	With effect from

## **SECTION II - GENERAL**

### **PRESENTATION OF FINANCIAL INFORMATION AND USE OF MARKET DATA**

#### **Financial Data**

Unless stated otherwise, the financial information used in the Draft Red Herring Prospectus is derived from our Company's restated financial statements for the financial year ended March 31, 2005, 2006, 2007, 2008, 2009 and for the 9 months period ended December 31, 2009 prepared in accordance with Indian GAAP and the Companies Act and restated in accordance with SEBI (ICDR) Regulations, 2009, as stated in the report of our Auditors, K. Gopalakrishnan & Co, Chartered Accountants, *beginning on page 136 of the Draft Red Herring Prospectus.*

Our Financial Year commences on April 1 and ends on March 31 of the ensuing calendar year. Unless stated otherwise, references herein to a Financial Year (e.g., Financial Year 2009), are to the Financial Year ended March 31 of that particular year.

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

There are significant differences between Indian GAAP and U.S. GAAP; accordingly, the degree to which the Indian GAAP financial statements included in the Draft Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices, Indian GAAP, Companies Act and SEBI (ICDR) Regulations, 2009. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in the Draft Red Herring Prospectus should accordingly be limited. Our Company has not attempted to explain these 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 financial data.

#### **Market and Industry Data**

Unless stated otherwise, industry data used throughout the Draft Red Herring Prospectus has been obtained or derived from industry publications and/or publicly available government documents. Industry publications or publicly available government documents generally state that the information contained therein has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Accordingly, no investment decisions should be made based on such information. Although our Company believes that industry data used in the Draft Red Herring Prospectus is reliable, it has not been verified by us or any other person connected with the Issue.

## FORWARD LOOKING STATEMENTS

We have included statements in the Draft Red Herring Prospectus which contain words or phrases such as “will”, “aim”, “is likely to 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, that are “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 our expectations include but are not limited to:

- General economic and business conditions in the markets in which we operate and in the local, regional and national economies;
- Changes in laws and regulations relating to the industry in which we operate;
- Increased competition in Software/IT industry;
- Our ability to successfully implement our growth strategy and expansion plans, and to successfully launch and implement various projects and business plans including those for which funds are being raised through this Issue;
- Our ability to meet our capital expenditure requirements;
- Fluctuations in operating costs;
- Our ability to attract and retain qualified personnel;
- Changes in technology;
- Changes in political and social conditions in India or in other countries that may adversely affect us (directly or indirectly), the monetary and interest rate policies of India and other countries, inflation, deflation, unanticipated turbulence in interest rates, equity prices or other rates or prices;
- The performance of the financial markets in India and globally; and
- Any adverse outcome in the legal proceedings in which we are involved.

For a further discussion of factors that could cause our actual results to differ, *please refer Section titled “Risk Factors” beginning on page 12 of the Draft Red Herring Prospectus, and Chapters titled “Business Overview” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations as Reflected in the Financial Statements” beginning on pages 90 and 186, respectively of the Draft Red Herring Prospectus.* 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 our Company nor the BRLM, nor any of their respective affiliates have 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, our Company and the BRLM will ensure that investors in India are informed of material developments until the time of grant of listing and trading permissions by the Stock Exchanges.

## SECTION III - RISK FACTORS

### RISK FACTORS

*An investment in Equity Shares involves a high degree of financial risk. You should carefully consider all information in the Draft Red Herring Prospectus, including the risks described below, before making an investment in our Equity Shares. This section addresses general risks associated with the industry in which we operate and specific risks associated with our Company. Any of the following risks, as well as the other risks and uncertainties discussed in the Draft Red Herring Prospectus, could have a material adverse effect on our business, financial condition and results of operations and could cause the trading price of our Equity Shares to decline. In addition, the risks set out in the Draft Red Herring Prospectus may not be exhaustive and additional risks and uncertainties, not presently known to us, or which we currently deem immaterial, may arise or become material in the future. Unless otherwise stated in the relevant risk factors set forth below, we are not in a position to specify or quantify the financial or other risks mentioned herein.*

#### **Materiality**

*The Risk factors have been determined on the basis of their materiality. The following factors have been considered for determining the materiality.*

- 1. Some risks may not be material individually but may be material when considered collectively.*
- 2. Some risks may have an impact which is qualitative though not quantitative.*
- 3. Some risks may not be material at present but may have a material impact in the future.*

#### **PROJECT RELATED RISKS**

- 1. As the specific acquisition targets have not been identified, the fund deployment in this regard is uncertain.**

Our Company intends to use part of the proceeds amounting to Rs. 5,500 lacs out of the total Issue proceeds (which represents 32.35% of the Issue proceeds) for acquisitions as described in the section titled 'Objects of the Issue' on page 54 of this Draft Red Herring Prospectus. We have not yet entered into any definitive agreements to utilize the funds allocated for making acquisitions. Our Company proposes to complete the acquisition by December 2010. There can be no assurance that we will be able to conclude definitive agreements for such expenditures on terms anticipated by us. As on the date of this Draft Red Herring Prospectus, we have not yet identified specific acquisition targets.

Pending utilization for the purpose described above, we intend to invest the funds in high quality interest/dividend bearing liquid instruments including money market mutual funds and deposits with banks for the necessary duration or for reducing overdraft.

- 2. The acquisition of other companies, businesses or technologies in the future could result in operating difficulties, integration issues and other adverse consequences.**

As on the date of this Draft Red Herring Prospectus, we have experienced only organic growth, which signifies expansion of our Company from its own (internally generated) resources, without resorting to acquisitions of other firms/companies/brands. However, as part of our growth strategy, we intend to pursue acquisitions to expand our business. There can be no assurance that we will be able to identify suitable acquisition targets or strategic investment at acceptable cost and on commercially reasonable terms, obtain the finance, if required, to complete and support such acquisitions or investments, integrate such businesses or investments or that any business acquired or investment made will be profitable. Any future acquisitions may result in

integration issues and employee retention problems. We may not be able to realize the benefits we might anticipate from any such acquisitions.

If we attempt to acquire non-Indian companies, we may not be able to satisfy certain Indian regulatory requirements for such acquisitions and may need prior approval from the RBI which we may not obtain. Further, foreign acquisitions also involve risks related to integration of operations across different cultures and languages, currency risks and the particular economic, political and regulatory risks associated with doing business in other countries. Any failure to achieve successful integration of such acquisitions or investments could have an adverse effect on our business, results of operations or financial condition.

- 3. *The objects of the Issue for which funds are being raised have not been appraised by any bank or financial institution. The deployment of funds in the project is entirely at our discretion and as per the details mentioned in the section titled “Objects of the Issue”. Any revision in the estimates may require us to reschedule our Project expenditure and may have a bearing on our expected revenues and earnings.***

Our funding requirements and the deployment of the proceeds of the Issue are based on management estimates and have not been appraised by any bank or financial institution. We may have to revise our management estimates from time to time and consequently our funding requirements may also change. Our estimates for the project may exceed the value that would have been determined by third party appraisals and may require us to reschedule our project expenditure which may have a bearing on our expected revenues and earnings. Further, the deployment of the funds towards the objects of the Issue is entirely at the discretion of our Board of Directors and is not subject to monitoring by external independent agency. However, the deployment of funds is subject to monitoring by our audit committee.

- 4. *We require various approvals, licences etc. for the successfully setting-up of Software Development Centre cum Corporate Office, applications for which are yet to be made. Any delay or denial in the receipt of these approvals, licences etc. could adversely impact our timelines, operations and profitability.***

We require following approvals, licences etc. for successfully setting-up of Software Development Centre cum Corporate Office as detailed in the “Objects of the Issue”, which are yet to be applied for and received:

- (a) KIADB Office;
- (b) Bangalore Development Authority;
- (c) Department of Civil Defence;
- (d) Airport Authority of India; and
- (e) Bangalore Water Supply and Sewerage Board

If we do not apply or fail to apply within the prescribed time or fail to obtain any of the aforesaid licenses, approvals and permissions, we may be unable to successfully implement our objects of the Issue which could adversely impact our timelines, operations and profitability. For further details please refer to the section ‘Statutory Approvals and Licences’ beginning on page 202 of this Draft Red Herring Prospectus.

- 5. *The construction of our new Software Development centre cum Corporate Office is dependent on performance of external agencies and non performance by them may lead to delay in project implementation and may adversely affect our business and profitability.***

The construction of our Software Development centre cum Corporate Office is dependent on performance of external agencies, which are responsible for construction of the building and other related facilities. We cannot assure that the performance of external agencies will meet the

required specifications or performance parameters. If the performance of these agencies is inadequate in terms of the requirements with respect to timeline and quality of performance, we may be required to replace these external agencies, which could result in incremental cost and time overruns of the Project, and in turn could adversely affect our business operations and profitability.

**6. *We have not entered into any MoUs/Letter of Intent/ agreements with third parties abroad to utilise the proceeds of the Issue for setting-up offices in UK, USA, Singapore and Dubai.***

We intend to use the net proceeds of the Issue for setting up of branch offices abroad for strategic initiatives, increase sales, marketing and promotional activities. For further details please see "Objects of the Issue" on page 54 of the Draft Red Herring Prospectus. As on date, we have not entered into any MoUs, letter of intents, for setting up our offices. Pending any use of the net proceeds of the Issue, we intend to invest the funds in high quality, liquid instruments including deposits with banks. We may be required to obtain governmental and regulatory approvals for setting-up of offices abroad and applications for the same, if necessary, will be made in due course.

**7. *We have not made definite arrangements for procurement/order placement of equipment worth Rs. 510.34 lacs (being 100% of the equipment cost) and 3% of the total issue proceeds for our proposed new Software Development centre at Hosur Road. Any delay in placing the orders or delay at the suppliers' end may result in time and cost overrun.***

While, we have received estimates/quotations for the equipment, we would be placing orders for the equipment at an appropriate time, as the same are available at reasonably short notice. The purchase of equipments would require us to consider factors including but not limited to pricing, delivery schedule and after-sales maintenance. There may also be a possibility of delay at the suppliers' end in providing timely delivery of these machineries, which in turn may delay the implementation of our project. Further, we cannot assure you that the purchase of the equipment would occur at the estimated price only.

**8. *We have not made firm arrangements for funding of balance working capital requirement from Banks. The failure to obtain additional financing may adversely affect our ability to grow and our future profitability.***

Additional working capital requirement has been estimated at Rs. 7148.68 Lacs for FY 2011. The same is funded through an already available limit of Rs. 3,500 lacs and Rs. 2,500.00 Lacs would be funded out of the Issue Proceeds. The balance amount i.e. Rs. 1,148.68 lacs would be arranged by way of borrowings from Banks. However, as on date no arrangements for the same have been finalized by our Company. We cannot assure you that we will be able to raise additional financing on acceptable terms in a timely manner or at all. Our failure to renew existing funding or to obtain additional financing on acceptable terms and in a timely manner could materially and adversely impact our planned capital expenditure, which, in turn, could materially and adversely affect our business, financial condition and results of operations.

## **INTERNAL RISK FACTORS**

**9. *We are involved in various legal proceedings in which we may not prevail and which could have an adverse impact on us.***

We and our Group Company, Kinfotech Private Limited are parties to legal proceedings incidental to business and operations, which are pending at different levels of adjudications before various courts and tribunals. The summarised details of these litigations are as follows:

<b>Sr No.</b>	<b>Nature of Cases</b>	<b>Parties</b>	<b>Forum</b>	<b>Amount Involved</b>
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<b>Litigation involving our Company</b>				
1.	Civil (Employee related)	Umesh Kumar and the Company	Employment Tribunal, London	GBP 19,440.27
<b>Litigation involving our Group Company, Kinfortech Private Limited</b>				
2.	Service Tax	Assistant Commissioner, Office of the Commissioner of Service Tax, Bangalore and Kinfortech Private Limited	Commissioner of Central Excise (Appeals)	Approximately Rs.10 lacs

We cannot assure you that these legal proceedings will be decided in our favour. Further, we cannot assure you that the provisions we have made for litigation will be sufficient. If we fail to successfully defend these or other claims, or if our current provisions prove to be inadequate, our business, financial condition and results of operations could be adversely affected.

**10. Some of the Group Companies promoted by our Promoters have incurred losses in the last three years. Sustained financial losses by our Group Companies may not be perceived positively by external parties such as customers, bankers, suppliers etc, which may affect our credibility and business operations.**

The following Group Companies promoted by the Promoters has incurred losses in one or more of the last three years:

<b>Name of the Company</b>	<b>FY 2009</b>
Ecologix Knowledge Solution Private Limited	58.21

**11. Substantial portions of our Sales have been dependent upon a few customers. The loss of any one or more of our major customers would have a material adverse effect on our business operations and profitability.**

Our top 5 customers contributed approximately 85.68% of our income from operations for the 9 months period ended December 31, 2009. Further, our top ten customers contributed approximately 94.91% of our income from operations for the same period. Any decline in our quality standards and growing competition and any change in the demand for our product by these customers may adversely impair our ability to retain these customers. The loss of our major customers or a decrease in the volume of products sourced from us may adversely affect our revenues and profitability. We cannot assure you that we shall generate the same quantum of business, or any business at all, from these customers, and loss of business from one or more of them may adversely affect our operations and profitability.

**12. We have certain contingent liabilities, which have not been provided for. Crystallization of any of these contingent liabilities could affect our financials.**

The Contingent liabilities of our Company not provided for, as certified by our statutory auditors are as under:

		(Rs. in Lacs)
<b>Particulars</b>	<b>As on December 31, 2009</b>	
Corporate Guarantee in favour of UPS Capital for the loan availed by Vision Info Inc, our subsidiary	1,294.90	
<b>Total</b>	<b>1,294.90</b>	

**13. We have issued below mentioned Equity Shares in the last twelve months from the date of filing the Draft Red Herring Prospectus with SEBI, the price of which may be lower than the Issue Price.**

Our Company has on November 16, 2009, issued shares to the following persons on a preferential basis. The price at which these shares are allotted is not indicative of the price at which shares will be issued in this Issue.

Sr. No.	Name of the Persons	Whether Belongs to Promoter Group	Number of Equity Shares	Issue Price (Rs.)	% of Pre-Issue capital
1.	Mr. D. Ravi Kumar	Yes	70,000	100	0.35%
2.	D. Ravi Kumar- HUF	Yes	150,000	100	0.75%
3.	Mrs. Malini Reddy	Yes	5,000	100	0.03%
4.	Aarm Finser Private Limited	No	1,000,000	100	5.00%
5.	Equastone Properties Private Limited	No	600,000	100	3.00%
6.	Mr. Arun Kumar Raju Gowda	No	40,000	100	0.20%
7.	Mr. Eregowda S.	No	40,000	100	0.20%
8.	Mr. Sridhar Reddy	No	26,000	100	0.13%
9.	Mr. R. Ponni	No	26,000	100	0.13%
10.	Mr. Jagdeshwari R. Reddy	No	22,000	100	0.11%
11.	Mr. Varun Ramakrishna Reddy	No	21,000	100	0.11%
	<b>Total</b>		<b>20,00,000</b>		<b>10.00%</b>

**14. We have entered into related party transactions aggregating Rs. 474.24 Lacs for the 9 months period ended December 31, 2009. Such transactions or any future transactions with related parties may potentially involve conflicts of interest and impose certain liabilities on our Company.**

Our Company has entered into certain Related Party Transactions as detailed hereunder:

Particulars	9 months period ended December 31, 2009
<b>Promoter - Mr. D. Ravi Kumar</b>	
Salary	27.03
<b>Promoter Group – Dr. Malini Reddy</b>	
Salary	18.03
Rent Paid	21.68
<b>Promoter Group – Kinfotech Private Limited</b>	
Share Application Money	240.50
<b>Group Company – Binary Spectrum</b>	
Investments	167.00
<b>Total</b>	<b>474.24</b>

There can be no assurance that such transactions, individually or in the aggregate, will not have an adverse effect on our financial condition and results of our operations. For further information please refer “Annexure 18” beginning on page 156 under Chapter titled “Auditors’ Report and Financial Information of our Company” beginning on page 136 of the Draft Red Herring Prospectus.

**15. Our Company (on a standalone basis) has a negative cash flow in the past 5 years, details of which are given below. Sustained negative cash flow could impact our growth and business.**

(Rs. in Lacs)						
Particulars	March 31, 2005	March 31, 2006	March 31, 2007	March 31, 2008	March 31, 2009	Sept 30, 2009
Cash flow from operating activities	(21.95)	*	(204.65)	*	*	*
Cash flow from investing activities	(134.16)	(122.37)	(380.52)	(4,252.67)	(4,163.33)	(3,544.47)

*\* Positive Cash Flow*

Cash flow of a company is a key indicator to show the extent of cash generated from operations to meet capital expenditure, pay dividends, repay loans and make new investments without raising finance from external resources. If we are not able to generate sufficient cash flows, it may adversely affect our business and financial operations. *For further details please refer to the Section titled “Financial Information” and Chapter titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations as reflected in the Financial Statements” beginning on pages 136 and 186 of the Draft Red Herring Prospectus.*

**16. Covenants with institutional lenders may restrict our operations and expansion ability, which may affect our business and results of operations and financial condition.**

As on December 31, 2009, we have outstanding secured loans of Rs. 7,569.47 lacs from our bankers. As per our current financing arrangements with our lenders, we are subject to certain restrictive covenants which require us to obtain the prior consent of the respective lenders before undertaking certain actions such as inter alia:

- Effect any major change in its capital structure.
- Formulate any scheme of amalgamation/ reconstitution.
- Grant loans to promoters/ partners
- Declare dividends for any year except out of the profits relating to that year.
- Enter into any borrowing arrangements secured/unsecured
- Undertake guarantee obligations on behalf of any other borrower or any third party
- Undertake expansion activities
- Create any lien, charge, assignment in favour of any institution person group etc.
- Alter its memorandum and articles of Association.
- Sell mortgage or dispose off any fixed assets assigned to SBT
- Enter into any contractual obligation of a long term nature or affecting the company financially to a significant extent.
- Change the practice with regards to remuneration of directors by means of remuneration or commission, scale of sitting fees.
- Alter its memorandum and articles of Association.
- Withdraw or allow to be withdrawn any moneys brought in by the promoters and directors or relatives and friends of the directors and promoters
- Invest any funds by way of deposits, or loans or in the share capital of any other concern (including subsidiaries) so long as any money is due the Company will however be free to deposit funds by way of security with third parties in the normal course of business or if required for business.

- (p) Create a subsidiary permit any company to become its subsidiary
- (q) Implement any scheme of expansion/ diversification/ modernization other than incurring routine capital expenditure.
- (r) Make any investments by way of share capital, or debentures or loan or to place deposits with any concern except normal trade credits.

Our Company has received no objection for the issue and consent from all the bankers. For further details about the facilities availed by us from our lenders, please refer to Annexure 13 on page 150 under the chapter "Auditors' Report And Financial Information of Our Company" beginning on page 136 of the Draft Red Herring Prospectus.

***17. Our Registered office is not owned by us and we enjoy only licensing arrangement in respect of these properties. In the event we are unable to renew the lease agreement, or if such agreement is terminated, we may suffer a disruption in our operations.***

Our Registered office situated at #2/10, 3<sup>rd</sup> Floor, Ajay Plaza, 1st Main, N.S. Palya, Bannerghatta Road, Bangalore – 560 076, Karnataka, India is taken on lease basis from Mrs. Malini Reddy, a member of our Promoter Group ("the Lessor"). Upon the termination of the lease, we are required to return the said office premises to the Lessor. The term of the agreements may or may not be renewed. In the event the Lessor terminates or does not renew the license on commercially acceptable terms, or at all, and we are required to vacate our office, we may be required to identify alternative premises and enter into fresh lease or leave and licence agreement. Such a situation could result in loss of business and may adversely affect our operations and profitability.

***18. Our Company has disassociated with "Acropetal Animedia Limited" in the year 2007. Our inability to distinguish ourselves from such other brand could lead to confusion.***

We were shareholders of Acropetal Animedia Limited and have subsequently disassociated with the company in the year 2007. For further details please see "Financial Information of Group Companies- Disassociation Details" on page 184 of the Draft Red Herring Prospectus. Customers may approach the company under the assumption that the company is a part of our group or division of our Company. Any loss of customers could negatively impact our financial performance and profitability.

***19. Our business and profitability will suffer if we fail to anticipate and develop new products and services and enhance existing products and services in order to keep pace with rapid changes in technology and the industries on which we focus.***

We operate in a technologically intensive environment, where we compete on a global scale. Technology by its very nature is dynamic and ever changing and we may not be able to keep pace with the rapidly changing technological environment. The IT products and services market is characterized by rapid technological change, evolving industry standards, changing client preferences and new product and service introductions. Our future success will depend on our ability to anticipate these advances and develop new product and service offerings to meet client needs. We may not be successful in anticipating or adequately responding to these advances in a timely basis, or, if we do respond, the services or technologies we develop may not be successful in the marketplace. Any such failure on our part could adversely affect our ability to compete efficiently, our cost-competitiveness, ability to develop new products and the consequential quality of our products, and could also adversely affect our sales and profitability.

***20. Increasing intense competition in the market for IT products and services could affect our margins, and could also reduce our share of business from clients and may adversely impact our revenues and profitability.***

The IT products and services markets are highly competitive. Our competitors include large consulting firms, large multinational technology firms, IT outsourcing firms, Indian IT services firms, software firms etc. The IT industry is experiencing rapid changes that are affecting the competitive landscape, including recent divestitures and acquisitions that have resulted in consolidation within the industry. These changes may result in larger competitors with significant resources. Many of our competitors are larger than us and have significant experience with international operations, and we may face competition from them in countries in which we currently offer our products and services, as well as in countries in which we expect to begin offering our products and services. We also expect additional competition from IT firms with current operations in other countries, such as China and the Philippines. While we have historically been able to provide our products and services in our principal markets at competitive prices and on a cost-efficient basis, there can be no assurance that we will be able to do so in the future, as our competitors may be able to offer products and services in those markets. We cannot be reasonably certain that we will be able to compete successfully against such competitors, or that we will not lose clients to such competitors. Additionally, we believe that our ability to compete also depends in part on factors outside our control, such as the price at which our competitors offer comparable products and services, and the extent of our competitors' responsiveness to their clients' needs. Growing competition may force us to reduce the prices of our products and services, which may reduce our revenues and margins and/or decrease our market share, any of which could have a material adverse effect on our business, financial condition and results of operations.

***21. We could become liable to claims by customers, suffer adverse publicity and incur substantial costs as a result of defects in our products or services, which in turn could adversely affect our results of operations.***

Many of our contracts involve providing products and services that are critical to the operations of our customers' business. Any failure or defect in our software or in our customers' products, networks or computer systems could result in a claim against us for substantial damages, regardless of our responsibility for such a failure or defect. Although we attempt to limit our contractual liability for all damages, including consequential damages, in rendering our services, we cannot be assured that the limitations on liability we provide for in our service contracts will be enforceable in all cases, or that they will otherwise be sufficient to protect us from liability for damages. However, we cannot be assured that such coverage will continue to be available on reasonable terms or will be available in sufficient amounts to cover one or more large claims, or that the insurer will not disclaim coverage as to any future claim. Further, in certain instances we may also give performance bank guarantees to our clients, in case business needs demand it, and in case we are not able to perform as desired, the clients may invoke the bank guarantees to claim damages. A successful assertion of one or more large claims against us that exceeds our available insurance coverage or changes in our insurance policies, including premium increases or the imposition of a large deductible or co-insurance requirement, could adversely affect our financial condition and results of operations.

***22. We derive a significant portion of our revenues from exports and accordingly face exchange rate risks.***

We generate a significant portion of our revenues in U.S. Dollars and other foreign currencies, and a significant portion of our expenses are incurred in Rupees. For the nine months period ended December 31, 2009, on a standalone basis, 99.15% of our income is from exports and 33.75% of our standalone expenses are in Indian rupees. While depreciation of the Rupee against the U.S. Dollar and other foreign currencies increases the Rupee value of such revenues and so helps mitigate the negative effect of a depreciation of the Rupee, an appreciation of the Rupee, particularly with respect to the U.S. Dollar, decreases the Rupee value of our such revenues and also affects the competitive advantage of locating our software development centres in India. Further, we may import certain hardware and software for future expansion. An

adverse change in currency exchange rates will increase the cost of these imports. We have not identified the amount of hardware and software that we will need to import for future expansion.

**23. *Our success depends largely on our senior management and key personnel and our ability to attract and retain them.***

We are highly dependent on the senior management of our Company. Our future performance will be affected by the lack of continued service of these persons. We do not maintain key man life insurance for any of the senior members of our management team or other key personnel. Competition for senior management in our industry is intense, and we may not be able to retain such senior management personnel or attract and retain new senior management personnel in the future. The loss of any of the members of our senior management or other key personnel may adversely affect our business, results of operations and financial condition.

**24. *The industry is highly dependent on skill sets and domain expertise of our employees, which are not readily replaceable. We may be unable to attract and retain skilled professionals in the competitive job market for IT professionals.***

We have trained personnel in this line of business and lay emphasis on training and skill upgradation through training programmes for our employees. Our ability to sustain our growth depends, in large part, on our ability to attract, train, motivate and retain highly skilled key personnel, particularly in the creative area of software development. We believe that there is significant demand for personnel who possess the skills needed to perform the services we offer. Our inability to hire and retain additional qualified personnel will impair our ability to continue to expand our business. An increase in the rate of attrition for our experienced employees, would adversely affect our growth strategy. We cannot assure you that we will be successful in recruiting and retaining a sufficient number of technical personnel with the requisite skills to replace those personnel who leave. Further, we cannot assure you that we will be able to re-deploy and re-train our technical personnel to keep pace with continuing changes in our business.

**25. *Increases in wages for IT professionals could reduce our cash flows and profit margins.***

Historically, wage costs in the Indian IT services industry have been significantly lower than wage costs in the developed countries for comparable skilled technical personnel. However, in recent years wage costs in the Indian services industry have been increasing at a faster rate than those in certain developed countries. In the long term, wage increases may make us less competitive unless we are able to continue increasing the efficiency and productivity of our professionals and the prices we can charge for our products and services. Increases in wages, including an increase in the cash component of our compensation expenses, may reduce our cash flows and our profit margins.

**26. *If we are unable to successfully protect our computer systems from security risks, our business could suffer particularly since our Company's operations involve transmission of data through Internet, which involves security risks.***

Few of our products and solutions operate on web technologies. Our client contracts require us to comply with certain security obligations, including maintenance of network security, back-up of data, ensuring our network is virus-free and ensuring the credentials of those employees who work with our clients. We cannot assure you that we will be able to comply with all these obligations and not incur any liability. Further, while we have implemented industry-standard security measures, our network may still be vulnerable to unauthorized access, computer viruses and other disruptive problems. A party that is able to circumvent security measures could misappropriate proprietary information and cause interruptions in our operations. We may be required to expend significant capital or other resources to protect against the threat of security

breaches or to alleviate problems caused by such breaches. There can be no assurance that any measures implemented will not be circumvented in the future.

**27. *We face a possible risk on account of not meeting our net foreign exchange earning obligations.***

We are registered as a software technology park ("STP") unit under the Software Technology Park Scheme. The STP Scheme imposes certain export obligations on the STP unit including requirements regarding maintaining positive net foreign exchange earnings. Failing to meet such requirement may result in the STP unit losing the benefits available to it under the STP Scheme and becoming liable for penal action under Foreign Trade (Development and Regulations) Act, 1992. In the event our units under the STPI Scheme incur losses during the initial ramp up period or have a long gestation period, we cannot assure you that we will continue to maintain a positive net foreign exchange earning for such units. Any loss in the benefits available to us as a STP unit will have a material adverse effect on our business, financial condition and results of operations and could cause the price of our Equity Shares to decline.

**28. *Reduction or termination of our tax incentives will increase our tax liability and reduce our profitability.***

Currently, we benefit from certain tax incentives under Section 10A of the Income Tax Act for the technology services that we provide from specially designated "Software Technology Parks" or STPs. As a result of these incentives, our operations in India have been subject to relatively low tax liabilities. We had incurred minimal income tax expenses as a result of the tax holiday, compared to the tax expense that we would have incurred if the tax holiday had not been available for that period. Under current laws, the tax incentives available to these units terminate on the earlier of the ten-year anniversary of the commencement of operations of the unit or the Fiscal ending March 31, 2011. We cannot assure you that the Indian government will not enact laws in the future that would adversely impact our tax incentives and consequently, our tax liabilities and profits. When our tax incentives expire or terminate, our tax expense will materially increase which could have a material adverse effect on our financial condition and results of operations and could cause the price of our Equity Shares to decline.

**29. *Our insurance cover may be inadequate to fully protect us from all losses and may intun adversely affect our financial condition.***

We maintain such insurance coverage as we believe is customary in the IT industry in India. Our insurance policies, however, may not provide adequate coverage in certain circumstances and are subject to certain deductibles, exclusions and limits on coverage. We maintain Office Building, and Vehicle insurance coverage. However, we cannot assure you that the terms of our insurance policies will be adequate to cover any damage or loss suffered by us or that such coverage will continue to be available on reasonable terms or will be available in sufficient amounts to cover one or more large claims, or that the insurer will not disclaim coverage as to any future claim. Further, 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 loss or damage that is not covered by insurance or which exceeds our insurance coverage, our results of operations or cash flows may be affected.

**30. *Our clients' proprietary rights may be misappropriated by our employees in violation of applicable confidentiality and non-disclosure agreements and as a result, cause us to breach our contractual obligations in relation to such proprietary rights. Further, our employees may infringe intellectual property rights of third parties, which may adversely affect our reputation and financial condition.***

We require our employees to enter into non-disclosure and assignment of rights arrangements to limit access to and distribution of our clients' proprietary and confidential information. We can give no assurance that the steps taken by us will be adequate to enforce our clients intellectual property rights or to adequately prevent the disclosure of confidential information by an employee. If our clients' proprietary rights are misappropriated by our employees in violation of any applicable confidentiality agreements or otherwise, our clients may consider us liable for that act and seek damages and compensation from us. In addition to these confidentiality agreements, our client contracts may require us to comply with certain security obligations including maintenance of network security, back-up of data, ensuring our network is virus free and ensuring the credentials of our people that work with our clients. We cannot assure you that we will be able to comply with all such obligations and that we will not incur liability nor have a claim for substantial damages against us. Any such happening could adversely effect our business reputation, business operations and financial conditions.

**31. *Immigration restrictions could limit our ability to expand our operations in the United States and Europe. We derive a high proportion of our revenues from clients located in the United States, Middle East, Europe and Asia which may be materially affected by such legislation. Offshore outsourcing has come under increased scrutiny by various state governments in the United States and European countries.***

**32. *The valuations of companies in the IT industry are presently high, which may not be sustained in the future and may also not be reflective of future valuations in the industry. There is no standard valuation methodology or accounting practices as the sector is domain centric and technology driven.***

The valuations in the Software/ IT industry have been varying substantially in the recent past and hence current valuation may not be reflective of future valuations in the industry. There is no standard valuation methodology in the IT related industries. Our financials are not strictly comparable with the players in the industry. These valuations in the software/information technology industry may not be sustained in future and current valuations may not be reflective of future valuations for the industry

**33. *Delays or defaults in client payments could result in a reduction of our profits.***

We regularly commit resources to projects prior to receiving advances or other payments from clients in amounts sufficient to cover expenditures on projects as they are incurred. We may be subject to working capital shortages due to delays or defaults in client payments. If clients default in their payments on a project to which we have devoted significant resources or if a project in which we have invested significant resources is delayed, cancelled or does not proceed to completion, it could have a material adverse effect on our business, financial condition and results of operations and could cause the price of our Equity Shares to decline.

**34. *Some of our Promoter Group entities have objects similar to that of our Company's business and this could lead to a potential conflict of interest. Further, some of our Directors are also directors/ shareholders of our Group Companies.***

Some of our Promoter Group Companies i.e. Binary Spectrum Softech Private Limited, Kinfotech Private Limited and Ecologix Knowledge Solutions Private Limited, have some of the objects similar to that of our Company's business. Some of our directors are on the board of directors of our group companies and have equity interest or investments in such group companies that may offer services that are related to our business i.e IT services. As a result, there may arise a conflict of interest in addressing business opportunities and strategies and implementing new plans. Further, new business opportunities may be directed to these companies instead of our Company. As on the date of filing the Draft Red Herring Prospectus, the aforesaid entities are not



carrying any business competing with that of our Company, and currently we do not have any non-compete agreement/arrangement with any of our Promoter Group Entities.

**35. *Our ability to pay dividends will depend upon future earnings, financial condition, cash flows, working capital requirements, capital expenditures, lender's approvals and other factors.***

Our Company has paid dividends for the past three years. The amount of our future dividend payments, if any, will depend upon our future earnings, financial condition, cash flows, working capital requirements, capital expenditures, lender's approvals and other factors. There can be no assurance that we shall have distributable funds or that we will declare dividends in the future. Additionally, the terms of any financing we obtain in the future, may contain restrictive covenants which may also affect some of the rights of our shareholders, including the payment of the dividend.

**36. *Members of our Promoter Group will continue to retain significant control in our Company after the Issue, which will allow them to influence the outcome of matters submitted to shareholders for approval in their favour.***

After this Issue, members of our Promoter group will beneficially own approximately [●]% of our post-Issue Equity Share Capital. As a result, our Promoters' Group will have the ability to exercise significant influence over all matters requiring shareholders' approval, including the election of directors and approval of significant corporate transactions. The Promoters' Group will also be in a position to influence any shareholder action or approval requiring a majority vote, except where they are required by applicable laws to abstain from voting. Such a concentration of ownership may also have the effect of delaying, preventing or deterring a change in control.

## **EXTERNAL RISK FACTORS**

**37. *Political opposition to offshore outsourcing in the United States and other countries where we operate could adversely affect our business.***

Offshore outsourcing has been the subject of intense political debate, and has come under increased government scrutiny within the United States due to its perceived association with loss of jobs in the United States. Several U.S. state governments have implemented or are actively considering implementing restrictions on outsourcing by U.S. state government entities to offshore IT Services providers. Any changes in the United States, Europe or other countries to their existing laws or the enactment of new legislation restricting offshore outsourcing, particularly by private companies, may adversely impact our business, financial condition and results of operations and could the price of our Equity Shares to decline.

**38. *Global economic, political and social conditions may harm our ability to do business, increase our costs and negatively affect our stock price.***

Global economic and political factors that are beyond our control, influence forecasts and directly affect performance. These factors include interest rates, rates of economic growth, fiscal and monetary policies of governments, inflation, deflation, foreign exchange fluctuations, consumer credit availability, consumer debt levels, unemployment trends, terrorist threats and activities, worldwide military and domestic disturbances and conflicts, and other matters that influence consumer confidence, spending and tourism. Increasing volatility in financial markets may cause these factors to change with a greater degree of frequency and magnitude.

**39. *Global recession and market conditions could cause our business to suffer.***

The developed economies of the world viz. U.S., Europe, Japan and others are in the midst of a recovery from a world-wide recession which has affected the economic condition and markets of not only these economies but also the economies of the emerging markets like Brazil, Russia, India and China. General business and consumer sentiment has been adversely affected due to the global slowdown and there cannot be assurance, whether these developed economies will see good economic growth in the near future. Consequently, this has also affected the global stock and commodity markets.

**40. Any disruption in the supply of power, IT infrastructure, telecom lines and disruption in internet connectivity could disrupt our business process or subject us to additional costs.**

Any disruption in basic infrastructure or the failure of the Government to improve the existing infrastructure facilities could negatively impact our business since we may not be able to provide timely or adequate services to our clients. We do not maintain business interruption insurance and may not be covered for any claims or damages if the supply of power, IT infrastructure, internet connectivity or telecom lines is disrupted. This may result in the loss of a client, impose additional costs on us and have an adverse effect on our business, financial condition and results of operations and could lead to decline in the price of our Equity Shares.

**41. Natural calamities could have a negative impact on the Indian economy and cause our business to suffer.**

India has experienced natural calamities such as earthquakes, tsunami, floods and drought in the past few years. Natural calamities could have a negative impact on the Indian economy and may cause suspension, delays or damage to our current projects and operations, which may adversely affect our business and our results of operations.

**42. Outbreak of contagious diseases in India may have a negative impact on the Indian industry.**

Recently, there have been threats of epidemics, including the H1N1 virus that causes "swine flu" and which the World Health Organization has declared a pandemic, in the Asia Pacific region, including India, and in other parts of the world. If any of our people are suspected of having contracted any of these infectious diseases, we may be required to quarantine such people or the affected areas of our facilities and temporarily suspend part or all of our operations which would have a material adverse effect on our business, prospects, financial condition and results of operations and could cause the price of our Equity Shares to decline.

**43. Terrorist attacks and other acts of violence or war involving India, the United States, and other countries could adversely affect the financial markets, result in a loss of business confidence and adversely affect our business, results of operations and financial condition.**

Terrorist attacks and other acts of violence or war, including those involving India, the United States or other countries, may adversely affect Indian and worldwide financial markets. These acts may also result in a loss of business confidence and have other consequences that could adversely affect our business, results of operations and financial condition. Increased volatility in the financial markets can have an adverse impact on the economies of India and other countries, including economic recession.

**44. The price of our Equity Shares may be highly volatile, or an active trading market for its Equity Shares may not develop.**

After this Issue, the price of our Equity Shares may be highly volatile, or an active trading market for our Equity Shares may not develop. The prices of our Equity Shares on the Stock Exchanges may fluctuate as a result of several factors, including:

- Volatility in the Indian and global securities market;
- Our results of operations and performance, in terms of market share;
- Performance of the Indian economy;
- Changes in Government policies;
- Changes in the estimates of our performance or recommendations by financial analysts;
- Perceptions about our future performance or the performance of IT companies generally;
- Performance of the Company's competitors in the IT Industry and market perception of investments in the Indian IT Industry;
- Adverse media reports on our Company or the IT Industry;
- Significant developments in India's economic liberalization and deregulation policies; and
- Significant developments in India's fiscal and environmental regulations.

***45. The Issue price of our Equity Shares may not be indicative of the market price of our Equity Shares after the Issue and the market price of our Equity Shares may decline below the issue price and you may not be able to sell your Equity Shares at or above the Issue Price.***

The Issue Price of our Equity Shares will be determined on the basis of the Book Building Process. This price will be based on numerous factors (*For further information please refer the Chapter titled "Basis for Issue Price" beginning on page 70 of the Draft Red Herring Prospectus.*) and may not be indicative of the market price of our Equity Shares after the Issue. The market price of our Equity Shares could be subject to significant fluctuations after the Issue, and may decline below the Issue Price. We cannot assure you that you will be able to sell your Equity Shares at or above the Issue Price. Among the factors that could affect our share price are:

- Quarterly variations in the rate of growth of our financial indicators, such as earnings per share, net income and revenues;
- Changes in revenue or earnings estimates or publication of research reports by analysts;
- Speculation in the press or investment community;
- General market conditions; and
- Changes in economic, legal and regulatory factors (both domestic and international) unrelated to our performance such as global recession, imposition of trade / non trade barriers and sanctions etc.

***46. You will not be able to immediately sell any of our Equity Shares purchased through this Issue on Stock Exchanges until the receipt of appropriate trading approvals from Stock Exchanges.***

Our Equity Shares will be listed on the BSE and the NSE. Pursuant to Indian regulations, certain actions must be completed before the Equity Shares can be listed and trading may commence. Investors demat accounts with depository participants in India are expected to be credited within two working days of the date on which the basis of allotment is approved by the Designated Stock Exchange. Thereafter, upon receipt of trading approval from the Stock Exchanges, trading in the Equity Shares is expected to commence within seven working days of the date on which the basis of allotment is approved. We cannot assure you that the Equity Shares will be credited to investors' demat accounts, or that trading in the Equity Shares will commence, within the time periods specified above. Any delay in obtaining the approvals would restrict your ability to dispose of your Equity Shares.

**Prominent Notes:**

1. Investors may contact the BRLM or the Compliance officer for any complaint/clarification/information pertaining to the issue. *For contact details of the BRLM and the Compliance Officer, please refer to Chapter titled "General Information" beginning on page 36 of the Draft Red Herring Prospectus.*
2. Pre-Issue Net worth of our Company on a standalone basis as on March 31, 2009 is Rs. 6,702.77 Lacs and as at December 31, 2009 is Rs. 8,164.58 Lacs.
3. Public Issue of [●] Equity Shares of Rs.10/- each at a price of Rs. [●] per Equity Share (including a premium of Rs. [●] per Equity Share) for cash aggregating Rs. 17,000 Lacs (the "Issue"), by Acropetal Technologies Limited (the "Company" or the "Issuer"). The Issue will constitute [●]% of the fully diluted post issue paid-up capital of our Company. The Net Issue to public will constitute [●]% of the fully diluted post issue paid-up capital of our Company.
4. The average cost of acquisition of Equity Shares of our Promoter is given below:

Name of our Promoter	Average cost of acquisition of shares (Rs.)
Mr. D. Ravi Kumar	1.53

*For further details relating to the allotment of Equity Shares to our Promoter's, please refer to the Chapter titled "Capital Structure" beginning on page 45 of the Draft Red Herring Prospectus.*

5. Other than the issue of bonus Equity Shares, Our Company has not issued any Equity Shares for consideration other than cash.
6. Book value of the Equity Shares of our Company on a standalone basis as on March 31, 2009 is Rs. 134.06 per Equity Share and as on December 31, 2009 is Rs. 40.82 per Equity Share.
7. None of our Group Companies have any business interest in our Company, except as detailed under the heading "Related Party Transactions", "Annexure 18" beginning on page 156 under Chapter titled "Auditors' Report And Financial Information of our Company" beginning on page 136 of the Draft Red Herring Prospectus.
8. Our Company has entered into following transactions with our Promoter/Promoter Group/Group Companies for the 9 months period ended December 31, 2009:

(Rs. Lacs)

Particulars	9 months period ended December 31, 2009
<b>Promoter Group – Kinfotech Private Limited</b>	
Share Application Money	240.50
<b>Group Company – Binary Spectrum</b>	
Investments	167.00
<b>Total</b>	<b>474.24</b>

9. No part of the Issue proceeds will be paid as consideration to Promoter, Directors, Key Managerial Personnel or persons forming part of Promoter Group.
10. For details of liens and hypothecation on the movable and immovable properties and assets of our Company please refer "Annexure 13" beginning on page 150 under Chapter titled "Auditors' Report And Financial Information of our Company" beginning on page 136 of the Draft Red Herring Prospectus.

11. There are no contingent liabilities as on December 31, 2009, except as mentioned in *"Annexure 19" beginning on page 157 under Chapter titled "Auditors' Report And Financial Information of our Company" beginning on page 136 of the Draft Red Herring Prospectus*
12. Our Company and the BRLM shall update the Draft Red Herring Prospectus in accordance with the Companies Act, 1956. All information shall be made available by our Company 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 shows, presentations, in research or sales reports, at bidding centres etc.
13. Trading in Equity Shares for all investors shall be in dematerialized form only.
14. There are no financing arrangements whereby persons forming part of the Promoter Group, the Directors of our Company and their relatives have financed the purchase by any other person of securities of our Company during the period of six months immediately preceding the date of filing Draft Red Herring Prospectus with the Board.
15. The Issue is being made under sub-regulation (1) of Regulation 26 of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 and through a 100% Book Building Process wherein not more than 50% of the Issue will be allocated to Qualified Institutional Buyers (QIBs) on a proportionate basis, subject to valid bids being received at or above the Issue Price. Provided that our Company may allocate up to 30% of the QIB Portion, to Anchor Investors, on a discretionary basis ("Anchor Investor Portion"). For details, see "Issue Procedure" on page 221. Out of the portion available for allocation to the QIBs, 5% will be available for allocation to Mutual Funds only. Mutual Fund Bidders shall also be eligible for proportionate allocation under the balance available for the QIBs. Further, 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.
16. Under-subscription, if any, in any of the categories would be allowed to be met with spill over from the other categories, at the sole discretion of our Company and the BRLM.
17. Investors may note that in case of over-subscription in the Issue, allotment to Qualified Institutional Bidders, Non-Institutional Bidders and Retail Individual Bidders and shall be on a proportionate basis, in consultation with BSE, the Designated Stock Exchange.
18. Our Company was originally incorporated as "Acropetal Technologies Limited" on April 25, 2001 as a public limited company under the Companies Act, 1956 and obtained Certificate of Commencement of Business on May 02, 2001.

## SECTION IV – INTRODUCTION

### SUMMARY

*You should read the following summary together with the risk factors and the more detailed information about us and our financial data included in the Draft Red Herring Prospectus. Unless otherwise indicated, all financial and statistical data relating to the industry in the following discussion is derived from internal Company reports & data, industry publication and estimates. This data has been reclassified in certain respects for purposes of presentation. For more information, please refer to Chapter titled “Forward Looking Statements” and “Presentation of Financial Information and Use of Market Data” beginning on page 11 & 10 respectively of the Draft Red Herring Prospectus.*

### SUMMARY ABOUT THE INDUSTRY

#### Global Information Technology Industry

The global IT services market includes multiple segments such as IT outsourcing, Project based services and Support and Training.

- Worldwide technology products and related services spend estimated to cross USD 1.6 trillion in 2008, growing at 5.6 per cent over 2007
- Global spend on software products is estimated to grow by 6.5 per cent in 2008 so as to reach USD 295 billion, spurred by above average growth in system infrastructure software
- Overall worldwide IT services spending growth estimated at 5.5 per cent in 2008 to reach USD 557 billion
- North America and Western Europe accounted for over 76 per cent of total spend on IT services, a growth of 4.5 per cent on an average. However an above average growth of nearly 10 -12 percent is being seen in other developing markets
- Globalization of Engineering and R&D activities is well established and there is an increasing trend of the number of firms conducting innovation activities outside of their base country. This is reiterated by the number of foreign R&D sites exhibiting a consistent growth year on year
- Global sourcing market size has increased threefold since 2004; ITO takes the majority 60 per cent share in 2008. Global sourcing is still a fraction of the total IT spend at a worldwide level, indicating huge potential

*(Source: NASSCOM, Strategic Review 2009)*

#### Indian Information Technology Industry

The IT-BPO industry in India includes over 4,000 companies offering a plethora of services for both the global and Indian market. The large integrated players including Indian and MNC companies have built critical vertical capabilities, domain skills and scale. These players accounted for over 47-48 per cent of industry export revenues in FY2008. They also employ around 35 per cent of the workforce, with average employee strength of over 40,000 in FY2008, with some companies having a workforce of over 100,000. With their global service delivery capabilities and presence in over 60 countries, these companies are well placed to increase market share.

India currently holds the number one position among all global off shore locations, due to its fundamental advantages of low cost and abundant talent, increased vendor maturity and an enabling environment. India is rated on par when it comes to risk and business environment while infrastructure levels, once a bugbear, have been significantly improving over time.

*(Source: NASSCOM, Strategic Review 2009)*

## Future Outlook

- Greater focus on cost and operational efficiencies in the recessionary environment is expected to enhance global sourcing. The huge potential for global sourcing is further highlighted by an addressable market size of USD 500 billion in 2008, which is more than five times bigger than the current market.
- Services and software segments are estimated to grow at 6.1 per cent to cross USD 1.2 trillion by 2012. This is more than the 5.2 per cent growth expected in the total IT spending
- The worldwide BPO market is expected to grow at a CAGR of 11.9 per cent to reach USD 181 billion by 2012, while ITO market is expected to grow at a CAGR of 6.9 per cent and reach USD 275 billion by 2012
- There would be pricing pressures coupled with contract renegotiations due to the economic uncertainty. India Inc would remain focused on tactical measures to achieve cost savings and greater productivity
- The industry will continue to diversify in terms of geographies, verticals and service lines. There will be sustained efforts to penetrate new geographies such as Japan, Nordic countries and Middle East and also new verticals i.e., government, healthcare and SMBs
- Lack of working age population in the developed economies and a significant long term cost arbitrage of indicates India's sustained cost competitiveness
- Service providers are expected to enhance focus to domestic market to de-risk business and tap into the local growth opportunities

(Source: Nasscom, Strategic Review 2009)

## Worldwide Technology Related Spend 2007-12 (US\$ Million)

	2007	2008	2009	2010	2011	2012
Worldwide Services Total	527,682	556,578	578,170	604,767	636,289	671,843
Worldwide BPO* Total	102,972	115,065	130,789	146,239	164,283	180,711
Worldwide Software Total	276,628	294,746	308,268	326,021	348,811	375,907
Worldwide Hardware Total	570,364	593,734	596,748	620,207	652,070	683,044
Worldwide Engineering Spend**	861,000	886,000	NA	NA	NA	913,000-931,000

Note: Technology spending defined as per IDC classification of IT services, software, hardware and BPO; R&D and engineering spending estimates reported separately to avoid double counting.

\*IDC has changed the definition of BPO, due to which the BPO numbers are significantly different from what we have mention last year (for more details please refer to page no. 250)

(Source: Nasscom, Strategic Review 2009)

Over the next four years, overall technology spending is expected to cross USD 1.9 trillion, with a CAGR of 5.2 per cent. While global technology related spending (growth) is expected to reduce slightly in 2009 on account of the global downturn, it is expected to rebound in 2010. This growth is expected to be spearheaded by the services and software segments, which are projected to log 6.1 per cent growth, to cross USD 1.2 trillion by 2012. This growth would be driven by increasing technology adoption across businesses, and industries around the world, and new software applications.

## **SUMMARY ABOUT OUR COMPANY'S BUSINESS**

Acropetal Technologies Limited (ATL) was incorporated in the year 2001 in Bangalore and received 100% EOU certification in January 2003. The initial focus of the company was on Engineering Design Services. We offer a broad spectrum of Engineering Design Services to reduce product design cycle time and costs. The portfolio of services includes concept design, product design & development, advanced analysis, reliability engineering and value engineering. Product quality improvement, idea generation, product teardown, material cost-out, product re-design, back office support to accomplish 2D Drawings, Data Conversion and 3D Modelling are the value added services offered to our customers.

Our IT/ITES solutions in the enterprise space allow organizations to optimize their core business activities like resource management, customer relationship management and supply chain management. We help organizations to improve their business processes, functions through the effective application of Enterprise solutions that align with organization's business objectives and strategies. Together with our group companies, we are committed to meet our customer's business needs with end-to-end solutions for small, medium and large businesses.

Acropetal is currently working on the following competency based verticals

- Engineering Design Services
- Healthcare Services
- Enterprise & IT Services
- Energy & Environment Services
- IT Infrastructure Management Services
- IT Security Consulting Services

We were awarded the prestigious STPI award for 'High Growth in Small and Medium Business Unit' by the Software Technology Parks of India (STPI) and Department of Information Technology, Biotechnology & Science Technology, Karnataka for the year 2008-09 and 2006-07.



## BRIEF DETAILS OF THE ISSUE

<b>Equity Shares offered:</b> Fresh Issue by our Company	[●] Equity Shares of face value of Rs.10 each aggregating Rs. 17,000 Lacs
<b>Issue Price</b>	Rs. [●] per Equity Share
<b>Net Issue to the Public*</b>	[●] Equity Shares of face value of Rs.10 each aggregating upto Rs. [●] Lacs
<b>Of which:</b>	[●] Equity Shares of face value of Rs. 10 each constituting not more than 50% of the Net Issue to the Public
(A) Qualified Institutional Buyers portion (QIBs) <sup>†</sup>	(Allocation on a proportionate basis)  Of the above Equity Shares, [●] Equity Shares shall be available for allocation to Mutual Funds  The balance [●] Equity Shares shall be available to all QIBs, including Mutual Funds
(B) Non-Institutional Portion	[●] Equity Shares of face value of Rs. 10 each constituting not less than 15% of the Net Issue to the Public (Allocation on a proportionate basis)
(C) Retail Portion	[●] Equity Shares of face value of Rs. 10 each constituting not less than 35% of the Net Issue to the Public (Allocation on a proportionate basis)
<b>Note:</b> Under-subscription, if any, in any of the categories would be allowed to be met with spill over from the other categories, at the sole discretion of our Company and the BRLM.	
<b>Equity Shares outstanding prior to the Issue</b>	2,00,00,000 Equity Shares of face value of Rs.10 each
<b>Equity Shares outstanding after the Issue</b>	[●] Equity Shares of face value of Rs.10 each
<b>Use of Issue proceeds</b>	<i>Please refer to the Section titled "Objects of the Issue" beginning on page 54 of the Draft Red Herring Prospectus for additional information.</i>

\* Our Company is considering a Pre – IPO Placement of up to Rs. [●] and approximately [●] Equity Shares with some investors. The Pre – IPO Placement, if any, will be completed before the filing of the Red Herring Prospectus with the RoC. The number of Equity Shares in the Issue will be reduced to the extent of the Equity Shares proposed to be allotted in the Pre – IPO Placement, if any, subject to the Net Issue to the public being at least 25% of the fully diluted post – Issue paid up capital of our Company.

The Equity Shares allotted under the Pre – IPO Placement, if completed, shall be subject to a lock – in period of one (1) year from the date of the Allotment pursuant to the Issue.

<sup>†</sup> Our Company may consider participation by Anchor Investors for allotment upto [●] Equity Shares in accordance with applicable SEBI (ICDR) Regulations, 2009. The allocation to Anchor Investors shall be a portion of the Net Issue, being up to 30% of the portion available to QIBs, being [●] Equity Shares.

## SUMMARY OF FINANCIAL INFORMATION

The following summary of financial data has been prepared in accordance with Indian GAAP, the Companies Act and the SEBI (ICDR) Regulations, 2009 and restated as described in the Auditor's Report of our statutory auditor's K Gopalakrishnan & Co., Chartered Accountants dated March 04, 2010 in the section titled 'Financial Information'. You should read this financial data in conjunction with our financial statements for Financial Year 2005, 2006, 2007, 2008, 2009 and 9 months period ended December 31, 2009 including the notes thereto and the reports thereon, which appears under the *Section titled "Financial Information" and Chapter titled "Management's Discussion and Analysis of Financial Condition and Results of Operations as reflected in the Financial Statements" beginning on pages 136 and 186 of the Draft Red Herring Prospectus.*

### Summary statement of Standalone Assets & Liabilities, as restated

(Rs. in Lacs)

Particulars	As At					
	31-Mar-05	31-Mar-06	31-Mar-07	31-Mar-08	31-Mar-09	31-Dec-09
<b>A. Fixed Assets</b>						
Gross Fixed Assets	186.90	309.37	689.89	4,942.56	8,761.53	9,269.02
Less : Accumulated Depreciation	74.45	126.23	258.02	548.79	1,423.23	2,599.38
<b>Net Fixed Assets</b>	<b>112.45</b>	<b>183.14</b>	<b>431.87</b>	<b>4,393.77</b>	<b>7,338.30</b>	<b>6,669.64</b>
Less:- Revaluation reserves	0.00	0.00	0.00	0.00	0.00	0.00
<b>Net Fixed Assets After Revaluation Reserves</b>	<b>112.45</b>	<b>183.14</b>	<b>431.87</b>	<b>4,393.77</b>	<b>7,338.30</b>	<b>6,669.64</b>
Capital Work in Progress	-	-	-	-	-	2,869.98
<b>Total Fixed Assets</b>	<b>112.45</b>	<b>183.14</b>	<b>431.87</b>	<b>4,393.77</b>	<b>7,338.30</b>	<b>9,539.62</b>
<b>B. Investments</b>	<b>0.10</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>344.36</b>	<b>511.36</b>
<b>C. Current Assets, Loans &amp; Advances</b>						
Sundry Debtors	185.80	388.44	1,820.11	3,260.62	4,546.16	4,090.24
Cash and Bank Balances	5.37	164.65	109.76	445.55	904.55	1,631.38
Loans and Advances	12.13	40.90	374.31	1,014.72	991.41	1,947.84
Inventories	55.58	95.00	85.22	110.07	186.47	264.77
<b>Total (C)</b>	<b>258.88</b>	<b>688.99</b>	<b>2,389.40</b>	<b>4,830.96</b>	<b>6,628.59</b>	<b>7,934.23</b>
<b>D. Liabilities &amp; Provisions</b>						
Secured Loans	146.88	299.94	795.01	3,719.51	6,223.07	7,569.47
Unsecured Loans	2.18	-	-	-	-	-
Deferred Tax Liability (Net)	7.35	15.83	46.39	142.03	318.71	434.57
Current Liabilities	8.33	27.70	67.74	655.56	831.13	1,637.01
Provisions	-	1.78	7.21	164.04	235.57	179.58
<b>Total (D)</b>	<b>164.74</b>	<b>345.25</b>	<b>916.35</b>	<b>4,681.14</b>	<b>7,608.48</b>	<b>9,820.63</b>
<b>E . Net Worth ( A + B+C-D )</b>	<b>206.69</b>	<b>526.88</b>	<b>1,904.92</b>	<b>4,543.59</b>	<b>6,702.77</b>	<b>8,164.58</b>
<b>F. Represented by</b>						
Equity Share Capital	25.00	400.00	500.00	500.00	500.00	2,000.00
Share Application Money Pending allotment	26.10	20.40	50.10	1,440.90	2,000.00	-
Reserves & Surplus	155.59	106.48	1,354.82	2,602.69	4,202.77	6,164.58
<b>Total</b>	<b>206.69</b>	<b>526.88</b>	<b>1,904.92</b>	<b>4,543.59</b>	<b>6,702.77</b>	<b>8,164.58</b>
Less : - Miscellaneous Expenditure not w/off						
<b>G . Net Worth</b>	<b>206.69</b>	<b>526.88</b>	<b>1,904.92</b>	<b>4,543.59</b>	<b>6,702.77</b>	<b>8,164.58</b>

**Summary statement of Standalone Profit & Loss, as restated**

(Rs. in Lacs)

Particulars	For the year / period ended					
	31-Mar-05	31-Mar-06	31-Mar-07	31-Mar-08	31-Mar-09	31-Dec-09
<b>Income</b>						
Sales & Operating Incomes						
Export Income	288.51	660.43	4,023.06	6,031.48	8,930.40	7,398.06
Domestic Income	-	-	-	-	-	63.09
Other Income	3.44	9.86	80.37	(86.30)	273.69	33.58
Increase/(Decrease) in Inventory	15.22	39.42	(9.78)	24.85	76.40	78.29
<b>Total Income</b>	<b>307.17</b>	<b>709.71</b>	<b>4,093.65</b>	<b>5,970.03</b>	<b>9,280.49</b>	<b>7,573.02</b>
<b>Expenditure</b>						
Direct cost of Sales / Services	-	73.90	1,974.89	3,154.52	4,315.31	2,708.74
Personnel Cost	58.29	165.75	253.05	494.51	980.43	947.28
Administrative and Other Expenses	69.61	129.69	240.63	320.40	262.36	344.50
Selling and Distribution Expenses	5.26	4.77	87.69	63.78	189.24	62.85
<b>Total Operating Expenses</b>	<b>133.16</b>	<b>374.11</b>	<b>2,556.26</b>	<b>4,033.21</b>	<b>5,747.34</b>	<b>4,063.37</b>
<b>PBDIT</b>	<b>174.01</b>	<b>335.60</b>	<b>1,537.39</b>	<b>1,936.82</b>	<b>3,533.15</b>	<b>3,509.65</b>
Less: Finance Cost	12.15	22.68	94.48	238.49	817.06	752.33
<b>PBDT</b>	<b>161.86</b>	<b>312.92</b>	<b>1,442.91</b>	<b>1,698.33</b>	<b>2,716.09</b>	<b>2,757.32</b>
Less: Depreciation & Amortisation	53.02	51.77	131.79	290.78	874.44	1,176.15
<b>PBT</b>	<b>108.84</b>	<b>261.15</b>	<b>1,311.12</b>	<b>1,407.55</b>	<b>1,841.65</b>	<b>1,581.17</b>
<b>Add / ( Less) : Provision for Tax</b>						
Current Tax	-	-	-	-	-	(3.50)
Fringe Benefit Tax	-	(1.78)	(2.97)	(5.54)	(6.39)	-
Deferred Tax Liability	(4.30)	(8.48)	(30.56)	(95.64)	(176.68)	(115.86)
<b>Profit After Tax</b>	<b>104.54</b>	<b>250.89</b>	<b>1,277.59</b>	<b>1,306.37</b>	<b>1,658.58</b>	<b>1,461.81</b>
<b>Balance brought forward from previous year</b>	<b>55.27</b>	<b>155.59</b>	<b>106.48</b>	<b>1,354.82</b>	<b>2,602.69</b>	<b>4,202.77</b>
<b>Net Profit Available for Appropriation</b>	<b>159.81</b>	<b>406.48</b>	<b>1,384.07</b>	<b>2,661.19</b>	<b>4,261.27</b>	<b>5,664.58</b>
Appropriation						
Proposed Dividend on Equity Shares	(3.75)	-	(25.00)	(50.00)	(50.00)	-
Tax on Dividend	(0.47)	-	(4.25)	(8.50)	(8.50)	-
Transfer to General Reserves						
Capitalized during the year for Bonus Shares		(300.00)				(1,300.00)
<b>Balance carried forward as restated</b>	<b>155.59</b>	<b>106.48</b>	<b>1,354.82</b>	<b>2,602.69</b>	<b>4,202.77</b>	<b>4,364.58</b>

**Summary statement of Consolidated Assets & Liabilities, as restated**

(Rs. in Lacs)

Particulars	As At	
	31-Mar-09	31-Dec-09
<b>A. Fixed Assets</b>		
Gross Fixed Assets	8,761.53	9,269.02
Less : Accumulated Depreciation	1,423.23	2,599.38
<b>Net Fixed Assets</b>	7,338.30	6,669.64
Less:- Revaluation reserves		
<b>Net Fixed Assets After Revaluation Reserves</b>	7,338.30	6,669.64
Capital Work in Progress	1,904.55	4,625.86
<b>Total Fixed Assets</b>	<b>9,242.85</b>	<b>11,295.50</b>
<b>B. Investments</b>	343.00	510.00
<b>C. Current Assets, Loans &amp; Advances</b>		
Sundry Debtors	4,546.16	4,809.25
Cash and Bank Balances	905.34	2,347.64
Loans and Advances	847.22	1,626.15
Inventories	186.47	264.77
<b>Total (C)</b>	<b>6,485.19</b>	<b>9,047.81</b>
<b>D. Liabilities &amp; Provisions</b>		
Secured Loans	6,223.07	7,569.47
Unsecured Loans	1,560.60	1,294.90
Deferred Tax Liability (Net)	318.71	434.57
Current Liabilities	839.39	1,862.38
Provisions	235.57	179.58
<b>Total (D)</b>	<b>9,177.34</b>	<b>11,340.90</b>
<b>E . Net Worth ( A + B+C-D )</b>	<b>6,893.70</b>	<b>9,512.41</b>
<b>F. Represented by</b>		
Equity Share Capital	500.00	2,000.00
Share Application Money Pending allotment	2,000.00	-
Reserves & Surplus	4,393.70	7,512.41
<b>Total</b>	<b>6,893.70</b>	<b>9,512.41</b>
Less : - Miscellaneous Expenditure not w/off		
<b>G . Net Worth</b>	<b>6,893.70</b>	<b>9,512.41</b>

**Summary statement of Consolidated Profit & Loss, as restated**

(Rs. in Lacs)

Particulars	For the year ended	
	31-Mar-09	31-Dec-09
<b>Income</b>		
<b>Sales &amp; Operating Incomes</b>		
Export sales	9,710.39	10,695.07
Domestic sales	-	63.09
Other Income	273.69	33.58
Increase/(Decrease) in Inventory	76.40	78.29
<b>Total Income</b>	<b>10,060.48</b>	<b>10,870.03</b>
<b>Expenditure</b>		
Direct cost of Sales / Services	4,841.52	4,458.63
Personnel Cost	980.43	947.27
Administrative and Other Expenses	276.98	401.84
Selling and Distribution Expenses	189.24	286.89
<b>Total Operating Expenses</b>	<b>6,288.17</b>	<b>6,094.63</b>
<b>PBDIT</b>	<b>3,772.31</b>	<b>4,775.40</b>
Less: Finance Cost	822.95	784.80
<b>PBDT</b>	<b>2,949.36</b>	<b>3,990.60</b>
Less: Depreciation & Amortisation	874.44	1,176.15
<b>PBT</b>	<b>2,074.92</b>	<b>2,814.45</b>
<b>Add / ( Less) : Provision for Tax</b>		
Current Tax	-	(3.50)
Fringe Benefit Tax	(6.39)	-
Deferred Tax Liability	(176.68)	(115.86)
<b>Profit After Tax</b>	<b>1,891.85</b>	<b>2,695.09</b>
<b>Balance brought forward from previous year</b>	<b>2,602.69</b>	<b>4,436.04</b>
<b>Net Profit Available for Appropriation</b>	<b>4,494.54</b>	<b>7,131.13</b>
Appropriation		
Proposed Dividend on Equity Shares	(50.00)	-
Tax on Dividend	(8.50)	-
Capitalized during the year for Bonus Shares		(1,300.00)
<b>Balance carried forward as restated</b>	<b>4,436.04</b>	<b>5,831.13</b>

## GENERAL INFORMATION

Our Company was incorporated on April 25, 2001 under the provisions of the Companies Act, 1956 as public limited Company with its registered office at 28, 1<sup>st</sup> Main BHCS, Layout, BTM 2<sup>nd</sup> Stage, Bannerghatta Road, Bangalore – 560 076. The registered office of our Company was shifted to 2/10, 3<sup>rd</sup> Floor, Ajay Plaza, 1<sup>st</sup> Main, N.S. Palya Bannerghatta Road, Bangalore - 560076 with effect from October 28, 2003

### Registered Office

#### Acropetal Technologies Limited

#2 /10, 3<sup>rd</sup> Floor, Ajay Plaza,  
1<sup>st</sup> Main, N.S. Palya, Bannerghatta Road,  
Bangalore - 560076.

**Tel No:** + 91 80 4155 9501/02;

**Fax No:** + 91 80 2678 9553

**Contact Person & Compliance Officer:** Mr. Jamili Jalaiah

**Email:** [ipo@acropetal.com](mailto:ipo@acropetal.com)

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

**Corporate Identification Number:** U72900KA2001PLC028944

**Company Registration Number:** 028944

### Address of Registrar of Companies

Registrar of Companies, Karnataka, Bangalore  
E-Wing, 2<sup>nd</sup> Floor, Kendriya Sadana,  
Koramangala, Bangalore - 560 034.

### Our Board of Directors

Sr. No.	Name of the Director	Designation	Category
1	Mr. D. Ravi Kumar	Chairman and Managing Director	Executive & Non Independent
2	Mr. Ramdas Janardhana Kamath	Director	Non Executive & Independent
3	Dr. D.K. Subrahmanya Reddy	Director	Non Executive & Independent
4	Mr. Mathew J. Manimala	Director	Non Executive & Independent
5	Dr. Rajesh Nair	Director	Non-Executive & Non Independent
6	Mr. Ashok Kumar Jultha	Director	Non-Executive & Non Independent
7	Mr. Mohan Hosahally Ramakrishna	Director	Non Executive & Independent

For detailed profile of our Directors, please refer to the Chapter titled “Our Management” and “Our Promoter and Promoter Group” beginning on pages 116 & 131 respectively of the Draft Red Herring Prospectus.

### COMPANY SECRETARY AND COMPLIANCE OFFICER

COMPANY SECRETARY	COMPLIANCE OFFICER
<b>Ms. Shobha Acharya</b> <b>Acropetal Technologies Limited</b> #2 /10, 3 <sup>rd</sup> Floor, Ajay Plaza, 1 <sup>st</sup> Main, N.S. Palya, Bannerghatta Road, Bangalore - 560076. <b>Tel No:</b> + 91 80 4155 9501/02 <b>Fax No:</b> + 91 80 2678 9553 <b>Email:</b> <a href="mailto:ipo@acropetal.com">ipo@acropetal.com</a> <b>Website:</b> <a href="http://www.acropetal.com">www.acropetal.com</a>	<b>Mr. Jamili Jalaiah</b> <b>Acropetal Technologies Limited</b> #2 /10, 3 <sup>rd</sup> Floor, Ajay Plaza, 1 <sup>st</sup> Main, N.S. Palya, Bannerghatta Road, Bangalore - 560076. <b>Tel No:</b> + 91 80 4155 9501/02 <b>Fax No:</b> + 91 80 2678 9553 <b>Email:</b> <a href="mailto:ipo@acropetal.com">ipo@acropetal.com</a> <b>Website:</b> <a href="http://www.acropetal.com">www.acropetal.com</a>

Investors are advised to contact the Compliance Officer and / or the Registrar to the Issue in case of any pre-Issue or post-Issue problems such as non-receipt of letters of Allocation, credit of Allotted Equity Shares in the respective beneficiary account, non-receipt of refund orders, non receipt of funds by electronic mode etc.

#### **BANKERS TO OUR COMPANY**

**State Bank of Travancore**  
Industrial Finance Branch  
3<sup>rd</sup> Floor, Vayudhoot Chambers  
Trinity Junction, M.G. Road  
Bangalore - 560 001.  
**Tel. No.:** +91 80 2559 8957/58  
**Fax No.:** +91 80 2559 8956  
**E-mail:** [ifbbangalore@sbt.co.in](mailto:ifbbangalore@sbt.co.in)  
**Website:** [www.statebankoftravancore.com](http://www.statebankoftravancore.com)  
**Contact Person:** Mr. Sathyanarayanan

**Axis Bank Limited**  
9, M.G. Road, Block A  
Bangalore – 560 001.  
**Tel No:** +91 080-25137742  
**Fax No:** +91 080-5559444  
**Email:** [Bangalore.Branchhead@axisbank.com](mailto:Bangalore.Branchhead@axisbank.com); [pv.jayapraksh@axisbank.com](mailto:pv.jayapraksh@axisbank.com)  
**Website:** [www.axisbank.com](http://www.axisbank.com)  
**Contact Person:** Mr. P.V. Jayaprakash

**United Bank of India**  
40/2, Brigade Road  
Bangalore - 560 001.  
**Tel. No.:** +91 80 25582179  
**Fax No:** +91 80 2558 1960  
**Email:** [bmbgc@unitedbank.co.in](mailto:bmbgc@unitedbank.co.in)  
**Website:** [www.unitedbankofindia.com](http://www.unitedbankofindia.com)  
**Contact Person:** Mr. Rajesh

#### **STATUTORY AUDITORS TO OUR COMPANY**

**K. Gopalakrishnan & Co.**  
Chartered Accountants  
#120, Infantry Road  
Bangalore – 560 001.  
**Tel No:** +91 80 2286 8388

Email: [gopalfca@gmail.com](mailto:gopalfca@gmail.com)

Contact Person: Mr. K. Gopalakrishnan

## ISSUE MANAGEMENT TEAM

### BOOK RUNNING LEAD MANAGER

#### **Saffron Capital Advisors Private Limited**

**SEBI Registration No:** INM000011211

204, Vishwananak, Gurunanakwadi  
Andheri Ghatkoper Link Road, Chakala  
Andheri (East), Mumbai - 400 099.

**Tel No:** +91 22 4082 0905/0903

**Fax No:** +91 22 4082 0999

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

**Email:** [acropetal.ipo@saffronadvisor.com](mailto:acropetal.ipo@saffronadvisor.com)

**Investor Grievance Id:** [investorgrievance@saffronadvisor.com](mailto:investorgrievance@saffronadvisor.com)

**Contact Person:** Mr. Saurabh Vijay

### REGISTRARS TO THE ISSUE

#### **Sharex Dynamic (India) Private Limited\***

SEBI Registration No: INR000002102

17/B, 2<sup>nd</sup> Floor, Dena Bank Building  
Horniman Circle, Fort  
Mumbai - 400 001.

**Tel No:** +91 22 2270 2485 / 2264 1376

**Fax No:** +91 22 2264 1349

**Email:** [atl.ipo@sharexindia.com](mailto:atl.ipo@sharexindia.com)

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

**Contact Person:** Mr. B.S. Baliga

*\*The certificate of registration of Sharex Dynamic (India) Private Limited as a 'Category 1' Registrars to an Issue and Share transfer agents, obtained from SEBI was valid up to December 15, 2009. As required an application for renewal of the said certificate of registration, in the prescribed manner, was made to SEBI on September 9, 2009, three months before the expiry of the said certificate of registration. Sharex Dynamic (India) Private Limited is currently awaiting the renewal certificate and till date has not been prohibited by SEBI to act as an intermediary in capital market issues.*

### LEGAL ADVISORS TO THE ISSUE

#### **M/s. Kanga and Company**

Advocates & Solicitors

Readymoney Mansion

43, Veer Nariman Road

Mumbai – 400 001.

**Tel No:** +91 22 6633 2288/6633 9643

**Fax No:** +91 22 6633 9656/6633 9657

**Email:** [dhaval.vussonji@kangacompany.com](mailto:dhaval.vussonji@kangacompany.com)

**Contact person:** Mr. Dhaval Vussonji



## **SYNDICATE MEMBERS**

[•]

The Syndicate Member(s) will be appointed prior to filing the Draft Red Herring Prospectus with RoC.

## **BANKERS TO THE ISSUE & ESCROW COLLECTION BANK**

[•]

The Bankers to the Issue shall be appointed prior to filing of the Draft Red Herring Prospectus with RoC.

## **REFUND BANKER TO THE ISSUE**

[•]

The Refund Banker(s) shall be appointed prior to filing of the Draft Red Herring Prospectus with RoC.

## **SELF CERTIFIED SYNDICATE BANKS**

[•]

The SCSBs are as per the updated list available on SEBI's website at [www.sebi.gov.in](http://www.sebi.gov.in). Investors are requested to refer the SEBI website for updated list of SCSBs and their designated branches.

All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSBs, giving full details such as name, address of the applicant, number of Equity Shares applied for, Bid Amount blocked, ASBA Account number and the Designated Branch of the SCSBs where the ASBA Form was submitted by the ASBA Bidders.

## **STATEMENT OF RESPONSIBILITIES**

Saffron Capital Advisors Private Limited is the sole BRLM to the Issue and shall be responsible for the following activities:

<b>Sr. No.</b>	<b>Activity</b>
1.	Capital structuring with the relative components and formalities such composition of debt and equity, type of instruments, etc.
2.	Conducting a Due diligence of our Company's operations / management / business plans / legal, etc. Drafting and designing the Draft Red Herring Prospectus/ Red Herring Prospectus/ Prospectus. Ensuring compliance with the SEBI (ICDR) Regulations, 2009 and other stipulated requirements and completion of prescribed formalities with the Stock Exchanges (pre-issue), RoC and SEBI.
3.	Primary co-ordination with SEBI, RoC and Stock Exchanges up to bidding and coordinating interface with lawyers for agreements.
4.	Appointment of the Registrar, Bankers to the issue and appointment of other intermediaries viz. printers and advertising agency
5.	Primary coordination of drafting/proofing of the design of the Prospectus, bid forms including memorandum containing salient features of the Prospectus with the printers. Primary coordination of the drafting and approving the statutory advertisement.
6.	Drafting and approving all publicity material other than statutory advertisement as mentioned in (4) above including corporate advertisement, brochure, etc.
7.	Retail & HNI segment Marketing, Which will cover inter alia: <ul style="list-style-type: none"><li>▪ Preparation of road show presentation.</li><li>▪ Finalising centres for holding Brokers' conference</li></ul>

	<ul style="list-style-type: none"> <li>▪ Finalising media, marketing and PR Strategy</li> <li>▪ Follow up on distribution of publicity and issue material including application form, brochure and deciding on quantum of issue material</li> <li>▪ Finalising collection centres as per schedule III of SEBI (ICDR) Regulations, 2009</li> </ul>
8.	Institutional Marketing, which will cover inter alia: <ul style="list-style-type: none"> <li>▪ Finalisation of list of investors.</li> <li>▪ Finalisation of one to one meetings and allocation of institutions.</li> <li>▪ Finalisation of presentation material</li> </ul>
9.	Managing Book & co-ordination with stock Exchanges for bidding terminals, mock trading etc
10.	Pricing and QIB allocation
11.	Follow – up with the bankers to the issue to get quick estimates of collection and advising the issuer about closure of the issue, based on the correct figures.
12.	The post-Issue activities for the Issue will involve essential follow up steps, which include finalizing basis of allotment / weeding out of multiple applications, the listing of instruments and dispatch of certificates/demat credits or refunds and dematerialized delivery of shares with the various agencies connected with the work such as the Registrars to the Issue and Bankers to the Issue, Self Certified Syndicate Banks, the bank handling refund business. The Lead Manager shall be responsible for ensuring that these agencies fulfil their functions and enable it to discharge this responsibility through suitable agreements with our Company.

The selection of various agencies like the Bankers to the Issue, Escrow Collection Bank(s), Syndicate Members, Brokers, Advertising agencies etc. will be finalized by our Company in consultation with the BRLM.

Even if many of these activities will be handled by other intermediaries, the BRLM shall be responsible for ensuring that these agencies fulfill their functions and enable it to discharge this responsibility through suitable agreements with our Company.

## **CREDIT RATING**

This being an issue of Equity Shares, there is no requirement of credit rating for the Issue.

## **IPO GRADING**

[•]

Details of IPO Grading along with the grading rationale will be incorporated before filing of the Red Herring Prospectus with RoC and will be annexed to the Red Herring Prospectus. The same will be made available for inspection at our Registered Office from 10.00 a.m. to 4.00 p.m. on Business Days during the Bidding Period.

## **TRUSTEES**

As this is an Issue of Equity Shares, the appointment of Trustees is not required.

## **APPRAISAL AND MONITORING AGENCY**

The proposed funds requirement is not appraised by any Bank/Financial Institution. As the net proceeds of the Issue will be less than Rs. 50,000 lacs, under the SEBI (ICDR) Regulations, 2009 it is not required that a monitoring agency be appointed by our Company.

However, as per the Clause 49 of the Listing Agreement to be entered into with the Stock Exchanges upon listing of the Equity Shares and in accordance with the Corporate Governance

requirements, the Audit Committee of our Company would be monitoring the utilization of the Issue Proceeds.

## **WITHDRAWAL OF THE ISSUE**

Our Company, in consultation with the BRLM, reserves the right not to proceed with the Issue after the bidding and if so, the reason thereof shall be given as a public notice within two days of the closure of the Issue. The public notice shall be issued in the same newspapers where the pre-issue advertisement had appeared. The Stock Exchanges where the specified securities were proposed to be listed shall also be informed promptly.

If our Company withdraws the Issue after closure of bidding, we will be required to file a fresh draft offer document with the Securities and Exchange Board of India.

In the event of withdrawal of the Issue anytime after the Bid/Issue Opening Date, our Company will forthwith repay, without interest, all monies received from the applicants in pursuance of the Draft Red Herring Prospectus. If such money is not repaid within 8 days after our Company become liable to repay it, i.e. from the date of withdrawal, then our Company, and every Director of our Company who is an officer in default shall, on and from such expiry of 8 days, be liable to repay the money, with interest at the rate of 15% per annum on application money.

## **BOOK BUILDING PROCESS**

Book Building refers to the collection of Bids from investors, which is based on the Price Band, with the Issue Price being finalized after the Bid/Issue Closing Date. The principal parties involved in the Book Building Process are:

- Our Company;
- BRLM, in this case being Saffron Capital Advisors Private Limited;
- Syndicate Member(s) who are intermediaries registered with SEBI or registered as brokers with the Stock Exchange(s) and eligible to act as underwriters. Syndicate members are appointed by the BRLM;
- Registrar to the issue, in this case being Sharex Dynamic (India) Private Limited,
- Banker(s) to the issue, Refund Bank(s), and
- Self Certified Syndicate Banks

Regulation 43(2) of the SEBI (ICDR) Regulations, 2009 has permitted an issue of securities to the public through the 100% Book Building Process, wherein not more than 50% of the Net Issue shall be available for allocation to QIBs on a proportionate basis (Provided that, our Company may, allocate up to 30% of the QIB Portion to Anchor Investors at the Anchor Investor Issue Price on a discretionary basis), out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the Qualified Institutional Buyers' portion shall be available for allocation on a proportionate basis to all Qualified Institutional Buyers, including Mutual Funds, subject to valid Bids being received at or above Issue Price. Further, not less than 15% of the Net Issue shall be available for allotment to Non Institutional Bidders and not less than 35% of the Net Issue shall be available for allotment to Retail Individual Bidders on a proportionate basis, subject to valid Bids being received at or above the Issue Price.

We will comply with the SEBI (ICDR) Regulations, 2009 for this Issue. In this regard, we have appointed Saffron Capital Advisors Private Limited as the BRLM to manage the Issue and procure subscriptions to the Issue.

The process of bidding through the ASBA process by ASBA Investors under the SEBI Circular dated December 30, 2009 is relatively new and may be subject to change from time to time which may either be clarificatory in nature or otherwise. ASBA Investors are advised to make their own

judgment about investment through this process prior to submitting a ASBA Bid-cum-Application Form to SCSB.

The process of Book Building under the SEBI (ICDR) Regulations, 2009 is subject to change from time to time and Investors are advised to make their own judgment about investment through this process prior to making a Bid or Application in the Issue.

QIBs are not allowed to withdraw their Bid after the Bid/Issue Closing Date. In addition, QIBs are required to pay 10% Margin Amount upon submission of their Bid, provided however, QIBs that are Anchor Investors are required to pay 25% of their Bid Amount at the time of submission of the Bid and the remaining amount within two days of the Bid/Issue Closing Date. Allocation to QIBs will be on a proportionate basis. *For further details please refer paragraph titled "Maximum and Minimum Bid Size" beginning on page 224 under Chapter titled "Issue Procedure" beginning on page 221 of the Draft Red Herring Prospectus.*

Resident Retail Individual Bidders have the option to submit their Bids under the "ASBA Process", which would entail blocking of funds in the investor's bank account rather than transfer of funds to the respective Escrow Accounts. *For further details, please refer to the Chapter titled "Issue Procedure for ASBA Bidders" beginning on page 251 of the Draft Red Herring Prospectus.*

Steps to be taken by the Bidders for bidding:

- 1) Check eligibility for making a Bid (*For details please refer to the paragraph titled "Who Can Bid" beginning on page 222 under Chapter titled "Issue Procedure" beginning on page 221 of the Draft Red Herring Prospectus*);
- 2) Ensure that the Bidder has a demat account and the demat account details are correctly mentioned in the Bid-cum-Application Form including ASBA Form;
- 3) Ensure that the Bid-cum-Application Form including ASBA Forms is duly completed as per instructions given in the Draft Red Herring Prospectus and in the Bid-cum-Application Form including ASBA Forms; and
- 4) Ensure that the Permanent Account Number is mentioned on Bid-cum-Application Form/ASBA Form. Bidders are specifically requested not to mention their General Index Register number instead of the Permanent Account Number as the Bid is liable to be rejected on this ground.
- 5) Bids by ASBA Bidders will only have to be submitted to the SCSB. ASBA Bidders should ensure that their bank accounts have adequate credit balance at the time of submission to the SCSB to ensure that their Bid cum ASBA Form is not rejected.
- 6) Ensure the correctness of your demographic details given in the Bid cum Application Form or the ASBA Bid-cum-Application Form, as the case may be, with the details recorded with your Depository Participant.
- 7) Bids by QIBs (including Anchor Investors) will have to be submitted to the BRLM.

#### **BID/ISSUE PROGRAM**

<b>Bid/Issue opens on: [●], 2010</b>	<b>Bid/Issue closes on: [●], 2010</b>
--------------------------------------	---------------------------------------

Our Company may consider participation by Anchor Investors for upto [●] Equity Shares in accordance with applicable SEBI (ICDR) Regulations, 2009. The Anchor Investor Bid/ Issue Period shall be one working day prior to the Bid/ Issue Opening Date.

Our Company will accept Bids from Anchor Investors only on the Anchor Investor Bidding Date, i.e. one working day prior to the Bid Opening Date. Bids by Anchor Investors may be submitted to the Syndicate. The number of Equity Shares allocated to each Anchor Investor and Anchor

Investor Issue Price shall be made available in the public domain by the BRLM before the Bid Opening Date.

Bids and any revision in Bids shall be accepted **only between 10.00 am and 3.00 pm** (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid-cum-Application Form. Standardized cut-off time for uploading of bids on the bid/issue closing date is as under:

1. A standard cut-off time of 3.00 pm for acceptance of bids
2. A standard cut-off time of 4.00 pm for uploading of bids received from non retail applicants i.e. QIBs and HNIs.
3. A standard cut-off time of 5.00 pm for uploading of bids received from retail applicants, where the Bid Amount is up to Rs. 1,00,000 which may be extended up to such time as deemed fit by Stock Exchanges. Bids by ASBA Bidders shall be uploaded by the SCSB in the electronic system to be provided by the NSE and the BSE.

In case of discrepancy in the data entered in the electronic book vis-à-vis the data contained in the physical Bid-cum-Application Form, for a particular bidder, the details as per physical application form of that Bidder may be taken as the final data for the purpose of allotment. In case of discrepancy in the data entered in the electronic book vis-à-vis the data contained in the physical or electronic Bid-cum-Application Form, for a particular ASBA Bidder, the Registrar to the Issue shall ask for rectified data from the SCSB.

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 working day prior to the Bid/Issue Closing Date and, in any case, not later than the times mentioned above. All times mentioned in the Draft Red Herring Prospectus are Indian Standard Time. Bidders are cautioned that due to clustering of last day applications, as is typically experienced in public offerings, some Bids may not get uploaded on the last day. Such Bids that cannot be uploaded will not be considered for allocation under the Issue. If such Bids are not uploaded, our Company, the BRLM and the Syndicate Member shall not be responsible. On the Bid/Issue Closing Date, extension of time will be granted by the Stock Exchanges only for uploading the Bids received from Retail Individual Bidders after taking into account the total number of Bids received upto the closure of timings for acceptance of Bid-cum-Application Forms as stated herein and reported by the BRLM to the Stock Exchanges within half an hour of such closure.

**Investors please note that as per letter no. List/smd/sm/2006 dated July 3, 2006 and letter no. NSE/IPO/25101-6 dated July 6, 2006 issued by BSE and NSE respectively, bids and any revision in Bids shall not be accepted on Saturdays and holidays as declared by the Exchanges.**

We reserve the right to revise the Price band during the Bidding Period in accordance with SEBI (ICDR) Regulations, 2009. 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%.

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 web sites of the BRLM and at the terminals of the Syndicate and to the SCSBs.

## **UNDERWRITING AGREEMENT**

After the determination of the Issue Price but prior to 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 issued in the Issue. Pursuant to the terms of the Underwriting Agreement, the BRLM shall be responsible for bringing in the amount devolved in the event the Syndicate Members do not fulfil their underwriting obligations. Pursuant to the terms of the Underwriting Agreement dated [●], the obligations of the Underwriters are several and are subject to certain conditions to closing, as specified therein.

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

*(This portion has been intentionally left blank and will be completed prior to filing the Prospectus with RoC)*

<b>Name and Address of the Underwriters</b>	<b>Indicative Number of Equity shares to be Underwritten</b>	<b>Amount Underwritten (Rs. in Lacs)</b>
<b>Saffron Capital Advisors Private Limited</b> <b>SEBI Registration No:</b> INM000011211 204, Vishwananak, Gurunanakwadi, Andheri Ghatkoper Link Road, Chakala Andheri (East), Mumbai - 400 099 <b>Tel No:</b> +91 22 4082 0905/0906 <b>Fax No:</b> +91 22 4082 0999 <b>Website:</b> <a href="http://www.saffronadvisor.com">www.saffronadvisor.com</a> <b>Email:</b> <a href="mailto:acropetal.ipo@saffronadvisor.com">acropetal.ipo@saffronadvisor.com</a> <b>Investor Grievance Id:</b> <a href="mailto:investorgrievance@saffronadvisor.com">investorgrievance@saffronadvisor.com</a> <b>Contact Person:</b> Mr. Saurabh Vijay	[●]	[●]
[●]	[●]	[●]
[●]	[●]	[●]
[●]	[●]	[●]
<b>Total</b>	<b>[●]</b>	<b>17,000</b>

The above-mentioned amount is indicative underwriting and would be finalized after determination of the Issue Price and actual allocation.

Our Board of Directors (based on a certificate given by the Underwriters), are of the opinion that the same are sufficient to enable them to discharge their respective underwriting obligations in full. The abovementioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers.

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

## CAPITAL STRUCTURE

Our Equity Share capital before the Issue and after giving effect to the Issue, as at the date of this Draft Red Herring Prospectus, is set forth below:

		<i>(Rs. in Lacs except share data)</i>	
Particulars		Nominal Value	Aggregate Value
<b>A.</b>	<b>Authorized Capital</b>		
	4,00,00,000 Equity Shares of face value of Rs. 10 each	4,000.00	
<b>B.</b>	<b>Issued, Subscribed and Paid-Up Equity Capital before the Issue</b>		
	2,00,00,000 Equity Shares of Rs. 10 each fully paid-up before the Issue	2,000.00	3,800.00
<b>C.</b>	<b>Present Issue to Public in terms of the Draft Red Herring Prospectus*</b>	[●]	17,000.00
	[●] Equity Shares of Rs. 10 each at a premium of Rs. [●] per share		
<b>D.</b>	<b>Net Issue to the Public**</b>	[●]	17,000.00
	[●] Equity Shares of Rs. 10 each at a premium of Rs. [●] per share		
<b>E.</b>	<b>Equity Capital after the Issue</b>		
	[●] Equity Shares of Rs. 10 each	[●]	[●]
<b>F.</b>	<b>Securities Premium Account</b>		
	Before the Issue		1800.00
	After the Issue		[●]

\*The Issue has been authorized by the Board of Directors in their meeting held on January 4, 2010 and by the shareholders of our Company on February 1, 2010.

\*\*Our Company is considering a Pre – IPO Placement of up to [●] Equity Shares with some investors. The Pre – IPO Placement, if any, will be completed before the filing of the Red Herring Prospectus with the RoC. The number of Equity Shares in the Issue will be reduced to the extent of the Equity Shares proposed to be allotted in the Pre – IPO Placement, if any, subject to the Net Issue to the public being at least 25% of the fully diluted post – Issue paid up capital of our Company. The Equity Shares allotted under the Pre – IPO Placement, if completed, shall be subject to a lock – in period of one (1) year from the date of the Allotment pursuant to the Issue.

\*\*Our Company may consider participation by Anchor Investors for allotment upto [●] Equity Shares in accordance with applicable SEBI (ICDR) Regulations, 2009. The allocation to Anchor Investors shall be a portion of the Net Issue, being up to 30% of the portion available to QIBs, being [●] Equity Shares.

## Notes to Capital Structure

### 1. Details of Increase in Authorized Equity Share Capital

Date of shareholder's Approval	Increased from (Rs)	Increased to (Rs)	Cumulative No. of Shares	AGM/EGM
April 25, 2001	-	25,00,000	2,50,000	At the time of incorporation
November 29, 2005	25,00,000	1,00,00,000	10,00,000	EGM
March 29, 2006	1,00,00,000	5,00,00,000	5,00,0,000	EGM
September 29, 2009	5,00,00,000	25,00,00,000	2,50,00,000	AGM
February 1, 2010	25,00,00,000	40,00,00,000	4,00,00,000	EGM

### 2. Share Capital History of our Company

The following is the Equity Share Capital History of our Company

Date of Allotment	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Consideration	Nature of Allotment	Cumulative No. of Equity Shares	Cumulative Paid-up share capital (Rs.)	Cumulative Share Premium (Rs.)
April 25, 2001	50,000	10	10	Cash	Subscription to MOA	50,000	500,000	--
May 4, 2001	50,000	10	10	Cash	Further Allotment	1,00,000	1,000,000	--
May 18, 2001	1,00,000	10	10	Cash	Further Allotment	2,00,000	2,000,000	--
June 02, 2001	50,000	10	10	Cash	Further Allotment	2,50,000	2,500,000	--
March 17, 2006	7,50,000	10	10	Cash	Further Allotment	10,00,000	10,000,000	--
March 29, 2006	30,00,000	10	-	Bonus	Bonus issue in the ratio 3:1	40,00,000	40,000,000	--
March 29, 2007	10,00,000	10	10	Cash	Further Allotment	50,00,000	50,000,000	--
November 2, 2009	1,30,00,000	10	-	Bonus	Bonus issue in the ratio 2.6:1	1,80,00,000	180,000,000	--
November 16, 2009	20,00,000	10	100	Cash	Preferential Allotment	2,00,00,000	200,000,000	180,000,000

*Other than bonus issue as above, none of the Equity Shares have been issued for consideration other than cash. Further, our Company has not issued any Equity Shares out of revaluation reserves.*

3. Till date no Equity Shares have been allotted pursuant to any scheme approved under section 391-394 of the Companies Act, 1956.

4. Promoter Contribution and Lock-in

#### (A) Details of the buildup of our Promoters' shareholding in our Company



**Name of the Promoter: Mr. D. Ravi Kumar**

Date on which the equity shares were allotted / acquired and made fully paid up or transferred	Nature of allotment	Number of Equity shares	Nature of payment of consideration	Face value Rs.	Issue Price Rs.	% of Pre-issue Capital	% of Post-issue Capital
April 25, 2001	Subscription to MOA	20,000	Cash	10	10	0.10	[•]
May 04, 2001	Further Allotment	50,000	Cash	10	10	0.25	[•]
May 18, 2001	Further Allotment	64,900	Cash	10	10	0.32	[•]
June 02, 2001	Further Allotment	50,000	Cash	10	10	0.25	[•]
March 17, 2006	Further Allotment	554,700	Cash	10	10	2.77	[•]
March 29, 2006	Bonus	2,218,800	Bonus out of free reserves in the ratio of 3:1	10	-	11.09	[•]
March 29, 2007	Further Allotment	739,600	Cash	10	10	3.70	[•]
November 05, 2008	Transfer	(300,000)	Cash	10	10	(1.50)	[•]
November 02, 2009	Bonus	88,34,800	Bonus out of free reserves in the ratio of 2.6:1	10	-	44.17	[•]
November 16, 2009	Preferential Allotment	70000	Cash	10	100	0.35	[•]
		<b>1,23,02,800</b>				<b>61.51</b>	

**(B) Promoters' contribution and lock-in**

[•] Equity Shares, aggregating up to 20% of the post-Issue Equity Share capital of our Company, held by our Promoter, Mr. D. Ravi Kumar shall be locked in for a period of three years from the date of Allotment. Details of the same as are follows:

Name of the Promoter	Date of Allotment/ Acquisition	Date when made fully Paid-up	Consideration (Cash, bonus, kind, etc.)	No. of Equity Shares	Face Value (Rs.)	Issue/Acquisition Price (Rs.)	% of Post-Issue paid-up capital
D. Ravi Kumar	[•]	[•]	[•]	[•]	[•]	[•]	[•]
<b>Total</b>				<b>[•]</b>			<b>[•]</b>

The Equity Shares that are being locked-in are not ineligible for computation of Promoter's contribution under Regulation 33 of the ICDR Regulations. In this connection, we confirm the following:

- The Equity Shares offered for minimum 20% Promoters' contribution are not acquired (during the preceding three years) for consideration other than cash and revaluation of assets or capitalization of intangible assets or bonus shares out of revaluations reserves or reserves without accrual of cash resources or against shares which are otherwise

- ineligible for computation of Promoters' contribution;
- ii. The minimum Promoters' contribution does not consist of Equity Shares acquired during the preceding one year, at a price lower than the price at which Equity Shares are being offered to the public in the Issue;
  - iii. The Equity Shares held by the Promoters and offered for minimum 20% Promoters' contribution are not subject to any pledge.
  - iv. The minimum Promoters' contribution does not consist of any private placement made by solicitation of subscriptions from unrelated persons either directly or through any intermediary; and
  - v. The minimum Promoters' contribution does not consist of Equity Shares for which specific written consent has not been obtained from the respective shareholders for inclusion of their subscription in the minimum Promoters' contribution subject to lock-in.
  - vi. The Promoters' Contribution has been brought in to the extent of not less than the specified minimum lot and from the persons defined as "Promoters" under the ICDR Regulations, 2009.
  - vii. The Equity Shares forming a part of promoter's contribution have not been issued to our Promoters on conversion of a partnership firm into a limited company.

The Promoter's have by a written undertaking consented to have such number of Equity Shares, held by them to be considered as promoter's contribution and locked-in, which should constitute 20% of the post issue Equity Shares capital of the Company for a period of three years from the date of Allotment ("**Promoter's Contribution**"). The number of such Equity Shares will be calculated post Allotment pursuant to the Issue and locked in accordingly.

The Promoters have given an undertaking to the effect that they shall not sell/transfer/dispose of in any manner, Equity Shares forming part of the minimum Promoters' contribution from the date of filing the Draft Red Herring Prospectus till the date of commencement of lock-in in accordance with ICDR Regulations, 2009.

## **5. Details of share capital locked in for one year:**

In addition to the lock-in of the Promoter's contribution specified above, the entire pre-Issue Equity Share capital, of the Company shall be locked in for a period of one year from the date of Allotment of Equity Shares in this Issue. Further, Equity Shares allotted to Anchor Investors, in the Anchor Investor Portion shall be locked-in for a period of 30 days from the date of Allotment of Equity Shares in the Issue.

## **6. Other requirements in respect of lock-in.**

Equity Shares held by promoters and locked-in may be pledged with any scheduled commercial bank or public financial institution as collateral security for loan granted by such bank or institution, subject to the following:

- (a) if the specified securities are locked-in for 3 years in terms of clause (a) of regulation 36 of SEBI (ICDR) Regulations, 2009, the loan has been granted by such bank or institution for the purpose of financing one or more of the objects of the issue and pledge of specified securities is one of the terms of sanction of the loan;

- (b) if the specified securities are locked-in for one year in terms of clause (b) of regulation 36 of SEBI (ICDR) Regulations, 2009 and the pledge of specified securities is one of the terms of sanction of the loan.

Further, the Equity Shares held by shareholders other than our Promoters may be transferred to any other person holding shares which are locked-in, 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.

The Equity Shares held by the Promoters may be transferred to and among the Promoters or the Promoter Group or to a new promoter or persons in control of the Company 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.

7. The Equity Shares which are subject to lock-in shall carry the inscription 'non-transferable' and the non-transferability details shall be informed to the depositories. The details of lock-in shall also be provided to the Stock Exchanges, where the shares are to be listed, before the listing of the securities.
8. Our Promoter and members of our promoter group will not participate in this Issue.
9. The Equity Shares held by the Promoters are not subject to any pledge.
10. **Shareholding pattern of our Company before and after the Issue is as follows:**

The table below presents our shareholding pattern before the proposed Issue and as adjusted for the Issue.

Shareholder Category	Equity Shares owned before the Issue		Equity Shares owned after the Issue	
	No. of shares	%	No. of shares	%
<b>Promoters (A)</b>				
Mr. D. Ravi Kumar	1,23,02,800	61.51	1,23,02,800	[●]
<b>Sub-total (A)</b>	<b>1,23,02,800</b>	<b>61.51</b>	<b>1,23,02,800</b>	<b>[●]</b>
<b>Promoter Group (B)</b>				
Mrs. Malini Reddy	2885000	14.43	2885000	[●]
Mr. T. Ram Mohan Reddy	360000	1.80	360000	[●]
Mr. K. Doraiswamy	3,60,000	1.80	3,60,000	[●]
Ms. D. Premela	360000	1.80	360000	[●]
Ms. T. Sujatha	367200	1.84	367200	[●]
Dr. T. Mohan Reddy	360000	1.80	360000	[●]
D. Ravi Kumar HUF	1,50,000	0.75	1,50,000	[●]
<b>Sub Total (B)</b>	<b>48,42,200</b>	<b>24.21</b>	<b>48,42,200</b>	<b>[●]</b>
<b>Total A+B</b>	<b>1,71,45,000</b>	<b>85.72%</b>	<b>1,71,45,000</b>	<b>[●]</b>
<b>Others (C)</b>				
Corporate Bodies	16,00,000	8.00	16,00,000	[●]
Individuals	12,55,000	6.28	12,55,000	[●]
<b>Sub Total (C)</b>	<b>28,55,000</b>	<b>14.28</b>	<b>28,55,000</b>	<b>[●]</b>
<b>Public (D)</b>	<b>Nil</b>	<b>Nil</b>	<b>[●]</b>	<b>[●]</b>
<b>Total share capital (A+B+C + D)</b>	<b>2,00,00,000</b>	<b>100.00</b>	<b>[●]</b>	<b>[●]</b>

**11. The list of the top ten shareholders of our Company and the number of Equity Shares held by them is as follows:**

- a) Our shareholders and the number of Equity Shares of Rs.10 each held by them as of the date of filing this Draft Red Herring Prospectus with SEBI are as follows:

Sr. No.	Name of the Shareholder	No. of Equity Shares	Percentage Shareholding (%)
1	Mr. D. Ravi Kumar	1,23,02,800	61.51
2	Mrs. Malini Reddy	28,85,000	14.43
3	Aarm Finser India Limited	10,00,000	5.00
4	Equastone Properties Private Limited	6,00,000	3.00
5	Mr. T. Ram Mohan Reddy	3,60,000	1.80
6	Mr. K. Doraiswamy	3,60,000	1.80
7	Ms. D. Premela	3,60,000	1.80
8	Ms. T. Sujatha	3,67,200	1.84
9	Dr. T. Mohan Reddy	3,60,000	1.80
10	D. Ravi Kumar – HUF	1,50,000	0.75
	<b>Total</b>	<b>1,87,45,000</b>	<b>92.67</b>

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

Sr. No.	Name of the Shareholder	No. of Equity Shares	Percentage Shareholding (%)
1	Mr. D. Ravi Kumar	1,23,02,800	61.51
2	Mrs. Malini Reddy	28,85,000	14.42
3	Aarm Finser India Limited	10,00,000	5.00
4	Equastone Properties Private Limited	6,00,000	3.00
5	Mr. T. Ram Mohan Reddy	3,60,000	1.80
6	Mr. K. Doraiswamy	3,60,000	1.80
7	Ms. D. Premela	3,60,000	1.80
8	Ms. T. Sujatha	3,67,200	1.84
9	Dr. T. Mohan Reddy	3,60,000	1.80
10	D. Ravi Kumar – HUF	1,50,000	0.75
	<b>Total</b>	<b>1,87,45,000</b>	<b>92.67</b>

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

Sr. No.	Name of the Shareholder	No. of Equity Shares	Percentage Shareholding (%)
1	Mr. D. Ravi Kumar	36,98,000	73.96
2	Mrs. Malini Reddy	8,00,000	16.00
3	Mr. T. Ram Mohan Reddy	1,00,000	2.00
4	Mr. K. Doraiswamy	1,00,000	2.00

5	Ms. D. Premela	1,00,000	2.00
6	Ms. T Sujatha	1,02,000	2.04
7	Dr. T. Mohan Reddy	1,00,000	2.00
	<b>Total</b>	<b>50,00,000</b>	<b>100.00</b>

12. Our Company, our Directors, our Promoter and the BRLM have not entered into any buy-back and/or standby or similar arrangements for the purchase of Equity Shares of our Company from any person.

13. The Company has issued Equity Shares to the following persons in the year preceding the date on which this Draft Red Herring Prospectus, which may be at a price lower than the Issue price:

Sr. No.	Name of the Shareholder	Date of Issue	Whether Belongs to Promoter Group	Number of Equity Shares	Issue Price (Rs.)	Reasons for Issue
1	Mr. D. Ravi Kumar	November 16, 2009	Yes	70,000	100	Preferential Allotment
2	Mrs. Malini Reddy	November 16, 2009	Yes	5000	100	Preferential Allotment
3	Aarm Finser India Limited	November 16, 2009	No	10,00,000	100	Preferential Allotment
4	Equastone Properties Private Limited	November 16, 2009	No	6,00,000	100	Preferential Allotment
5	D. Ravi Kumar- HUF	November 16, 2009	Yes	1,50,000	100	Preferential Allotment
6.	Mr. Arun Kumar Raju Gowda	November 16, 2009	No	40,000	100	Preferential Allotment
7.	Mr. Eregowda S.	November 16, 2009	No	40,000	100	Preferential Allotment
8.	Mr. Sridhar Reddy	November 16, 2009	No	26,000	100	Preferential Allotment
9.	Mr. R. Ponni	November 16, 2009	No	26,000	100	Preferential Allotment
10 .	Mr. Jagdeshwari R. Reddy	November 16, 2009	No	22,000	100	Preferential Allotment
11 .	Mr. Varun Ramakrishna Reddy	November 16, 2009	No	21,000	100	Preferential Allotment
	<b>Total</b>			<b>20,00,000</b>		

The price at which these shares are allotted is not indicative of the price at which shares will be issued in this Issue.

14. In case of oversubscription in all categories, not more than 50% of the Issue shall be allocated to QIBs on a proportionate basis. Provided that our Company may allocate up to 30% of the QIB Portion, to Anchor Investors, on a discretionary basis ("Anchor Investor Portion"). For details, see "Issue Procedure" on page 221. Further, 5% of the QIB Portion (excluding Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only. 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 to Retail Individual Bidders, subject to valid Bids being received from them at or above the Price.

15. Under-subscription, if any, of the categories would be allowed to be met with spill over from any other category at the discretion of the Company and the BRLM.
16. Our Promoters, Directors, and the promoter Group Entities have not purchased or sold any Equity Shares during a period of six months proceeding the date on which this Draft Red Herring Prospectus has been filed with SEBI.
17. None of our Promoters, persons forming part of Promoter Group, Directors or the relatives thereof have financed the purchase of the Equity Shares of our Company by any other person or entity during the period of six months immediately preceding the date of filing the Draft Red Herring Prospectus with SEBI.
18. Other than as stated in the section entitled "Our Management" and "Capital Structure" on page 116 and 45 respectively, none of our Directors or Key Managerial Personnel hold any Equity Shares in our Company.
19. As on the date of filing the DRHP there are no outstanding warrants, options or rights to convert debentures, loans or other instruments which are convertible into Equity Shares.
20. A Bidder 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 Bidder.
21. We have not raised any bridge loan against the proceeds of the Issue.
22. An over-subscription to the extent of 10% of the net offer to public can be retained for the purpose of rounding off to the nearest integer during finalizing the allotment, subject to minimum allotment being equal to [●] Equity Shares, which is the minimum bid lot in this Issue.  
  
Consequently, the actual allotment may go up by a maximum of 10% of the Net Issue to Public, as a result of which, the post-issue paid up capital after the Issue would also increase by the excess amount of allotment so made. In such an event, the Equity Shares held by the Promoter and subject to lock- in shall be suitably increased; so as to ensure that 20% of the Post Issue paid-up capital is locked in.
23. Since the entire money of Rs. [●] per share (Rs. 10 face value + Rs. [●] premium) is being called on application, all the successful applicants will be issued fully paid-up Equity Shares only.
24. Other than the Pre-IPO placement, we presently do not have any proposal or intention to alter our capital structure by way of split or consolidation of the denomination of Equity Shares or issue of specified securities on a preferential basis or issue of bonus or rights or further public issue of Equity Shares or Qualified Institutions Placement within a period of six months from the date of opening of this Issue, However, if we go in for acquisitions or joint ventures, we may consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.
25. There would 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 the Draft Red Herring Prospectus with SEBI until the Equity Shares issued through the Prospectus are listed or application moneys refunded on account of failure of Issue.
26. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.

- 27.** Our Company or our Promoters shall not make any payments direct or indirect, discounts, commission allowances or otherwise under this Issue to the persons who receive allotments, if any, in this Issue.
- 28.** We have not granted any options or issued any shares under any employee stock option or employees stock purchase scheme and we do not intend to allot any Equity Shares to our Employees under ESOS/ESOP scheme from proposed issue.
- 29.** As per RBI regulations OCBs are not allowed to participate in this Issue.
- 30.** The Equity Shares are fully paid up and there are no partly paid up Equity Shares as on the date of filing of this Draft Red Herring Prospectus.
- 31.** There are certain restrictive covenants in the agreements that we have entered into with our lenders. These restrictive covenants require us to seek the prior permission of the said banks / NBFCs for various activities, including amongst others, entering into any scheme of expansion, taking any new activity, invest or lend money except in the normal course of business, confining our Company's entire banking with the lender, investing by way of share capital, change in the management, change in capital structure etc. In this regards, our Company has received for this Issue from our lenders.
- 32.** As on the date of filing of the Draft Red Herring Prospectus our Company has 101 members.
- 33.** The BRLM does not hold any Equity Shares of our Company.

## SECTION V - OBJECTS OF THE ISSUE

The objects of the Issue are:

1. To finance the funds required for our potential acquisitions
2. To set up a Software Development Centre cum Corporate Office at Hosur Road, Bangalore
3. Expansion & Establishment of overseas offices
4. Part Repayment of Term Loans
5. Additional Long Term Working Capital requirements
6. General Corporate Purposes
7. Meeting public Issue expenses

The other Objects of the Issue also include creating a public trading market for the Equity Shares of our Company by listing them on BSE and NSE. We believe that the listing of our Equity Shares will enhance our visibility and brand name and enable us to avail of future growth opportunities.

The main object clause of Memorandum of Association of our Company enables us to undertake the existing activities and the activities for which the funds are being raised by us through the present Issue. Further, we confirm that the activities which we have been carrying out till date are in accordance with the object clause of our Memorandum of Association.

### Cost of Project & Means of Finance

The Cost of Project and Means of Finance as estimated by our management are given below:

#### Cost of Project

(Rs. in Lacs)

Sr. No.	Particulars	Amount
A.	Proposed Acquisitions	5500.00
B.	Setting up of Software Development Centre and Corporate Office	2618.67
C.	Expansion & Establishment of overseas offices	1944.96
D.	Part Repayment of Term Loans	2500.00
E.	Additional Long Term Working Capital requirements	2500.00
F.	Public Issue Expenses	1500.00
G.	General Corporate Purposes	436.37
<b>Total</b>		<b>17000.00</b>

#### Means of Finance

(Rs. in Lacs)

Sr. No.	Particulars	Amount
A.	Proceeds from Initial Public Offer	17000.00
<b>Total</b>		<b>17000.00</b>

The entire requirements of the objects detailed above are intended to be funded from the Issue Proceeds. Accordingly, we confirm that there is no requirement for us to make firm arrangements of finance through verifiable means towards at least 75% of the stated means of finance, excluding the amount to be raised through the Issue.

In case the IPO does not go as planned, our Company will make alternative arrangements like availing of fresh loans from bank(s) and/or utilizing internal accruals. In case of excess funds



remaining after deployment as per the Objects of the Issue, the same will be utilized for General Corporate Purposes, as detailed on page 67 of this Draft Red Herring Prospectus.

The fund requirement and deployment are based on internal management estimates and quotations received from the third parties, and have not been appraised by any bank or financial institution or any independent organization. Our plans are subject to a number of variables, including possible cost overruns; receipt of critical governmental approvals; and changes in management's views of the desirability of current plans, among others.

In case of any variations in the actual utilization of funds earmarked for the above activities, increased fund deployment for a particular activity may be financed by surplus funds, if any available in any other project for which funds are being raised in the Issue. If surplus funds are unavailable, the required financing will be through internal accruals, and/ or the term loans/working capital loans that may be availed from the Banks/ Financial Institutions, as required.

### **Brief Details about the Project**

#### **(A) Proposed Acquisitions**

Our Company intends to raise funds for proposed Acquisitions. It is a key component of our strategy to grow through acquisitions and strategic partnerships. The acquisition will be by way of acquiring the equity of the target or in any other manner as may be deemed feasible. These initiatives will be governed by medium to long term goals and other business objectives. Accordingly, we intend to earmark and use a substantial part of the Issue proceeds for strategic investments and acquisitions.

With the global meltdown precipitated by the US sub-prime, we believe valuations across the globe have taken a hit post January 2008, and thus is a favorable situation for companies like ours, which may be able to get a better foothold in US at relatively cheap valuations. While we would always strive to get the best possible deal at the lowest valuations, we cannot assure that this situation shall prevail over the next 12 months, which is the timeframe we are looking at for closing the acquisition.

Going forward, we believe that strategic investments and acquisitions may act as an enabler to growing business and consolidate our position in the software industry and establish ourselves as an IT & ITES solutions provider in India and the US. While this would be a component of our strategy, presently we do not have any legally binding commitments to enter into any such arrangements.

The business we are currently in is highly competitive and very dynamic. The technology advancements are almost a daily feature across the globe. The key to this dynamism is innovation in software and a major part of the software innovation is commonly initiated by the end users, rather than due to software innovation. In such a situation, the investment in the next generation of technology or framework begins when the previous technology solution is at its peak. We are confident that we can build these capabilities in an inorganic way by acquiring Companies / Businesses / Products, rather than in an organically slow and steady manner.

We intend to acquire Companies/Businesses/products which have the synergy and are complimentary to our technology domain. Primarily, we would target acquisition of companies /Businesses/products in the Enterprise solutions and Healthcare segment providing niche technology expertise to worldwide businesses. We aim to expand our geography by synergizing with such global entities and further enhance our position as a player, enhance our capabilities and address gaps in the industry. Any specific acquisition opportunity will be considered based on actual value estimates at that time.

Following are the major benefits we intend to derive from the acquisitions:

**1. Endeavor to be a complete solutions provider:**

Currently we cater to different verticals and our products and services undergo evolution as per the customers' requirements from time to time. In our effort we have received queries from our existing clients as well as new customers to provide certain services or extension/modification of certain products and services, which we do not provide currently.

In this endeavor, we are targeting to acquire companies which shall match with our products and services and help us reach the next level in the value chain. There are always certain missing links, which the customers demand, and having identified those, we plan to target companies, which would fit into that role.

**2. New technologies**

Our proposed acquisition shall help us to be conversant with technologies that our employees have not worked on or are not very conversant with. This in turn shall help our existing team members to service our clients in a more efficient and effective manner, with updated knowledge of new technologies/products/services.

**3. Localized knowledge of employees of the target company**

Our proposed acquisition shall also help us to have a more localized knowledge about the requirements of the clients. This shall reduce the time for our team to get acclimatized to that particular geographical location.

**4. Enhancing our geographical reach**

Currently our Company is operating primarily in India and Middle East. One of our strategies is to expand our business reach to countries and regions where we do not have presence. In this context, we may possibly look to acquire a company which has a geographical presence, which is diverse from our current presence.

**5. Sizeable presence to support our existing clients and addition of new clients**

The proposed acquisition shall also help us with critical mass for taking our business operations to a next level. The proposed acquisition shall help us scale up the employee headcount and reduce our risk of being dependant on only a few key employees. Other obvious benefit includes addition of the target company's client list, where we can effectively leverage our relationship and offer our existing products to them without incurring the overheads usually required to service a first-instance client

As of the date of this Draft Red Herring Prospectus, we have not entered in to any letter of intent or definitive commitment for such acquisition/investment for which the funds are being raised. However, we would follow the below mentioned acquisition strategy for inorganic growth and the same would be consistently followed under the supervision of the Board of Directors. The broad practices which we intend to follow for potential acquisition are as under:

- (a) Identifying the target company
- (b) Entering into a Non-Disclosure Agreement with the Target Company
- (c) A preliminary analysis: Our Company goes through the information pertaining to the Target company, which is confidential and it includes its financials and information about its clientele

(d) Broader terms of valuation are agreed upon subject to due-diligence. On the basis of this our Company enters into a Memorandum of Understanding (MOU) with the target Company and then starts the formal due-diligence, which may need hiring specialists and outside agency

(e) On satisfactory conclusion of due diligence our company enters into definitive 'purchase agreement' with the target company and the legal formalities are complied.

Based on the above considerations, there are acquisition opportunities available where we can acquire a controlling/majority stake for Rs. 5,500 Lacs. Our Company would follow the above modalities for any acquisitions out of the Issue Proceeds and have envisaged a requirement of upto Rs. 5,500 Lacs for the proposed acquisitions. The proceeds of the Issue allocated towards acquisitions may not be the total value of the acquisition, but may provide us with leverage to enter into binding agreements.

### **(B) Setting up of Software Development Centre cum Corporate Office**

With increasing opportunities for companies like ours, whose current business revenues are largely generated in the US, it is imperative for us to maintain a cost advantage over the bigger players in this sector. In this effort, our Company intends to set up a Software Development Centre cum Corporate Office in Bangalore. The proposed facility, located in the vicinity of Electronics City, Bangalore, is to be developed on a plot of land bearing Industrial Plot bearing No. 255/B in Bommasandra Industrial Area, Survey No. 237 and 239 of Bommasandra Village, Attibele Hobli, Anekal Taluka, Bangalore District, Near Hosur Road and admeasuring 5902 sq.mts ("**the said property**") which is owned by us.

The proposed facility shall be a Ground+4 storied structure, and shall serve as an additional software development facility and also our Corporate Office. Our Company proposes to initially set up a 200-seater centre. The proposed facility shall house our teams for software development, technical support etc. The total cost for setting up the new Software Development Centre cum Corporate Office from the Net Proceeds is as set forth below:

<b>Sr. No.</b>	<b>Particulars</b>	<b>Rs. Lacs</b>
1.	Land development, Building, civil and electrical works, interiors, and office furniture and fixtures	2108.33
2.	Office Equipment – Hardware	159.00
3.	Office Equipment – Software	351.34
<b>Total</b>		<b>2618.67</b>

#### **B.1. Land Development, Building and other related works**

Our Company already owns a plot of land admeasuring 5,902 sq.mts at Plot No. 255B, KIADB Layout, Hosur Road, NH.7, Bangalore, and proposes to construct a building for its new software development facility and Corporate Office. The said property was purchased from Shri. I.M Agadoorapa by and under a Sale Deed dated December 6, 2007. The said property is mortgaged to Axis Bank Limited as security for various facilities availed by our Company. For further details, please see "Financial Information- Secured Loans.

At present, the property has a total built-up (permissible) area of 1,85,256 square feet. For the purpose of setting-up of the software development centre-cum-corporate office, we intend to construct on 74,203 square feet of built-up area. Our Company has a mutual understanding with the Vendor of the said property wherein our Company has agreed to lease a portion of the total built-up area to be constructed thereon to the vendor. Out of the balance area available for construction (not forming part of the objects of this Issue), our Company will lease portion of the built-up area as and when constructed thereon to the vendor in accordance with the understanding.

The estimated cost is for the entire building is described as under:

Details	Unit	Qty	Rate per unit (Rs.)	Amount (Rs. Lacs)
<b>A) Substructure</b>				
Excavation	Cft	149,823.00	8.00	11.99
Backfilling with available earth	Cft	4,322.00	2.00	0.09
Backfilling with earth bought from outside	Cft	5,666.00	9.50	0.54
Portland Cement Concrete (1:4:8)	Cft	4,864.00	95.00	4.62
Masonry Works for Sump	Cft	984.00	70.00	0.69
Reinforced Cement Concrete	Cft	17,761.14	190.00	33.75
Finishing Plaster	Sft	264.00	25.00	0.07
<b>Sub-Total (A)</b>				<b>51.73</b>
<b>B) Basement Floor</b>				
Portland Cement Concrete (1:4:8)	Cft	6,812.50	90.00	6.13
RCC (1:2:4) for Retaining wall, Lift Shaft, Column, Beam, Roof, Shear Wall-Lift & Stairs, Ramp & Stairs	Cft	10,012.70	190.00	19.02
	Cft	9,932.70	175.00	17.38
Finishes				
- Plastering	Sft	20,728.00	20.00	3.82
- Flooring	Rft	10,800.00	40.00	4.32
- Painting	Sft	21,260.00	12.00	2.55
- Doors	Sft	228.00	850.00	1.94
<b>Sub-Total (B)</b>				<b>55.17</b>
<b>C) Ground Floor</b>				
RCC (1:2:4) for Column, Beam, Roof, Stairs, Lintels, Shear wall of Lift & Stairs	Cft	12,056.31	175-190	20.64
CB Masonary	Sft	1,187.00	70.00	0.83
Finishing	Sft	24,412.00	18-20	4.50
Flooring for Main Hall, Stairs, Skirting	Sft/Rft	9,950.60	180.00	17.91
Ceramic Glazed tiles for Toilets & Kitchenette		1,512.00	145.00	2.19
Ceramic Glazed tiles for Toilets & Kitchenette (Non Skid)		3,260.00	155.00	5.05
Painting	Sft	24,412.00	12.00	2.93
Doors				
- Revolving Door around the Main entrance	Sft	76.00	35,000.00	26.60
- Other Doors	Sft	340.00	600-850	2.68
Curtain Walls	Sft	5,720.00	1,600.00	91.52
Toilet cubicles	Nos	6.00	30,000.00	1.80
Urinals	Nos	3.00	5,000.00	0.15
<b>Sub-Total (C)</b>				<b>176.81</b>
<b>D) First Floor</b>				
RCC (1:2:4) for Column, Beam, Roof, Stairs, Lintels, Shear wall of Lift & Stairs	Cft	12,056.31	165-190	20.64
CB Masonary	Sft	1,187.00	70.00	0.83

Finishing	Sft	24,412.00	18-20	4.50
Flooring for Main Hall, Stairs, Skirting	Sft/Rft	9,950.60	180.00	17.91
Ceramic Glazed tiles for Toilets & Kitchenette		1,512.00	145.00	2.19
Ceramic Glazed tiles for Toilets & Kitchenette (Non Skid)		3,260.00	155.00	5.05
Painting	Sft	24,412.00	12.00	2.93
Doors	Sft	340.00	600-850	2.68
Curtain Walls	Sft	5,720.00	1,600.00	91.52
Toilet cubicles	Nos	6.00	30,000.00	1.80
Urinals	Nos	3.00	5,000.00	0.15
<b>Sub-Total (D)</b>				<b>150.21</b>

#### **E) Second Floor**

RCC (1:2:4) for Column, Beam, Roof, Stairs, Lintels, Shear wall of Lift & Stairs	Cft	17,230.56	175-190	31.21
Masonry works	Sft	1,208.00	70.00	0.85
Finishing	Sft	30,406.00	18-20	5.59
Granite Flooring for Main Hall, Stairs, Skirting	Sft/Rft	16,137.40	180.00	29.05
Ceramic Glazed tiles for Toilets & Kitchenette		1,512.00	145.00	2.19
Ceramic Glazed tiles for Toilets & Kitchenette (Non Skid)		3,260.00	155.00	5.05
Painting	Sft	30,406.00	12.00	3.65
Doors	Sft	315.50	600-850	2.50
Curtain Walls Glazed with Spider Glazing	Sft	5,830.00	1,600.00	93.28
Toilet cubicles	Nos	6.00	30,000.00	1.80
Urinals	Nos	3.00	5,000.00	0.15
<b>Sub-Total (E)</b>				<b>175.32</b>

#### **F) Third Floor**

RCC (1:2:4) for Column, Beam, Roof, Stairs, Lintels, Shear wall of Lift & Stairs	Cft	13,068.66	175-190	23.64
Masonry works	Sft	1,187.00	70.00	0.83
Finishing	Sft	26,249.00	18-20	4.84
Granite Flooring for Main Hall, Stairs, Skirting	Sft/Rft	11,747.40	180.00	21.15
Ceramic Glazed tiles for Toilets & Kitchenette		1,512.00	145.00	2.19
Ceramic Glazed tiles for Toilets & Kitchenette (Non Skid)		3,260.00	155.00	5.05
Painting	Sft	26,249.00	12.00	3.15
Doors	Sft	741.00	600-850	6.14
Curtain Walls Glazed with Spider Glazing	Sft	5,830.00	1,600.00	93.28
Toilet cubicles	Nos	6.00	30,000.00	1.80
Urinals	Nos	3.00	5,000.00	0.15
<b>Sub-Total (F)</b>				<b>162.23</b>

#### **G) Fourth Floor ... (similar to third floor)**

**162.23**

#### **H) Terrace Floor**

RCC (1:2:4) for Roof, Stairs, Lintels, Shear wall of Lift & Stairs	Cft	1,854.98	175-190	3.30
Masonry works	Sft	1,187.00	70.00	0.83
Finishing	Sft	7,191.00	18-20	1.34
Granite Flooring for Hall, Stairs, Skirting	Sft/Rft	6,208.40	180.00	11.18
Ceramic Glazed tiles for Toilets & Kitchenette		1,512.00	145.00	2.19
Ceramic Glazed tiles for Toilets & Kitchenette (Non Skid)		3,260.00	155.00	5.05
Painting	Sft	7,191.00	12.00	0.86
Doors	Sft	681.00	600-850	5.63
Curtain Walls Glazed with Spider Glazing for facia	Sft	1,590.00	1,600.00	25.44
Toilet cubicles	Nos	6.00	30,000.00	1.80
Urinals	Nos	3.00	5,000.00	0.15
<b>Sub-Total (H)</b>				<b>57.77</b>
<b>Other Miscellaneous (I)</b>				
a) Stone Cladding	Sft	1,288.00	150.00	1.93
b) Steel Roofing	Sft	4,755.00	450.00	21.40
c) S.S. Railing	Sft	390.00	3,500.00	13.65
d) Water proofing	Sft	6,849.00	80.00	5.48
e) Landscaping for roof garden & Gr. Flr	Sft	14,254.00	450.00	64.14
f) Site Development for Gr. Flr	Sft	40500.00	120.00	48.60
g) Structural Steel	MT	394.80	52,000.00	205.30
<b>Total Miscellaneous (I)</b>				<b>360.50</b>
<b>Mechanical Systems (J)</b>				
a) Plumbing & Sanitary works				108.16
b) Air conditioning system				94.64
c) Fire fighting system	Lumpsum			67.60
d) Irrigation & Conveying system				67.60
<b>Sub-Total (J)</b>				<b>337.99</b>
<b>Electrical &amp; Security Systems (K)</b>				
a) Lighting system				40.56
b) Power				10.14
c) Telephone & Networking'	Lumpsum			57.46
d) UPS, Fire-alarm, Generator & Security System				162.23
<b>Sub-Total (K)</b>				<b>270.39</b>
<b>Direct cost for building</b>				<b>1,960.33</b>
<b>Other Indirect costs (L)</b>				
Consultancy & Office cubicles, chairs etc @ 4% of the above				78.41
Sanctioning & Approvals @ 1.55%				30.39
Contingencies & Misc expenses @ 2%				39.21
<b>Sub-Total</b>				<b>148.00</b>

<b>Total Building costs (A...L)</b>	<b>2,108.33</b>
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The above estimates are based on quotation provided by Universal Consultancy Services - India, Bangalore, Architects & Interior Designers, vide their letter dated March 5, 2010.

**B.2. Details of Office Equipment – Hardware, including computers and servers, for which quotations have been received, but orders not placed are as under:**

Description, Make/Model	Qty.	Pricing/unit	Amount (Rs. Lacs)
HP ProLiant ML370 G6 Server series, Intel® Xeon® E5540 (4 core, 2.53 GHz, 8MB L3, 80W) 6GB DDR3 Ram 1TB Hard Disk, 1GbE NC375i Multifunction 4 Ports, Warranty 3/3/3	2	180,000	3.60
Backup Storage, Model : OPSLAG NAS 438TR, Tyrone NAS	1	250,000	2.50
HP Pavilion Elite M9700 Desktop, 17" monitor, 1.44 Floppy disk, 640GB HDD, optical mouse, multimedia keyboard, 4GB Ram	212	54,500	115.54
D-LINK WEB SMART 48-PORT GIGABIT SWITCH 5-PORT 10/100/1000 GIGABIT SWITCH	5	26,700	1.34
HP Laserjet P1007 Printer	2	7,000	0.14
HP LaserJet M5025 Multifunction Printer	2	200,000	4.00
HP Scanjet 5590 Digital Flatbed Scanner	1	13,500	0.14
Microsoft LifeCam VX-6000	10	4,000	0.40
FortiGate-310B , Fortinet FortiGate-310B 8x5 Enhanced Bundle, 1 Year	4	400,000	16.00
Polycom Voice Station®	1	75,000	0.75
Cisco ADSL Wireless Security Router 802.11G-Annex M	2	25,000	0.50
Sony VAIO™ Laptop-X Series, Intel® Atom™ Processor Z550 2 GHz, Windows® 7 Professional (32-bit), 11.1 (28.2 cm) wide (WXGA: 1366 x 768); VAIO Display, 2GB RAM, Flash Memory 128 GB*4 (Serial ATA)	5	82,000	4.10
HP Scanjet N9120 Focument Floated Scanner	1	150,000	1.50
Xerox Work Centre 4250 Monochrome	1	110,000	1.10
Sony Business Projector	1	290,000	2.90
Polycom HDX 4001 - video conferencing device	1	450,000	4.50
<b>Total</b>			<b>159.00</b>

**B.3. Details of Office Equipment – Software, for which quotations have been received, but orders not placed are as under:**

Description, Make/Model	Qty	Pricing/unit	Amount (Rs. Lacs)
Windows Server Std 2003 English OLP NL with client license (350)	1	1,240,000	12.40
Microsoft Windows 7	200	8,900	17.80
Mediarich Server SOL 9/10 Stage Solaris 9/10 Staging License	80	10,200	8.16
Microsoft Office Std 2007 SNGL OLP NL	75	15,300	11.48
Norton Internet Security Antivirus 10 user pack	30	22,500	6.75
Microsoft Exchange Server 2007 Enterprise Edition and CAL license	2	150,000	3.00
AutoCAD – 2010 Commercial , Standalone	50	150,000	75.00
AutoCAD - LT2010 Commercial , Standalone Version, ( 2D	50	43,000	21.50

Drafting Package )

Microsoft Office Groove Server 2007	10	20,000	2.00
Microsoft Visual SourceSafe	65	75,000	48.75
Microsoft names SQL Server	60	40,000	24.00
Microsoft Visual Studio 2005	35	42,000	14.70
Microsoft Dynamics Navision	60	142,000	85.20
Microsoft Office SharePoint Server 2007 and CAL License	1	2,060,000	20.60
<b>Total</b>			<b>351.34</b>

The estimates for the above Hardware and Software equipments are based on the quotation dated December 21, 2009 provided by M/s. System Tech, Bangalore.

We confirm that none of the above equipments are second hand in nature.

**Note:** The actual suppliers of above-mentioned equipment may differ while negotiating the prices for the respective equipment. Further, the specification of equipment may also differ considering the conditions prevailing at the time of placing the orders.

**(C) Expansion & Establishment of offices**

We intend to establish 8 more offices in USA, UK, Middle East and in Singapore to supplement our existing set-up and explore business opportunities in other regions, as part of our growth strategy. The total cost estimated for setting up of these offices is Rs. 1,944.96 Lacs which is based on management estimates.

Depending on factors such as availability, location and price, we intend to acquire properties on lease/rental basis. The estimated cost for establishment of the offices primarily comprises advance rent and deposit for lease/license arrangements, expenditures on furniture and fixtures, installation of computers, connectivity and other office equipment. However, the rents and deposits for lease/license arrangements and expenses towards furnishing may vary slightly based on location, size and other local factors.

We intend to set-up offices at the following locations:

**USA**

- (a) Dallas – The office will serve as our US Head Office and also a near-shore support centre for the US clients
- (b) Houston – The office is intended to be used as a marketing and business development office
- (c) San Francisco - We intend to have our presence on the west coast through our office in San Francisco, which will be used for marketing and business development
- (d) Tampa – The proposed office will be used as a customer support office for our Healthcare practice.
- (e) New Jersey – will be used as a customer support office for our Healthcare and energy practice.

**United Kingdom**

- (f) London – Shall be primarily used as a business development and marketing office to cater to UK and Western European markets

**United Arab Emirates**

- (g) Dubai – It is intended that this office shall serve as a Sales office as well as a near-shore centre



- (h) **Singapore** – Shall be used as a sales and business development office to cater to the South East Asian Markets.

A break-up of the estimates costs are detailed hereunder:

<b>City</b>	<b>Dallas</b>	<b>Houston</b>	<b>San Francisco</b>	<b>Tampa</b>	<b>New Jersey</b>	<b>London</b>	<b>Dubai</b>	<b>Singapore</b>
	(USD)	(USD)	(USD)	(USD)	(USD)	(USD)	(AED)	(SGD)
<b><u>One Time expenses</u></b>								
1) Incorporation expenses								
- Registration expenses	3,000	3,000	3,000	3,000	3,000	3,000	18,000	3,000
- Audit, Tax consultancy & other statutory fees	9,000	9,000	9,000	9,000	9,000	9,000	5,000	10,000
2) Workstations & Laptops								
- Workstations	12,000	5,000	5,000	5,000	5,000	8,000	40,000	7,000
- Laptops	2,500	2,500	2,500	2,500	2,500	6,250	22,500	4,000
<b>Total one-time costs</b>	<b>26,500</b>	<b>19,500</b>	<b>19,500</b>	<b>19,500</b>	<b>19,500</b>	<b>26,250</b>	<b>85,500</b>	<b>24,000</b>
<b><u>Monthly Recurring Expenses</u></b>								
1) Salary								
- Vice President	16,500	-	-	-	-	-	-	-
- Regional Head	-	12,500	12,500	12,500	12,500	14,000	50,000	18,000
- Solutions & Business Head	37,500	30,000	30,000	30,000	30,000	44,000	84,000	42,000
- Support Staff	15,000	15,000	15,000	15,000	15,000	18,000	-	14,000
- Project Manager	12,000	-	-	-	-	-	-	-
- Project Head	10,000	-	-	-	-	-	-	-
- Programmers	60,000	-	-	-	-	54,000	200,000	-
2) Misc expenses								
Tel exp / Electrical / Housekeeping	6,000	1,000	1,000	1,000	1,000	1,000	7,000	2,000
3) Office Rent	1667	2000	3150	3440	1950	2025	11400	3750

<b>Total monthly recurring expenses</b>	<b>158,667</b>	<b>60,500</b>	<b>61,650</b>	<b>61,940</b>	<b>60,450</b>	<b>133,025</b>	<b>352,400</b>	<b>79,750</b>
Expenses for 6 months	952,002	363,000	369,900	371,640	362,700	798,150	2,114,400	478,500
<b>Total Expenses for 6 months</b>	<b>978,502</b>	<b>382,500</b>	<b>389,400</b>	<b>391,140</b>	<b>382,200</b>	<b>824,400</b>	<b>2,199,900</b>	<b>502,500</b>
<b>Total Amount (Rs. Lacs)</b>	<b>440.33</b>	<b>172.13</b>	<b>175.23</b>	<b>176.01</b>	<b>171.99</b>	<b>370.98</b>	<b>274.99</b>	<b>163.31</b>

Conversion Rate:

Rs. 12.50 per AED (United Arab Emirates Dirham)

Rs. 45.00 per USD (United States Dollar)

Rs. 32.50 per SGD (Singapore Dollar)

We have not entered into any definitive arrangements for establishing any of the above offices. Further, no second hand equipment / instruments are proposed to be purchased for the above offices.

#### (D) Part Repayment of Term Loans

Our Company has entered into financing arrangements with Axis Bank Limited, State Bank of Travancore and United Bank of India aggregating Rs. 5,830 Lacs. Our Company intends to utilize Rs. 2500 Lacs from the Issue proceeds for the part repayment of any of the following facilities availed in order to reduce the interest burden on the Company.

<b>Interest</b>	<b>Amount Sanctioned /drawn down</b>	<b>Loan amount outstanding as on March 01, 2010</b>	<b>Repayment Terms, and Pre-Payment penalty, if any</b>
<b>1. State Bank of Travancore</b>			
At SBTPLR [floating] presently 13% p.a.	1,000.00	400.00	42 Months inclusive of moratorium period of 6 months. Quarterly repayment of first 8 instalments @ Rs.75 Lacs each and last 4 instalments @ Rs.100 Lacs each  No prepayment penalty provided for
<b>2. Axis Bank Limited – Term Loan I</b>			
BPLR-2% i.e. 13% p.a. presently to be serviced at monthly rests.	1,330.00	759.11	To be repaid in 53 monthly instalments of Rs.24.63 Lacs each and 54th instalment of Rs.24.61 Lac  Prepayment penalty @ 1% on the outstanding amount of the

			loan.
<b>3. Axis Bank Limited – Term Loan II</b>			
Axis Bank PLR-2.25% Presently at 12.50% p.a. (floating) compounded at monthly rests	500.00	418.09	84 Equated monthly instalments of Rs. 8,96,100/- w.e.f. 20.05.2008  2% penal rate will be charged in case of takeover of loan by another financial institution / bank.
<b>4. Axis Bank Limited – Term Loan III</b>			
BPLR - 2% i.e (presently @ 13.25% p.a) on monthly rests.	1,000.00	726.63	In 36 monthly instalments of Rs. 27,77,778/- commencing from initial holiday of 9 months from the date of first disbursement  Prepayment of the loan will be accepted on terms and conditions to be decided by the Bank
<b>5. United Bank of India – Term Loan</b>			
(floating), presently 13.50% p.a with monthly rests at present	2,000.00	2,020.76	20 Quarterly instalments of Rs. 1 crore each starting from June 2010 to March 2015  Prepayment charges: 1% of the prepaid amount
<b>Total</b>	<b>5,830.00</b>	<b>4,324.59</b>	

Our Company may repay term loans aggregating to Rs. 2,500 Lacs to any combination of Banks, without any obligation to any particular Bank. Some of the company's financing arrangements contain provisions relating to pre payment penalties. On receipt of the Issue proceeds, we would initiate discussions with the above banks for reduction/waiver of the pre-payment penalty clause, and accordingly take decision in the best interests of our Company.

#### **(E) Additional Working Capital requirements**

We have existing banking relationships with sanctioned working capital limits as provided in the section 'Financial Information' on page 136 of this Draft Red Herring Prospectus. These limits and our internal accruals are adequate to meet our existing requirements. However, our Company will utilize a part of the proceeds of the Issue to fund additional future working capital requirements.

Considering the existing growth rate and the proposed expansion, the total working capital needs of our Company, as assessed based on the internal working of our Company is expected to reach Rs. 7,148.68 lacs by fiscal 2011 out of which we propose to fund Rs. 2,500 lacs through this Public Issue, details of which are mentioned hereunder:

Particulars	No. of Days	Working Capital Requirement FY 2009 (Actual)	No. of Days	Working Capital Requirement FY 2010 (Estimated)	No. of Days	Working Capital Requirement FY 2011 (Projected)
<b>Current Assets</b>						
Sundry Debtors	170.88	4,546.15	141.94	5,833.33	121.67	8333.33
Other Current Assets		847.22		2,200.00		3000.00
Inventories WIP		186.47		206.47		226.47
<b>Total Current Assets</b>		<b>5,579.84</b>		<b>8,239.80</b>		<b>11,559.80</b>
<b>Current Liabilities</b>						
Sundry Creditors	62.17	1,057.96	30.42	701.25	25.35	1,161.56
Other Liabilities		796		1,190.77		1,782.14
Provisions		8.50		10.23		1,467.42
<b>Total Current Liabilities</b>		<b>1,862.46</b>		<b>1,902.25</b>		<b>4,411.12</b>
<b>Working Capital Gap</b>		<b>3,717.38</b>		<b>6,337.55</b>		<b>7,148.68</b>
<b>Less: Existing Bank Borrowings</b>		<b>3,000.00</b>		<b>3,500.00</b>		<b>3,500.00</b>
<b>Net Working Capital Requirement</b>		<b>717.38</b>		<b>2,837.55</b>		<b>3,648.68</b>
<b>Proposed Working Capital to be funded from IPO</b>		<b>0</b>		<b>0</b>		<b>2500.00</b>
<b>Funding through Own Funds &amp; Additional Bank Borrowings</b>		<b>717.38</b>		<b>2,837.55</b>		<b>1,148.68</b>

Company being in the service industry installed capacity and capacity utilization is not applicable to the Company. Break up of expected current assets into raw materials, finished goods, work in progress is not applicable. The debtors collection period for FY 2010 was 142 days which has been estimated at 121 days for FY 2011. The creditors' payment period for FY 2010 was 30.42 days which has been estimated at 25.35 days for FY 2011.

#### (F) Public Issue Expenses

The expenses for this Issue include Issue management fees, IPO grading expenses, selling commissions, underwriting commission, printing and distribution expenses, fee payable to other intermediaries, statutory advertisement expenses and listing fees payable to the Stock Exchanges, amongst others. The estimated Issue expenses are as under:

Activity	Expenses (Rs. Lacs)	% of Issue Size	% of Issue expenses
Lead management, Syndicate fees, Underwriting and Selling commission	687.50	4.04%	45.83%
Advertisement and marketing expenses	300.00	1.76%	20.00%
Printing and stationery (including expenses on transportation of the material)	350.00	2.06%	23.33%
Others (Filing fees with SEBI, BSE, NSE, Registrar's fees, legal fees, IPO Grading fees, listing fees, travelling and other misc expenses)	162.50	0.96%	10.83%

<b>Total</b>	<b>1,500.00</b>	<b>8.82%</b>	<b>100.00%</b>
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#### **(G) General Corporate Purposes**

Our Company intends to deploy the balance Issue proceeds aggregating Rs. [•] Lacs, towards the general corporate purposes, including but not restricted to strategic initiatives, entering into strategic alliances, partnerships, joint ventures and strengthening of our marketing capabilities, brand building exercises, upgradation of infrastructure, meeting exigencies & contingencies, which our Company in the ordinary course of business may not foresee, or any other purposes as approved by our Board of Directors.

Our management, in response to the 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 also include rescheduling the proposed utilization of Net Proceeds and increasing or decreasing expenditure for a particular object vis-à-vis the utilization of Net Proceeds. In case of a shortfall in the Net Proceeds of the Issue, our management may explore a range of options which include utilisation of our internal accruals and/or seeking debt from future lenders. Our management expects that such alternate arrangements would be available to fund any such shortfall. Our management, in accordance with the policies of our Board, will have flexibility in utilizing the proceeds earmarked for general corporate purposes.

#### **Schedule of implementation**

<b>Sr. No</b>	<b>Particulars</b>	<b>Month of Commencement</b>	<b>Month of Completion</b>
(a)	Potential Acquisitions	Mar-10	Dec-10
(b)	Software Development Centre cum Corporate Office	Jul-10	Sept-11
(c)	Office Equipment – Hardware	Dec-10	Sept-11
(d)	Office Equipment – Software	Dec-10	Sept-11
(e)	Expansion and establishment of overseas offices	Jul-10	Oct-10
(f)	Part Repayment of Term Loans	Jul-10	Jul-10

#### **Deployment of Funds in the Project**

We have incurred the following expenditure on the project till March 03, 2010. The same has been certified by our statutory auditors M/s. K. Gopalakrishnan & Company, Chartered Accountants *vide* their certificate dated March 04, 2010.

<b>Sr. No</b>	<b>Particulars</b>	<b>Amount deployed (Rs. Lacs)</b>
(a)	Public Issue expenses	16.44
<b>Total</b>		<b>16.44</b>

The above mentioned deployment has been financed out of the Internal Accruals. Since the objects of the issue stated are to be funded from the IPO, the amount spent till date on the objects, certified by the statutory auditors, shall be recouped from the public issue proceeds.

#### **Details of balance fund deployment**

<b>Sr. No</b>	<b>Particulars</b>	<b>Expenses incurred as on March 03,</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>(Rs. Lacs) Total</b>
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2010					
1	Potential Acquisitions	-	5,500.00	-	5,500.00
2	Software Development Centre cum Corporate Office	-	1,250.00	858.33	2,108.33
3	Office Equipment - Hardware	-	47.70	111.30	159.00
4	Office Equipment - Software	-	105.40	245.93	351.34
5	Expansion and establishment of overseas offices	-	1,944.96	-	1,944.96
6	Part Repayment of Term Loans	-	2,500.00	-	2,500.00
7	Additional working capital requirements	-	2,500.00	-	2,500.00
8	Public Issue expenses	16.44	1,483.56	-	1,500.00
9	General Corporate purposes	-	436.37	-	436.37
Total		16.44	15,767.99	1,215.57	17,000.00

### Appraisal Report

None of the projects for which the Net Proceeds will be utilised have been financially appraised by any financial institutions/banks.

### Interim Use of Funds

The management, in accordance with the approval of the Board of Directors, will have the flexibility in deploying the Issue Proceeds received by us. Pending utilization for the purposes described above, we intend to invest the funds in high quality interest/dividend bearing liquid instruments including money market mutual funds and deposits with banks for the necessary duration or for reducing overdraft.

### Monitoring of Issue proceeds

Our Audit Committee will also monitor the utilization of the Issue Proceeds. We will disclose the utilization of the Issue proceeds under separate head in our balance sheet for the Financial Year 2011 and 2012.

Further, on an annual basis, our Company shall prepare a statement of funds utilized for purposes other than those stated in the Draft Red Herring Prospectus and place it before the Audit Committee. The said disclosure shall be made till such time that the full money raised through the Issue has been fully spent. The statement shall be certified by the Statutory Auditors. Further, our Company will furnish to the Stock Exchanges on a quarterly basis, a statement indicating material deviations, if any, in the use of Issue Proceeds from the Objects stated in the Draft Red Herring Prospectus. Pursuant to Clause 49 of the listing agreement, our Company shall on a quarterly basis disclose to the Audit Committee the uses and application of the Issue Proceeds. We will disclose the utilization of the Issue Proceeds under a separate head in our balance sheet till such time the Issue Proceeds have been utilized, clearly specifying the purpose for which such proceeds have been utilized. We will also, in our balance sheet till such time the Issue Proceeds have been utilized, provide details, if any, in relation to all such Issue Proceeds that have not been utilized thereby also indicating investments, if any, of such unutilized Issue Proceeds.

No part of the Issue Proceeds of this issue will be paid as consideration to our Promoters, Directors, key managerial employees or Group Concerns/Companies promoted by our Promoters.

## **BASIC TERMS OF THE ISSUE**

The Equity Shares being offered are subject to the provisions of the Companies Act, SEBI (ICDR) Regulations, 2009, our Memorandum and Articles of Association, the terms of the Draft Red Herring Prospectus, the Red Herring Prospectus, the Prospectus, Bid-cum-Application Form, the Revision Form, the Confirmation of Allocation Note and other terms and conditions as may be incorporated in the allotment advices and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, 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 RBI, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

### **Terms of Payment**

Applications should be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter. The entire price of the Equity Shares of Rs. [●] per share (Rs. 10 face value + Rs. [●] premium) is payable on application. In case of allotment of lesser number of Equity Shares than the number applied, the excess amount paid on application shall be refunded by us to the applicants.

### **Ranking of Equity Shares**

The Equity Shares being offered through the Issue shall be subject to the provisions of the Companies Act, the Memorandum and Articles of Association of our Company and shall rank *pari passu* in all respects with the existing Equity Shares including in respect of the rights to receive dividend. The Allottees, in receipt of Allotment of Equity Shares under the Issue, will be entitled to dividend, voting rights or any other corporate benefits, if any, declared by our Company after the date of Allotment.

### **Face Value and Issue Price per Share**

The Equity Shares having a face value of Rs. 10 each are being offered in terms of the Draft Red Herring Prospectus at a price of Rs. [●] per Equity Share. At any given point of time there shall be only one denomination of the Equity Shares of our Company, subject to applicable laws.

Price Band: Rs. [●] to Rs. [●] per Equity Share of Face Value of Rs. 10 each. The Floor Price is [●] times of the Face Value and the Cap Price is [●] times of the Face Value.

### **Market Lot and Trading Lot**

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialized form. In terms of existing SEBI (ICDR) Regulations, 2009, the trading in the Equity Shares shall only be in dematerialized form for all investors.

Since trading of the Equity Shares will be in dematerialized mode, the tradable lot is one Equity Share. Allocation and allotment of Equity Shares through this Offer will be done only in electronic form in multiples of 1 Equity Share subject to a minimum allotment of [●] Equity Shares to the successful bidders.

### **Minimum Subscription**

If our Company do not receive the minimum subscription of 90% of the Issue to the Public including devolvement of the Underwriters within 60 days from the Bid Closing Date, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after our Company become liable to pay the amount, we shall pay interest prescribed under Section 73 of the Companies Act 1956.

## BASIS FOR ISSUE PRICE

*Investors should read the following summary along with the Sections titled “Risk Factors”, “About Us” and “Financial Information” beginning on pages 12, 81 & 136 respectively of the Draft Red Herring Prospectus. The trading price of the Equity Shares of our Company could decline due to these risks and you may lose all or part of your investments.*

The Issue Price will be determined by our Company in consultation with the BRLM on the basis of assessment of market demand for the Equity Shares offered by way of book building.

### Qualitative Factors:

For qualitative factors, please refer to our “Business Overview- Competitive Strengths” on page 90 of this Draft Red Herring Prospectus.

### Quantitative Factors

#### 1. Adjusted Earnings Per Share

Particulars	EPS (Rs.)	Weights
2006-2007	31.87	1
2007-2008	26.13	2
2008-2009	33.17	3
<b>Weighted Average EPS</b>	<b>30.61</b>	

#### 2. Price/Earning Ratio (P/E) in relation to Issue Price of Rs. [●] per share

Particulars	P/E at the lower end of the price band (Rs. [●])	P/E at the higher end of the price band (Rs. [●])
a. Based on 2008-09 EPS of Rs. 33.17	[●]	[●]
b. Based on weighted average EPS of Rs.30.61	[●]	[●]

Industry P/E*	
▪ Highest – AurionPro Solutions Limited	91.3
▪ Lowest – Prithvi Information Solutions Limited	1.9
▪ Average – (Computer - Software – Medium / Small)	11.9

Source: Capital Market, VolumeXXV/01, March 08 – March 21, 2010

#### 3. Return on Net Worth

Particulars	RONW (%)	Weights
2006-2007	67.07	1
2007-2008	28.75	2
2008-2009	24.74	3
<b>Weighted Average RONW</b>	<b>33.13</b>	

#### 4. Minimum Return on Net Worth needed after the Issue to maintain pre-Issue EPS of Rs. 33.17 is



- a) At the higher end of the price band [●]%
- b) At the lower end of the price band [●]%

5. Net Asset Value (Rs.)

Particulars	At the lower end of the price band (Rs. [●])	At the higher end of the price band (Rs. [●])
As on March 31, 2009	134.06	134.06
As on December 31, 2009	40.82	40.82
After Issue	[●]	[●]
Issue Price	[●]	

6. Comparison of Accounting Ratios with Peer Group Companies

Particulars	Sales	EPS – TTM	P/E	RONW	NAV	Face
	(Rs. cr)	(Rs.)	Ratio	(%)	(Rs.)	Value
Accentia Technologies Limited	80.1	11.7	20.0	20.2	93.6	10
Blue Star Infotech Limited	127.3	13.4	8.2	20.4	62.8	10
eClerx Services Limited	197.1	33.3	13.0	40.8	86.8	10
Genesys International Corporation Limited	83.2	22.0	12.5	57.2	47.7	10
Geometric Limited	230.4	8.0	7.8	25.1	30.2	2
GSS America Infotech Limited	52.8	15.6	19.1	12.7	179.2	10
KLG Systel Limited	228.4	18.6	6.8	15.7	189.0	10
Net 4 India Limited	97.9	3.0	31.4	13.1	33.8	10
Nucleus Software Exports Limited	209.4	11.7	10.1	10.3	63.4	10
Omnitech Infosolutions Limited	171.4	25.8	6.2	31.0	93.9	10
R Systems International Limited	191.1	23.4	4.1	13.8	143.5	10
Sonata Software Limited	243.6	5.5	9.6	25.2	21.3	1
Zenith Infotech Limited	200.3	34.3	7.0	37.6	130.6	10
Acropetal Technologies Limited	92.80	33.17	[●]	24.74	134.06	10

Source: Capital Market, VolumeXXV/01, March 08 – March 21, 2010

7. The face value of our Equity Shares is Rs.10 per share and the Issue Price of Rs. [●] is [●] times of the face value of our Equity Shares. The final price would be determined on the basis of the demand from the investors.

The BRLM believes that the Issue Price of Rs. [●] per Equity Shares is justified in view of the above qualitative and quantitative parameters. The investors may also want to peruse the risk factors and our financials as set out in the Auditors Report in the Draft Red Herring Prospectus to have a more informed view about the investment proposition.

## STATEMENT OF TAX BENEFITS

**The Board of Directors  
Acropetal Technologies Limited**

#2/10, Ajay Plaza  
1<sup>st</sup> Main, N.S. Palya  
Bannerghatta Road  
Bangalore – 560 076,  
Karnataka, India

**Dear Sirs,**

We hereby confirm that the enclosed annexure, prepared by Acropetal Technologies Limited (**‘the Company’**), states the possible tax benefits available to the Company and the shareholders of the Company under the Income-tax Act, 1961 (‘IT Act’) and the Wealth Tax Act, 1957, presently in force in India. Several of these benefits are dependent on the company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the Act. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which is based on the business imperatives, the company may or may not choose to fulfil.

The benefits discussed in the Annexure are not exhaustive and the preparation of the contents stated is the responsibility of the Company’s management. We are informed that this statement is only intended to provide general information to the investors and hence is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws, 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.

Our confirmation is based on the information, explanations and representations obtained from the company and on the basis of our understanding of the business activities and operations of the company and the interpretation of the current tax laws in force in India.

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

The company or its shareholders will continue to obtain these benefits in future; or

The conditions prescribed for availing the benefits, where applicable have been/would be met.

No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time.

Yours faithfully,

**For K. Gopalakrishnan & Co.  
Chartered Accountants**

**K. Gopalakrishnan  
Proprietor**

**Membership No. 200/25421  
Date: March 4, 2009**

## **Special Tax Benefits Available to Acropetal Technologies**

### **A) TO THE COMPANY UNDER INCOME TAX ACT, 1961.**

Under the provisions of Section 10A of the Act, a Company which is engaged in the business of Export of articles or things or Computer Software and which satisfies the prescribed conditions is eligible to claim a benefit with respect to profits derived by its undertaking/s from the export of articles or things or Computer Software for a period of ten consecutive assessment years, beginning with the assessment year relevant to the previous year in which the undertaking/s begin to manufacture or produce such articles or things or computer software. The eligible deduction would be the amount, which bears to the profits of the undertaking/s the same proportion as the export turnover of the undertakings bears to the total turnover of the undertaking/s. Profits on domestic turnover would get taxed.

The benefit is available subject to fulfilment of conditions prescribed by the section and no deduction under this Section shall be allowed to any assessee with respect to any such undertaking for the assessment year beginning on the 1<sup>st</sup> day of April 2012 and subsequent years.

### **Statement of Possible Tax Benefits Available To Acropetal Technologies Limited and Its Shareholders**

#### **(A) Benefits to the company under Act**

##### *1. Dividends exempt under section 10(34) and 10(35) of the IT Act.*

Dividend (whether interim or final) received by the company from its investment in shares of another domestic company would be exempted in the hands of the company as per the provisions of section 10(34) read with section 115-O of the IT Act.

In terms of section 10(35) of the IT Act, any income received from units of a Mutual Fund specified under section 10(23D) of the IT Act is exempt from tax, subject to such income not arising from the transfer of units in such Mutual Fund.

##### *2. Computation of capital gains*

Capital assets are to be categorized into short-term capital assets and long-term capital assets based on the period of holding. All capital assets except shares held in a company or any other security listed in a recognized stock exchange in India or units of Unit Trust of India ('UTI') or Mutual Fund units specified under section 10(23D) of the IT Act or zero coupon bonds are considered to be long-term capital assets, if they are held for a period exceeding thirty-six months. Shares held in a company or any other security listed in a recognized stock exchange in India or UTI or Mutual Fund units specified under section 10(23D) of the IT Act or zero coupon bonds are considered as long-term capital assets, if these are held for a period exceeding twelve months.

As per the provisions of section 10(38) of the IT Act, long term capital gain arising to the company from transfer of a long term capital asset being an equity share in a company listed on a recognized stock exchange in India, shall be exempt from tax, if such sale is entered into on or after October 1, 2004, and the transaction is chargeable to Securities Transaction Tax ('STT').

As per the provisions of section 112 of the IT Act, long-term capital gains other than those covered under section 10(38) of the IT Act are subject to tax at a rate of 20% (plus applicable surcharge and cess). However, proviso to section 112(1) specifies that if the

long-term capital gains other than those covered under section 10(38) of the IT Act arising on transfer of listed securities or units or zero coupon bond, calculated at the rate of 20% with indexation benefit exceeds the capital gains computed at the rate of 10% without indexation benefit, then such capital gains are chargeable to tax at the rate of 10% without indexation benefit (plus applicable surcharge and education cess).

However, from Assessment Year 2007-2008, such long-term capital gains will be included while computing book profits for the purpose of payment of Minimum Alternate Tax ("MAT") under the provisions of section 115JB of the IT Act.

As per provisions of section 111A of the IT Act, short term capital gains arising from transfer of short term capital asset, being an equity share in a company or a unit of an equity oriented mutual fund shall be taxable at the rate of 15% (plus applicable surcharge and education cess), if such sale is entered into on or after October 1, 2004 and the transaction is chargeable to STT.

### *3. Securities Transaction Tax*

In terms of STT, transactions for purchase and sale of the securities in the recognized stock exchange by the shareholder will be chargeable to STT. As per the said provisions, any delivery based purchase and sale of equity share in a company through the recognized stock exchange is liable to securities transaction tax @ 0.125% of the value payable by both buyer and seller individually.

The non-delivery based sale transactions are liable to tax @ 0.025% of the value payable by the seller.

### *4. Depreciation*

Subject to compliance with certain conditions laid down in Section 32 of the IT Act, the Company will be entitled to deduction for depreciation:

- i) In respect of tangible assets (being buildings, machinery, plant or furniture) and intangible assets (being know-how, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature acquired on or after 1st day of April, 1998) at the rates prescribed under the Income-tax Rules, 1962;

### *5. MAT credit*

In terms of section 115JAA(1A), the company is eligible to claim credit for any tax paid as MAT under section 115JB of the IT Act for any Assessment Year commencing on or after April 1, 2006 against income tax liabilities incurred in subsequent years as prescribed. MAT credit eligible in subsequent years is the difference between MAT paid and the tax computed as per the normal provisions of the IT Act. Such MAT credit will be available for set-off up to seven years succeeding the year in which the MAT credit initially arose.

## **(B) Benefits to the Resident shareholders of the company under the IT Act**

### *1. Dividends exempt under section 10(34) of the IT Act*

Dividend (whether interim or final) received by a resident shareholder from its investment in shares of a domestic company would be exempt in the hands of the resident shareholder as per the provisions of section 10(34) read with section 115-O of the IT Act.

### *2. Computation of capital gains*

Capital assets are to be categorized into short-term capital assets and long-term capital assets based on the period of holding. All capital assets [except shares held in a company or any other security listed in a recognized stock exchange in India or units of UTI or Mutual Fund units specified under section 10(23D) of the IT Act and zero coupon bonds] are considered to be long-term capital assets, if they are held for a period exceeding thirty-six months. Shares held in a company or any other security listed in a recognized stock exchange in India or units of UTI or Mutual Fund units specified under section 10(23D) of the IT Act and zero coupon bonds are considered as long-term capital assets, if these are held for a period exceeding twelve months.

As per the provisions of section 48 of the IT Act, the amount of capital gain shall be computed by deducting from the sale consideration, the cost of acquisition and expenses incurred in connection with the transfer of a capital asset. However, in respect of long-term capital gains arising to a resident shareholder, a benefit is permitted to substitute the cost of acquisition/ improvement with the indexed cost of acquisition/ improvement. The indexed cost of acquisition/ improvement, adjusts the cost of acquisition/ improvement by a cost inflation index, as prescribed from time to time.

As per the provisions of section 10(38) of the IT Act, long term capital gain arising to a resident shareholder from transfer of a long term capital asset being an equity share in a company listed on a recognized stock exchange in India, shall be exempt from tax, if such sale is entered into on or after October 1, 2004, and the transaction is chargeable to STT.

As per the provisions of section 112 of the IT Act, long-term capital gains [other than those covered under section 10(38) of the IT Act] are subject to tax at a rate of 20% (plus applicable surcharge and cess). However, proviso to section 112(1) specifies that if the long-term capital gains [other than those covered under section 10(38) of the IT Act] arising on transfer of listed securities or units or zero coupon bond, calculated at the rate of 20% with indexation benefit exceeds the capital gains computed at the rate of 10% without indexation benefit, then such capital gains are chargeable to tax at the rate of 10% without indexation benefit (plus applicable surcharge and education cess).

As per provisions of section 111A of the IT Act, short term capital gains arising from transfer of short term capital asset, being an equity share in a company or a unit of an equity oriented mutual fund shall be taxable @ 10% (plus applicable surcharge and education cess), if such sale is entered into on or after October 1, 2004 and the transaction is chargeable to STT.

### *3. Exemption of capital gains arising from income tax*

As per the provisions of section 54EC of the IT Act and subject to the conditions specified therein capital gains arising to a resident shareholder on transfer of a long-term capital asset other than those covered under section 10(38) of the IT Act 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 such capital gain is invested, the exemption shall be proportionately reduced.

However, if the resident shareholder transfers or converts the notified bonds into money (as stipulated therein) within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable in such year. The bonds specified for this section are bonds issued on or after April 1, 2006 by NHAI and REC. The IT Act has restricted the maximum investment in such bonds up to Rs 5 million per assessee during any financial year.

Further, as per the provisions of section 54F of the IT Act and subject to conditions specified therein, long-term capital gains other than a capital gains arising on sale of resident house and those covered under section 10(38) of the IT Act arising to an individual or Hindu Undivided Family ('HUF') on transfer of shares of the company will be exempted from capital gains tax, if the net consideration from such shares are used for either purchase of residential house property within a period of one year before or two years after the date on which the transfer took place, or for construction of residential house property within a period of three years after the date of transfer.

However, if the resident shareholder transfers the residential house property within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable in such year.

#### *4. Rebate under section 88E of the IT Act*

As per the provisions of section 88E of the IT Act, where the business income of a resident shareholder includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax, equal to the securities transaction tax paid on such transactions. However, the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income.

### **(C) Benefits to the Non-resident shareholders of the company other than Foreign Institutional Investors and Foreign Venture Capital Investors**

#### *1. Dividends exempt under section 10(34) of the IT Act*

Dividend (whether interim or final) received by a non-resident shareholder from its investment in shares of a domestic company would be exempt in the hands of the non-resident shareholder as per the provisions of section 10(34) read with section 115-O of the IT Act.

#### *2. Computation of capital gains*

Capital assets are to be categorized into short-term capital assets and long-term capital assets based on the period of holding. All capital assets [except shares held in a company or any other security listed in a recognized stock exchange in India or units of UTI or Mutual Fund units specified under section 10(23D) of the IT Act and zero coupon bonds] are considered to be long-term capital assets, if they are held for a period exceeding thirty-six months. Shares held in a company or any other security listed in a recognized stock exchange in India or units of UTI or Mutual Fund units specified under section 10(23D) of the IT Act and zero coupon bonds are considered as long-term capital assets, if these are held for a period exceeding twelve months.

As per the provisions of section 48 of the IT Act, the amount of capital gain shall be computed by deducting from the sale the consideration, the cost of acquisition and expenses incurred in connection with the transfer of a capital asset. Under first proviso to section 48 of the IT Act, the taxable capital gains arising on the transfer of capital assets being shares or debentures of an Indian company need to be computed by converting the cost of acquisition, expenditure in connection with such transfer and full value of the consideration received or accruing as a result of the transfer into the same foreign currency in which the shares were originally purchased. The resultant gains thereafter need to be reconverted into Indian currency. The conversion needs to be done at the prescribed rates prevailing on dates stipulated. Hence, in computing such gains, the benefit of indexation is not available to non-resident shareholders.

As per the provisions of section 10(38) of the IT Act, long term capital gain arising to a non-resident shareholder from transfer of a long term capital asset being an equity share in a company listed on a recognized stock exchange in India, shall be exempt from tax, if such sale is entered into on or after October 1, 2004, and the transaction is chargeable to STT.

As per the provisions of section 112 of the IT Act, long-term capital gains (other than those covered under section 10(38) of the IT Act) are subject to tax at a rate of 20% (plus applicable surcharge and cess). However, proviso to section 112(1) specifies that if the long-term capital gains [other than those covered second proviso to section 48 and under section 10(38) of the IT Act] arising on transfer of listed securities or units or zero coupon bond, calculated at the rate of 20% with indexation benefit exceeds the capital gains computed at the rate of 10% without indexation benefit, then such capital gains are chargeable to tax at the rate of 10% without indexation benefit (plus applicable surcharge and education cess).

As per provisions of section 111A of the IT Act, short term capital gains arising from transfer of short term capital asset, being an equity share in a company or a unit of an equity oriented mutual fund shall be taxable @ 10% (plus applicable surcharge and education cess), if such sale is entered into on or after October 1, 2004 and the transaction is chargeable to STT.

### *3. Exemption of capital gain from income-tax*

As per the provisions of section 54EC of the IT Act and subject to the conditions specified therein capital gains arising to a non-resident shareholder on transfer of a long-term capital asset (other than those covered under section 10(38) of the IT Act) 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 such capital gain is invested, the exemption shall be proportionately reduced.

However, if the non-resident shareholder transfers or converts the notified bonds into money (as stipulated therein) within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable in such year. The bonds specified for this section are bonds issued on or after April 1, 2006 by NHAI and REC. The IT Act has restricted the maximum investment in such bonds up to Rs 5 million per assessee during any FY.

Further, as per the provisions of section 54F of the IT Act and subject to conditions specified therein, long-term capital gains (other than a capital gains arising on sale of resident house and those covered under section 10(38) of the IT Act) arising to an individual or HUF on transfer of shares of the company will be exempted from capital gains tax, if the net consideration from such shares are used for either purchase of residential house property (subject to prior approval from Reserve Bank of India) within a period of one year before or two years after the date on which the transfer took place, or for construction of residential house property within a period of three years after the date of transfer.

However, if the non-resident shareholder transfers the residential house property within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable in such year.

### *4. Rebate under section 88E*

As per the provisions of section 88E, where the business income of a non-resident shareholder includes profits and gains from sale of taxable securities, a rebate shall be

allowed from the amount of income tax, equal to the securities transaction tax paid on such transactions. However, the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income.

#### *5. Tax Treaty Benefits*

As per section 90(2) of the IT Act, the provisions of the IT Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the non-resident shareholder. Thus, a non-resident shareholder can opt to be governed by the beneficial provisions of an applicable tax treaty.

#### *6. Nonresident taxation*

Under section 115-I of the IT Act, the non-resident Indian shareholder has an option to be governed by the provisions of Chapter XIIA of the IT Act viz. "Special Provisions Relating to Certain Incomes of Non-Residents" which are as follows:

- i) Under section 115E of the IT Act, where shares in the company are acquired or subscribed to in convertible foreign exchange by a non-resident Indian, capital gains arising to the non-resident on transfer of shares held for a period exceeding 12 months, will [in cases not covered under section 10(38) of the IT Act], be concessorally taxed at the flat rate of 10% (plus applicable surcharge and cess) (without indexation benefit but with protection against foreign exchange fluctuation).
- ii) Under provisions of section 115F of the IT Act, long-term capital gains [in cases not covered under section 10(38) of the IT Act] arising to a non-resident Indian from the transfer of shares of the company subscribed to in convertible foreign exchange will 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 will be proportionately reduced. However the amount so exempted will be chargeable to tax subsequently, if the specified assets are transferred or converted into money within three years from the date of their acquisition.
- iii) Under provisions of section 115G of the IT Act, non-resident Indians are not required to file a return of income under section 139(1) of the IT Act, if their only income is income from forex asset investments or long-term capital gains in respect of those assets or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the IT Act.
- iv) Under section 115H of the IT Act, where the non-resident Indian becomes assessable as a resident in India, such person may furnish a declaration in writing to the Assessing Officer, along with the return of income for that year under section 139 of the IT Act to the effect that the provisions of the Chapter XIIA will continue to apply to such person in relation to the investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.

### **(D) Benefits to Institutional Investors ('FII')**

#### *1. Dividends exempt under section 10(34) of the Act*

Dividend (whether interim or final) received by a FII from its investment in shares of a domestic company would be exempt in the hands of the FII as per the provisions of section 10(34) read with section 115-O of the Act.



2. *Long term capital gains exempt under section 10(38) of the Act.*

As per the provisions of section 10(38) of the Act, long term capital gain arising to the FII from transfer of a long term capital asset being an equity share in a company listed on a recognized stock exchange in India, shall be exempt from tax, if such sale is entered into on or after October 1, 2004, and the transaction is chargeable to STT.

3. *Capital gains*

As per the provisions of section 115AD of the Act, FIIs are taxed on the capital gains income at the following rates:

**Rate of tax**

<i>Nature of Income</i>	<i>(%)*</i>
Long-term capital gains	10
Short-term capital gains	30

\* Plus applicable surcharge and cess

The benefits of foreign currency fluctuation protection and indexation as provided by section 48 of the Act are not available to a FII.

As per the provisions of section 10(38) of the Act, long term capital gain arising to FII from transfer of a long term capital asset being an equity share in a company listed on a recognized stock exchange in India, shall be exempt from tax, if such sale is entered into on or after October 1, 2004, and the transaction is chargeable to STT.

As per provisions of section 111A of the Act, short term capital gains arising from transfer of short term capital asset, being an equity share in a company or a unit of an equity oriented mutual fund shall be taxable at the rate of 10% (plus applicable surcharge and education cess), if such sale is entered into on or after October 1, 2004 and is chargeable to STT.

4. *Tax Treaty Benefits*

As per section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the FII. Thus, an FII can opt to be governed by provisions of the Act or the applicable tax treaty whichever is more beneficial.

**(E) Benefits to the Mutual Funds**

1. *Dividends exempt under section 10(34) of the Act*

Dividend (whether interim or final) received by a Mutual Fund from its investment in shares of a domestic company would be exempt in the hands of the Mutual Fund as per the provisions of section 10(34) read with section 115-O of the Act.

2. *As per the provisions of section 10(23D) of the Act*

Any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 ('SEBI') or regulations made there under, Mutual Funds set up by public sector banks or public financial institutions or Mutual Funds authorized by the Reserve Bank of India, would be exempt from income tax, subject to the prescribed conditions.

**(F) Benefits to the Venture Capital Companies / Funds**

1. *Dividends exempt under section 10(34) of the Act*

Dividend (whether interim or final) received by a Venture Capital Company ('VCC')/ Venture Capital Funds ('VCF') from its investment in shares of another domestic company would be exempt in the hands of the VCC/VCF as per the provisions of section 10(34) read with section 115-O of the Act.

*2. Income exempt under section 10(23FB) of the Act*

As per the provisions of section 10(23FB) of the Act, any income of VCC/VCF registered with the SEBI, set up to raise funds for investment in a venture capital undertaking ('VCU') would be exempt from income tax, subject to the conditions specified. The Finance Act 2007 has restricted the definition of venture capital undertaking ('VCU') to mean such domestic company whose shares are not listed on a recognized stock exchange in India and which is engaged in the following specified business viz:

- Nanotechnology;
- Information technology relating to hardware and software;
- Seed research and development;
- Bio-technology;
- Research and development of new chemical entities in the pharmaceutical sector;
- Production of bio-fuels;
- Building and operating composite hotel-cum-convention centre with seating capacity of more than 3,000;
- Developing or operating and maintaining or developing, operating and maintaining any infrastructure facility as defined in Explanation to clause (i) of sub-section (4) of section 80-IA and
- Dairy or poultry industry.

**(G) Benefits available under the Wealth-tax Act, 1957 (Common to all)**

Asset as defined under section 2(ea) of the Wealth-tax Act, 1957 does not include shares in companies and hence, shares are not liable to wealth tax.

**Notes:**

1. All the above benefits are as per the current tax law.
2. The stated benefits will be available only to the sole/first named holder in case the share are held by joint holders.
3. In respect of non-residents, the tax rates and the consequent taxation mentioned above will be further subject to any benefits available under the relevant DTAA, if any, between India and the country in which the non-resident has fiscal domicile.
4. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme.

## SECTION VI-ABOUT US

### INDUSTRY OVERVIEW

***Disclaimer:** Pursuant to the requirements of the SEBI (ICDR) Regulations, 2009, the discussion on the business of Our Company in this Draft Red Herring Prospectus consists of disclosures pertaining to industry grouping and classification. The industry grouping and classification is based on Our Company's own understanding and perception and such understanding and perception could be substantially different or at variance from the views and understanding of third parties. Our Company acknowledges that certain products described in the Draft Red Herring Prospectus could be trademarks, brand names and/ or generic names of products owned by third parties and the reference to such trademarks, brand names and/or generic names in the Draft Red Herring Prospectus is only for the purpose of describing the products. The industry data has been collated from various industry and/or research publications and from information available from the World Wide Web.*

*The information in this section is derived from various government/Industry Association publications and other sources. Neither we, nor any other person connected with the issue has verified this information. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured and accordingly, investment decisions should not be based on such information.*

#### **Global Information Technology Industry**

Past decade and half is the most opportunistic period for Information Technology service providers in countries like India, which is the result of an irreversible globalization. In the coming decade considerable changes are expected within the market due to an upward shift in the business process efficiencies and companies excelling in this will stand out in the industry.

The global IT services market includes multiple segments such as IT outsourcing, Project based services and Support and Training.

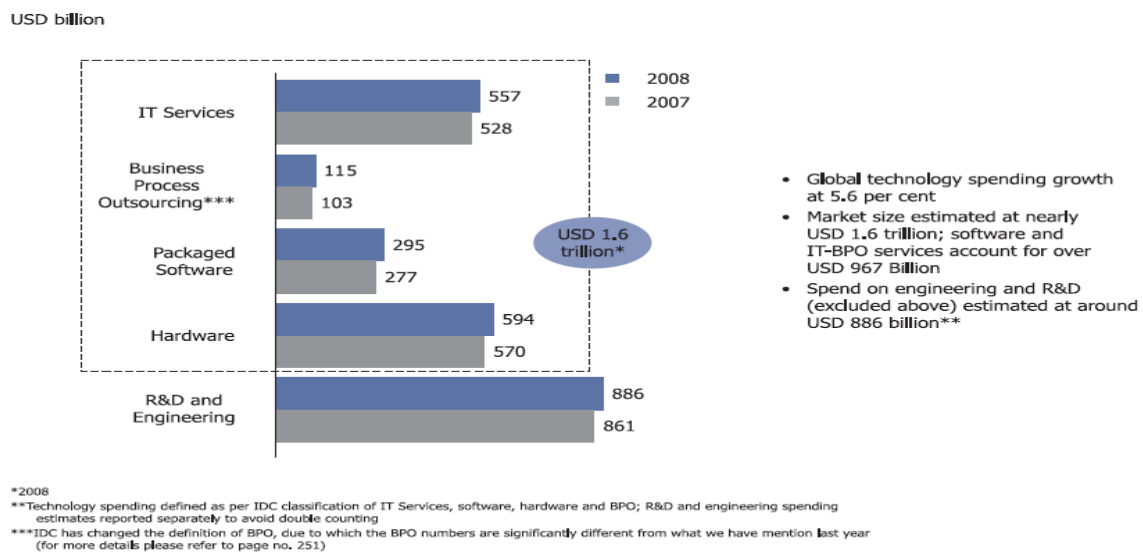
- Worldwide technology products and related services spend estimated to cross USD 1.6 trillion in 2008, growing at 5.6 per cent over 2007
- Global spend on software products is estimated to grow by 6.5 per cent in 2008 so as to reach USD 295 billion, spurred by above average growth in system infrastructure software
- Overall worldwide IT services spending growth estimated at 5.5 per cent in 2008 to reach USD 557 billion
- Interestingly IT outsourcing continues to exhibit above average growth of more than 7 per cent
- Worldwide BPO spending grew by ~12 per cent, the highest among all technology related segments
- While overall technology products and services spending moderated in 2008 on account of recessive market conditions, spend on outsourcing remained strong, with decline in developed markets being off set by increasing spend in emerging economies
- North America and Western Europe accounted for over 76 per cent of total spend on IT services, a growth of 4.5 per cent on an average. However an above average growth of nearly 10 -12 percent is being seen in other developing markets
- Globalization of Engineering and R&D activities is well established and there is an increasing trend of the number of firms conducting innovation activities outside of their base country. This is reiterated by the number of foreign R&D sites exhibiting a consistent growth year on year

- Global sourcing market size has increased threefold since 2004; ITO takes the majority 60 per cent share in 2008. Global sourcing is still a fraction of the total IT spend at a worldwide level, indicating huge potential
- Though service providers with global delivery capabilities dominate the market, their share has been gradually decreasing with India based service providers reporting the sharpest gains year on year

Source: NASSCOM, Strategic Review 2009

## Global Technology related spending

Global Technology related spending remained relatively slow but steady growth and grew at an average of 5.6 percent in 2008 according to the NASSCOM strategic review 2009.



Source: IDC, NASSCOM

Source: NASSCOM, Strategic Review 2009

2008 was a strong year as number of contracts, total contract value and annualised contract values exceeded as compared to 2007. However second half of 2008 witnessed some softening due to the global economic uncertainty. Software products, IT and BPO services continued to lead, accounting for over USD 967 billion, nearly 61 percent of the total spend. Hardware spend at USD 594 billion, accounted for the balance 39% of the worldwide technology spend in 2008.

IT Services, accounting for nearly a third of the total, form the largest segment of the worldwide spend on technology products and related services. Total spend on IT services in 2008 was estimated at over US\$ 557 billion. Outsourcing was the largest and fastest growing category of IT services spending in 2008, estimated at over US\$ 211 billion. Revenue from Project based IT services were estimated at US\$ 196 billion in 2008, a growth of 5.1% over 2007. Support and training services revenues in 2008 were estimated at nearly US\$ 149 billion, a growth of 3.6% over the previous year.

## Indian Information Technology Industry

The IT-BPO industry in India includes over 4,000 companies offering a plethora of services for both the global and Indian market. The large integrated players including Indian and MNC companies have built critical vertical capabilities, domain skills and scale. These players

accounted for over 47-48 per cent of industry export revenues in FY2008. They also employ around 35 per cent of the workforce, with average employee strength of over 40,000 in FY2008, with some companies having a workforce of over 100,000. With their global service delivery capabilities and presence in over 60 countries, these companies are well placed to increase market share.

The mid sized players, with revenues between USD 100 million - 1 billion, accounted for over a third of the export market in FY2008, and employed about 34 per cent of the total workforce. MNC third parties and captives constitute around 30 per cent of this market. Large players are facing competition from the mid sized players in terms of delivery strategy, pricing, type of solution as the customers have more choices now, however both have significantly grown India's share in the off shoring pie. The industry has a pyramid structure with a large number of players (over 3,500) at the bottom. These include small companies offering products and services and start-ups who are into product development.

India currently holds the number one position among all global off shore locations, due to its fundamental advantages of low cost and abundant talent, increased vendor maturity and an enabling environment. India is rated on par when it comes to risk and business environment while infrastructure levels, once a bugbear, have been significantly improving over time.

*(Source: NASSCOM, Strategic Review 2009)*

## **India Advantage**

### **Breadth of Service Offering**

- Service offerings have evolved from low-end application development to high-end integrated IT solutions.
- Range of services offered by leading players span a wide spectrum cutting across multiple verticals.

### **Quality/ Maturity of Processes**

- Host to more than 85 global SEI-CMM level five firms
- Expected to host the highest number of ISO-certified companies

### **Cost Advantage**

- Cost of an engineer is about 20–40% of the comparable cost in European Union
- Selling, general and administrative costs approximately 80% of comparable cost in EU
- Average offshore billing rate at US\$ 20 to 35 per hour; about 50 to 70% lower than EU

### **Ease of Scalability**

- 6,75,000 technical graduates per annum, of which 4,00,000 are engineers
- Over 50,000 MBAs graduating per annum
- Indian IT industry is expected to add 40,000 employees in 2009-10.

*(Source: Information Technology, September 2009, IBEF)*

## **A mature IT vendor landscape in India is now focused on building domain capabilities across multiple industry verticals**

India based vendors have built strong capabilities in areas such as application development and maintenance, infrastructure management services, testing, system integration and IT consulting in BFSI, hi-technology, telecom and manufacturing verticals.

Vendor Offshoring Capabilities in India

	BFSI	Hi Tech/ Telecom	Manufacturing	Retail	Energy/ Utilities	Others
Application Development and Maintenance						
Product Engineering						
Infrastructure Management Services						
Testing						
System Integration						
IT Consulting						



Source: NASSCOM Research, Zinnov Analysis

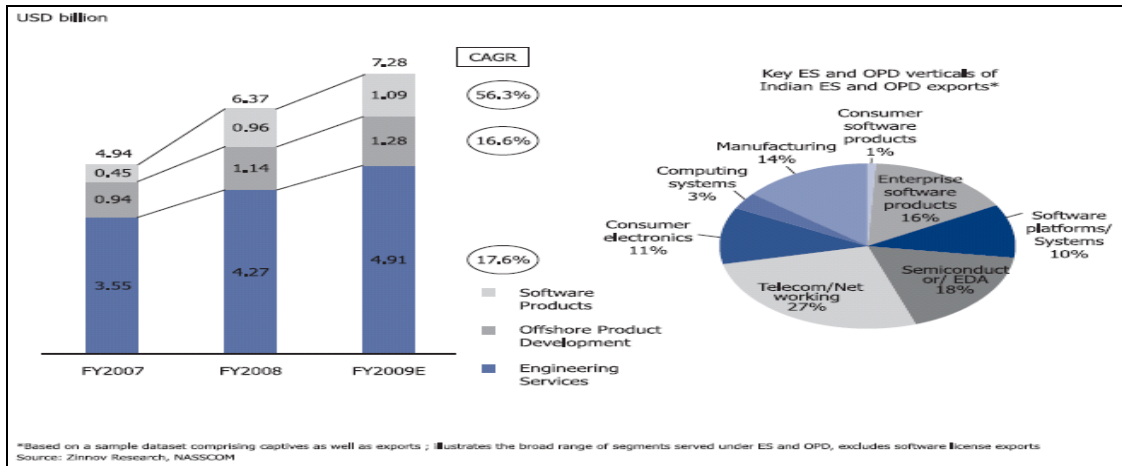
(Source: Nasscom, Strategic Review 2009)

## Engineering Services Outsourcing

Engineering Services and Software products industry export segment is estimated at USD 7.3 billion and includes three service lines 1) Engineering and R&D, 2) Off-shore product development and 3) Made-in-India software products. This market is expected to grow at over 14 per cent in the current fiscal.

Engineering Services accounts for USD 4.9 billion of the market. This category comprises the value of work undertaken by developers of embedded systems / solutions as well as other product engineering related services. Major drivers for the growth of the engineering services and embedded systems market in India are quality of talent supply, reduction in time-to market, lower costs, and access to local market. Engineering Services off shoring has witnessed a healthy growth in the last few years, as Indian service providers have increased their focus on R&D and product design and multinational companies have set up captive centres.

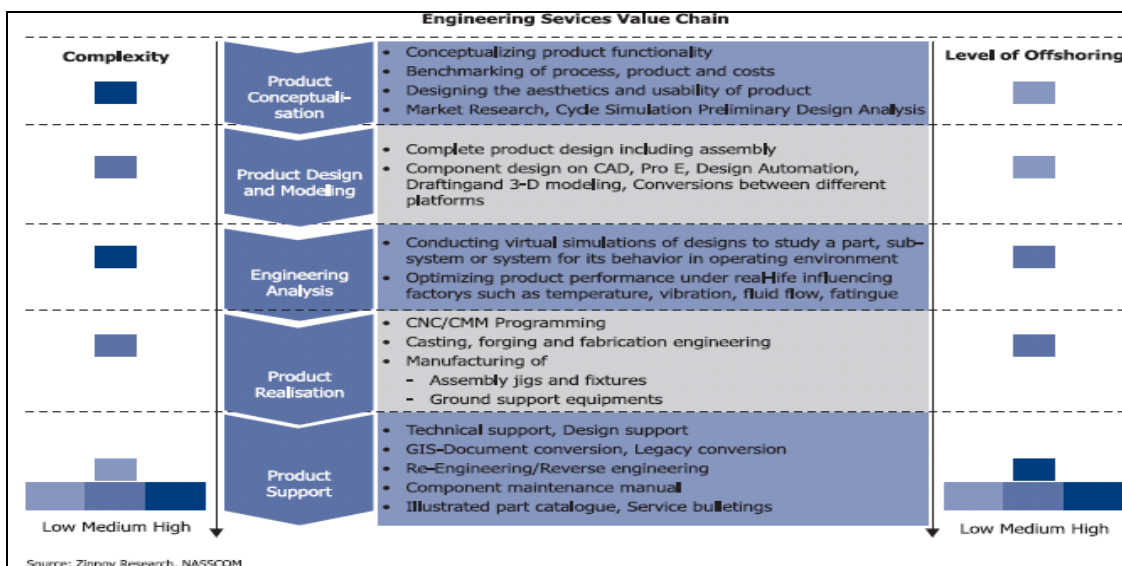
**Off shore product development** market is the next largest segment with a contribution of USD 1.3 billion estimated for FY2009. This category includes software development services sourced by global software companies for product development through their captive units or outsourced relationships in India.



Engineering Services in India began in the early 1990s, but has shown a strong growth particularly in the last five years. Companies started their R&D initiatives in India with a focus on engineering drawing, digitisation, 2D and 3D designing and related services. The centres then started evolving towards engineering analysis tasks such as product engineering and simulation, tool engineering, value engineering, reverse engineering, prototype development and also towards program management functions.

Indian R&D centre landscape, currently, constitutes more than 594 R&D centres. Of these, about 390 centres are operating in software product development, 84 centres in embedded systems and 120 centres in engineering services segment. Bangalore has thrice as many R&D centres as any other city due to its strong product development ecosystem and availability of skilled talent pool. The number of R&D centres in Pune has now crossed 90, and NCR has over 80 centres.

Several Indian firms with large existing IT businesses have invested in establishing independent business units to provide these services. Further, many niche players, focused on product development/ engineering services have also entered the market, offering a high degree of domain knowledge and specialised skills as their key differentiators.



(Source: Nasscom, Strategic Review 2009)

## Future Outlook

- Greater focus on cost and operational efficiencies in the recessionary environment is expected to enhance global sourcing. The huge potential for global sourcing is further highlighted by an addressable market size of USD 500 billion in 2008, which is more than five times bigger than the current market.
- The global technology related spending is expected to reduce for the first 2-3 quarters of 2009 on account of the downturn but is expected to pick up in 2010.
- Services and software segments are estimated to grow at 6.1 per cent to cross USD 1.2 trillion by 2012. This is more than the 5.2 per cent growth expected in the total IT spending
- The worldwide BPO market is expected to grow at a CAGR of 11.9 per cent to reach USD 181 billion by 2012, while ITO market is expected to grow at a CAGR of 6.9 per cent and reach USD 275 billion by 2012
- There would be pricing pressures coupled with contract renegotiations due to the economic uncertainty. India Inc would remain focused on tactical measures to achieve cost savings and greater productivity
- The industry will continue to diversify in terms of geographies, verticals and service lines
- There will be sustained efforts to penetrate new geographies such as Japan, Nordic countries and Middle East and also new verticals i.e., government, healthcare and SMBs
- Lack of working age population in the developed economies and a significant long term cost arbitrage of indicates India's sustained cost competitiveness
- Service providers are expected to enhance focus to domestic market to de-risk business and tap into the local growth opportunities

(Source: Nasscom, Strategic Review 2009)

## Worldwide Technology Related Spend 2007-12 (US\$ Million)

	2007	2008	2009	2010	2011	2012
Worldwide Services Total	527,682	556,578	578,170	604,767	636,289	671,843
Worldwide BPO* Total	102,972	115,065	130,789	146,239	164,283	180,711
Worldwide Software Total	276,628	294,746	308,268	326,021	348,811	375,907
Worldwide Hardware Total	570,364	593,734	596,748	620,207	652,070	683,044
Worldwide Engineering Spend**	861,000	886,000	NA	NA	NA	913,000-931,000

Note: Technology spending defined as per IDC classification of IT services, software, hardware and BPO; R&D and engineering spending estimates reported separately to avoid double counting.

\*IDC has changed the definition of BPO, due to which the BPO numbers are significantly different from what we have mention last year (for more details please refer to page no. 250)

(Source: Nasscom, Strategic Review 2009)

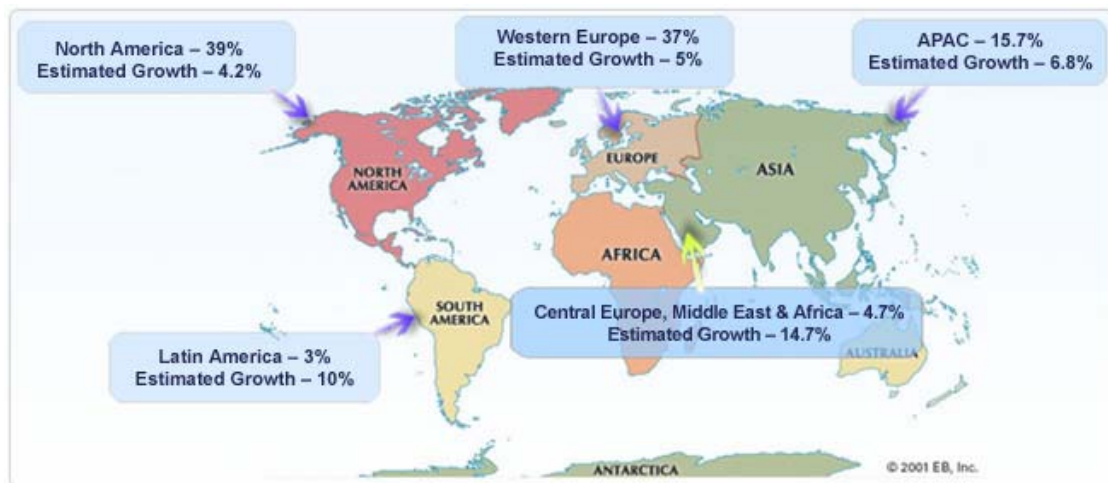
Over the next four years, overall technology spending is expected to cross USD 1.9 trillion, with a CAGR of 5.2 per cent. While global technology related spending (growth) is expected to reduce slightly in 2009 on account of the global downturn, it is expected to rebound in 2010. This growth is expected to be spearheaded by the services and software segments, which are projected to log 6.1 per cent growth, to cross USD 1.2 trillion by 2012. This growth would be driven by increasing



technology adoption across businesses, and industries around the world, and new software applications.

The strong growth estimate for overall IT-BPO outsourcing is another indicator of the increased growth for global sourcing. The outsourcing segment of the IT services market is expected to grow at a CAGR of 6.9 per cent and reach USD 275 billion by 2012. The worldwide BPO market is expected to witness even stronger growth and is forecast to touch USD 181 billion by 2012, growing at a CAGR of 11.9 per cent.

### Regional trends in IT Services spends



(Source: Nasscom, Strategic Review 2009)

North America and Western Europe, together accounts for over 76% of the worldwide IT services spends. The macro-economic and business dynamics in these regions plays a dominant role in defining regional patterns and trends.

Growth in IT services spends in key emerging markets such as India and China is about twice the regional average estimated at 20% and 19% respectively. Other markets like Brazil, Russia and several other countries in the CEMA region are also witnessing accelerated IT adoption. This growth is attributed to corporate tax law and exchange rate changes, driven by faster uptake of new architectural services, new infrastructural services and larger investment in enterprise solutions like ERP and custom application services.

### Domestic IT spending

The liberalization of Indian economic policy, de-regulation of key sectors and progressive moves towards further integrating India with the global economy has been a key driver of increased IT adoption in the country. This is best reflected in the fact that most indigenous players in telecom and banking, two key sectors with significant multinational corporation (MNC) participation, have significantly upgraded their levels of IT adoption to offer best-in-class services comparable to those offered by the global competition and these two sectors together account for approximately 50-60 percent of the domestic spend on IT services.

Similar competitive pressures in other more recently deregulated service sectors such as airlines and insurance, and the uptake in the manufacturing and industrial sectors; and the several large e-governance initiatives launched by the government under the National E-Governance Plan (NEGP) are expected to provide sustained growth in domestic demand for IT services over the next few years.

India's domestic IT-BPO market is expected to cross US\$ 24.19 billion in 2008 and a healthy growth is expected across all segments.

Provided below are the projected Indian revenues in various segments of technology and related services for the year 2009.

#### Indian IT-BPO (domestic+export) revenues - FY2006-2009E

(USD million)

	2005-06		2006-07		2007-08		2008-09E	
	Exports	Domestic	Exports	Domestic	Exports	Domestic	Exports	Domestic
IT Services	13,305	4,476	17,850	5,531	23,100	7,882	26,909	8,322
BPO	6,300	914	8,410	1,097	10,930	1,576	12,843	1,941
Software Products and Engineering Services <sup>1</sup>	4,000	1,329	4,940	1,600	6,400	2,234	7,287	2,260
Hardware	584	6,500	477	7,978	500	11,497	300	11,807
<b>Total</b>	<b>24,189</b>	<b>13,219</b>	<b>31,622</b>	<b>16,206</b>	<b>40,880</b>	<b>23,189</b>	<b>47,339</b>	<b>24,329</b>
<b>Exchange rate</b>	<b>44.1</b>		<b>44.9</b>		<b>40.2</b>		<b>45.7</b>	

<sup>1</sup> Exports=Software Products (comprising Sale of own or resale of Software products + Packaged software + Offshore Product Development)+Engineering services  
Domestic=Sale of own or resale of Software products + Packaged software + Offshore Product Development

E: Estimate

(Source: Nasscom, Strategic Review 2009)

#### Indian IT-BPO industry– need for supporting fiscal incentives

The Indian Information Technology (IT)–Business Process Outsourcing (BPO) industry has performed well over the past decade, and despite current global uncertainties, is optimistic about achieving its long-term export target. Leveraging the significant cost advantage and high standards of delivery, the industry today is predominantly export-oriented, with the USA and UK remaining the largest markets. Demand from the domestic market is also fast picking up.

The industry constitutes a very integral part of the Indian social-economic chain, which is very evident from some of the facts highlighted below:

- The industry contributed 5.8 per cent of the Indian GDP in FY2009
- Its export earnings touched USD 47 billion in FY2009
- The sector generated direct employment for around 2.24 million people (FY2009) and an additional estimated indirect employment, of 3.6 times that number
- The IT-BPO industry created a new empowered middle class, which boosted demand in other sectors such as infrastructure, real estate, automotives and consumer goods The industry drew global acclaim for its scope and scale of performance;
- It contributed to the exchequer in the form of corporate income-tax, and personal income-tax through the vast employment generated.

The composition (in terms of numbers) of the industry is skewed towards the small and medium categories of companies. However, the larger companies dominate the market and account for around 45 per cent of export revenues.

The progressive role played by the Government in promoting the industry also deserves mention. One of the major catalysts behind the growth of the sector has been the tax holiday benefit given to the sector under the Software Technology Park of India (STPI) and the Export Oriented Unit (EoU) schemes.

Currently, units operating under the STPI or EoU schemes can avail income-tax deductions under section 10A/10B of the Income-tax Act, 1961 ("the Act") in respect of export profits. However, this deduction is available only until March 31, 2010, and there is uncertainty regarding the further extension of these provisions. The STPI and EoU schemes also provide various indirect tax benefits (i.e. exemption from excise, customs etc.) which would continue to be available even beyond 2010.

In the meanwhile, the Government has also introduced the SEZ scheme which seeks to provide benefits similar to sections 10A and 10B. The SEZ scheme is often considered to be an alternate to the STPI/ EoU Scheme, though this may not be the reality owing to practical reasons.

In the current scenario, the most important question that arises is whether the industry needs continued fiscal support in the form of an extension of the income-tax holiday under section 10A/10B. The recent socio economic developments (global as well as Indian) make a compelling case for an extension of the provisions of section 10A/10B.

## **Conclusion**

It is an acknowledged fact that the IT-BPO industry is contributing immensely to the growth of Indian society and the economy. The industry has also fostered a new league of entrepreneurs who have helped put India on the global map.

At the same time, the industry is currently facing significant challenges. The situation will get worse if the income-tax benefits are taken away, as it would reduce the attractiveness of the sector for investments.

While additional income-tax revenue will accrue to the Government on account of the expiry of sections 10A and 10B (which the Government will have to forego in case it extends the provisions further), the policy makers will have to see the larger picture before taking a decision. The Government therefore will have to balance between the incremental tax revenue and the other overall multiplier economic impact that could result if the provisions are not extended.

## BUSINESS OVERVIEW

Acropetal Technologies Limited (ATL) was incorporated in the year 2001 in Bangalore and received 100% EOU certification in January 2003. The initial focus of the company was on Engineering Design Services. We offer a broad spectrum of Engineering Design Services to reduce product design cycle time and costs. The portfolio of services includes concept design, product design & development, advanced analysis, reliability engineering and value engineering. Product quality improvement, idea generation, product teardown, material cost-out, product re-design, back office support to accomplish 2D Drawings, Data Conversion and 3D Modelling are the value added services offered to our customers.

Our IT/ITES solutions in the enterprise space allow organizations to optimize their core business activities like resource management, customer relationship management and supply chain management. We help organizations to improve their business processes, functions through the effective application of Enterprise solutions that align with organization's business objectives and strategies. Together with our group companies, we are committed to meet our customer's business needs with end-to-end solutions for small, medium and large businesses.

Acropetal is currently working on the following competency based verticals

- Engineering Design Services
- Healthcare Services
- Enterprise & IT Services
- Energy & Environment Services
- IT Infrastructure Management Services
- IT Security Consulting Services

We were awarded the prestigious STPI award for 'High Growth in Small and Medium Business Unit' by the Software Technology Parks of India (STPI) and Department of Information Technology, Biotechnology & Science Technology, Karnataka for the year 2008-09 and 2006-07.

On January 27, 2009, we set up a wholly owned subsidiary (WOS) Vision Info Inc. located in Dubai, UAE by acquiring 100% shareholding to cater to the business opportunities in the Middle East region. The WOS is registered with the Registrar of Ras Al Khaimah Free Trade Zone Authority pursuant to International Companies Regulations 2006 of Ras Al Khaimah Free Trade Zone, UAE.

### **Location**

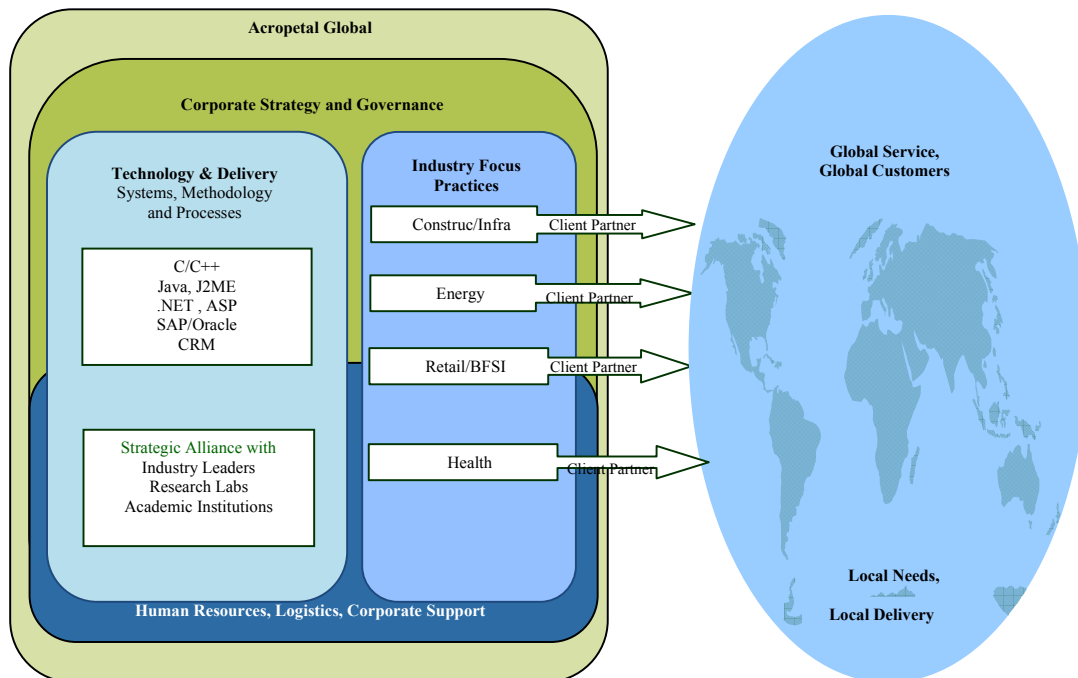
Our Company is headquartered in Bangalore, the silicon valley of India. We also have presence in Dubai, UAE, through our subsidiary Vision Info Inc. Our Company intends to set up new Software Development Center cum Corporate Office in Bangalore and also expand its geographical presence in the US, UK, Middle east and South East Asia by setting up offices.

### **Our Competitive Strengths**

The following are our principal competitive strengths, which, we believe, are our key differentiating factors from rest of our competitors:

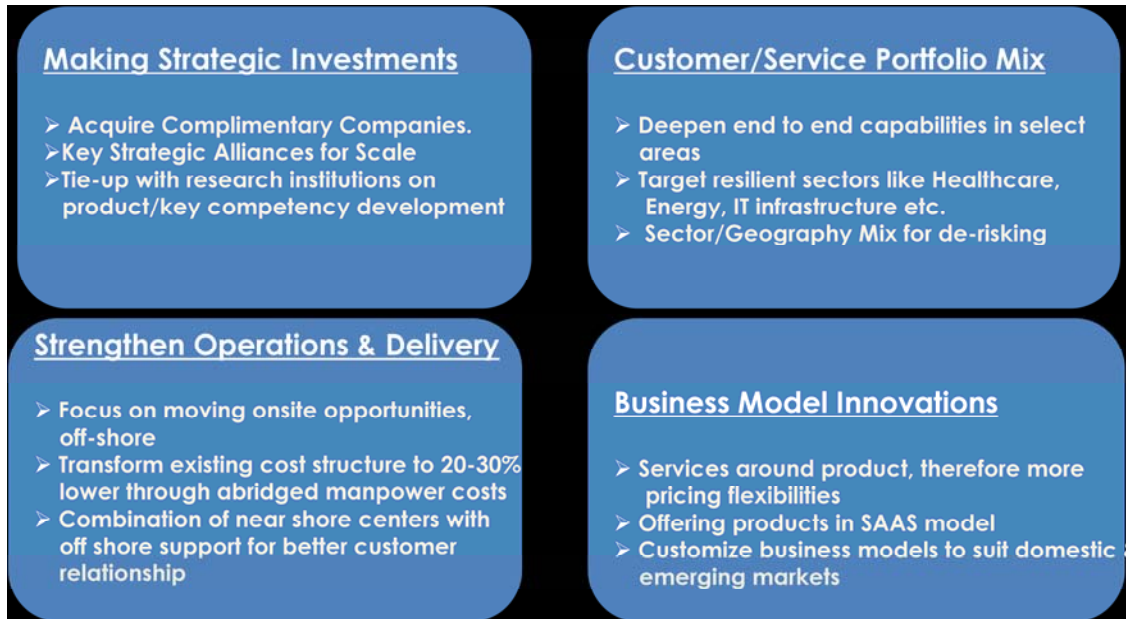
1. **Focused on four major Industry segments:** Our current offerings are focused on four major industry sectors: Infrastructure, BFSI/Retail, Health and Energy. We intend to offer complete end to end solution catering to these market segments. We believe that our comprehensive range of offerings help our clients achieve their business objectives and enable us to obtain additional business from existing clients as well as address a larger base of potential new clients.

2. **Product + Services Mix:** Acropetal has internally developed and along with its group companies has built a strong product and services portfolio. We would continue to leverage on this domain expertise as well as the product portfolio to offer comprehensive solutions to our customers. The customers will be able to gain better time to market through Acropetal's products and services.
3. **Existing Strong Client Base:** Acropetal has developed a strong customer base over the last few years. Acropetal's focus is to build on its existing customer relationship and offering new services to broaden the spectrum of its service offerings. Acropetal would be leveraging its existing customer base by offering its complete suite of offerings, which would enable Acropetal to enhance its sales revenue.
4. **Unique Global Delivery Model:** Acropetal has built a client centric focus delivery model and have been able to successfully deploy and test this model across clients and build trust among our customers. The near shore centres integrated with this model have helped us to build cost effective solutions to our customers.



5. **Strong Leadership Team:** Acropetal leadership team is experienced and comes from diverse backgrounds. The leadership team consists of successful entrepreneurs, technology professionals, experienced professionals from large companies. This diverse experience would enable us in our mission in building the next generation, differentiated Mid Size IT Company.

### **Our Strategy and Business Model**



**Customer/Services Portfolio Mix:** Our current strategy is to focus on resilient sectors like Health, Energy etc to offer complete end to end solutions for these sectors.

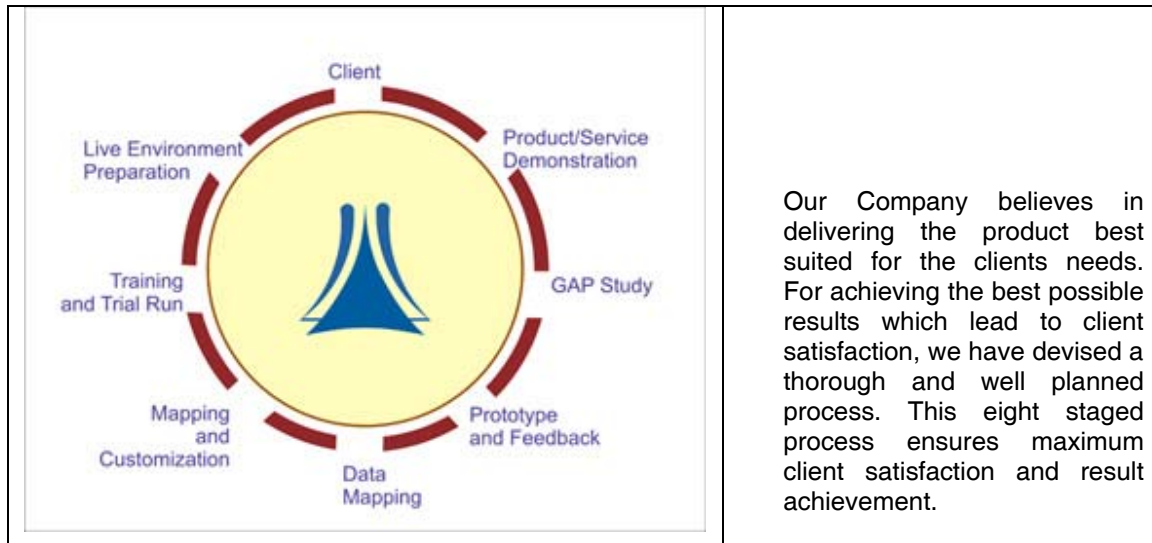
**Business Model Innovations:** We follow a strategy of building products as well as having alliance with product companies to build services around its products. This strategy will enable our Company to build its service portfolio around its products. We will also be offering our Healthcare, Enterprise and Energy products in the SAAS model (Software as a Service Model).

**Strengthen Operations/Delivery:** Our Company's current geographical spread is skewed towards the US market. The new strategy will be to de-risk dependency on one region or one industry sector. We also intend to convert some of the onsite US projects to an off-shore model, thereby providing better value proposition to our customers.

**Making Strategic Investments:** Acropetal's strategy of being an end to end solution provider for select industry verticals, will be achieved through both organic as well as in organic growth. We intend to make strategic investments, as well as getting into alliance with product or niche service companies in their industry verticals. Our Company also intends to make acquisitions in complimentary competency companies enabling us to thereby provide entire solution value proposition to our customers.

**R&D Incubation Centre:** We have created an Incubation Business Unit (IBU) with a mission to accelerate and influence the growth of corporate and individual business unit's strategic goals. We will invest; provide infrastructure, business case development & marketing support for "new Product ideas/initiatives" which can: Stimulate new markets for our services, create new and complementary technologies and businesses, enable new horizontal and vertical markets. Our strategy is to bring the incubation unit to a mature stage and then either integrate the same – if there is a strategic fit to the business or else divest at a later stage.

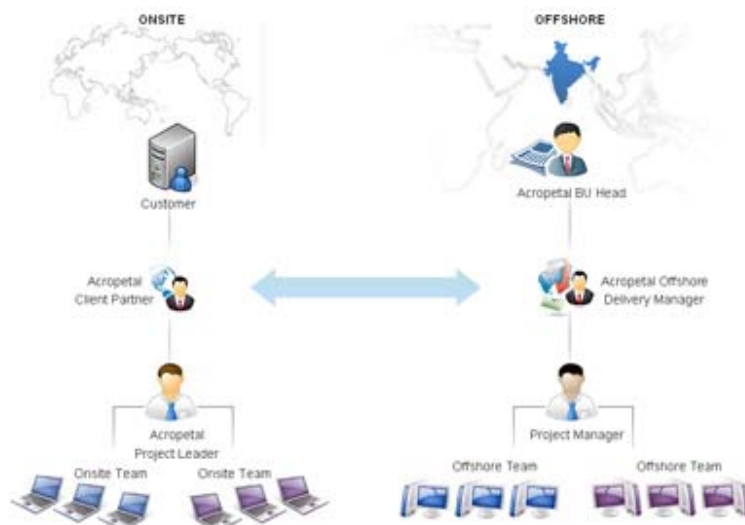
### **Our Approach**



- 1) **Product/ Service Demonstration:** We will conduct a demonstration of the current version to the client and then understand the GAP with respect to the clients expected outcomes.
- 2) **Gap Study:** In the second phase of the product/service implementation, we work with the client to precisely understand the requirements. A client will be presented with a document only after a thorough understanding of the gap between the product and required outcome. This would be a key determining factor to plan the effort and customization.
- 3) **Prototype and Feedback:** During the third phase we will present the client with a prototype method to understand the precise features of the application/service in view of the business needs.
- 4) **Data Mapping:** Our team will provide the format to upload the existing data in to the new database of the master data as per the format.
- 5) **Mapping and Customization:** In case of a specific requirement by the client, we will work that requirement into a product/service and include possible workarounds. The customized solution will be a part of the training phase and the live environment.
- 6) **Training and Trial Run:** The mapped version of the product is used for training and trial run with client's test cases ranging from simple to complex scenarios.
- 7) **Live Environment Preparation:** The final version of data will be ported in the Live Production Database and setups completed. This is then followed by making it available for live usage.
- 8) **Go-Live and Support:** We provide all available support for clients during their critical Go-Live stage.

#### **Global Delivery Model**





We offer Information Technology solutions using our Global Delivery Model (GDM). We utilize our resources, skills, technical expertise, and excellent quality to deliver solutions. Our onsite team coordinates with the client for technical requirements. They also coordinate on changes that are required.

The team then helps transition the job to the offshore development centers. Our onsite team initializes plans and designs the project, and distributes tasks for effective use of resources. The onsite team regularly coordinates with the client to ensure that the work at the offshore developments is perfectly aligned to client requirements, at any given time. To ensure a successful integration of the solution, this team also coordinates with the client during the trial and testing stages. After a successful execution of the project, we extend our services by providing support and maintenance as well. We believe our expertise and quality provides a precise solution for client's requirements.

## Our Services



**A) Engineering Design Services:** Our Company offers complete Engineering Design services for the Infrastructure industry. As a next logical sequence we intend to expand this service



offering to automotive and aerospace industries as well. We offer a unique combination of engineering skills, domain expertise and application know-how. Our services span across the entire product development cycle, from concept development through after market support in the areas of Mechanical Design, Value Engineering, and Steel Detailing etc. Our Design services provide us with an opportunity to help our customers transform their businesses in a cost effective manner.

Our Company has been working with Saudi Oger, since 2001 and we have developed an offshore development centre for Saudi Oger which is now more than 150+ people strong.

- a) **Engineering Design Architecture:** Acropetal provides Architectural Design & Detailing services to create the shop drawings. We believe that our architectural detailing services are among the best in the industry. We create dimensionally accurate shop drawings for submission to contractors or the designated authorities. Our architectural detailing services ensure that all the data is in the respective layers and is completely editable. We provide the services in the software selected by our clients, including AutoCAD, VectorWorks, ArchiCAD, etc. We offer layout & landscaping, floor, space and ceiling plans, CAD plans and CAD drawings etc.
  - b) **Engineering Design Services – Structural:** We offer a wide range of services across the entire spectrum of structural engineering aiming to make each customer a life long client. The flexibility in structural design services and the clear & concise way of anticipating our client requirements is what distinguishes us from the other outsourcing firms. At structural drafting services, we utilize our core competencies, combined experience and the latest in technology to provide you high quality 2D drafting and detailing services. Our competent team members enable us to deliver value added services with speed and accuracy. We specialize in converting hand drawn sketches, fully detailed drawings or a concept into cost effective two-dimensional drawings. Our drafters and detailers have extensive domain experience and expertise to provide complete structural drafting services conforming to industry standards and specifications.
  - c) **Engineering Design Services – Electrical:** Electrical systems are designed based on the total load requirements used for lighting, motors, HVAC, Plumbing, fire fighting, lifts & escalators etc. Based on the load requirement the primary equipment like high voltage (HV) panel, transformers, bus ducts, main power distribution panel, generator set, Distribution Boards (DB) are located depending on the load centres, whereas the primary equipment's shall be located away from the main area with safety as primary consideration and also depending on plot plan details. We provide design guidelines / design basis, as a project specific document to explain the electrical system based on the International Codes & Standards.
  - d) **Steel Detailing:** Steel detailing services are an advanced discipline brought into our spectrum of Engineering Design Services. Our full service steel detailing team combines experience, capable to handle design challenges of the project. A strong project management background enables us to deliver quality on time performance.
- B) IT Services & Enterprise Solutions:** Our Company focuses on solutions including CRM, ERP and SCM. We also offer custom application development, web applications, internet engineering and continuous engineering of legacy software. In addition, our unique professional services group offers services from short-term resource augmentation to providing a DDC (Dedicated Development Centre) to address our customer needs, thus helping save time, money, streamlining business and sharpening the competitive edge of customers.

- a) *Customer Relationship Management CRM Services:* Our Company offers specialized set of services in the Oracle CRM on-demand area for a variety of needs including implementation, Production Support and Maintenance. We provide complete suite of CRM On-Demand service offerings that are tailored to the specific requirements of the client and results in the optimum solution. We identify the real business drivers for any CRM initiative and help businesses achieve their objectives.
  - b) *ERP Solutions:* Enterprise Resource Planning (ERP) is a strategic tool, which helps organizations to gain a competitive edge by integrating all business processes and optimizing the resources available. Our ERP practice focuses on automating the complex processes of targeted industry segments for which we have partnered with leading vendors to provide ERP solutions and services to the SME market.
  - c) *Application Management:* We have developed expertise in designing and implementing enterprise software applications. Our expertise in different industry verticals and technical domains has positioned us strongly to deliver scalable, reliable, robust, secure and easily maintainable applications. We deploy *best-of-breed* technologies in order to help our customers accomplish their business goals.
  - d) *Portal Development:* Web portal is an interface that provides personalized access to information, applications, business processes and many more. Effective web portal shall provide information that is systematically arranged, convenient and is user friendly. Such well-designed portals become the basis of operation for internet or web based application. We provide our clients with comprehensive portal solutions that allow users to maximize the way they exploit information and resources throughout the organization.
  - e) *Data Warehousing & Business Intelligence:* In today's highly competitive global business environment, our Data Warehousing and Business Intelligence services enable data-driven decisions to transform business strategies and operations. We help our customers to stay competitive by converting data into intelligence for making better business decisions and responding to insights quickly. Our Business Intelligence practice helps companies in a wide range of industries, leverage business-critical information across the enterprise to facilitate decisions that are intelligent and timely. Our Data Warehousing solutions allow companies to access, analyze and share data from disparate sources.
- C) Healthcare IT Solutions:** Our Company has implemented several healthcare case management and Patient Information Management Systems that merge sophisticated technologies with user-friendly interfaces. These systems provide health information management, case management, and communication and dashboard capabilities and have been deployed at public health agencies and hospitals. Our Healthcare solutions provide service-oriented architecture based on common healthcare standards in the US like Health Insurance Portability and Accountability Act (HIPAA) & Health Level 7 (HL7) etc. to support heterogeneous applications. Through powerful, collaborative-enabling components, the architecture offers the benefit of evolutionary migration to new applications without disruption to service or budget. This helps us to open up a whole new way for the healthcare community to collaborate and to serve the patient across time and across the continuum of care.
- a) *Electronic Medical Records (EMR):* The product Web EMR has been built based on real life experiences of practitioners and their staff who have been using manual systems as well as those who have been using other EMR systems. Web EMR is an integrated application meant for the entire staff of a medical practice right from the physicians, to nurse practitioners, to medical assistants, to front desk, to managed care, and billing staff. Acropetal's WebEMR solution is an enterprise platform with high scalability. It's robust and simple to use solution supporting features to support the entire spectrum of

activities performed in a doctor's office right from Appointment Scheduling, to Charting to billing.

- b) ***Health Information Management Solutions (HIMS):*** Our Hospital Management Solution, a fully integrated solution that provides end-to-end platform for managing all aspects pertaining to day-to-day healthcare related activities, from patient care to operational activities of hospitals and clinics. Focusing on the end users requirement, Our HIMS addresses the special needs of hospitals by automating all its operational processes and improves patient care by modernizing clinical services, by providing accurate health monitoring and by assisting analysis of critical patient information.

- D) Energy & Environment Practice: Energy planner:** This proprietary decision support system helps companies and policy makers account for, optimize and analyze corporate or sectoral energy consumption through its inventory, optimization and analytics modules. Based on advanced optimization model, it calculates least cost Energy Optimization across multiple processes / facilities / industries subject to user defined constraints. The product is customized to meet the requirements of sectors like oil and gas, power, manufacturing, process industries, logistics, infrastructure and the services sector. The product currently caters to the following industry sectors and can be deployed for the following functionality

Industry	Function						
	Target based cost Optimization	Production Capacity Planning	Operational Planning	GHG reporting / carbon footprinting	Sustainability benchmarking	Water and Waste Analysis	Energy efficiency & Benchmarking
Oil & Gas and Utilities	✓	✓	✓	✓	✓	✓	✓
Logistics and Services Sector	✓	✓	✓	✓	✓	✓	✓
Manufacturing (Discrete & Process)	✓	✓	✓	✓	✓	✓	✓
Government	✓			✓	✓	✓	✓

We also provide Greenhouse Gas Accounting and Mitigation Cost Optimizer for companies to account and manage their GHG emissions and optimize the costs of meeting their GHG liabilities. The web based software provides a GHG accounting and cost optimization framework which can be implemented across facilities / divisions / geographies / time. The tool is customized to meet the requirements of sectors like oil and gas, power, discrete manufacturing, process industries, logistics, infrastructure related businesses and the services sector. It provides solutions that result in cost savings and emission reductions. The tool is built upon accepted GHG accounting frameworks and protocols to enable companies to accurately account for their GHGs and fulfil regulatory/voluntary reporting standards. The software can be integrated with existing data sources and customized for internal reporting systems.

- E) IT Infrastructure Management Services (ITIMS):** Our service offerings in this vertical are focused on reducing operational costs and maximizing availability and performance of clients' IT infrastructure. It enables clients to manage components of their IT Infrastructure through clearly defined service levels and deliverables. Global organisations consider ITIMS as a source of competitive advantage. A healthy IT infrastructure enables efficient delivery of services and improves overall business performance. We support the major prevalent technologies across Operating Systems, Network Devices, Messaging and Collaboration environments, Web and Web application servers, Databases, Security Devices, besides Backup and Storage devices.

**The critical IT elements which require management in an enterprise includes:**

- Desktop, End User & Helpdesk Solutions
- The Enterprise Network Infrastructure
- Databases - Central & Distributed
- Enterprise Data Centres
- Servers, Storage and related Infrastructure
- Enterprise Security Infrastructure
- Enterprise Web Infrastructure
- Processes – Alignment, Standardization and Compliance
- SLA, OLA, Documentation & Policies

**F) IT Security Solutions:**

- Comprehensive Security Services:* Implementation of policies for desktop firewall and desktop IDS across the enterprise from the centralized management console.
- Client Management services:* Increase the visibility with a comprehensive inventory of all hardware and software of each client system, Provision software package delivery across the clients, also reduce support and maintenance costs and ensure that OS patches are updated
- Server Management services:* Provides for and gather comprehensive server specific inventory for physical and virtual machines.
- Gateway Security management services:* This ensures deployment and management services for Firewall, web security, mail security and other perimeter security either remotely managed or on-site.
- Threat and Vulnerability Management Program:* Identifies threats and vulnerability in network, network devices, servers and desktops and gives a consolidated report on the health of IT network.
- Availability and OS Recovery deployment & Maintenance services:* Using available products at customer site, deploy and maintain backup and storage.

Our Company also provides the following end to end solutions:

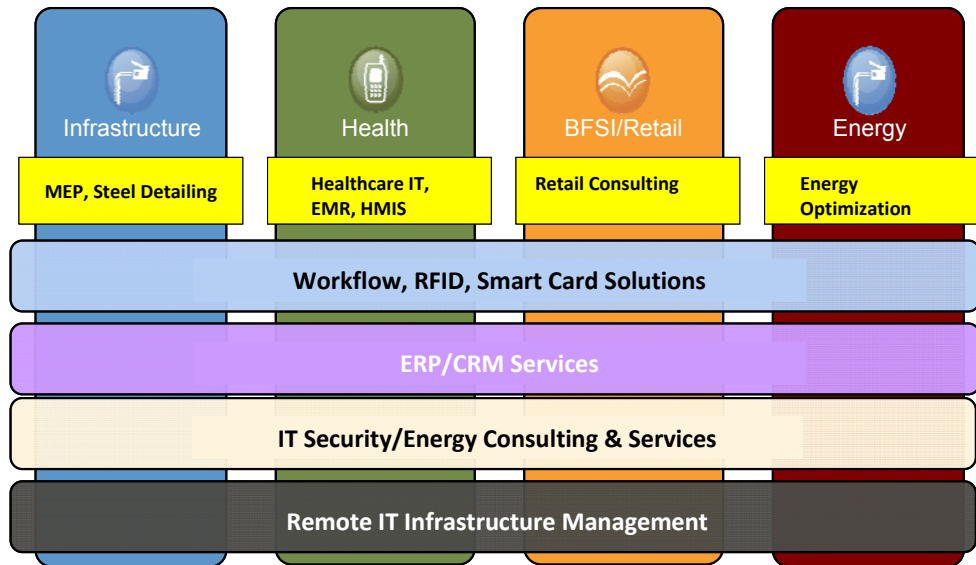
• Open Source Solutions	• Intrusion Prevention
• Endpoint Security and Management	• Cloud Security Solutions
• Network Access Control	• Load Balancer, Compression
• Vulnerability Assessment and Risk Management	• Security Incident Management (SIM) Solution
• Disk Encryption	• Data Loss Prevention
• Two Factor Authentication	• Link + Server Load Balancing
• Firewall / VPN	• Apple Solutions
• Webproxy, URL Filtering, Anti-Malware	• Storage Solutions
• Mail Security	• Virtualization Technologies
• Hosted Mail Solution	

**Industry Practices**

Acropetal is offering services for the following industry sectors

- Infrastructure

- BFSI/Retail
- Health
- Energy



We offer comprehensive services across these four industry sectors with specialized niche offerings for the above Industry sectors.

### **Competition**

The market for IT Services is both highly competitive and rapidly evolving. We primarily face competition from Indian IT services companies as well as international technology services companies which offer broad-based services. We anticipate this competition to grow as the demand for these services increases and we also expect additional companies to enter the Indian market. We expect that further competition will increase and potentially include firms in countries with lower personnel costs than those prevailing in India. However, we recognize that price alone cannot constitute sustainable competitive advantage.

### **Approach to Marketing**

Our Company has been focusing on acquiring new customers through its direct and indirect channels. We have a Sales & Marketing team in place in India & US as well as several sales agents across the Globe. Going forward we intend to strengthen our Sales team, which would be one of the strategies to enhance our business goals and sales revenues.

The Marketing strategy will include

- Leveraging existing customers
- Appointment Sales Partners for product or services sales
- Induction of a pre-sales team in India for cold calling, proposal drafting and handling all the requirements of the sales partners.

We undertake a detailed exercise periodically to identify existing and prospective clients with the potential to develop into large clients. Our senior management is actively involved in managing client relationships and business development through targeted interaction with multiple contacts at different levels in the client organization. Additionally, we have several technology alliances

with leading IT vendors, which typically involve systems integration and in certain cases joint marketing efforts.

The sales promotion is mainly based on participation and interaction in seminars, exhibitions, presentations and Vendor enlistments. There are several direct and indirect promotional channels hence promotion methods have to be innovative and narrow to ensure reaching the target and avoid unnecessary expenditure and misdirection.

### **Our Human Resources Philosophy**

At Acropetal our HR philosophy is centred on empowerment with a strong sense of respect. In this direction our organization constantly encourages and supports freedom of ideas and enterprise. We encourage employees to

- Develop relationships that celebrate diverse ideas, and perspectives.
- Have a sense of enterprise with rewards for results
- Celebrate achievements and reward for superior performance
- Provide appropriate working conditions and resources to enable people to do their work.
- Respect co workers irrespective of nature of work and responsibilities

Imbued in these guiding principles we constantly develop and evolve our Human Resource processes. We follow best in class practices in the field of human resources. The key is to have an empowered workforce that gets engaging assignments and conducive work environment. Some of the practices implemented are 1) Performance Management System 2) Rewards and Recognition, 3) Training and Development, 4) Fun and Engagements

### **Quality Management**

We are an ISO 9001:2008 certified organisation. Acropetal has evolved a mature Quality Management System that spans across all function of the organization. The corporate goals and business objectives translate in to performance and quality goals for individuals, departments and functions, by applying Balance Scorecard methodology. The performance and quality objectives are subsequently monitored through metrics collection and analysis.

### **Business Continuity Planning/Disaster Recovery**

In order to ensure a level of readiness to maintain the continuity of critical business and services to customers, we have put together a business continuity management framework, which encompasses key functions, projects and systems. We have invested in developing and implementing an effective business contingency plan, along with mitigation measures for recovery of IT infrastructure and operations, in the event of a disaster. Along with the preparation of Business Continuity Planning and Disaster Recovery plans, regular disaster recovery trials and mock drills are carried out across all customer projects. Backup copies of essential business data and software are taken regularly and stored offsite.

### **Accessibility and Security**

In keeping with the clients concerns on the Intellectual Property and information security, different types of physical and access restrictions have been imposed within the development centre so that our clients can be absolutely certain that their data, systems and processes and other confidential information, including IPRs do not get circulated, unintentionally or on purpose.

### **Collaborations**

We have not entered into any technical or other collaboration. However, we partner with various software and hardware providers, as it is customary in our line of business.

### **Utilities & Infrastructure Facilities**

Our registered office is located at Bangalore. Our offices are equipped with latest computer systems, servers, relevant software's, uninterrupted power supply, internet connectivity, security and other facilities, which are required for our business operations to function smoothly.

The same shall be ensured at our proposed new Software Development Centre cum Corporate Office.

### **Manpower/Employee details**

Our Company has a mix of software developers/programmers and business analysts. Our staff consists of skilled technical specialists and project managers trained to develop and implement state-of-the-art systems.

As on February 28, 2010 we have 321 employees on our rolls.

<b>Particulars</b>	<b>No. of employees</b>
Management cadre	15
Technical	291
Technical Support Staff	5
Office Support/Other staff	10
<b>Total</b>	<b>321</b>

### **Export Obligations**

We are registered as a software technology park ("STP") unit under the Software Technology Park Scheme. The STP Scheme imposes certain export obligations on the STP unit including requirements regarding maintaining positive net foreign exchange earnings. Failing to meet such requirement may result in the STP unit losing the benefits available to it under the STP Scheme and becoming liable for penal action under Foreign Trade (Development and Regulations) Act, 1992.

### **Capacity and Capacity Utilization**

Our Company being in the service industry installed capacity and capacity utilization is not applicable to us.

### **Future prospects**

Key global sourcing drivers will continue to be cost, access to talent, business improvements, increasing speed-to-market and access to emerging markets. The future outlook for all these drivers is positive, leading to increased momentum for global sourcing. The focus on cost reduction is expected to increase, keeping in mind the prevailing recessionary environment. Environmental considerations such as climate change, global warming, social responsibilities, and compliance issues are all adding up to increase pressure on margins, which can be off set by increasing global sourcing to keep tabs on spiraling costs.

Access to talent is likely to become more decisive as workforce demographics indicate a shortfall in the long term, in all major developed countries such as USA, UK, France and Germany, Japan and some developing countries as well.

While the 2009 outlook for global technology related spending is affected by the recessionary environment, a rebound is expected from 2010 onwards. Worldwide adoption of outsourcing is also expected to rise significantly in the coming years.


Sustained demand, robust fundamentals and a supportive business environment will help realize the significant potential the IT-BPO industry offers, both for exports and the domestic market. The industry can achieve an export target of USD 60-62 billion by FY 2011, employing 2.5-3 million professionals directly and contributing substantially to the socio-economic development of the country.

The size of the opportunity in hand can be gauged from the fact that India currently accounts for just over 4 per cent of worldwide technology related spend. Additionally, growth in global sourcing is estimated to be almost four times that of technology related spend. India currently generates the bulk of its IT-BPO revenues from the US, and the BFSI sector, while accounting for a miniscule part of technology spend in other geographies and verticals. India, with its fundamental advantages can capture a large share of the opportunities available. However, in order to achieve this goal, the key stakeholders need to work in tandem.

*(Source: NASSCOM Strategic Review 2009)*

### **Intellectual Property Rights**

The table below outlines the current status of our intellectual property (Trade Marks):

Sr. No.	Mark	Date of Application	Registration No.	Issuing Authority	Description of Class
1.	 <b>ACROPETAL</b> TECHNOLOGIES LTD. INNOVATING A BETTER WORLD	November 29, 2006	1508818	Registrar of Trade Mark	Computer Software Services & Other Services

### **Property**

#### **Owned by our Company**

Sr. No.	Description of Property, Usage and details of charges	Vendor	Area	Consideration as per agreement *
1.	Industrial Plot bearing No. 255/B in Bommasandra Industrial Area, Survey No. 237 and 239 of Bommasandra Village, Attibele Hobli, Anekeal Taluka, Bangalore District  Usage: To be used for our new software development centre cum corporate office  Mortgaged to the Axis Bank Limited	Shri. I.M Agadoorapa Sale Deed dated 6.12.2007	5902 square meters togetherwith shed thereon admeasuring 6,000 Sq. ft. built up area.	Rs. 400 lacs



2.	Property bearing Survey No. 11/7 situated at Kammanahali Village, Begur Hobli, Bangalore, South Taluka  Vacant plot of land  Mortgaged to the State Bank of Travancore	1. Shri. Venkataramanappa 2. Shri, Shamanna 3. Shri. Lakshmana 4. Shri. Krishna  Agreement dated 30.05.2007	21,780 Sq.Ft.	Rs. 100 lacs
3.	Property bearing New Municipal No. 8, (Old No. 74,75,57) PID No.65-321-8 situated at Nainappa Setty Palya Begur Hobli, Bangalore South Taluka (now known as 3 <sup>rd</sup> Main Road, Industrial Area, N.S. Palya, Ward No. 65, Bangalore  Administrative office and software development centre  Mortgaged to the Axis Bank Limited	M/s Phulchand Gulabchand Charitable Trust Agreement dated 29.11.2007	6,750 Sq. Ft.	Rs. 235 lacs

#### Properties taken on license/lease by our Company

Sr. No	Description of Property	Name of Lessor	Agreement Date, Lease period	Amount	Total Area	Purpose
1 *	Land bearing No. 2-10/1, Old No. 2-10(Northern Portion) situated in 1 <sup>st</sup> Cross, Nayanappa Setty Palya, Bangalore comprising of 1 <sup>st</sup> 2 <sup>nd</sup> , 3 <sup>rd</sup> and 4 <sup>th</sup> floor admeasuring about 8000 square feet approximately	Dr. Malini Reddy	1 <sup>st</sup> August, 2006 84 months w.e.f 1 <sup>st</sup> August, 2006	Rs.2.40 lacs/- per month including Electricity, water charges amounting to Rs. 8,000 per month payable. (failure to pay rent would attract 2% per month interest) with an escalation clause of 15% to be effective from 37 <sup>th</sup> month. The said agreement also contains a termination clause. Security Deposit amounting to Rs 10 lacs	8000 Sq. ft.	Registered Office

Sr. No	Description of Property	Name of Lessor	Agreement Date, Lease period	Amount	Total Area	Purpose
2	Premises being Flat No.A-1202, Mantri Elegance, Bannerghatta Road, Bangalore-560 076	Mr. Harmendra Gandhi and Mrs Sunita Gandhi	4 <sup>th</sup> January, 2010 11 months w.e.f 1 <sup>st</sup> January 2010, to 30 <sup>th</sup> November 2010	Rs.38,588 per month. Refundable Security Deposit of Rs. 3.5 lacs.	1600 Sq. ft. carpet area	Corporate Guest House
3	Premises being Flat No.D-902, Mantri Elegance, Bannerghatta Road, Bangalore-560 076.	Mrs. Rajkumari Goenka	4 <sup>th</sup> January, 2010 11 months w.e.f 1 <sup>st</sup> January 2010, to 30 <sup>th</sup> November 2010	Rs.30800 per month. Refundable Security Deposit of Rs.3 lacs	1915 Sq.Ft.	Corporate Guest House
4	Premises being Flat No.D-005, Mantri Elegance, Bannerghatta Road, Bangalore-560 076.	Mr. Premkumar S	08 <sup>th</sup> June, 2009 11 months w.e.f 08 <sup>th</sup> June, 2009 to 08 <sup>th</sup> May, 2010	Rs 30,000 per month Refundable Security Deposit of Rs.3 lacs	1650 Sq. Ft.	Corporate Guest House

\*Except as mentioned at point no. 1 in the table above, we confirm that the lessors are not in any way related to the Promoters/Directors of our Company.

Dr. Malini Reddy is the spouse of our Promoter, Mr. D. Ravi Kumar. For the payments that are made by our Company, see "Related Party Disclosures" beginning on page 156 of this Draft Red Herring Prospectus.

## KEY INDUSTRY REGULATIONS AND POLICIES

*The regulations and policies set out below are not exhaustive and are only intended to provide general information to the investors and are neither designed nor intended to be a substitute for professional advice.*

Our Company is engaged in the business of, inter-alia, providing multi-dimensional computer services covering computer-time, hardware, software development and its maintenance, support, implementation, integration, training, management development, organizational design and planning, export of software, manpower and technical expertise. The Central Government and the State Government have introduced and enacted numerous incentives, concessions and subsidies. The procedural requirements for companies to promoting the growth of information technology and information technology enabled services (IT-ITES) in India have also been simplified. The incentives include relaxation of policies relating to inbound and outbound investments, exchange control relaxations, incentives for units located in Export Oriented Units (EOU)/Software Technology Parks (STPs)/ Special Economic Zones (SEZs) and Electronic Hardware Technology Park (EHTP) schemes including state level incentives, waivers and subsidies.

The following description is a summary of the relevant regulations and policies as prescribed by the Government of India that are applicable to the Company. The statements below are based on the provisions of Indian law in force, and the judicial and administrative interpretations thereof, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions.

### **Software Technology Parks (STP) Scheme**

The Software Technology Parks Scheme (under The Ministry of Information Technology, Government of India) was notified by the Central Government (Ministry of Commerce) in exercise of its powers under Section 3 (1) of the Foreign Trade Development and Regulation Act, 1992 to encourage, promote and boost the software exports from India. The STP Scheme permits the establishment of units engaged in software development and establishment of units engaged in information technology enabled products and services (ITES).

The STP Scheme is a 100% export oriented scheme for units engaged in software development for export, using data communication links or in the form of physical media and includes export of professional services. The production of products which are notified as information technology enabled products and services qualify their producer or provider of such products and services for establishing a unit in and benefiting from the STP Scheme.

Permission to be registered as a STP unit under the STP Scheme is sanctioned subject to compliance with the conditions specified in the STP Scheme. The registration as a STP is location specific. The company pursuant to the requirements of the STP approval is required to execute an agreement with Gol agreeing to comply with conditions prescribed in the STP approval, *inter alia*, the export obligations and customs bonding of the premises. Additionally, a STP unit is required to file monthly, quarterly and annual returns in the nature of a performance report indicating the export performance and the CIF value of imported goods and foreign currency spent on incidental expenses.

The STP Scheme provides for infrastructure facilities such as data communication facilities, operational space, common amenities, single window statutory services such as project approval, import certification and other facilities to boost software exports from India.

**In addition to the infrastructural facilities, a STP unit is entitled to the following benefits under the STP Scheme attracting entrepreneurs:**

- All imports of hardware and software are exempt from duty. The import of second hand goods and the re-export of capital goods is also permitted.
- Domestic purchases by the units are eligible for the benefit of deemed exports to the equipment suppliers;
- Sales in the domestic tariff area (DTA) are permissible up to 50% of the export in value terms;
- No corporate income tax is payable till the year 2010. However, from financial year beginning on 1st day of April 2007, the companies enjoying tax holiday under Section 10A are liable to pay Minimum Alternate Tax (MAT) at the rate of 10 percent (plus applicable surcharge and education cess);
- The capital goods purchased from the DTA are entitled to benefits relating to the levy of excise duty and the reimbursement of central sales tax;
- Capital invested by foreign entrepreneurs, know-how fees, royalties and dividend can freely be repatriated after payment of income taxes due on them, if any;
- The income of these STP units can also be invested in principal companies overseas;
- The unit is entitled to a Green Card for priority treatment for Government clearances and other services;
- Depreciation on capital goods can be availed of above 90% over a period of five years and also the accelerated rate of 7% per quarter during the first two years subject to an overall limit of 70% in the first three years; and
- An STP unit can import all types of goods (including capital goods) without the payment of duty for its activities or in connection therewith provided that such goods are not prohibited items of import.

### **State Specific Benefits**

In addition to the benefits available to a STP unit under the STP Scheme, certain benefits are also available under the relevant state legislation/regulations.

These benefits include

- Low rates of sales tax on products
- rebates/waivers in relation to payments for transfer of property and registration (including for purchase/lease of premises),
- waiver of conversion fee for land,
- entry tax exemptions,
- labour law relaxations,
- exemption from state pollution control requirements and commercial usage of electricity

### **International Companies Regulations, 2006**

In September 2006, Ras Al Khaimah Government launched an offshore facility, the second in the UAE, which is regulated by the Ras Al Khaimah Free Trade Zone Authority International Companies Regulations 2006 (**"the ICR"**). The ICR was enacted to govern the functioning of international companies set-up in the Ras Al Khaimah Free Trade Zone (**"RAKFTZ"**). The ICR prohibits International Companies from conducting business with persons resident in the RAKFTZ, carry on any banking or insurance or re-insurance business in the U.A.E or the RAKFTZ.

### **The Information Technology Act, 2000**

The Information Technology Act, 2000 (**"the IT Act"**) was enacted with the purpose of providing legal recognition to electronic transactions. In addition to providing for the recognition of electronic records, creating a mechanism for the authentication of electronic documentation through digital signatures, the IT Act also provides for civil and criminal liability including fines and imprisonment for various computer related offences. These include offences relating to unauthorised access to computer systems, modifying the contents of such computer systems without authorisation,

damaging computer systems, the unauthorised disclosure of confidential information and computer fraud. In view of India's growing IT/BPO sector, the government of India has recently approved an Amendment to the IT Act, especially with regard to the growing need for data protection.

## **Labour Laws**

India has stringent labour related legislation.

Some of these legislations which are significant for the conduct of the Company's business are summarized below:

### **Industrial Disputes Act, 1947**

The Industrial Disputes Act, 1947 (the "IDA") was enacted to make provision for investigation and settlement of industrial disputes and for other purposes specified therein. The IDA distinguishes between (i) employees who are 'workmen' and (ii) employees who are not 'workmen'. Workmen have been provided several benefits and are protected under various labour legislations, whilst those persons who have been classified as managerial employees and earning salary beyond a prescribed amount may not generally be afforded statutory benefits or protection, except in certain cases. Employees may also be subject to the terms of their employment contracts with their employer, which contracts are regulated by the provisions of the Indian Contract Act, 1872. The IDA also sets out certain requirements in relation to the termination of the services of the workman's services. This includes detailed procedure prescribed for resolution of disputes with labour, removal and certain financial obligations up on retrenchment.

### **Shops and Establishment Act**

The conditions of service of employees of IT companies are inter alia regulated by the relevant shops and establishments law in which the IT unit is situated. This is a State specific legislation and each State has framed its own rules for the Act. The State Government can exempt any establishment from all or any provisions of this Act either permanently or for a specified period. Establishments are required to be registered under the provisions of local shops and establishments legislations applicable in the states in which such establishments are set up. The provisions of this legislation are applicable to all persons employed in an establishment, whether with or without wages, the only exception being that of the members of the employer's family.

The main objectives of the Shops and Establishments Act is to

- regulate the working & employment conditions of the workers employed in shops & establishments, including, commercial establishments.
- fix the number of working hours, rest intervals, overtime, holidays, leave and termination of service.

The Company having its registered office at Bangalore, Karnataka, the provisions of the Karnataka Shops and Commercial Establishments Act, 1963 are applicable to the Company and the Company is registered under the Act.

The Karnataka Shops and Commercial Establishment Act and the Karnataka Industrial Establishment (National Festival Holiday) Act provides that any employee who is asked to work on any holiday including a National Holiday, should be paid either a) Twice the normal wages; or b) Wages for such day in addition to the provision of a substituted holiday with wages on any other day.

### **Employees' Provident Funds and Miscellaneous Provisions Act, 1952**

Employees Provident Funds and Miscellaneous Provisions Act, 1952 ("EPFA") was introduced with the object to institute compulsory provident fund for the benefit of employees in factories and other establishments. The EPFA provides for the institution of provident funds and pension funds for employees in establishments where more than 20 persons are employed and factories specified in Schedule I of the EPFA. Under the EPFA, the Central Government has framed the "Employees Provident Fund Scheme", "Employees Deposit-linked Insurance Scheme" and the "Employees Family Pension Scheme". Liability is imposed on the employer and the employee to contribute to the funds mentioned above, in the manner specified in the statute. There is also a requirement to maintain prescribed records and registers and filing of forms with the concerned authorities. The EPFA also prescribes penalties for avoiding payments required to be made under the abovementioned schemes.

#### **Employees' State Insurance Act, 1948**

The Employee State Insurance Act, 1948 ("ESIA") aims to provide benefits for employees or their beneficiaries in case of sickness, maternity, disablement and employment injury and to make provision for the same. It applies, *inter alia*, to seasonal power using factories employing ten or more persons and non-power using factories employing 20 or more persons. Every factory or establishment to which the ESIA applies is required to be registered in the manner prescribed in the ESIA. Under the ESIA, the employer and the employee, both are required to make certain contributions to the Employee State Insurance Corporation. The ESIA states that a principal employer, who has paid contribution in respect of an employee employed by or through an immediate employer, shall be entitled to recover the amount of the contribution so paid from the immediate employer, either by deduction from any amount payable to him by the principal employer under any contract, or as a debt payable by the immediate employer.

#### **Payment of Gratuity Act, 1972**

The Payment of Gratuity Act, 1961 ("the POG Act") provides for payment of gratuity to employees employed in factories, shops and establishments who have put in a continuous service of 5 years, in the event of their superannuation, retirement, resignation, death or disablement. The rule of '5 years continuous service' is however relaxed in case of death or disablement of an employee. Gratuity is calculated at the rate of 15 days wages for every completed year of service with the employer. Under the POG Act, an employer is obliged for a maximum gratuity payout of Rs. 3,50,000 for an employee. The POG Act also requires the employer to obtain and maintain an insurance policy for the employer's obligation towards payment of gratuity.

#### **Payment of Bonus Act, 1965**

The Payment of Bonus Act, 1965 ("the POB Act") is applicable to every establishment employing 20 or more employees. The POB Act provides for payment of the minimum bonus to the employees specified under the Act. It further requires for the maintenance of certain books and registers and submission of Annual Return within 30 days of payment of the bonus to the Inspector.

#### **Contract Labour (Regulation and Abolition) Act, 1970**

This legislation applies to every establishment in which twenty or more workmen are employed or were employed in the past twelve months as contract labour and to every contractor employing or having employed in the past twelve months twenty or more workmen. With the aim of regulating the employment of contract labour in certain establishments and to abolish it in certain circumstances the Government has appointed an authority to ensure adherence to the provisions of this Act.

### **Payment of Wages Act, 1936**

The Payment of Wages Act, 1936 applies to the persons employed in the factories and in industrial or other establishments where the monthly wages payable to such persons is less than Rs. 6500/-.

### **Minimum Wages Act, 1948**

The Minimum Wages Act, 1948 ("MWA") came in to force with the objective to provide for the fixation of a minimum wage payable by the employer to the employee. Under the MWA, the appropriate government (Central or State) is authorised to fix the minimum wages to be paid to the persons employed in scheduled or non scheduled employment. Every employer is required to pay not less than the minimum wages to all employees engaged to do any work whether skilled, unskilled, and manual or clerical (including out-workers) in any employment listed in the schedule to the MWA, in respect of which minimum rates of wages have been fixed or revised under the MWA.

### **Industrial Employment Standing Orders Act, 1946**

Under the Industrial Employment Standing Orders Act, 1946 every establishment employing more than 50 employees is required to formulate rules and regulations for its employees and the same should be submitted for approval to the Deputy Labour Commissioner.

### **Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959**

Under the Act, all establishments are required to intimate vacancies in the different departments to the employment exchange prior to conducting the necessary recruitment. However, under the Act only intimation is mandatory, not the filling up of such vacancies. Further, the Act also requires the establishments to file quarterly and bi annual returns with the concerned authorities.

### **The Workmen Compensation Act, 1923**

The Workmen Compensation Act, 1923 ("WCA") has been enacted with the objective to provide for the payment of compensation to workmen by employers for injuries caused due to accidents arising out of and in the course of employment, and for occupational diseases resulting in death or disablement. The WCA makes every employer liable to pay compensation if personal injury, disablement either partial or total or loss of life is caused to a workman (including those employed through a contractor) by accident arising out of and in the course of his employment. In case the employer fails to pay compensation in accordance with the provisions of WCA within one month from the date it falls due, the commissioner appointed under the WCA may direct the employer to pay the compensation amount along with interest and may also impose a penalty.

### **The Maternity Benefits Act, 1961**

The purpose of the Maternity Benefit Act is to regulate the employment of pregnant women and to ensure that they get paid leave for a specified period during and after their pregnancy. It provides, *inter alia*, for paid leave of 12 weeks, payment of maternity benefits and enacts prohibitions on dismissal, reduction of wages paid to pregnant women, etc.

### **Tax Related Legislations**

#### **Value Added Tax, 2005**

Value Added Tax (“**VAT**”) is charged on sale of goods in the States under the law enacted by each State in respect thereof. VAT is however, not chargeable on the value of services which do not involve a transfer of goods. VAT is a multi-point levy on each of the entities in the supply chain with the facility of setoff of input tax that is the tax paid at the stage of purchase of goods by a trader and on purchase of raw materials by a manufacturer. Only the value addition in the hands of each of the entities is subject to tax.

### **Income Tax Act, 1961**

The Income Tax Act, 1961 (“**IT Act**”) is applicable to every company, whether domestic or foreign whose income is taxable under the provisions of this Act or Rules made there under depending upon its “Residential Status” and “Type of Income” involved. Every company assessable to income tax under the IT Act is required to comply with the provisions thereof, including those relating to Tax Deduction at Source, Advance Tax, Minimum Alternative Tax and like. Every such company is also required to file its returns by 31<sup>st</sup> October of each assessment year.

### **Service Tax**

Service tax is charged on ‘taxable services’ as defined in Chapter V of Finance Act, 1994, which requires a service provider of taxable services to collect service tax from the recipient of such services and pay such tax to the Government. According to Rule 6 of the Service Tax Rules, every assessee is required to pay Service tax in TR 6 challan by the 5<sup>th</sup> of the month immediately following the month to which it relates. Further, under Rule 7 (1) of Service Tax Rules, the company is required to file a half yearly return in Form ST 3 by the 25<sup>th</sup> of the month immediately following the half year to which the return relates.

### **Customs Act, 1962**

The provisions of the Customs Act, 1962 and Rules made there under are applicable at the time of import of goods into India from a place outside India or at the time of export of goods out of India to a place outside India. Any Company requiring to import or export any goods is required to get itself registered and obtain an Importer Exporter Code (IEC) number.

### **Importer Exporter Code**

Under the Indian Foreign Trade Policy, 2004, no export or import can be made by a person or company without an Importer Exporter Code number unless such person/company is specifically exempted. An application for an Importer Exporter Code number has to be made to the office of the Joint Director General of Foreign Trade, Ministry of Commerce. An Importer Exporter Code number allotted to an applicant is valid for all its branches/ divisions/ units/factories.

### **Karnataka Tax on Profession, Trades, Callings and Employments Act, 1976**

The professional tax slabs in India are applicable to those citizens of India who are either involved in any profession or trade. The State Government of each State is empowered with the responsibility of structuring as well as formulating the respective professional tax criteria and is also required to collect funds through professional tax. The professional taxes are charged on the incomes of individuals, profits of business or gains in vocations. The professional tax is charged as per the List II of the Indian Constitution. The professional taxes are classified under various tax slabs in India. The State of Karnataka has its own professional tax structure and tax will be levied on every person who exercises any profession or calling or is engaged in any trade or holds any appointment, public or private, or is employed in any manner in state is liable to pay the profession tax at the specified rate provided that no tax shall be payable by the person who have attained sixty five year of age and exercise such profession or calling or is engaged in the trade



does not exceed one hundred and twenty days in that year. The tax payable in this Act by any person earning a salary or wage shall be deducted by his employer from the salary or wages payable to such person before such salary or wages is paid to him, and such employer shall, irrespective of whether such deduction has been made or not when the salary and wage is paid to such persons, be liable to pay tax on behalf of such person and employer has to obtain the registration from the assessing authority in the prescribed manner. Every person liable to pay tax under this Act (other than a person earning salary or wages, in respect of whom the tax is payable by the employer), shall obtain a certificate of enrolment from the assessing authority.

### **Intellectual Property Rights**

Intellectual Property in India enjoys protection under both common law and statute. Under statute, India provides for the protection of patent protection under the Patents Act, 1970, copyright protection under the Copyright Act, 1957 and trademark protection under the Trade Marks Act, 1999. The above enactments provide for protection of intellectual property by imposing civil and criminal liability for infringement. In addition to the above domestic legislations India is a party to several international treatise related to intellectual property including the Patent Co-operation Treaty, 1970, the Paris Convention for the Protection of Industrial Property, 1883, the International Convention for the Protection of Literary and Artistic Works signed at Berne in 1886 (the Universal Copyright Convention of 1952), the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations 1961 and as a member of the World Trade Organisation is a signatory to the Agreement on Trade Related aspects of Intellectual Property Rights, 1995 (the TRIPS Agreement).

### **Relaxation of Policies Relating to Inbound Investments**

India's economic policies are designed to attract significant capital inflows into India and to encourage technology collaborations between Indian and foreign entities. The government has permitted up to 100 per cent foreign investments in the IT sector, through the automatic route, without seeking any approval.

### **Regulations Regarding Foreign Investment**

See section titled "Restriction on Foreign Ownership of Indian Securities" on page 264.

## HISTORY AND OTHER CORPORATE MATTERS

Our Company was incorporated on April 25, 2001 under the provisions of the Companies Act, 1956 as public limited Company with its registered office at 28, 1<sup>st</sup> Main BHCS, Layout, BTM 2<sup>nd</sup> Stage, Bannerghatta Road, Bangalore – 560 076 and received certificate of commencement of business on May 2, 2001 from RoC, Karnataka, Bangalore. The promoter of our Company is Mr. D. Ravi Kumar. As on date, our Company has 101 members.

We offer a broad spectrum of Engineering Design Services and IT and ITES. We acquired 10 shares of 1,000 AED each of Vision Info Inc. on January 27, 2009 from Mr. Sudhir Sivadas, pursuant to which Vision Info Inc. became our wholly owned subsidiary.

We were awarded the prestigious STPI award for 'High Growth in Small and Medium Business Unit' by the Software Technology Parks of India (STPI) and Department of Information Technology, Biotechnology & Science Technology, Karnataka for the year 2008-09 and 2006-07.

We have achieved substantial growth in revenues in recent years. Our revenues on a standalone basis have grown from Rs. 288.51 lacs in 2004-05 to Rs. 8,930.40 lacs in 2008-09. For the same period our profits after tax have been Rs. 104.54 lacs and Rs. 1,658.58 lacs respectively. Our consolidated revenue for the year ended March 31, 2009 is Rs. 9,710.39 lacs with PAT of Rs. 1,891.85 lacs. A table indicating our revenues and profits for the past 5 years is given below:

(Rs. Lacs)					
Particulars (Standalone)	March 31, 2005	March 31, 2006	March 31, 2007	March 31, 2008	March 31, 2009
Revenues	288.51	660.43	4,023.06	6,031.48	8,930.40
PAT	104.54	250.89	1,277.59	1,306.37	1,658.58

### Major events in the History of our Company

Sr. No.	Major Events	Year
1.	Incorporated with its identity as Acropetal Technologies Limited	2001
2.	Procured first large customer in Saudi-Oger to build a small offshore Development Centre (ODC).	2002
3.	Received approval for setting up 100% Software Export Oriented Unit under the Software Technology Park Scheme	2003
4.	Commenced IT services business with small projects in the web services and portal development areas.	2004
5.	Received order worth Rs.420 lacs from Data Assured	2005
6.	Investment in Binary Spectrum Softech Private Limited	2008
7.	Commenced a vertical unit in emerging sector of Healthcare	2009
8.	Purchased shares of Vision Info Inc. at Ras Al Khaimah Free Trade Zone Authority, UAE pursuant to which it become our wholly owned subsidiary.	2009

### Awards and recognitions

Year	Award/Recognition
"Fastest Growing SME in Karnataka"	2006-07
"High Growth SMB"	2008-09

### Change in the Registered Office of our Company

Earlier the registered office of the company was situated at 28, 1<sup>st</sup> Main BHCS, Layout, BTM 2<sup>nd</sup> Stage, Bannerghatta Road, Bangalore – 560 076. The registered office of our Company was shifted to 2/10, 3<sup>rd</sup> Floor, Ajay Plaza, 1<sup>st</sup> Main, N.S. Palya Bannerghatta Road, Bangalore - 560076 with effect from September 02, 2003.

#### **Changes in the Memorandum of Association of our Company**

Since Incorporation, the following changes have been incorporated in Memorandum of Association of our Company, after approval of the members:

<b>Sr. No.</b>	<b>Changes</b>	<b>Date</b>	<b>Type Meeting</b>	<b>of</b>
1.	Increase in authorized share capital from Rs.25 lacs to Rs.100 lacs	November 29, 2005	EGM	
2.	Increase in authorized share capital from Rs.100 lacs to Rs. 500 lacs	March 29, 2006	EGM	
3.	Increase in authorized share capital from Rs.500 lacs to Rs.2500 lacs	September 29, 2009	AGM	
4.	Increase in authorized share capital from Rs. 2500 lacs to 4000 lacs	February 1, 2010	EGM	

#### **Our Main Objects:**

The main objects of our Company as stated in the Memorandum of Association are:

1. To provide uni and multi-dimensional computer services covering computer-time, hardware, software development and its maintenance, support, implementation, integration, training, management development, organizational design and planning, export of software, manpower and technical expertise.
2. To carry on business activities on commercial basis like:
  - a) Undertaking Software Development in areas like ERP, Surgical Software, Business Application Services and Engineering Solutions.
  - b) Undertaking IT enabled services in the field of Revenue Accounting, Back office operations, e-CRM, CAD and GIS Solutions.
  - c) Undertaking all kinds of business services and training services in Animation and Multimedia in the Commercial fields.
  - d) Providing E-Commerce and Internet Solutions focusing on Health Care Industry.
  - e) Providing on-site consultancy.
  - f) Hosting and designing websites of focused targets, Bandwidth reselling, Domain Name Services, and hosting other IT related services including Chat bulletin boards, search Engines and the like.
  - g) Providing E-Mail, E-Fax, E-Chat services and all kinds of cable related internet activities and providing solutions for all kinds of E-Commerce and Internet activities;
  - h) Running Cyber café and restaurants, E-shops in India and abroad and organize various seminars;
  - i) Undertaking all kinds of business services and executing various kinds of business tie-ups through E-Commerce initiatives.
  - j) Undertaking services right from inception to execution on setting up individual portals like developing corporate identity plan, sourcing information, strategy formulation and other related activities;
  - k) Undertaking all other kinds of services relating to information Technology using internet and Print Media.
  - l) Acting as representatives to foreign firms for the purpose of, rendering all kinds of IT related services.

- m) To carry on business activities related to Animation, Multimedia, Tele-serials, Tele-films, graphics and other potential fields.
  - n) To provide services on man Power placement and on site consultancy and to act as consultants, tutors & advisors in the fields of Information Technology, financial, technical, commercial, industrial, secretarial, accountancy, engineering, economic, scientific, management, legal, marketing & medical
3. To carry the business of all kinds of 'Information Technology Related Activities' and IT Enabled Services' on Transcription on Medical, Insurance, Legal, Call Centres and other potential fields.
  4. To promote, encourage, establish, develop, maintain, organize, undertake, manage, operate, conduct, take on franchise and run in India or abroad Computer Training Centres, data processing centres, computer coaching classes, Computer Consultancy business and all other allied activities on commercial basis.
  5. To promote, encourage, establish, maintain, organize, undertake, manage, operate, conduct, take on franchise and run in India or abroad Bio-Technology and all other allied activities on commercial basis.

### **Subsidiaries of Our Company**

Our Company has one wholly owned subsidiary Vision Info Inc, UAE.

Vision Info Inc. was incorporated on January 7, 2008 under the International Companies Regulations, 2006 of Ras Al Khamah Free Trade Zone, U.A.E with its registered office at Office No.204, Tower-A, Gulf Towers, Oud Metha, P.O Box No.116793, Dubai, United Arab Emirates. The company is engaged in the business of providing Engineering Design Services and IT/ITES.

### **Capital Structure and Shareholding Pattern:**

The authorized share Capital of Vision Info Inc. is AED 10,000 divided into 10 shares of AED 1,000 each

The shareholding pattern of Vision Info Inc. is as follows:

### **Equity Shares**

<b>Sr. No</b>	<b>Name of the Shareholder</b>	<b>No. of Equity Shares</b>	<b>Percentage of total equity holding (%)</b>
1.	Acropetal Technologies Limited	10	100%

### **Audited Financial Performance:**

<b>Particulars</b>	<b>(Rs. Lacs)</b>	
	<b>Year ended 31-Mar-09</b>	<b>9 months period ended 31-Dec-09</b>
Equity Share Capital	1.53	1.41
Reserves (excluding Revaluation Reserves)	258.15	1435.03
Net Worth	259.68	1436.44
Sales	779.99	3297.01
PAT	233.27	1233.28

**Interest of the Subsidiaries in our Company**

Our Subsidiary does not hold any equity shares in the Company. Except as stated in “Related Party Transactions” on page 156, our Subsidiary does not have any other interest in our Company’s business.

**Common Pursuits**

Except as disclosed in this Draft Red Herring Prospectus, our Subsidiary does not have any interest in any venture that is involved in any activities similar to those conducted by our Company.

**Shareholders Agreement**

There are no Shareholders Agreements amongst the shareholders of our Company.

**Other Agreements**

There are no other material agreements or contracts, which have been entered into within a period of two years prior to the date of the Draft Red Herring Prospectus, which are subsisting as on date.

**Strategic Partners**

Our Company does not have any strategic partners as on date of the Draft Red Herring Prospectus.

**Financial Partners**

Our Company does not have any financial partners as on date of the Draft Red Herring Prospectus.

## OUR MANAGEMENT

Under the Articles of Association our Company cannot have less than 3 Directors and more than 12 Directors. Currently, our Company has 7 Directors. The following table sets forth details regarding our Board of Directors as on the date of filing of this Draft Red Herring Prospectus with SEBI:

### Board of Directors

Sr. No.	Name, Fathers' Name, Designation, Age, Nationality, Address, Occupation & DIN	Date of Appointment & Term of Directorship	Other Directorships
1)	<b>Mr. D. Ravi Kumar</b> S/o of Mr. K. Dorai Swami Chairman and Managing Director  41 years  Indian  No.169-E, Bilekahalli Main Road, IIM Post, Bannerghatta Road, Bangalore – 560 076.  Occupation: Business  DIN: 01557905	Appointed as a Managing Director on December 11, 2009 w.e.f from December 15, 2009 appointed for a period of 3 years.	1. Ecologix Knowledge Solutions Private Limited 2. Binary Spectrum Softech Private Limited; 3. Kinfotech Private Limited 4. Vision Info Inc
2)	<b>Mr. Ramdas Janardhana Kamath</b> S/o Mr. Janardhana Kamath  Independent Director  68 years  Indian  Leela, 707, 12 Cross, 7 <sup>th</sup> Block, Jayanagar, Bangalore – 560 082.  Occupation: Retired Banker  DIN: 00035386	Appointed as Additional Director on February 01, 2010	1. A.B Hotels Limited 2. Subash Kabini Powers Corporation Limited 3. Parsvanath Developers Limited 4. Parsvanath SEZ Limited 5. Parsvanath Hotels Limited 6. Parsvanath Retails Limited 7. Parsvanath Landmark Private Limited
3)	<b>Dr. D.K. Subrahmanya Reddy</b> S/o Mr. Dandala Kannaya Reddy  Independent Director  76 years  Indian	Appointed as a Director on December 11, 2009 to fill casual vacancy	Nil

	4-70-4, Lawsons Bay Colony, Behind Andhra Bank, Vishakhapatnam – 530 017.		
	Occupation: Retired		
	DIN: 02862329		
4)	<b>Mr. Mathew J. Manimala</b> S/o Mr. Cherian James Kizhakkemuriyil	Appointed as Director on February 01, 2010 to fill casual vacancy	Nil
	Independent Director		
	59 years		
	Indian		
	35, Spring Valley, Gllahalli, Bannerghata, Bangalore – 560 083.		
	Occupation: Professor		
	DIN: 02861283		
5)	<b>Dr. Rajesh Nair</b> S/o Mr. Venugopal Nair	Appointed as Director on February 01, 2010 to fill casual vacancy	1. Ecologix Knowledge Solutions Private Limited 2. 3E Knowledge Solutions Private Limited
	Director		
	35 years		
	Indian		
	E 302, Mantri Elegance, Behind Shoppers' Stop, Bannerghata Road, Bangalore – 540 076.		
	Occupation: Business		
	DIN: 01830280		
6)	<b>Mr. Ashok Kumar Jultha</b> S/o Gopal Rao Jultha	Appointed as Additional Director on February 01, 2010	1. Binary Spectrum Softech Private Limited
	Director		
	35 years		
	Indian		
	204, Sapphire Nest, 113, Jagdish Nagar, Bangalore – 560 075.		

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Occupation: Business

DIN: 02083433

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7)	<b>Mr. Mohan Hosahally Ramakrishna</b>	September 29, 2007	Nil
	S/o Mr. Ramakrishna H.S.	Liabile to retire by rotation	

Independent Director

35 years

Indian

69, Afrose Mansion,  
1<sup>st</sup> Main Chola Nagar,  
R.T. Nagar,  
Bangalore – 560 032.

Occupation: Business

DIN: 02034857

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Note: None of the above mentioned Directors are on the RBI List of wilful defaulters as on the date of the Draft Red Herring Prospectus.

Further, neither our Company nor our Promoters, persons forming part of our Promoter Group, Directors or persons in control of our Company are debarred from accessing the capital market by SEBI.

None of the Promoters, Directors or persons in control of our Company, has been or is involved as a promoter, director or person in control of any other company, which is debarred from accessing the capital market under any order or directions made by the SEBI.

The Directors of our Company, Dr. Rajesh Nair and Mr. Ashok Kumar Jultha are also on the board of directors of our group companies which may result in conflict of interest. Save and except as specified aforesaid there is no arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which any of the above mentioned Directors was selected as director or member of senior management.

#### **Brief Profile of the Directors**

For a brief profile of our Promoter Director Mr. D. Ravi Kumar *please refer chapter titled “Our Promoter and Promoter Group” beginning on page 131 of the Draft Red Herring Prospectus.*

#### **Mr. Ramdas Janardhana Kamath, Independent Director**

Mr. Kamath is a CAIIB (Certified Associate of Indian Institute of Bankers) by profession and was the former Chairman & Managing Director of Andhra Bank and Canara Bank. His work includes handling of branches of commercial banks to business development, monitoring and control of commercial units of bank; experience in heading zonal set-ups that functioned as mini-banks with greater autonomy and freedom in their operations, responsible for implementation and administration of corporate policies. He was in charge of Treasury and International Operations



Wings, Credit Wing and Personnel Wing at the Head Office of Canara Bank before becoming Executive Director. He was elevated to the post of Chairman & Managing Director in March 1999 and posted to Andhra Bank.

He has served as a Member of IBA Committee on Banking Operations. He has held prestigious positions like Member on the Governing Board of Institute of Banking Personnel Selection (IBPS); Member on the Governing Board of National Institute of Bank Management (NIBM), Pune; Member on the Governing Board of Southern India Bank's Staff Training College (SIBSTC); Member of the Governing Council of the Indian Institute of Bankers (IIB), Mumbai; Member of the Managing Committee of the Indian Bank's Association; Chairman of Systems & Procedures Committee of Indian Bank's Association; Member of the Committee of Public Sector Member Banks (COPSEMB) of Indian Bank's Association; Chairman of the Working Group on "Corruption Perception Index" of Indian Bank's Association amongst others

**Dr. D.K. Subrahmanya Reddy, Independent Director**

Dr. Reddy holds a Masters degree in Physics from Andhra University. He has a PhD in Nuclear Medicine from Andhra University and more than 35 years experience in the field of medicine. Amongst his other interests, he has been an examiner for PhD programs and has guided students to successful completion of PhD courses.

**Mr. Mathew J. Manimala, Independent Director**

Mr. Manimala has a MBA from the University of Cochin, MBSoc from the University of Manchester and Fellow in Management (Doctoral) degree from Indian Institute of Management, Ahmedabad (IIMA). His teaching, training and consultancy interests cover a wide range of topics in Organization Behaviour and Entrepreneurship. Currently he is a Professor of Organization Behaviour at the Indian Institute of Management, Bangalore (IIMB).

**Dr. Rajesh Nair, Director**

Dr. Nair has a PhD in Energy Security from the Indian Institute of Management, Ahmedabad (IIMA). He has wide experience in the Energy and Environment sector and was previously associated with a Management Consulting Firm where he led the Energy and Environment team.

**Mr. Ashok Kumar Jultha, Director**

Mr. Jultha holds a diploma in computer Science from Associate Member of the Institution of Engineers (AMIE). He is the one of the founders of Binary Spectrum Softech Private Limited and has over 5 years of experience in the field of software development and allied business.

**Mr. Mohan Hosahally Ramakrishna, Independent Director**

Mr. Mohan has a Bachelors of Management from Mangalore University and has more than 10 years of experience in the field of Institutional Finance. He has structured various finance products and has successfully engaged in institutional sales of various financial products. His areas of expertise are in leading sales teams, solutions, and institutional sales engagements in the domain of finance.

**Borrowing Powers**

Pursuant to a resolution passed by the shareholders in accordance with the provisions of section 293(1)(d) of the Companies Act, 1956, at the Extra Ordinary General Meeting held on July 31, 2008 our Board has been authorized to borrow all such sums of money by way of cash, credits, advances, deposits or other loans whether secured or unsecured by mortgage, charge,

hypothecation or pledge of the Company's assets and properties, whether moveable or immoveable notwithstanding that the moneys to be borrowed by the Company, apart from temporary loans obtained from our Company's bankers in the ordinary course of business shall not exceed, a sum of Rs. 25,000 lacs in addition to the paid-up capital and free reserves of our Company.

#### **Compensation to Chairman / Managing Directors / Whole time Directors**

We have not entered into any service contract with our Chairman and Managing Director / Whole-time Directors.

##### **Mr. D. Ravi Kumar**

Mr. D. Ravi Kumar is re-appointed as Managing Director of the Company for a period of three years with effect from December 15, 2009 on the following terms and conditions and at the remuneration payable as detailed hereunder:

##### **Option-A**

In case Company having profits- Mr. D. Ravikumar is entitled to the following remuneration.

Subject to the provisions of Section 198, 269, 309, 310, 311, 314 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, remuneration for a financial year by way of salary, dearness allowance, perquisites, commission, and other allowances which shall not exceed 5% of Company's profits for Mr. D. Ravi Kumar and if there is more than one managerial persons 10% for all of them together.

OR

##### **Option-B**

In case the Company incurs loss or does not have adequate profits, in any financial year during the tenure of the abovementioned appointment Mr. D. Ravi Kumar will be entitled to the following remuneration for the said financial year:

The aggregate of the remuneration i.e. salary, allowance and perquisites etc (inclusive of reimbursable expenses) shall not exceed Rs.4,00,000 lacs per month.

Mr. D. Ravi Kumar is also eligible for the following perquisites which shall not be included in the computation of the ceiling on remuneration specified above:

- (a) Contribution for provident fund, super annuation fund or annuity fund to the extent these either singly or together are not taxable under the IT Act;
- (b) Gratuity payable at a rate not exceeding half a month salary for each completed year of service; and
- (c) Encashment of leave at the end of tenure.

The aforesaid remuneration was approved by a resolution in meeting of the Board of Directors held on November 12, 2009 which was subsequently ratified by the Shareholders in the Extra Ordinary General Meeting held on December 11, 2009. He was paid an aggregate remuneration of Rs. 36.05 lacs in fiscal 2009.

#### **Sitting Fees Payable to Non-Executive Directors**

Till date period ended December 31, 2009, we have not paid any sitting fees to our Non-Executive Directors.

## **Policy on Disclosures and Internal Procedure for Prevention Of Insider Trading**

The provisions of Regulation 12 (1) of the SEBI (Prohibition of Insider Trading) Regulations, 1992 will be applicable to our Company immediately upon the listing of its Equity Shares on the Stock Exchanges.

Mr. Jamili Jaliah, Compliance Officer is responsible for setting forth policies, procedures, monitoring and adherence to the rules for the preservation of price sensitive information and the implementation of the code of conduct under the overall supervision of the Board.

## **Shareholding of Directors in our Company**

Our Articles of Association do not require our Directors to hold any qualification shares. However share holding of our Directors is as under:

<b>Sr. No.</b>	<b>Directors</b>	<b>No. of Equity shares</b>	<b>Pre-Issue (%) of holding in our Company</b>
1.	Mr. D. Ravi Kumar	1,23,02,800	61.51

## **Interest of Directors**

All the Directors may be deemed to be interested to the extent of fees, if any, payable to them for attending meeting so of the board or a Committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them under the Articles of Association. All the Directors may also be deemed to be interested to the extent of equity shares, if any, already held by or that may be subscribed for and allotted to them or to the companies, firms and trusts, in which they are interested as directors, members, partners and/or trustees, out of the present offer and also to the extent of any dividends payable to them and other distributions in respect of the said equity shares. All Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by our Company with any Company in which they hold Directorships or any partnership firm in which they are partners as declared in their respective declarations.

Except as stated in the section titled under the heading Related Party Transaction under the section titled “Financial Statement” in this Draft Red Herring Prospectus, we have not entered into any contract, agreements or arrangements during the preceding two years from the date of this Draft Red Herring Prospectus in which the Directors are directly or indirectly interested and no payments have been made to them in respect of the contracts, agreements or arrangements which are proposed to be made with them including the properties purchased by our company other than in the normal course of business.

## **Interest as to Property**

Except as stated/referred to in the paragraph titled “Property” beginning on page 102 of chapter “Business Overview” on page 90 and paragraph titled “Interest of Promoter” beginning on page 132 of the Draft Red Herring Prospectus, our Directors do not have any interest:

- i) in the promotion of our Company; or
- ii) in any property acquired by our Company within two years from the date of the Draft Red Herring Prospectus, or proposed to be acquired by our Company.

## **Changes in our Board of Directors during the last three years**

The following changes have taken place in the Board of Directors of our Company during the last three years:

Sr. No.	Name	Date of change	Reason
1.	Dr. Malini Reddy	February 1, 2010	Resigned
2.	Mr. Anil Taggerse Shridhar	December 11, 2009	Resigned
3.	Mr. Krishna Reddy Doraiswamy	February 1, 2010	Resigned
4.	Mr. C. Praveen Kumar Reddy	December 11, 2009	Resigned
5.	Mr. Ramdas Janardhan Kamath	February 1, 2010	Appointed
6.	Mr. Mohan Hosahally Ramakrishna	November 29, 2007	Appointed
7.	Mr. D.K. Subrahmanya Reddy	December 11, 2009	Appointed
8.	Mr. Mathew J. Manimala	February 1, 2010	Appointed
9.	Dr. Rajesh Nair	February 1, 2010	Appointed
10.	Mr. Ashok Kumar Jultha	February 1, 2010	Appointed

### Corporate Governance

The provisions of the listing agreement to be entered into with BSE and NSE with respect to corporate governance will be applicable to our Company immediately upon the listing of our Company's Equity Shares on the Stock Exchanges. Our Company has complied with Listing Agreement in respect of Corporate Governance specially with respect to broad basing of Board, constituting the Committees such as Shareholders/Investors Grievance Committee, Audit Committee and Remuneration Committee.

### Composition of the Board of Directors

Sr. No.	Name of the Director	Designation	Category
1	Mr. D. Ravi Kumar	Chairman and Managing Director	Executive & Non Independent
2	Mr. Ramdas Janardhana Kamath	Director	Non Executive & Independent
3	Dr. D.K. Subrahmanya Reddy	Director	Non Executive & Independent
4	Mr. Mathew J. Manimala	Director	Non Executive & Independent
5	Dr. Rajesh Nair	Director	Non-Executive & Non Independent
6	Mr. Ashok Kumar Jultha	Director	Non-Executive & Non Independent
7	Mr. Mohan Hosahally Ramakrishna	Director	Non Executive & Independent

In terms of the Clause 49 of the Listing Agreement, our Company has already appointed Independent Directors and constituted the following Committees of the Board:

1. Audit Committee
2. Remuneration Committee
3. Shareholders/Investors Grievance Committee

#### a) Audit Committee

Our Company has constituted an Audit Committee, as per the provisions of Section 292A of the Companies Act and Clause 49 of the Listing Agreement. The constitution was approved at a meeting of the Board of Directors held on February 1, 2010. The Committee consists of 3 members.

Sr. No.	Name	Designation	Nature of Directorship
1.	Mr. Ramdas Janardhana Kamath	Chairman	Independent Director
2.	Dr. D.K. Subrahmanya Reddy	Member	Independent Director
3.	Mr. Mohan Hosahally Ramakrishna	Member	Independent Director

By a Board Resolution dated February 1, 2010, additional activities were included to be undertaken by the Audit Committee. The terms of reference of the Audit Committee are as follows:

**A. Powers of Audit Committee**

The Audit Committee has 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.

**B. Role of Audit Committee**

The role of the audit committee is as follows:

- 1) Oversight of our 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 that are 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 finding.
  - e. Compliance with listing and other legal requirements relating to financial statements.
  - f. Disclosure of any related party transactions.
  - g. Qualification in the 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 system.
- 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 statutory auditors before any significant findings and follow up there on.
- 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 nonpayment 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.

- 14) To see and review utilization of issue proceeds as required in terms of the Listing Agreement.

**C. Review of information by Audit Committee**

The Audit Committee shall review the following information:

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

**b) Shareholders Grievance Committee**

Our Company has constituted a Shareholders Grievance Committee. The constitution of the aforesaid Committee was approved by a meeting of the Board of Directors held on February 1, 2010. The Committee consists of 3 members:

Sr. No.	Name	Designation	Nature of Directorship
1.	Dr. D.K. Subrahmanya Reddy	Chairman	Independent Director
2.	Mr. Mohan Hosahally Ramakrishna	Member	Independent Director
3.	Mr. D. Ravi Kumar	Member	Non Executive & Non Independent Director

The terms of reference of our Shareholders'/ Investors Grievance Committee are given below:

"To allot the Equity Shares of the Company, and to supervise and ensure:

- i. Efficient transfer of shares; including review of cases for refusal of transfer transmission of shares and debentures;
- ii. Redressal of shareholder and investor complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc;
- iii. Issue of duplicate / split / consolidated share certificates;
- iv. Allotment and listing of shares;
- v. Review of cases for refusal of transfer / transmission of shares and debentures;
- vi. Reference to statutory and regulatory authorities regarding investor grievances; and to otherwise ensure proper and timely attendance and redressal of investor queries and grievances."

**c) Remuneration Committee**

Our Company has constituted a Remuneration Committee under Schedule XIII of the Companies Act, 1956. The constitution was approved at a meeting of the Board of Directors held on February 1, 2010. In terms of the said Resolution, the Committee consists of 3 members.

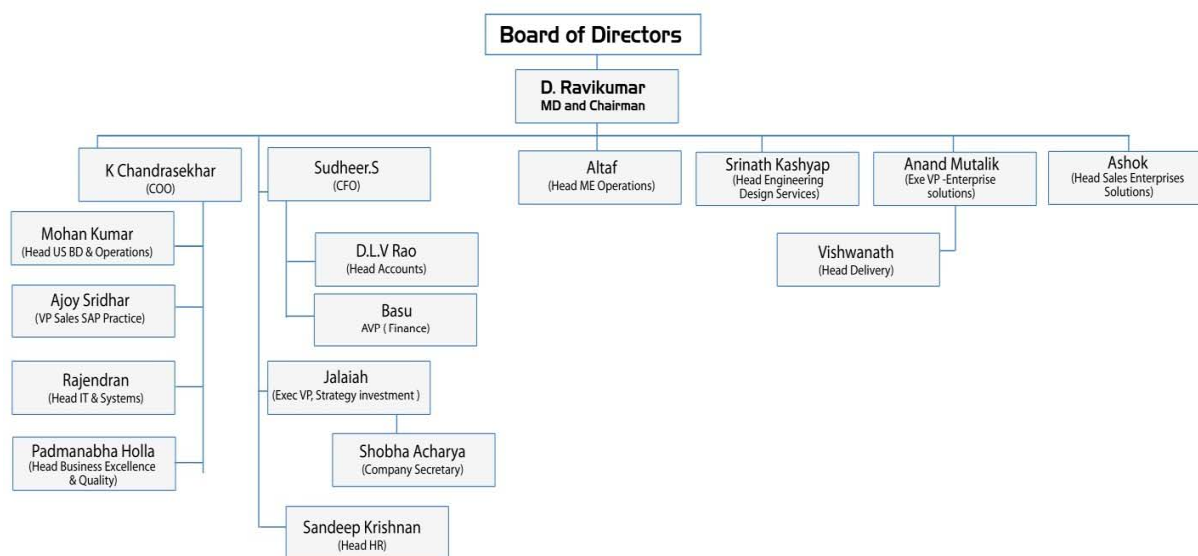
Sr. No.	Name	Designation	Nature of Directorship
1.	Mr. Mathew J. Manimala	Chairman	Independent Director
2.	Mr. Ramdas Janardhana Kamath	Member	Independent Director
3.	Mr. Mohan Hosahally Ramakrishna	Member	Independent Director

The terms of reference of our Remuneration Committee are given below:

1. To decide and approve the terms and conditions for appointment of executive directors and/ or whole time Directors and Remuneration payable to other Directors and matters related thereto.
2. To recommend to the Board, the remuneration packages of the Company's Managing/Joint Managing/ Deputy Managing/Whole time / Executive Directors, including all elements of remuneration package (i.e. salary, benefits, bonuses, perquisites, commission, incentives, stock options, pension, retirement benefits, details of fixed component and performance linked incentives along with the performance criteria, service contracts, notice period, severance fees etc.);
3. To be authorised at its duly constituted meeting to determine on behalf of the Board of Directors and on behalf of the shareholders with agreed terms of reference, the Company's policy on specific remuneration packages for Company's Managing/Joint Managing/ Deputy Managing/ Whole-time/ Executive Directors, including pension rights and any compensation payment;

Our Company Secretary, Ms. Shobha Acharya will act as the secretary of the aforesaid Committees.

### Organisational Chart



### KEY MANAGERIAL PERSONNEL

The details of our key managerial personnel are set out below:

#### 1. Mr. K Chandrasekhar, Chief Operations Officer

Mr. K. Chandrasekhar, aged 43 years, has completed his Masters of Science and Technology from Birla Institute of Technology & Science, Pilani (BITS Pilani), Post Graduate

Diploma holder in Marketing Management from Annamalai University and Global Manager Program from Indian Institute of Management, Kolkata. He was previously employed with NXP Semiconductors as a Director, from July 2004. In his 20+ years of career he has handled strategic management, alliances & partnerships, mergers & acquisitions, operations management, business Development, business strategy and sales management. He joined our Company on February 1, 2009. He is involved in formulation of corporate strategy for our Company and also manages Marketing and the healthcare vertical in our organisation. The remuneration paid to him for Fiscal 2009 was Rs. 7.23 lacs.

**2. Mr. Padmanabha Holla, Head – Business Excellence**

Mr. Padmanabha Holla, aged 41 years has completed his Bachelor of Engineering in Computer Science from University of Mysore. He has completed his Black Belt DFSS training (Six Sigma certification) from Philips Innovation Centre, Bangalore and also holds a PMP (Project Management Professional) certification from Project Management Institute, Pennsylvania, USA. He was previously employed with Philips Medical Systems, Bangalore, as a Senior Project Manager from March 2001 and was responsible for software programs cardiovascular division and the nuclear medicine group. He has around 17 years of experience in software and related fields. He joined our Company on September 1, 2008 and is responsible for setting up of business processes and achieving quality strategy for our Company. He is also responsible for driving the strategy our healthcare business, its program management, R&D and excellence initiatives to support and ensure stable growth. The remuneration paid to him for Fiscal 2009 was Rs. 14 lacs.

**3. Mr. Srinath G. Kashyap, Head of Engineering Design Services**

Mr. Srinath G. Kashyap, aged 39 years, is a Diploma holder in Mechanical Engineering from Department of Technical Education, Bangalore. He was previously employed with Creative Engineering Services as a Senior Manager and was responsible for implementation and co-ordination of project specifications in engineering and modelling. He has 19 years of experience in the area of project management in engineering design services. He joined our Company on August 21, 2008 and is responsible for developing the practise of Engineering Design Services (EDS) and managing delivery of EDS projects. The remuneration paid to him for Fiscal 2009 was Rs. 7.26 lacs.

**4. Mr. Altaf Hussain, Head – Middle East Operations**

Mr. Altaf Hussain, aged 51 years, is a Bachelor of Architecture from Bangalore University. He was previously employed with Medical Services Directorate, Ministry of Defence & Civil Aviation, Riyadh, Kingdom of Saudi Arabia, as Head of Unit Projects-Architectural section. He has around 22 years of experience in the field of architecture. He joined our Company on April 13, 2009 and is responsible for operations and business development of Engineering Design Services in the middle-east. Since, he joined our Company in April 2009, no compensation was paid to him for the Fiscal 2009.

**5. Mr. N. Mohan Kumar, Head - US Operations**

Mr. N. Mohan Kumar, aged 38 years, is a Science Graduate from University of Mysore and MBA (Marketing), from University of Mysore. He was previously employed with Vault Information Technologies as an Assistant Vice President, Business Development. He has over 14 years of experience in sales and business development of IT products, solutions and services. He joined our Company on October 21, 2009 and is responsible for our operations and business development in the USA. Since he joined our Company in October 2009, no compensation was paid to him for the Fiscal 2009.



**6. Mr. Jamili Jalaiah, Executive Vice President - Strategy**

Mr. Jamili Jalaiah, aged 53 years, is a member of the Institute of Company Secretaries of India and Cost & Works Accountants of India. He is a law graduate from Bangalore University and a certified Associate of Indian Institute of Bankers. He was previously employed with Geneva Software Technologies Limited as a Chief Financial Officer (CFO) and Company Secretary. He has around 25 years of experience in the area of capital raising activities and mergers & acquisitions. He joined our Company on October 21, 2009 and is responsible for investment strategies of our Company. Since he joined our Company in October 2009, no compensation was paid to him for the Fiscal 2009.

**7. Mr. Anand Mutalik, Executive Vice President (Enterprises Solutions)**

Mr. Anand Mutalik, aged 50 years, has completed his Bachelor of Engineering (Electronics & Communication) from Karnataka University. Before joining us on April 30, 2009, he was associated with Code Theatre Infotech Limited and is currently the Executive Vice President (Enterprises Solutions), responsible for building and developing enterprise business solutions. Since he joined our Company in April 2009, no compensation was paid to him for the Fiscal 2009.

**8. Mr. Ashok Doraswamy, Vice President, Enterprise Solutions**

Mr. Ashok Doraswamy, aged 47 years, has completed his Bachelors in Science from Kolhapur, University, and has around 25 years of experience in IT & ITES industry. Before joining us on April 30, 2009, as Vice President-Enterprise Solutions, he was associated with Code Theatre Infotech Limited. He is actively involved in overall sales activities of Enterprise Solutions business. Since he joined our Company in April 2009, no compensation was paid to him for the Fiscal 2009.

**9. Mr. Vishwanath S. Honnunar, Head - Project Delivery (Enterprise Solutions)**

Mr. Vishwanath S. Honnunar, aged 43 years, has completed his Bachelor of Engineering from University of Mysore. He has more than 20 years of experience in the IT industry spanning across software development, technology functions and quality management. He was associated with Code Theatre Infotech Limited, before joining us on April 30, 2009 and is responsible for project delivery of Enterprise Solutions. Since he joined our Company in April 2009, no compensation was paid to him for the Fiscal 2009.

**10. Mr. Ajoy Sridhar , Vice President Sales (SAP Practice)**

Mr. Ajoy Sridhar, aged 46 years, has completed his Bachelor of Engineering from Regional Engineering College, Warangal. Prior to joining our Company he was employed with M/s SAP India Private Limited, as a Territory Manager and was responsible for Business Development. He has more than 23 years experience in the IT industry in the area of sales and marketing. He joined our Company on February 3, 2010 and is responsible for sales and marketing related activities. Since he joined our Company in February 2010, no compensation was paid to him during Fiscal 2009.

**11. Dr. Sandeep K. Krishnan, Head - Human Resources**

Dr. Sandeep K. Krishnan, aged 29 years, has done his B.Tech (Mechanical Engineering) from University of Kerala and is also a Fellow of Indian Institute of Management, Ahmedabad. He was previously employed with IBM India Private Limited as a Business and Technical Leadership Partner and responsible for talent identification and internal placement facilitation. He has more than 5 years of experience in the field of human resource management,

including talent management, performance management, human resource consulting and organization development. He joined our Company on September 7, 2009 and is responsible for human resource management process and practices. Since he joined our Company in September 2009, no compensation was paid to him for the Fiscal 2009.

**12. Mr. Sudheer S.- Chief Financial Officer**

Mr. Sudheer S, aged 49 years, has completed his postgraduate degree in Commerce from the Kerala University and a Postgraduate Diploma in Management from the Indianapolis University. He was previously employed with M/s Cranes Software as a VP (Accounts & Finance). He has around 20 years of experience in the field of accounts and finance. He joined our Company on January 18, 2008 and heads the finance department of our Company. The remuneration paid to him for Fiscal 2009 was Rs. 11.44 lacs.

**13. Mr. Sudhendu Kumar Basu, Asst. Vice President (Finance)**

Mr. Sudhendu Kumar Basu, aged 42 years, has done his B.Com (Hons) from University of Calcutta and is a member of Institute of Chartered Accountants of India (ICAI) and Institute of Cost and Works Accountants of India (ICWAI). He was previously employed with Omni Agate Systems Private Limited as a Head of Finance. He has around 12 years of experience in the field of finance and accounts. He joined our Company on December 1, 2008 and is responsible for finance management and banking operations of our Company. The remuneration paid to him for Fiscal 2009 was Rs. 4.18 lacs.

**14. Mr. D.L. Vedavyasa Rao, Head – Accounts**

Mr. D.L. Vedavyasa Rao, aged 50 years, has completed B.Com from Mysore University and M.Com from Bangalore University. He was previously employed with SCAT Technologies Private Limited, Hyderabad as a Manager (Accounts). He has more than 20 years of experience in the field of accounts. He joined our Company on June 13, 2005 and is responsible for overall accounting function of our Company. The remuneration paid to him for Fiscal 2009 was Rs. 3.57 lacs.

**15. Mrs. Shobha Acharya, Company Secretary**

Mrs. Shobha Acharya, aged 31 years, is a law graduate from University of Mumbai and a qualified Company Secretary. She was previously employed with Messrs Parikh & Associates, Company Secretaries. She has around 8 years of experience as a company secretary. She joined our Company on August 1, 2009 and is responsible for the maintenance of secretarial records of our Company. Since she joined us in August 2009, no compensation was paid to her during Fiscal 2009.

**16. Mr. Rajendran S.S, Head – Information Technology and Systems**

Mr. Rajendran S.S, aged 28 years, has completed his Diploma in Computer Science and Engineering from Department of Technical Education, Government of Karnataka. He was previously employed with Pentonic Systems as a customer support handling servers and networking. He has around 9 years of experience in managing IT Networks & Systems. He joined our Company in July 4, 2005 and is responsible for IT infrastructure of our Company. The remuneration paid to him for Fiscal 2009 was Rs. 3.52 lacs.

**Notes:**

1. All the key managerial personnel mentioned above are permanent employees of our Company and none of them are related to each other or to any Director of our Company.

2. Our Company entered into a Business Transfer Agreement dated April 24, 2009 (“the said agreement”) with Code Theatres Infotech Private Limited (“**Code Theatre**”) wherein we agreed to purchase the business of Code Theatre on certain terms and conditions contained therein. In terms of the agreement, the promoter directors namely Mr. Anand Mutalik, Mr. Ashok Doraiswamy and Mr. Vishwanath Honnugar of the Code Theatre were inducted in our Company as employees. Subsequently, by a mutual understanding the said agreement was terminated by a Deed of Termination of Agreement dated February 17, 2010 (“**Termination Deed**”) w.e.f December 31, 2009. Under the terms of the Termination Deed, Code Theatre has agreed not to compete with the business of our Company until their promoters directors are in the employment of our Company.
3. Save and except as specified in point 2 above, there is no understanding with major shareholders, customers, suppliers or any others pursuant to which any of the above mentioned personnel have been recruited.
4. The Key Management Personnel mentioned above are not related parties as per the Accounting Standard 18.

#### **Shareholding of Key Managerial Personnel**

None of the key management personnel of our Company hold any Equity Shares of our Company as of the date of filing this Draft Red Herring Prospectus.

#### **Changes in the Key Managerial Personnel during last three years**

Following have been the changes in the key managerial personnel during the last three years:

<b>Sr. No.</b>	<b>Name</b>	<b>Date of Joining</b>	<b>Date of Leaving</b>	<b>Designation</b>
1.	Mr. Ajoy Sridhar	February 3, 2010	-	Vice President Sales (SAP Practice)
2.	Mr. N. Mohan Kumar	October 21, 2009	-	Head - US Operations and Business Development
3.	Mr. Jamili Jalaiah	October 21, 2009	-	Executive Vice President – Strategy (Investments)
4.	Dr. Sandeep K. Krishnan	September 7, 2009	-	Head - Human Resources
5.	Mrs. Shobha Acharya	August 1, 2009	-	Company Secretary
6.	Mr. Altaf Hussain	April 13, 2009	-	Middle East Operations
7.	Mr. Anand Mutalik	April 30, 2009	-	Executive Vice President (Enterprises Solutions)
8.	Mr. Ashok Doraswamy	April 30, 2009	-	Vice President, Enterprise Solutions
9.	Mr. Vishwanath S. Honnugar	April 30, 2009	-	Project Delivery (Enterprise Solutions)
10.	Mr. K Chandrasekhar	February 1, 2009	-	Chief Operations Officer
11.	Mr. Padmanabha Holla,	September 1, 2008	-	Head – Business Excellence
12.	Mr. Sudhendu Kumar Basu	January 18, 2008	-	Asst. Vice President (Finance)
13.	Mr. Srinath G. Kashyap	August 21, 2008	-	Head of Engineering Design Services
14.	Mr. Sudheer S	January 18, 2008	-	Chief Financial Officer

#### **Bonus or Profit Sharing Plan**

There is no fixed or certain bonus or profit sharing plan for the Key Managerial Personnel.

**Employees**

As of February 28, 2010, our work force consisted of 321 full time employees. For more details about our employees please refer to section titled "Business Overview" beginning on page 90 of this Draft Red Herring Prospectus.

**ESOP/ESPS Scheme to Employees**

Presently, we do not have ESOP/ESPS scheme for employees.

**Payment or benefit to our officers**

Except for payment of monetary and non-monetary benefits in accordance with the terms of employment/ engagement and the dividend, if any, that may have been declared on the Equity Shares held by our officers, we have not paid any amount or given any benefit to any officer of our Company, nor is such amount or benefit intended to be paid or given to any officer as on the date of filing this Draft Red Herring Prospectus with SEBI.

## OUR PROMOTER AND PROMOTER GROUP



**Mr. D. Ravi Kumar**, aged 41 years, is the Promoter and Chairman & Managing Director of our Company. A resident Indian national, he has more than 16 years of experience in the IT industry. He holds a Bachelor's degree in Mechanical Engineering from Bangalore University and was associated with various reputed IT organizations prior to setting up our Company in 2001.

With his in-depth knowledge and experience with software companies, he provides leadership, vision and strategic direction to our Company. Mr. D. Ravi Kumar has been awarded the 'Indira Gandhi Sadbhavan Award' in 2007 and the 'Udyog Ratan Award' by the Institute of Economic Studies, New Delhi, in 2009.

Permanent Account No: ACNPK9304L

Voter ID Card: MCL3934635

Driving License Number: 5612/89

*We confirm that the permanent account number, bank account details and passport number of our promoter has been submitted to BSE and NSE, at the time of filing the Draft Red Herring Prospectus with them.*

*Further our Promoter has not been identified as willful defaulter by RBI or any other Government authority and there are no violations of Securities Law committed by our Promoter in past or pending against them. Our Promoter is not prohibited from accessing the capital markets and no order or direction has been passed by SEBI or any other regulatory/statutory authority.*

### PROMOTER GROUP

#### i. Individuals

The relatives of the promoters that form a part of the Promoter Group are as set forth below: -

Sr. No.	Name	Relationship
1.	Mrs. Malini Reddy	Wife
2.	Mr. K. Dorai Swamy	Father
3.	Mrs. D. Premela	Mother
4.	Mr. D. Vijay Kumar	Brother
5.	Mrs. D. Ramaa Devi	Sister
6.	Mr. Ajay Reddy. R.	Son
7.	Ms. Aishwarya Reddy. R	Daughter
9.	Mr. T. Ram Mohan Reddy	Sister's Husband
10.	Dr. T. Mohan Reddy	Father in law
11.	Mrs. T. Sujatha	Mother in law
12.	Ms. Sreedevi	Sister in law

#### ii. HUF

D. Ravi Kumar HUF

#### iii. Body Corporates

The body corporates that form a part of the Promoter Group are as set forth below:-

1. **Ecologix Knowledge Solution Private Limited** is a private limited company promoted by Mr. D Ravi Kumar. It was incorporated on July 28, 2008 with its registered office at 2/10, Ajay Plaza, N.S. Palya, 1<sup>st</sup> Main, Bannerghatta Road, Bangalore – 560076 since incorporation. It is carrying on the business of consultancy, designing, development, training etc in the field of computer software and hardware, portal development, packaging, distributing, importing, exporting etc of computer hardware and software, peripherals etc. For further details, please see “Financial Information of Group Companies” on page 181 of this Draft Red Herring Prospectus.
2. **Kinfotech Private Limited** was incorporated on March 19, 1990 as a private limited company with its registered office at Brigade Corner, Yediyur Circle, Kanakpura road, 7<sup>th</sup> Block, Jayanagar, Bangalore- 560082 with effect from July 3, 2009. It is carrying on the business as marketers, selling agent, hackers, assemblers of all type of computer and related electronic, electrical, mechanical, wooden, or plastic equipments, to run the business of data collection, processing and analysis, developing software for use within India and export and to offer consultancy, training and services of all types computer systems and installations. For further details, please see “Financial Information of Group Companies” on page 181 of this Draft Red Herring Prospectus.
3. **Binary Spectrum Softech Private Limited (BSSPL)** was incorporated on March 16, 2004 under the Companies Act, 1956 with the Registrar of Companies, Karnataka at Bangalore. The Corporate Identification Number of the Company is U30007KA2004PTC033572. The Registered Office of BSSPL is situated at #303, 1st Floor, Ashok Terrace, 100 feet Road, 1st Stage, Indira Nagar, Bangalore – 560 038. The company is engaged in the business of software product development catering mainly to health care segment. For further details, please see “Financial Information of Group Companies” on page 181 of this Draft Red Herring Prospectus.

### Common Pursuits

Except as described below the Promoters/ any member of Promoter Group do not have interest in any venture that is involved in any activities similar to those conducted by our Company.

Sr. No	Name of Company	Activity
1.	Ecologix Knowledge Solutions Private Limited	Design and development of IT products for the energy vertical
2.	Kinfotech Private Limited	Providing IT security solutions and selling and marketing of other software products
3.	Binary Spectrum Softech Private Limited	Design and development of IT products for the healthcare vertical

### Interest of Promoter

Our Promoter who is also the Director of our Company may be deemed to be interested to the extent of fees, if any payable to them for attending meeting of the Board or a committee thereof as well as to the extent of remuneration and reimbursement of expenses payable to them as per the terms of our Articles and relevant provisions of Companies Act. Our Promoter Director may also be deemed to be interested to the extent of Equity Shares held by their relatives in our Company, or that may be subscribed for and allotted to them, out of the present Issue in terms of this Draft Red Herring Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Except as stated otherwise in this Draft Red Herring Prospectus, we have not entered into any contract, agreements or arrangements during the preceding two years from the date of this Draft

Red Herring Prospectus in which the Promoter is directly or indirectly interested and no payments have been made to them in respect of the contracts, agreements or arrangements which are proposed to be made with them including the properties purchased by the Company other than in the normal course of business.

Further, our Promoter is also director on the boards of certain Promoter Group entities and they may be deemed to be interested to the extent of the payments made by our Company, if any, to/from these Promoter Group entities. For the payments that are made by our Company to certain Promoter Group entities, see “Related Party Disclosures” beginning on page 156 of this Draft Red Herring Prospectus.

Our Registered office situated at #2/10, 3<sup>rd</sup> Floor, Ajay Plaza, 1st Main, N.S. Palya, Bannerghatta Road, Bangalore – 560 076, Karnataka, India is taken on lease basis from Mrs.Malini Reddy, wife of promoter at the rent of Rs.2.40 lacs per month.

#### **Payment or Benefit to Our Promoter**

For details of payments or benefits paid to our promoters, please refer to paragraph “Compensation to Chairman / Managing Directors / Whole time Directors”, “Interest of Promoter” and “Related Party Transactions” beginning on page 120, 132 and 156 respectively of this Draft Red Herring Prospectus.

#### **Related Party Transactions**

For details on related party transactions refer to Related Party Transaction under the section titled “Financial Statements” beginning on page 156 of this Draft Red Herring Prospectus.

## **CURRENCY OF PRESENTATION**

In this Draft Red Herring Prospectus, unless the context otherwise requires, all references to the word “Lakh” or “Lac”, means “One hundred thousand” and the word “million” means “Ten lacs” and the word “Crore” means “ten million” and the word “billion” means “One thousand million and the word “trillion” means “One thousand billion”. In the Draft Red Herring Prospectus, any discrepancies in any table between total and the sum of the amounts listed are due to rounding off.

Throughout this Draft Red Herring Prospectus, all the figures have been expressed in lacs of Rupees, except when stated otherwise. All references to “Rupees” and “Rs.” in this Draft Red Herring Prospectus are to the legal currency of India. All references to “US\$”, “USD” or “US Dollars” are to United States Dollars, the official currency of the United States of America. All references to “SGD” or “SG\$” are to Singapore Dollars, the official currency of Singapore. All references to “GBP” are to British Pound, the official currency of United Kingdom. All references to “AED” are to United Arab Emirates Dirham the official currency of UAE.



## DIVIDEND POLICY

The declaration and payment of dividends will be recommended by our Board of Directors and approved by our shareholders, in their discretion, and will depend on a number of factors, including but not limited to our earnings, capital requirements and overall financial position. In addition, our ability to pay dividends may be impacted by a number of factors, including restrictive covenants under the loan or financing arrangements we may enter into to finance our various projects and also the fund requirements for our projects.

The dividends declared by our Company for the five years are as under:

Particulars	For the year ended March 31				
	2005	2006	2007	2008	2009
Face Value of Equity Shares	10.00	10.00	10.00	10.00	10.00
Dividend (Rs. Lacs)	3.75	-	25.00	50.00	50.00
Dividend per share (Rs.)	1.50	-	0.50	1.00	1.00
Dividend Rate %	15.00		5.00	10.00	10.00
Dividend Tax (Rs. Lacs)	0.47	-	4.25	8.50	8.50

## SECTION VII - FINANCIAL INFORMATION

### AUDITORS' REPORT AND FINANCIAL INFORMATION OF OUR COMPANY

#### STANDALONE FINANCIAL STATEMENTS

**The Board of Directors  
Acropetal Technologies Limited**

#2/10, Ajay Plaza,  
1<sup>st</sup> Main, N.S. Palya,  
Bannerghatta Road,  
Bangalore – 560 076,  
Karnataka, India

**Reg: Initial Public Offer of Equity Shares by Acropetal Technologies Limited**

Dear Sirs,

**A.**

- a) We have examined the **annexed standalone financial information** of Acropetal Technologies Limited ('The Company') for the Financial Year ended 31<sup>st</sup> March 2009, 31<sup>st</sup> March 2008, 31<sup>st</sup> March 2007, 31<sup>st</sup> March 2006 and 31<sup>st</sup> March 2005 and for 9 months period ended December 31, 2009.
- b) In accordance with the requirements of
  - i) Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');
  - ii) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (the "SEBI (ICDR) Regulations, 2009") issued by Securities and Exchange Board of India ('SEBI') on August 26, 2009 and
  - iii) Our terms of reference with the Company dated Feb 01, 2010 in connection with the Initial Public Offer of Equity Shares by the Company.

We report that the restated assets and liabilities of the Company as at 31<sup>st</sup> March 2009, 31<sup>st</sup> March 2008, 31<sup>st</sup> March 2007, 31<sup>st</sup> March 2006, 31<sup>st</sup> March 2005 and for the period ended December 31, 2009 are as set out in '**Annexure 1**' to this report after making such adjustments/restatements and regrouping as in our opinion are appropriate and are subject to the Significant Accounting Policies as appearing in '**Annexure 3**' and Notes to the statements of Assets & Liabilities and Profit & Loss Account appearing in '**Annexure 4**' and '**Annexure 5**' to this report.

We report that the restated profits of the Company for the Financial Years ended 31<sup>st</sup> March, 2009, 31<sup>st</sup> March 2008, 31<sup>st</sup> March 2007, 31<sup>st</sup> March 2006 and 31<sup>st</sup> March 2005 and for the period ended December 31, 2009 are as set out in '**Annexure 2**' to this report. These profits have been arrived at after charging all expenses including depreciation and after making such adjustments/restatements and regrouping as in our opinion are appropriate and are subject to the Significant Accounting Policies as appearing in '**Annexure 3**' and Notes to the Statements of Assets & Liabilities and Profit & Loss Account appearing in '**Annexure 4**' and '**Annexure 5**' to this report.

- B.** We have examined the following financial information relating to the Company proposed to be included in the offer document, as approved by the Board of Directors and annexed to this report.

- i. Notes to Adjustments in Restated Financial Statements '**Annexure 5**' to this report
- ii. Details of changes in Significant Accounting Policies as given in '**Annexure 6**' to this report.
- iii. Details of qualifications appearing in the audit report as given in '**Annexure 7**' to this report.
- iv. Statement of Cash Flow as appearing in '**Annexure 8**' to this report;
- v. Accounting Ratios as appearing in '**Annexure 9**' to this report;
- vi. Statement of Unsecured Loans taken including loan taken from related parties enclosed as '**Annexure 10**' to this report.
- vii. Capitalisation Statement as appearing in '**Annexure 11**' to this report;
- viii. Statement of Tax Shelter as appearing in '**Annexure 12**' to this report.
- ix. Statement of Secured Loans as appearing in '**Annexure 13**' to this report.
- x. Statement of Investments as appearing in '**Annexure 14**' to this report.
- xi. Statement of Debtors including the related party debtors enclosed as '**Annexure 15**' to this report.
- xii. Details of loans and advances as given in '**Annexure 16**' to this report.
- xiii. Statement of Other Income as appearing in '**Annexure 17**' to this report.
- xiv. Details of transactions with the Related Parties as appearing in '**Annexure 18**' to this report;
- xv. Details of Contingent Liabilities as appearing in '**Annexure 19**' to this report;
- xvi. Details of Segment Reporting as appearing in '**Annexure 20**' to this report;
- xvii. Details of Dividend Paid as appearing in '**Annexure 21**' to this report;

**C.**

- a) In our opinion the financial information of the Company as stated in Para A and B above read with Significant Accounting Policies enclosed in Annexure 3 to this report, after making adjustments / restatements and regroupings as considered appropriate and subject to certain matters as stated in Notes to the Statements, has been prepared in accordance with Part II of Schedule II of the Act and we have complied with the Schedule VIII, Clause IX (9) of the SEBI (ICDR) Regulations, 2009.

In terms of Schedule VIII, Clause IX (9) of the SEBI (ICDR) Regulations, 2009 and other provisions relating to accounts of the Acropetal Technologies Limited, We hereby confirm that Statements of Assets and Liabilities and Profit and Loss or any other financial information have been incorporated in the offer document after making the following adjustments, wherever quantification is possible:

1. Adjustments/ rectification for all incorrect accounting practices or failures to make provisions or other adjustments which resulted in audit qualifications except for those audit qualification whose financial impact not ascertainable or not quantifiable. – Nil.
  2. Material amounts relating to adjustments for previous years has been identified and adjusted in arriving at the profits of the years to which they relate irrespective of the year in which the event triggering the profit or loss occurred.
  3. Where there has been a change in accounting policy, the profits or losses of the earlier years (required to be shown in the offer document) and of the year in which the change in the accounting policy has taken place has been recomputed to reflect what the profits or losses of those years would have been if an uniform accounting policy was followed in each of those years. – N.A.
  4. If an incorrect accounting policy is followed, the re-computation of the financial statements has been in accordance with correct accounting policies. – N. A.
  5. Statement of profit or loss discloses the profit or loss arrived at before considering extraordinary items and after considering the profit or loss from extraordinary items. N.A.
- b) This report is intended solely for your information and for inclusion in the offer document in connection with the specific Initial Public Offer of Equity Shares of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

**For K. Gopalakrishnan & Co.  
Chartered Accountants**

**K. Gopalakrishnan  
Proprietor**

**Membership No. 200/25421**

**Date: March 4, 2010**

## Annexure 1

## STANDALONE SUMMARY STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

(Rs. in Lacs)

Particulars	As At					
	31-Mar-05	31-Mar-06	31-Mar-07	31-Mar-08	31-Mar-09	31-Dec-09
<b>A. Fixed Assets</b>						
Gross Fixed Assets	186.90	309.37	689.89	4,942.56	8,761.53	9,269.02
Less : Accumulated Depreciation	74.45	126.23	258.02	548.79	1,423.23	2,599.38
<b>Net Fixed Assets</b>	<b>112.45</b>	<b>183.14</b>	<b>431.87</b>	<b>4,393.77</b>	<b>7,338.30</b>	<b>6,669.64</b>
Less:- Revaluation reserves						
<b>Net Fixed Assets After Revaluation Reserves</b>	<b>112.45</b>	<b>183.14</b>	<b>431.87</b>	<b>4,393.77</b>	<b>7,338.30</b>	<b>6,669.64</b>
Capital Work in Progress	-	-	-	-	-	2,869.98
<b>Total Fixed Assets</b>	<b>112.45</b>	<b>183.14</b>	<b>431.87</b>	<b>4,393.77</b>	<b>7,338.30</b>	<b>9,539.62</b>
<b>B. Investments</b>	<b>0.10</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>344.36</b>	<b>511.36</b>
<b>C. Current Assets, Loans &amp; Advances</b>						
Sundry Debtors	185.80	388.44	1,820.11	3,260.62	4,546.16	4,090.24
Cash and Bank Balances	5.37	164.65	109.76	445.55	904.55	1,631.38
Loans and Advances	12.13	40.90	374.31	1,014.72	991.41	1,947.84
Inventories	55.58	95.00	85.22	110.07	186.47	264.77
<b>Total (C)</b>	<b>258.88</b>	<b>688.99</b>	<b>2,389.40</b>	<b>4,830.96</b>	<b>6,628.59</b>	<b>7,934.23</b>
<b>D. Liabilities &amp; Provisions</b>						
Secured Loans	146.88	299.94	795.01	3,719.51	6,223.07	7,569.47
Unsecured Loans	2.18	-	-	-	-	-
Deferred Tax Liability (Net)	7.35	15.83	46.39	142.03	318.71	434.57
Current Liabilities	8.33	27.70	67.74	655.56	831.13	1,637.01
Provisions	-	1.78	7.21	164.04	235.57	179.58
<b>Total (D)</b>	<b>164.74</b>	<b>345.25</b>	<b>916.35</b>	<b>4,681.14</b>	<b>7,608.48</b>	<b>9,820.63</b>
<b>E . Net Worth ( A + B+C-D )</b>	<b>206.69</b>	<b>526.88</b>	<b>1,904.92</b>	<b>4,543.59</b>	<b>6,702.77</b>	<b>8,164.58</b>
<b>F. Represented by</b>						
Equity Share Capital	25.00	400.00	500.00	500.00	500.00	2,000.00
Share Application Money Pending allotment	26.10	20.40	50.10	1,440.90	2,000.00	-
Reserves & Surplus	155.59	106.48	1,354.82	2,602.69	4,202.77	6,164.58
<b>Total</b>	<b>206.69</b>	<b>526.88</b>	<b>1,904.92</b>	<b>4,543.59</b>	<b>6,702.77</b>	<b>8,164.58</b>
Less : - Miscellaneous Expenditure not w/off						
<b>G . Net Worth</b>	<b>206.69</b>	<b>526.88</b>	<b>1,904.92</b>	<b>4,543.59</b>	<b>6,702.77</b>	<b>8,164.58</b>

## ANNEXURE 2

## SUMMARY STATEMENT OF PROFIT AND LOSS, AS RESTATED

(Rs. in Lacs)

Particulars	For the year / period ended					
	31-Mar-05	31-Mar-06	31-Mar-07	31-Mar-08	31-Mar-09	31-Dec-09
<b>Income</b>						
Sales & Operating Incomes						
Export Income	288.51	660.43	4,023.06	6,031.48	8,930.40	7,398.06
Domestic Income	-	-	-	-	-	63.09
Other Income	3.44	9.86	80.37	(86.30)	273.69	33.58
Increase/(Decrease) in Inventory	15.22	39.42	(9.78)	24.85	76.40	78.29
<b>Total Income</b>	<b>307.17</b>	<b>709.71</b>	<b>4,093.65</b>	<b>5,970.03</b>	<b>9,280.49</b>	<b>7,573.02</b>
<b>Expenditure</b>						
Direct cost of Sales / Services	-	73.90	1,974.89	3,154.52	4,315.31	2,708.74
Personnel Cost	58.29	165.75	253.05	494.51	980.43	947.28
Administrative and Other Expenses	69.61	129.69	240.63	320.40	262.36	344.50
Selling and Distribution Expenses	5.26	4.77	87.69	63.78	189.24	62.85
<b>Total Operating Expenses</b>	<b>133.16</b>	<b>374.11</b>	<b>2,556.26</b>	<b>4,033.21</b>	<b>5,747.34</b>	<b>4,063.37</b>
<b>PBDIT</b>	<b>174.01</b>	<b>335.60</b>	<b>1,537.39</b>	<b>1,936.82</b>	<b>3,533.15</b>	<b>3,509.65</b>
Less: Finance Cost	12.15	22.68	94.48	238.49	817.06	752.33
<b>PBDT</b>	<b>161.86</b>	<b>312.92</b>	<b>1,442.91</b>	<b>1,698.33</b>	<b>2,716.09</b>	<b>2,757.32</b>
Less: Depreciation & Amortisation	53.02	51.77	131.79	290.78	874.44	1,176.15
<b>PBT</b>	<b>108.84</b>	<b>261.15</b>	<b>1,311.12</b>	<b>1,407.55</b>	<b>1,841.65</b>	<b>1,581.17</b>
<b>Add / ( Less ) : Provision for Tax</b>						
Current Tax	-	-	-	-	-	(3.50)
Fringe Benefit Tax	-	(1.78)	(2.97)	(5.54)	(6.39)	-
Deferred Tax Liability	(4.30)	(8.48)	(30.56)	(95.64)	(176.68)	(115.86)
<b>Profit After Tax</b>	<b>104.54</b>	<b>250.89</b>	<b>1,277.59</b>	<b>1,306.37</b>	<b>1,658.58</b>	<b>1,461.81</b>
<b>Balance brought forward from previous year</b>	<b>55.27</b>	<b>155.59</b>	<b>106.48</b>	<b>1,354.82</b>	<b>2,602.69</b>	<b>4,202.77</b>
<b>Net Profit Available for Appropriation</b>	<b>159.81</b>	<b>406.48</b>	<b>1,384.07</b>	<b>2,661.19</b>	<b>4,261.27</b>	<b>5,664.58</b>
Appropriation						
Proposed Dividend on Equity Shares	(3.75)	-	(25.00)	(50.00)	(50.00)	-
Tax on Dividend	(0.47)	-	(4.25)	(8.50)	(8.50)	-
Transfer to General Reserves						
Capitalized during the year for Bonus Shares		(300.00)				(1,300.00)
<b>Balance carried forward as restated</b>	<b>155.59</b>	<b>106.48</b>	<b>1,354.82</b>	<b>2,602.69</b>	<b>4,202.77</b>	<b>4,364.58</b>

**Statement of significant accounting policies**

**(a) Basis of Preparation of financial statements**

(I) The financial statements of the company have been prepared under the historical cost convention on an accrual basis, applicable Accounting Standards and relevant provisions of the Companies Act, 1956.

(II) Accounting Policies not specifically referred to otherwise are consistent and in consonance with the Generally Accepted Accounting Principles that are followed by the company

**(b) Revenue recognition**

(I) Revenue on sales of goods & services is recognized on transfer of significant risk & rewards of ownership which is generally on dispatch of goods & services. Gross sales are stated inclusive of excise duty, service tax, value added tax as applicable, but net of returns and trade discounts.

(II) Income from Services is recognized on completion of services or part completion of assignment as per Contract

(III) All expenses are accounted for on accrual basis unless otherwise specified.

(IV) Dividend income is recognised on establishment of right to receive.

**(c) Fixed Assets & Depreciation / Amortisation**

(I) Fixed assets (including Capital Work In Progress) are stated at historical cost including any attributable cost including taxes & other duties, freight, installation & other direct or allocable expenses and related borrowing cost on qualifying assets for bringing the respective asset to its working condition for its intended use but net of cenvat credit wherever applicable.

(II) Depreciation is provided as per the WDV method at the rates provided in schedule XIV of the Companies Act, 1956. Depreciation on addition to fixed asset or on sale/ discardment is calculated on pro-rata basis from date of such addition or upto the date of sale/ discardment as the case may be. However, cost of Leasehold land is not amortised and is shown at cost.

(III) In case of new project & in case of substantial modernization/ expansion at existing units of the company, all pre-operative expenditure specifically for the project, incurred upto the date of completion is capitalized and added pro-rata to the cost of fixed assets.

(IV) Pursuant to accounting standard 28 “ Impairment of Assets” issued by the ICAI, The Company has a system to review the carrying cost of all the assets vis-à-vis recoverable value and impairment loss, if any is charged to Profit and Loss account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting periods is reversed if there has been a change in estimate of recoverable amount.

**(d) Investments**

(I) Long term Investments are stated at cost of acquisition. Provision for diminution in the value of long-term investments is made only if such decline is other than temporary in the opinion of the management. The cost of investment includes brokerage etc.

**(e) Foreign Currency Transactions:**

(I) All foreign Currency Transactions are initially recognized at the exchange rates on the date of transactions.

(II) Exchange difference arising on the settlement of monetary items was recognized as income/ expenses.

(III) Monetary items and contingent liabilities as on the date of Balance Sheet are stated at the closing rate.

**(f) Inventories**

(I) Inventories of Raw Materials, Work In Progress, Finished Goods ( including Goods for Trade) are valued at cost or net realizable values whichever is lower, except Scrap, which is valued at estimated realizable value as assessed by Management.

(II) In determining the cost of raw material, stores, spares and other materials, cost is ascertained on FIFO method.

**(g) Employee Retirement Benefits**

(I) The Company's contribution in respect of Provident Fund is charged to Profit & Loss Account every year.

(II) Provision of gratuity as on the balance sheet date is accounted on Actuarial basis by an independent actuary and necessary liabilities provided in the books of accounts charged against revenue every year.

(III) Liability for leave outstanding as on the balance sheet date and other benefits are accounted on Actuarial valuation basis.

**(h) Taxation**

(I) Income tax expenses comprises current tax, FBT & deferred tax charges or credit.

(II) Provision for income tax is made on the basis of estimated taxable income. Advance Tax and Tax Deducted at Source (TDS) are shown in the balance sheet under head Loans and advances during the year and in subsequent years the Advance Tax & TDS are adjusted against Provision for Tax. The net effect has been added under the head Provision for Tax.

**(i) Accounting for taxes on Income (AS 22)**

Deferred Tax is recognized, subject to the consideration of prudence, on timing differences, being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. The same is accounted for, using the tax rates as on balance sheet date. Deferred Tax Assets are recognized only when there is virtual certainty of their realization.

**(j) Earning per Share**

(I) Basic Earning per Equity Share is calculated by using weighted average number of Equity Shares outstanding during the period.

(II) Diluted Earning per Share is calculated by using weighted average number of Equity Shares.



(III) In case of any fresh allotment or any other corporate action during the year affecting number of outstanding shares, the number of equity shares outstanding before the event is adjusted for the proportionate change in the number of equity shares outstanding as if the event had occurred at the beginning of the earliest period reported. In case of Bonus issue, the issue is treated as outstanding since the beginning of the year.

**(k) Provision, Contingent Liabilities and Contingent Assets**

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the notes, Contingent Assets are neither recognised nor disclosed in the financial statements.

**(l) Borrowing Costs**

(I) Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised.

(II) Other Borrowing cost is recognised as an expense in the period in which they are incurred.

**(m) Related Party Transaction**

Parties are considered to be related if at any time during the year, one party has the ability to control the other party or to exercise significant influence over the other party in making financial and / or operating decision.

**(n) Use of Estimates**

In preparing Company's financial statements in conformity with accounting principles generally accepted in India, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates which are reported in the period in which the result is known.

## NOTES ON ACCOUNTS

1. The Company is engaged in the development of computer software. The Production and sale of such items cannot be expressed on any generic term. Hence it is not possible to give the quantitative details of sales and information as required under paragraph 3, 4 C & 4 D of Part II of the Schedule VI to the Companies Act.

2. Particulars of foreign Exchange earnings and outgo.

	(Nine months period ended 31.12.2009) INR.	2008-09 INR.
Foreign Exchange Outgo	269,195,910	439,102,839
Foreign Exchange Earnings	739,805,861	893,039,529

3. **AS-15 (Revised):** The company has adequately provided for all retirement benefits based on actuarial valuation.
4. **AS-19 Accounting for leases:** The company is operating its unit taken under various operating leases, which are not non-cancellable and are renewable by mutual consent on mutually agreeable terms. The rent of Rs.3,398,735 Previous year ( Rs. 4,976,324/- )made by the company is recognized in the statement of Profit and loss account paid under general and administrative expenses.
5. **AS-22 Accounting For Taxes On Income:** Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income and reversal of timing differences of earlier years. Deferred tax assets are recognized only to the extent there is reasonable certainty that sufficient future taxable income will be available.
6. Secured Loan (Term loan) from State Bank of Travancore is against Hypothecation of Office Building and other movable assets. Secured Loan (Working Capital) from State bank of Travancore and Axis Bank are against Hypothecation of Book Debts on *pari-passu* basis. Secured Loan (Term Loan) from Axis Bank (AB) is against hypothecation of the proposed Tech Park on Hosur road and specific assets. All these loans have additional inter-se second charge ceded among the both SBT and AB and also carry personal guarantees of the Promoter directors.  
  
Secured Loan (Term loan) from United Bank of India is secured against the specific asset funded and collateral owned by Mr. D. Ravikumar and carries his personal guarantee as well.
7. **Contingent Liabilities not provided for**  
Corporate Guarantee in favor of UPS Capital Inc. For the loan availed by Vision Info Inc. Rs.129,490,181 (Previous Year – 156,059,587)
8. Auditors Remuneration- Rs. 500,000/- Plus Service Tax (Previous year Rs.300,000)
9. As per the information available with the company, there are no small-scale industries undertaking / Micro enterprises to which the company owes.
10. Previous year's figures have been regrouped and rearranged wherever necessary.

**Annexure 5**

**NOTES TO ADJUSTMENTS IN THE RESTATED ACCOUNTS**

Loans to subsidiaries were considered as investment in 2008-09 has been regrouped in to loans and advances.

**Annexure 6**

**CHANGES IN SIGNIFICANT ACCOUNTING POLICIES**

There have been no changes in accounting policies of the Company during the above periods.

**Annexure 7**

**QUALIFICATIONS IN THE AUDITORS REPORT**

There have been no qualifications to the accounts of the Company during the above periods.

## Annexure 8

## CASH FLOW STATEMENT, AS RESTATED

(Rs. in Lacs)

Particulars		As at					
		31.03.05	31.03.06	31.03.07	31.03.08	31.03.09	31.12.09
<b>A</b>	<b>Cash Flow from Operating Activities</b>						
	Profit before tax, as restated	108.84	261.15	1,311.12	1,407.55	1,841.65	1,581.17
	Adjustments for						
	Depreciation	53.02	51.77	131.79	290.78	874.44	1,176.15
	Interest	12.15	22.68	94.48	238.49	817.06	752.33
	<b>Operating Income before working capital changes</b>	<b>174.01</b>	<b>335.60</b>	<b>1,537.39</b>	<b>1,936.82</b>	<b>3,533.15</b>	<b>3,509.65</b>
	<b>Adjustments for:</b>						
	Decrease/(Increase) in Sundry Debtors	(155.89)	(202.64)	(1,431.67)	(1,440.51)	(1,285.54)	455.92
	Decrease/(Increase) in Inventories	(15.23)	(39.42)	9.78	125.15	144.28	97.78
	Decrease/(Increase) in Loans & Advances	(7.24)	(28.77)	(333.41)	(640.41)	23.31	(956.43)
	Increase/(decrease) in Current Liabilities	(17.13)	19.37	15.04	562.82	175.57	855.88
	<b>Cash Generated from Operations</b>	<b>(21.48)</b>	<b>84.14</b>	<b>(202.87)</b>	<b>543.87</b>	<b>2,590.77</b>	<b>3,962.80</b>
	Direct Taxes (Net)	0.47		1.78	7.21	164.04	235.57
	<b>Net Cash Flow from Operating Activities</b>	<b>(21.95)</b>	<b>84.14</b>	<b>(204.65)</b>	<b>536.66</b>	<b>2,426.73</b>	<b>3,727.23</b>
<b>B</b>	<b>Cash Flow from Investing Activities</b>						
	Purchase of Fixed Assets	(134.16)	(122.47)	(380.52)	(4,252.67)	(3,818.97)	(507.49)
	Decrease/(Increase) in Investments		0.10	-	-	(344.36)	(167.00)
	Increase in Capital Work-in-progress					-	(2,869.98)
	<b>Net Cash used from Investing Activities</b>	<b>(134.16)</b>	<b>(122.37)</b>	<b>(380.52)</b>	<b>(4,252.67)</b>	<b>(4,163.33)</b>	<b>(3,544.47)</b>
<b>C</b>	<b>Cash Flow from Financing Activities</b>						
	- Share Capital		75.00	100.00	-	-	200.00
	- Share Premium						1,800.00
	- Share Application Money	10.75	(5.70)	29.70	1,390.80	559.10	(2,000.00)
	Dividends paid	(3.75)		0.00	(25.00)	(50.00)	(50.00)
	Change in the Borrowings						
	- Long Term	149.05	(5.04)	113.68	2,108.29	991.95	1,306.25
	- Short Term		155.93	381.38	816.20	1,511.61	40.15
	Interest Paid	(12.15)	(22.68)	(94.48)	(238.49)	(817.06)	(752.33)
	<b>Net Cash Flow from Financing Activities</b>	<b>143.90</b>	<b>197.51</b>	<b>530.28</b>	<b>4,051.80</b>	<b>2,195.60</b>	<b>544.07</b>
	<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents (A+B+C)</b>	<b>(12.21)</b>	<b>159.28</b>	<b>(54.89)</b>	<b>335.79</b>	<b>459.00</b>	<b>726.83</b>
	<b>Cash &amp; Cash Equivalents at Beginning of the Year</b>	<b>17.58</b>	<b>5.37</b>	<b>164.65</b>	<b>109.76</b>	<b>445.55</b>	<b>904.55</b>
	<b>Cash &amp; Cash Equivalents at End of the Year</b>	<b>5.37</b>	<b>164.65</b>	<b>109.76</b>	<b>445.55</b>	<b>904.55</b>	<b>1,631.38</b>

**Annexure 9****STATEMENT OF ACCOUNTING RATIOS**

(Rs. in Lacs)

Particulars	31.03.05	31.03.06	31.03.07	31.03.08	31.03.09	31.12.09
Net Profit as restated	104.54	250.89	1,277.59	1,306.37	1,658.58	1,461.81
Net Worth	206.69	526.88	1,904.92	4,543.59	6,702.77	8,164.58
Return on Net Worth (%)	50.58%	47.62%	67.07%	28.75%	24.74%	17.90%
No. of shares at the end of Year (Face Value Rs. 10/-)	250,000	4,000,000	5,000,000	5,000,000	5,000,000	20,000,000
Weighted No. of Equity Shares (With out Considering Bonus issue in previous years)	250000	305480	4008220	5000000	5,000,000	18327273
Earning per share (With out Considering Bonus issue)	41.82	82.13	31.87	26.13	33.17	7.98
Weighted No. of Equity Shares (Considering Bonus issue in previous years)	16,250,000	17,000,000	18,000,000	18,000,000	18,000,000	20,000,000
Earning per share (Considering Bonus issue)	0.64	1.48	7.10	7.26	9.21	7.31
Net Asset value / Book value per share	82.68	13.17	38.10	90.87	134.06	40.82

**Annexure 10****STATEMENT OF UNSECURED LOANS**

(Rs. in Lacs)

Particulars	As at					
	31.03.05	31.03.06	31.03.07	31.03.08	31.03.09	31.12.09
From Directors/Shareholders	2.18	-	-	-	-	-
From Others	-	-	-	-	-	-
<b>Total</b>	<b>2.18</b>	-	-	-	-	-
Above amount includes transactions with following related parties:						
Mr. D Ravi Kumar	2.18					

**Annexure 11****CAPITALIZATION STATEMENT****(Rs. in Lacs)**

<b>Long term debt</b>	<b>31.03.2009</b>	<b>Pre Issue 30.12.2009</b>	<b>Post Issue</b>
<b>Debt :</b>			
<b>Secured</b>			
Short term debt	2,923.38	2,963.52	
Long term debt	3,299.70	4,605.95	
<b>Unsecured</b>	--	--	
<b>Total Debt</b>	<b>6,223.08</b>	<b>7,569.47</b>	
<b>Shareholders Funds</b>			
Equity Share Capital	500.00	2,000.00	
Reserves and Surplus	4,202.77	6,164.58	
Share Application money	2,000.00	-	
<b>Total Shareholders Funds</b>	<b>6,702.77</b>	<b>8,164.58</b>	
Long Term Debt/ Shareholders' Funds	0.44:1	0.36:1	
Total Debt / Shareholders' Fund	0.93:1	0.93:1	

Notes:

1. Working Capital Limits are considered as short- term debts
2. The Post-issue debt–equity ratio will be computed on the conclusion of the book building process.

**Annexure 12****STATEMENT OF TAX SHELTERS****(Rs. in Lacs)**

Particulars	As at					
	31.03.05	31.03.06	31.03.07	31.03.08	31.03.09	31.12.09
<b>Profit Before Tax</b>	108.84	261.15	1,311.12	1,407.55	1,841.65	1,581.17
<b>Tax rate</b>						
-- Normal Tax rate	33.66%	33.66%	33.66%	33.99%	33.99%	33.99%
-- Minimum Alternative Tax rate	11.33%	11.33%	11.33%	11.33%	11.33%	17.00%
<b>Notional Tax at normal rates (A)</b>	36.64	87.90	441.32	478.42	625.98	537.44
<b>Permanent differences</b>						
Exempted exp. u/s 10 A of IT Act	97.88	236.07	1,217.91	1,165.51	1,321.83	302.65
Other Adjustments	-	(0.10)	-	-	-	-
<b>Total (B)</b>	97.89	235.97	1,217.91	1,165.51	1,321.83	302.65
<b>Timing Differences</b>						
Depreciation as per Books	53.02	51.77	131.79	290.78	874.44	1,176.15
Depreciation as per Income Tax	63.97	76.95	225.00	532.82	1,394.25	2,454.68
Difference between tax depreciation and book depreciation	10.95	25.18	93.21	242.04	519.81	1,278.53
<b>Total (C)</b>	10.95	25.18	93.21	242.04	519.81	1,278.53
<b>Net Adjustments (B+C)</b>	108.84	261.15	1,311.12	1,407.55	1,841.64	1,581.18
<b>Tax Savings (D)</b>	36.64	87.90	441.32	478.42	625.97	537.44
<b>Total Taxation (E = A-D)</b>	-	-	-	-	-	-
<b>Tax payable as per MAT</b>	-	-	-	176.40	231.72	176.08

**Annexure 13**

**SECURED LOANS**

**(Rs. in Lacs)**

Particulars	As at					
	31.03.05	31.03.06	31.03.07	31.03.08	31.03.09	30.12.09
Term loan from Banks	90.82	85.78	199.46	2,307.75	3,252.98	4,571.06
Working Capital / Cash Credit from Banks	56.06	214.16	595.55	1,411.76	2,923.38	2,963.52
Others (Vehicle Loans)	-	-	-	-	46.72	34.89
<b>Total</b>	<b>146.88</b>	<b>299.94</b>	<b>795.01</b>	<b>3,719.51</b>	<b>6,223.08</b>	<b>7,569.47</b>

**Principle Terms and Conditions of Outstanding Secured Loans:**

Name of the lender	Facility	Sanctioned Amount	Amount Outstanding as on 31.12.09	Rate of Interest	Repayment Schedule	Securities offered
State Bank of Travancore	Term Loan	Rs 1000.00 Lacs	Rs.480.24 Lacs	13% (Floating)	First 8 Instalment of Rs .75 Lac and last 4 Instalment of Rs. 100 Lacs	Primary Security: First Charge on the entire fixed assets of the company. (Present & future) Collateral Security: E.M Of 3 Residential sites:1. Owner Shri Prasanth Kumar, GPA Holder Sri D. Ravi Kumar at Kasaba Hobli, Hebbal, Bangalore Measurement 182x46 feet=8371 sq feet=Rs.2.93Crores 2. Owner Subramanya GPA Holder Shri D. Ravi Kumar at kasaba Hobli, Hebbal, Bangalore. Measurement 122x46 - 5612 sq feet present market value @3500 per sq feet = Rs. 1.96 Crores. 3. Owner Acropetal Technologies Ltd. At Kamalahalli Bangalore Measurement 21780sq feet. Present Market Value @ 2500 per Sq feet = Rs. 5.44 Crores. Property bearing New Municipal No. 8, (Old No. 74,75,57) PID No.65-321-8 situated at Nainappa Setty Palya Begur Hobli, Bangalore South Taluka (now known as 3 <sup>rd</sup> Main Road, Industrial Area, N.S. Palya, Ward No. 65, Bangalore and admeasuring 6750 square feet
Axis Bank- Term Loan 1	Term Loan	Rs 1330.00 Lacs	Rs 817.78 Lacs	13.5%	53 Monthly Instalments of Rs. 24.63 Lacs and 54th Instalment of Rs. 24.61 Lacs	Primary Security: EM of the Land and Building (existing & Perposes) at Sy. No. 237 & 239 situated at site no. 255/B Bommasandra KIDAB area Attibele Hobli Anekal Taluk Bangalore. Collateral Security: 1. Second Charge on the fixed assets of the company (WDV as on 31.03.2007 Rs. 689.89 lacs) (First Charge is currently with the United Bank Of India)- The charge to



						be upgraded to first <i>pari-passu</i> charge upon liquidation of the term loans with United Bank of India 2. Second Charge on the current Assets of the company Guarantors: a.) Mr.D RaviKumar b.) Mrs. Malini Reddy c.) Mr. K Doraiswamy
Axis Bank - Term Loan 3	Term Loan	Rs 1000.00 Lacs	Rs 814.77 Lacs	0.1275	36 Monthly Instalments of Rs. 27.77 Lacs	Primary Security: First charge on the entire movable fixed assets created out of the term loan assistance. Collateral Security: 1. First Charge on the entire unencumbered fixed assets, present and future, of the company on <i>pari-passu</i> basis other banks (other than movable fixed assets created out of the term loan from axis bank and SBT) with WDV of 4.25 crores (appxly) as at 31.03.2008 2. Extension of EM land & Building at: Sy. No. 237& 239 situated at site No. 255/B, Bommasandra KIADB Area, Attibele Hobli, Anekal Taluk Bangalore standing in the name of the company valued at Rs. 15.92 Crores as per valuation report dated 25.07.2007, which is already charged to us for the Term loan of Rs.13.30Crores sanctioned under non schematic advances. 3. Extension of Equitable mortgage of property of Industrial Land bearing Sy. No. 107, measuring 2 acres situated at the Kogilu Village, Yehalanka Hobbli, Bangalore North Taluk Bangalore standing in the name of Mr. Ravikumar, valued at Rs. 10.45 Cr as per the valuation report dated 08.03.2008 which is already charged to us for the term loan of Rs.5 Cr. Sanctioned under the schematic advances (Business Manpower) 4. Second charge on the immovable property, unit 2 located at: No.8 PID No. 65-321-8, 3rd Main Road Industrial area, N.S. Palya, Bannerghatta Road Bangalore- 560076 owned by the company which has been presently mortgaged to SBT for the credit limits sanctioned by them.
Axis Bank - Term Loan 2	Term Loan	Rs. 500.00 Lacs	Rs 434.83 Lacs	0.1375	Equated Monthly EMI of Rs.8.96	Primary Security: NIL Collateral Security: Equitable property of industrial on agriculture land bearing Sy.no.107, measuring 2 acres situated

					Lacs for 84 months	at Kogilu Village, Yelahanka Hobli Bangalore North Taluk Bangalore belonging to the director Mr. D Ravikumar. Guarantors: a.) Mr. D RaviKumar b.) Mrs. Malini Reddy c.) Mr. k Doraiswamy Other: 6 PDC's for the EMI amount and I UDC for the entire loan amount
United Bank Of India - Credit Limit	Credit Limit	Rs 2000.00 Lacs	Rs 2023.44 Lacs	0.135	20 Quarterly Instalments of 100 Lacs each	Primary Security: Exclusive Charge/assignment over software package of Farhmins worth Rs. 2820 lacs Additional Security: 1. Property worth Rs. 10.06 Cr at survey no. 89 Kammanahalli village Begur Hobli Bangalore South taluk admeasuring 91476 sq ft. 2. Property worth Rs. 9.58 Cr at survey no. 20/7 Kammanahalli village Begur hobli Bangalore South taluk admeasuring 87120 sq ft. Both in the name of Mr. D Ravi Kumar, CMD Extension of equitable mortgage on the flat no. E 1201 Mantry elegance apartment NS Palya Bannerghatta Road, Bangalore valued at Rs. 130.11 Lac in the name of Mr. D Ravikumar mortgaged to our branch. (Loan outstanding as on 30.06.09 was Rs. 80.92 lacs) Personal Guarantee: Mr D Ravikumar having Net worth of Rs. 1476.75 Lacs.
Axis Bank	Vehicle Loan	Rs.40.00 Lacs	Rs 23.54 Lacs	0.1102	Monthly EMI of Rs 86,200 for 60 months	
Axis Bank	Vehicle Loan	Rs.18.30 lacs	Rs.11.35 lacs	0.1199	Monthly EMI of Rs 40,705 for 60 months	
Total		5888.3	4605.95			
<b>Working Capital Loan</b>						
State Bank of Travancore	Packing Credit	Rs. 2500.00 Lacs	Rs 2016.90 Lacs	0.0975		Primary Security: <i>Pari Passu</i> first charge on the current assets with other working capital bank Collateral Security: E.M Of 3 Residential sites:1. Owner Shri Prasanth Kumar, GPA Holder Sri D. Ravi Kumar at Kasaba Hobli, Hebbal, Bangalore Measurement 182x46 feet=8371 sq feet=Rs.2.93Crores 2. Owner Subramanya GPA Holder Shri D. Ravi Kumar at Kasaba Hobli, Hebbal, Bangalore. Measurement 122x46 - 5612 sq feet present market value

						@3500 per sq feet = Rs. 1.96 Crores. 3. Owner Acropetal Technologies Ltd. At Kamalahalli Bangalore Measurement 21780sq feet. Present Market Value @ 2500 per Sq feet = Rs. 5.44 Crores.
Axis Bank	Cash Credit	Rs 1000.00 Lacs	Rs.946.62 Lacs	0.1275		Primary Security: First Charge on the entire current assets present and future of the company on <i>pari passu</i> basis with the other working capital financing banks. Collateral Security: 1. First Charge on the entire unencumbered fixed assets present and future, of the company on <i>pari-passu</i> basis with other working capital financing banks ( Other than movable fixed assets created assets created out of the term loan from the axis bank and SBT) , with the WDV of 4.25 Crores ( approx) as at 31.03.2008 2. Extension of the EM of Land & Building at: Sy No. 237 & 239 situated at site no. 255/B Bommsandra KIDAB Area, Attibele Hobli Anekal Taluk Standing in the name of the company, valued at Rs. 15.92 Crores as per the valuation report dated 25.07.2007, which is already charged to us for the term loan of the Rs. 13.30Cr sanctioned under the non schematic advances. Second charge ceded in favour of the SBT for the total credit facilities sanctioned by them 3. Extension of the equitable mortgage of property of the industrial land bearing Sy. No. 107 measuring 2 acres situated at the Kogilu village Yelahanka Hobli North taulak, Bangalore, standing in the name of the Mr. Ravikumar D Valued at Rs. 10.45 Cr. As per the valuation report dated 08.03.2008, which is already charged to us for the term loan of Rs. 5.00 Cr sanctioned under the schematic advances (Business Manpower) 4. Second charge on the immovable property Unit 2 located at No.8 PID No. 65-321-8 3rd Main Road industrial area NS Palya Bannerghatta Road , Bangalore 560076 owned by the company which has been presently mortgaged to SBT for the credit limit sanctioned by them. Personal Guarantee of the following

						promoters Mr. Ravikumar D, Mrs, Malini Reddy and Mr Doraiswamay
<b>Total</b>		<b>3500</b>	<b>2963.52</b>			

**Annexure 14****INVESTMENTS, AS RESTATED**

Particulars	As at					
	31.03.05	31.03.06	31.03.07	31.03.08	31.03.09	30.12.09
(a) Share Investment						
(i) A A Limited	0.10	-	-	-	-	-
(ii) Binary Spectrum Softech Pvt. Ltd.	-	-	-	-	343.00	510.00
(b) Investment in Subsidiary						
(i) Vision Info Inc.	-	-	-	-	1.36	1.36
<b>Total Investments</b>	<b>0.10</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>344.36</b>	<b>511.36</b>

**Annexure 15****SUNDRY DEBTORS, AS RESTATED****(Rs. In Lacs)**

Particulars	As at					
	31.03.05	31.03.06	31.03.07	31.03.08	31.03.09	30.12.09
Outstanding for the period exceeding Six months	6.14	-	-	-	330.59	-
Other Debts	179.66	388.44	1,820.11	3,260.62	4,215.57	4,090.24
<b>Total</b>	<b>185.80</b>	<b>388.44</b>	<b>1,820.11</b>	<b>3,260.62</b>	<b>4,546.16</b>	<b>4,090.24</b>

Sundry Debtors does not include any related parties.

**Annexure 16****LOANS AND ADVANCES, AS RESTATED****(Rs. in Lacs)**

Particulars	As at					
	31.03.05	31.03.06	31.03.07	31.03.08	31.03.09	30.12.09
Advances recoverable in Cash or in Kind	1.54	8.59	188.82	817.12	475.37	1,118.35
Loans to subsidiary – Vision Info Inc.					321.69	321.69
Share Application Money – Kinfotech Pvt. Ltd. (Group Company)	-	-	-	-	-	240.50
Sundry Deposits	7.95	14.76	179.59	197.55	193.97	265.71
Dues from staff	2.64	17.55	5.89	0.05	0.38	1.59
<b>Total</b>	<b>12.13</b>	<b>40.90</b>	<b>374.31</b>	<b>1,014.72</b>	<b>991.41</b>	<b>1,947.84</b>

**Annexure 17****OTHER INCOME, AS RESTATED****(Rs. in Lacs)**

Particulars						
	31.03.05	31.03.06	31.03.07	31.03.08	31.03.09	30.12.09
Foreign Exchange Fluctuations	3.44	9.86	80.37	(86.30)	273.69	33.58
Others	--					
<b>Total</b>	<b>3.44</b>	<b>9.86</b>	<b>80.37</b>	<b>(86.30)</b>	<b>273.69</b>	<b>33.58</b>

**Annexure 18**

**DETAILS OF RELATED PARTY TRANSACTIONS**

The company has entered into following related party transactions. As on December 31, 2009 such parties and transactions are identified as per accounting standard 18 issued by Institute of Chartered Accountants of India.

**List of Related Parties**

Sr. No.	Name of the Promoters	Relationship
1.	Mr. D. Ravi Kumar	Chairman
2.	Dr. Malini Reddy	Promoter Group
3.	Mr. K Doraiswamy	Promoter Group

Sr. No.	Name of the Key Managerial Personnel	Relationship
4.	Mr. D. Ravi Kumar	Chairman and Managing Director

Sr. No.	Group Companies/Associate Companies/Subsidiary Companies
5.	Ecologix Knowledge Solutions Private Limited
6.	Binary Spectrum Softech Private Limited
7.	Kinfotech Private Limited
8.	Vision Info Inc. (Subsidiary Company)

Name of the Party	As at					
	31.03.05	31.03.06	31.03.07	31.03.08	31.03.09	30.12.09
<b><u>Mr. D. Ravi Kumar</u></b>						
Salary	4.80	10.50	24.00	24.00	36.05	27.03
Unsecured Loan to Company	2.18					
<b><u>Dr. Malini Reddy</u></b>						
Salary	3.60	9.00	18.00	18.00	24.04	18.03
Rent Paid				26.37	32.31	21.68
<b><u>Mr. K Doraiswamy</u></b>						
Salary		1.20	1.20	1.20	0.37	
<b><u>Investment in Subsidiary</u></b>						
Vision Info Inc.						
- Investment					1.36	
- Loan					321.69	
<b><u>Other investment</u></b>						
Binary Spectrum Softech Pvt. Ltd.					343.00	167.00
<b><u>Share Application Money</u></b>						
Kinfotech Pvt. Ltd.						240.50

**Annexure 19****STATEMENT OF CONTINGENT LIABILITIES, AS RESTATED****(Rs. Lacs)**

Particulars	As at					
	31.03.05	31.03.06	31.03.07	31.03.08	31.03.09	30.12.09
Corporate Guarantee	--	--	--	--	1,560.60	1,294.90
Others	--	--	--	--	--	--
<b>Total</b>	--	--	--	--	<b>1,560.60</b>	<b>1,294.90</b>

**Annexure 20****STATEMENT OF SEGMENT REPORTING, AS RESTATED****For the year ended March 31, 2005**

The company had only one business segment, i.e. Engineering Design Services, hence no segment reporting was made.

**For the year ended March 31, 2006**

The company had only one business segment, i.e. Engineering Design Services, hence no segment reporting was made.

**For the year ended March 31, 2007**

The company had only one business segment, i.e. Engineering Design Services, hence no segment reporting was made.

**For the year ended March 31, 2008**

Business Segment (Division wise)

**(Rs. Lacs)**

Sr. No.	Particulars	31-03-2008		
		Engineering Design services	Information Technology Services	Total
1	Revenue	2,180.00	3,851.48	6,031.48
2	Expenditure	1,308.00	2,310.90	3,618.90
3	Allocated Expenses	109.00	192.57	301.57
4	Segmental Operating Income	763.00	1,348.02	2,111.02
5	Unallocable Expenses	-	-	617.17
6	Operating Income	-	-	1,493.85
7	Other Income	-	-	86.30
8	Profit Before Tax	-	-	1,407.55
9	Income Taxes	-	-	101.18
10	Profit After Tax			1,306.37

Geographical Segment

**(Rs. Lacs)**

Sr. No.	Particulars	31-03-2008			
		United	Middle	Europe	Total

		States	East		
1	Revenue	3,377.63	2,171.33	482.52	6,031.48
2	Expenditure	2,026.58	1,302.80	289.51	3,618.89
3	Allocated Expenses	168.88	108.57	24.12	301.57
4	Segmental Operating Income	1,182.17	759.97	168.88	2,111.02
5	Unallocable Expenses	-	-		617.17
6	Operating Income	-	-		1,493.85
7	Other Income	-	-		86.30
8	Profit Before Tax	-	-		1,407.55
9	Income Taxes	-	-		101.18
	Profit After Tax				1,306.37

As the assets of the company are used interchangeably between the segments as also the liabilities contracted are not ascertainable to any specific segment, reporting of Segmental Assets is not considered feasible.

#### For the year ended March 31, 2009

Business Segment (Division wise)

(Rs. Lacs)

Sr. No.	Particulars	31-03-2009		
		Engineering Design services	Information Technology Services	Total
1	Revenue	3,214.94	5,715.45	8,930.39
2	Expenditure	1,870.06	3,324.57	5,194.63
3	Allocated Expenses	331.53	589.38	920.91
4	Segmental Operating Income	1,013.35	1,801.50	2,814.85
5	Unallocable Expenses			1,246.89
6	Operating Income			1,567.96
7	Other Income			273.69
8	Profit before Tax	-	-	1,841.65
9	Income Tax			183.07
10	Net Profit after Tax			1,658.58

Geographical Segment

(Rs. Lacs)

Sr. No.	Particulars	31-03-2009			
		United States	Middle East	Europe	Total
1	Revenue	5090.33	3214.94	625.12	8930.39
2	Expenditure	2960.94	1870.07	363.62	5194.63
3	Allocated Expenses	524.92	331.53	64.46	920.91
4	Segmental Operating Income	1604.47	1013.34	197.04	2814.85
5	Unallocable Expenses				1,246.89
6	Operating Income				1,567.96
7	Other Income				273.69
8	Profit before Tax				1,841.65
9	Income Tax				183.07
10	Net Profit after Tax				1,658.58



As the assets of the company are used interchangeably between the segments as also the liabilities contracted are not ascertainable to any specific segment, reporting of Segmental Assets is not considered feasible.

**For the 9 months period ended December 31, 2009**

Business Segment (Division wise)

(Rs. Lacs)

Sr. No.	Particulars	31-12-2009			
		Engineering Design services	Information Technology Services	Health Care	Total
1	Revenue	3,385.63	4,051.50	24.02	7,461.15
2	Expenditure	1,615.48	1,933.21	11.46	3,560.15
3	Allocated Expenses	377.88	452.20	2.68	832.76
4	Segmental Operating Income	1,392.27	1,666.09	9.88	3,068.24
5	Unallocable Expenses				1,520.65
6	Operating Income				1,547.59
7	Other Income				33.58
8	Profit before Tax	-	-	-	1,581.17
9	Income Tax				119.36
10	Net Profit after Tax	-	-	-	1,461.81

Geographical Segment

(Rs. Lacs)

Sr. No.	Particulars	31-12-2009				
		United States	Middle East	Europe	Asia	Total
1	Revenue	5851.68	932.28	457.56	219.63	7461.15
2	Expenditure	2792.18	444.85	218.33	104.8	3560.16
3	Allocated Expenses	653.12	104.05	51.07	24.51	832.75
4	Segmental Operating Income	2406.38	383.38	188.16	90.32	3068.24
5	Unallocable Expenses					1,520.65
6	Operating Income					1,547.59
7	Other Income					33.58
8	Profit before Tax					1,581.17
9	Income Tax					119.36
10	Net Profit after Tax					1,461.81

**Annexure 21**

**STATEMENT OF DIVIDEND PAID**

Particulars	As at					
	31.03.05	31.03.06	31.03.07	31.03.08	31.03.09	30.12.09
Face Value of Equity Shares	10.00	10.00	10.00	10.00	10.00	10.00
Dividend (Rs. Lacs)	3.75	-	25.00	50.00	50.00	-
Dividend per share (Rs.)	1.50	-	0.50	1.00	1.00	-
Dividend Rate %	15.00		5.00	10.00	10.00	-
Dividend Tax (Rs. Lacs)	0.47	-	4.25	8.50	8.50	-

## CONSOLIDATED FINANCIAL STATEMENTS

### The Board of Directors Acropetal Technologies Limited

#2/10, Ajay Plaza,  
1<sup>st</sup> Main, N.S. Palya,  
Bannerghatta Road,  
Banagalore – 560 076,  
Karnataka, India

### Reg: Initial Public Offer of Equity Shares by Acropetal Technologies Limited

Dear Sirs,

#### A.

- a) We have examined the **annexed consolidated financial information** of Acropetal Technologies Limited ('The Company') for the Financial Year ended 31<sup>st</sup> March 2009 and for 9 months period ended December 31, 2009.
- b) In accordance with the requirements of
  - i) Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');
  - ii) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (the "SEBI (ICDR) Regulations, 2009") issued by Securities and Exchange Board of India ('SEBI') on August 26, 2009 and
  - iii) Our terms of reference with the Company dated Feb 01, 2010 in connection with the Initial Public Offer of Equity Shares by the Company.

We report that the restated assets and liabilities of the Company as at 31<sup>st</sup> March 2009 and for the period ended December 31, 2009 are as set out in '**Annexure 1**' to this report after making such adjustments/restatements and regrouping as in our opinion are appropriate and are subject to the Significant Accounting Policies as appearing in '**Annexure 3**' and Notes to the statements of Assets & Liabilities and Profit & Loss Account appearing in '**Annexure 4**' and '**Annexure 5**' to this report.

We report that the restated profits of the Company for the Financial Years ended 31<sup>st</sup> March 2009 and for the period ended December 31, 2009 are as set out in '**Annexure 2**' to this report. These profits have been arrived at after charging all expenses including depreciation and after making such adjustments/restatements and regrouping as in our opinion are appropriate and are subject to the Significant Accounting Policies as appearing in '**Annexure 3**' and Notes to the Statements of Assets & Liabilities and Profit & Loss Account appearing in '**Annexure 4**' and '**Annexure 5**' to this report.

#### B. We have examined the following financial information relating to the Company proposed to be included in the offer document, as approved by the Board of Directors and annexed to this report.

- i. Notes to Adjustments in Restated Financial Statements '**Annexure 5**' to this report
- ii. Details of changes in Significant Accounting Policies as given in '**Annexure 6**' to this report.

- iii. Details of qualifications appearing in the audit report as given in '**Annexure 7**' to this report.
- iv. Statement of Cash Flow as appearing in '**Annexure 8**' to this report;
- v. Accounting Ratios as appearing in '**Annexure 9**' to this report;
- vi. Statement of Unsecured Loans taken including loan taken from related parties enclosed as '**Annexure 10**' to this report.
- vii. Capitalisation Statement as appearing in '**Annexure 11**' to this report;
- viii. Statement of Tax Shelter as appearing in '**Annexure 12**' to this report.
- ix. Statement of Secured Loans as appearing in '**Annexure 13**' to this report.
- x. Statement of Investments as appearing in '**Annexure 14**' to this report.
- xi. Statement of Debtors including the related party debtors enclosed as '**Annexure 15**' to this report.
- xii. Details of loans and advances as given in '**Annexure 16**' to this report.
- xiii. Statement of Other Income as appearing in '**Annexure 17**' to this report.
- xiv. Details of transactions with the Related Parties as appearing in '**Annexure 18**' to this report;
- xv. Details of Contingent Liabilities as appearing in '**Annexure 19**' to this report;
- xvi. Details of Segment Reporting as appearing in '**Annexure 20**' to this report;

**C.**

- c) In our opinion the financial information of the Company as stated in Para A and B above read with Significant Accounting Policies enclosed in Annexure 3 to this report, after making adjustments / restatements and regroupings as considered appropriate and subject to certain matters as stated in Notes to the Statements, has been prepared in accordance with Part II of Schedule II of the Act and we have complied with the Schedule VIII, Clause IX (9) of the SEBI (ICDR) Regulations, 2009.

In terms of Schedule VIII, Clause IX (9) of the SEBI (ICDR) Regulations, 2009 and other provisions relating to accounts of the Acropetal Technologies Limited, We hereby confirm that Statements of Assets and Liabilities and Profit and Loss or any other financial information have been incorporated in the offer document after making the following adjustments, wherever quantification is possible:

1. Adjustments/ rectification for all incorrect accounting practices or failures to make provisions or other adjustments which resulted in audit qualifications except for those audit qualification whose financial impact not ascertainable or not quantifiable. - Nil
2. Material amounts relating to adjustments for previous years has been identified and adjusted in arriving at the profits of the years to which they relate irrespective of the year in which the event triggering the profit or loss occurred.

3. Where there has been a change in accounting policy, the profits or losses of the earlier years (required to be shown in the offer document) and of the year in which the change in the accounting policy has taken place has been recomputed to reflect what the profits or losses of those years would have been if an uniform accounting policy was followed in each of those years. - N. A.
  4. If an incorrect accounting policy is followed, the re-computation of the financial statements has been in accordance with correct accounting policies. – N.A.
  5. Statement of profit or loss discloses the profit or loss arrived at before considering extraordinary items and after considering the profit or loss from extraordinary items.
- d) This report is intended solely for your information and for inclusion in the offer document in connection with the specific Initial Public Offer of Equity Shares of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

**For K. Gopalakrishnan & Co.  
Chartered Accountants**

**K. Gopalakrishnan  
Proprietor**

**Membership No. 200/25421**

**Date: March 4, 2010**

## Annexure 1

## STANDALONE SUMMARY STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

(Rs. in Lacs)

Particulars	As At	
	31-Mar-09	31-Dec-09
<b>A. Fixed Assets</b>		
Gross Fixed Assets	8,761.53	9,269.02
Less : Accumulated Depreciation	1,423.23	2,599.38
<b>Net Fixed Assets</b>	7,338.30	6,669.64
Less:- Revaluation reserves		
<b>Net Fixed Assets After Revaluation Reserves</b>	7,338.30	6,669.64
Capital Work in Progress	1,904.55	4,625.86
<b>Total Fixed Assets</b>	<b>9,242.85</b>	<b>11,295.50</b>
<b>B. Investments</b>	343.00	510.00
<b>C. Current Assets, Loans &amp; Advances</b>		
Sundry Debtors	4,546.16	4,809.25
Cash and Bank Balances	905.34	2,347.64
Loans and Advances	847.22	1,626.15
Inventories	186.47	264.77
<b>Total (C)</b>	<b>6,485.19</b>	<b>9,047.81</b>
<b>D. Liabilities &amp; Provisions</b>		
Secured Loans	6,223.07	7,569.47
Unsecured Loans	1,560.60	1,294.90
Deferred Tax Liability (Net)	318.71	434.57
Current Liabilities	839.39	1,862.38
Provisions	235.57	179.58
<b>Total (D)</b>	<b>9,177.34</b>	<b>11,340.90</b>
<b>E. Net Worth ( A + B+C-D )</b>	<b>6,893.70</b>	<b>9,512.41</b>
<b>F. Represented by</b>		
Equity Share Capital	500.00	2,000.00
Share Application Money Pending allotment	2,000.00	-
Reserves & Surplus	4,393.70	7,512.41
<b>Total</b>	<b>6,893.70</b>	<b>9,512.41</b>
Less : - Miscellaneous Expenditure not w/off		
<b>G. Net Worth</b>	<b>6,893.70</b>	<b>9,512.41</b>

## ANNEXURE 2

## SUMMARY STATEMENT OF PROFIT AND LOSS, AS RESTATED

(Rs. in Lacs)

Particulars	For the year/period ended	
	31-Mar-09	31-Dec-09
<b>Income</b>		
<b>Sales &amp; Operating Incomes</b>		
Export sales	9,710.39	10,695.07
Domestic sales	-	63.09
Other Income	273.69	33.58
Increase/(Decrease) in Inventory	76.40	78.29
<b>Total Income</b>	<b>10,060.48</b>	<b>10,870.03</b>
<b>Expenditure</b>		
Direct cost of Sales / Services	4,841.52	4,458.63
Personnel Cost	980.43	947.27
Administrative and Other Expenses	276.98	401.84
Selling and Distribution Expenses	189.24	286.89
<b>Total Operating Expenses</b>	<b>6,288.17</b>	<b>6,094.63</b>
<b>PBDIT</b>	<b>3,772.31</b>	<b>4,775.40</b>
Less: Finance Cost	822.95	784.80
<b>PBDT</b>	<b>2,949.36</b>	<b>3,990.60</b>
Less: Depreciation & Amortisation	874.44	1,176.15
<b>PBT</b>	<b>2,074.92</b>	<b>2,814.45</b>
<b>Add / ( Less ) : Provision for Tax</b>		
Current Tax	-	(3.50)
Fringe Benefit Tax	(6.39)	-
Deferred Tax Liability	(176.68)	(115.86)
<b>Profit After Tax</b>	<b>1,891.85</b>	<b>2,695.09</b>
<b>Balance brought forward from previous year</b>	<b>2,602.69</b>	<b>4,436.04</b>
<b>Net Profit Available for Appropriation</b>	<b>4,494.54</b>	<b>7,131.13</b>
Appropriation		
Proposed Dividend on Equity Shares	(50.00)	-
Tax on Dividend	(8.50)	-
Capitalized during the year for Bonus Shares		(1,300.00)
<b>Balance carried forward as restated</b>	<b>4,436.04</b>	<b>5,831.13</b>

**Statement of significant accounting policies**

**1. Basis of Preparation of financial statements**

The consolidated financial statements have been prepared on the basis of historical cost convention and recognize income and expenditure on accrual basis unless otherwise stated. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

The consolidated financial statements are prepared in accordance with the principles and procedures required for the preparation and presentation of consolidated financial statements as laid down under the Accounting Standard (AS) 21, "Consolidated Financial Statements".

The financial statements of Acropetal technologies Limited – the parent company and Vision Info, Inc. UAE have been combined on a line-by-line basis by adding together book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances and transactions and resulting unrealized gain / loss. The consolidated financial statements are prepared by applying uniform accounting policies in use at the group.

**2. Use of Estimates:**

The presentation of financial statements in conformity with Indian GAAP requires the management to make estimates and assumptions that may affect the balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of financial statements and the reported amount of incomes and expenses during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual result could differ from these estimates.

**3. Fixed Assets**

Fixed Assets are stated at cost less depreciation including taxes, freight and other incidental expenses incurred in relation to acquisition and installation until the Fixed Assets are ready for use. Capital work-in-progress comprises outstanding advances paid to acquire fixed assets and the cost of fixed assets that are not yet ready for their intended use at the reporting date.

**4. Depreciation on Fixed Assets**

Depreciation on fixed assets has been provided on written down value method, at rates and in the manner specified in the Schedule XIV to the Companies Act, 1956.

**5. Revenue Recognition**

The revenue is recognized on the basis of accrual and based on appropriate stage of completion of projects. The expenses are recognized on accrual basis unless otherwise stated.

**6. Investments**

Trade Investments are the Investments made to enhance the Group's business Interest. Present Investments are classified as long-term based on the Management's Intention at the time of purchase. Long-term investments are carried at cost less provisions recorded to recognize any decline, other than temporary in the carrying value of each investment.

## **7. Foreign Currency Transactions**

Gain or loss on foreign exchange transactions relating to the acquisitions of fixed assets are at the rate of prevailing on the date of transaction and adjusted to the cost of such fixed assets.

All foreign currency assets and liabilities outstanding are translated into the functional currency at exchange rates in effect at the Balance Sheet date.

Exchange gains or losses on foreign exchange transactions other than those relating to assets are recognized in profit and loss account under respective heads of accounts.

The functional currency of Acropetal Technologies Limited is Indian Rupee and the functional currency of Vision Info, Inc. is United States Dollar (USD). The translation of financial statements of the foreign subsidiary from the functional currency of the foreign subsidiary to the functional currency of the Company for Balance Sheet accounts using the exchange rate in effect at the Balance Sheet date and for revenue expenses and cash-flow items using a monthly average exchange rate for the respective periods and the resulting difference is presented as foreign currency translation reserve included in "Reserve and Surplus".

## **8. Inventories**

(I) Inventories of Raw Materials, Work In Progress, Finished Goods ( including Goods for Trade) are valued at cost or net realizable values whichever is lower, except Scrap, which is valued at estimated realizable value as assessed by Management.

(II) In determining the cost of raw material, stores, spares and other materials, cost is ascertained on FIFO method.

## **9. Employee Retirement Benefits**

(I) The Company's contribution in respect of Provident Fund is charged to Profit & Loss Account every year.

(II) Provision of gratuity as on the balance sheet date is accounted on Actuarial basis by an independent actuary and necessary liabilities provided in the books of accounts charged against revenue every year.

(III) Liability for leave outstanding as on the balance sheet date and other benefits are accounted on Actuarial valuation basis.



**NOTES ON ACCOUNTS****1. AS-15(Revised)**

The company has adequately provided for all retirement benefits based on actuarial valuation.

**2. AS-19 Accounting for leases:**

The company is operating its unit taken under various operating leases, which are not non-, cancelable and are renewable by mutual consent on mutually agreeable terms. The rent of Rs.3,398,735 Previous year ( Rs. 4,976,324/- )made by the company is recognized in the statement of Profit and loss account paid under general and administrative expenses.

**3. AS-22 Accounting For Taxes On Income:**

Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income and reversal of timing differences of earlier years. Deferred tax assets are recognized only to the extent there is reasonable certainty that sufficient future taxable income will be available.

4. Secured Loan (Term loan) from State Bank of Travancore is against Hypothecation of Office Building and other movable assets. Secured Loan (Working Capital) from State bank of Travancore and Axis Bank are against Hypothecation of Book Debts on pari – passu basis. Secured Loan (Term Loan) from Axis Bank (AB) is against hypothecation of the proposed Tech Park on Hosur road and specific assets. All these loans have additional inter-se second charge ceded among the both SBT and AB and also carry personal guarantees of the Promoter directors.

Secured Loan (Term loan) from United Bank of India is secured against the specific asset funded and collateral owned by Mr. D Ravi Kumar and carries his personal guarantee as well.

5. Unsecured Loan in Vision Info Inc obtained from UPS Capital Business Credit was supported by guarantee issued by the Export Import Bank of the United States (Ex-Im) and corporate guarantee of Acropetal Technologies Ltd., In addition the loan also carry personal guarantee of Mr. Ravikumar.
6. Contingent Liabilities not provided for Corporate Guarantee in favor of UPS Capital Inc. For the loan availed by Vision Info Inc. Rs.129,490,181 (Previous Year – Rs.156,059,587)
7. Auditors Remuneration- Rs. 596,620/- Plus Service Tax (Previous year Rs.475,000)
8. Previous year's figures have been regrouped and rearranged wherever necessary.

**Annexure 5****NOTES TO ADJUSTMENTS IN THE RESTATED ACCOUNTS**

Loan to subsidiary was considered as investment in 2008-09 has been regrouped in to loans and advances.

**Annexure 6****CHANGES IN SIGNIFICANT ACCOUNTING POLICIES**

There have been no changes in accounting policies of the Company during the above periods.

**Annexure 7**

**QUALIFICATIONS IN THE AUDITORS REPORT**

There have been no qualifications to the accounts of the Company during the above periods.

**Annexure 8****CASH FLOW STATEMENT, AS RESTATED****(Rs. in Lacs)**

Particulars	As at	
	31-03-2009	31-12-2009
<b>Cash Flow from Operating Activities</b>		
Profit before tax, as restated	2,074.92	2,814.45
Adjustments for		
Depreciation	874.44	1,176.15
Interest	822.95	784.80
Exchange difference on foreign currency Translation	(42.33)	(76.38)
<b>Operating Income before working capital changes</b>	<b>3,729.98</b>	<b>4,699.02</b>
<b>Adjustments for:</b>		
Decrease/(Increase) in Sundry Debtors	(1,285.54)	(263.09)
Decrease/(Increase) in Inventories	144.28	97.78
Decrease/(Increase) in Loans & Advances	167.50	(778.93)
Increase/(decrease) in Current Liabilities	183.83	1,072.99
<b>Cash Generated from Operations</b>	<b>2,940.05</b>	<b>4,827.77</b>
Direct Taxes (Net)	164.04	235.57
<b>Net Cash Flow from Operating Activities</b>	<b>2,776.01</b>	<b>4,592.20</b>
<b>Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets	(3,818.97)	(507.49)
Decrease in Investments	(343.00)	(167.00)
Increase in Capital Work-in-progress	(1,904.55)	(2,721.31)
<b>Net Cash used from Investing Activities</b>	<b>(6066.52)</b>	<b>(3395.80)</b>
Cash Flow from Financing Activities		
- Share Capital		200.00
- Share Premium		1800
- Share Application Money	559.10	(2,000.00)
Dividends paid	(50.00)	(50.00)
Change in the Borrowings		
- Long Term	2,552.53	1,040.57
- Short Term	1,511.62	40.14
- Interest Paid	(822.95)	(784.80)
<b>Net Cash Flow from Financing Activities</b>	<b>3750.3</b>	<b>245.91</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents (A+B+C)</b>	<b>459.79</b>	<b>1,442.31</b>
<b>Cash &amp; Cash Equivalents at Beginning of the Year</b>	<b>445.55</b>	<b>905.34</b>
<b>Cash &amp; Cash Equivalents at End of the Year</b>	<b>905.34</b>	<b>2,347.65</b>

**Annexure 9****STATEMENT OF ACCOUNTING RATIOS**

(Rs. in Lacs)

<b>Particulars</b>	<b>31.03.09</b>	<b>31.12.09</b>
Net Profit as restated	1,891.85	2,695.09
Net Worth	6,893.70	9,512.41
Return on Net Worth (%)	27.44%	28.33%
No. of shares at the end of Year (Face Value Rs. 10/-)	5,000,000	20,000,000
Weighted No. of Equity Shares (With out Considering Bonus issue in previous years)	5000000	18327273
Earning per share (With out Considering Bonus issue)	37.84	14.71
Weighted No. of Equity Shares (Considering Bonus issue in previous years)	18,000,000	20,000,000
Earning per share (Considering Bonus issue)	10.51	13.48
Net Asset value / Book value per share	137.87	47.56

**Annexure 10****STATEMENT OF UNSECURED LOANS**

(Rs. in Lacs)

<b>Particulars</b>	<b>As At</b>	
	<b>31-03-2009</b>	<b>31-12-2009</b>
From Directors/Shareholders	-	-
From Others	1,560.60	1,294.90
<b>Total</b>	<b>1,560.60</b>	<b>1,294.90</b>
Above amount does not includes transaction with related parties.		

**Annexure 11****CAPITALIZATION STATEMENT****(Rs. in Lacs)**

Particulars	31.03.2009	Pre Issue	Post Issue
		30.12.2009	
<b>Debt :</b>			
<b>Secured</b>			
Short term debt	2,923.38	2,963.52	
Long term debt	3,299.70	4,605.95	
	<b>6,223.08</b>	<b>7,569.47</b>	
<b>Unsecured</b>			
Short term debt	1,560.60	1,294.90	
<b>Total Debt</b>	<b>7,783.68</b>	<b>8,864.37</b>	
<b>Shareholders Funds</b>			
Equity Share Capital	500.00	2,000.00	
Reserves and Surplus	4,393.70	7,512.41	
Less: Revaluation Reserves			
Less: Misc. Expenditure	-	-	
Share Application money	2,000.00		
<b>Total Shareholders Funds</b>	<b>6,893.70</b>	<b>9,512.41</b>	
Long Term Debt/ Shareholders' Funds	0.48:1	0.48:1	
Total Debt / Shareholders Fund	1.13:1	0.93:1	

Notes:

1. Working Capital Limits are considered as short- term debts
2. The Post-issue debt–equity ratio will be computed on the conclusion of the book building process.

**Annexure 12****STATEMENT OF TAX SHELTERS****(Rs. in Lacs)**

	31-03-2009	31-12-2009
<b>Profit Before Tax</b>	2,074.92	2,814.45
<b>Tax rate</b>		
-- Normal Tax rate	33.99%	33.99%
-- Minimum Alternative Tax rate	11.33%	17.00%
<b>Notional Tax at normal rates (A)</b>	705.27	956.63
<b>Permanent differences</b>		
Exempted exp. u/s 10 A of IT Act	1321.83	302.65
Other Adjustments	233.28	1,233.27
<b>Total (B)</b>	1,555.11	1,535.92
<b>Timing Differences</b>		
Depreciation as per Books	874.44	1,176.15
Depreciation as per Income Tax	1,394.25	2,454.68
Difference between tax depreciation and book depreciation	519.81	1,278.53
<b>Total (C)</b>	519.81	1,278.53
<b>Net Adjustments (B+C)</b>	2,074.92	2,814.45
<b>Tax Savings (D)</b>	705.27	956.63
<b>Total Taxation (E = A-D)</b>		
<b>Tax payable as per MAT</b>	231.72	176.08

**Annexure 13****SECURED LOANS****(Rs. in Lacs)**

Particulars	As at	
	31.03.09	30.12.09
Term loan from Banks	3,252.98	4,571.06
Working Capital / Cash Credit from Banks	2,923.38	2,963.52
Others (Vehicale Loans)	46.72	34.89
<b>Total</b>	<b>6,223.08</b>	<b>7,569.47</b>

**Principle Terms and Conditions of Outstanding Secured Loans:**

Name of the lender	Facility	Sanctioned Amount	Amount Outstanding as on 31.12.09	Rate of Interest	Repayment Schedule	Securities offered
State Bank of Travancore	Term Loan	Rs 1000.00 Lacs	Rs.480.24 Lacs	13% (Floating)	First 8 Instalment of Rs .75 Lac and last 4 Instalment of Rs. 100 Lacs	Primary Security: First Charge on the entire fixed assets of the company.(Present & future) Collateral Security: E.M Of 3 Residential sites:1. Owner Shri Prasanth Kumar, GPA Holder Sri D. Ravi Kumar at kasaba Hobli, Hebbal, Bangalore Measurement 182x46 feet=8371 sq feet=Rs.2.93Crores 2. Owner Subramanya GPA Holder Shri D. Ravi Kumar at kasaba Hobli, Hebbal, Bangalore. Measurement 122x46 - 5612 sq feet present market value @3500 per sq feet = Rs. 1.96 Crores. 3. Owner Acropetal Technologies Ltd. At Kamalahalli Bangalore Measurement 21780sq feet. Present Market Value @ 2500 per Sq feet = Rs. 5.44 Crores. Property bearing New Municipal No. 8, (Old No. 74,75,57) PID No.65-321-8 situated at Nainappa Setty Palya Begur Hobli, Bangalore South Taluka (now known as 3 <sup>rd</sup> Main Road, Industrial Area, N.S. Palya, Ward No. 65, Bangalore and admeasuring 6750 square feet.
Axis Bank-Term Loan 1	Term Loan	Rs 1330.00 Lacs	Rs 817.78 Lacs	13.5%	53 Monthly Instalments of Rs. 24.63 Lacs and 54th Instalment of Rs. 24.61 Lacs	Primary Security: EM of the Land and Building (existing & Perposes) at Sy. No. 237 & 239 situated at site no. 255/B Bommasandra KIDAB area Attibele Hobli Anekal Taluk Bangalore. Collateral Security: 1. Second Charge on the fixed assets of the company (WDV as on 31.03.2007 Rs. 689.89 lacs) (First Charge is currently with the United Bank Of India)- The charge to be upgraded to first pari-passu charge upon liquidation of the term loans with United Bank of India 2. Second Charge on the current Assets of the company Guarantors:a.) Mr.D RaviKumar b.) Mrs. Malini Reddy c.) Mr. k Doraiswamy

Axis Bank - Term Loan 3	Term Loan	Rs 1000.00 Lacs	Rs 814.77 Lacs	12.75%	36 Monthly Instalments of Rs. 27.77 Lacs	Primary Security: First charge on the entire movable fixed assets create out of the term loan assistance. Collateral Security: 1. First Charge on the entire unencumbered fixed assets, present and future, of the company on pari-passu basis other banks (other than movable fixed assets created out of the term loan from axis bank and SBT) with WDV of 4.25 crores (appxly) as at 31.03.2008 2. Extension of EM land & Building at : Sy. No. 237& 239 situated at site No. 255/B, Bommasandra KIADB Area, Attibele Hobli, Anekal Taluk Bangalore standing in the name of the company valued at Rs. 15.92 Crores as per valuation report dated 25.07.2007, which is already charged to us for the Term loan of Rs.13.30Crores sanctioned under non sechamatic advances. 3. Extension of Equitable mortgagage of property of Industrial Land bearing Sy. No. 107, measuring 2 acres situated at the Kogilu Village, Yelahanka Hobbli, Bangalore North Taluk Bangalore standing in the name of Mr. Ravikumar, Valued at Rs. 10.45 Cr as per the valuation report dated 08.03.2008 which is already charged to us for the term loan of Rs.5 Cr. Sanctioned under the schematic advances (Business Manpower) 4. Second charge on the immovable property, unit 2 located at: No.8 PID No. 65-321-8, 3rd Main Road Industrial area, N.S. Palaya, Bannerghatta Road Bangalore- 560076 owned by the company which has been presently mortgagaed to SBT foe the credit limits sanctioned by them.
Axis Bank - Term Loan 2	Term Loan	Rs. 500.00 Lacs	Rs 434.83 Lacs	13.75%	Equated Monthly EMI of Rs.8.96 Lacs for 84 months	Primary Security: NIL Collateral Security: Equitable property of industrial on agriculture land bearing Sy.no.107, measuring 2 acres situated at Kogilu Village, Yehalanka Hobli Bangalore North Taluk Bangalore belonging to the director Mr. D Ravikumar.Guarantors :a.) Mr.D RaviKumar b.) Mrs. Malini Reddy c.) Mr. K Doraiswamy Other : 6 PDC's for theEMlamount and I UDC for the entire loan amount



United Bank Of India - Credit Limit	Credit Limit	Rs 2000.00 Lacs	Rs 2023.44 Lacs	13.5%	20 Quarterly Installments of 100 Lacs each	Primary Security: Exclusive Charge/assignment over software package of Farhmins worth Rs. 2820 lacs Additional Security: 1. Property worth Rs. 10.06 Cr at survey no. 89 Kammanahalli village Begur hobli Bangalore South taluk admeasuring 91476 sq ft. 2. Property worth Rs. 9.58 Cr at survey no. 20/7 Kammanahalli village Begur hobli Bangalore South taluk admeasuring 87120 sq ft. Both in the name of Mr. D Ravi Kumar, CMD Extension of equitable mortgage on the flat no. E 1201 Mantri elegance apartment NS Palaya Bannerghatta Road, Bangalore valued at Rs. 130.11 Lac in the name of Mr. D Ravikumar mortgaged to our branch . (Loan outstanding as on 30.06.09 was Rs. 80.92 lacs) Personal Guarantee: Mr D Ravikumar having Net worth of Rs. 1476.75 Lacs.
Axis Bank	Vehicle Loan	Rs.40.00 Lacs	Rs 23.54 Lacs	11.02%	Monthly EMI of Rs 86,200 for 60 months	
Axis Bank	Vehicle Loan	Rs.18.30 lacs	Rs.11.35 lacs	11.99%	Monthly EMI of Rs 40,705 for 60 months	
Total		5888.3	4605.95			
<b>Working Capital Loan</b>						
State Bank of Travancore	Packing Credit	Rs. 2500.00 Lacs	Rs 2016.90 Lacs	9.75%		Primary Security: Pari Passu first charge on the current assets with other working capital bank Collateral Security: E.M Of 3 Residential sites: 1. Owner Shri Prasanth Kumar, GPA Holder Sri D. Ravi Kumar at kasaba Hobli, Hebbal, Bangalore Measurment 182x46 feet=8371 sq feet=Rs.2.93Crores 2. Owner Subramanya GPA Holder Shri D. Ravi Kumar at kasaba Hobli, Hebbal, Bangalore. Measurment 122x46 - 5612 sq feet present market value @3500 per sq feet = Rs. 1.96 Crores. 3. Owner Acropetal Technologies Ltd. At Kamalahalli Bangalore Measurment 21780sq feet. Present Market Value @ 2500 per Sq feet = Rs. 5.44 Crores.

Axis Bank	Cash Credit	Rs 1000.00 Lacs	Rs.946.62 Lacs	12.75%	<p>Primary Security: First Charge on the entire current assets present and future of the company on pari passu basis with the other working capital financing banks. Collateral Security:1. First Charge on the entire unencumbered fixed assets present and future,of the company on pari passu basis with other working capital financing banks ( Other than movable fixed assets created assets created out of the term loan from the axis bank and SBT) , with the WDV of 4.25 Crores ( approx) as at 31.03.2008 2. Extension of the EM of Land &amp; Builiding at: sy no. 237 &amp; 239 situated at site no. 255/B Bommsandra KIDAB Area, Attibele Hobli Anekal Taluk Standing in the name of the company, valued at Rs. 15.92 Crores as per the valuation report dated 25.07.2007 , which is already charged to us for the term loan of the Rs. 13.30Cr. sanctioned under the non sechematic advances. Second charge cededin the favour of the SBT for the total credit facilities sanctioned by them 3. Extension of the equitable mortagage of property of the industrial land bearing Sy. No. 107 measuring 2 acres situated at the Kogilu village Yehlanka hobli North taulak bangalore, standing in the name of the Mr. Ravikumar D Valued at Rs. 10.45 Cr. As per the valuation report dated 08.03.2008 , which is already charged to us for the term loan of Rs. 5.00 Cr sanctioned under the schematic advances (Business Manpower) 4. Second charge on the immovable property Unit 2 located at No.8 PID No. 65-321-8 3rd Main Road industrial area NS Palya Baneerghatta Road , Bangalore 560076 owned by the company which has been presently mortgaged to SBT for the credit limit sanctioned by them. Personal Guarantee of the following promoters Mr. RavikumarD, Mrs, Malini Reddy and Mr Doraiswamay</p>
<b>Total</b>		<b>3500</b>	<b>2963.52</b>		

**Annexure 14****INVESTMENTS, AS RESTATED****(Rs. Lacs)**

<b>Particulars</b>	<b>31.03.09</b>	<b>30.12.09</b>
(a) Share Investment		
Binary Spectrum Softech Pvt. Ltd.,	343.00	510.00
<b>Total Investments</b>	<b>343.00</b>	<b>510.00</b>

**Annexure 15****SUNDRY DEBTORS, AS RESTATED****(Rs. Lacs)**

<b>Particulars</b>	<b>31.03.09</b>	<b>30.12.09</b>
Outstanding for the period exceeding Six months	330.59	-
Other Debts	4215.57	4809.25
<b>Total Investments</b>	<b>4,546.16</b>	<b>4,809.25</b>

Sundry Debtors does not include any related parties.

**Annexure 16****LOANS AND ADVANCES, AS RESTATED****(Rs. in Lacs)**

<b>Particulars</b>	<b>31.03.09</b>	<b>30.12.09</b>
Advances recoverable in Cash or in Kind	652.87	1118.35
Share Application Money – Kinfotech Pvt. Ltd. (Group Company)	0.00	240.5
Sundry Deposits	193.97	265.71
Dues from staff	0.38	1.59
<b>Total</b>	<b>847.22</b>	<b>1626.15</b>

**Annexure 17****OTHER INCOME, AS RESTATED****(Rs. in Lacs)**

<b>Particulars</b>	<b>31.03.09</b>	<b>30.12.09</b>
Foreign Exchange Fluctuations	273.69	33.58
Others		
<b>Total</b>	<b>273.69</b>	<b>33.58</b>

**Annexure 18****DETAILS OF RELATED PARTY TRANSACTIONS**

The company has entered into following related party transactions. As on December 31, 2009 such parties and transactions are identified as per accounting standard 18 issued by Institute of Chartered Accountants of India

**List of Related Parties**

<b>Sr. No.</b>	<b>Name of the Promoters</b>	<b>Relationship</b>
1.	Mr. D. Ravi Kumar	Chairman
2.	Dr. Malini Reddy	Promoter Group
3.	Mr. K Doraiswamy	Promoter Group

<b>Sr. No.</b>	<b>Name of the Key Managerial</b>	<b>Relationship</b>
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	<b>Personnel</b>	
4.	Mr. D. Ravi Kumar	Chairman and Managing Director

<b>Sr. No.</b>	<b>Group Companies/Associate Companies/Subsidiary Companies</b>
5.	Ecologix Knowledge Solutions Private Limited
6.	Binary Spectrum Softech Private Limited
7.	Kinfotech Private Limited
8.	Vision Info Inc. (Subsidiary Company)

**(Rs. Lacs)**

<b>Particulars</b>	<b>As at</b>	
	<b>31-03-2009</b>	<b>31-12-2009</b>
Name of the Party		
<b><u>D RaviKumar</u></b>		
Salary	36.05	27.03
<b><u>Dr. Malini Reddy</u></b>		
Salary	24.04	18.03
Rent Paid	32.31	21.68
<b><u>Mr.K Doraiswamay</u></b>		
Salary	0.37	
<b><u>Other investment</u></b>		
Binary Spectrum Softech Pvt. Ltd.	343.00	167.00
<b><u>Share Application Money</u></b>		
Kinfotech Pvt. Ltd.		240.50

**Annexure 19**

**STATEMENT OF CONTINGENT LIABILITIES, AS RESTATED**

**(Rs. Lacs)**

<b>Particulars</b>	<b>31.03.09</b>	<b>30.12.09</b>
Corporate Guarantee	1,560.60	1,294.90
Others	--	--
<b>Total</b>	<b>1,560.60</b>	<b>1,294.90</b>

**Annexure 20**

**STATEMENT OF SEGMENT REPORTING, AS RESTATED**

**For the year ended March 31, 2009**

Business Segment (Division wise)

**(Rs. Lacs)**

<b>Sr. No.</b>	<b>Particulars</b>	<b>31-03-2009</b>		
		<b>Engineering Design services</b>	<b>Information Technology Services</b>	<b>Health Care</b>

1	Revenue	3,495.74	6,214.65	9,710.39
2	Expenditure	2,059.51	3,661.34	5,720.85
3	Allocated Expenses	333.65	593.15	926.80
4	Segmental Operating Income	1,102.58	1,960.16	3,062.74
5	Unallocable Expenses			1,261.51
6	Operating Income			1,801.23
7	Other Income			273.69
8	Profit before Tax	-	-	2,074.92
9	Income Tax			183.07
10	Net Profit after Tax			1,891.85

Geographical Segment

(Rs. Lacs)

Sr. No.	Particulars	31/03/2009			
		United States	Middle East	Europe	Total
1	Revenue	5534.92	3495.74	679.73	9710.39
2	Expenditure	3260.88	2059.51	400.46	5720.85
3	Allocated Expenses	528.27	333.65	64.88	926.8
4	Segmental Operating Income	1745.77	1102.58	214.39	3062.74
5	Unallocable Expenses				1,261.51
6	Operating Income				1,801.23
7	Other Income				273.69
8	Profit before Tax	-	-		2,074.92
9	Income Tax				183.07
10	Net Profit after Tax				1,891.85

As the assets of the company are used interchangeably between the segments as also the liabilities contracted are not ascertainable to any specific segment, reporting of Segmental Assets is not considered feasible.

**For the 9 months period ended December 31, 2009**

Business Segment (Division wise)

(Rs. Lacs)

Sr. No.	Particulars	31.12.2009			
		Engineering Design services	Information Technology Services	Health Care	Total
1	Revenue	5,403.53	5,330.61	24.02	10,758.16
2	Expenditure	2,667.09	2,631.49	11.46	5,310.04
3	Allocated Expenses	547.04	539.40	2.68	1,089.12
4	Segmental Operating Income	2,189.40	2,159.72	9.88	4,359.00
5	Unallocable Expenses				1,578.13
6	Operating Income				2,780.87
7	Other Income				33.58
8	Profit before Tax	-	-	-	2,814.45
9	Income Tax				119.36
10	Net Profit after Tax	-	-	-	2,695.09

Geographical Segment

(Rs. Lacs)

Sr. No.	Particulars	31-12-2009				
		United States	Middle East	Europe	Asia	Total
1	Revenue	6925.80	932.28	1106.75	1793.33	10758.16
2	Expenditure	3418.46	460.16	546.27	885.15	5310.04
3	Allocated Expenses	701.14	104.05	102.38	181.55	1089.12
4	Segmental Operating Income	2806.20	368.07	458.10	726.63	4359.00
5	Unallocable Expenses					1,578.13
6	Operating Income					2,780.87
7	Other Income					33.58
8	Profit before Tax					2,814.45
9	Income Tax					119.36
10	Net Profit after Tax					2,695.09

As the assets of the company are used interchangeably between the segments as also the liabilities contracted are not ascertainable to any specific segment, reporting of Segmental Assets is not considered feasible.

## FINANCIAL INFORMATION OF GROUP COMPANIES

Save and except as stated in this section of the Draft Red Herring Prospectus, there are no companies, firms, ventures, etc. promoted by the promoters, irrespective of whether such entities are covered under Section 370 (1)(B) of the Companies Act, 1956 or not.

1. Ecologix Knowledge Solution Private Limited
2. Kinfotech Private Limited
3. Binary Spectrum Softech Private Limited

The following are the details of the group companies/ firms and other ventures under the same management:

### 1. Ecologix Knowledge Solution Private Limited

Ecologix Knowledge Solution Private Limited was incorporated on July 28, 2008 as a private limited with its registered office at 2/10, Ajay Plaza, N.S. Palya, 1st Main, and Bannerghatta Road, Bangalore – 560076 since incorporation. The main objects include business of consultancy, designing, development, training etc in the field of computer software and hardware, portal development, packaging, distributing, importing, exporting etc of computer hardware and software, peripherals etc. The company is yet to start its commercial operations.

The Company has an authorized equity share capital of Rs.1,00,000/- (Rupees One lac) divided into 10,000/- (Ten Thousand) equity shares of Rs.10/- each.

The composition of the Board of Directors of the company is as under:

Sr. No.	Name	Designation
1.	Mr. D. Ravi Kumar	Director
2.	Dr. Rajesh Nair	Director

Shareholders pattern as on February 28, 2010

Sr. No.	Name of Share Holder	No. Of Shares held	% of Holding	Share
1.	Mr. D. Ravi Kumar	5,100	51%	
2.	Dr. Rajesh Nair	4,900	49%	
	<b>Total</b>	<b>10,000</b>	<b>100.00</b>	

Audited Financial information

(Rs. In lacs)

Particulars	March 31, 2009
Authorised Capital	1.00
Paid-up Equity Capital (FV of Rs.10 each)	1.00
Reserves & Surplus	Nil
Sales/Income	Nil
Profit/(Loss) after tax	(58.21)*
Earnings per share (Rs.)	--
Net Asset Value per equity share (Rs.)	10.00

\* Capitalised, since the company is yet to start its commercial activities

## 2. Kinfotech Private Limited

Kinfotech Private Limited was incorporated on March 19, 1990 as a private limited company having its registered office at Samson's Complex, 26, Mission Road, Bangalore – 560 027 since incorporation. The registered office of the company with effect from July 3, 2009 was changed to Brigade Corner, Yediyur Circle, Kanakpura Road, 7<sup>th</sup> Block, Jayanagar, Bangalore- 560 082. It is carrying on the business as marketers, selling agent, hackers, assemblers of all type of computer and related electronic, electrical, mechanical, wooden, or plastic equipments, which includes data collection, processing and analysis, developing software for use within India and export along with consultancy, training and services of all types computer systems and installations.

The company has an authorized equity share capital of Rs.1,00,00,000 /- (Rupees One Crore) divided into 10,00,000 Equity Shares of Rs.10/- each.

The composition of the Board of Directors of the company is as under:

Sr. No.	Name	Designation
1.	Mr. M. Prabhakar Kini	Managing Director
2.	Mr. D. Ravi Kumar	Director

Equity Shareholding pattern as on February 28, 2010

Sr. No.	Name of Share Holder	No. Of Shares Held	Percentage of Share Holding
1.	Mr. D. Ravi Kumar	3,49,556	34.96%
2.	Mr. M. Prabhakar Kini	3,60,000	36.00%
3.	Mr. K Ashok Prabhu	50,000	5.00%
4.	Ms. Vidya S.Shanbhag	1,00,222	10.20%
5.	Mr. Satish M.Kini	1,00,222	10.20%
6.	Others	40,000	4.00%
	<b>Total</b>	<b>10,00,000</b>	<b>100.00%</b>

Audited Financial information

	<i>(Rs. In lacs)</i>		
	For the year ended		
	March 31, 2009	March 31, 2008	March 31, 2007
Authorised Capital	100.00	100.00	100.00
Paid-up Equity Capital (FV of Rs.10 each)	100.00	100.00	100.00
Reserves and Surplus	143.78	100.39	60.98
Sales and other income	2,503.99	2,340.72	1,530.56
Profit/(Loss) after tax	113.59	121.31	70.56
Earnings per share (Rs.)	11.36	12.13	7.06
Net Asset Value per equity share (Rs.)	24.38	20.04	16.09



### 3. Binary Spectrum Softech Private Limited (“BSSPL”)

BSSPL was incorporated on March 16, 2004 under the Companies Act, 1956 with the Registrar of Companies, Karnataka at Bangalore. The Corporate Identification Number of the Company is U30007KA2004PTC033572. The Registered Office of BSSPL is situated at #303, 1<sup>st</sup> Floor, Ashok Terrace, 100 feet Road, 1<sup>st</sup> Stage, Indira Nagar, Bangalore – 560 038.

The main objects of BSSPL as designers, manufacturers, developers, consultants, providers, producers, integrators maintenance contractors and sub-contractors, buyewrs and sellers, exporters and importers and offshore developers of all types of design and development, IT product development, business process outsourcing realted to information technology, internet applications, management business, IT enabled solutions (including ERP and management and solutions related thereto) and related services both in India and abroad,

#### Board of Directors

As on February 28, 2010, the Board of Directors of BSSPL are:

Sr. No.	Name	Designation
1.	Mr. D Ravi Kumar	Director
2.	Mr. Manjunath Nayak	Director
3.	Mr. Ashok Kumar Jultha	Director
4.	Mrs. Nirmala Muthu Raghavan	Director

#### Shareholding Pattern

As on February 28, 2010, the shareholding pattern of BSSPL is as follows

Sr. No.	Name of Shareholders	Number of Shares	Percentage of share capital (%)
1.	Mr. Ashok Kumar Gopal Rao Jultha	8,756	43.78%
2.	Mr. Manjunath Nayak	3,184	15.92%
3.	Mrs. Nirmala Muthu Raghavan	3,980	19.90%
4.	Acropetal Technologies Limited	4,080	20.40%
	<b>Total</b>	<b>20,000</b>	<b>100.00%</b>

#### Audited Financial Information

(Rs. In Lacs)

Particulars	For the FY ended March 31		
	2009	2008	2007
Authorised Capital	2.00	2.00	2.00
Paid-up Equity Capital (FV of Rs.10 each)	2.00	2.00	1.00
Reserves and Surplus	61.44	15.96	8.17
Misc. Expenditure to the extent not written off	0.08	0.09	0.11
Income/Sales	412.99	202.83	117.34
Profit / (Loss) after tax	45.48	9.24	1.08
Earnings per share (Rs.)	227.38	46.18	10.75
Net Asset Value Per Share (Rs.)	316.80	89.35	90.60

#### Other disclosures:

The equity shares of our Group Companies are not listed on any of the Stock Exchanges and they have not made any public/rights issue in last five years. Further, no action has been taken against these companies by any Stock Exchange or SEBI.

None of our group companies are sick companies within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985 and are not under the Board for Industrial and Financial Reconstruction. Further, they are not under winding up.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against our Group Companies.

### **Defunct Group Companies**

None of our Group Companies remain defunct and for which an application has been made to the RoC for striking off the name of the company, during the five years preceding the date of filing the Draft Red Herring Prospectus with SEBI.

### **Nature and Extent of Interest of Group Companies**

#### ***(a) In the promotion of our Company***

None of our Group Companies have any interest in the promotion of our Company.

#### ***(b) In the properties acquired or proposed to be acquired by our Company in the past 2 years before filing the Draft Red Herring Prospectus with SEBI***

Our Group Companies do not have any interest in the properties acquired or proposed to be acquired by our Company in the past 2 years before filing the Draft Red Herring Prospectus with SEBI. Company has not acquired/ propose to acquire any properties in the past two years

### **Common Pursuits amongst the Group Companies with our Company.**

Our Promoter Group Companies i.e. Binary Spectrum Softech Private Limited, Kinfotech Private Limited and Ecologix Knowledge Solutions Private Limited, have some of the objects similar to that of our Company's business. However, as on the date of filing the Draft Red Herring Prospectus, the aforesaid entities are not carrying any business competing with that of our Company.

### **Related Business Transactions within the Group Companies and Significance on the Financial Performance of our Company**

For details, please see the section titled "*Related Party Transactions*" on page 156.

### **Sale/Purchase between Group Companies and Subsidiaries**

There have been no sales or purchases between companies in the Group exceeding in value in the aggregate 10% of the total sales or purchases of the Company, except those transactions mentioned under *Related Party Transactions*, "*Annexure 18*" beginning on page 156 under Chapter titled "*Auditors' Report and Financial Information of our Company*" beginning on page 136 of the Draft Red Herring Prospectus.

### **Companies with which the Promoters have disassociated in the last three years**

Except as stated herein our Company/Promoter/Promoter Group has not disassociated themselves from any of the entities during preceding three years:

Name of the Company from whom disassociated	Name of the Persons/entities who have disassociated	Date of Disassociation	Reasons for Disassociation	Terms of Disassociation, if any.
Acropetal Animedia Limited	<ol style="list-style-type: none"> <li>1. Acropetal Technologies Limited</li> <li>2. D. Ravi Kumar</li> <li>3. Malini Reddy</li> <li>4. K. Doraiswamy</li> </ol>	September 08, 2007	To focus on the business through our Company.	N.A.

#### **Change in Accounting Policies in the last three years**

There has been no change in accounting policies in the last three years except as stated in the chapter titled "Financial Information" beginning on page 136 of this Draft Red Herring Prospectus.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS REFLECTED IN THE FINANCIAL STATEMENTS**

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements included in this Draft Red Herring Prospectus. You should also read the *Section titled 'Risk Factors' beginning on page 12 of the Draft Red Herring Prospectus*, which enumerates number of factors and contingencies that could impact our financial condition and results of operations. The following discussion relates to our Company on a standalone basis, and unless otherwise stated, is based on our restated unconsolidated financial statements, which have been prepared in accordance with Indian GAAP, the accounting standards and other applicable provisions of the Companies Act, 1956, and the SEBI (ICDR) Regulations, 2009. Our Financial year ends on March 31 of each year.

### **Business Overview**

Acropetal Technologies Limited (ATL) was incorporated in the year 2001 in Bangalore and received 100% EOU certification in January 2003. The initial focus of the company was on Engineering Design Services. We offer a broad spectrum of Engineering Design Services to reduce product design cycle time and costs. The portfolio of services includes concept design, product design & development, advanced analysis, reliability engineering and value engineering. Product quality improvement, idea generation, product teardown, material cost-out, product re-design, back office support to accomplish 2D Drawings, Data Conversion and 3D Modelling are the value added services offered to our customers.

Our IT/ITES solutions in the enterprise space allow organizations to optimize their core business activities like resource management, customer relationship management and supply chain management. We help organizations to improve their business processes, functions through the effective application of Enterprise solutions that align with organization's business objectives and strategies. Together with our group companies, we are committed to meet our customer's business needs with end-to-end solutions for small, medium and large businesses.

Acropetal is currently working on the following competency based verticals

- Engineering Design Services
- Healthcare IT Services
- Enterprise & IT Services
- Energy & Environment Services
- IT Infrastructure Management Services
- IT Security Consulting Services

We were awarded the prestigious STPI award for 'High Growth in Small and Medium Business Unit' by the Software Technology Parks of India (STPI) and Department of Information Technology, Biotechnology & Science Technology, Karnataka for the year 2008-09. We had also won this award earlier in 2006-07.

### **Significant developments subsequent to the last financial year:**

After the date of last financial year i.e. March 31, 2009, our Company has ventured into health care segment with a modest turnover of Rs. 24.02 Lacs for the 9 months period ended December 31, 2009. The Directors of our Company confirm that other than as mentioned above, there have not been any significant material developments.

### **Key factors affecting the results of operation:**

Our Company's future results of operations could be affected potentially by the following factors:

**General economic and business conditions:** The demand for our products and services is dependent on general economic conditions in the country. Our operations would be affected by any adverse change in the Government Policies, Rules & Regulations.

**Demand:** Currently, the demand for our services and products is predominantly for Engineering Design Services and Information Technology Services. The prospects and earnings growth of the customers and IT Industry will have an impact on our ability to generate revenues.

**Competition:** Selling prices of our services and products may be affected if competition intensifies. Further, as a result of increase in scale of operations, adoption of aggressive pricing strategies by our competitors in order to gain market share or new competitors entering the markets, may adversely affect our operations and financial results.

**Interest Rate Risk:**

Increase in operations would require additional working capital. If we are required to finance our operations by raising working capital borrowings, at fixed /floating rates of interest our cost of servicing such debt will increase, thereby adversely impacting our results of operations, planned capital expenditures and cash flows. Our profits will also be impacted by interest rate variation.

**Sundry Debtors /Recovery of receivables:**

Any delay in the recovery of outstanding receivables, may affect our results of operation, as we may then have to resort to increased borrowings for our working capital requirements, which may further exert pressure on outgo towards interest thereby reducing our profits.

**Other factors include:**

- Non-receipt of pending approvals.
- Prevailing trends in the industry in which we operate.
- Company's ability to successfully implement their marketing, business and growth strategies.
- Changes, if any, in the regulations / regulatory framework / economic policies in India and / or in foreign countries, which affect international trade.

**Discussion on Results of Operation:**

The following discussion on results of operations should be read in conjunction with the audited financial results of our Company for the years ended 31<sup>st</sup> March, 2006, 2007, 2008, 2009 and 9 months period ended December 31, 2009.

**OUR SIGNIFICANT ACCOUNTING POLICIES**

For Significant accounting policies please refer *Significant Accounting Policies, "Annexure 3" beginning on page 140 under Chapter titled "Auditors' Report and Financial Information of our Company" beginning on page 136 of the Draft Red Herring Prospectus.*

**BREAK-UP OF OUR REVENUES**

**Vertical wise Break-up of our Standalone revenues:**

(Rs. Lacs)

Particulars	Year ended March 31, 2008		Year ended March 31, 2009		9 Months period ended December 31, 2009	
Engineering Design services	2,180.00	36.14%	3,214.94	36.00%	3,385.63	45.38%
Information Technology Services	3,851.48	63.86%	5,715.45	64.00%	4,051.50	54.30%
Health Care					24.02	0.32%

<b>Total</b>	<b>6031.48</b>	<b>100.00%</b>	<b>8930.39</b>	<b>100.00%</b>	<b>7461.15</b>	<b>100.00%</b>
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**Vertical wise Break-up of our consolidated revenues:**

(Rs. Lacs)

<b>Particulars</b>	<b>Year ended March 31, 2009</b>		<b>9 Months period ended December 31, 2009</b>	
Engineering Design services	3,495.74	36.00%	5,403.53	50.23%
Information Technology Services	6,214.65	64.00%	5,330.61	49.55%
Health Care			24.02	0.22%
<b>Total</b>	<b>9710.39</b>	<b>100.00%</b>	<b>10758.16</b>	<b>100.00%</b>

**Geographical Break-up of our Standalone revenues:**

(Rs. Lacs)

<b>Particulars</b>	<b>Year ended March 31, 2008</b>		<b>Year ended March 31, 2009</b>		<b>9 Months period ended December 31, 2009</b>	
United States	3,377.63	56.00%	5,090.33	57.00%	5,851.68	78.43%
Middle East	2,171.33	36.00%	3,214.94	36.00%	932.28	12.50%
Europe	482.52	8.00%	625.12	7.00%	457.56	6.13%
Asia					219.63	2.94%
<b>Total</b>	<b>6,031.48</b>	<b>100.00%</b>	<b>8,930.39</b>	<b>100.00%</b>	<b>7,461.15</b>	<b>100.00%</b>

**Geographical Break-up of our consolidated revenues:**

(Rs. Lacs)

<b>Particulars</b>	<b>Year ended March 31, 2009</b>		<b>9 Months period ended December 31, 2009</b>	
United States	5,534.92	57.00%	6,925.80	64.38%
Middle East	3,495.74	36.00%	932.28	8.67%
Europe	679.73	7.00%	1106.75	10.29%
Asia			1793.33	16.67%
<b>Total</b>	<b>9,710.39</b>	<b>100.00%</b>	<b>10,758.16</b>	<b>100.00%</b>

**CONSOLIDATED FINANCIAL PERFORMANCE OF ACROPETAL TECHNOLOGIES LIMITED**

<b>Particulars</b>	<b>For the year ended March 31, 2009</b>	<b>9 Months period ended December 31, 2009</b>
<b>Total Income</b>	<b>10,060.48</b>	<b>10,870.03</b>
<b>Total Operating Expenses</b>	<b>6,288.17</b>	<b>6,094.63</b>
<b>PBDIT</b>	<b>3,772.31</b>	<b>4,775.40</b>
Less: Finance Cost	822.95	784.80
<b>PBDT</b>	<b>2,949.36</b>	<b>3,990.60</b>
Less: Depreciation & Amortisation	874.44	1,176.15
<b>PBT</b>	<b>2,074.92</b>	<b>2,814.45</b>
<b>Less: Tax</b>	<b>183.07</b>	<b>119.36</b>
<b>Profit After Tax</b>	<b>1,891.85</b>	<b>2,695.09</b>
<b>EPS</b>	<b>37.84</b>	<b>14.71</b>
<b>Net Worth</b>	<b>6893.70</b>	<b>9512.41</b>
<b>RONW</b>	<b>27.44%</b>	<b>28.33%</b>

**STANDALONE RESULTS OF OUR OPERATION**

**For the 9 Months ended December 31, 2009****(Rs. Lacs)**

<b>Particulars</b>	<b>For the period ended 31.12.09</b>	<b>% to Operating Income</b>
<b>Income</b>		
Operating Income	7461.15	
Other Income	33.58	
Increase/(Decrease) in Inventory	78.29	
<b>Total (A)</b>	<b>7573.02</b>	
<b>Expenditure</b>		
Direct cost of Sales / Services	2708.74	36.30%
Personnel Cost	947.28	12.70%
Administrative and Other Expenses	344.5	4.62%
Selling and Distribution Expenses	62.85	0.84%
<b>Total Expenditure</b>	<b>4063.37</b>	<b>54.46%</b>
<b>Profit Before Interest, Depreciation and Tax</b>	<b>3509.65</b>	<b>47.04%</b>
Financial Charges	752.33	10.08%
<b>Profit Before Interest and Tax</b>	<b>2757.32</b>	<b>36.96%</b>
Depreciation	1176.15	15.76%
<b>Profit before Taxation</b>	<b>1581.17</b>	<b>21.19%</b>
Tax Expenses	119.36	1.60%
<b>Profit After Tax as Restated</b>	<b>1461.81</b>	<b>19.59%</b>

**Operating Income**

We recorded operating income of Rs. 7461.15 Lacs which includes Rs. 3385.63 Lacs from Engineering Design Services, Rs. 4051.50 Lacs from Information Technology Services and Rs. 24.02 Lacs from Health Care segments. Our operating income includes export income of Rs. 7398.06 Lacs and Domestic Income of Rs. 63.09 Lacs.

We had other income of 33.58 Lacs which pertains to foreign currency fluctuations. Our top 3 customers contributed 72.52% of our operating income. Our top 5 customers contributed 85.68% of our operating income. Our top 10 customers contributed 94.91% of our operating income.

**Operating Expenses**

The total operating expenditure aggregated to Rs. 4063.37 Lacs which was 54.46% of the operating income.

Direct cost of sales and services stood at Rs. 2708.74 Lacs which was 66.66% of the total operating expenses and 36.30% of the operating income. This includes overseas software, hardware and facility hiring charges of Rs. 17.57 Lacs and onsite development expenses of Rs. 2691.17 Lacs.

Personnel cost stood at Rs. 947.28 Lacs which was 23.31% of the total operating expenses and 12.70% of the operating income.

Administrative and other expenses stood at Rs. 344.50 Lacs which was 8.48% of the total operating expenses and 4.62% of the operating income.

Selling and Distribution expenses stood at Rs. 62.85 Lacs which was 1.55% of the total operating expenses and 0.84% of the operating income.

### Interest and Financial Charges

Our financial charges for the 9 months period ended December 31, 2009 stood at Rs. 752.33 Lacs, which is 10.08% of our operating income.

### Depreciation

We incurred Depreciation cost of Rs. 1176.15 Lacs, which is 15.76% of our operating income.

### Tax Expenses

Tax Expenses for the 9 months period ended December 31, 2009 are Rs. 119.36 Lacs.

### Profits

Our PBDIT stood at 3509.65 Lacs for the 9 months period ended December 31, 2009 with the PBDIT margin of 47.04%. We recorded PBT of Rs. 1581.17 Lacs and PBT margin stood at 21.19%. We recorded Net Profit of Rs. 1461.81 Lacs. Our Net Profit Margin stood at 19.59%.

### RESULTS OF OUR OPERATIONS (STANDALONE)

(Rs. Lacs)

Particulars	Year ended March 31,			
	2006	2007	2008	2009
Export Income	660.43	4023.06	6031.48	8930.4
Domestic Income	0.00	0.00	0.00	0.00
<b>Total Operating Income</b>	<b>660.43</b>	<b>4023.06</b>	<b>6031.48</b>	<b>8930.4</b>
Increase/(Decrease)%	128.91%	509.16%	49.92%	48.06%
<b>Other Income</b>	<b>9.86</b>	<b>80.37</b>	<b>-86.3</b>	<b>273.69</b>
<b>Increase/(Decrease) in Inventory</b>	<b>39.42</b>	<b>-9.78</b>	<b>24.85</b>	<b>76.4</b>
<b>Total Income</b>	<b>709.71</b>	<b>4093.65</b>	<b>5970.03</b>	<b>9280.49</b>
<b>Expenditure</b>				
<b>Direct cost of Sales/Services</b>	<b>73.9</b>	<b>1974.89</b>	<b>3154.52</b>	<b>4315.31</b>
Increase/(Decrease)%		2572.38%	59.73%	36.80%
% to Operating Income	11.19%	49.09%	52.30%	48.32%
<b>Personnel Cost</b>	<b>165.75</b>	<b>253.05</b>	<b>494.51</b>	<b>980.43</b>
Increase/(Decrease)%	184.35%	52.67%	95.42%	98.26%
% to Operating Income	25.10%	6.29%	8.20%	10.98%
<b>Administrative &amp; Other Expenses</b>	<b>129.69</b>	<b>240.63</b>	<b>320.404</b>	<b>262.36</b>
Increase/(Decrease)%	86.31%	85.54%	33.15%	-18.12%
% to Operating Income	19.64%	5.98%	5.31%	2.94%
<b>Selling and Distribution Expenses</b>	<b>4.77</b>	<b>87.69</b>	<b>63.78</b>	<b>189.24</b>
Increase/(Decrease)%	-9.32%	1738.36%	-27.27%	196.71%
% to Operating Income	0.72%	2.18%	1.06%	2.12%
<b>Total Operating Expenses</b>	<b>374.11</b>	<b>2556.26</b>	<b>4033.214</b>	<b>5747.34</b>
Increase/(Decrease)%	180.95%	583.29%	57.78%	42.50%
% to Operating Income	56.65%	63.54%	66.87%	64.36%
<b>PBDIT</b>	<b>335.6</b>	<b>1537.39</b>	<b>1936.816</b>	<b>3533.15</b>
Increase/(Decrease)%	92.86%	358.10%	25.98%	82.42%



% to Operating Income	50.82%	38.21%	32.11%	39.56%
<b>Less: Finance Cost</b>	<b>22.68</b>	<b>94.48</b>	<b>238.49</b>	<b>817.06</b>
Increase/(Decrease)%	86.67%	316.58%	152.42%	242.60%
% to Operating Income	3.43%	2.35%	3.95%	9.15%
<b>PBDT</b>	<b>312.92</b>	<b>1442.91</b>	<b>1698.326</b>	<b>2716.09</b>
Increase/(Decrease)%	93.33%	361.11%	17.70%	59.93%
% to Operating Income	47.38%	35.87%	28.16%	30.41%
<b>Depreciation</b>	<b>51.77</b>	<b>131.79</b>	<b>290.78</b>	<b>874.44</b>
Increase/(Decrease)%	-2.36%	154.57%	120.64%	200.72%
% to Operating Income	7.84%	3.28%	4.82%	9.79%
<b>PBT</b>	<b>261.15</b>	<b>1311.12</b>	<b>1407.546</b>	<b>1841.65</b>
Increase/(Decrease)%	139.94%	402.06%	7.35%	30.84%
% to Operating Income	39.54%	32.59%	23.34%	20.62%
<b>Taxation Impact</b>	<b>10.26</b>	<b>33.53</b>	<b>101.18</b>	<b>183.074</b>
Increase/(Decrease)%	138.60%	226.80%	201.76%	80.94%
% to Operating Income	1.55%	0.83%	1.68%	2.05%
<b>Profit After Tax</b>	<b>250.89</b>	<b>1277.59</b>	<b>1306.366</b>	<b>1658.576</b>
Increase/(Decrease)%	139.99%	409.22%	2.25%	26.96%
% to Operating Income	37.99%	31.76%	21.66%	18.57%

#### **Comparison of FY 2009 with FY 2008:**

##### **Income from operations**

The Income from operations for the FY 2009 is Rs. 8930.40 Lacs as compared to Rs. 6031.48 Lacs during the FY 2008 showing increase of 48.06%. This increase is mainly attributable to increase in revenue from Engineering Design Services from Rs. 2180.00 Lacs for FY 2008 to Rs. 3214.94 Lacs for FY 2009. Further, revenue from IT Services increased from Rs. 3851.48 Lacs for FY 2008 to Rs. 5715.45 Lacs for FY 2009.

##### **Expenditure:**

##### **Direct Cost of Sales and Services**

Direct Cost of Sales and Services increased to Rs. 4315.31 Lacs for FY 2009 from Rs. 3154.52 Lacs for FY 2008 showing an increase of 36.80%. The increase in direct Cost of Sales and Services is in line with the increase in income from operations. This includes overseas software, hardware and facility hiring charges of Rs. 24.70 Lacs and onsite development expenses of Rs. 4290.61 Lacs for FY 2009 as against Rs. 8.61 Lacs and 3145.91 Lacs for FY 2008. The Direct Cost of Sales and Services cost was 48.32% of total sales during FY 2009 as against that of 52.30% during FY 2008.

##### **Personnel Cost**

Personnel Cost increased from Rs. 494.51 Lacs for the year ended March 31, 2008 to Rs. 980.43 Lacs for FY 2009 showing an increase of 98.26%. This increase was mainly due to increase in salaries and consultancy charges from Rs. 419.04 Lacs for FY 2008 to Rs. 868.29 Lacs for FY 2009. This increase is mainly due to increase in our Middle East operations. Personnel cost stood at 8.20% and 10.98% of income from operations for FY 2008 and FY 2009 respectively.

##### **Administrative and Other Expenses**

Administrative and other expenses decreased from Rs. 320.40 Lacs for FY 2008 to Rs. 262.36 Lacs for FY 2009 showing decrease of 18.12%. This decrease was mainly due to decrease in repairs & maintenance expenses, travelling & conveyance expenses and printing and stationery expenses. During FY 2009, the Administrative and other expenses was 2.94% of income from operations as against 5.31% during FY 2008.

### **Selling and Distribution Expenses**

Selling and Distribution Expenses increased from Rs. 63.78 Lacs for FY 2008 to Rs. 189.24 Lacs for FY 2009 showing increase of 196.71%. This increase was mainly due to increase in business promotion expenses and discount offered to clients for business development and US Marketing office expenses. During FY 2009, the Selling and Distribution Expenses was 2.12% of income from operations as against 1.06% during FY 2008.

### **Profit before Depreciation, Interest and Tax (PBDIT)**

PBDIT increased from Rs. 1936.82 Lacs for FY 2008 to Rs. 3533.15 Lacs for FY 2009 showing the increase of 82.42%, mainly on account of increase in income from operations and decrease in percentage of cost of sales and services due to benefit of increased scale of operations and reduction in Administrative Expenses. We were able to achieve this increase due to better efficiency and economies of scale. During FY 2009, our Company recorded PBDIT of 39.56% of the operating income as against 32.11% during FY 2008.

### **Interest and Financial Charges**

Interest and Financial Charges increased from Rs. 238.49 Lacs for FY 2008 to Rs. 817.06 Lacs for the FY 2009 showing the increase of 242.60%. Interest and Financial expenses mainly includes interest and bank charges, which accounted for 9.15% of income from operations during FY 2009 as against 3.95% in the year 2008. The absolute increase is attributed to increase in the utilisation of working capital due to increase in operations. Working capital loans outstanding as on March 31, 2008 stood at Rs. 1411.76 Lacs and as on March 31, 2009 it stood at Rs. 2923.38 Lacs. There was also an increase in utilisation of term loan from banks, term loans outstanding as on March 31, 2008 stood at Rs. 2307.75 Lacs and as on March 31, 2009 it stood at Rs. 3252.98 Lacs.

### **Depreciation**

Depreciation on fixed assets was 9.79% of income from operations during FY 2009 as compared to 4.82% during FY 2008. The total depreciation during FY 2008 was Rs. 290.78 Lacs and during FY 2009 it was Rs. 874.44 Lacs. This increase was mainly due to additions to land and buildings, software packages, computers and vehicles. The gross block of assets in FY 2008 was Rs. 4942.56 Lacs, which increased to Rs. 8761.53 Lacs in FY 2009.

### **Profit after Tax**

PAT increased from Rs. 1306.37 Lacs for the FY 2008 to Rs. 1658.58 Lacs in FY 2009 showing an increase of 26.96%. This increase was due to increase in income from operations. Although operating margin increased by 82.42% and stood at 39.56%, the same was offset by increase in interest cost and depreciation. During FY 2009, our Company recorded PAT margin of 18.57% as against 21.66% for FY 2008. Increase in PAT and decrease in PAT Margin was due to the other reasons as detailed above.

### **Comparison of FY 2008 with FY 2007**

#### **Income from operations**

The Income from operations for the FY 2008 is Rs. 6031.48 Lacs as compared to Rs. 4023.06 Lacs during the FY 2007 showing increase of 49.92%. This increase is mainly due to revenue from IT Services. Our Company ventured into IT Services during FY 2008 which recorded income from operations of 3851.48 Lacs.

**Expenditure:**

**Direct Cost of Sales and Services**

Direct Cost of Sales and Services increased to Rs. 3154.52 Lacs for FY 2008 from Rs. 1974.89 Lacs for FY 2007 showing an increase of 59.73%. The increase in direct cost of sales and services is in line with the increase in income from operations. This increase was mainly due to increase in onsite development expenses from Rs. 1969.70 Lacs for FY 2007 to Rs. 3145.91 Lacs for FY 2008. The Direct Cost of Sales and Services cost was 52.30% of total sales during FY 2008 as against that of 49.09% during FY 2007.

**Personnel Cost**

Personnel Cost increased from Rs. 253.05 Lacs for the year ended March 31, 2007 to Rs. 494.51 Lacs for FY 2008 showing an increase of 95.42%. This increase was mainly due to increase in salaries and consultancy charges by Rs. 215.73 Lacs. Personnel cost stood at 6.29% and 8.20% of income from operations for FY 2007 and FY 2008 respectively.

**Administrative and Other Expenses**

Administrative and other expenses increased from Rs. 240.63 Lacs for FY 2007 to Rs. 320.40 Lacs for FY 2008 showing increase of 33.15%. This increase was mainly due to increase in rent, repairs & maintenance, travelling & conveyance expenses and printing and stationery expenses. During FY 2008, the Administrative and other expenses was 5.31% of income from operations as against 5.98% during FY 2007.

**Selling and Distribution Expenses**

Selling and Distribution Expenses decreased from Rs. 87.69 Lacs for FY 2007 to Rs. 63.78 Lacs for FY 2008 showing decrease of 27.27%. This decrease was mainly due to higher expenditure on business promotion in previous year. During FY 2008, the Selling and Distribution Expenses was 1.06% of income from operations as against 2.18% during FY 2007.

**Profit before Depreciation, Interest and Tax (PBDIT)**

PBDIT increased from Rs. 1537.39 Lacs for FY 2007 to Rs. 1936.82 Lacs for FY 2008 showing the increase of 25.98%, mainly on account of increase in income from operations. However, our PBDIT margin reduced from of 38.21% of the operating income for FY 2007 to 32.11% for FY 2008. Decrease in PBDIT Margin was due to increase in direct cost of sales and services and personnel cost.

**Interest and Financial Charges**

Interest and Financial Charges increased from Rs. 94.48 Lacs for FY 2007 to Rs. 238.49 Lacs for the FY 2008 showing the increase of 152.42%. Interest and Financial expenses accounted for 3.95% of income from operations during FY 2008 as against 2.35% in for the FY 2007. The absolute increase is attributed to increase in the utilisation of working capital due to increase in operations. Working capital loans outstanding as on March 31, 2007 stood at Rs. 595.55 Lacs and as on March 31, 2008 it stood at Rs. 1411.76 Lacs. There was also an increase in utilisation

of term loan from banks, term loans outstanding as on March 31, 2007 stood at Rs. 199.46 Lacs and as on March 31, 2008 it stood at Rs. 2307.75 Lacs.

### **Depreciation**

Depreciation on fixed assets was 4.82% of income from operations during FY 2008 as compared to 3.28% during FY 2007. The total depreciation during FY 2007 was Rs. 131.79 Lacs and during FY 2008 it was Rs. 290.78 Lacs. This increase was mainly due to additions to land and buildings, software packages, computers and vehicles. The gross block of assets in FY 2007 was Rs. 689.89 Lacs, which increased to Rs. 4942.56 Lacs in FY 2008.

### **Profit after Tax**

PAT increased from Rs. 1277.59 Lacs for the FY 2007 to Rs. 1306.37 Lacs in FY 2008 showing an increase of 2.25%. This increase was due to increase in income from operations. During FY 2008, our Company recorded PAT margin of 21.66% as against 31.76% for FY 2007. Decrease in PAT Margin was due disproportionate increase in operating cost, interest cost and depreciation and the other reasons as detailed above.

### **Comparison of FY 2007 with FY 2006**

#### **Income from operations**

The Income from operations for the FY 2007 is Rs. 4023.06 Lacs as compared to Rs. 660.43 Lacs during the FY 2006 showing increase of 509.16%. This increase is mainly due to revenue from Engineering Design Services. Our Company started getting bigger client orders after years of quality services provided in previous years.

#### **Expenditure:**

##### **Direct Cost of Sales and Services**

Direct Cost of Sales and Services increased to Rs. 1974.89 Lacs for FY 2007 from Rs. 73.90 Lacs for FY 2006. The increase in direct cost of sales and services is in line with the increase in income from operations. The Direct Cost of Sales and Services cost was 49.09% of total sales during FY 2007 as against that of 11.19% during FY 2006.

##### **Personnel Cost**

Personnel Cost increased from Rs. 165.75 Lacs for the year ended March 31, 2006 to Rs. 253.05 Lacs for FY 2007 showing an increase of 52.67%. This increase was mainly due to increase in salaries and consultancy charges. Personnel cost stood at 25.10% and 6.29% of income from operations for FY 2006 and FY 2007 respectively.

##### **Administrative and Other Expenses**

Administrative and other expenses increased from Rs. 129.69 Lacs for FY 2006 to Rs. 240.63 Lacs for FY 2007 showing increase of 85.54%. This increase was mainly due to increase in rent, repairs & maintenance, travelling & conveyance expenses, printing and stationery expenses and other miscellaneous expenses. During FY 2007, the Administrative and other expenses was 5.98% of income from operations as against 19.64% during FY 2006.

##### **Selling and Distribution Expenses**

Selling and Distribution Expenses increased from Rs. 4.77 Lacs for FY 2006 to Rs. 87.69 Lacs for getting more business. During FY 2007, the Selling and Distribution Expenses was 2.18% of income from operations as against 0.72% during FY 2006.

### **Profit before Depreciation, Interest and Tax (PBDIT)**

PBDIT increased from Rs. 335.60 Lacs for FY 2006 to Rs. 1537.39 Lacs for FY 2007 showing the increase of 358.10%, mainly on account of increase in operations. PBDIT margin was 50.82% of the operating income for FY 2006 to 38.21% for FY 2007.

### **Interest and Financial Charges**

Interest and Financial Charges increased from Rs. 22.68 Lacs for FY 2006 to Rs. 94.48 Lacs for the FY 2007 showing the increase of 316.58%. Interest and Financial expenses accounted for 2.35% of income from operations during FY 2007 as against 3.43% in for the FY 2006. The absolute increase is attributed to increase in the utilisation of working capital due to increase in operations. Working capital loans outstanding as on March 31, 2006 stood at Rs. 214.16 Lacs and as on March 31, 2007 it stood at Rs. 595.55 Lacs.

### **Depreciation**

Depreciation on fixed assets was 3.28% of income from operations during FY 2007 as compared to 7.84% during FY 2006. The total depreciation during FY 2006 was Rs. 51.77 Lacs and during FY 2007 it was Rs. 131.79 Lacs. This increase was mainly due to additions fixed assets. The gross block of assets in FY 2006 was Rs. 309.37 Lacs, which increased to Rs. 689.89 Lacs in FY 2007.

### **Profit after Tax**

PAT increased from Rs. 250.89 Lacs for the FY 2006 to Rs. 1277.59 Lacs in FY 2007. This increase was due to increase in income from operations. During FY 2007, our Company recorded PAT margin of 31.76% as against 37.99% for FY 2006. Increase in PAT was due to the reasons as detailed above.

### **Related Party Transactions**

*For further information please refer "Annexure 18" beginning on page 156 under Chapter titled "Auditors' Report and Financial Information of our Company" beginning on page 136 of the Draft Red Herring Prospectus.*

### **Financial Market Risks**

We are exposed to financial market risks from changes in borrowing costs, interest rates and inflation.

#### **Interest Rate Risk**

Our interest rate risk results from changes in interest rates, which may affect our finance expenses. We bear interest rate risk with respect to the debts, which we have for the period ended December 31, 2009, since the interest rates could fluctuate in the near future. Any rise in interest rates would result in higher interest bearing debts.

#### **Effect of Inflation**

We are affected by inflation as it has an impact on the operating cost, staff costs, fuel cost etc. In line with changing inflation rates, we rework our margins so as to absorb the inflationary impact.

### **Foreign Exchange Fluctuations**

We are exposed to risks from fluctuations in foreign exchange fluctuations, since majority of our revenues are in foreign currency.

### **FACTORS THAT MAY AFFECT THE RESULTS OF THE OPERATIONS:**

- 1. Unusual or infrequent events or transactions including unusual trends on account of business activity, unusual items of income, change of accounting policies and discretionary reduction of expenses etc.**

There have been no unusual or infrequent events or transactions that have taken place.

- 2. Significant economic changes that materially affected or are likely to affect income from continuing operations.**

There are no significant economic changes that may materially affect or likely to affect income from continuing operations.

- 3. Known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations.**

Apart from the risks as disclosed under Section titled "Risk Factors" beginning on page 12 in the Draft Red Herring Prospectus, in our opinion there are no other known trends or uncertainties that have had or are expected to have a material adverse impact on revenue or income from continuing operations.

- 4. Future changes in relationship between costs and revenues, in case of events such as future increase in labour or material costs or prices that will cause a material change are known.**

Our Company's future costs and revenues will be determined by demand/supply situation, government policies and prices quoted by service providers.

- 5. Extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices.**

Increases in revenues are by and large linked to increases in volume of business.

- 6. Total turnover of each major industry segment in which the issuer company operated.**

For details on the total turnover of the IT industry *please refer to Chapter titled "Industry Overview" beginning on page 81 of the Draft Red Herring Prospectus.*

- 7. Status of any publicly announced new products or business segment.**

Our Company has not announced any new product and segment, other than through the Draft Red Herring Prospectus.

- 8. The extent to which business is seasonal.**

Our Company's business is not seasonal in nature.

**9. Any significant dependence on a single or few suppliers or customers.**

The % of contribution of the Company's customers in total income from operations is given below:

**Customers' contribution:**

(Rs. in Lacs)

Particulars	9 months ended December 31, 2009
Top 5 (%)	85.68
Top 10 (%)	94.91

**10. Competitive conditions.**

Competitive conditions are as described under the *Chapters titled "Industry Overview" and "Business Overview" beginning on pages 81 and 90, respectively of the Draft Red Herring Prospectus.*

## SECTION VIII - LEGAL AND OTHER REGULATORY INFORMATION

### OUTSTANDING LITIGATIONS, MATERIAL DEVELOPMENTS AND OTHER DISCLOSURES

*Except as stated in this Draft Red Herring Prospectus, there is no outstanding or pending litigation, suit, criminal or civil prosecution, proceeding initiated for offence (irrespective of whether specified in paragraph (I) of Part I of Schedule XIII of the Companies Act) or litigation for tax liabilities against our Company, our Directors or our Promoter or companies promoted by our Promoter and there are no defaults to banks/financial institutions, non-payment of or overdue statutory dues, or dues towards holders of any debentures, bonds and fixed deposits and arrears of preference shares, other unclaimed liabilities of our Company and no disciplinary action has been taken by SEBI or any stock exchanges against our Company, our Promoter or Directors. Further, except as stated in this Draft Red Herring Prospectus, there are no past cases in which penalties have been imposed on our Company or our Promoters, Directors or companies promoted by the Promoter by concerned authorities, and there is no outstanding litigation against any other company whose outcome could have a material adverse effect on the position of our Company.*

*Further, except as stated herein, there are no cases of litigations, defaults, etc. in respect of companies/firms/ventures with which the Promoter were associated in the past but are no longer associated, in respect of which the name(s) of the Promoter continues to be associated with those litigation(s). Neither our Company nor its Promoter, members of the Promoter Group, Subsidiaries, associates and Directors have been declared as willful 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.*

#### A) LITIGATION AGAINST OUR COMPANY

##### Civil cases

##### ***I. Cases filed against our Company***

Case No. 3204890/2009 dated November 30, 2009 has been filed by Mr. U. Kumar (“**Claimant**”) against our Company before the Employment Tribunal, London. The Claimant has alleged that a contract dated August 12, 2009 was entered into between him and the Company whereby he was appointed as Vice-President-Relationship Development. The Claimant has filed this present case in the Employment Tribunal, London alleging breach of contract and has sought for recovery of salary for the period September 1, 2009 to November 30, 2009 amounting to GBP 18,750 along with unpaid expenses aggregating to GBP 19,440.27. Our Company has filed its reply wherein it has denied the allegations made by the Claimant and also stated that the tribunal does not have jurisdiction to entertain the aforesaid complaint. The complaint is presently pending hearing.

##### ***II. Cases filed by our Company***

*Nil*

##### Claims and notices from statutory authorities

*Nil*

#### B) LITIGATION INVOLVING PROMOTERS/DIRECTORS

##### Criminal Cases



*Cases filed against Promoters/Directors*

*Nil*

**Civil Cases**

*I. Cases filed against Promoters/Directors*

*Nil*

*II. Cases filed by Promoters/Directors*

*Nil*

**Claims and notices from statutory authorities**

*Nil*

**C) LITIGATION INVOLVING SUBSIDIARY**

**Civil cases**

*I. Cases filed against the Subsidiary*

*Nil*

*II. Cases filed by the Subsidiary*

*Nil*

**Claims and notices from statutory authorities**

*Nil*

**D) LITIGATION INVOLVING THE GROUP COMPANIES**

**D.1. Kinfotech Private Limited**

**Civil cases**

*I. Cases filed against the Company*

*Nil*

*II. Cases filed by the Company*

*Nil*

**Claims and notices from statutory authorities**

***Service Tax related proceedings***

A show cause notice dated March 14, 2008 ("**Show Cause Notice**") was issued by the Assistant Commissioner, Office of the Commissioner of Service Tax, Bangalore to Kinfotech Private Limited ("**Kinfotech**"), alleging violation of several provisions of the Finance Act, 1994 ("**the Act**") and Service Tax Rules. The Service tax authority claimed a sum of Rs. 4,90,487/- along with interest and penalties thereon from Kinfotech. Kinfotech in its reply dated May 21, 2008 denied the allegations set out in the Show Cause Notice. Thereafter, an order-in-original was passed by the Assistant Commissioner of Service Tax Division, Bangalore dated January 15, 2009 (Order No. 9/2009) ("**the Impugned Order**"), directing Kinfotech to pay a sum of Rs. 4,90,487/- as service tax and cess together with interest and penalty at the rate of Rs. 200/- for everyday during which the failure to make payment continued; (iii) penalty of Rs. 1000/- imposed under the provisions of Section 70 of the Act and (iv) further penalty of Rs. 4,90,487/- for suppression of facts with an intent to evade payment of service tax. Kinfotech has filed an appeal before the Commissioner of Central Excise (Appeals) bearing Appeal No. 87/2009 – ST/2009 against the Impugned Order praying for the setting aside of the said Impugned Order with consequential relief in the interest of justice and fair play and has also filed a stay application under Section 35F of Central Excise Act, 1994 read with Section 83 of the Act praying for a waiver of pre-deposit of service tax demanded, the penalties imposed for the purpose of hearing the appeal and for a stay of recovery till the appeal is decided. The matter is currently pending before the Commissioner of Central Excise (Appeals).

## **D.2. Ecologix Knowledge Solutions Private Limited**

### **Civil cases**

#### *I. Cases filed against the Company*

*Nil*

#### *II. Cases filed by the Company*

*Nil*

### **Claims and notices from statutory authorities**

*Nil*

## **D.3. Binary Spectrum Softech Private Limited**

### **Civil cases**

#### *I. Cases filed against the Company*

*Nil*

#### *II. Cases filed by the Company*

*Nil*

### **Claims and notices from statutory authorities**

*Nil*

## **E) PENALTIES IMPOSED IN PAST CASES IN THE LAST FIVE YEARS**

There are no penalties which have been levied on our Company, Promoter, Directors or Promoter Group in last five years, except as mentioned above.

**F) AMOUNTS OWED TO SMALL SCALE UNDERTAKINGS**

The name of Small Scale Undertakings and other creditors to whom our Company owes a sum exceeding Rs. 1 Lac which is outstanding more than 30 days, as on December 31, 2009 is Nil.

**Material developments occurring after the last Balance Sheet Date**

There have been no material developments as regards litigation after the date of the last balance sheet, i.e. December 31, 2009.

**Adverse Events**

There has been no adverse event affecting the operations of our Company, occurring within one year prior to the date of filing of the Draft Red Herring Prospectus with SEBI.

## GOVERNMENT AND OTHER STATUTORY APPROVALS

Except for pending approvals mentioned under this heading, our Company has received the necessary material consents, licenses, permissions and approvals from the Government and various Government agencies required for our present business and carrying on our business activities. Further, except as mentioned herein below, our Company has not yet applied for any licenses, consents, permissions and approvals for the proposed activities as contained in the *Section titled "Objects of the Issue" beginning on page 54 of the Draft Red Herring Prospectus*. It must be distinctly understood that, in granting these approvals, the Government of India does not take any responsibility for our financial soundness or for the correctness of any of the statements made or opinions expressed in this behalf. Unless otherwise stated, these approvals are all valid as of the date of this Draft Red Herring Prospectus.

### A. APPROVALS FOR THE ISSUE

The following approvals have been obtained or will be obtained in connection with the Issue:

1. Our Board of Directors has, pursuant to a resolution passed at its meeting held on January 04, 2010, authorized the Issue subject to the approval by the shareholders of our Company under Section 81 (1A) of the Companies Act, such other authorities as may be necessary.
2. The shareholders of our Company have approved this Issue under section 81 (1A) of the Companies Act, 1956 vide a Special Resolution passed at our Company's Extra Ordinary General Meeting held on February 01, 2010.
3. In-principle approval for listing from The National Stock Exchange of India Limited dated [●].
4. In-principle approval for listing from the Bombay Stock Exchange Limited dated [●].

### B. APPROVALS/LICENSES/PERMISSIONS RECEIVED TO CONDUCT OUR BUSINESS

#### (i) Constitutional Registration

Sr. No.	Nature of Registration/License	Registration /License No.	Issuing Authority	Date of Issue
1.	Certificate of Incorporation	U79200KA2001PLC02 8944	Registrar of Companies, Karnataka, Bangalore	April 25, 2001
2.	Certificate for Commencement of Business	Co. No. 08/28944	Registrar of Companies, Karnataka, Bangalore	May 2, 2001

#### (ii) Taxation Registration


Sr. No.	Nature of Registration/ License	Registration Number	Issuing Authority	Issuing Date / Commencement Date	Date of Expiry
1.	Tax Deduction Account Number	A-2105-F(S)/ BGL	Deputy Commissioner of Income-tax, Income Tax Department	June 11, 2001	N/a
2.	Permanent	AADCA1623M	Commissioner of	November 2,	NA

	Account Number		Income Tax	2001	
3.	Professional Tax Number	1705145-9	Professional Tax Officer	April 1, 2004	NA
4.	Service Tax Number	AADCA1623MST001	Service Tax Commissionerate, Bangalore	May 21, 2009	NA
5.	VAT	29920214749	Asst. Commissioner of Commercial Taxes, Bangalore	April 1, 2005	NA

**(iii) Labour Registration**

Sr. No.	Nature of Registration/ License	Registration /License No.	Issuing Authority	Date of commencement /Issue	Date of expiry
1.	Employees Provident Fund Registration	KN/34911	Ministry of Labour	December 28, 2005	NA
2.	Employee State Insurance Registration	53-24282-67	Employee State Insurance Corporation	June 15, 2007	NA

**(iv) Intellectual Property**

Sr. No.	Mark	Date of Application	Registration No.	Issuing Authority	Description of Class
1.	 ACROPETAL TECHNOLOGIES LTD., INNOVATING A BETTER WORLD	November 29, 2006	1508818	Registrar of Trade Mark	Computer Software Services & Other Services

**(v) Quality Certification**

Sr. No.	Nature of Registration/ License	Registration /License No.	Issuing Authority	Date of commencement/ Issue	Date of expiry
1	Certificate of Registration under ISO 9001:2008	IND96405	Bureau Veritas Certification (India) Private Limited	September 16, 2009	September 4, 2012

**(vi) Other Approvals**

Sr. No.	Nature of Registration/ License	Registration /License No.	Issuing Authority	Date of commencement /Issue	Date of expiry
1	Certificate of Importer-Exporter Code (IEC)	0702017035	Joint Director General of Foreign Trade	February 14, 2003	N/a
2.	Shops and Commercial Establishment Registration	65/Ward No./455	Inspector under the Shops and Establishment Act, 1961	September 6, 2004	December 31, 2010
3.	Approval for Setting	EIG/ACROP	Software	January 23, 2003	January 21,

Sr. No.	Nature of Registration/ License	Registration /License No.	Issuing Authority	Date of commencement /Issue	Date of expiry
	up a 100% Software Export Oriented Unit under the Software Technology Park Scheme	ETAL/GEN/2092	Technology Parks of India, (Society under Dept. of Information Technology, Ministry of Communication and Information Technology, Govt. Of India)		2013
5.	License to carry on the operations relating to manufacture and development of Computer under 100% EOU/STP Scheme	VIII/40/08/2003 EOU- I 36/2003(CUS TOMS)	Office of the Deputy Commissioner of Customs, Ministry of Finance, Government of India	March 20, 2003	January 21, 2013
6.	Approval as 100% EOU Private Bonded Warehouse	VIII/40/08/2003 EOU- I	Office of the Deputy Commissioner of Customs, Ministry of Finance, Government of India	March 20, 2003	January 21, 2013
7.	Letter from Reserve Bank of India for setting-up wholly owned subsidiary in U.A.E dated January 30, 2009.				

#### **C. APPROVALS/LICENSES/PERMISSIONS RELATED TO THE PROPOSED PROJECT**

- Our Company proposes to utilize the issue proceeds, inter-alia, for the purpose of setting-up overseas branch offices, corporate office and acquisition of companies. In order to successfully implement our objects we may be required to obtain regulatory permissions/approvals, applications for which will be made in due course.
- We would also be required to take the following approvals for the new software development centre cum Corporate Office at Hosur Road. We shall apply for the below-mentioned approvals/permissions/licenses in due course of time:
  - KIADB Office;
  - Bangalore Development Authority;
  - Department of Civil Defence;
  - Airport Authority of India; and
  - Bangalore Water Supply and Sewerage Board

## OTHER REGULATORY AND STATUTORY DISCLOSURES

### Authority for the Issue

The shareholders of our Company have approved this Issue under section 81 (1A) of the Companies Act, 1956 *vide* a Special Resolution passed at our Company's Extra Ordinary General Meeting held on February 01, 2010.

### Prohibition by SEBI

Our Company, our Subsidiary, our Directors, our Promoters, the Group Companies, companies promoted by or Promoters and companies or entities with which our Company's Directors are associated as Directors / Promoters / partners 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. The listing of any securities of our Company has never been refused at anytime by any of the Stock Exchanges in India. Our Company, our Promoters, their relatives, Group Companies and Associate Companies has, not been detained as willful defaulters by RBI/government authorities and there are no violations of securities laws committed by them in the past or pending against them.

### Eligibility for the Issue

Our Company is eligible for the Issue in accordance with Regulation 26(1) of the SEBI (ICDR) Regulations, 2009 as explained under, with the eligibility criteria calculated in accordance with Restated Financial Statements:

- a) Our Company has net tangible assets of at least Rs. 3 crores in each of the preceding 3 full years, of which not more than 50% are held as monetary assets.

(Rs. in Lacs)

Particulars	Year ended March 31,				
	2005	2006	2007	2008	2009
Fixed Assets (Net)	112.45	183.14	431.87	4,393.77	7,338.30
Less: Intangible Assets (Net)		35.55	150.70	825.28	2,270.17
Current Assets, Loans & Advances	258.88	688.99	2,389.40	4,830.96	6,628.59
Investments	0.10	0.00	0.00	0.00	344.36
Less: Current Liabilities & provisions	66.57	243.64	670.50	2,231.36	3,990.08
<b>Net Tangible Assets*</b>	<b>304.86</b>	<b>592.94</b>	<b>2,000.07</b>	<b>6,168.09</b>	<b>8,051.00</b>
Monetary Assets	5.37	164.65	109.76	445.55	904.55

\* Net tangible assets are defined as the sum of fixed assets (including capital work in progress and excluding revaluation reserves, if any), trade investments, current assets (excluding deferred tax assets) less current liabilities (including Cash Credit and excluding deferred tax liabilities and secured as well as unsecured long term liabilities). Monetary assets include cash on hand and bank balances.

- b) Our Company has a track record of distributable profits in terms of section 205 of the Companies Act, 1956, for at least three (3) out of immediately preceding five (5) years.

(Rs. In Lacs)

Particulars	March 31, 2005	March 31, 2006	March 31, 2007	March 31, 2008	March 31, 2009
<b>Net Profit after tax, as restated</b>	<b>104.54</b>	<b>250.89</b>	<b>1,277.59</b>	<b>1,306.37</b>	<b>1,658.58</b>

- c) Our Company has a Net Worth of at least Rs. 1 Crore in each of the preceding 3 full years (of 12 months each).

(Rs. In Lacs)

Particulars	March 31, 2005	March 31, 2006	March 31, 2007	March 31, 2008	March 31, 2009
Equity Share Capital	25.00	400.00	500.00	500.00	500.00
Reserves & Surplus	155.59	106.48	1,354.82	2,602.69	4,202.77
Less: Revaluation Reserves	-	-	-	-	-
Less: Misc Exp.	-	-	-	-	-
<b>Net Worth</b>	<b>180.59</b>	<b>506.48</b>	<b>1,854.82</b>	<b>3,102.69</b>	<b>4,702.77</b>

- d) Our Company shall ensure that the aggregate of the proposed issue and all previous issues made in the same financial year in terms of size (i.e. public issue by way of offer document + firm allotment + Promoters' contribution through the offer document) does not exceed five (5) times our pre- issue net worth as per the audited balance sheet of the last financial year.
- e) There has not been any change in the name of our company since inception.; and

Further, if the number of allottees in the proposed Issue is less than 1,000 allottees, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 15 days after our Company becomes liable to pay the amount, our Company shall pay interest at the rate of 15% per annum for the delayed period.

#### Disclaimer Clauses

##### SEBI DISCLAIMER CLAUSE

IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED TO MEAN 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 THIS ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, SAFFRON CAPITAL ADVISORS PRIVATE LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER, SAFFRON CAPITAL ADVISORS PRIVATE LIMITED, HAVE FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED MARCH 16, 2010 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE



**FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.**

- 2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE ISSUER, IT'S DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE ISSUER, WE CONFIRM THAT:**
  - a) THE DRAFT RED HERRING PROSPECTUS FILED WITH THE BOARD IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THIS ISSUE;**
  - b) ALL THE LEGAL REQUIREMENTS RELATING TO THE ISSUE AS ALSO THE REGULATIONS GUIDELINES, INSTRUCTIONS, ETC. FRAMED/ISSUED BY THE BOARD, THE CENTRAL 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 PROPOSED ISSUE (AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.**
- 3. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH THE BOARD AND THAT TILL DATE SUCH REGISTRATION IS VALID\*.**
- 4. WE SHALL SATISFY OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.**
- 5. WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SPECIFIED SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SPECIFIED SECURITIES PROPOSED TO FORM PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN, SHALL NOT BE DISPOSED/ SOLD/ TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.**
- 6. WE CERTIFY THAT REGULATION 33 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, WHICH RELATES TO SPECIFIED 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 RED HERRING PROSPECTUS.**
- 7. WE CERTIFY THAT SUB-REGULATION (4) OF REGULATION 32 AND CLAUSE (C ) AND (D) OF SUB-REGULATION (2) OF REGULATION 8 OF THE THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 ARE NOT APPLICABLE TO THE ISSUER.**

8. 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.
9. WE CONFIRM THAT NECESSARY ARRANGEMENTS SHALL BE MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SUB-SECTION (3) OF SECTION 73 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 DRAFT RED HERRING PROSPECTUS. WE SHALL ENSURE THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION.
10. WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS THAT THE INVESTORS SHALL BE ALLOTTED SHARES IN THE DEMAT MODE ONLY.
11. WE CERTIFY THAT ALL THE APPLICABLE DISCLOSURES MANDATED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION.
12. WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS:
  - 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.
13. WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENT IN TERMS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE ISSUE.
14. WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OR THE ISSUER, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTERS EXPERIENCE, ETC.
15. WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE DRAFT RED HERRING PROSPECTUS/ DRAFT PROSPECTUS/ DRAFT LETTER OF OFFER WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY.

**THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE ISSUER FROM ANY LIABILITIES UNDER SECTION 63 AND SECTION 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 BRLM, ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS.**

*\* The certificate of registration of Sharex Dynamic (India) Private Limited as a 'Category 1' Registrars to an Issue and Share transfer agents, obtained from SEBI was valid up to December 15, 2009. As required an application dated for renewal of the said certificate of registration, in the prescribed manner, was made to SEBI on September 9, 2009, three months before the expiry of the said certificate of registration. Sharex Dynamic (India) Private Limited is currently awaiting the renewal certificate and till date has not been prohibited by SEBI to act as an intermediary in capital market issues.*

#### **Disclaimer from the Issuer and the Book Running Lead Manager**

Investors may note that Acropetal Technologies Limited and Saffron Capital Advisors Private Limited accept no responsibility for statements made otherwise than in the Draft Red Herring Prospectus /Red Herring Prospectus / Prospectus or in the advertisement or any other material issued by or at the instance of the Issuer and that any one, placing reliance on any other source of information would be doing so at his own risk.

All information will be made available by the Book Running Lead Manager, Underwriters, Syndicate members and our Company to the public and investors at large and no selective or additional information would be available for any section of the investors in any manner whatsoever including at road shows, presentations, in research or sales reports etc. We shall not be liable to the Bidders for any failure in uploading the Bids due to faults in any software/hardware system or otherwise.

The BRLM accepts no responsibility; save to the limited extent as provided in the Memorandum of Understanding entered into between the BRLM and our Company and the Underwriting Agreement to be entered into between the Underwriters and our Company.

#### **Caution**

Neither our Company nor the Book Running Lead Manager or any other member of the Syndicate is liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

The BRLM and its associates and affiliates may engage in transactions with, and perform services for, our Company and Promoter Group Entities, affiliates or associates of our Company in the ordinary course of business and have engaged, and may in future engage, in the provision of financial services for which they have received, and may in future receive, compensation.

#### **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) and to NRIs, FIIs and Foreign Venture Capital Funds Registered with SEBI. The Draft Red Herring Prospectus does not, however, constitute an invitation to

subscribe to shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an Issue or invitation in such jurisdiction. Any person into whose possession the 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 Bangalore 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 the Draft Red Herring Prospectus was submitted to SEBI for its observations and SEBI has given its observation. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and the 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 the 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.

#### **Disclaimer Clause of the Bombay Stock Exchange Limited**

Bombay Stock Exchange Limited ("the Exchange") has *vide* its letter dated [●], given permission to this Company to use the Exchange's name in this offer document as one of the Stock Exchanges on which this Company's securities are proposed to be listed. The Exchange has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner:

- i. warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or
- ii. warrant that this 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 to mean that this offer document has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange 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 for any other reason whatsoever.

#### **Disclaimer Clause of National Stock Exchange of India Limited**

As required, a copy of this offer document has been submitted to the National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given *vide* its letter ref: [●] dated [●] permission to the Issuer to use the Exchange's name in this offer document as one of the Stock Exchanges on which this Issuer's securities are proposed to be listed. The Exchange has scrutinized the 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 NSE should not in any way be deemed or construed that the offer document has been cleared or approved by 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 Exchange; 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 Exchange 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 the Draft Red Herring Prospectus has been filed with the Corporation Finance Department, Division of Issues & Listing of SEBI at SEBI Bhavan, Bandra Kurla Complex, Bandra East, Mumbai – 400 051. A copy of the 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 Registrar of Companies, Karnataka, Bangalore situated at E-Wing, 2<sup>nd</sup> Floor, Kendriya Sadana, Koramangala, Bangalore - 560 034..The final Prospectus would be filed with the Corporate Finance Department of SEBI and the ROC at the respective aforesaid addresses upon closure of the issue and on finalization of the Issue Price.

### **Listing**

Applications have been made to the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited for permission to deal in and for an official quotation of our Equity Shares. Our existing Equity Shares are not listed on any Stock Exchanges in India.

BSE shall be the Designated Stock Exchange with which the basis of allotment will be finalized for the QIB, Non Institutional and Retail portion.

If the permission to deal in and for an official quotation of the Equity Shares is not granted by any of the Stock Exchanges, we shall forthwith repay, without interest, all moneys received from the applicants in pursuance of the Draft Red Herring Prospectus. If such money is not repaid within eight days after we become liable to repay it, i.e., from the date of refusal or within 70 days from the date of Bid/ Issue Closing Date, whichever is earlier, then we and all our Directors jointly and severally shall, on and from expiry of eight days, be 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.

We shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at BSE and NSE are taken within seven working days of finalization of Basis of Allotment for the Issue.

### **Consents**

Necessary Consents for the issue have been obtained from the following:

1. Directors of our Company
2. Bankers to our Company
3. Auditors to our Company
4. Book Running Lead Manager to the Issue
5. Legal Advisor to the Issue
6. Registrar to the Issue
7. IPO Grading Agency
8. Company Secretary
9. Compliance Officer
10. Syndicate Member(s)
11. Underwriter(s)
12. Escrow Collection Banker(s) to the Issue

The said consents would be filed along with a copy of the Red Herring Prospectus with the Registrar of Companies, Karnataka at Bangalore, as required under Sections 60 and 60B of the Companies Act, 1956 and such consents have not been withdrawn up to the time of delivery of the Red Herring Prospectus, for registration with the Registrar of Companies, Karnataka at Bangalore.

### Expert Opinion

Except as stated otherwise in the Draft Red Herring Prospectus, we have not obtained any expert opinion.

### Public Issue Expenses

The expenses for this Issue include Issue management fees, IPO Grading Expenses, selling commissions, underwriting commission, printing and distribution expenses, fee payable to other intermediaries, statutory advertisement expenses and listing fees payable to the Stock Exchanges, amongst others. The estimated Issue expenses are as under:

Activity	Expenses (Rs. Lacs)	% of Issue Size	% of Issue expenses
Lead management, Syndicate fees, Underwriting and Selling commission	687.50	4.04%	45.83%
Advertisement and marketing expenses	300.00	1.76%	20.00%
Printing and stationery (including expenses on transportation of the material)	350.00	2.06%	23.33%
Others (Filing fees with SEBI, BSE, NSE, Registrar's fees, legal fees, IPO Grading fees, listing fees, travelling and other misc expenses)	162.50	0.96%	10.83%
<b>Total</b>	<b>1,500.00</b>	<b>8.82%</b>	<b>100.00%</b>

### Previous Public or Rights Issues in the last 5 years

Our Company has not made any public or rights issue of Equity Shares/Debentures in the last 5 years.

### Previous Issue of Shares otherwise than for Cash

Our Company has not issued any Equity Shares for consideration other than cash except as mentioned in the *Chapter titled "Capital Structure" beginning on page 45 of the Draft Red Herring Prospectus.*

### Commission or Brokerage on Previous Issues

Since this is the initial public offering of the Equity Shares, no sum has been paid or is payable as commission or brokerage for subscribing to or procuring for, or agreeing to procure subscription for any of the Equity Shares of our Company since its inception.

### Details of capital issue made during last three years in regard to the issuer company and other listed companies under the same management within the meaning of section 370(1)(B) of the Companies Act, 1956.

There have been no capital issues during last 3 years by us. There are no other listed companies under the same management within the meaning of Sec 370(1)(B) of the Act at present or during the last three years.

**Promise vis-à-vis Performance – Last 3 issues**

Our Company has not made any Public Issue in the past.

**Listed ventures of Promoters**

There are no listed ventures of our Promoters.

**Promise vis-à-vis Performance – Last One Issue of Group Companies**

There are no listed ventures of our Promoters.

**Outstanding debentures or bonds and redeemable preference shares and other instruments issued and outstanding as on the date of the Draft Red Herring Prospectus and terms of Issue**

There are no outstanding debentures or bonds or redeemable preference shares and other instruments outstanding as on the date of filing of the Draft Red Herring Prospectus.

**Stock Market Data**

This being an initial public offering of our Company, the Equity Shares of our Company are not listed on any stock exchange.

**Mechanism for redressal of Investors' grievance**

Our Company has constituted a Shareholders Grievance Committee to look into the redressal of shareholder/ investor complaints such as Issue of duplicate/split/consolidated share certificates, allotment and listing of shares and review of cases for refusal of transfer/transmission of shares and debentures, complaints for non receipt of dividends etc. *For further details on this committee, please refer paragraph titled "Shareholders'/Investors' Grievance Committee" beginning on page 124 under the Chapter titled "Our Management" beginning on page 116 of the Draft Red Herring Prospectus.* To expedite the process of share transfer, our Company has appointed Sharex Dynamic (India) Private Limited as the Registrar and Share Transfer Agents of our Company.

All grievances relating to the ASBA process may be addressed to the Registrar with a copy to the relevant SCSB, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the Designated Branch of the SCSB where the ASBA Form was submitted by the ASBA Bidders.

**Disposal of Investors' Grievances and Redressal Mechanism**

We have appointed Sharex Dynamic (India) Private Limited as the Registrar to the Issue, to handle the investor grievances in co-ordination with our Compliance officer. All grievances relating to the present issue may be addressed to the Registrar with a copy to the Compliance officer, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and bank and Branch. We will monitor the work of the Registrar to ensure that the investor grievances are settled expeditiously and satisfactorily.

A fortnightly status report of the complaints received and redressed by the Registrar to the Issue would be forwarded to us. We would also coordinate with the Registrar to the Issue in attending to the investors' grievances.

We assure that any complaints received, shall be disposed off as per the following schedule:

Sr. No	Nature of the Complaint	Time Taken
1.	Non-receipt of the refund	Within 7 days of receipt of complaint, subject to production of satisfactory evidence.
2.	Change of Address	Within 7 days of receipt of information.
3.	Any other complaint in relation to Public Issue	Within 7 days of receipt of complaint with all relevant details.

We have appointed Mr. Jamili Jalaiah as the Compliance Officer who would directly liaise with SEBI with respect to implementation/compliance of various laws, rules, regulations and other directives issued by SEBI and matters related to investor complaints. The investors may contact the compliance officer in case of any pre issue/post issue related problems at the following address:

**Mr. Jamili Jalaiah**  
**Compliance Officer**  
**Acropetal Technologies Limited**  
#2 /10, 3<sup>rd</sup> Floor, Ajay Plaza,  
1<sup>st</sup> Main, N.S. Palya, Bannerghatta Road,  
Bangalore - 560076.  
**Tel. No:** + 91 80 4155 9501/02  
**Fax No:** + 91 80 2678 9553  
**Email:** [ipo@acropetal.com](mailto:ipo@acropetal.com)

Our Company has not received any investor complaints during the three years preceding the filing of the Draft Red Herring Prospectus with SEBI. Further, no investor complaints are pending as on the date of filing the Draft Red Herring Prospectus with SEBI.

#### **Changes in Auditors during the last three years and reasons thereof**

There has not been any change in the statutory auditors of our Company since inception.

#### **Capitalization of Reserves or Profits during last five years**

Except as stated in the Chapter titled "Capital Structure" beginning on page 45 of the Draft Red Herring Prospectus, our Company has not capitalised its reserves or profits at any time since inception.

#### **Revaluation of Assets during the last five years**

There has not been any revaluation of Assets during the last five years.



## SECTION IX – ISSUE RELATED INFORMATION

### TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, SEBI (ICDR) Regulations, 2009, our Memorandum and Articles of Association, the terms of the Draft Red Herring Prospectus, the Red Herring Prospectus, the Prospectus, Bid-cum-Application Form, the Revision Form, the Confirmation of Allocation Note and other terms and conditions as may be incorporated in the allotment advices and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, 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 RBI, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

#### Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of the Companies Act, our Memorandum and Articles of Association and shall rank *pari-passu* in all respects with the existing Equity Shares including in respect of the rights to receive dividend. The allottees will be entitled to dividend, voting rights or any other corporate benefits, if any, declared by us after the date of Allotment. *For further details, please refer to Chapter titled “Main Provisions of Articles of Association” on page 266 of the Draft Red Herring Prospectus.*

#### Mode of Payment of Dividend

We shall pay dividend to our Shareholders as per the provisions of the Companies Act and our Articles of Association. The declaration and payment of dividends will be recommended by our Board of Directors and our shareholders, in their discretion, and will depend on a number of factors, including but not limited to our earnings, capital requirements and overall financial condition. We shall pay dividends in cash.

#### Face Value and Issue Price per Share

The Equity Shares having a face value of Rs. 10 each are being offered in terms of the Draft Red Herring Prospectus at a price of Rs. [•] per Equity Share. The Anchor Investor Issue Price is Rs. [•] per Equity Share. The Issue Price will be determined by our Company in consultation with the BRLM on the basis of assessment of market demand for the Equity Shares offered by way of Book Building. At any given point of time there shall be only one denomination of the Equity Shares of our Company, subject to applicable laws. The Issue Price is [•] times the face value of the Equity Shares.

#### Rights of the Equity Shareholders

Subject to applicable laws, rules, regulations and guidelines and the Articles of Association, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting rights, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offer 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 Limited Company under the Companies Act, the terms of the listing agreements with the Stock Exchange(s) and the Memorandum and Articles of Association our Company.

For a detailed description of the main provisions of the Articles of Association of our Company relating to voting rights, dividend, forfeiture and lien and/or consolidation/splitting, *please refer to Chapter titled "Main Provisions of Articles of Association" on page 266 of the Draft Red Herring Prospectus.*

### **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 existing SEBI (ICDR) Regulations, 2009, the trading in the Equity Shares shall only be in dematerialised form for all investors.

Since trading of our Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allocation and Allotment through this Issue will be done only in electronic form in multiples of one Equity Shares to the successful Bidders subject to a minimum Allotment of [●] Equity Shares. *For details of Allocation and Allotment, please refer to the paragraph titled "Basis of Allotment" beginning on page 245 under Chapter titled "Issue Procedure" beginning on page 221 of the Draft Red Herring Prospectus.*

### **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 sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares transmitted, 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 our Registered Office 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 the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- a) to register himself or herself as the holder of the Equity Shares; or
- b) 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 dematerialized mode 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 investor wants to change the nomination, they are requested to inform their respective depository participant.**

### **Bid/Issue Program**

The period of operation of subscription list of public issue:

Bid/Issue opens on: [●], 2010	Bid/Issue closes on: [●], 2010
-------------------------------	--------------------------------

The Company may consider participation by Anchor Investors for upto [●] Equity Shares in accordance with applicable SEBI (ICDR) Regulations, 2009. The Anchor Investor Bid/ Issue Period shall be one working day prior to the Bid/ Issue Opening Date.

Our Company will accept Bids from Anchor Investors only on the Anchor Investor Bidding Date, i.e. one working day prior to the Bid Opening Date. Bids by Anchor Investors may be submitted to the Syndicate. The number of Equity Shares allocated to each Anchor Investor and Anchor Investor Issue Price shall be made available in the public domain by the BRLM before the Bid Opening Date.

### **Minimum Subscription**

If our Company does not receive the minimum subscription of 90% of the offer through the offer document including devolvement of Underwriters, if any, within sixty (60) days from the date of closure of the issue, 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, 1956.

If the number of allottees in the proposed Issue is less than 1,000 allottees, we shall forthwith refund the entire subscription amount received. If there is a delay beyond 15 days after we become liable to pay the amount, we shall pay interest at the rate of 15% per annum for the delayed period.

### **Arrangements for Disposal of Odd Lots**

Since, our Equity Shares will be traded in dematerialized form only; the marketable lot is one (1) Equity Share. Therefore, there is no possibility of any odd lots.

### **Restrictions, if any on Transfer and Transmission of Equity Shares**

For a detailed description in respect of restrictions, if any, on transfer and transmission of shares and on their consolidation/splitting, *please refer to under the Chapter titled "Main Provisions of Articles of Association" on page 266 of the Draft Red Herring Prospectus.*

### **Compliance with SEBI (ICDR) Regulations, 2009**

Our Company shall comply with all requirements of the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009, notified on August 26, 2009 as amended from time to time. Our Company shall comply with all disclosure norms as specified by SEBI from time to time.

### **Option to Receive Securities in Dematerialized Form**

Equity Shares being offered through the Draft Red Herring Prospectus can be applied for and will be allotted in dematerialized form only.

## ISSUE STRUCTURE

The present Issue comprising of [●] Equity Shares of Rs. 10 each aggregating Rs. 17,000 Lacs is being made through the 100% Book Building process. Details of the Issue structure are tabulated below:

<u>Particulars</u>	<u>QIBs</u>	<u>Non Institutional Bidders</u>	<u>Retail Individual Bidders</u>
<b>Number of Equity Shares</b>	of Not more than [●] Equity Shares	Not less than [●] Equity Shares	Not less than [●] Equity Shares
<b>Percentage of Issue available for allocation</b>	of Not more than 50% of the Net Issue to the public (of which 5% the Net Issue shall be reserved for Mutual Funds) or Net Issue to the public less allocation to Non- Institutional Bidders and Retail individual bidders.*  Mutual Funds participating in the 5% reservation in the QIB Portion will also be eligible for allocation in the remaining QIB Portion. The Unsubscribed portion, if any, in the Mutual Fund reservation will be available to QIBs.	Not less than 15% of the Net issue to the public or Net Issue size less allocation to QIBs and retail individual bidders *	Not less than 35% of the Net issue to the public or Net Issue size less allocation to QIBs and non institutional bidders *
<b>Basis of Allocation respective category is oversubscribed</b>	of Proportionate if	Proportionate	Proportionate
<b>Minimum Bid</b>	Such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000 and in multiples of [●] Equity Shares.	Such number of [●] Equity Shares that the Bid Amount exceeds Rs. 1,00,000 and in multiples of [●] Equity Shares.	Such number of [●] Equity Shares and in multiples of [●] Equity Shares thereafter.
<b>Maximum Bid</b>	Not exceeding the size of the issue, subject to regulations as applicable to the Bidder	Not exceeding the size of the issue, subject to regulations as applicable to the Bidder	Such number of Equity Shares per retail individual investor so as to ensure that the Bid amount does not exceed Rs. 1,00,000 which has to be in multiples of [●] Equity Shares.
<b>Mode of Allotment</b>	of Dematerialized mode	Dematerialized mode	Dematerialized mode
<b>Trading Lot/Market lot</b>	One (1) Equity Share	One (1) Equity Share	One (1) Equity Share

<b>Who can apply**</b>	Public financial institutions, as Companies, Individuals (including specified in Section 4A of the Corporate Bodies, ASBA Bidders, NRIs Companies Act, scheduled Scientific Institutions, and HUFs in the commercial banks, mutual funds, Societies, Trusts, name of Karta) foreign institutional investor Resident Indian applying for Equity registered with SEBI, multilateral individuals, HUF (in Shares such that the and bilateral development the name of Karta), Bid Amount does not financial institutions, Venture and NRIs (applying for exceed Rs. 1,00,000 Capital Funds registered with an amount exceeding in value. SEBI, foreign Venture capital Rs. 1,00,000) investors registered with SEBI, State Industrial Development Corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 2500 Lacs and pension funds with minimum corpus of Rs. 2500 Lacs, National Investment Fund in accordance with applicable law and Insurance funds set up and managed by Army, Navy or Air Force of the Union of India		
<b>Terms of payment</b>	Margin Amount applicable to QIB Bidders at the time of submission of Bid cum Application form to the members of the syndicate	Margin Amount applicable to Non Institutional Bidders at the time of submission of Bid-cum-Application Form to the members of the syndicate	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid-cum-Application form to the members of the syndicate***
<b>Margin Amount</b>	10% of the Bid amount in respect of bids placed by QIB bidder on bidding  25% of the Bid amount in respect of bids placed by QIB bidder in the Anchor Investor Portion, on bidding#	Full amount on bidding	Full amount on bidding

# Our Company may allocate upto 30% of the QIB Portion to Anchor Investors at the Anchor Investor Issue Price in accordance with the SEBI (ICDR) Regulations, 2009. At least one-third of the Anchor Investor Portion shall be available for allocation to Domestic Mutual Funds only. Allocation to Anchor Investors shall be on a discretionary basis subject to minimum number of two Anchor Investors. Further, Anchor Investors shall pay the Anchor Investor Margin Amount at the time of submission of Bid-cum-Application Form to the BRLM and the balance within the Pay-in Date which shall be a date no later than two days of the Bid Closing Date.

Our Company is considering a Pre-IPO Placement upto Rs.[•] and [•] Equity Shares with various investors. The Pre-IPO Placement will be at the discretion of our Company and at a price to be decided by our Company. Our Company will complete the issuance and allotment of Equity Shares pursuant to the Pre-IPO Placement prior to filing the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is completed, the Issue size offered to the public would be

reduced to the extent of such Pre-IPO Placement, subject to a minimum Issue size of 10% of the post-Issue paid-up equity share capital being offered to the public.

Under subscription, if any, in any Category would be met with spill-over from other categories or a combination of categories. Investors may note that in case of over-subscription in the Issue, allotment to Bidders in all categories (except Anchor Investor Portion) shall be on a proportionate basis.

\* Subject to valid bids being received at or above the Issue Price. Under-subscription, if any, in any category, would be allowed to be met with spill over inter-se from any other categories, at the discretion of our Company in consultation with the BRLM subject to applicable provisions of SEBI (ICDR) Regulations, 2009.

\*\*In case the Bid-cum-Application Form/ ASBA Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and in the same sequence in which they appear in the Bid-cum-Application Form.

Note: Equity Shares being offered through the Draft Red Herring Prospectus can be applied for in dematerialized form only.

\*\*\* In case of ASBA Bidders, the SCSB shall be authorized to block such funds in the bank account of the ASBA Bidder that are specified in the ASBA Bid-cum-Application Form.

## ISSUE PROCEDURE

### Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein not more than 50% of the Net Issue to the Public shall be available for allocation to Qualified Institutional Buyers on a proportionate basis (of which 5% shall be allocated for Mutual Funds). Further, our Company may allocate upto 30% of the QIB Portion to Anchor Investors at the Anchor Investor Issue Price on a discretionary basis, out of which atleast one-third will be available for allocation to Domestic Mutual Funds only. 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.

Bidders are required to submit their Bids through the Syndicate. We, in consultation with the BRLM, reserve the right to reject any Bid procured from QIBs, by any or all members of the Syndicate, for reasons to be recorded in writing provided that such rejection shall be made at the time of acceptance of the Bid and the reasons thereof shall be disclosed to the bidders. Provided further that our Company, in consultation with the BRLM, reserves the right to reject any Bid procured from Anchor Investors without assigning any reasons thereof. In case of Non-Institutional Bidders and Retail Individual Bidders, our Company would have a right to reject the Bids only on technical grounds. The primary responsibility of building the book shall be that of the lead book runner.

**Investors should note that Equity Shares would be allotted to all successful Bidders only in 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.**

### Illustration of Book Building and Price Discovery Process

***(Investors should note that this illustration is solely for the purpose of illustration and is not specific to the Issue)***

The Bidders can bid at any price within the Price Band. For instance, assume a Price Band of Rs. 60 to Rs. 72 per Equity Share, Issue size of 5,400 Equity Shares and receipt of five Bids from the Bidders. A graphical representation of the consolidated demand and price would be made available at the bidding centres during the Bidding/Issue Period. The illustrative book as set forth below shows the demand for the Equity Shares of the Company at various prices and is collated from Bids from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
1,500	72	1,500	27.78%
3,000	69	4,500	83.33%
4,500	66	9,000	166.67%
6,000	63	15,000	277.78%
7,500	60	22,500	416.67%

The price discovery is a function of demand at various prices. The highest price at which our Company is able to issue the desired quantity of Equity Shares is the price at which the book cuts off, i.e., Rs.66 in the above example. Our Company, in consultation with the BRLM, will finalize the Issue Price at or below such cut-off price, i.e., at or below Rs.66. All Bids at or above this Issue Price and cut-off Bids are valid Bids and are considered for allocation in the 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 the 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 allotment 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 authorized us to make the necessary changes in the 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 the 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
Indian Public including QIBs, Non-Institutional Bidders or NRIs applying on a non-repatriation basis	White
Non-residents, NRIs or FIIs applying on a repatriation basis	Blue
ASBA Bidders	Pink
Anchor Investors*	White

\* Bid-cum-Application Forms for Anchor Investors shall be available at the Registered Office of our Company and BRLM. In accordance with SEBI ICDR Regulations, 2009, only QIBs can participate in the Anchor Investor Portion.

Only Retail Individual Investors and Non Institutional Investors can participate by way of ASBA Process.

### Who Can Bid?

1. Persons eligible to invest under all applicable laws, rules, regulations and guidelines;
2. Indian nationals resident in India who are majors, in single or joint names (not more than three);
3. 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;
4. Companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in Equity shares;
5. Indian mutual funds registered with SEBI;
6. Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations and SEBI (ICDR) Regulations, 2009 and other Regulations, as applicable);
7. Venture capital funds registered with SEBI;
8. Foreign venture capital investors registered with SEBI;
9. State Industrial Development Corporations;
10. Insurance companies registered with the Insurance Regulatory and Development Authority;
11. Provident funds with minimum corpus of Rs. 25 crores and who are authorized under their constitution to invest in Equity Shares;



12. Pension funds with minimum corpus of Rs. 25 crores and who are authorized under their constitution to invest in Equity Shares;
13. Multilateral and bilateral development financial institutions;
14. Trusts/Societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/Societies and who are authorized under their constitution to hold and invest in Equity Shares;
15. Eligible Non-residents including NRIs and FIIs on a repatriation/non- repatriation basis subject to applicable local laws; and
16. Scientific and/or industrial research organizations authorized under their constitution to invest in Equity Shares.
17. As per existing regulations promulgated under FEMA, Overseas Corporate Bodies (OCBs) cannot bid/participate in this issue.

***Note: 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 the relevant laws, rules, regulations, guidelines and approvals.***

#### **Participation by Associates of the BRLM and Syndicate Members**

The BRLM and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation. However, associates and affiliates of the BRLM, and Syndicate Members may subscribe for Equity Shares in the Issue, including in the QIB Portion and Non-Institutional Portion where the allocation is on a proportionate basis. Such holding or subscription maybe on their behalf or on behalf of their clients.

#### **Procedure for Application by Mutual Funds**

In accordance with the current regulations, 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 by 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 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 name of the scheme concerned for which the Bid has been made.

#### **Application by FIIs**

In accordance with the current regulations, the Issue of Equity Shares to a single FII should not exceed 10% of the post-Issue paid- up capital of our Company. In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital or 5% of the total issued capital of our Company in case such sub-account is a foreign corporate or an individual.

#### **Application by SEBI registered Venture Capital Funds and Foreign Venture Capital Funds**

The SEBI (Venture Capital Funds) Regulations, 1996 and the SEBI (Foreign Venture Capital Investors) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 33.33% of the corpus of the venture capital fund/foreign venture capital investor. The aggregate holdings of venture capital funds and foreign venture capital investors registered with SEBI could, however, go up to 100% of our Company's paid-up equity capital.

## Application by NRI

- Individual NRI Bidders can obtain the Bid-cum-Application Forms from our registered office situated at # 2/10, 3<sup>rd</sup> Floor, Ajay Plaza, 1<sup>st</sup> Main, N.S. Palya, Bannerghatta Road, Bangalore – 560 076, Karnataka, or from members of the Syndicate or the Registrars to the Issue.
- NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange shall be considered for allotment. NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid-cum-Application Form meant for Resident Indians (white in colour)

The above information is given for the benefit of the Bidders. The Bidders are advised to make to their own enquiries about the limits applicable to them. Our Company and the BRLM do not accept any responsibility for the completeness and accuracy of the information stated hereinabove. Our Company and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of the 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

- a) **For Retail Individual Bidders:** The Bid must be for minimum [●] Equity Shares and in multiples of [●] Equity Shares thereafter subject to maximum bid amount of Rs. 1,00,000/.

In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 1,00,000. In case the Bid Amount is over Rs. 1,00,000, due to revision in bid or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allotment under the Non-Institutional Bidders category. 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.

- b) **For Non-Institutional Bidders and QIB Bidders:** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount payable by the Bidder exceeds Rs. 100,000 and in multiples of [●] Equity Shares thereafter. A Bid cannot be submitted for more than the size of the Issue. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by applicable laws. **Under existing SEBI (ICDR) Regulations, 2009, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay QIB margin on submission of bid.**

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 Price Band, the same would be considered for allocation under the Retail Portion. Non Institutional Bidders and QIBs are not allowed to Bid at 'Cut-off'.

- c) **Anchor Investor Portion:** The Company may consider participation by Anchor Investor in the Net Issue for up to [●] Equity Shares in accordance with the applicable SEBI (ICDR) Regulations, 2009. The Anchor Investor Bid/Issue Period shall be one working day prior to the Bid/Issue Opening Date. The QIB Portion shall be reduced in proportion to the allocation under the Anchor Investor category.

Anchor Investors shall be QIBs as defined in the SEBI (ICDR) Regulations, 2009. The Bid must be for a minimum of such number of Equity Shares so that the Bid Amount exceeds Rs.

10 Crores and in multiples of [●] Equity Shares thereafter. A Bid cannot be submitted for more than 30% of the QIB Portion. One-third of the Anchor Investor Portion shall be reserved for allocation to domestic mutual funds.

The Bidding for Anchor Investors shall open one day before the Bid/Issue Opening Date and shall be completed on the same day.

#### **Information for the Bidders**

1. We will file the Red Herring Prospectus with the Registrar of Companies, at least 3 (three) days before the Bid/Issue Opening Date.
2. The members of the Syndicate will circulate copies of the Draft Red Herring Prospectus along with the Bid-cum-Application Form to their potential investors.
3. Any investor (who is eligible to invest in the Equity Shares) desirous of obtaining a copy of the Draft Red Herring Prospectus along with the Bid-cum-Application Form can obtain the same from our registered office or from the BRLM, or from a member of the Syndicate.
4. Investors who are interested in subscribing for our Company's Equity Shares should approach any of the BRLM or Syndicate Member or their authorized agent(s) to register their Bid.
5. 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.

#### **Method and Process of bidding**

- a) We, with the BRLM, shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and the Price Band after the filing of the Draft Red Herring Prospectus with RoC and also publish the same in three widely circulated newspapers (one each in English, Hindi and a regional newspaper). This advertisement, subject to the provisions of Section 66 of the Companies Act shall be in the format prescribed in Part A of Schedule XIII of the SEBI (ICDR) Regulations, 2009. The Members of the Syndicate shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.
- b) Investors who are interested in subscribing for our Equity Shares should approach any of the members of the Syndicate or their authorized agent(s) to register their Bid.
- c) The Bidding Period shall be a minimum of 3 working (three) days and not exceed 7 working (seven) days. In case the Price Band is revised, the revised Price Band and the Bidding Period will be informed to the Stock Exchanges and published in two national newspapers (one each in English and Hindi) and one regional newspaper and the Bidding Period may be extended, if required, by an additional 3 working (three) days, subject to the total Bidding Period not exceeding 10 working (ten) days.
- d) During the Bidding Period, the Bidders may approach 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.
- e) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices *(for details please refer to the paragraph titled "Bids at Different Price Levels" beginning on page 226 under this Chapter in the Draft Red Herring Prospectus)* 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 and the rest of the Bid(s), irrespective of the Bid price, will become automatically invalid.

- f) 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 bidding 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 allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form. *For details please refer to the paragraph titled "Build up of the Book and Revision of Bids" beginning on page 230 under this Chapter in the Draft Red Herring Prospectus.*
- g) The members of the Syndicate will enter each 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 TRS's for each Bid-cum-Application Form. **It is the responsibility of the bidder to obtain the TRS from the Syndicate Member.**
- h) Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described *under paragraph titled "Terms of Payment and Payment into the Escrow Collection Account" beginning on page 228 under this Chapter in the Draft Red Herring Prospectus.*

#### **Bids at Different Price Levels**

- a) The Bidders can bid at any price within the Price Band, in multiples of Re 1. The minimum application size should be in the range of Rs. 5,000 to Rs. 7,000.
- b) In accordance with SEBI (ICDR) Regulations, 2009, our Company in consultation with the BRLM in accordance with this clause, without the prior approval of, or intimation, to the Bidders, can revise the Price Band. 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. In case of a revision in the Price Band, the Issue will be kept open for a further period of three working days after the revision of the Price Band, subject to the total Bidding Period not exceeding ten working days.
- c) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall be suitably revised, if necessary such that the minimum application is in the range of Rs. 5,000 to Rs. 7,000.
- d) Any revision in the Price Band and the revised Bidding Period/Issue Period, if applicable, will be widely disseminated by informing the Stock Exchanges, by issuing a public notice in two national newspapers (one each in English and Hindi) and one regional newspaper, and also indicating the change on the relevant websites of the BRLM and the terminals of the members of the Syndicate.
- e) We, in consultation with the BRLM, can finalize the Issue Price within the Price Band without the prior approval of, or intimation to, the Bidders.
- f) The Bidders 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 applying for a**

**maximum bid in any of the bidding options not exceeding Rs. 100,000 may bid at 'Cut-off'. However, bidding at 'Cut-off' is prohibited for QIB or Non Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.**

- g) Retail Individual Bidders, who bid at the 'Cut-Off' agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at 'cut-off' shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), Retail Individual Bidders shall receive the refund of the excess amounts from the Refund Account.
- h) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders, who had bid at 'Cut-off' Price could either
  - i) revise their Bid
  - ii) make additional payment based on the cap of the revised Price Band, with the members of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 100,000, the Bid will be considered for allocation under the Non Institutional category in terms of the Draft Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut off
  - iii) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders 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 Refund Account.

#### **Option to Subscribe in the Issue**

- Equity Shares being offered through the Draft Red Herring Prospectus can be applied for in dematerialized form only.
- The Equity Shares on allotment shall be traded on Stock Exchanges in demat segment only.
- A single bid from any investor shall not exceed the investment limit/minimum number of Equity Shares that can be held by him/her/it under the relevant regulations/statutory guidelines.

#### **Escrow Mechanism**

Our Company and members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the bid. Cheques or demand drafts received for the full Bid amount from Bidders in a certain category would be deposited in the Escrow Account for the Issue. The Escrow Collection Banks will act in terms of the Draft Red Herring Prospectus and an Escrow Agreement. The monies in the Escrow Account of our Company shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. 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 Banks shall transfer an amount equivalent to Issue proceeds (Final Issue Price multiplied by the number of Equity Shares allotted through this issue) from the Escrow Account to the Public Issue Account with the Bankers to the Issue as per the terms of the Escrow Agreement with our Company and

the balance amount shall be transferred to the Refund Account, from where payment of refund to the Bidders shall be made.

The Bidders may note that the Escrow Mechanism is not prescribed by SEBI and the same has been established as an arrangement between our Company, the Syndicate, Escrow Collection Bank(s) and the Registrars to the Issue to facilitate collections from the Bidders.

### **Terms of Payment and Payment into the Escrow Collection Account**

In case of Non-institutional Bidders and Retail Individual Bidders, each Bidder shall, 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) and submit the same to the members of the Syndicate to whom the Bid is being submitted. In case of QIB Bidders, the Margin Amount has to be submitted along with the Bid to the members of the Syndicate. Bid-cum-Application Forms accompanied by cash and stock invests shall not be accepted. 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.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account and Refund Account. Not later than 15 days from the Bid / Issue Closing Date, our Company will instruct the Refund Banker to refund all amount payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allocation to the Bidders, failing which our Company shall pay interest @15% per annum for any delay beyond the period mentioned above.

Each category of Bidders i.e. QIBs, Non-Institutional Bidders and Retail Individual Bidders, would be required to pay their Margin Amount at the time of the submission of the Bid-cum-Application Form. The Margin Amount payable by each category of Bidders is mentioned *under the Chapter titled "Issue Structure" beginning on page 218 of the Draft Red Herring prospectus* and shall be uniform across all the bidders in the same category. 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 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 Registrar to the Issue. 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. However, if the members of the Syndicate do not waive such payment, the full amount of payment has to be made at the time of submission of the Bid-Cum-Application Form.

### **Electronic Registration of Bids**

- a) The members of the Syndicate will register the Bids using the on-line facilities of NSE and BSE. There will be at least one BSE / NSE on-line connectivity to each city where a Stock Exchange is located in India and the Bids are accepted.
- b) NSE and BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorized agents during the Bidding Period. Members of the Syndicate 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 regular basis. On the Bid/Issue Closing Date, the Syndicate Member shall upload the Bids till such time as may be permitted by the BSE and NSE.

- c) BSE and NSE will aggregate demand and price for Bids registered on their electronic facilities on a regular basis and display graphically the consolidated demand at various price levels. This information can be assessed on BSE's website at [www.bseindia.com](http://www.bseindia.com) or on NSE's website at [www.nseindia.com](http://www.nseindia.com). The online, real-time graphical display of demand and bid prices at the bidding terminals shall be made. The BRLM shall ensure the availability of adequate infrastructure for data entry of the bids on a real time basis. At the end of each day of the bidding period the demand shall be shown graphically on the terminals for information of the syndicate members as well as the investors.
- d) 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 (Investors should 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, investors should ensure 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.)
  - Investor Category – Individual, Corporate, NRI, FII, Mutual Fund, etc
  - Numbers of Equity Shares bid for
  - Bid price
  - Bid Amount
  - Bid-cum-Application Form number
  - Whether payment is made upon submission of Bid-cum-Application Form
  - Margin Amount and
  - Depository Participant Identification Number and Client Identification Number of the demat account of the Bidder.
- e) 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 members of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or our Company.
- f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- g) Consequently, all or any of the members of the Syndicate may reject QIB Bids provided the rejection is at the time of receipt of such Bids and the reason for rejection of the Bid is communicated to the Bidder at the time of such rejection. In case of Non-Institutional Bidders, Retail Individual Bidders, Bids would not be rejected except on the technical grounds listed as mentioned *under paragraph titled "Grounds for Technical Rejections" beginning on page 240 under this Chapter in the Draft Red Herring Prospectus.*
- h) It is to be distinctly understood that the permission given by BSE and NSE to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company or BRLM are cleared or approved by BSE and NSE; 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, its management or any scheme or project of our Company.
- i) It is also to be distinctly understood that the approval given by BSE and NSE for the use of their online IPO system should not in any way be deemed or construed that the Draft Red Herring Prospectus has been cleared or approved by the BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of

the Draft Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the BSE and NSE.

#### **Build Up of the Book and Revision of Bids**

- a) Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the NSE or BSE mainframe on a regular basis.
- b) The book gets build up at various price levels. This information will be available with the BRLM on a regular basis.
- c) During the Bidding 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.
- d) Revisions can be made in both the desired numbers 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 changed, in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
- e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) of the Bid, the Bidders will have to use the services of the same members 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.
- f) 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 the Draft Red Herring Prospectus. In case of QIBs, the members of the Syndicate shall collect the payments in the form of 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. QIB Bidders shall not be allowed to withdraw their Bid after Bid/Issue closing date.
- g) 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.
- h) Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/allotment. In case of discrepancy of data between NSE or BSE and members of the Syndicate, the decision of the BRLM based on the physical records of Bid-cum-Application Forms shall be final and binding to all concerned.

#### **Price Discovery and Allocation**

- a) After the Bid/Issue Closing Date, the BRLM will analyze the demand generated at various price levels and discuss pricing strategy with us.



- b) Our Company, in consultation with the BRLM shall finalize the 'Issue Price', the number of Equity Shares to be allotted in each category of Bidders.
- c) The allocation for QIBs for not more than 50% of the Net Issue to the Public, of which 5% shall be reserved for Mutual Funds, would be on a proportionate basis, subject to valid bids being received at or above the Issue Price in the manner as described in the section titled 'Basis of Allotment'. The allocation to Non-Institutional Bidders and Retail Individual Bidders of not less than 15% and 35% of the Net Issue to the Public, respectively, would be on proportionate basis, in the manner specified in the SEBI (ICDR) Regulations, 2009, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.
- d) Under subscription, if any, in QIBs, Non-Institutional and Retail categories would be allowed to be met with spill over from any of the other categories at the discretion of our Company and the BRLM. However, if the aggregate demand by Mutual Funds is less than 63,750 Equity Shares, the balance Equity Shares from the portion specifically available for allocation to Mutual Funds in the QIB Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders in proportion to their Bids.
- e) Allocation to NRIs, FIIs, Foreign Venture Capital Funds registered with SEBI applying on repatriation basis will be subject to the terms and conditions stipulated by the FIPB and RBI while granting permission for Issue/Allocation of Equity Shares to them.
- f) The BRLM, in consultation with us, shall notify the Syndicate Members of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- g) Our Company in consultation with the BRLM, reserves the right to cancel the Issue any time after the Bid/Issue Opening Date but before allocation, without assigning reasons whatsoever.
- h) The allotment details shall be uploaded on the website of the Registrar to the Issue.

#### **Signing of Underwriting Agreement and RoC Filing**

1. Our Company, the BRLM and the Syndicate Members shall enter into an Underwriting Agreement on finalization of the Issue Price and allocation(s) to the Bidders.
2. After signing the Underwriting Agreement, we will update and file the updated 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 Prospectus with the RoC**

A copy of the 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, Karnataka situated at Bangalore. A copy of the Prospectus required to be filed under Section 60 of the Companies Act would be delivered for registration to the RoC, Karnataka, Bangalore.

We will ensure that all the legal requirements applicable till the filing of the Prospectus with RoC are complied with.

#### **Announcement of Pre-Issue Advertisement**

Subject to Section 66 of the Companies Act, our Company shall after receiving final observations, if any, on the Draft Red Herring Prospectus from SEBI, publish an advertisement, in the form prescribed by the SEBI (ICDR) Regulations, 2009 in an English national daily with wide circulation, one Hindi National newspaper, and a regional language newspaper.

#### **Advertisement regarding Issue Price and Prospectus**

We will issue a statutory advertisement at the time of/after filing of Prospectus with RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

#### **Issuance of Intimation Note and Confirmation of Allocation/Allotment Note to bidders, other than QIBs**

The Registrar to the Issue shall send Confirmation of Allocation Note/Allotment Advice-cum-Refund Orders to all the Bidders intimating the number of shares allotted and the amount refunded.

#### **Issuance of Intimation Note and Confirmation of Allocation Note to QIB bidders**

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE/ NSE system. Based on the electronic book, if so required, QIBs may be sent an Intimation Note, indicating the number of Equity Shares that may be allocated to them and the additional margin required which shall be payable by the QIBs within the pay-in date specified therein. This Intimation Note is subject to the Basis of Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI (ICDR) Regulations, 2009, 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 reconciled book and basis of allotment as approved by the Designated Stock Exchange. In addition, there are foreign investment limitations applicable to our Company, which may result in a change (including a potential decrease) in the number of Equity Shares being finally allotted to non-resident investors (including FIIs). As a result, a CAN may be sent to QIBs and the allocation of Equity Shares in such CAN, may be different from that specified in the earlier Intimation Note. QIBs should note that they may be required to pay additional amounts if any, by way of cheque, DD, RTGS, NEFT or any other electronic mode by the Pay-in Date specified in the CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract for the QIB for all the Equity Shares allocated to such QIB.

#### **Designated Date and Transfer of Funds to Public Issue Account**

- a) Our 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, we would allot the Equity Shares to the allottees and would ensure the credit to the successful Bidders depository account within two working days from the date of finalization of the basis of allotment with the Designated Stock Exchange. In case, our Company fails to make allotment or transfer within 15 days of the Bid/Issue Closing Date, interest would be paid to the investors at the rate of 15% per annum.
- b) In accordance with the SEBI (ICDR) Regulations, 2009, Equity Shares will be issued and allotment shall be made only in the dematerialized form to the allottees. Allottees will have the option to re-materialize 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 to them pursuant to this Issue.**

### **General Instructions**

#### **Do's:**

- a) Check if you are eligible to apply;
- b) Complete the Bid-cum-Application Form after reading all the instructions carefully;
- c) Ensure that the details about Depository Participant and beneficiary account are correct as Equity Shares will be allotted in the dematerialized form only;
- d) Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects.
- e) Ensure that the Bids are submitted at the Bidding Centres only on forms bearing stamp of the Syndicate Member;
- f) Ensure that you have been given a TRS for all your Bid options;
- g) Submit Revised Bids to the same Syndicate Member through whom the original Bid was placed and obtain a revised TRS;
- h) Ensure that the Bid is within the Price Band;
- i) 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, investors should ensure 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.
- j) Ensure that Permanent Account Number (PAN) is mentioned in the Bid-cum-Application For.
- k) Ensure that the Demographic details as registered with your Depository participant are updated, true and correct at all respects.

#### **Don'ts:**

- a) Do not Bid if you are prohibited from doing so under the law of your local jurisdiction;
- b) Do not Bid for lower than minimum Bid size;
- c) Do not Bid or revise the Bid to less than the lower end of the Price Band or higher than the higher end of the Price Band;
- d) Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the members of the Syndicate;
- e) Do not pay bid amount in cash, through stock invest, by money order or by postal order.
- f) Do not provide your GIR number instead of PAN number;

- g) Do not Bid at cut-off price (for QIB Bidders and Non-Institutional Bidders for whom the Bid Amount exceeds Rs. 100,000);
- h) Do not fill up the Bid-cum-Application Form for an amount that exceeds the investment limit or maximum number of Equity Shares that can be held by a Bidder under the applicable law.
- i) Do not send Bid-cum-Application Form by post; instead submit the same to a member of the Syndicate only.
- j) Do not submit the Bid without the QIB Margin Amount, in case of a Bid by a QIB.

#### **Instructions for completing the Bid-Cum-Application Form**

Bidders can obtain Bid-cum-Application Forms and / or Revision Forms from our registered/corporate office, or from the Syndicate Members or from the BRLM.

#### **Bids and Revisions of Bids**

Bids and revisions of Bids must be:

- (a) Made only in the prescribed Bid-cum-Application Form or Revision Form, as applicable (white colour for Resident Indians, blue colour for NRI or FII or foreign venture capital fund/Multilateral and Bilateral Development Financial Institutions applying on repatriation basis).
- (b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained therein, in the Bid-cum-Application Form or in the Revision Form. Incomplete Bid-cum-Application Forms or Revision Forms are liable to be rejected.
- (c) The Bids from the Retail Individual Bidders must be for a minimum of [●] Equity Shares and in multiples of 25 thereafter subject to a maximum of Rs. 100,000.
- (d) For non-institutional and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid amount exceeds Rs. 100,000 and in multiples of [●] Equity Shares thereafter. Bids cannot be made for more than the size of the Issue. Bidders are advised to ensure that a single bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable laws or regulations.
- (e) In single name or in joint names (not more than three and in the same order as their Depository Participant details).
- (f) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

#### **Bidder's Bank Account Details**

Bidders should note that on the basis of name of the Bidders, Depository Participants Name, Depository Participants 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 Bidder's bank account details. These bank account details would be printed on the Refund Orders/Refund Advices, if any, to be sent to the Bidders and for giving refund through any of the mode namely ECS or Direct Credit or RTGS or NEFT. 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 Bidder's sole risk and neither the BRLM nor our Company shall have any responsibility and undertake any liability for the same.

#### **BIDDER'S DEPOSITORY ACCOUNT DETAILS**

**IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN THE DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT'S 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.**

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 demographic details of the Bidders such as address, occupation, bank account details for printing on refund orders / refund advices or and for giving refund through any of the mode namely ECS or Direct Credit or RTGS or NEFT (hereinafter referred to as Demographic Details). Hence, Bidders should carefully fill in their Depository Account details in the Bid-cum-Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ refund advice / ECS credit for refunds/ Direct Credit of refund/CANs/Allocation Advice and printing of Bank particulars on the refund order / refund advice, and the Registrar would not use the Demographic Details given by Bidders in the Bid-cum-Application Form for these purposes.

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants.

By signing the Bid-cum-Application Form, Bidder would have deemed to authorize the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic details as available on its records.

Refund Advice / Refund Orders/ Allocation Advice/ CANs would be mailed at address of the first Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/ refund advice/ 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 Bidders in the Bid-cum-Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk.

In case no corresponding record is available with the Depositories that match 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. Investors should note that the refund cheques/allocation advice/refund advice would be overprinted with details of bank account as per the details received from the depository.

#### **Bids under Power of Attorney or by Limited Companies, Corporate Bodies or Registered Societies**

In case of bids made pursuant to a power of attorney or 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 & Article of Association and/or Bye Laws must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any bid in whole or in part.

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 submitted with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part.

#### **Procedure for Bids by Mutual Funds**

In case of Bids made by mutual fund registered with SEBI, Venture Capital Fund registered with SEBI and Foreign Venture Capital investor registered with SEBI, a certified copy of their SEBI registration certificate must be submitted with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part.

#### **Bids by Insurance Companies**

In case of Bids made by insurance companies registered with Insurance Regulatory and Development Authority, a certified copy of the certificate of registration issued by Insurance Regulatory and Development Authority must be submitted with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part.

#### **Bids by Provident Funds**

In case of Bids made by provident fund with the minimum corpus of Rs. 2500 Lacs and pension fund with the minimum corpus of Rs. 2500 Lacs, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part.

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 as our Company/BRLM may deem fit.

#### **Bids by NRIs, FIIs, Foreign Venture Capital Funds registered with SEBI on a repatriation basis**

NRI, FIIs and Foreign Venture Capital funds Bidders to comply with the following:

- Individual NRI Bidders can obtain the Bid-cum-Application Forms from our registered office or from members of the Syndicate or the Registrars to the Issue.
- NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange shall be considered for allotment. NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid-cum-Application form meant for Resident Indians (white in colour).

#### **Bids and Revision to Bids must be made:**

- On the Bid-cum-Application Form or Revision Form, as applicable and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.

- In a single name or joint names (not more than three)
- **By NRIs:** For a minimum of [●] Equity Shares and in multiples of 25 thereafter subject to a maximum Bid amount of Rs. 100,000 for the Bid to be considered as part of the Retail Portion. Bids for Bid Amount more than Rs. 100,000 would be considered under Non Institutional Category for the purposes of allocation. *For further details refer to paragraph titled "Maximum and Minimum Bid Size" beginning on page 224 under this Chapter in the Draft Red Herring Prospectus.*
- **By FIIs:** In multiples of [●] Equity Shares so that the Bid Amount exceeds Rs. 100,000 and in multiples of [●] Equity Shares thereafter. *For further details refer to paragraph titled "Maximum and Minimum Bid Size" beginning on page 224 under this Chapter in the Draft Red Herring Prospectus.*
- 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.
- 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 U.S. 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/speed 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.

**It is to be distinctly understood that 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.**

#### **Payment Instructions**

We along with BRLM and Syndicate Member(s) shall open an Escrow Account of our Company with the Escrow Collection Banks for the collection of the Bid Amounts payable upon submission of the Bid-cum-Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

#### **Payment into Escrow Account to the Issue**

1. The applicable Margin Amount for Non Institutional Bidders and Retail Individual Bidders is equal to 100% whereas for QIBs it is 10% and while submitting the Bid-cum-Application Form, shall be drawn as a payment instrument for the Bid Amount in favour of the Escrow Account and submitted to the members of the Syndicate.
2. In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account of our Company within the period specified in the Intimation Note/CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM.

3. The payment instruments for payment into the Escrow Account of our Company should be drawn in favour of:

i.	In case of Resident Bidders	:	<b>Escrow Account – Acropetal Public Issue - R</b>
ii.	In case of Non Resident Bidders	:	<b>Escrow Account – Acropetal Public Issue – NR</b>
iii.	In case of Resident QIB Bidders	:	<b>Escrow Account – Acropetal Public Issue – QIB – R</b>
iv.	In case of Non Resident QIB Bidders	:	<b>Escrow Account – Acropetal Public Issue – QIB – NR</b>

For Anchor Investors, the payment instruments for payment into the Escrow Account should be drawn in favour of:

v.	In case of Resident Anchor Investors	:	<b>Escrow Account– Acropetal Public Issue–Anchor–R</b>
vi.	In case of Non-Resident Anchor Investor	:	<b>Escrow Account–Acropetal Public Issue–Anchor-NR</b>

4. 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 authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of a Non-Resident Ordinary (NRO) Account of a Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR Account.
5. Payment will not be accepted out of a Non Resident Ordinary (NRO) Account of a Non Resident bidder bidding on a repatriation basis.
6. In case of Bids by FIIs, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.
7. Where a Bidder has been allocated a lesser number of Equity Shares than what 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 of our Company.
8. The monies deposited in the Escrow Account of our Company will be held for the benefit of the Bidders till the Designated Date.
9. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account of our Company as per the terms of the Escrow Agreement into the Public Issue Account with the Bankers to the Issue and Refund Account with the Refund Bankers.
10. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Refund Banker shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.



**Payments should be made by cheque, or demand drafts 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 cheque/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.**

#### **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. Each member of the Syndicate may at its sole discretion waive the requirement of payment at the time of submission of the Bid-cum-Application Form and Revision Form. However, for QIB Bidders, the members of the Syndicate member shall collect the Margin Amount.

**No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. 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 ('First Bidder'). All communications will be addressed to the First Bidder and will be dispatched to his or her address.

##### **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:

- i) All applications with the same name and age will be accumulated and taken to a separate process file which would serve as a multiple master.
- ii) In this master, a check will be carried out for the same PAN. In cases where the PAN is different, the same will be deleted from this master.
- iii) The Registrar will obtain, from the depositories, details of the applicant's address based on the DP ID and Beneficiary Account Number provided in the Bid-cum-Application Form and create an address master.
- iv) The addresses of all the applications in 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, hash etc. Sometimes, the name, the first line of

address and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the applications processed. A print-out of the addresses will be taken to check for common names. The applications with same name and same address will be treated as multiple applications.

- v) The applications will be scrutinized for DP ID and Beneficiary Account Numbers. In case applications bear the same DP ID and Beneficiary Account Numbers, these will be treated as multiple applications.
- vi) Subsequent to the aforesaid procedures, a print out of the multiple master will be taken and the applications physically verified to tally signatures as 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 applications made by the asset management companies or custodians of a Mutual Fund shall clearly indicate the name of the concerned scheme for which application is being made.

We reserve the right to reject, in their absolute discretion, all or any multiple Bids in any or all categories.

#### **Permanent Account Number (PAN)**

The Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act, 1961, irrespective of the amount for which application or bid is made. Applications without this information will be considered incomplete and are liable to be rejected.

**It is to be specifically noted that Bidders should not mention the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.**

#### **Right to Reject Bids**

Our Company, in consultation with the BRLM, reserves the right to reject any Bid procured from QIBs, by any or all members of the Syndicate for reasons to be recorded in writing provided that such rejection shall be made at the time of acceptance of the Bid and the reasons thereof shall be disclosed to the Bidders. In case of Non-Institutional Bidders and Retail Individual Bidders our Company would have a right to reject the Bids only on technical grounds. Consequent refunds shall be made by Cheque/Pay Order/Demand Draft/ECS/Direct Credit/RTGS/NEFT, as the case may be, and will be sent to the bidder's address at the bidder's risk.

#### **Grounds for Technical Rejections**

Bidders are advised to note that Bids are liable to be rejected on technical grounds, including the following:-

1. Amount paid doesn't tally with the amount payable for the highest value of Equity Shares bid for;
2. Age of First Bidder not given;
3. Bank account details for Bidders 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. Bids by Non Residents, if not in compliance with the appropriate foreign and Indian laws;

6. Bids by persons not competent to contract under the Indian Contract Act, 1872, including minors, insane persons
7. PAN not mentioned in the Bid-cum-Application Form
8. GIR Number given instead of PAN Number;
9. Bids for lower number of Equity Shares than specified for that category of investors;
10. Bids at a price less than the lower end of the Price Band;
11. Bids at a price more than the higher end of the Price Band;
12. Bids at cut-off price by Non-Institutional and QIB Bidders;
13. Bids for number of Equity Shares, which are not in multiples of 25;
14. Category not ticked;
15. Multiple bids as defined in the Draft Red Herring Prospectus;
16. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
17. Bids accompanied by Stockinvest/money order/ postal order/ cash;
18. Bids not duly signed by the sole /joint Bidders;
19. Bid-cum-Application Form does not have the stamp of the BRLM/Syndicate Member;
20. Bid-cum-Application Form does not have Bidder's depository account details;
21. Bid-cum-Application Forms are not submitted by the Bidders within the time prescribed as per the Bid-cum-Application Form, Bid/Issue Opening Date advertisement and the Draft Red Herring Prospectus and as per the instructions in the Draft Red Herring Prospectus and the Bid-cum-Application Form; or
22. 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 identity;
23. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
24. Bid in respect of which Bid-cum-Application form do not reach the Registrar prior to the finalization of the basis of allotment;
25. Bids where clear funds are not available in Escrow Accounts as per final certificate from the Escrow Collection Banks;
26. Bids by OCBs;
27. Bids by US persons other than "qualified institutional buyers" as defined in Rule 144A of the Securities Act or other than in reliance on Regulation S under the Securities Act;
28. Bids by any person outside India if not in compliance with applicable foreign and Indian laws;
29. Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority;
30. Bids not uploaded in the electronic bidding system of Stock Exchanges would be rejected; and
31. Bids by NRIs not disclosing their residential status;
32. Any other reason which the BRLM or our Company deem necessary.

#### **Equity Shares in Dematerialized Form with NSDL or CDSL**

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a dematerialized 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 tripartite agreements have been signed among our Company, the Depositories and the Registrar:

- 1) An Agreement dated [●] among NSDL, our Company and Registrar.
- 2) An Agreement dated [●] among CDSL, our Company and Registrar.

All bidders can seek allotment only in dematerialized mode. Bids from any investor without relevant details of his or her depository account are liable to be rejected. All Bids from any Bidder without the following details of his or her depository account are liable to be rejected:

- 1) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of NSDL or CDSL prior to making the Bid.
- 2) 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.
- 3) Equity Shares allotted to a Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
- 4) 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 depository account of the Bidder(s).
- 5) Non-transferable allocation advice or refund orders will be directly sent to the Bidder by the Registrar to the Issue.
- 6) 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.
- 7) 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/her Depository Participant.
- 8) Equity Shares in electronic form can be traded only on the Stock Exchanges having electronic connectivity with NSDL or CDSL. BSE and NSE, where Equity Shares are proposed to be listed are connected to NSDL and CDSL.
- 9) The trading of our Equity Shares would only be in dematerialized form for all investors in the demat segment of BSE and NSE.
- 10) Investors are advised to instruct their Depository Participants to accept the Equity Shares that may be allocated to them, pursuant to the issue.

### **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-cum-Application Form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

**Our Company has appointed Mr. Jamili Jalaiah as the Compliance Officer for the purposes of this IPO and he may be contacted at the registered office of our Company at: # 2/10, 3<sup>rd</sup> Floor, Ajay Plaza, 1<sup>st</sup> Main, N.S. Palya, Bannerghatta Road, Bangalore – 560 076, Karnataka, India. Investors may contact him in case of any Pre-Issue or Post-Issue related problems.**

**The 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 account, refund orders, etc.**

## Disposal of Applications and Application Money

We shall ensure dispatch of allotment advice and/or refund orders/refund advice (in case refunds made through ECS/ Direct Credit, RTGS, NEFT) as the case may be giving credit to the Beneficiary Account of the bidders with their respective Depository Participant and submission of the allotment and listing documents to the Stock Exchanges within two working days of finalization of the basis of allotment of Equity Shares.

## Mode of Making Refunds

The payment of refund, if any, would be done through various modes as given hereunder:

1. ECS – Payment of refund would be done through ECS for applicants having an account at any of the following sixty eight centres:

1. Ahmedabad	2. Nashik	3. Sholapur	4. Gorakhpur
5. Bangalore	6. Panaji	7. Ranchi	8. Jammu
9. Bhubaneswar	10. Surat	11. Tirupati (non-MICR)	12. Indore
13. Kolkata	14. Trichy	15. Dhanbad(non-MICR)	16. Pune
17. Chandigarh	18. Trichur	19. Nellore (non- MICR)	20. Salem
21. Chennai	22. Jodhpur	23. Kakinada(non- MICR)	24. Jamshedpur
25. Guwahati	26. Gwalior	27. Agra	28. Visakhapatnam
29. Hyderabad	30. Jabalpur	31. Allahabad	32. Mangalore
33. Jaipur	34. Raipur	35. Jalandhar	36. Coimbatore
37. Kanpur	38. Calicut	39. Lucknow	40. Rajkot
41. Mumbai	42. Siliguri (non- MICR)	43. Ludhiana	44. Kochi/Ernakulam
45. Nagpur	46. Pondicherry	47. Varanasi	48. Bhopal
49. New Delhi	50. Hubli	51. Kolhapur	52. Madurai
53. Patna	54. Shimla (non- MICR)	55. Aurangabad	56. Amritsar
57. Thiruvananthapuram	58. Tirupur	59. Mysore	60. Haldia (non- MICR)
61. Baroda	62. Burdwan (non-MICR)	63. Erode	64. Vijaywada
65. Dehradun	66. Durgapur (non- MICR)	67. Udaipur	68. Bhilwara

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 sixty eight centres, except where the applicant, being eligible, opts to receive refund through NEFT, direct credit or RTGS.

2. 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 our Company.
3. RTGS – Applicants having a bank account at any of the abovementioned sixty eight 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 our Company. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.
4. 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.

5. 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 centres will be payable by the Bidders.

We shall 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 finalization of the basis of allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI (ICDR) Regulations, 2009, our Company, further undertakes that:

- Allotment of Equity Shares shall be made only in dematerialized form within 15 days of the Bid/Issue Closing Date;
- Our Company shall, within 15 days of the Bid/Issue Closing Date, ensure giving instruction in respect of refunds to the clearing system or dispatch the refund orders as the case may be; and
- Our Company shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment/transfer is not made, refund orders are not dispatched or refund instructions have not been given to the clearing system in the manner disclosed above and/or demat credits are not made to bidders within the 15 day time prescribed above.

Our Company will provide adequate funds required to the Registrar to the Issue for refunds to unsuccessful applicants or allotment advice. Refunds if, not made by Electronic Clearing Services (ECS), Direct Credit, RTGS, National Electronic Funds Transfer (NEFT) will be made through cheques, pay orders or demand drafts drawn on a bank appointed by us as a refund banker 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 centres will be payable by the Bidders.

Where refunds are made through electronic transfer of funds, a suitable communication will be sent to the bidders within 15 days of closure of the issue, giving details of the Bank where refund will be credited along with amount and expected date of electronic credit of refund.

**The bank account details for ECS/ Direct Credit, RTGS, National Electronic Funds Transfer (NEFT) credit will be directly taken from the depositories' database and hence bidders are required to ensure that bank details including MICR code maintained at the depository level are updated and correct.**

We shall 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 finalization of the basis of allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI (ICDR) Regulations, 2009, Our Company further undertakes that allotment/ transfer of Equity Shares shall be made only in dematerialized form within 15 days of the Bid/ Offer Closing Date.

**We will provide adequate funds required for dispatch of refund orders, Direct Credit, ECS, RTGS or allotment advice to the Registrar to the Issue.**

Refunds will be made by Direct Credit, ECS, RTGS cheques, pay orders or demand drafts drawn on a bank appointed by us as a refund banker 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 centres will be payable by the Bidders.

No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection centre of the Syndicate Member(s) 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.

### **Impersonation**

**Attention of the Bidders is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:**

**“Any person who:**

- (a) makes in a fictitious name, a Bid 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.”**

### **Interest on Refund of Excess Bid Amount**

We shall pay interest at the rate of 15% per annum on the excess Bid Amount received by us if refund orders are not dispatched within 15 days from the Bid/Issue Closing Date.

### **BASIS OF ALLOTMENT**

Basis of allotment shall be finalized by our Company and BRLM in consultation with BSE.

#### **I. 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 portion. The allocation to all the successful Retail individual Bidders will be made at the Issue Price.
- The Net Issue size less allocation to Non-Institutional Bidders and QIBs shall be available for allocation to Retail Individual Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue 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 Retail Individual Bidders 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 up to a minimum of [●] Equity Shares (being the minimum bid quantity) or in multiples of one Equity Share. For the method of proportionate basis of allocation, refer below.

## **II. 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 portion. The allocation to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Net Issue size less allocation to QIBs and Retail Portion shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue 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 Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is 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 (being the minimum bid quantity) or in multiples of one Equity Share. For the method of proportionate basis of allotment refer below.

## **III. For QIB Bidders**

- Bids received from the QIB bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allocation to all the 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 5% of the QIB Portion shall be determined as follows:
    - i. In the event that Mutual Fund Bids exceed 5% of the QIB portion, allocation to Mutual Funds shall be done on a proportionate basis for 5% of the QIB portion.
    - ii. In the event that the aggregate demand for 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, not allocated to Mutual Funds shall be available to all QIB Bidders as set out in (b) below;
  - (b) In the second instance allocation to all QIB's shall be determined as follows:
    - i. In the event that the oversubscription 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.
    - ii. 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 Share on a proportionate basis along with other QIB Bidders.
    - iii. 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.



(c) The aggregate allocation to QIB Bidders shall be up to [●] Equity Shares.

#### **IV. For Anchor Investors**

- Our Company, in consultation with the BRLM, shall finalise Allocation to the Anchor Investors on a discretionary basis, subject to compliance with requirements regarding minimum number of 2 allottees.
- The number of Equity Shares allocated to Anchor Investors and the price at which the allocation is made, shall be made available in public domain by the BRLM before the Bid/Issue Opening Date.
- Anchor Investors shall pay Anchor Investor Margin Amount representing 25% of the Bid Amount at the time of submission of the Bid. Any difference between the amount payable by the Anchor Investor for Equity Shares Allocated and the Anchor Investor Margin Amount paid at the time of Bidding, shall be payable by the Anchor Investor within two days of the Bid/ Issue Closing Date.
- In case the Issue Price is greater than the price at which Equity Shares are allocated to Anchor Investors, the additional amount being the difference between the Issue Price and the price at which Equity Shares were allocated to the Anchor Investors shall be paid by the Anchor Investors. In the event the Issue Price is lower than the price at which Equity Shares are allocated to Anchor Investors, the allotment to Anchor Investors shall be at the higher price i.e. the price at which Equity Shares were allocated under the Anchor Investor Portion.
- Allocation to Anchor Investors shall be completed on the day of bidding by Anchor Investors
- The Equity Shares allotted in the Anchor Investor Portion shall be locked-in for a period of 30 days from the date of allotment in the Issue.
- The BRLM or any person related to the BRLM / Promoters/Promoter Group shall not participate in the Anchor Investor Portion.
- Bids made by QIBs under both the Anchor Investor Portion and the QIB Portion shall not be considered as multiple Bids.

#### **Procedure and Time Schedule for Allotment and Issue of Certificates**

The Issue will be conducted through a '100% Book Building process' pursuant to which the Underwriters will accept bids for the Equity Shares during the Bidding Period. The Bidding Period will commence on [●], 2010 and expire on [●], 2010. Following the expiration of the Bidding Period, our 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 the confirmation by the Stock Exchanges. Successful bidders will be provided with a confirmation of their allocation and will be required to pay any unpaid amount for the Equity Shares within a prescribed time. The Prospectus will be filed with Registrar of Companies, Karnataka, Bangalore and SEBI, Mumbai. SEBI (ICDR) Regulations, 2009 require our Company to complete the allotment to successful bidders within 15 days from the Bid/Issue Closing Date. 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 traded on BSE and NSE.

### **Method of Proportionate Allotment**

In the event of the Issue being over-subscribed, the basis of allotment shall be finalised by Our Company in consultation with the Designated Stock Exchange. The Executive Director/Managing Director/authorized employees of the Bombay Stock Exchange (Designated Stock Exchange) along with the post Issue Lead Merchant Banker and the Registrars to the Issue shall be responsible to ensure that the basis of allotment is finalized in a fair and proper manner.

The allotment shall be made in marketable lots, on a proportional 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, in that category subject to a minimum allotment of [●] Equity Shares. The allotment lot shall be the same as the minimum application lot irrespective of any revisions to the Price Band.
- (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 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 the decimal is less than 0.5, it would be rounded off to the lower whole number. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.
- (f) 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 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.

### **Letters of Allotment or Refund Orders**

We shall give credit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within two working days of finalization of the basis of allotment of Equity Shares. Applicants residing at 15 centers where clearing houses are managed by the Reserve Bank of India (RBI) will get refunds through Direct Credit or RTGS or NEFT, or ECS as applicable (subject to availability of all information for crediting through electronic mode). In case of other applicants, the Bank 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, except for Bidders who

have opted to receive refunds through the electronic facility. 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 working days of closure of Issue. We shall ensure dispatch 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 or NEFT, 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 the issuer.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI (ICDR) Regulations, 2009, we undertake that:

- Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;
- Dispatch of refund orders will be done within 15 days from the Bid/Issue Closing Date;
- We 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 as prescribed under SEBI (ICDR) Regulations, 2009.

We 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 us, as a Refund Bank and payable at par at places where Bids are received, except for Bidders who have opted to receive refunds through the Direct Credit/RTGS/NEFT/ECS facility. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

#### **Dispatch of Refund Orders**

*For details of Dispatch of Refund Orders refer to paragraph titled "Disposal of Applications and Application Money" beginning on page 243 under this Chapter in the Draft Red Herring Prospectus.*

#### **Interest in case of delay in Dispatch of Allotment Letters/Refund Orders in case of public issues**

Our Company agrees that allotment of securities offered to the public shall be made not later than 15 days of the closure of issue. Our Company further agrees that it shall pay interest @15% per annum if the allotment letters/ refund orders have not been dispatched to the applicants 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 within 15 days from the Bid/Issue closing date.

#### **Bid/Issue Program**

<b>Bid/Issue opens on: [●], 2010</b>	<b>Bid/Issue closes on: [●], 2010</b>
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Our Company may consider participation by Anchor Investors for upto [●] Equity Shares in accordance with applicable SEBI (ICDR) Regulations, 2009. The Anchor Investor Bid/ Issue Period shall be one working day prior to the Bid/ Issue Opening Date.

Bids and any revision in Bids shall be accepted **only between 10.00 am and 3.00 pm** (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid-cum-Application Form. Standardized cut-off time for uploading of bids on the bid/issue closing date is as under:

1. A standard cut-off time of 3.00 pm for acceptance of bids
2. A standard cut-off time of 4.00 pm for uploading of bids received from non retail applicants i.e. QIBs and HNIs.
3. A standard cut-off time of 5.00 pm for uploading of bids received from retail applicants, where the Bid Amount is up to Rs. 100,000 which may be extended up to such time as deemed fit by Stock Exchanges. Bids by ASBA Bidders shall be uploaded by the SCSB in the electronic system to be provided by the NSE and the BSE.

In case of discrepancy in the data entered in the electronic book vis-à-vis the data contained in the physical Bid form, for a particular bidder, the details as per physical application form of that Bidder may be taken as the final data for the purpose of allotment. In case of discrepancy in the data entered in the electronic book vis-à-vis the data contained in the physical or electronic Bid-cum-Application Form, for a particular ASBA Bidder, the Registrar to the Issue shall ask for rectified data from the SCSB.

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, in any case, no later than the times mentioned above. All times mentioned in the Draft Red Herring Prospectus are Indian Standard Time. Bidders are cautioned that due to clustering of last day applications, as is typically experienced in public offerings, some Bids may not get uploaded on the last day. Such Bids that cannot be uploaded will not be considered for allocation under the Issue. If such Bids are not uploaded, our Company, the BRLM and the Syndicate Member shall not be responsible. On the Bid/Issue Closing Date, extension of time will be granted by the Stock Exchanges only for uploading the Bids received from Retail Bidders after taking into account the total number of Bids received upto the closure of timings for acceptance of Bid-cum-Application Forms as stated herein and reported by the BRLM to the Stock Exchanges within half an hour of such closure.

**Investors please note that as per letter no. List/smd/sm/2006 dated July 3, 2006 and letter no. NSE/IPO/25101-6 dated July 6, 2006 issued by BSE and NSE respectively, bids and any revision in Bids shall not be accepted on Saturdays and holidays as declared by the Exchanges.**

We reserve the right to revise the Price Band during the Bidding Period in accordance with SEBI (ICDR) Regulations, 2009. 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 and can move up or down to the extent of 20%.

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 public notice in two national newspapers one in English and other in Hindi, and also by indicating the change on the web sites of the BRLM and at the terminals of the Syndicate and to the SCSBs.

## ISSUE PROCEDURE FOR ASBA BIDDERS

SEBI, introduced a new mode of payment in public issues i.e., application supported by blocked amount wherein the application money remains blocked in the ASBA Bidder's Account until allotment in the public issue. Set forth below is the procedure for Bidding under the ASBA procedure, for the benefit of the Bidders.

**This section is only to facilitate better understanding of aspects of the procedure for bidding which is specific to ASBA Bidders. ASBA Bidders should nonetheless read this document in entirety.**

Our Company and the BRLM are not liable for any amendments, modifications, or changes in applicable laws or regulations, which may occur after the date of the Draft Red Herring Prospectus. ASBA Bidders are advised to make their independent investigations and to ensure that the ASBA Form is correctly filled up, as described in this section.

The list of banks who have been notified by SEBI to act as SCSBs for the ASBA Process are provided at <http://www.sebi.gov.in>. For details on designated branches of SCSB collecting the ASBA Form, please refer the above mentioned SEBI link.

### ASBA Process

All Bidders other than QIB Bidders qualify as ASBA Investors and are eligible to submit their Bids through the ASBA process. Investors other than ASBA Investors are required to follow the process as mentioned under "Issue Procedure" on page 221 of the Draft Red Herring Prospectus.

An ASBA Investor shall only use a Physical Bid-cum-Application Form Supported by Blocked Amounts ("Physical Bid Cum ASBA Form") or Electronic Bid-cum-Application Form Supported by Blocked Amounts ("Electronic Bid Cum ASBA Form") and collectively ("Bid Cum ASBA Form") available with the SCSB which shall be submitted either physically or electronically as the case may be through the internet banking facility, to the Designated Branches ("DB") of the SCSB with whom the bank account to be blocked, is maintained by such ASBA Investor.

SCSB is a bank, registered under the SEBI (Bankers to the Issue) Regulations 1996, which offers the facility of applying through the ASBA process and has its name included in the SEBI's list of SCSBs displayed on its website at <http://www.sebi.gov.in>. ASBA Bid-cum-Application Form can be accepted only by SCSBs. A SCSB shall identify its DBs at which an ASBA investor shall submit the ASBA Bid-cum-Application Forms and shall also identify the CB which shall act as a coordinating branch for the Registrar to the Issue, Stock Exchanges and BRLM. The SCSB may identify new DBs for the purpose of ASBA process and intimate details of the same to SEBI, after which SEBI will add the DB to the list of SCSBs maintained by it. The ASBA investor should ensure that it has a Bank Account with the DB, to be eligible for making an application through ASBA. The Investor should check the SEBI website, <http://www.sebi.gov.in>, for details of the DBs.

A soft copy of the Abridged Prospectus would also be made available on the website of the SCSB, along with the Electronic Bid Cum ASBA Form, so as to enable an ASBA Investor to confirm that he/she has read and understood the terms and conditions of the Abridged Prospectus, before applying in the Issue.

### ASBA Bid-cum-Application Form

The prescribed colour of Physical **ASBA Bid-cum-Application Form** is Pink. The BRLM shall ensure that adequate arrangements are made to circulate copies of the Draft Red Herring Prospectus and Physical ASBA Bid-cum-Application Form to the SCSBs and the SCSBs will then make available such copies to investors applying under the ASBA process. Additionally, the

BRLM shall ensure that the SCSBs are provided with soft copies of the abridged prospectus and the Electronic ASBA Bid-cum-Application Form and that the same are made available on the websites of the SCSBs, Stock Exchange(s) and BRLM.

ASBA Bidders, under the ASBA process, who would like to obtain the Draft Red Herring Prospectus and/or the Physical Bid cum ASBA Form can obtain the same from the Designated Branches of the SCSBs or the BRLM. ASBA Bidders can also obtain a copy of the abridged prospectus and/or the Electronic ASBA Bid-cum-Application Form in electronic form on the websites of the SCSBs.

An ASBA Investor shall only use the ASBA Bid-cum-Application Form for making a Bid in terms of the Draft Red Herring Prospectus which shall be submitted either electronically or physically to the SCSB with whom the bank account to be blocked is maintained. The SCSB shall give an acknowledgement specifying the application number to the ASBA Investor as proof of having accepted the Bid in physical or electronic form. The SCSB shall then block the application money in the bank account of such ASBA Investor held with the SCSB specified in the ASBA Bid-cum-Application Form, on the basis of an authorization to this effect given by the ASBA Investor and thereafter upload the ASBA Bid-cum-Application Form in the electronic bidding system of the Stock Exchange. In case sufficient funds are not available in the account of the ASBA Investor, SCSB shall reject the ASBA Bid and shall not upload such Bids with the Stock Exchanges.

Upon completing and submitting the ASBA Bid-cum-Application Form to a SCSB, either electronically or physically, as has been elaborated herein-below, the ASBA Investor is deemed to have authorized our Company to make the necessary changes in the Draft Red Herring Prospectus and the ASBA Bid-cum-Application Form as would be required for filing the Prospectus with the RoC and as would be required by the RoC after such filing, without prior or subsequent notice of such changes to the ASBA Investor.

#### **Method and Process of Bidding**

- (a) ASBA Bidders are required to submit their Bids, either in physical or electronic mode. ASBA Bidders submitting their Bids in physical mode should approach the Designated Branches of the SCSBs. ASBA Bidders submitting their Bids in electronic form shall submit their Bids either using the internet enabled bidding and banking facility of the SCSBs or such other electronically enabled mechanism for bidding and blocking funds in the accounts of the respective eligible investors, and accordingly registering such Bids. Every Designated Branch of the SCSB shall accept Bids from all such investors who hold accounts with them and desire to place Bids through them. Such SCSBs shall have the right to vet the Bids, subject to the terms of the SEBI Regulations and Draft Red Herring Prospectus.
- (b) The Designated Branches of the SCSBs shall give an acknowledgment specifying the application number to the ASBA Bidders as a proof of acceptance of the ASBA Bid-cum-Application Form. Such acknowledgment does not in any manner guarantee that the Equity Shares bid for shall be allocated to the ASBA Bidders.
- (c) After determination of the Issue Price, the number of Equity Shares bid for by the ASBA Bidder at or above the Issue Price in case of Non Institutional and Retail Individual Bidders or at Cut-off Price by Retail Individual Bidders will be considered for allocation at par along with the Bidders in the respective categories who have bid for Equity Shares at or above the Issue Price or at Cut-off Price.
- (d) Upon receipt of the ASBA Bid-cum-Application Form, submitted whether in physical or electronic mode, the Designated Branch of the SCSB shall verify if sufficient funds equal

- to the Bid Amount are available in the ASBA Account, as mentioned in the ASBA Bid-cum-Application Form, prior to uploading such Bids with the Stock Exchanges.
- (e) If sufficient funds are not available in the ASBA Account, the Designated Branch of the SCSB shall reject such Bids and shall not upload such Bids with the Stock Exchanges.
  - (f) If sufficient funds are available in the ASBA Account, the SCSB shall block an amount equivalent to the Bid Amount mentioned in the ASBA Bid-cum-Application Form. The Designated Branch shall thereafter enter the Bid details from the prescribed ASBA Bid-cum-Application Form, if submitted in physical mode, or the Bid information submitted through the electronic mode made available by the SCSBs, as the case may be, into the electronic bidding system of the Stock Exchanges and generates a Transaction Registration Slip ("**TRS**"). The TRS shall be furnished to the ASBA Bidder on request.
  - (g) An ASBA Bidder cannot bid, either in physical or electronic mode, on another ASBA Bid-cum-Application Form or a non-ASBA Bid-cum-Application Form after bidding on one ASBA Bid-cum-Application Form, either in physical or electronic mode, has been submitted to the Designated Branches of SCSBs or uploaded by the ASBA Bidder, as the case may be. Submission of a second ASBA Bid-cum-Application Form or a Non-ASBA Bid-cum-Application Form to either the same or to another Designated Branch of the SCSB will be treated as multiple Bids and will be 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.

## **Bidding**

- a. The Price Band has been fixed at Rs. [●] to Rs. [●] per Equity Share, Rs. [●] being the floor of the Price-Band and Rs. [●] being the cap of the Price Band. The Bidders can bid at any price within the price Band, in multiples of Re. 1. The minimum application value shall be within the range of Rs. 5,000 to Rs. 7,000. The Company, in consultation with the BRLM reserves the right to revise the Price Band, during the Bid/Issue Period, provided that the Cap Price shall be less than or equal to 120% of the Floor Price and the Floor Price shall not be less than the face value of the Equity Shares. The revision in Price Band shall not exceed 20% on the either side i.e. the Floor Price can move up or down to the extent of 20% of the Floor Price.
- b. In case of revision in the Price Band, the Bid/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 Bid/Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a public notice in two national newspapers (one each in English and Hindi), and a regional language newspaper and also by indicating the change on the websites of the BRLM, SCSBs and at the terminals of the members of the Syndicate.
- c. The Company in consultation with the BRLM will finalize the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation to, the ASBA Bidders.
- d. ASBA Bidders agree that they shall purchase the Equity Shares at any price within the Price Band. In the event the Bid Amount is higher than the subscription amount payable, the ASBA Account shall be unblocked to the extent to such excess of Bid Amount over the subscription amount payable.
- e. In case of an upward revision in the Price Band, announced as above, the number of Equity Shares bid for shall be adjusted downwards (to the previous multiple lot) for the purpose of

allotment, such that no additional amount is required to be blocked in the ASBA Account and the ASBA Bidder is deemed to have approved such revised Bid at Cut-off Price.

### **Mode of Payment**

Upon submission of a Bid cum ASBA Form with the SCSB, whether in physical or electronic mode, each ASBA Bidder shall be deemed to have agreed to block the entire Bid Amount and authorized the Designated Branch of the SCSB to block the Bid Amount, in the bank account maintained with the SCSB.

Bid cum ASBA Form accompanied by cash, draft, money order, postal order or any mode of payment other than blocked amounts in the SCSB bank accounts, shall not be accepted.

After verifying that sufficient funds are available in the ASBA Bidder's Account, the SCSB shall block an amount equivalent to the Bid Amount mentioned in the Bid cum ASBA Form till the Designated Date. On the Designated Date, the SCSBs shall transfer the amounts allocable to the ASBA Bidders from the respective ASBA Bidder's Account, in terms of the SEBI (ICDR) Regulations, into the ASBA Public Issue Account. The balance amount, if any against the said Bid in the ASBA Accounts shall then be unblocked by the SCSBs on the basis of the instructions issued in this regard by the Registrar to the Issue.

The entire Bid Amount, as per the Bid-cum-Application Form submitted by the respective ASBA Bidders, would be required to be blocked in the respective ASBA Accounts from the time of the submission of the ASBA Bid-cum-Application Form, whether in physical or electronic mode, until finalization of the Basis of Allotment in the Issue and consequent transfer of the Bid Amount against allocated shares to the ASBA Public Issue Account, or until withdrawal/failure of the Issue or withdrawal of bids by ASBA Investor or until rejection of the ASBA Bid, as the case may be.

### **Electronic registration of Bids by SCSBs**

- a. In case of ASBA Bid-cum-Application Forms, whether in physical or electronic mode, the Designated Branch of the SCSBs will register the Bids using the online facilities of the Stock Exchanges. SCSB shall not upload any ASBA Application Form in the electronic bidding system of the Stock Exchange(s) unless:
  - i. it has received the ASBA in a physical or electronic form; and
  - ii. it has blocked the application money in the bank account specified in the ASBA or has systems to ensure that Electronic ASBAs are accepted in the system only after blocking of application money in the relevant bank account opened with it.
- b. The Stock Exchanges offer a screen-based facility for registering Bids for the Issue which will be available on the terminals of Designated Branches during the Bid/Issue Period. The Designated Branches can also set up facilities for offline electronic registration of Bids subject to the condition that they will subsequently upload the offline data file into the online facilities for Book Building on a regular basis. On the Bid/Issue Closing Date, the Designated Branches of the SCSBs shall upload the Bids till such time as may be permitted by the Stock Exchanges. ASBA Bidders are cautioned that high inflow of bids typically received on the last day of the bidding may lead to some Bids received on the last day not being uploaded due to lack of sufficient uploading time, and such bids that are not uploaded may not be considered for allocation.
- c. The aggregate demand and price for Bids registered on the electronic facilities of the Stock Exchanges will be displayed online on the websites of the Stock Exchanges. A graphical representation of consolidated demand and price would be made available on the websites of the Stock Exchanges during the Bidding Period.



- d. At the time of registering each Bid, the Designated Branches of the SCSBs shall enter the information pertaining to the investor into the online system, including the following details:
- Name of the Bidder(s);
  - Application Number;
  - Permanent Account Number;
  - Number of Equity Shares Bid for;
  - Depository Participant identification No.; and
  - Client identification No. of the Bidder's beneficiary account.

In case of electronic ASBA, the ASBA Bidder shall himself fill in all the above mentioned details, except the application number which shall be system generated. The SCSBs shall thereafter upload all the above mentioned details in the electronic bidding system provided by the Stock Exchange(s).

- e. A system generated TRS will be given to the ASBA Bidder upon request as proof of the registration of the Bid. It is the ASBA Bidder's responsibility to obtain the TRS from the Designated Branches of the SCSBs. The registration of the Bid by the Designated Branch of the SCSB does not guarantee that the Equity Shares bid for shall be allocated to the ASBA Bidders.
- f. Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- g. It is to be distinctly understood that 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 that the compliance with various statutory and other requirements by our Company or the BRLM or the Designated Branches of the SCSBs are cleared or approved by the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of compliance with the statutory and other requirements; nor does it take any responsibility for the financial or other soundness of our Company, our management or any scheme or project of our Company.
- h. The SCSB may reject the ASBA Bid upon receipt of ASBA Bid-cum-Application Form, if the ASBA Account maintained with the SCSB as mentioned in the ASBA Bid-cum-Application Form does not have sufficient funds equivalent to the Bid Amount. Subsequent to the acceptance of the Bid by the Designated Branch, our Company would have a right to reject the Bids only on technical grounds.
- i. 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 NSE and the Designated Branches of the SCSBs, the decision of the Registrar, in consultation with the BRLM, the Company and the Designated Stock Exchange, based on the physical records of the ASBA Bid-cum-Application Forms shall be final and binding on all concerned.

#### **Price Discovery and Allocation**

After the Bid/Issue Closing Date, the Registrar to the Issue shall aggregate the demand generated under the ASBA process and which details are provided to them by the SCSBs with the Retail Individual Investors and Non Institutional Investors applying under the non ASBA process to determine the demand generated at different price levels. For further details, refer to the section titled "Issue Procedure" on page 221 of the Draft Red Herring Prospectus.

#### **Issuance of Confirmation of Allocation Note**

The dispatch of the CAN to an ASBA Investor shall be deemed to be a valid, binding and irrevocable contract for the ASBA Investor, whose funds shall thereafter be unblocked by the SCSB and shall be transferred to the ASBA Public Issue Account for the payment of the entire Issue Price for allocation for all the Equity Shares transferred to such ASBA Investor.

#### **Terms of Payment and Payment into the Public Issue Account by the SCSB**

Once the Basis of Allotment is approved by the Designated Stock Exchange, the Registrar shall provide the following details to the SCSB, along with instructions to unblock the relevant bank accounts and transfer the requisite money to the ASBA Public Issue Account on a date falling within 15 days from the Bid/Issue closing date as informed by the Book Running Lead Manager.

- 1) Number of shares to be allotted against each valid ASBA
- 2) Amount to be transferred from the relevant bank account to the ASBA Public Issue Account, for each valid ASBA Bid-cum-Application Form
- 3) The date by which the funds referred to in sub-para (2) above, shall be transferred to the ASBA Public Issue Account
- 4) Details of rejected ASBAs, if any, along with reasons for rejection and details of withdrawn/ unsuccessful ASBAs, if any, to enable SCSBs to unblock the respective bank accounts.

#### **Payment mechanism under ASBA**

The ASBA Bidders shall specify the bank account number in the ASBA Bid-cum-Application Form and the SCSB shall block an amount equivalent to the application money in the bank account specified in the Bid-cum-Application Form. The SCSB shall keep the Bid Amount in the relevant bank account blocked until withdrawal/rejection of the ASBA Bid or receipt of instructions from the Registrar to the Issue to unblock the Bid Amount.

In the event of withdrawal or rejection of Bid-cum-Application Form or for unsuccessful Bid-cum-Application Forms, the Registrar to the Issue shall give instructions to the Controlling Branch of the SCSB to unblock the application money in the relevant bank account. The Bid Amount shall remain blocked in the ASBA Account until finalization of the Basis of Allotment in the Issue and consequent transfer of the Bid Amount to the Public Issue Account, or until withdrawal/failure of the Issue or until rejection of the ASBA Bid, as the case may be.

#### **Allotment of Equity Shares**

- a. 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 bank account of the ASBA Bidders to the Public Issue Account on the Designated Date, to the extent applicable, the Company would ensure the credit of the Allotted Equity Shares to the depository accounts of all successful ASBA Bidders' within two working days from the date of Allotment.
- b. As per the SEBI Regulations, Equity Shares will be issued, transferred and allotted only in the dematerialized form to the Allotees. Allotees will have the option to re-materialize the Equity Shares so Allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

#### **General Instructions**

##### **DO's:**

- a. Check if you are a Retail Individual Investor and Non Institutional Investor and eligible to Bid under ASBA process.

- b. Ensure that you use the ASBA Bid-cum-Application Form specified for the purposes of ASBA process.
- c. Read all the instructions carefully and complete the ASBA Bid-cum-Application Form (if the Bid is submitted in physical mode, the prescribed ASBA Bid-cum-Application Form is Pink in colour).
- d. Ensure that the details of your Depository Participant and beneficiary account are correct and that your beneficiary account is activated, as Equity Shares will be allotted in dematerialized form only.
- e. Ensure that your Bid is submitted at a Designated Branch of an SCSB, with a branch of which the ASBA Bidder or a person whose bank account will be utilized by the ASBA Bidder for bidding has a bank account and not to the Bankers to the Issue/Collecting Banks (assuming that such Collecting Bank is not a SCSB), to the Company or Registrar or Lead Manager to the Issue.
- f. Ensure that the ASBA Bid-cum-Application Form is signed by the account holder in case the applicant is not the account holder.
- g. Ensure that you have mentioned the correct bank account No. in the ASBA Bid-cum-Application Form.
- h. Ensure that you have funds equivalent to the Bid amount mentioned in the ASBA Bid-cum-Application Form available in your bank account maintained with the SCSB before submitting the ASBA Bid-cum-Application Form to the respective Designated Branch of the SCSB.
- i. Ensure that you have correctly checked the authorization box in the ASBA Bid-cum-Application Form, or have otherwise provided an authorization to the SCSB via the electronic mode, for the Designated Branch to block funds equivalent to the Bid Amount mentioned in the ASBA Bid-cum-Application Form in your ASBA Account maintained with a branch of the concerned SCSB.
- j. Ensure that you receive an acknowledgement from the Designated Branch of the concerned SCSB for the submission of your ASBA Bid-cum-Application Form.
- k. Ensure that you have mentioned your Permanent Account Number ("PAN") allotted under the I.T. Act.
- l. Ensure that the name(s) given in the ASBA 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 ASBA Bid 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 ASBA Bid-cum-Application Form.
- m. Ensure that the Demographic Details are updated, true and correct, in all respects.

**DON'Ts:**

- a. Do not submit an ASBA Bid if you are a QIB Bidder.
- b. Do not Bid or revise Bid price to less than the Floor Price or more than the cap price.
- c. Do not Bid on another ASBA or Non-ASBA Bid-cum-Application Form after you have submitted a Bid to a Designated Branch of the SCSB.

- d. Payment of Bid Amounts in any mode other than blocked amounts in the bank accounts maintained by SCSBs, shall not be accepted under the ASBA process.
- e. Do not send your physical ASBA Bid-cum-Application Form by post; instead submit the same to a Designated Branch of the SCSB only.
- f. Do not fill up the ASBA Bid-cum-Application Form such that the bid amount against the number of Equity Shares Bid for exceeds the investment limit under the applicable laws or regulations or maximum amount permissible under the applicable regulations or under the terms of the Draft Red Herring Prospectus.
- g. Do not submit the GIR number instead of the PAN Number.
- h. Do not instruct your respective banks to release the funds blocked in the bank account under the ASBA process.

**Specific Instructions for ASBA Investors and grounds for rejection of Bids:**

- Check whether you are eligible to apply as an ASBA Investor. If you are not covered by the definition of an “ASBA Investor”, the Bid shall be rejected
- Check all the details entered into the ASBA Bid-cum-Application Form are correct. If the DP ID, Client ID or PAN furnished by the ASBA Investor in his ASBA Bid-cum-Application Form is incorrect or incomplete, the ASBA shall be rejected and the Issuer or the SCSB shall not be liable for losses, if any. The Registrar to the Issue shall inform each SCSB about errors, if any, in the bid details, along with an advice to send the rectified data within the time as specified by the Registrar.
- The Registrar shall match the reconciled data with the depository’s database for correctness of DP ID, Client ID and PAN. In case any DP ID, Client ID or PAN mentioned in the bid file for ASBAs does not match with the one available in the depository’s database, such ASBA shall be rejected by the Registrar.
- The Registrar to the Issue shall reject multiple ASBAs determined as such, based on common PAN.
- Ensure that multiple ASBAs are not submitted
- Ensure that bids are submitted on ASBA Bid-cum-Application Forms meant only for ASBA Investor.
- Ensure that the ASBA Bid-cum-Application Form is signed by the account holder in case the applicant is not the account holder.
- Ensure that the bank account specified in the ASBA does have sufficient credit balance to meet the application money, in absence of which the application shall be rejected by the SCSB.
- Ensure that you have authorised the SCSB to do all acts as are necessary to make an application in this Issue, including uploading of his Bid, blocking or unblocking of funds in the bank account maintained with the SCSB specified in the ASBA, transfer of funds to the ASBA Public Issue Account on receipt of instruction from the Registrar to the Issue after finalisation of the basis of allotment entitling yourselves to receive shares on such transfer of funds, etc, failing which the ASBA Bid-cum-Application Form shall be rejected.

- ASBA Bid-cum-Application forms should bear the stamp of the Syndicate Member and / or Designated branch of SCSB. ASBA Bid-cum-Application forms which do not bear the stamp will be rejected.
- Ensure that you have authorized the Registrar to the Issue to issue instructions to the SCSB to remove the block on the funds in the bank account specified in the ASBA, upon finalization of the basis of allotment and to transfer the requisite money to the Public Issue Account failing which the ASBA Bid-cum-Application Form shall be rejected.
- Ensure that you don't submit your Bid after the closing time of acceptance of Bids on the last day of the bidding period, in which case the same shall be rejected by the SCSB.

#### **ASBA Bidder's Depository Account and Bank Details**

ALL ASBA BIDDERS SHALL RECEIVE THE EQUITY SHARES ALLOTTED TO THEM IN DEMATERIALISED FORM. ALL ASBA BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE ASBA FORM. ASBA BIDDERS MUST ENSURE THAT THE NAME GIVEN IN THE ASBA FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE ASBA 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 ASBA FORM.

ASBA Bidders should note that on the basis of name of the ASBA Bidders, Depository Participant's name and identification number and beneficiary account number provided by them in the ASBA Form, the Registrar to the Issue will obtain from the Depository, demographic details of the ASBA Bidders including address, ("Demographic Details"). Hence, ASBA Bidders should carefully fill in their Depository Account details in the ASBA Form.

As these Demographic Details would be used for all correspondence with the ASBA Bidders they are advised to update their Demographic Details as provided to their Depository Participants. By signing the ASBA Form, the ASBA Bidder is deemed to have authorized the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

CAN/Allocation advice would be mailed at the address of the ASBA Bidder as per the Demographic Details received from the Depositories. ASBA Bidders may note that delivery of CAN/Allocation advice may be delayed if the same once sent to the address obtained from the Depositories are returned undelivered. Note that any such delay shall be at the sole risk of the ASBA Bidders and neither of the Designated Branches of the SCSBs, the members of the Syndicate, our Company or the Registrar to the Issue shall be liable to compensate the ASBA Bidder for any losses caused to the ASBA Bidder due to any such delay or be liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that match three parameters, namely, names of the ASBA Bidders (including the order of names of joint holders), the DP ID and the beneficiary account number, then such Bids are liable to be rejected.

ASBA Bidders are required to ensure that the beneficiary account is activated, as Equity Shares will be allotted in dematerialized form only.

#### **ASBA Bids under Power of Attorney**

In case an ASBA Bidder makes a Bid pursuant to a power of attorney, a certified copy of the power of attorney must be lodged along with the ASBA Form. Failing this, our Company, in consultation with the BRLM, reserves the right to reject such Bids. Our Company, in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the ASBA Form, subject to such terms and conditions that we, in consultation with the BRLM may deem fit.

### **Revision of Price Band**

SCSB shall ensure that information about revision in the Bidding Period or Price Band, as and when received, is communicated and effected to in its systems promptly, for information of ASBA Investors.

### **OTHER INSTRUCTIONS**

#### **Withdrawal of ASBA Bids**

The ASBA Bidders can withdraw their Bids during the Bidding/Issue Period by submitting a request for the same to the SCSBs who shall do the requisite, including deletion of details of the withdrawn ASBA Form from the electronic bidding system of the Stock Exchanges and unblocking of the funds in the ASBA Account.

In case the ASBA Bidder wishes to withdraw the Bid after the Bid/Issue Closing Date, the same can be done by submitting a withdrawal request by the ASBA Bidder to the Registrar to the Issue. The Registrar to the Issue shall delete the withdrawn Bid from the Bid file and give instruction to the SCSB for unblocking the ASBA Account after finalization of the Basis of Allotment.

#### **Joint ASBA Bids**

ASBA Bids may be made in single or joint names (not more than three). In case of joint ASBA Bids, all communication will be addressed to the first Bidder and will be dispatched to his address.

#### **Multiple ASBA Bids**

An ASBA Bidder should submit only one Bid for the total number of Equity Shares desired. Two or more Bids will be deemed to be multiple Bids if the sole or first Bidder is one and the same.

#### **Permanent Account Number**

The ASBA Bidder 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 on the ASBA form. **Applications without this information will be considered incomplete and are liable to be rejected by the SCSBs.** It is to be specifically noted that ASBA Bidders should not submit the GIR number instead of the PAN, as the Bid is liable to be rejected on this ground.

#### **Other Information**

In case of failure or withdrawal of the Issue, on receipt of appropriate instruction from the Book Running Lead Manager, the SCSB shall unblock the bank accounts latest by the next day of receipt of such instruction.

The SCSB shall not accept any Bid Cum ASBA after the closing time of acceptance of Bids on the last day of the Bidding period.

#### **Unblocking of Funds**

Once the Basis of Allotment is approved by the Designated Stock Exchange, the Registrar shall provide the following details to the Controlling Branch of each SCSB, along with instructions to unblock the relevant bank accounts and transfer the requisite money to the Public Issue account within the timelines specified in the ASBA process:

- 1) Number of shares to be allotted against each valid ASBA
- 2) Amount to be transferred from the relevant bank account to the Public Issue account, for each valid ASBA
- 3) The date by which the funds referred to in sub-para (b) above, shall be transferred to the Public Issue account
- 4) Details of rejected Bid Cum ASBA, if any, along with reasons for rejection and details of withdrawn/unsuccessful ASBAs, if any, to enable SCSBs to unblock the respective bank accounts. SCSB shall thereafter unblock the amounts blocked in the account of the ASBA Investor.

#### **RIGHT TO REJECT ASBA BIDS**

The Designated Branches of the SCSBs shall have the right to reject ASBA Bids if at the time of blocking the Bid Amount in the ASBA Account, the respective Designated Branch ascertains that sufficient funds are not available in the ASBA Account.

Further, in case any DP ID, Client ID or PAN mentioned in the ASBA Form does not match with one available in the depository's database, such ASBA Bid shall be rejected by the Registrar to the Issue.

#### **COMMUNICATIONS**

All future communication in connection with ASBA Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First ASBA Bidder, ASBA Form number, details of Depository Participant, number of Equity Shares applied for, date of ASBA Form, name and address of the Designated Branch of the SCSB where the ASBA Bid was submitted and bank account number of the ASBA Account, with a copy to the relevant SCSB. The Registrar to the Issue shall obtain the required information from the SCSBs for addressing any clarifications or grievances. The SCSB shall be responsible for any damage or liability resulting from any errors, fraud or willful negligence on the part of any employee of the concerned SCSB, including its Designated Branches and the branches where the ASBA Accounts are held.

ASBA Bidders can contact the Compliance Officer, the Designated Branch of the SCSB where the ASBA Form was submitted, or the Registrar to the Issue in case of any pre or post-Issue related problems such as non-receipt of credit of Allotted Equity Shares in the respective beneficiary accounts, unblocking of excess Bid Amount, etc.

#### **Disposal of Investor Grievances**

All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSB, giving full details such as name, address of the applicant, number of Equity Shares applied for, Bid Amount blocked on application, bank account number of the ASBA Account number and the Designated Branch or the collection centre of the SCSB where the Bid-cum-Application Form was submitted by the ASBA Bidders.

## **DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS AND INTEREST IN CASE OF DELAY IN INSTRUCTIONS TO SCSBs BY THE REGISTRAR TO THE ISSUE**

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI (ICDR) Regulations, 2009, we undertake that:

- Allotment shall be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;
- Instructions for unblocking of the ASBA Bidder's Bank Account shall be made; and
- We shall pay interest at 15% p.a. for any delay beyond the 15 day period mentioned above, if Allotment is not made and/or demat credits are not made to investors within the time period prescribed above or if instructions to SCSBs to unblock ASBA Accounts are not issued within 15 days of the Bid/Issue Closing Date.

## **Basis of Allocation and Method of Proportionate Basis of Allocation in the Issue**

Bids received from ASBA Bidders will be considered at par with Bids received from non-ASBA Bidders. The basis of allocation to such valid ASBA and non-ASBA Bidders will be that applicable to Retail Individual Bidders and Non Institutional Bidders. No preference shall be given vis-à-vis ASBA and other Bidders.

## **UNDERTAKING BY OUR COMPANY**

We undertake as follows:

1. that the complaints received in respect of the Issue shall be attended to by our Company expeditiously and satisfactorily;
2. that all steps for completion of the necessary formalities for listing and commencement of trading at all Stock Exchanges where the Equity Shares are to be listed are taken within 7 working days of finalization of the basis of allotment;
3. 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 our Company.
4. that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of closure of the issue, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.
5. that certificates of the securities/ refund orders to the non-resident Indians shall be dispatched within specified time.
6. that no further issue of securities shall be made till the securities offered through the Draft Red Herring Prospectus are listed or till the application moneys are refunded on account of non-listing, under subscription, etc.
7. that adequate arrangements shall be made to collect all Applications Supported by Blocked Amount (ASBA) and to consider them similar to non-ASBA applications while finalizing the basis of allotment.

Our Company, in consultation with the BRLM, reserves the right not to proceed with the Issue after the bidding and if so, the reason thereof shall be given as a public notice within two days of



the closure of the issue. The public notice shall be issued in the same newspapers where the pre-issue advertisement had appeared. The Stock Exchanges where the specified securities were proposed to be listed shall also be informed promptly.

If our Company withdraws the issue after closure of bidding, the issuer shall be required to file a fresh draft offer document with the Board.

#### **UTILIZATION OF ISSUE PROCEEDS**

The Board of Directors of our Company certifies that:

- i) All monies received out of this issue of Equity Shares to public shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of section 73 of the Companies Act, 1956;
- ii) Details of all monies utilized out of the issue referred to in sub-item (a) shall be disclosed and continue to be disclosed till the time any part of the issue proceeds remains unutilised under an appropriate separate head in the Balance Sheet of our Company indicating the purpose for which such monies had been utilized; and
- iii) Details of all unutilized monies out of the issue of Equity Shares, referred to in sub-item (i) shall be disclosed under an appropriate separate head in the Balance Sheet of our Company indicating the form in which such unutilized monies have been invested;

## **RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES**

Foreign investment in Indian securities is regulated through the industrial policy of Government of India, or the Industrial Policy and FEMA. While the Industrial Policy 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 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. The government bodies responsible for granting foreign investment approvals are the Foreign Investment Promotion Board of Government of India (FIPB) and the RBI. As per current foreign investment policies, foreign direct investment in the sector in which our Company operates (Civil Construction) is allowed upto 100% under the automatic route.

RBI, *vide* its circular A.P (DIR Series) Circular No. 53 dated December 17, 2003, permitted FIIs to subscribe to shares of an Indian Company in the public issue without prior approval of RBI, so long as the price of Equity Shares to be issued is not less than the price at which the Equity Shares are issued to residents.

### **Investment by Non-Resident Indians**

A variety of special facilities for making investments in India in shares of Indian Companies are available to individuals of Indian nationality or origin residing outside India ("NRIs"). These facilities permit NRIs to make portfolio investments in shares and other securities of Indian companies on a basis not generally available to other foreign investors. Under the portfolio investment scheme, NRIs are permitted to purchase and sell Equity Shares of our Company through a registered broker on the Stock Exchanges. NRIs collectively should not own more than 10% of the post-issue paid up capital of our Company. No single NRI may own more than 5% of the post- issue paid up capital of our Company. NRI investment in foreign exchange is now fully repatriable whereas investments made in Indian Rupees through rupee accounts remains non repatriable.

### **Investment by Foreign Institutional Investors**

Foreign Institutional Investors ("FIIs") including institutions such as pension funds, investment trusts, asset management companies, nominee companies and incorporated, institutional portfolio managers can invest in all the securities traded on the primary and secondary markets in India. FIIs are required to obtain an initial registration from the SEBI and a general permission from the RBI to engage in transactions regulated under FEMA. FIIs must also comply with the provisions of the SEBI (Foreign Institutional Investors) Regulations, 1995, as amended from time to time. The initial registration and the RBI's general permission together enable the registered FII to buy (subject to the ownership restrictions discussed below) and sell freely securities issued by Indian companies, to realise capital gains or investments made through the initial amount invested in India, to subscribe or renounce rights issues for shares, to appoint a domestic custodian for custody of investments held and to repatriate the capital, capital gains, dividends, income received by way of interest and any compensation received towards sale or renunciation of rights issues of shares.

### **Ownership restrictions of FIIs**

Under the portfolio investment scheme, the overall issue of Equity Shares to FIIs on a repatriation basis should not exceed 24% of post-issue paid-up capital of our Company. However, the limit of 24% can be raised up to the permitted sectoral cap for that Company after approval of the board of Directors and shareholders of our Company. The issue of Equity Shares to a single FII should

not exceed 10% of the post-issue paid-up capital of our Company. In respect of an FII investing in Equity Shares of a Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital of that Company.

#### **Registration of Equity Shares under US Laws**

The Equity Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, 'U.S. persons' (as defined in Regulation S of the U.S. Securities Act, 1933), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares will be offered and sold only (i) in the United States to 'qualified institutional buyers', as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

**The above information is given for the benefit of the Bidders and neither our Company nor the BRLM are liable for any changes in the regulations after the date of the Draft Red Herring Prospectus.**

## **SECTION X- DESCRIPTION OF EQUITY SHARES AND TERMS OF THE ARTICLES OF ASSOCIATION**

### **MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF OUR COMPANY**

The Authorized capital of our Company is Rs. 40 crores divided into 4,00,00,000 Equity Shares of Rs. 10 each.

#### **CAPITAL**

##### **3. Division of Capital**

The Authorised Share Capital of the Company is Rs.40,00,00,000/- (Rupees Forty Crores only) divided into 4,00,00,000/- (Four Crores) Equity Shares of Rs.10/- (Rupees Ten Only) each.

##### **4. Allotment of Shares**

a) Subject to the provisions of these Articles, the shares shall be under the control of the Board who may allot or otherwise dispose of the same to such persons on such terms and conditions, at such times, either at par or at a premium and for such consideration as the Board thinks fit provided that option or right to call of shares shall not be given to any person or persons without the sanction of the Company in General Meeting.

b) The authorized but un-issued shares shall be offered in the first instance to the existing share holders in the same proportion to their holdings of shares in the Company unless otherwise determined by the Company in General Meeting by a special Resolution.

##### **6. Commission and Brokerage**

The Company may exercise the power of paying commission conferred by Section 76 of the Act and in such case shall comply with the requirements of that section. Such commission may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in one way and partly in the other. The Company may also on any issue of shares or debentures pay such brokerage as may be lawful.

##### **7. Instalments of Shares to be duly paid**

If, by the conditions of allotment of any shares, the whole. Or part of the amount or issue price thereof shall be payable by instalments, every such instalment shall, when due, be paid to the Company by the person who, for the time being, shall be the registered holder of the shares or by his executor or administrator.

##### **8. Liability of Joint Holders of Shares**

The Joint holders of shares be severally as well as jointly liable for the payment of all installments and call due in respect of such share.

##### **9. Trusts not recognised**

Save as herein otherwise provided, the Company shall be entitled to treat the registered holder of any share as the absolute owner thereof and accordingly shall not, except as ordered by a Court of competent jurisdiction, or as by statute required, be bound to recognize any equitable or other claim to or interest in such share on the part of any other person.

##### **10. Who may be registered**

Shares may be registered in the name of any person, company or other body corporate. Not more than 3 persons shall be registered a joint holders of any shares.

#### **CERTIFICATES**

**11. Members Right to Certificate**

a) Every member shall be entitled free of charge to one certificate for shares registered in his name or if the Board so approves to several certificates each for one or more of such shares. Unless the conditions of issue of any shares otherwise provide, the Company shall within three months after the date of either allotment and on surrender to the company of its letter making the allotment or of its fractional coupons of requisite value (save in the case of issue against letters of acceptance or of renunciation or in cases of issue of bonus shares) or within two months of the receipt of the application for registration of the transfer of any of its shares, as the case may be, complete and have ready for delivery the certificates of such shares, in respect of any share held jointly by several persons. The company shall not be bound to issue more than one certificate and delivery of a certificate to one of several joint holders shall be sufficient delivery to all such holders. The share Certificate shall be issued in market lots and where share certificates are issued in either more or less than market lots, sub division or consolidation of share certificates into market lots shall be done free of charge.

**b) Issue of Shares Certificate**

The issue of shares certificate and duplicate and the issue of new share certificates on consolidation or sub-division or in replacement of Share Certificates which are surrendered for cancellation due to their being defaced, torn, decrepit or worn out or the cages 'for recording transfers having been full utilized or of share certificates which are lost or destroyed shall be in accordance with the provisions of the Companies (Issue of Share Certificate) Rule 1960 or any statutory modification or re-enactment thereof. If any share certificates are lost or destroyed, then, upon proof thereof to the satisfaction of the Board and on such indemnity as the Board thinks fit being given, a new certificate in lieu thereof shall be given to the party entitled to the shares to which such lost or destroyed certificate shall relate.

**CALLS**

**12. Calls**

The Board may, from time to time, subject to the terms on which any shares may have been issued, and subject to the provisions of Section 91 of the Act, make such calls as the Board thinks fit upon the members in respect of all moneys unpaid on the shares held by them respectively, and not by the conditions of allotment thereof made payable at fixed time and each member shall pay the amount of every call so made on him to the persons and at the time and places appointed by the Board. A call may be made payable by instalments and shall be deemed to have been made when the resolution of the Board authorizing such call was passed.

**13. Notice of Calls**

Not less than fourteen days notice of any call shall be given specifying the time and place of payment and to whom such call be paid.

**14. Amount payable at fixed times or payable by Instalments as calls**

If by the terms of issue of any share or otherwise any amounts is made payable upon allotment or at any fixed time or by instalments at fixed times, whether on account of, amount of the share or by way of premium, every such amount or instalment shall be payable as it were a call duly made by the Board and of which due notice had been given, and all the provisions herein contained in respect of calls shall relate to such amount or instalment accordingly.

**15. When Interest on call or Instalment payable**

a) If the sum payable in respect of any call or instalment be not paid on or before the day appointed for payment thereof, the holder for the time being in respect of the share for which the call shall have been made or the instalment shall be due shall pay interest for the same at the rate of 18% percent per Annum, From the Day Appointed for the payment thereof to the time of the Actual Payment or at even lower/Higher Rate (if any) as the Board may determine.

b) The Board shall be at liberty to waive payment of any such interest either wholly or in part at its discretion.

**16. Evidence in actions by Company against share holders.**

Subject to the provisions of any law in force to the contrary on the trial or hearing of any action or suit brought by the Company against any shareholder or his representatives to recover any debt or money claimed to be due to the Company in respect of his shares, it shall be sufficient to prove that the name of the Defendant, is or was, when the claim arose, on the Register as a holder or one of the holders of the number of shares in respect of which such claim is made, and that the amount claimed is not entered as paid in the books of the Company and it shall not be necessary to prove the appointment of the Board who made any call, nor that a quorum was present at the Board Meeting at which any call was made nor that the meeting at which any call was made duly convened or constituted, nor any other matter whatsoever, but the proof of the matters aforesaid shall be conclusive evidence of the debt.

**17. Payment of Calls in advance**

The Board may if it thinks fit, receive from any member willing to advance the same, or any part of the money due upon the share held by him beyond the sums actually called for, and upon the money so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of calls then made upon the share in respect of which such advance has been made, the Company may pay interest at the rate of 15% per annum or at such Lower/Higher rate (if any) as the Board may determine. Money so paid in excess of the amount of calls shall not rank for dividends or confer a right to participate in profits. The Board may at any time repay the amount so advanced upon giving to such member not less than three month's notice in writing. Any amount paid in advance may carry interest but not confer a right to vote or participate in the profits of the Company.

**18. Revocation of Call**

The Board shall be at liberty to revoke or postpone a call at its discretion.

**FORFEITURE AND LIEN**

**19. If Call or Instalment not paid notice may be given**

If any member fails to pay any call or instalment of a call on or before the day appointed for the payment of the same, the Board may, at the time thereafter during such time as the call or instalment remains unpaid, serve a 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.

**20. Form of notice**

The notice shall name a day (not being less than fourteen days from the date of 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 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 instalment is payable will be liable to be forfeited.

**21. If notice not complied with shares may be forfeited.**

If the requirements of any such notice as aforesaid be not complied with, any share in respect of which such notice has been given may, at any time thereafter, before the payment of all calls or instalments 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.

**22. Notice after forfeiture**

When any share shall have been so forfeited, notice of the Board resolution 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, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make such entry as aforesaid.

**23. Effect of forfeiture**

The forfeiture of a share shall involved extinction at the time of the forfeiture of all rest in and at claims and demands against the Company, in respect of that share, and all other rights incidental to the share except such as are by these Articles or by resolution of the Board expressly saved.

**24. Forfeited share to become property of the Company**

Any share to 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 it thinks fit.

**25. Power to annual forfeiture.**

The Board may at any time before any share so forfeited shall have been Sold or re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as it thinks fit.

**26. Evidence of forfeiture**

A duly verified declaration in writing that the declarant in a Director, or Secretary 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 state as against all persons claiming to be entitled to be 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 persons to whom such shares are sold be registered as a hold of such share and shall not be found to see to the application of the purchase/s money, nor shall their title to such shares be affected by any irregularity or invalidity in the proceedings in reference to such forfeiture, sale or disposition.

**27. Forfeiture provisions to apply to non-payment in terms of issue.**

The provisions of Articles 19 to 26 hereof shall apply in the case of non-payment of any sum which, by the terms of issue of share, becomes payable at a fixed time, whether on account of the nominal value of a share or by way or premium, as if the same had been payable by virtue of a call duly made and notified.

**28. Company's lien on shares**

The company shall have the first and paramount lien upon every share (not being the fully paid share) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for moneys called or payable at a fixed time in respect of such share whether the time for the payment thereof shall have actually arrived or not and no equitable interest in any share shall be created except upon the footing and condition that Article 19 hereof is to have full effect. Such lien shall extend to all dividends, from time to time declared in respect of such share. Unless otherwise agreed, the registration of a transfer of share shall operate as a waiver of the Company's lien, if any, on such share.

**29. As to enforcing such lien by sale**

For the purpose of enforcing such lien, the Board may sell the share subject thereto in such manner as it thinks fit, but no sale be made until such time for payment as aforesaid shall have arrived and until notice in writing of the intention to sell shall have been served on such member, his executor or administrator or his committee, or other legal representative as the case may be and default shall have been made by him or them in payment of the moneys called or payable at a fixed time in respect of such share for seven days after the date of such notice.

**30. Application of proceeds of sale**

The net proceeds of any such sale after payment of costs of such sale shall be applied in or towards satisfaction of the debts, liabilities, or engagements of such member and the residue if any paid to him, his executors, administrators or assigns.

**31. Validity of sales in exercise of lien and after forfeiture**

Upon any sale after forfeiture or enforcing a lien in purported exercise of the power hereinbefore given, the Board may appoint some person to execute an instrument of transfer of the share sold and cause the purchaser's name to be entered in the register in respect of the share so sold and the purchaser shall not be bound to see to the regularity of the proceedings, nor to the application of the purchase money and after his name has been entered in the register in respect of such share, the validity of the sale shall not be impeached by any person, and the remedy of any person aggrieved by the sale shall in damages only and against the Company exclusively.

**32. Board may issue new certificates**

Where any share under the powers in that behalf herein contained is sold by the Board and the Certificate in respect thereof has not been delivered to the Company by the former holder of such share, the Board shall issue a new certificate for such share and may distinguish it in such manner as it may think fit from the certificate not so delivered up. The certificate not so delivered up shall stand ipso facto cancelled on the issue of new certificate as aforesaid.

**TRANSFER AND TRANSMISSION**

**33. Execution of transfer**

No transfer of a share shall be registered unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee has been delivered to the Company together with the certificate or, if no such certificate is in existence, the letter of allotment of the share. Each signature to such transfer shall be attested by the signature of one credible witness who shall add his address and occupation.

**34. Application by transferor**

Application for the registration of the transfer of a share may be made either by the transferor or the transferee, provided that, where such application is made by the transferor, no registration shall, in the case of a partly paid share, be effected unless the Company gives notice of the application to the transferee in the manner prescribed by Section 110 of the Act, and subject to the provisions of these Articles, the Company shall, unless objection is made by the transferee within two weeks from the date of receipt of the notice, enter in the Register the name of the transferee in the same manner and subject to the same conditions as if the application for registration, of the transfer was made by the transferee.

**35. Form of Transfer**

The instrument of transfer of any share shall be in accordance with the provisions of Section 108 of the Act and the prevailing rules made thereunder by the Central Government from time to time.

**36. No Transfer of Insane persons and minors**

No transfer shall be made to a minor person or a person of unsound mind.

**37. Transfer to be left at office when to be retained**

Every instrument of transfer shall be left at the office for registration, accompanied by the Certificate of the share to be transferred or, if no such certificate is in existence, by the Letter of allotment of the share and such other evidence as the member may require to prove the title of the transferor or his right to transfer the share. Every instrument of transfer which shall be registered shall be retained by the Company, but any instrument of transfer which the Company may refuse to register shall be returned to the person depositing the same.



**38. Power of the Board to refuse transfer**

The Board May, in its absolute and unfettered discretion and without assigning any reasons subject, to the right of appeal conferred by Section 111 decline to register.

a) The transfer of a share not being fully paid share to a person whom they do not approve

Or

b) Any transfer of shares on which the Company has a lien, whether the proposed transferee is a member of the Company or not.

Provided that registration of a transfer shall not be refused on the grounds of the transferor being either alone or jointly with any other person or persons, indebted to the Company on any account whatsoever except a lien. The above is also subject to clause 22 A of the securities and contract (Regulation) Act.

**39. Notice or refusal to register transfer**

If the Board refuses to register the transfer of, or the transmission by operation of law, of the right to any share the company shall give notice of the refusal in accordance with the provisions of Section 111 (2) of the Act.

**40. Fee on registration of transfer, probate, etc.**

No fee shall be charged for transfer and transmission of shares or for registration of any power of Attorney, probate, letter of administration or other similar documents.

**41. Transmission of registered share**

The executor or administrator or succession certificate holder or a deceased member (not being one of several joint holders) shall be the only person recognized by the Company as having any title to the share registered in the name of such member and that, in case of death of anyone or more of the jointholder5s in any registered share the survivor shall be only person recognized by the company as having any title to or interest in such share. But nothing herein contained shall be taken to release the estate of a deceased joint holder from any liability on the share held by him jointly with any other person and before recognizing any executor or administrator or succession certificate holder, the Board may require him to obtain the grant of probate or letters of Administration or other legal representation, as the case may be, from a competent Court in India having Jurisdictions in that behalf, Provided nevertheless that in any case where the Board in its absolute discretion thinks fit, it shall be lawful for the Board to dispense with the production of Probate or Letters of Administration or such other legal representation upon such terms as to indemnity or otherwise as the Board, in its absolute discretion, may consider adequate

**TRANSMISSION ARTICLE**

**43. As to transfer of shares of Insane, minor, deceased or bankrupt members**

Any Committee or guardian of lunatic or of a minor member or any person becoming entitled to or to transfer a share in consequence of the death or bankruptcy or insolvency of any member upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of a title as the Board thinks sufficient, may, with the consent of the Board (which the Board shall not be bound to give) be registered as a member in respect of such shares, or may, subject to the regulations as to transfer, hereinbefore contained, transfer such shares. This Article hereinafter referred to as "The Transmission Article".

**44. Election under the Transmission Article**

a) If the person so becoming entitled under the Transmission Article shall elect to be registered as the holder of the share himself, he shall deliver or send to the company a notice in writing signed by him stating that he so elects.

b) If the person aforesaid shall elect to transfer the share, he shall testify his election by executing an instrument of transfer of the share.

- c) All the limitation, restrictions and provision of these Articles relating to the right to transfer and the registration of instrument of transfer of a share be applicable to any such notice or transfer as aforesaid as if the death, lunacy, bankruptcy or insolvency of the member had not occurred and the notice or transfer were a transfer signed by the member.

**45. Rights of persons under Transmission Articles**

A person so becoming entitled under the Transmission Article to a share by reason of the death, bankruptcy or insolvency of the holder, shall, subject to the provisions of Section 206 of the Act be entitled to the same dividends and other advantages as he would be entitled to if he were the registered holder of the share, Provided that the Board may at any time give notice requiring any such person to elect either to be registered himself or to transfer the share and, if the notice is not complied with within 90 days of the issue thereof, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the share, until the requirements of the notice have been complied with.

**INCREASE AND REDUCTION OF CAPITAL**

**46. Power to Increase Capital**

The Company in General Meeting may, from time to time, increase its capital by the creation of new shares of such amount as may be deemed expedient.

**47. On what conditions new shares may be Issued**

Subject to any special rights or privileges for the time being attached to any shares in the capital of the Company, then Issued, the new shares may be issued, upon such terms and conditions, and, with such rights and privileges attaché a thereto as the General Meeting resolving upon the creation thereof, shall direct, and if no directions be given; as the Board shall determine and in particular such shares may be issued with a preferential or qualified rights to dividends and in the distribution of assets of the Company.

**48. Ranking of new Shares with existing shares**

Except so far as otherwise provided by the conditions of issue or by these presents, any capital raised by the creation of new shares shall be considered part of then existing capital of the company and shall be subject to the provisions herein contained with reference to the payment of dividends, calls, and instalments, transfer or transmission, forfeiture, lien, surrender and otherwise.

**49. Inequality in number of new shares**

If owing to any inequality in the number of new shares to be issued, and the number of share held by members entitled to have the offer of such new shares, any difficulty shall arise in the appointment of such new shares or any of them among the members such difficulty shall, in the absence of any direction in the Resolution creating the shares or by the company in General Meeting, be determined by the Board.

**50. Reduction of capital**

The Company may, from time to time by Special resolution reduce its capital and any capital Redemption Reserve Account or Share Premium Account in any manner with and subject to any accident authorized and consent required by law.

**ALTERATION CAPITAL**

**51. Power to alter capital**

The company in General Meeting may from time to time:

- a) Consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

- b) Sub-divide its existing shares or any of them into shares of smaller amount than is fixed by the memorandum so, however, that in the sub-divided share shall be the same as it was in the case of the share from which the sub-divided shares is derived;
- c) Cancel any shares which at the date of the passing of the Resolution have not been taken or agreed to be taken by any person and diminish the amount of the share capital by the amount of the shares so cancelled.

**52. Sub-division into preference and equity**

The Resolution, whereby any share is subdivided may determine that, as between the holders of the shares resulting from sub-division, one of more of such shares shall have some preferential or special advantage as regards dividend, capital voting or otherwise over or as compared with the others or other, subject, nevertheless, to the provisions of Section 106 of the Act.

**53. Surrender of shares**

Subject to the provisions of Section 100 to 105 inclusive of the Act, the Board may accept from any member the surrender, on such terms and conditions as shall be agreed, of all or any of his shares.

**MODIFICATION OF RIGHTS**

**54. Power of modify rights**

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may whether or not the Company is deemed wound up, be varied with 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 separate General Meeting of the holders of the shares of that class. To every such separate meeting, the provisions of these Articles relating to General Meeting shall apply, but so that the necessary quorum shall be five persons at least holding or representing by proxy one-fifth of the issued shares of the calls but so that if at any adjourned meeting of such holders quorum as defined above is not present those members who are present shall be quorum, and that any holder of shares of that class present in person or by proxy may demand a poll and, on a poll, shall have one vote for each share of the classes of which he is the holder. This Articles is not by implication to curtail the power of modification which Company would have if this Article were omitted.

**STOCK HOLDERS**

**55. Conversion of shares into stock**

The Company may, by ordinary resolution, subject to the provisions of Section 94 to 96 of the Act convert any paid-up shares into stock and reconvert and stocks into paid up shares of any denomination.

**56. Transfer of Stock**

The holders of Stocks may transfer the same or any part thereof in the same manner and subject to the same Regulations as and subject to the shares from which the stock arose might previous to conversion have been transferred or as near thereto as circumstance admit and the Baord may from time to time fix the minimum amount of stock transferable, provided that such minimum shall not exceed the nominal amount of the shares from which the stock arose.

**57. Right 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, voting at meeting of the Company and other matters as if they held the shares from which the stock arose. But no such privilege or advantage (except participation in the dividends and profits of the Company and in the assets on a winding up)

shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage.

**58. Stock and Stock holders**

Such of the Articles of the company as are applicable to paid up shares shall apply to stock, and the words “share” and “share holder” therein include “stock” and “stock holder” respectively.

**BORROWING POWERS**

**59. Power to borrow**

The Board may, from time to time, at its discretion subject to the provisions of Sections 292, 293 and 370 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 purpose of the Company, provided that the Boards shall not, without the sanction of the Company in general meeting, borrow any sum of money which together with monies 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 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.

**60. Conditions on which money may be borrowed**

The Board may raise or secure the payment 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 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.

**61. Issue at discount or with special privileges**

Any Debenture, Debenture Stock, bonds or other securities may be issued at a discount, premium or otherwise and with any special privileges, as to redemption, surrender, drawings, allotment of share, appointment of directors and otherwise. Debenture, 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. Provided that debentures with the right to allotment of or conversion into share shall not be issued except in conformity with the provisions of Section 81 (3) of the Act.

**SHARE WARRANTS**

**62. Issue of share warrants**

- a) The Company may issue share warrants subject to and in accordance with the provisions of Sections 114 and 115 of the Act and accordingly the Board may in its discretion, with respect to any shares which is fully paid-up on 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 identify of the person signing in 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.
- b) Share warrant shall entitle the bearer thereof to the shares included in it and the shares shall be transferred by the delivery if the share warrant and the provisions of the Articles of the Company with respect to transfer and transmission of shares shall not apply thereto.
- c) The bearer of share warrant, on surrender of the warrant to the Company for cancellation and on payment of such sums as the Board may from time to time prescribe, be entitled to have his name entered as a Member in the Register of Members in respect of the shares included in the warrant.

**63. Requisition of meeting by bearer of share warrants**

- a) The bearer of share warrant may at any time deposit the warrant at the office of the Company and so long as the warrant remains so deposited, the Depositor shall have the same right of signing a requisition for calling a meeting of the Company, and of attending and voting and exercising the other privileges of a member at any meeting held after the expiry of two clear days from time of deposit as if his name were inserted in the Register of Members as the holder of the shares included in the deposited warrant.
- b) Not more than one person shall be recognized as Depositor of the share warrant.
- c) The Company shall on two days written notice return the deposited share warrant to the depositor.

**64. Disabilities of holder**

Subject as herein otherwise expressly provided.

- a) No person shall as bearer of a share warrant sign a requisition for calling a meeting of the Company or attend or vote or exercise any other privilege of a member at a meeting of the Company or be entitled to receive any notice from the Company.
- b) The bearer of a share warrant shall be entitled in all respects to the same privileges and advantages as if he were named in the Register as the holder of the shares included in the warrant and he shall be a member of the Company.

**65. Renewal**

The Board may from time to time, make rules as to the terms on which, if it shall think fit, a new share warrant or coupon may be issued by way of renewal in case of defacement, loss or destruction, of the original warrant.

**66. Instrument of transfer**

Save as provided in Section 108 of the Act, no transfer of Debentures (other than Bearer Debentures) shall be registered unless a proper instrument of transfer as may be prescribed in the Act or the rules made there under and duly stamped and executed by the transferor and transferee has been delivered to the Company together with the certificate or certificates of the Debentures.

**67. Notice of refusal to register transfer**

Subject to the provision of Section 111 (8) of the Act, the Board may without assigning any reason refuse to register the transfer of any Debentures and in such event shall, within two months from the date on which the instrument was lodged with the Company, send to the transferee and to the transferor notice of such refusal.

**GENERAL MEETINGS**

**68. When Annual General meeting to be held**

In addition to any other meetings, the Annual General meetings of the Company shall be held within such intervals as are specified in Section 166 (1) of the Act and, subject to the provisions of Section 166 (2) of the Act, at such times and places as may be determined by the Board. Each such General Meeting shall be called "Annual General Meeting " and shall be specified as such in the Notice convening the meeting, Any other meeting of the Company shall be called "Extraordinary General Meeting".

**69. When other General Meeting to be called**

The Board may whenever it thinks fit call an Extraordinary General Meeting and it shall, on the requisition of the members in accordance with Section 169 of the Act proceed to call an Extraordinary General Meeting. The requisitions may, in default of the Board converting the same, convene the extraordinary General Meeting as provided by Section 169 of the Act.

**70. Circulation of member's resolutions**

The Company shall comply with the provisions of Section 188 of the Act as to giving notice of resolution and circulating statements on the requisition of members.

Provided that not less than 21 days notice shall be given to members if the resolutions sought to be circulated on members requisition be Special Resolutions and not less than 14 days shall be given if such Resolutions be Ordinary Resolutions.

**71. Notice of meeting**

Subject to the provisions of section 171 (2) and 176 (2) of the Act, notice of every meeting of the company shall be given to such persons and in such manner as provided by Section 172 of the Act. Where any business consists of "Special business" as hereinafter defined in Article 72, there shall be annexed to the notice a statement complying with Section 173 (2) of the Act.

The accidental omission to give any such notice, to or its non-receipt by any members or other person to whom it should be given shall not invalidate the proceedings of the meeting.

**PROCEEDINGS AT GENERAL MEETINGS**

**72. Business of meetings**

The ordinary business of an Annual General Meeting shall be to receive and consider the profit and loss account, the Balance sheet and the Reports of the Directors and of the Auditors and fix their remuneration and declare dividend if any. Other business transacted at an Annual General meeting and all other business transacted at any other General Meeting shall be deemed "special business".

**73. Quorum to be present when business commenced**

No business shall be transacted at any General Meeting unless a quorum of members is present at the time when the meeting proceeds to business. Save as herein otherwise provided, five members present in person shall be the quorum.

**74. When if quorum not present meeting to be dissolved and when to be adjourned**

If within half an hour from the time appointed for the Meeting quorum be not present the meeting, if convened upon such requisition as per Article 69 above shall be dissolved but in any other case, it will stand adjourned in accordance with the provisions of Sub-sections (3) (4) and (5) of Section 174 of the Act or any statutory modification thereof.

**75. Resolution to be passed by Company in General Meeting**

Any act or Resolution, which under the provision of these Articles or of the Act, is permitted or required to be done, or passed by the Company in General Meeting shall be sufficiently so done or passed if effected by an ordinary Resolution as defined in Section 189 (1) of the Act unless either the act or these Articles specifically require such act to be done or Resolution passed by a Special Resolution as defined in Section 189 (2) of the Act.

**76. Chairman of General Meetings**

The Chairman of the Board or the person acting as Chairman of the Board shall not be present within fifteen minutes after the time appointed for holding such meeting or if unwilling to act or leave the meeting after declaring the meeting or if unwilling to act or leave the meeting after declaring the meeting is closed without all the items of business before the meeting having been transacted whether such declaration be. On a point of order or otherwise, the members present shall choose another director as chairman, and if no Director be present shall choose another director as Chairman, and if no Director be present or if all the Directors present decline to take the chair, then the members present shall, on a show of hands or on a poll properly demanded, elect one of their number, being a member entitled to vote, to be Chairman.

**77. How questions to be decided at meetings**

Every question submitted to a meeting shall be decided, in the first instance, by a show of hands, and in the case of an equality of votes, both on, show of hands and on a poll. The Chairman of the Meeting shall have a casting vote in addition to the vote to which he may be entitled as a member.

**78. What is to be evidence of the passing of a resolution where poll not demanded**

At any General Meeting, unless a poll is, before or on the declaration of the result of the show of hands, demanded in accordance with the provisions of Section 179 of the Act, a declaration by the Chairman that the Resolution has or has not been carried, either unanimously or by a broad majority, and on entry to that effect in the book containing the Minutes of the proceedings of the Company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes cast in favour of, or against the Resolution.

**79. Poll**

- a) If a poll be demanded as aforesaid, it shall be taken forthwith on a question of adjournment or election of a Chairman and in any other case in such manner and at such time, not being later than 48 hours from the time when the demand was made, and at such place as the Chairman of the Meeting directs, and subject as aforesaid, either at once or after an interval or adjournment or otherwise and the result of the poll shall be deemed to be the decision of the Meeting on the Resolution on which the poll was demanded.
- b) The demand may be withdrawn at any time before the poll is taken.
- c) Where a poll is to be taken, the Chairman of the Meeting shall appoint one or more scrutinizers to scrutinize the votes given and to report to him thereon.
- d) On a poll 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 uses.
- e) The demand of poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which a poll has been demanded.

**80. Power to adjourn meeting.**

- a) The Chairman, may, with the consent of any meeting at which a quorum is present is present shall if so directed by the meeting, adjourn the same from time to time and from place to place, 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.
- b) When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of the original meeting and save as aforesaid it shall not be necessary to give any notice of adjournment or of the business to be transacted at an adjourned meetings.

**VOTES OF MEMBERS**

**81. Vote of Members**

- a) Save as hereinafter provided, on a show of hands every member present in person and being a holder of equity shares shall have one vote and every person present either as a proxy (as defined in Article 83) on behalf of a holder of equity shares or as a duly authorised representative of a body corporate being a holder of equity shares if he is not entitled to vote in his own right shall have one vote.
- b) Save as hereinafter provided, on a poll the voting rights of holder of equity shares shall be as specified in section 87 of the act.
- c) No body corporate shall vote by proxy so long as a Resolution of its Board of Directors under the provisions of Section 187 of the Act is in force and the representative named in such Resolution is present at the General Meeting at which the vote by proxy is tendered.

**82. Procedure where a company or body corporate is a member of the company**

Where a body corporate (hereinafter called "Member Company") is a member of the Company, a person duly appointed by Resolution in accordance with the provisions of Section 187 of the act to

represent such member company at a meeting of the company shall not, by reason or such appointment, be deemed to be a member company and certified by him as being a true copy of the Resolution shall, on production at the meeting be accepted by the Company as sufficient evidence of the validity of his appointment such person shall be entitled to exercise the same rights and powers including the right to vote by proxy on behalf of the member company which he represents, as that member company could exercise if it were an individual member.

**83. Votes in respect of deceased, insane and insolvent members**

Any person entitled under the Transmission Article to transfer any shares may vote at the General Meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that 48 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 Board of his right to transfer such shares, unless the Board shall have previously admitted his rights to transfer such meeting in respect thereof. If any member be a lunatic, idiot or a non compose mentis, he may vote whether on a show of hands or at a poll by his committee, Curator Bonis or other legal curator and such last mentioned persons may give their votes by proxy.

**84. Joint holders**

Where there are joint registered holders of any share, anyone of such persons may vote at any meeting either personally or by proxy, in respect of such share as if he were solely entitled thereto; and if more than one such joint holders be present at any meeting either personally or by proxy, then one of the said persons so present whose name stands first on the register in respect of such share alone can be entitled to vote in respect thereof.

**85. Votes on poll**

On a poll, votes may be given either personally or by proxy, and a person entitled to more than one vote need not use all his votes or cast all the vote, he uses in the same way.

**86. Instrument appointing proxy**

The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorized in writing or if such appointer is a body corporate be under its common seal or the hands of its officer or attorney duly authorized.

**87. Instrument appointing proxy to be deposited at the office**

The instrument appointing a proxy and the power of Attorney or other authority (if any) under which it is signed, or a Neutrally certified copy of that power or authority, shall be deposited at the office not less than 48 hours before the time of holding at which the person named in the instrument purports to vote in respect thereof and in default the instrument of proxy shall not be treated as valid.

**88. When vote by proxy valid though revoked**

A vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the previous death or insanity of the3 principal, or the revocation of the instrument, or transfer of the share in respect of which the vote is given, provided no intimation in writing of the death, insanity of the principal, or the revocation of the instrument, or transfer of the share in respect of which the vote is given, shall have been received by the company at the office before the vote is given, shall have been received by the Company at the office before the vote is given. Provided, nevertheless, that the Chairman of any meeting shall be entitled to require such evidence as he may in his discretion think fit of the due execution of an instrument of proxy and that the same has not been revoked.

**89. Form of instrument appointing a special proxy,**

Every instrument appointing a special proxy shall be retained by the Company and shall as nearly as circumstances will admit be in one of the forms set out in Schedule II to the Act or as near thereto as possible or in any other form which the board may accept.



**90. Restriction on voting**

No member shall be entitled to exercise any voting rights either personally or by proxy at any meeting of the Company 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.

- 91.** a) Any objection as to the admission or rejection of a vote, either on a show of hands, or on a poll made in due time, shall be referred to the Chairman who shall forthwith determine the same and such determination made in good faith shall be final and conclusive.

b) No objection shall be "raised to qualification of any voter except at The meeting or adjourned meeting at which the vote objected to is given or tendered and every vote not disallowed at such meeting shall be valid for all purposes.

**DIRECTORS**

**92. Number of Directors**

Subject to the provisions of Section 2509 of the Act, the number of Directors of the Company shall not be less than three, nor more than twelve including all kinds of Directors.

**93. The first Directors of the Company.**

- a. RAVI KUMAR.D.
- b. Dr. MALINI REDDY
- c. T. RAMA MOHNA REDDY.

**94. Power of Board to add to its number**

The Board shall have power, at any time and from time to time, to appoint any person as a Director as an addition to the Board to the Board so that the total number of Directors shall not at any time exceed the maximum number fixed by these Articles. Any Director so appointed shall hold office only until next Annual General Meeting of the company and shall then be eligible for re-election.

**95. Share Qualification:**

Unless otherwise determined by the Company in General Meeting, a Director shall not be required to hold any share in the capital of the Company as qualification share.

- (b) The appointment or termination as aforesaid shall be effected by means of letter addressed to the board of Directors and such appointment or termination shall have effect forthwith upon the said letter being delivered.
- (c) The Directors appointed in terms of this clause hereof shall ' ipso facto' cease to be Directors on the shareholding of any of the respective nominator falling below the percentages specified as aforesaid for each.

**98. Director's fees:**

Each Director shall be entitled to receive a sitting fee out of the fund of the Company for his services in attending the meeting of the Board or a committee of the Board, such sum as is determined by the Board from time to time which may, subject to the provisions of Section 310 of the Act. Subject to the related provisions of the Act and subject also to the principle of appointment as the persons and the period in a year for which they are to be paid, the Directors other than a Managing or wholetime Director may also be paid in respect of each year a commission ( to be divided) among them in such manner as they may, from time to time, determine and in default of them such determination of equally ) on the net profits of the Company computed in the manner

referred to in sub-section (1) of Section 198 of the Act . All other remuneration if any, payable by the company to each Director, whether in respect of his services as a Managing Director or a Director in the whole or part time employment of the company, shall be determined in accordance with and subject to the provisions of these Articles and of the Act. The Directors shall be entitled to be paid their travelling hotel and other expenses incurred in consequence of their attending the Board and committee meetings or otherwise incurred in the execution of their duties as Directors.

99. **Remuneration for extra service.**

Without prejudice to the generality of the foregoing Articles, if any Director being willing shall be called upon to perform extra services to make any special extensions. For any of the purposes of the company or in giving special attention to the business of the Company or as a member of the Committee or the Board the Company shall subject to the Section 198, 302 and 310 of the act, may remunerate such Director either by a fixed sum or by percentage of profits or otherwise as may be determined by the board and such remuneration may be either in addition to or in substitution for any other remuneration which he may be entitled.

103. **Appointment of Directors as Director of a company in which the Company is interested:**

A Director of the company may be or become a Director of any other company or of a company promoted by this company or in which it may be interested as a member, share holder or otherwise and no such Director shall be accountable for any benefits received as a Director or member of such Company.

105. **Disclosure of a Director's interest:**

Every Director shall comply with the provisions of Section 299 of the Act in regard to disclosure of his concern or interest in any contract or arrangement entered into to or to be entered into by the company.

106. **Discussion and vote by Director Interested:**

Save as permitted by Section 300 of the Act or any other applicable provision of the Act, no director shall as a Director, take any part in the discussion of, or vote on any contract or arrangement in which he is in any way, whether directly or indirectly, concerned or interested, nor shall his presence count for the purpose of forming a quorum at the time of such discussion or vote.

## **ROTATION OF DIRECTORS**

107 **Proportion of retire by rotation:**

Not less than two –thirds of the total number of directors shall be persons whose period of office is liable to determination by rotation.

108 **Rotation and retirement of Directors:**

At each Annual General Meeting of the Company one-third of such of the Director for the time being as are liable to retire by rotation or if their number is not three or any multiple of three, then the number nearest to but not exceeding one- third shall retire from office.

Provided that the vacancies caused by retirement as aforesaid shall be filled in terms of section 256 and / or the other applicable provisions of the Act, as the case may be.

109. **Power to remove Director by ordinary resolution on special notice:**

The company may remove any Director before the expiration of his period of office in accordance with the provisions of Section 284 of the Act and may subject to the provisions of Section 262 and 284 of the Act appoint any person in his stead.

110. **Board may fill up casual vacancies:**

If any Director appointed by the Company in General Meeting vacates office as a Director before his term of office expires in the normal course, the resulting casual vacancy may be filled by the Board at a meeting of the board. But any person so appointed shall retain his office so long only as the vacating director would have retained the same if no vacancy had occurred. Provided that the Board may not fill such a vacancy by appointing thereto any person who has been removed from the office of Director under Article 108.

**111. Additional Director:**

The Directors may from time to time appoint any person as an Additional Director provided that the number of Directors and Additional Directors together shall not exceed the maximum number of Directors fixed in these Articles. Any person so appointed as an Additional Director shall hold office upto the date of the next Annual General Meeting of the Company.

**112. Power of appoint Alternate Director**

The board may, in accordance with and subject to the provisions of Section 313 of the Act, appoint any person to act as an Alternate Director for a Director during the latter's absence from the state, in which meetings of the Board are ordinarily held.

### **PROCEEDINGS OF DIRECTORS**

**113. Meetings of Directors**

The meetings of the Board shall be held in accordance with the provisions of Section 285 of the Act and notice of such meetings shall be given to every Director in accordance with the provisions of Section 286(1) of the Act and also the address, if any, outside India supplied by such Director as may be non-resident in India. Unless otherwise determined from time to time and at any time, upon consent of all the Directors, meetings of the Board shall take place at the Registered Office. The Board shall meet, at least once in three months.

**114. Chairman**

(a) Subject to the provisions of the Act and of these Articles, the Board shall from time to time appoint from amongst the Directors of the Company for the time being any one of their number as the chairman.

**115. Quorum:**

The Quorum for a meeting of the Board shall be subject to Section 287 of the Act. If a quorum shall not be present within fifteen minutes from the time appointed by holding a meeting of the Board, it may either be cancelled or adjourned, until such date and time as the Chairman shall decide.

**116. Powers of Quorum:**

A meeting of the Board at which a quorum be present shall be competent to exercise all or any of the authority, powers and discretions by or under these Articles or the Act for the time being vested in or exercisable by the Board.

**118. Power to appoint Committee and to 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 and at any time revoke such delegation. Any committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be in force and imposed upon it by the Board.

**119. Proceedings of Committee**

Meetings and proceedings of any such Committee consisting of two or more members may 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 last proceeding Article.

**121 Resolution without Board Meeting:**

Save in those cases where a resolution is required by Sections 262, 292, 297, 316, 371(5), 372(5) and 386 of the Act to be passed at a meeting of the Board, a Board or a 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 (not being less in number than the quorum fixed for meeting of the board or Committee as the case may be and to all the Directors or members of the Committee at their usual addresses and has been approved by such of them or by a majority of such of them as are entitled to vote on the resolution by affixing thereto their signatures in full.

### **POWERS OF THE BOARD**

**125. General Powers of the company vested in the Board:**

Subject to the provisions of the act, the control of the Company shall be vested in the Board who shall be entitled to exercise all such powers and to do all such acts and things as the Company is authorized to exercise and do, provided that the Board shall not exercise any power or do any act or thing which is directed or required, whether by the Act or any other statute or by the Memorandum of the Company or by these Articles or otherwise, to be exercised or done by the Company in General Meeting, provided further that in exercising any such power or doing any such act or thing, the Board shall be subject to the provisions in that behalf contained in the Act or any other statute or in the Memorandum of Company or in these Articles, or in any regulations not inconsistent therewith and duly made thereunder, including regulation made by the Company in General Meeting, but no regulation 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.

### **MINUTES**

**126. Minutes to be made**

- (a) The Board shall, in accordance with the provisions Section 193 of Act, cause Minutes to be kept of every General Meeting of the Company and of every meeting of the board or every Committee of the Board.
- (b) Any such Minutes of any meeting of the Board or of any Committee of the board or of the company in General Meeting, if kept in accordance with the provisions of Section 193 of the Act shall be evidence of the matters stated in such Minutes. The Minutes Book of General Meeting of the Company shall be kept at the Office and shall be open to inspection by members during the normal business hours on such business days as the Act required them to be open for inspection.

### **SECRETARY**

**127. Secretary**

The Board may appoint a Secretary to the Company on such terms and impose on him such regulations as may seem expedient and may remove any Secretary so appointed and may fill up any vacancy in the office of Secretary. The Secretary shall exercise such powers and carry out such duties as the Board may from time to time determine.

### **AUTHENTICATION OF DOCUMENTS**

**128. Powers to authenticate Documents:**

Save as otherwise provided in the Act any Director or the Secretary or any person appointed by the Board for the purpose. Shall have power to authenticate any documents affecting constitution of the Company and any resolution passed by the Company or the Board and any books, records, document, and accounts relating to the business of the company and to certify copies thereof or

extracts therefrom as true copies for extracts and where any books, records, documents or accounts are elsewhere than at the office, the local manager or other officer of the Company having the custody thereof shall be deemed to be a person appointed by the Board of aforesaid.

**129. Certified copies of resolution of Board.**

A Document purporting to be a copy of a resolution of the Board or an extract from the minutes of a meeting of the Board which is certified as such in accordance with the provisions of the last preceding Article shall be conclusive evidence in favour of all the persons dealing with the company upon the faith thereof that such resolution has been duly passed or as the case may be, that such extract is a true and accurate record of a duly constituted meeting of the Board.

**MANAGING DIRECTOR**

**130. Power to appoint Managing Director**

Subject to the provisions of the Act and of these Articles, the Board may from time to time appoint one of them to be Managing Director of the Company for a fixed term and on such terms and conditions and subject to the provisions of any contract between him and the Company remove or dismiss him from office and appoint any other in his place.

**131. To what provision he shall be subject to:**

Subject to the provisions of Section 255 of the Act, the Managing Director shall not, while he continues to hold that office, be subject to retirement by rotation and he shall not be counted as director for the purpose of determining the rotation or retirement of directors or in fixing the number of Directors to retire, but (subject to the provisions of any contract between him and the Company) he shall be subject to the same provisions as to resignation and removal as the other Directors, and he shall, ipso facto and immediately cease to be Managing Director if he ceases to hold the office of director from any cause. PROVIDED THAT the provision of Articles relating to the non-retirement (by rotation) of the Managing Director shall not apply to a wholetime Director or Joint-Managing Director who shall be liable and shall always be deemed to be liable, to retire by rotation subject to the provisions of Articles 106 and 107.

**132. Remuneration of Managing Director:**

Subject to the provisions of Section 309, 310 and 311 of the Act, the Managing Director shall in addition to the remuneration payable to him as a Director of the Company under these Articles, receive such additional remuneration as may from time to time be sanctioned by the Company.

**133. Powers of Managing Director:**

Subject to the provisions of the act, in particular the prohibitions and restrictions contained in Section 292 thereof, the Board may, from time to time entrust to and confer upon the Managing Director for the time being such of the powers exercisable under these present by the Board as it may think fit and may confer such powers for such time and to be exercised for such objects and purposes and upon such terms and conditions and with such restrictions as it thinks fit, and the Board may confer such powers either collaterally with or to the exclusion of and in substitution for all or any of the powers of the Board in that behalf, and may from time to time revoke, withdraw, alter or vary all or any such powers.

**134. Certain persons not be appointed Managing Director**

The Company shall not appoint or employ, or continue appointment or the employment of any person as its Managing Director who;

- (a) is an undischarged involvement, or has at any time adjudged insolvent.
- (b) Suspends or has at any time suspended payment to his creditors; or
- (c) Is, or has at any time been, convicted by a court of an offence involving moral turpitude.

**THE SEAL**

**136. Custody of Seal**

The Board shall provide for the safe custody of the Seal and the seal shall never be used except by the authority previously given by the Board or by a Committee of the Board authorized by the Board in that behalf and, save as provided in Article 12 hereof any two Directors or one Director and the Secretary or one Director and such other person as the Board may appoint shall sign every instrument to which the seal is affixed. Provided, nevertheless, that any instrument bearing the Seal of the Company and issued for valuable consideration shall be binding on the Company notwithstanding any irregularity touching the authority of the Board to issue the same.

**RESERVES**

**137. Reserves**

The Board may, from time to time before recommending any dividend, set part any and such portion of the profits of the Company as it thinks fit as Reserves to meet contingencies or for the liquidation of any debentures, debts or other liabilities of the Company, for equalisation of dividends, for repairing, improving or maintaining any of the property of the company and for such other purposes of the Company as the Board in its absolute discretion thinks conducive to the interests of the Company and may invest the several sums to set aside upon such investments ( other than shares of the Company ) as it may think fit, and from time to time deal with and vary such investments and dispose of all or any part thereof for the benefit of the Company and may divide the Reserves into such special funds as it thinks fit with full power of employ the Reserves or any part thereof in the business of the Company and that without being bound to keep the same separate from the other assets.

**138. Capitalisation of Profits:**

1. The Company in General Meeting, may on the recommendation of the Board resolve:
  - (a) That the whole or any part of any amounts standing to the credit of the Share premium Account or the Capital redemption reserves Account or any moneys, investments or other assets forming part of the undivided profits including profits or surplus moneys arising from the realization and ( where permitted by law) from the appreciation in value of any Capital assets of the Company standing to the credit of the General reserve, Reserve or any Reserve Fund or any amounts standing to the credit of the Profit and Loss Account or any other Funds of the Company or in the hands of the Company and available for the distribution as divided be capitalized and
  - (b) That such sum be accordingly set free for distribution in manner specified in sub-clause (2) amongst the members who would have been entitled thereof if distributed by way of dividend and in the same proportion.

**139. Powers of directors for declaration of Bonus**

1. Wherever such resolution as aforesaid shall have been passed, the Board shall
  - a. Make all appropriations and applications of the undivided profit resolved to be capitalized thereby and all allotments and issues of fully paid shares if any; and
  - b. Generally do all acts and things required to give effect thereto.
2. The Board shall have full power:
  - a. To make such provisions, by the issue of fractional certificates by payments in cash or otherwise as it thinks fit, in the case of shares becoming distributable in fractions and also;
  - b. To authorize any person to enter on behalf of all the members entitled thereto into an agreement with the Company providing the allotment to them respectively credited as fully paid-up of any further shares to which they may be entitled upon such capitalization,

or ( as the case may require) for the payment by the Company on their behalf, by the application thereto of their respective proportions of the profits resolved to be capitalized for the amount or any part of the amounts remaining unpaid on the existing shares.

3. Any agreement made under such authority shall be effective and binding on all such members.

**140. Distribution of capital profits**

The Company in General Meeting may at any time and from time to time resolve that any surplus moneys in the hands of the Company representing capital profits arising from the receipt of moneys received or recovered in respect of or arising from the realization of any capital assets of the Company or and investment representing the same instead of being applied in the purchase or other capital and in the shares and proportions in which they would have been entitled to receive the same if it had been distributed by way of dividend provided always that no such profit as aforesaid shall be also distributed unless there shall remain in the hands of the Company a sufficiency of other assets to answer in full the whole of the liabilities and paid up share capital of the Company for the time being.

**141. Fractional Certificates:**

For the purpose of giving effect to any resolution under the two last proceeding Articles, the Board may settle any difficulty which may arise in regard to the distribution as it thinks expedient and in particular may issue fractional certificates, and may fix the value for distribution of any specific assets and may determine that cash payments 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 dividend or capitalized funds as may seem expedient 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 contract on behalf of the person entitled to the dividend or capitalized fund and such appointment shall be effective.

## **DIVIDENDS**

**142. Dividends:**

Subject to the provisions of these Articles, the profits of the Company which shall from time to time be determined to divide in respect of any year or other period shall be divisible among the members holding equity shares in proportion to the amount of capital paid upon the shares held by them respectively to the close of such year or other period; Provided always that any capital paid up on a share during the period in respect of which a dividend is declared shall only entitle the holder of such shares to an apportioned amount of such Dividend proportionate to the capital from time to time paid-up during such period of such shares.

**143. Declaration of dividends:**

The company in General Meeting may declare a dividend and may, subject to the provisions of Section 207 of the Act, fix the time for payment.

**144. Restriction on amount of dividends:**

No larger dividend shall be declared than is recommended by the Board, but the Company in General Meeting may declare a smaller dividend.

**145. Dividend**

Subject to the provisions of Section 205 of the Act, no dividend shall be declared except out of the profits of the Company.

**147 Interim Dividends**

The board may from time to time pay to the member such interim dividends as appear to be Board to be justified by the profits of the Company.

**149 Dividend in Cash**

No dividend shall be payable except in cash; provided that nothing contained in the foregoing shall be deemed to prohibit the capitalization of profits or reserves the company for the purpose of issuing fully paid-up bonus equity shares held by the members of the Company.

**150 Effect of transfer:**

A transfer of shares shall not pass the rights to any dividend declared thereon before the registrations of the transfer by the company.

**151. To whom dividends payable**

No dividend shall be paid in respect of any share except to the registered holder of such share or to his bankers but nothing contained in this Article shall be deemed to require the bankers of a registered share holder to make a separate application to the Company for the payment of the dividend, Nothing in this Article shall be deemed to affect in any manner the operation of Article 144.

**153. Payment by post**

Unless otherwise directed in accordance with Section 206 of the Act any dividend, interest or other moneys payable in cash in respect of a share may be paid by cheque or warrant sent through the post to the registered address of the holder or, in the case of joint holders, to the registered address of that one of joint holders who is the first named in respect of the joint holding or to such person and such address as the holder or joint holders, as the case may be, may direct and every cheque or warrant so sent shall be made payable to the order of the person to whom it is sent. The Company shall not be liable for any cheque or warrant lost in transmission or for any dividend lost to any members by the forged endorsement on any such Cheque or warrant.

**154. Unclaimed dividends**

Any dividend unclaimed or unpaid will not be forfeited and in case of unclaimed or unpaid dividend, the company shall comply with all the provisions of Sec. 205A of the Companies Act.

**BALANCE SHEET AND ACCOUNTS**

**158. Balance Sheet and Profit And Loss Account**

At every Annual General Meeting the Board shall lay before the Company a Balance Sheet and Profit and Loss Account made up in accordance with the provisions of Section 210 of the Act and such Balance, Sheet and Profit and Loss Account shall comply with the requirements of Section 210, 211, 212, 215 and 216 and of Schedule VI to the Act so far as they are applicable to the company but, save as aforesaid, the Board shall not be bound to disclose greater details of the result or extent of the trading and transactions of the Company than it may deem expedient.

**159. Annual report of Directors**

There shall be attached to every Balance Sheet laid before the Company a report by the Board complying with Section 217 of the Act.

**160. Copies to be sent to members and others**

A copy of every Balance Sheet (include the Profit and Loss Account, the Auditor's Report and every document required by law to be annexed or attached to the Balance Sheet) shall, as provided by Section 219 of the act, not less than twenty one days before the meeting be sent to every such member, debenture holder, trustee and other person to whom the same is required to be sent by said Section.

**161. Copies of Balance Sheet to be filed**



The Company shall comply with Section 220 of the Act as filing with the Registrar copies of the Balance Sheet and Profit and Loss Account and documents required to be annexed or attached thereto.

#### **AUDITORS**

**162. Account to be audited annually**

Once at least every year the books of account of the Company shall be examined by one or more Auditor or Auditors.

#### **SERVICE OF NOTICE AND DOCUMENTS**

**164. How notice to be served on members**

A notice or other document may be given by the Company to its members in accordance with Section 53 and 172 of the Act.

**165. Transfer etc., bound by prior notice**

Every person who by operation of law, transfer or other means whatsoever becomes entitled to any share shall be bound by every notice in respect of such share which, previous to his name and address being entered on the Register, shall have been duly given to the person from whom he derives his title to such shares.

**166. Notice valid through member deceased**

Subject tot the provisions of Articles 163 any notice or document delivered or sent by post to or left at the Registered address of any member in pursuance of these Articles shall , notwithstanding such members be then deceased and whether or not the Company have notice of his death, be deemed to have been duly served in respect of any registered shares. Whether held solely or jointly with other persons by such member until some other person be registered in his stead as the holder or joint holders thereof and such service shall for all purposes of these presents be deemed a sufficient service of such notice or documents on his heirs, executors or administrators and all persons, if any, jointly interested with him in any such share.

**167. Service of Process winding up:**

Subject to the provisions of Section 497 and 509 of the Act, in the event of winding up of the company, every member of the Company who is not for the time being resident in the State where the Registered office of the Company is situate, shall within eight weeks after the passing of an effective resolution to wind-up the Company voluntarily or the making of orders for the winding up of the Company, to serve notice in writing on the Company appointing another person residing in the neighbourhood of the office upon whom all summons, notices, processes, order and judgments in relation to or under the winding up of the Company may be served, and in default of such appointment, the Liquidator of the company shall be at liberty on behalf of such member, to appoint some such person, and service upon any such appointee whether appointed by the member or the Liquidator shall be deemed to be good personal service on such member for all purposes, and where the liquidator makes any such appoints he shall, with all convenient speed, give notice thereof to such member by advertisement in some daily news paper circulating in the neighbourhood of the office or by registered letter sent by post and addressed to such member at his residence as registered in the Register and such notice shall be deemed to be served on the day on which the advertisements appears or the letter would be delivered in the ordinary course of the post . The provisions of this Article shall not prejudice the rights of the Liquidator of the Company to serve any notice or other document in any other manner prescribed by these Articles.

**168. How Notice to be signed**

The Signature to any notice to be given by the Company may be written, printed, lithographed, typed or rubber stamped.

#### **KEEPING OF REGISTERS AND INSPECTION**

**169. Registers etc to be maintained by the company:**

The Company shall duly keep and maintain at the office Registers in accordance with Section 49 (7), 143, 150, 151, 152 (2), 301, 303, 307, 370 and 372 of the Act and Rule 7(2) of the Companies (Issue of Share Certificate) Rules 1960.

**170. Supply of copies of Registers etc.**

The Company shall comply with the provisions of Section 39, 118, 163, 192, 196, 219, 301, 302, 304, 307, 362, 370 and 372 of the Act as to the supplying of copies of the Registers, deeds, documents, instruments, returns, certificates and books therein mentioned to the person therein specified when so required by such persons, on payment of the charges, if any, prescribed by the said Sections.

**171. Register of members and Debentures holders may be closed:**

The Company may in accordance with the provisions of Section 154(1) of the Act close the Register of Member or the Register of Debenture holders as the case may be.

#### **RECONSTRUCTION**

**172. Reconstructions:**

On any sale of the undertaking of the Company, the Board or the Liquidators or winding up may, if authorized by a Special Resolution accept fully paid or partly paid up shares, debentures or securities of any other Company, whether incorporated in India or not either then existing or to be formed for the purchase in whole or in part the property of the Company and the Board (if the profits of the Company permit) or the Liquidators (in winding up) may distribute such shares or securities or any other property of the company amongst the members without realization, or vest the same in trustees for them and any special resolution may provide for the distribution or appropriation of the cash, shares or other securities, benefit or property, otherwise than in accordance with the strict legal rights of the members or contribution of the company, and for the valuation of any such securities or property at such price and in such manner as the meeting may prove and holder of share shall be bound to accept, and shall be bound by any valuation or distribution so authorized and waive all rights in relation thereto, save only in case the company is proposed to be or is in the course of being wound up, such statutory rights (if any) under Section 194 of the Act as are incapable of being varied or excluded by these articles.

#### **SECRECY**

**173. Secrecy**

Every Director Secretary, trustee for the company, its members or debenture holders, member of a committee officer, servant, agent, accountant or other person in or about the business of the Company shall, if so required by the Board or by the Managing Director before entering upon his duties sign a declaration pledging himself to observe a strict secrecy respecting all transactions of the company with its customers and the state of account with individuals and in matters relating thereto, and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in the discharge of his duties except when required so to do by the Board or by any General Meeting or by a court of Law and except so far as may be necessary in order to comply with any of the provisions in these Articles contained.

**174. No Member to enter the premises of the Company without permission**

No member or other person (not being a Director) shall be entitled to enter upon the property of the Company or to inspect or examine the premises or properties of the Company without permission of the Board or of the Managing Director, or subject to Article 150, to require discovery of or any information expecting any detail of the trading of the Company or any matter which is or

may be in the nature of the 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 Board or Managing Director it will be inexpedient in the interests of the Company to communicate.

## **WINDING UP**

### **175. Distribution of Assets**

If the company shall be wound up and the assets available for distribution among the members as such shall be insufficient to repay the whole of the paid-up capital such assets shall be distributed so that as nearly as may be in losses shall be borne by the members in proportion to the capital paid-up or which ought to have been paid up at the commencement of winding up on the shares held by them respectively. And if by winding up the assets available for distribution among the members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members in proportion to the capital at the commencement of the winding up, paid up or which ought to have been paid up on the shares held by them respectively. But this Article is to be without prejudice to the rights of the holders of shares issued upon special terms and conditions.

### **176. Distribution of assets in specie:**

If the company shall be wound up whether voluntarily or otherwise the liquidators may, with the sanction of a Special Resolution, divide among, the contributories, 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 or any of them, as the Liquidator with the like sanction, shall think fit.

## **INDEMNITY**

### **177. Director's and others rights indemnity:**

- a. Subject to the provisions of Section 201 of the Act or any statutory modifications thereof the Chairman, Managing Director and every Director, Manager, Secretary and other officer or employee of the Company and his or their heirs, executors, and administrators shall be indemnified by the company against and it shall be the duty of Directors out of the funds of the Company to pay, all costs charge and expenses (including traveling expenses) which the Chairman, Managing Director or any such Director, Managing Secretary, Officer or employee may incur or become liable to by reason of any contract entered into or act or deed done by him as such Chairman, Managing Director, Director, Manager, Secretary, Officer, or Employee or in any way in the discharge of his duties.

- b. **Not responsible for the acts of others**

Subject as aforesaid the Chairman, Managing Director and every director, Manager Secretary, or other officer, or employee of the Company and his or their heirs, executors and administrators shall be indemnified against any liability incurred by them or him individually or jointly in defending any proceedings whether civil or criminal in which judgment is given in their or his favour or in which he is or they are acquitted or discharged or in connection with any application under section 633 of the Act or any statutory modification thereof in which relief is given to him by the court.

### **178. Authority:**

Wherever in the Companies Act, 1956, it has provided that any company shall have any right, privilege or authority or that any company cannot carry out any transaction unless it is so authorized by its Articles, then and in that case this Article hereby authorises and empowers this Company to have such right, privilege or authority and to carry out such transactions as have been permitted by the Companies Act, 1956, without there being any specific Article in that behalf herein provided.

## **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 contracts entered into more than two (2) years before the date of filing of the Draft Red Herring Prospectus) which are or may be deemed material have been entered or are to be entered into by our Company. These contracts, copies of which will be attached to the copy of the Draft Red Herring Prospectus will be delivered to the RoC for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of our Company located at # 2/10, 3<sup>rd</sup> Floor, Ajay Plaza, 1<sup>st</sup> Main, N.S. Palya, Bannerghatta Road, Bangalore – 560 076, Karnataka, India, from date of filing the Draft Red Herring Prospectus with RoC to Bid / Issue Closing Date on working days from the date of filing of the Draft Red Herring Prospectus until the date of closure of the Issue.

#### **MATERIAL CONTRACTS**

1. Memorandum of Understanding dated March 03, 2010 between our Company and the BRLM appointing them as the Book Running Lead Manager to the Issue.
2. Memorandum of Understanding dated February 01, 2010 between our Company and Sharex Dynamic (India) Private Limited appointing them as Registrar to this Issue.
3. Tripartite Agreement dated [●] among our Company, NSDL and Sharex Dynamic (India) Private Limited.
4. Tripartite Agreement dated [●] among our Company, CDSL and Sharex Dynamic (India) Private Limited.
5. Escrow Agreement dated [●] between our Company, the BRLM, Syndicate Member, Escrow Collection Banks and the Registrar to the Issue.
6. Syndicate Agreement dated [●] between our Company, BRLM, and the Syndicate Member.
7. Underwriting Agreement dated [●] between our Company, BRLM and the Syndicate Member.

#### **MATERIAL DOCUMENTS**

1. The Memorandum and Articles of Association of our Company, as amended from time to time.
2. Copy of Certificate of Incorporation dated April 25, 2001, issued by the Registrar of Companies, Karnataka, Bangalore.
3. Copy of Certificate of Commencement of Business dated May 02, 2001 issued by the Registrar of Companies, Karnataka, Bangalore.
4. Extra Ordinary General Meeting resolution dated February 01, 2010 and the resolution of the Board dated January 04, 2010, authorising the Issue.
5. Copy of resolution dated December 11, 2009, for reappointment and increase in remuneration of our current Executive Director, namely Mr. D. Ravi Kumar, Chairman and Managing Director.

6. Copy of Restated Audit report by the statutory auditor, M/s. K. Gopalakrishnan & Co, Chartered Accountants dated March 04, 2010 included in the Draft Red Herring Prospectus and copies of the Balance Sheet referred in the said report.
7. Copy of Certificate dated March 04, 2010 from the statutory auditors, M/s. K. Gopalakrishnan & Co, Chartered Accountants, detailing the tax benefits.
8. Copy of the Certificate from the statutory auditors, M/s. K. Gopalakrishnan & Co, Chartered Accountants, dated March 04, 2010 regarding the sources and deployment of funds as on March 03, 2010.
9. NOC dated March 05, 2010 issued by Axis Bank Limited for the present issue.
10. NOC dated March 04, 2010 issued by United Bank of India for the present issue.
11. NOC dated March 04, 2010 issued by State Bank of Travancore for the present issue.
12. IPO Grading Report issued by [●] dated [●].
13. Consents in writing from our Directors, Company Secretary and Compliance Officer, Statutory Auditors, Bankers to our Company, Bankers to the Issue, Book Running Lead Manager(s), Syndicate Member(s), Underwriter(s), IPO Grading Agency, Registrar of the Issue, Legal Advisor to the Issue to act in their respective capacities.
14. Initial listing applications dated [●] and [●] filed with the BSE and the NSE respectively.
15. In-principle listing approvals from BSE and NSE dated [●] and [●] respectively.
16. Due Diligence Certificate dated March 16, 2010 to SEBI from Saffron Capital Advisors Private Limited, the Book Running Lead Manager.
17. SEBI observation letter no. [●] dated [●].
18. Reply by BRLM dated [●] for the above SEBI observation letter.

Any of the contracts or documents mentioned in the Draft Red Herring Prospectus may be amended or modified at any time if so required in the interest of our 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.

## **SECTION XII - DECLARATION**

We, the Directors of our Company, hereby declare that, all the relevant provisions of the Companies Act, 1956, SEBI (ICDR) Regulations, 2009 and the guidelines issued by the Government of India as the case may be, have been complied with and no statement made in the Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the Securities and Exchange Board of India Act, 1992 or rules or guidelines issued there under, as the case may be. We further certify that all the disclosures and statements made in the Draft Red Herring Prospectus are true and correct.

### **SIGNED BY ALL THE DIRECTORS OF ACROPETAL TECHNOLOGIES LIMITED**

Mr. Ravi Kumar Doraiswamy

Mr. Ramdas Janardhana Kamath

Dr. Subrahmanya Dandala Kannayya Reddy

Mr. Mathew James Manimala

Dr. Rajesh Nair

Mr. Ashok Kumar Gopal Rao Jultha

Mr. Mohan Hosahally Ramakrishna

### **SIGNED BY CHIEF FINANCIAL OFFICER**

Mr. S. Sudheer

### **SIGNED BY THE COMPANY SECRETARY**

Ms. Shobha Sudhakar Acharya

### **SIGNED BY THE COMPLIANCE OFFICER**

Mr. Jamili Jalaiah

Place: Bangalore

Dated: March 16, 2010

Designed and Printed by:

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