

DRAFT RED HERRING PROSPECTUS

Dated March 20, 2010

Please read Section 60B of the Companies Act, 1956

100% Book Building Issue

The Draft Red Herring Prospectus shall be

updated upon filing with the RoC

**MICROSEC FINANCIAL SERVICES LIMITED**

(Our Company was incorporated as "Satyam Fiscal Services Private Limited" on June 6, 1989 as a private limited company under the Companies Act, 1956. For details of changes in our name and our registered office, see "History and Certain Corporate Matters" on page 81 of this Draft Red Herring Prospectus.)

Registered Office: Shivam Chambers, 1st floor, 53 Syed Amir Ali Avenue, Kolkata 700 019.

Tel: (91 33) 3051 2100; **Fax:** (91 33) 3051 2020.

Corporate Office: Azimganj House, 2nd floor, 7 Camac Street, Kolkata 700 017

Contact Person: Biplob Kumar Mani, Company Secretary and Compliance Officer

Tel: (91 33) 2282 9330; **Fax:** (91 33) 2282 9335; **Email:** info@microsec.in; **Website:** www.microsec.in

PROMOTERS OF OUR COMPANY: BANWARI LAL MITTAL AND RAVI KANT SHARMA

PUBLIC ISSUE OF 12,500,000 EQUITY SHARES OF Rs. 10 EACH OF MICROSEC FINANCIAL SERVICES LIMITED (THE "COMPANY" OR THE "ISSUER" OR "MFSL") FOR CASH AT A PRICE OF Rs. [●] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF Rs. [●] PER EQUITY SHARE) AGGREGATING TO Rs. [●] MILLION (THE "ISSUE"). THE ISSUE WILL CONSTITUTE 39.30% OF THE POST ISSUE PAID UP CAPITAL OF THE COMPANY.

THE FACE VALUE OF EQUITY SHARES IS Rs. 10 EACH. THE PRICE BAND AND THE MINIMUM BID LOT WILL BE DECIDED BY THE COMPANY IN CONSULTATION WITH THE BRLM AND ADVERTISED AT LEAST TWO WORKING DAYS PRIOR TO THE BID/ISSUE OPENING DATE.

In case of any revision to the Price Band, the Bid/Issue Period will be extended by three additional working days after such revision of the Price Band, subject to the Bid/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bid/Issue Period, will be widely disseminated by notification to the National Stock Exchange of India Limited ("NSE") and the Bombay Stock Exchange Limited ("BSE"), by issuing a press release, and also by indicating the change on the website of the Book Running Lead Manager ("BRLM") and at the terminals of the other members of the Syndicate.

The Issue is being made through the 100% Book Building Process wherein not more than 50% of the Issue shall be available for allocation on a proportionate basis to Qualified Institutional Buyers ("QIBs"). 5% of the QIB Portion (excluding Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder shall be available for allocation on a proportionate basis to all QIB Bidders, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Further, not less than 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Up to 30% of the QIB Portion may be allocated by our Company to Anchor Investors on a discretionary basis. One-third of the Anchor Investor Portion shall be reserved for allocation to domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Issue Price.

Potential investors may participate in this Issue through an Application Supported by Blocked Amount ("ASBA") providing details about the bank account which will be blocked by the Self Certified Syndicate Bank for the same. All Bidders other than QIB Bidders may participate in this Issue through the ASBA process. For details see "Issue Procedure" on page 273 of this Draft Red Herring Prospectus.

RISK IN RELATION TO THE FIRST ISSUE

This being the first public issue of our Company, there has been no formal market for the securities of the Issuer. The face value of the Equity Shares is Rs.10 and the Issue Price is [●] times of the face value. The Issue Price (has been determined and justified by the BRLM and our Company as stated under the paragraph on "Basis for Issue Price" on page 42) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active or sustained trading in the Equity Shares of our Company nor regarding the price at which the Equity Shares will be traded after listing.

IPO GRADING

This Issue has been graded by [●] as [●], indicating [●], through its letter dated [●]. For details, see "General Information" on page 17 of this Draft Red Herring Prospectus.

GENERAL RISKS



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

ISSUER'S ABSOLUTE RESPONSIBILITY

Our Company, having made all reasonable inquiries, accepts responsibility for and confirms that this 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 this Draft Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which make this Draft Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

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

BOOK RUNNING LEAD MANAGER	REGISTRAR TO THE ISSUE
 <p>SBI CAPITAL MARKETS LIMITED 202, Maker Tower 'E', Cuffe Parade Mumbai 400 005 Tel: (9122) 2217 8300 Fax: (91 22) 2218 8332 E-mail ID: microsec.ipo@sbicaps.com Investor Grievance Id: investor.relations@sbicaps.com Website: www.sbicaps.com Contact Person: Sandeep Onkar/Murtuza Patrawala SEBI Registration Number: INM000003531</p>	 <p>LINK INTIME INDIA PVT. LTD. C-13, Pannalal Silk Mills Compound LBS Road, Bhandup West Mumbai 400 078. Tel: (91 22) 2596 0320 Fax: (91 22) 2596 0329 Investor grievance e-mail: mfs1ipo@linkintime.co.in Website: www.linkintime.co.in Contact Person: Chetan Shinde SEBI Registration No.: INR000004058</p>

BID/ISSUE PROGRAMME*

BID/ISSUE OPENS ON [●], 2010	BID/ISSUE CLOSES ON [●], 2010
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* The Company may consider participation by Anchor Investors. Anchor Investor Bid/ Issue Period shall be one day prior to the Bid/ Issue Opening Date

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SECTION I: GENERAL

DEFINITIONS AND ABBREVIATIONS

General/ Company Related Terms

Term	Description
“our Company”, the “Issuer”, “MFSL”	Unless the context otherwise requires, refers to Microsec Financial Services Limited, a company incorporated under the Companies Act and having its registered office at Shivam Chambers, 1 st floor, 53 Syed Amir Ali Avenue, Kolkata 700 019
“We”, “our”, “us”, “Microsec Group”	Unless the context otherwise requires, refers to our Company and its Subsidiaries, on a consolidated basis
Articles/Articles of Association	The Articles of Association of our Company
Auditors	The statutory auditors of the Company, namely, S. R. Batliboi & Co.
Board/Board of Directors	The Board of Directors of our Company
Business Associates	Persons, including remisiers and sub-brokers registered with SEBI, with whom we have entered into arrangements for services, including introduction of customers to our services
Directors	Directors of our Company, unless otherwise specified
Financing	Offering loans against shares to our clients, secured by liquid and marketable securities at appropriate margin levels
Group Companies	The companies, firms and ventures promoted by the Promoters, irrespective of whether such entities are covered under section 370(1)(B) of the Companies Act and enumerated in “Our Promoters and Group Companies – Group Companies” on page 108 of this Draft Red Herring Prospectus.
LKPL	Luv-Kush Projects Limited
MCap	Microsec Capital Limited
MCL	Microsec Commerce Limited
Memorandum/ Memorandum of Association	The Memorandum of Association of our Company
MIBL	Microsec Insurance Brokers Limited
Micro Resource	Micro Resources Private Limited
MRPL	Microsec Resources Private Limited
MTL	Microsec Technologies Limited
Promoter Group	The persons and entities constituting the promoter group of our Company in terms of Regulation 2(zb) of the SEBI Regulations and enumerated in “Our Promoters and Group Companies – Promoter Group” on page 107 of this Draft Red Herring Prospectus.
Promoters	Banwari Lal Mittal and Ravi Kant Sharma
PRP	PRP Technologies Limited
Registered Office	The registered office of our Company at Shivam Chambers, 1st Floor, 53 Syed Amir Ali Avenue, Kolkata 700 019
Subsidiaries	The subsidiaries of our Company, namely, MCap, MRPL, MTL, MIBL, MCL and PRP

Issue Related Terms

Term	Description
Allotment/Allot/Allotted	Unless the context otherwise requires, refers to the allotment of Equity Shares pursuant to this Issue to the successful Bidders
Allottee	A successful Bidder to whom the Equity Shares are Allotted
Anchor Investor	A Qualified Institutional Buyer, applying under the Anchor Investor Portion with a minimum Bid Amount of Rs. 100 million
Anchor Investor Bid/Issue Period	The day, one working day prior to the Bid/Issue Opening Date, on which Bids by Anchor Investors shall be submitted and allocation to Anchor

Term	Description
	Investors shall be completed
Anchor Investor Issue Price	The final price at which Equity Shares will be issued and Allotted to Anchor Investors in terms of the Red Herring Prospectus and the Prospectus, which price will be equal to or higher than the Issue Price but not higher than the Cap Price. The Anchor Investor Issue Price will be determined by our Company in consultation with the Book Running Lead Manager
Anchor Investor Margin Amount	An amount representing 25% of the Bid Amount payable by an Anchor Investor at the time of submission of its Bid
Anchor Investor Portion	Up to 30% of the QIB Portion which may be allocated by our Company to Anchor Investors on a discretionary basis. One-third of the Anchor Investor Portion shall be reserved for allocation to domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Issue Price
Application Supported by Blocked Amount/ ASBA	An application to make a Bid authorising a SCSB to block the Bid Amount in their specified bank account maintained with the SCSB
ASBA Bid cum Application Form	The 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 purposes of the Red Herring Prospectus and the Prospectus
ASBA Bidder	Any Bidder other than a QIB intending to apply through an ASBA
ASBA Public Issue Account	An account opened with the Bankers to the Issue to receive monies from the bank accounts of the ASBA Bidders
ASBA Revision Form	The form used by the ASBA Bidders to modify the quantity of Equity Shares or the Bid Amount in any of their ASBA Bid cum Application Forms or any previous ASBA Revision Form(s)
Banker(s) to the Issue/Escrow Collection Bank	The banks which are clearing members and registered with SEBI as Bankers to the Issue with whom the Escrow Account will be opened, in this case being [●]
Basis of Allotment	The basis on which Equity Shares will be Allotted to successful Bidders under the Issue and which is described under “Issue Procedure – Basis of Allotment” on page 294 of this Draft Red Herring Prospectus.
Bid	<p>An indication to make an offer during the Bid/Issue Period by a Bidder, or during the Anchor Investor Bid/Issue Period by the Anchor Investor, 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 Bid/Issue Period by an ASBA Bidder pursuant to the submission of an ASBA 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>
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form.
Bid cum Application Form	The form used by a Bidder to make a Bid and which will be considered as the application for Allotment for the purposes of the Red Herring Prospectus and the Prospectus, and includes the ASBA Bid cum Application Form, as applicable.
Bid/Issue Closing Date	The date after which the Syndicate and the SCSB will not accept any Bids for the Issue, which shall be notified in an English national daily newspaper, a Hindi national daily newspaper and a regional language newspaper, each with wide circulation
Bid/Issue Opening Date	The date on which the Syndicate and the SCSB shall start accepting Bids for the Issue, which shall be notified in an English national daily newspaper, a Hindi national daily newspaper and a regional language newspaper, each with wide circulation
Bid/Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date, inclusive of both days, during which Bidders and ASBA Bidders can submit their Bids, including any revisions thereof

Term	Description
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form
Book Building Process/ Method	Book building process, as provided in Schedule XI of the SEBI Regulations, in terms of which this Issue is being made
Book Running Lead Manager/ BRLM	Book Running Lead Manager to the Issue, in this case being SBI Capital Markets Limited
Business Day	Any day on which commercial banks in Mumbai are open for business
CAN/Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process
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
Controlling Branches/CBs	Such branches of the SCSB which coordinate with the BRLM, the Registrar and the Stock Exchanges
Cut-Off Price	Issue Price finalised by our Company in consultation with the BRLM. Only Retail Individual Bidders who's Bid Amount does not exceed Rs. 100,000 are entitled to bid at the Cut-Off Price. No other category of Bidders are entitled to Bid at Cut-off Price
Designated Branches/ DBs	Such branches of SCSBs which shall collect the ASBA Bid cum Application Form and a list of which is available on http://www.sebi.gov.in
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account or the Refund Account, as appropriate, or the amount blocked by SCSB is transferred from the bank accounts of ASBA Bidders to the ASBA Public Issue Account, as the case may be, after the Prospectus is filed with the RoC, following which the Board of Directors shall Allot Equity Shares to successful Bidders
Designated Stock Exchange	BSE
DP ID	Depository Participant's Identification
Draft Red Herring Prospectus or DRHP	This Draft Red Herring Prospectus dated March 20, 2010 issued in accordance with Section 60B of the Companies Act and SEBI Regulations, filed with SEBI and which does not contain complete particulars of the price at which the Equity Shares will be issued and the size of the Issue
Eligible NRIs	NRIs from jurisdictions outside India where it is not unlawful to make an issue or invitation under the Issue and in relation to whom the Red Herring Prospectus constitutes an invitation to subscribe to the Equity Shares
Equity Shares	Equity shares of our Company of Rs. 10 each fully paid up unless otherwise specified
Escrow Account	Account opened with the Escrow Collection Bank(s) for the Issue and in whose favour the Bidder (excluding ASBA Bidders) will issue cheques or demand drafts for the Bid Amount, when submitting a Bid
Escrow Agreement	Agreement to be entered into between our Company, the Registrar to the Issue, BRLM, the Syndicate Members and the Escrow Collection Bank(s) for collection of the Bid Amounts from, and where applicable, payment of refunds of the amount collected to, the Bidders (excluding the ASBA Bidders) on the terms and conditions thereof
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or the Revision Form or the ASBA Bid cum Application Form or ASBA Revision Form
Floor Price	The lower end of the Price Band, at or above which the Issue Price will be finalized and below which no Bids will be accepted

Term	Description
Issue	The public issue of 12,500,000 Equity Shares of Rs. 10 each of the Company for cash at a price of [●] each aggregating to Rs. [●] million.
Issue Agreement	The agreement dated March 20, 2010 between the Company and the BRLM, pursuant to which certain arrangements are agreed to in relation to the Issue.
Issue Price	The final price at which Equity Shares will be issued and Allotted to the successful Bidder in terms of the Red Herring Prospectus. The Issue Price will be determined by our Company in consultation with the BRLM on the Pricing Date
Issue Proceeds	The proceeds of the Issue
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 10% to 100% of the Bid Amount
Mutual Fund Portion	5% of the QIB Portion (excluding the Anchor Investor Portion), or [●] Equity Shares available for allocation to Mutual Funds only, out of the QIB Portion (excluding the Anchor Investor Portion)
Mutual Funds	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996
Net Proceeds	The Issue Proceeds less the Issue expenses that are available to our Company. For further information, see “Objects of the Issue” on page 36 of this Draft Red Herring Prospectus.
Non-Institutional Bidders	All Bidders that are not QIBs or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 100,000 (but not including NRIs other than Eligible NRIs)
Non-Institutional Portion	The portion of the Issue being not less than [●] Equity Shares available for allocation to Non-Institutional Bidders
Pay-in Date	Bid/Issue Closing Date or the last date specified in the CAN sent to the Bidders, as applicable
Pay-in Period	The period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date With respect to Anchor Investors, the Pay-in Period shall be the Anchor Investor Bid/Issue Period and extending until two working days after the Bid/Issue Closing Date.
Price Band	Price band of a minimum price of Rs. [●] (Floor Price) and the maximum price of Rs. [●] (Cap Price) and includes revisions thereof. The Price Band and the minimum Bid lot size for the Issue will be decided by our Company in consultation with the BRLM and advertised, at least two working days prior to the Bid/ Issue Opening Date, in an English national daily newspaper, a Hindi national daily newspaper and regional language newspaper, each with wide circulation
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 accordance with 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 Account on the Designated Date
QIB Portion	The portion of the Issue being not more than [●] Equity Shares of Rs. 10 each available for allocation to QIB Bidders
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual fund registered with SEBI, FIIs and sub-account registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual, multilateral and bilateral development financial institution, venture capital fund registered with SEBI, foreign venture capital investor registered with SEBI, state industrial development corporation, insurance company registered with IRDA, provident fund with minimum corpus of Rs. 250 million, pension

Term	Description
	fund with minimum corpus of Rs. 250 million, National Investment Fund set up by Government of India, and insurance funds set up and managed by the army, navy or air force of the Union of India. In terms of the FVCI Regulations and the VCF Regulations, FVCIs and VCFs are not eligible to participate in the issue.
Refund Account	The account opened with the Escrow Collection Bank(s), from which refunds, if any, of the whole or part of the Bid Amount (excluding to the ASBA Bidders) shall be made
Refund Bank	[●]
Refunds through electronic transfer of funds	Refunds through ECS, Direct Credit, RTGS or NEFT, as applicable
Registrar	Registrar to the Issue, in this case being Link Intime India Private Limited
Restated Financial Statements	The audited standalone and consolidated financial statements of our Company, prepared in accordance with Indian GAAP and the Companies Act, 1956 and restated in accordance with the SEBI Regulations. The Restated Financial Statements are included in this Draft Red Herring Prospectus.
Retail Individual Bidder(s)	Individual Bidders (including HUFs applying through their <i>karta</i> , Eligible NRIs and Resident Retail Individual Bidders) who have Bid for Equity Shares for an amount not more than Rs. 100,000 in any of the bidding options in the Issue
Retail Portion	The portion of the Issue being not less than [●] Equity Shares of Rs. 10 each available for allocation to Retail Individual Bidders
Revision Form	The form used by the Bidders, excluding ASBA Bidders, to modify the quantity of Equity Shares or the Bid Amount in any of their Bid cum Application Forms or any previous Revision Form(s)
RHP or Red Herring Prospectus	The Red Herring Prospectus to be issued in accordance with Section 60B of the Companies Act, which will not have complete particulars 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 Opening Date and will become a Prospectus upon filing with the RoC after the Pricing Date
SBI Caps	SBI Capital Markets Limited
Self Certified Syndicate Bank(s) or SCSB(s)	A banker to the Issue registered with SEBI, which offers the facility of ASBA and a list of which is available on http://www.sebi.gov.in
Stock Exchanges	The NSE and the BSE
Syndicate Agreement	The agreement to be entered into between the Syndicate and our Company in relation to the collection of Bids in this Issue (excluding Bids from ASBA Bidders)
Syndicate Members	[●]
Syndicate/Members of the Syndicate	The BRLM and the Syndicate Members
TRS/Transaction Registration Slip	The slip or document issued by the Syndicate or the SCSB (only on demand), as the case may be, to the Bidder as proof of registration of the Bid
Underwriters	The BRLM and the Syndicate Members
Underwriting Agreement	The agreement among the Underwriter and our Company to be entered into on or after the Pricing Date

Technical/ Industry Related Terms

Term	Description
AMFI	Association of Mutual Funds in India
F&O	Futures and Options
FMC	Forward Markets Commission
IRDA	Insurance Regulatory and Development Authority
MCX	Multi Commodity Exchange of India Limited

Term	Description
NCDEX	National Commodity and Derivative Exchange Limited
Nifty	National Stock Exchange Sensitive Index
NMCE	National Multi-Commodity Exchange of India Limited
PMS	Portfolio Management Service
SENSEX	Bombay Stock Exchange Sensitive Index
STT	Securities Transaction Tax
VSAT	Very Small Aperture Terminal

Conventional and General Terms/ Abbreviations

Term	Description
Act or Companies Act	The Companies Act, 1956, as amended from time to time.
AGM	Annual General Meeting
AS	Accounting Standards issued by the Institute of Chartered Accountants of India
BSE	Bombay Stock Exchange Limited
CDSL	Central Depository Services (India) Limited
CRR	Cash Reserve Ratio
Depositories	NSDL and CDSL
Depositories Act	The Depositories Act, 1996, as amended from time to time
DIN	Director Identification Number
DP/ Depository Participant	A depository participant as defined under the Depositories Act, 1996
ECB	External Commercial Borrowing
ECS	Electronic Clearing Service
EGM	Extraordinary General Meeting
EPS	Earnings Per Share i.e., profit after tax for a fiscal year divided by the weighted average outstanding number of equity shares at the end of that fiscal year
FCNR	Foreign Currency Non Resident
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999 read with rules and regulations thereunder and amendments thereto
FEMA Regulations	FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations 2000, as amended from time to time
FII(s)	Foreign Institutional Investors as defined under SEBI (Foreign Institutional Investor) Regulations, 1995 and registered with SEBI under applicable laws in India
Financial / Fiscal Year/ FY	Unless stated otherwise, the period of 12 months ending March 31 of that particular year
FVCI	Foreign Venture Capital Investor registered under the SEBI (Foreign Venture Capital Investor) Regulations, 2000
GoI/Government	Government of India
HNI	High Net Worth Individual
HUF	Hindu Undivided Family
I.T. Act	The Income Tax Act, 1961, as amended from time to time
IFRS	International Financial Reporting Standards
Indian GAAP	Generally Accepted Accounting Principles in India
IPO	Initial Public Offering
LAS	Loan against shares
MAT	Minimum Alternative Tax
Mn / mn	Million
MOU	Memorandum of Understanding
NA/ n.a.	Not Applicable
NAV	Net Asset Value being the paid up equity share capital plus free reserves (excluding reserves created out of revaluation) less deferred expenditure not written off (including miscellaneous expenses not written off) and debit balance of profit and loss account, divided by number of issued equity shares

Term	Description
NBFC	Non Banking Financial Company as defined under the Reserve Bank of India Act, 1934 and regulations promulgated thereunder, as amended from time to time
NBFC-D	Deposit taking NBFC
NBFC-ND	Non-deposit taking NBFC
NBFC-ND-SI	Systemically Important Non-deposit taking NBFC
NEFT	National Electronic Fund Transfer
NOC	No Objection Certificate
NR	Non-resident
NRE Account	Non Resident External Account
NRI	Non Resident Indian, being a person resident outside India, as defined under FEMA and the FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
NRO Account	Non Resident Ordinary Account
NSCCL	National Securities Clearing Corporation Limited
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
OCB	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Transfer or Issue of Foreign Security by a Person resident outside India) Regulations, 2000. OCBs are not allowed to invest in this Issue
p.a.	Per annum
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number allotted under the Income Tax Act, 1961
PAT	Profit after tax
RBI	The Reserve Bank of India
RoC	The Registrar of Companies, West Bengal located at Nizam Place, 2 nd Floor, M.S.O Building, 2 nd Floor, 234/4 A.J.C Bose Road, Kolkata 700 020.
Rs./INR	Indian Rupees
RTGS	Real Time Gross Settlement
SCRA	Securities Contracts (Regulation) Act, 1956, as amended from time to time
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992, as amended from time to time
SEBI Act	Securities and Exchange Board of India Act 1992, as amended from time to time
SEBI Regulations	SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 as amended from time to time
SEBI Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended from time to time
SIDBI	Small Industries Development Bank of India
SLR	Statutory Liquidity Ratio
State Government	The government of a state of the Union of India
US / USA	United States of America
US GAAP	Generally Accepted Accounting Principles in the United States of America
USD/US\$/U.S.\$	United States Dollars

PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA

Financial Data

Unless stated otherwise, the financial data in this Draft Red Herring Prospectus is derived from the audited standalone and consolidated financial statements, prepared in accordance with Indian GAAP and the Companies Act, 1956 and restated in accordance with the SEBI Regulations (the “**Restated Financial Statements**”). The Restated Financial Statements have been included in this Draft Red Herring Prospectus.

There are significant differences between Indian GAAP, US GAAP and IFRS. We do not provide reconciliation of our Restated Financial Statements to IFRS or US GAAP financial statements. We have not attempted to explain those differences or quantify their impact on the financial data included herein, and we urge you to consult your own advisors regarding such differences and their impact on our financial data. Accordingly, the degree to which the Restated Financial Statements included in this Draft Red Herring Prospectus will provide meaningful information is entirely dependent on the reader’s level of familiarity with Indian accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Draft Red Herring Prospectus should accordingly be limited.

Our Fiscal year commences on April 1 and ends on March 31 of the next year, so all references to particular Fiscal year, unless stated otherwise, are to the 12 months period ended on March 31 of that year.

All numbers in this Draft Red Herring Prospectus have been represented in million or in whole numbers, where the numbers have been too small to present in million. Any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off. All decimals have been rounded off to two decimals points.

Currency of Presentation

All references to “Rupees” or “Rs.” are to Indian Rupees, the official currency of the Republic of India. All references to “US\$”, “USD” or “US Dollars” are to United States Dollars, the official currency of the United States of America.

Industry and Market Data

Unless stated otherwise, industry and market data used in this Draft Red Herring Prospectus has been obtained or derived from publicly available information as well as industry publications and sources. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Accordingly, no investment decision should be made on the basis of such information. Although industry data used in this Draft Red Herring Prospectus is reliable, it has not been independently verified by our Company or the BRLM. Similarly, internal Company reports, while believed by us to be reliable, have not been verified by any independent sources.

The extent to which the market and industry data used in this Draft Red Herring Prospectus is meaningful depends on the reader’s familiarity with and understanding of the methodologies used in compiling such data.

FORWARD LOOKING STATEMENTS

This Draft Red Herring Prospectus contains certain “forward-looking statements”. All statements that are not statements of historical fact are forward-looking statements. These forward-looking statements generally can be identified by words or phrases such as “aim”, “anticipate”, “believe”, “expect”, “estimate”, “intend”, “objective”, “plan”, “project”, “shall”, “will”, “will continue”, “will pursue” or other words or phrases of similar import. Similarly, statements that describe our strategies, objectives, plans or goals are also forward-looking statements. All forward-looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results and property valuations to differ materially from those contemplated by the relevant statement.

Actual results may differ materially from those suggested by the forward looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to, regulatory changes pertaining to the industries in India in which we have our businesses and our ability to respond to them, our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks, general economic and political conditions in India which have an impact on our business activities or investments, the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic laws, regulations and taxes and changes in competition in our industry. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to, the following:

- Our ability to comply with extensive securities regulations as well as changes in the regulations and varying interpretation of these regulations;
- Our ability to obtain approvals and periodic renewals for conducting our business;
- Our failure to expand our operations whether through branches or Business Associates or otherwise;
- Any revision in our funds requirement and deployment of Net Proceeds;
- Our ability to obtain or enforce our trademark on our trade name and/ or logo;
- Our ability to manage our risk exposure, the performance of our risk management systems and our ability to manage our exposure to unanticipated risks; and
- Our ability to manage the risks associated with providing loans against shares in our lending business and particularly to successfully limit our losses due to bad debts.

For further discussion of factors that could cause our actual results to differ from our expectations, see “Risk Factors”, “Our Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on pages x, 60 and 213, respectively. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual gains or losses could materially differ from those that have been estimated.

Forward-looking statements speak only as of the date of this Draft Red Herring Prospectus. Neither our Company, the Directors, the Underwriters 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 the grant of listing and trading permission by the Stock Exchanges.

SECTION II: RISK FACTORS

An investment in Equity Shares involves a high degree of risk. You should carefully consider all of the information in this Draft Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in the Equity Shares. You should also pay particular attention to the fact that we are governed in India by a legal and regulatory environment which in some material respects may be different from that which prevails in other countries. If any of the following risks, or other risks that are not currently known or are now deemed immaterial, actually occur, our business, results of operations and financial condition could suffer, the price of the Equity Shares could decline, and you may lose all or part of your investment. The financial and other implications of material impact of risks concerned, wherever quantifiable, have been disclosed in the risk factors mentioned below. There are, however, a few risk factors where the impact is not quantifiable and hence the impact has not been disclosed in such risk factors.

INTERNAL RISK FACTORS

1. *We have been penalised / have received several notices in relation to our businesses from the SEBI, NSE, BSE, NSDL, NCDEX, MCX and the IRDA.*

We have received notices from the SEBI for not exercising proper due diligence as a merchant banker and the NSE for various non-compliances including for certain alleged violations related to trading in the capital market and the futures and options segments. We have also received notices from the NSE and the BSE for inspection of our books of accounts and other documents and in respect of arbitration applications filed against MCap by its customers. NSDL has also imposed penalties against us for various infractions including, *inter alia* lapses pertaining to opening of accounts, non-submission/ delay in submission of internal reports, entering incorrect PAN numbers, debiting clients account without proper authorisation and for failure to take database back-up. Certain of these notices were pursued by the relevant regulatory authorities and penalties imposed or warnings issued. Details of such penalties and notices have been set forth in the table below:

Particulars	No. of Cases	Details	Penalty imposed/ warnings issued
MCap			
Notices from SEBI	2	Alleging irregularities pertaining to due diligence conducted as a merchant banker in respect of an IPO/ open offer	SEBI has, in relation to one of the notices, warned MCap to exercise proper due diligence in the future
	1	Alleged irregularities and violations in the operation as a broker and depository participant.	SEBI has warned MCap not to repeat such irregularities in future and to ensure strict compliance of all the rules and regulations issued by SEBI and the stock exchanges.
Notices from the NSE	2	Alleged violations related to trading in the futures and options segment	Rs. 150,000
	1	Alleged violations related to trading in the capital market segment	NSE has advised MCap to ensure non-recurrence of the violation and to ensure compliance with the regulations of NSE.
	1	Alleged violations related to trading in the futures and options segment	NSE has advised MCap to ensure non-recurrence of the violation and to ensure compliance with the regulations of NSE.
	2	Inspection of the books of accounts and other documents	NSE, in relation to one of the inspection, has imposed a penalty of Rs. 10,000
	1	Show cause notice served to	-

Particulars	No. of Cases	Details	Penalty imposed/ warnings issued
		MCap in relation to explain failure to acquire approval from NSE for change in directors.	
	2	Arbitration application filed by customer with NSE, alleging execution of certain unauthorized transactions in securities by MCap.	-
Notice from the BSE	2	Inspection of the books of accounts and other documents	BSE, in relation to one of the inspection, has advised MCap to ensure that client funds are routed through the designated client bank accounts only. Further, BSE has also directed MCap to submit a compliance certificate within 30 days. BSE has warned MCap that non compliance of recommendations of BSE and/ or non-submission of compliance report to BSE within 30 days will be subject to necessary fine as may be imposed by BSE.
Correspondence with NSDL	9	Alleged administrative irregularities in the capacity as a depository participant	NSDL has, in relation to three letters, imposed a penalty of Rs. 31,000 on MCap.
	8	Various infractions which <i>inter alia</i> include entering incorrect PAN numbers of certain account holders, debiting clients account without proper authorization and failure to take proper back up.	16,500
MCL			
Correspondence with NCDEX	6	Alleged administrative irregularities	-
Correspondence with MCX	2	Submission of compliance report in relation to certain non compliances	-
	1	Failure to maintain written consent of client in respect of order placement/ modification/ cancellation, failure to issue trade confirmation slips on execution of trade and failure to issue contract notes in format prescribed by the exchange	6,000
	1	Submission of certificate confirming non-recurrence of violations.	-
MIBL			
Notice from	1	Alleged non compliance of	IRDA has warned MIBL to be

Particulars	No. of Cases	Details	Penalty imposed/ warnings issued
IRDA		provisions of the IRDA (Insurance Brokers) Regulations, 2002	diligent in its activities as an insurance broker

For further details, see “Outstanding Litigations and Material Developments on page 230 of this Draft Red Herring Prospectus.

2. *There is outstanding litigation against our Company, our Subsidiaries and our Group Company.*

Our Company, Subsidiaries and Group Company are involved in disputes with various parties arising from their operations from time to time. Our legal proceedings are pending at different levels of adjudication before various courts and tribunals. Should any new developments arise, such as a change in law or rulings against the Company by appellate courts or tribunals, the Company may need to make provisions in its financial statements, which could adversely impact its business results. Furthermore, if significant claims are determined against the Company and it is required to pay all or a portion of the disputed amounts, there could be a material adverse effect on the Company’s business and profitability.

The summary details of litigation against the Company are given below:

Particulars	No. of Cases	Details	Aggregate amount involved, where ascertainable (Rs. in million)
Civil Proceedings	1	Company petition filed by Kohinoor Foods Limited alleging acquisition of its shares by our Company and others, which is alleged to be in violation of the SEBI Takeover Regulations. The matter is currently pending before the Company Law Board.	-

The summary details of litigation against our Subsidiaries are given below:

Particulars	No. of Cases	Details	Aggregate amount involved, where ascertainable (Rs. in million)	Status
MCap				
Civil Proceedings	1	Kohinoor Foods Limited filed a petition for impleadment of MCap in the civil proceedings pending against our Company. It was alleged that MCap being a broker of Temptation Foods Limited was acting in concert with our Company.	-	The matter is pending
Arbitration proceedings	1	Arbitration application filed by customer with BSE, alleging execution of certain unauthorized transactions in	The arbitrator has directed MCap to pay a sum of approximately Rs.	MCap filed an appeal before the appellate bench of the

Particulars	No. of Cases	Details	Aggregate amount involved, where ascertainable (Rs. in million)	Status
		securities by MCap.	0.67 million along with interest to the customer.	BSE against the order
Complaints from customers	100	Alleged minor administrative infractions	-	
Trademark opposition	1	Opposition filed in relation to the use of the trademark 'MICROSEC- MICRO FOCUS. MEGA WEALTH'.	-	The matter is currently pending before the Registrar of Trade Marks.
MTL				
Notice from Service Tax Commissioner	1	Alleged contravention of the provisions of the Finance Act, 1994 and a non-payment of service tax, education cess and higher education cess.	1.07	The matter is pending
MRPL				
Notice from Income Tax Department	1	Alleged concealment of particulars of income for assessment year 2005-2006.	2.05	Appeal filed by Income Tax Department is pending before the High Court of Calcutta
MCL				
Notice from Income Tax Department	1	Directing delivery of return of income for the assessment year 2005-2006	-	-
MIBL				
Notice from IRDA	1	IRDA alleged non compliance of provisions of the IRDA (Insurance Brokers) Regulations, 2002 by MIBL.	IRDA had rejected MIBL's application for renewal of its registration as a direct broker for non compliance of Regulation 32 (2) of the IRDA (Insurance Brokers) Regulations, 2002 and imposed a penalty of Rs. 0.5 million	MIBL has paid the penalty and its registration as a direct broker has been renewed by IRDA

The summary details of litigation against our Group Company are given below:

Particulars	No. of Cases	Details	Aggregate amount involved, where ascertainable (Rs. in million)	Status
LKPL				

Particulars	No. of Cases	Details	Aggregate amount involved, where ascertainable (Rs. in million)	Status
Notice from Income Tax Department	1	Alleged claim of excessive and unrelated expenses in the profit and loss account for assessment year 2007-2008.	0.27	Appeal filed by LKPL against the order and demand notice is pending before the Commissioner of Income Tax (Appeals)

For further details regarding outstanding litigation involving the Company and the Directors, our Subsidiaries and Group Company see “Outstanding Litigation and Material Developments” on page 230 of this Draft Red Herring Prospectus.

3. MCap and MCL have been penalised with penalties/ fine for minor administrative infractions.

A number of insubstantial penalties/ fines have been imposed on us for minor administrative infractions, the details of which have been set forth below:

A. MCap

Penalties for administrative infractions

Penalties have been imposed on MCap by the Stock Exchanges and NSCCL for administrative infractions. The details of such penalties paid by MCap in Fiscal 2005, 2006, 2007, 2008, 2009 and the period ended January 31, 2010 are set forth below:

Nature of infraction	Fiscal 2005		Fiscal 2006		Fiscal 2007		Fiscal 2008		Fiscal 2009		January 31, 2010	
	No. of cases	Amount (in Rs.)	No. of cases	Amount (in Rs.)	No. of cases	Amount (in Rs.)	No. of cases	Amount (in Rs.)	No. of cases	Amount (in Rs.)	No. of cases	Amount (in Rs.)
Wrong/non-upload of UCI/CTCL/margin report	4	25,018	13	52,945	20	142,424	15	38,324	19	5,245	13	4,200
Violation of intra day trade/gross exposure limits	-	-	1	20,000	4	55,000	4	40,000	5	23,311	-	-
Delay in reporting of client funding	-	-	-	-	2	3,900	1	1,000	1	100	-	-
Late submission of margin trading certificate	-	-	-	-	-	-	2	1,800	-	-	-	-
Total	4	25,018	14	72,945	26	201,324	22	81,124	25	28,656	13	4,200

B. MCL

Penalties for administrative infractions

Penalties have been imposed on MCL by NCDEX and MCX for administrative infractions. The details of such penalties paid by MCL in Fiscal 2006, 2007, 2008, 2009 and the period ended January 31, 2010 are set forth below:

Nature of infraction	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009	January 31, 2010
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	No. of cases	Amount (in Rs.)	No. of cases	Amount (in Rs.)	No. of cases	Amount (in Rs.)	No. of cases	Amount (in Rs.)		
NCDEX										
Wrong/non-upload of UCC	4	3,890	4	690	4	1100	-	-	-	-
Modification of executed trades	-	-	2	3,000	2	4,000	-	-	-	-
Exceeding margin limits	2	1,694	-	-	3	3,736	-	-	-	-
Failure to raise invoices for executed trades	-	-	1	5,000	-	-	-	-	-	-
Non/late submission of client information	-	-	-	-	-	-	2	200	-	-
MCX										
Wrong/non-upload of UCC	-	-	5	2,500	1	400	1	100	-	-
Modification of executed trades	-	-	-	-	5	2,500	-	-	-	-
Failure to raise invoices for executed trades	-	-	1	2,143	2	20,000	2	8,700	-	-
Total	6	5,584	13	13,333	17	31,736	5	9,000	-	-

For further details, see “Outstanding Litigation and Material Developments” on page 230 of this Draft Red Herring Prospectus.

4. *We extend loan against shares, or margin loans, to our clients, and any default by a client coupled with a downturn in the stock markets could result in substantial losses for us.*

Our Company and MRPL extends ‘loans against shares’ or margin loans, which are secured by liquid and marketable securities at appropriate or pre-determined margin levels and propose to continue our LAS operations. We require our clients to deposit a minimum initial margin. We, at times, also extend significant credit to clients at specified interest rates for the purchase of shares. In the case of highly volatile stock market or adverse movements in stock price, clients may not be able to repay their loans, and the collateral securing the loans may have decreased significantly in value, resulting in losses which we may not be able to support. For instance, in the six months period ended September 30, 2009, an amount aggregating to Rs. 11.27 million was written off as loss on assignment of receivables, in respect of three clients. In addition, an amount of Rs. 1.30 million was declared as an NPA during the same period, and a provision of Rs. 0.13 million was made for such NPA. Such failure on the part of our clients to repay the debt for such or other reasons would be detrimental to our business and profitability.

We follow our internal risk management guidelines while extending credit, including limits on leverage, quality of collateral, diversification, pre-determined margin call thresholds and pre-determined thresholds to liquidate collateral. No assurance can be given that if the financial markets witnessed a significant single-day or general downturn, our financial condition and results of operations would not be adversely affected. Further, these risk management guidelines require frequent reviews and updation, and at times may be inadequate. In addition, there may be risk due to concentration of exposure to a few clients.

5. *Our inability to foreclose on collateral in the event of a default may result in failure to recover the expected value of the collateral. Additionally, the value of the collateral on loans may decrease, or we may experience delays in enforcing collateral when borrowers default on their obligations.*

In relation to our secured loans, changes in the underlying asset prices, particularly marketable securities, may cause the value of our collateral to decline, and we may not be able to realize the full value of the collateral as a result of delays in bankruptcy and foreclosure proceedings, inability to foreclose, defects in the perfection of collateral, fraudulent transfers by borrowers and other factors,

including legislative changes and judicial pronouncements. Failure to recover the expected value of collateral could expose us to losses and, in turn, adversely affect our business and financial performance.

6. *Our applications for registration of labels ‘MICROSEC-MICRO FOCUS. MEGA WEALTH’ and ‘MICRO FOCUS. MEGA WEALTH’ before the Trade Mark Registry have been opposed and any failure to obtain the registration may affect our goodwill.*

We use the trade name and logo ‘Microsec’ and its associated logos and invest our resources in building our brand. The trade name “MICROSEC” is a registered trademark of MCap. However, we have filed other applications with the registry for trade mark and copyright registration of various labels/ product names that we use in our business under various classes. All our trade mark applications are made through our Subsidiaries. As of the date of this Draft Red Herring Prospectus, most of these applications are pending before the Trade Mark Registry. For further details, see section ‘Government and Other Approvals – Intellectual Property Related Approvals – Pending Approvals’ on page 252 of this Draft Red Herring Prospectus. Our applications for registration of labels ‘MICROSEC –MICRO FOCUS. MEGA WEALTH’ and ‘MICRO FOCUS. MEGA WEALTH’ before the Trade Mark Registry have been opposed. For further details, see “Outstanding Litigation and Material Developments” on page 230 of this Draft Red Herring Prospectus.

We operate in a competitive environment where generating and maintaining brand recognition is a significant element of our business strategy. If the legal proceedings are decided against us or if we fail to obtain or enforce our aforementioned labels or if we are restricted from using the same, we may be required to amend or change the labels. Any such change could have a material adverse effect on our business, results of operations, financial condition and prospects.

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

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

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

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

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

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

For example, registration of business organisation under Bombay Shops and Organisation Act, 1948 issued to a branch of MCap by Government of Maharashtra have expired and as at the date of this Draft Red Herring Prospectus no application for renewal of the same has been made.

We cannot assure you that we will be able to obtain approvals or renewals in respect of any application made by us, in a timely manner or at all. For further details, see “Regulations and Policies” and “Government Approvals” on pages 72 and 245 of this Draft Red Herring Prospectus, respectively.

9. *The RBI previously has issued guidelines which if made applicable to us may impose certain restrictions on our lending and investment activities which may adversely affect our business.*

In terms of guidelines issued by the RBI a systemically important NBFCs, i.e. a NBFCs having an asset size of Rs. 1,000 million or more is governed by the provisions of the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 2007. A systemically important NBFC is restricted from investing in excess of 15% of its owned funds in shares of a company and in excess of 25% of its owned funds in shares of a single group of companies. Further, a systemically important NBFC is also restricted from lending to a single borrower in excess of 15% of its owned funds and to single group of borrowers in excess of 25% of its owned funds.

We are currently not a systematically important NBFC. After the Issue but before the balance sheet for the year ended March 31, 2011 is audited, our asset base may exceed Rs. 1,000 million. Consequently, we may be required to apply to the RBI for an exemption from the aforementioned ceilings. In the event that we do not obtain the exemption from RBI, we will not be able to carry on our lending and investment activities beyond those maximum permissible regulatory limits. Currently, there is no proposed investment by our Company which would exceed the aforesaid limits and require the approval of the RBI.

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

Historically, our operations have been focused on the eastern and north eastern regions of the country. Accordingly, a very substantial part of our revenues are generated from operations in eastern and north-eastern India.

As at January 31, 2010, we have established some branches outside Eastern India, including at Mumbai, Nasik, Pune, Delhi, Varanasi, Srinagar, Surat, Jaipur, Raipur, Shimla and Indore. Failure to expand our operations either through branches or Business Associates or otherwise may restrict our growth potential and adversely affect our business plan. This will adversely affect our business operations and growth of our business.

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

Our funding requirements and the deployment of the Net Proceeds are based on management estimates and have not been appraised by any bank, financial institution or any other independent institution. Substantial part of the funds raised through this Issue is proposed to be used for the financing activities of our Company. In Fiscal 2009, the financing activity contributed approximately 26% of our stand-alone revenues, but since this activity is fairly recent (commenced in May 2005), our results may differ substantially going forward. Further, in view of the highly competitive nature of the industry in which

we operate, we may revise our management estimates from time to time and consequently our funding requirements may also change. This may result in the rescheduling of our funds deployment and a change in our proposed expenditure for a particular object which may adversely affect our results of operations.

12. *Lack of effectiveness of our risk management systems and procedures may leave us exposed to unidentified risks or unanticipated levels of risk.*

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

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

13. *Our business is heavily dependent on technological systems and any interruptions in such systems could lead to decline in our sales and profits.*

We are dependent on our technology systems to perform the critical function of gathering, processing and communicating information efficiently, securely and without interruptions. We face risks arising from failures in our systems control processes, information system disruptions, communication systems failure and data interception during transmission through external communication channels and networks on which our ability to manage our business depends. Additionally, rapid increases in client demand may strain our ability to enhance our technology and expand our operating capacity. At the core of our on-line trading system is an application based on VSAT, which has a direct connection with the NSE and the BSE allows investors to trade securities on-line. The VSAT-based network allows us to provide investors with real-time market data such as streaming quotes from each market due to better connectivity. A breakdown or interruption in the Indian domestic satellite system could have a material adverse effect on our business and client base.

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

14. *Our Objects of the Issue do not contemplate creation of major fixed assets.*

The objects of this Issue are to (a) expand our financing business; (b) expand MCap's domestic operations and network of branches; (c) enhance MCap's existing technological capacity and (d) enhance our visibility; and (e) achieve the benefits of listing the Equity Shares of our Company on the

Stock Exchanges. As a result, Rs. 1,250 million out of the proceeds of the Issue shall not be utilized for the creation of major fixed assets. For more information on the use of proceeds, see “Objects of the Issue” on page 36 of this Draft Red Herring Prospectus.

15. *We estimate a capital expenditure of Rs. 75 million towards equipment or machinery, orders in respect of which are yet to be placed.*

We propose to utilize Rs. 75 million out of the proceeds of this Issue towards enhancement of our technological capability. For details of equipment that we need to purchase see section “Objects of the Issue” on page 36 of this Draft Red Herring Prospectus. For the above estimates, the machinery or equipment is yet to be ordered. Our Company has not yet made a decision to finalize the suppliers for the same. The figures in our Company’s capital expenditure plans are based on management estimates and have not been appraised by an independent organization. In addition, our Company’s capital expenditure plans are subject to a number of variables, including possible cost overruns or defects and changes in the management’s view of the desirability of the current plans, among others.

16. *We intend to use a portion of our Net Proceeds towards investment in unlisted Subsidiaries and cannot assure returns pursuant to such investments.*

In terms of the objects of this Issue, out of the amount being raised for the purpose of establishment of additional offices and acquisition of office infrastructure is being raised exclusively for our Subsidiary, MCap. For further details, see “Objects of the Issue” on page 36 of this Draft Red Herring Prospectus. These funds would be utilized as according to the discretion of the management of these Subsidiaries. These Subsidiaries are unlisted companies and their activities and records are not subject to public scrutiny. Further, our Company is not assured of any dividends pursuant to such investments.

17. *We have obtained short term credit facilities amounting to Rs. 50 million from IL&FS Financial Services Limited and Rs.60 million from Citicorp Finance India Limited which are repayable on demand. Our profitability will be adversely affected if we have to repay any or all of these facilities on demand.*

We have been sanctioned credit facility of Rs. 50 million from IL&FS Financial Services Limited and Rs. 60 million from Citicorp Finance India Limited against the pledge of certain securities possessed by our Company. The facility taken from IL&FS Financial Services Limited has a term of one year and the facility taken from Citicorp Finance India Limited has a term of three years and is repayable on demand. Further, Our Registered Office has been mortgaged in favour of HDFC Bank Limited, Mumbai as security for certain facilities granted by HDFC Bank Limited to our Subsidiary, MCap. As of September 30, 2009, we had unconsolidated outstanding loan of Rs. 15.58 million. If we are required to repay any or all of these facilities, our profitability will be adversely affected. Further, on the occurrence of an event of default, any enforcement by these lenders of the pledges created over the securities possessed by us may adversely affect our operations and profitability.

18. *We could be exposed to risks arising from misconduct, fraud and trading errors by our employees and Business Associates.*

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

19. *We are exposed to risks attributable to derivatives trading by clients.*

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

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

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

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

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

22. ***Our results of operations have been, and may continue to be, adversely affected by Indian and international financial market and economic conditions.***

Our business has been, and in the future could continue to be, materially and adversely affected by Indian and international market and economic conditions. Such conditions in India include war; acts of terrorism; natural catastrophes; sudden changes in economic and financial policies; fluctuations in interest rates; and corporate or other scandals. International markets and economic conditions include the liquidity of global financial markets, the level and volatility of debt and equity prices and interest rates; investor sentiment; inflation; the availability and cost of capital and credit; and the degree to which the international economies are expanding or experiencing recessionary pressures. The independent and/or collective fluctuation of these conditions could affect confidence in the financial markets leading to decline in investor interest and can directly and indirectly affect demand for our lending finance and financial products.

During 2008 and 2009, global financial markets were extremely volatile and were materially and adversely affected by a significant lack of liquidity, decreased confidence in the financial sector, disruptions in the credit markets and reduced business activity. These factors contributed to adversely affecting our business, financial condition and results of operations for the fiscal year ended March 31, 2009. The securities markets are the primary source of our revenue, particularly through our investment banking activities. We earn fees in our investment banking business as a percentage of the amount raised in the offerings. Any downturn or disruption in the securities markets \including a decline in the numbers and size of transactions may adversely affect our results of operations.

23. *Substantial part of our income may be of volatile in nature.*

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

24. *Security breaches could adversely impact our business.*

Our computer systems and network infrastructure may be exposed to physical break-ins as well as security breaches and other disruptive problems caused by our increased internet connectivity. There is no assurance that the security systems and security measures employed by us, including firewalls designed to minimize the risk of security breaches are adequate. Breaches of our security measures could affect the security of information stored in and transmitted through these computer systems and network infrastructure. A failure in security measures could have a material adverse effect on our business and our future financial performance.

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

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

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

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

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

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

We are a professionally managed company and are governed by our Board of Directors. We have, over time, built a strong team of experienced professionals to oversee the operations and growth of our

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

28. *Our business requires substantial capital, and any disruption in funding sources and access to capital markets would have a material adverse effect on our liquidity and financial conditions.*

As we are a ‘non-deposit accepting’ NBFC and do not have access to deposits, our liquidity and ongoing profitability are, in large part, dependent upon our timely access to, and the cost associated with raising capital. We may need to raise additional capital from time to time, which we may not be able to procure. Additional capital requirements imposed due to changes in the regulatory regime, new guidelines or significant depletion in our existing capital base due to unusual operating losses or margin pressure from our securities-backed lending activities also may drive demand for additional financing. Our funding requirements historically have been met from a combination of borrowings, sales of our loans to other lenders such as banks and NBFCs. Thus our business depends and will continue to depend on our ability to access diversified funding sources. It should be noted that any issuances we make of equity securities, such as the Issue, will dilute the shareholding of our then-existing shareholders.

Our funding strategy was adversely affected by the ongoing stress in the global credit markets that began in mid – 2007. The capital and lending markets remain highly volatile and access to liquidity has been significantly reduced. These conditions have resulted in increased borrowing costs. Additional funds may not be available on attractive terms. In addition, it could become more difficult to procure or renew loan and facilities as many potential lenders and counterparties also are facing liquidity and capital concerns as a result of the stress in the financial markets. Our inability to procure additional funds to support our activities could have an adverse effect on our results of operations.

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

Our consolidated revenues have grown from Rs. 70.61 million in Fiscal 2006 to Rs. 275.93 million for the half year ended on September 30, 2009, at a CAGR of approximately 47.61%. There can be no assurance that comparable levels of growth will continue, particularly in view of the non-recurring nature of certain income items. Moreover, our ability to sustain our rate of growth depends significantly upon our ability to manage key issues such as selecting and retaining key managerial personnel, maintaining effective risk management policies, continuing to offer products which are relevant to our target base of clients, developing managerial experience to address emerging challenges and ensuring a high standard of client service. Going forward, we may not have adequate processes and systems such as credit appraisal and risk management to sustain this growth. We may not be able to execute our strategy of increasing our client base in the future as well as effectively service our clients’ requirements at the same level as before. Any failure on our part to scale our infrastructure, financial control and management capabilities to meet the challenges of rapid growth could adversely affect our business and financial results and could be detrimental to our long-term business outlook and reputation.

30. *Our profitability for the fiscal year ended March 31, 2009 decreased significantly from the prior fiscal year and a continuing declining trend may adversely affect our business and operations in the future.*

Our consolidated profit for the fiscal year ended March 31, 2009 decreased by 46.63% to Rs. 86.11 million from Rs. 161.35 million for the prior fiscal year. This was primarily due to decrease in our income from operations owing to depressed market conditions. For additional discussion of the causes for our decrease in profitability for the fiscal year ended March 31, 2009, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on page 213 of this Draft Red Herring Prospectus. We cannot assure you that going forward, our profitability will improve, nor can we assure that our profitability will not decrease further, both of which depend upon a variety of factors including our expenses, market conditions and our ability to manage any risks that may arise

from these factors. Any inability to manage such risks may adversely affect our business, financial condition and results of operations.

31. *We may not be able to maintain our current levels of profitability due to increased costs or reduced spreads.*

Our business strategy involves a relatively high level of ongoing interaction with our clients. We believe that this involvement is an important part of developing our relationship with our clients, identifying new cross-selling opportunities and monitoring our performance. However, this level of involvement also entails higher levels of costs as compared to, for example, advancing loans only from our branch offices, and also requires a relatively higher gross spread, or margin, on the consumer lending products we offer in order to maintain profitability. There can be no assurance that we will be able to maintain our current levels of profitability if the gross spreads on our consumer lending products were to reduce substantially, which could adversely affect our results of operations.

32. *Our revenue and profits are highly volatile, which may make it difficult for us to achieve steady earnings growth on a quarterly basis and may cause the price of our Equity Shares to decline.*

Our revenue and profits are highly volatile. We generally derive revenue from a limited number of engagements in our business that generates significant fees at key transaction milestones, such as closing, the timing of which is outside of our control. As a result, our financial results will likely fluctuate from quarter to quarter based on the timing of when those fees are earned. It may be difficult for us to achieve steady earnings growth on a quarterly basis, which could, in turn, lead to large adverse movements in the price of our Equity Shares or increased volatility in our stock price generally. We earn a significant portion of our revenue from investment banking and consulting, and, in many cases, we are not paid fully until the successful consummation of the underlying assignment. As a result, our investment banking and consulting activities are highly dependent on market conditions and the decisions and actions of our clients, interested third parties and governmental authorities. For example, a client could delay or terminate a transaction because of a failure to agree upon final terms with the counterparty, failure to obtain necessary regulatory consents or board or stockholder approvals, failure to secure necessary financing, adverse market conditions or because the target's business is experiencing unexpected operating or financial problems. In these circumstances, we often do not receive full advisory fees or the reimbursement of certain out-of-pocket expenses, despite the fact that we have devoted considerable resources to these transactions.

33. *We operate on owned as well as leased premises and we may lose possession of leased properties and related buildings and other improvements.*

We propose to substantially expand our business. Presently, we operate from owned as well as leased properties. On increasing the scale of our operations, we may in the future enter into lease agreements. Any adverse impact on the title, ownership rights and/or development rights of the owners from whose premises we operate, or breaches of the contractual terms of such lease agreements and/or leave and license agreements including delay in payment of annual rent, usage of the property other than for the purpose for which it was allotted, or transfer or assignment of land without prior consent of the lessor, may impede our operations. In the event such leases or licenses are not renewed, our operations and in turn profitability will be adversely impacted.

34. *Our contingent liabilities, which have not been provided for, could adversely affect our financial condition.*

As of September 30, 2009 our contingent liabilities as per our consolidated Restated Financial Statements were Rs. 394.95 million. In the event our Company is called upon to pay some or all of such liabilities, its financial position and results of operations could be adversely affected. Set forth below is a table that summarizes our contingent liabilities as of September 30, 2009:

(Rs. in million)

Particulars	September 30, 2009
Guarantees in favour of banks against facilities granted to subsidiary companies	295.00
Credit facilities availed against the above as on September 30, 2009 – Rs. 43.50 million	

Particulars	September 30, 2009
Claims against the Company not acknowledged as debts	2.63
Bank guarantees outstanding in favour of stock/ commodity exchanges	83.50
Counter guarantee in favour of a bank for guarantees issued by the bank on behalf of a subsidiary company	7.50
Disputed Income tax demand in Appeal	6.32
Total	394.95

For further details, see “Financial Statements” beginning on page 112 of this Draft Red Herring Prospectus.

35. *LKPL, our group company, has incurred losses in the past.*

LKPL has incurred losses in the last three fiscal years. The profit/ (loss) figures for LKPL are set forth below:

Name of the company	Rs. in million		
	Fiscal 2009	Fiscal 2008	Fiscal 2007
LKPL	(10.08)	8.66	5.17

36. *In the last six months, Equity Shares of the Company have been transferred to our Promoter Group company, LKPL.*

Details of transfer of Equity Shares to LKPL during the six months immediately preceding the date of this Draft Red Herring Prospectus are as follows:

Name of Promoter Group Company	Date of purchase	Price at which shares purchased (in Rs.)	Number of Equity Shares
LKPL	September 22, 2009	125	968,033

For further details, please see “Capital Structure” on page 25 of this Draft Red Herring Prospectus.

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

Subsequent to the completion of the Issue, our Promoters along with our Promoter Group will own an aggregate of 54.78% of our issued and paid-up Equity Share capital. They will, therefore, be able to exercise a significant degree of influence over us and will be able to control the outcome of any proposal that can be passed with a majority shareholder vote. This will include the ability to appoint directors to our Board and the right to approve significant actions at shareholders’ meetings, including the issue of Equity Shares and dividend payments, business plans, mergers and acquisitions, any consolidation or joint venture, any amendment to our Memorandum and Articles of Association

Our Promoters will also be able to cause us to take actions that are not in, or may conflict with, our interests and/or the interests of our minority shareholders, and there can be no assurance that such actions will not have an adverse effect on our business operations, financial performance and the price of our Equity Shares. For further details, see “Capital Structure” on page 25 of this Draft Red Herring Prospectus.

38. *Possible Conflict of Interest within the Promoter Group may affect implementation of our business strategy.*

LKPL, our Group Company is an NBFC primarily engaged in business of making investments and to that extent there may be a conflict of interest with respect to business strategies of our Company.

39. *Our growth will depend on our ability to develop our brand and failure to do so will have a negative impact on our ability to compete in this industry.*

We believe that continuing to build our brand, particularly in our new businesses, like portfolio management service, institutional broking and financial planning advisory will be critical to achieving marketable recognition of our services. Promoting and positioning our brand will depend largely on the

success of our marketing efforts and our ability to provide high quality services. Brand promotion activities may not yield increased revenues, and even if they do, any increased revenues may not offset the expenses we incur in building our brand. If we fail to promote and maintain our brand, our business, financial condition and results of operations could be adversely affected.

40. *Our decision to enter into the businesses of portfolio management service, institutional broking and financial planning advisory exposes us to additional risks.*

We are expanding our business offerings to include portfolio management service, institutional broking and financial planning advisory and these additional product offerings may expose us to new business risks. We have little or no operating experience with these businesses, and you should consider the risks and difficulties we may encounter by entering into new lines of business, including the following:

- New businesses will require significant capital investments and commitments of time from our senior management, and there often is little or no prospect of earnings in a new business for several years. Moreover, there is no assurance any new business we develop or enter will commence in accordance with our timelines, if at all, which could result in additional costs and time commitments from our senior management. There also can be no assurance that our management will be able to develop the skills necessary to successfully manage these new business areas.
- We may not be able to leverage our current business relationships effectively to succeed in these new businesses.
- In each of the PMS, institutional broking and financial planning advisory industries, there are extensive regulations. Any failure to comply with applicable rules and regulations, such as minimum capital requirements, as well as any failure to obtain required regulatory approvals could subject us to penalties, sanctions and possible suspensions of our business activities.
- Our PMS, institutional broking and financial planning advisory business will be heavily dependent upon technology systems to perform critical information processing. Such business also will be dependent upon technology systems to gather and process information about prospective clients. Any interruptions or failures in our technology systems, as well as any security breaches resulting in loss of client data, could have a material and adverse effect on the operations of these businesses and cause significant reputational damage to us.
- Each of the PMS, institutional broking and financial planning advisory businesses in India has many established competitors who have several years of experience within the given industry and greater resources than we do. Our inability to grow our new businesses in these industries in light of these competitors could adversely affect our results of operations. In addition,

Our inability to effectively manage any of the above issues could materially and adversely affect our business and impact our future financial performance

41. *We are subject to risks relating to termination of contractual arrangements and reputational damage in relation to our Business Associates.*

We deliver our products and services through business locations operated by us and by our Business Associates. We provide a strong support system in the form of marketing support, training, back office process, as well as the ability to use the 'Microsec' brand name to our Business Associates. Our Company has a dedicated team that disseminates research ideas to our Business Associates. MFSL enters into a long-term contractual arrangement with each Business Associate. In the event of termination of the agreements with any of these Business Associates for any reasons whatsoever, we could lose of the business handled through the Business Associates. In addition, our Company may suffer reputational damage if a Business Associate was not to conduct its business in accordance with good practice.

42. *Our business is dependent on the relationships formed by our relationship managers with our clients. Any events jeopardizing these relationships including the loss of our relationship managers will lead to a decline in our sales and profits.*

Our business is dependent on our team of relationship managers who directly manage client relationships. We encourage dedicated relationship managers to service specific clients since we believe that this leads to long-term client relationships, a trust based business environment and over time, better cross-selling opportunities. Our business and profits would suffer materially if a substantial number of relationship managers either became ineffective or left the organization.

43. *We have reputational risks in respect of our distribution of third party products.*

We distribute financial products and services of third parties including mutual funds and insurance. Whilst we are not contractually liable for the performance of such third parties and their products, in the event of any deficiency in service by such third party and/or non-performance of some of their products, the persons who avail of such products may incur losses. We may be subject to reputational risks in such instances and management time and costs may be incurred to address the situation.

44. *We may require further equity issuances to satisfy our capital needs, which we may not be able to procure. Further such issuances may lead to a dilution of equity and may affect the market price of the Equity Shares.*

We may need to raise additional capital from time to time, dependent on business requirements. Some of the factors that may require us to raise additional capital include (i) business growth beyond what the current balance sheet can sustain, (ii) additional capital requirements imposed due to changes in regulatory regime or new guidelines, and (iii) significant depletion in our existing capital base due to unusual operating losses. We may not be able to raise such additional capital at the time it is needed or on terms and conditions favourable to us or to the existing shareholders. Further, fresh issue of shares or convertible securities would dilute the shareholding of the existing shareholders.

45. *NSE has imposed certain restrictive conditions on us.*

The NSE and the BSE have granted approval to MCap for change in shareholding pattern of our Company pursuant to the Issue. In terms of the approval granted by NSE, the Promoter and Promoter Group shareholding in our Company is not allowed to go below 26% of the share capital pursuant to listing of our Company on the Stock Exchanges. For further details, see section “Government Approvals” on page 245 of this Draft Red Herring Prospectus.

46. *Dependency on third parties exposes us to losses caused by defaults in obligations associated with them.*

We are exposed to the risk that third parties that owe us money or have other obligations to us, or on whose systems we rely for transaction execution, may not perform. These parties include stock and commodity exchanges, clearing houses and other intermediaries. If any of these parties default on their obligations to us due to bankruptcy, lack of liquidity, operational failure or other reasons, we may suffer a material adverse effect on our business and results of operations.

47. *A failure in our operational systems or infrastructure, or those of third parties, could impair our liquidity, disrupt our businesses and damage our reputation and cause losses.*

Our businesses are highly dependent on our ability to process, on a daily basis, a large number of transactions. Our financial, accounting, data processing or other operating systems and facilities may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control, adversely affecting our ability to process these transactions. The inability of our systems to accommodate an increasing volume of transactions could also constrain our ability to expand our businesses. We also face operational risk arising from mistakes made in the confirmation, punching or settlement of transactions or from transactions not being properly booked, evaluated or accounted for. Shortcomings or failures in our internal processes, people or systems could lead to an impairment of our liquidity, financial loss and disruption to our businesses, liability to clients, regulatory intervention or reputational damage.

48. *Absence of comprehensive business continuity and disaster recovery plan may lead to a temporary disruption of our operations.*

We rely extensively on technology to carry on our business and have invested heavily in a new data centre, network components, application infrastructure and back-up. However, we have not implemented a comprehensive disaster recovery plan which may lead to a temporary disruption in connectivity with the Exchanges and between our data centre and our business locations affecting our business and possibly leading to loss of revenue, financial losses and damage to our reputation.

49. *We have entered into a number of related party transactions.*

We have entered into a number of related party transactions. Such transactions or any future transactions with our related parties may potentially involve conflict of interest and impose certain liabilities on our Company. There can be no assurance that such transactions, individually or in the aggregate, will not have an adverse effect on the Company's financial condition and results of operations. Furthermore, it is likely that Company will continue to enter into related party transactions in the future. For further details, see "Related Party Transactions" beginning on page 110 of this Draft Red Herring Prospectus.

50. *A significant percentage of our client base is comprised of individual borrowers who generally are more likely to be affected by declining economic conditions than larger corporate borrowers.*

Individual borrowers generally are less financially resilient than larger corporate borrowers, and, as a result, they can be more adversely affected by declining economic conditions. Moreover, unlike several developed economies, a nationwide credit bureau has only recently become operational in India, so there is less financial information available about individuals, and, in turn, it is difficult to carry out precise credit risk analyses on them. Although we believe that our risk management controls are sufficient, we cannot be certain that they will continue to be sufficient or that additional risk management policies for individual borrowers will not be required. Failure to maintain sufficient credit assessment policies, particularly for individual borrowers, could adversely affect our credit portfolio which could have a material and adverse effect on our results of operations and financial condition.

51. *Any future issuance of Equity Shares by the Company may dilute investors' shareholding and adversely affect the trading price of the Equity Shares.*

Any future issuances of Equity Shares by the Company may dilute shareholding of investors in the Company; adversely affect the trading price of the Company's Equity Shares and its ability to raise capital through an issue of its securities. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of the Company's Equity Shares. Additionally the disposal, pledge or encumbrance of Equity Shares by any of the Company's major shareholders, or the perception that such transactions may occur may affect the trading price of the Equity Shares. No assurances may be given that the Company will not issue Equity Shares or that such shareholders will not dispose of, pledge or encumber their Equity Shares in the future.

52. *The Equity Shares issued pursuant to the Issue may not be listed on the NSE and the BSE in a timely manner, or at all.*

In accordance with the Indian law and practice, permission for listing and trading of Equity Shares issued pursuant to the Issue will not be granted until after the Equity Shares have been issued and allotted. Approval for listing and trading will require all relevant documents authorising the issuing of Equity Shares to be submitted and there could therefore be a failure or delay in listing the Equity Shares on the NSE and the BSE. Any failure or delay in obtaining such approval would restrict your ability to dispose of your Equity Shares.

53. *Any trading closure at the NSE and the BSE may adversely affect the trading price of our Equity Shares.*

The regulation and monitoring of Indian securities markets and the activities of investors, brokers and other participants differ, in some cases significantly, from those in Europe and the U.S. The NSE and the BSE have in the past experienced problems, including temporary exchange closures, broker defaults, settlements delays and strikes by brokerage firm employees, which, if continuing or recurring, could affect the market price and liquidity of the securities of Indian companies, including the Equity

Shares, in both domestic and international markets. A closure of, or trading stoppage on, either of the NSE and the BSE could adversely affect the trading price of the Equity Shares.

- 54. *There are restrictions on daily movements in the price of the Equity Shares, which may adversely affect a shareholder's ability to sell, or the price at which it can sell, the Equity Shares at a particular point in time.***

The price of our Equity Shares will be subject to a daily circuit breaker imposed by all stock exchanges in India which does not allow transactions beyond a certain level of volatility in the price of the Equity Shares. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by the SEBI on Indian stock exchanges. The percentage limit on our circuit breaker is set by the stock exchanges based on the historical volatility in the price and trading volume of the Equity Shares. The stock exchanges do not inform us of the percentage limit of the circuit breaker from time to time, and may change it without our knowledge. This circuit breaker effectively limits upward and downward movements in the price of the Equity Shares. As a result, shareholders' ability to sell the Equity Shares, or the price at which they can sell the Equity Shares, may be adversely affected at a particular point in time.

- 55. *You will not be able to sell immediately on any Stock Exchange any of the Equity Shares you purchase in the Issue.***

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

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

Prior to this Issue, there has been no public market for the Equity Shares of our Company in India or elsewhere. After this Issue, there will be no public market for the Equity Shares in any country other than India. The Issue Price will be determined by our Company in consultation with the BRLM and could differ significantly from the price at which the Equity Shares will trade subsequent to completion of this Issue. We cannot assure you that even after the Equity Shares have been approved for listing on the Stock Exchanges, any active trading market for the Equity Shares will develop or be sustained after this Issue, or that the offering price will correspond to the price at which the Equity Shares will trade in the Indian public market subsequent to this Issue. Although we currently intend that the Equity Shares will remain listed on the NSE and the BSE, there is no guarantee of the continued listing of the Equity Shares. Failure to maintain our listing on the NSE and the BSE or other securities markets could adversely affect the market value of the Equity Shares.

- 57. *The deployment of the net proceeds is entirely at our discretion and is not subject to any monitoring by any independent agency.***

We intend to use the net proceeds of the Issue as described in the "Objects of the Issue" beginning on page 36 of this Draft Red Herring Prospectus. The purposes for which the net proceeds of the Issue are to be utilized have not been appraised by any independent entity and are based on our estimates and on third party quotations. Our management will have the discretion to revise our business plan from time to time and consequently our funding requirements and deployment of funds may also change. Further,

our Board shall monitor the utilization of the net proceeds of the Issue, which shall not be subject to any monitoring by any independent agency.

EXTERNAL RISK FACTORS

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

The financial services industry is rapidly evolving, intensely competitive and has few barriers to entry. We expect competition to continue and intensify in the future. We face significant competition from companies seeking to attract clients' financial assets, including traditional and online brokerage firms, mutual fund companies and institutional players, having wide presence and a strong brand name. Many of our competitors are larger institutions, which may have much larger customer bases and, in turn, lower costs of funds, larger branch networks and more capital than we do. In addition, some of our competitors also offer a wider range of services and financial products than we do. Some of the banks with which we compete may be more flexible and better-positioned to take advantage of market opportunities. In particular, private banks in India and many of our competitors outside of India may have operational advantages in implementing new technologies and rationalising branches. These competitors may be able to respond more quickly to new or changing opportunities, technologies and client requirements. They may also be able to undertake more extensive promotional activities, offer more attractive terms to clients, and adopt more aggressive pricing policies. These competitive pressures affect the industry in which we operate as a whole, and our future success will depend in large part on our ability to respond in an effective and timely manner to these competitive pressures.

As we enter newer markets and launch new products and services, we are likely to face additional competition from those who may be better capitalized, have longer operating history, have greater retail and brand presence, and better management than us. If we are unable to manage our business it might impede our competitive position and profitability.

We may not be able to compete effectively with current or future competitors and competitive pressures faced by us may harm our business.

59. *Our industry is experiencing consolidation that may intensify competition.*

The financial services industry, both domestically and internationally, is undergoing change that has resulted in increasing consolidation and a proliferation of strategic transactions. This consolidation among our competitors could put us at a competitive disadvantage, which could cause us to lose customers, revenue and market share. They could force us to expend greater resources to meet new or additional competitive threats, which could harm our financial condition and operating results.

60. *Financial services firms are subject to increased scrutiny concerning perceived conflicts of interest that increase the risk of financial liability and reputational harm resulting from adverse regulatory actions.*

Financial services firms are subject to numerous actual or perceived conflicts of interest and regulators may impose increased regulatory requirements for such firms to deal with potential conflicts of interest. Dealing appropriately with conflicts of interest is complex and difficult and our reputation could be damaged if we fail, or appear to fail, to deal appropriately with such conflicts. Our policies and procedures to address conflicts may also result in increased costs and the need for additional operational personnel. Failure to adhere to these policies and procedures may result in regulatory sanctions or client litigation. The research areas of investment banks are subject to heightened regulatory scrutiny that has led to increased restrictions on the interaction between equity research analysts and investment banking personnel.

61. *Political instability or changes in the Government could adversely affect economic conditions in India and consequently our business.*

The Government has traditionally exercised and continues to exercise a significant influence over many aspects of the economy. Our business and the business of certain of our subsidiaries, and the market price and liquidity of the Equity Shares may be affected by change in interest rates, changes in

government policy, taxation, social and civil unrest and political, economic or other developments in or affecting India.

Since 1991, the Government has pursued policies of economic and financial sector liberalization and deregulation. The previous coalition-led Government implemented policies and took initiatives that supported the economic liberalisation policies that had been pursued by prior government. The new Government, which has come to power in May 2009 has announced policies and taken initiatives that support the economic liberalisation program pursued by previous governments. The policy of the new Government may change the rate of economic liberations, the specific laws and policies affecting financial services companies, foreign investment and other matters affecting investment in Equity Shares. While the new Government is expected to continue the liberalisation of India's economic and financial sectors and deregulation policies, there can be no assurance that such policies will be continued.

A significant change in the Government's policies could affect business and economic conditions in India and could also adversely affect our business.

62. *Our ability to raise foreign capital may be constrained by Indian law.*

As an Indian company, we are subject to exchange controls that regulate borrowing in foreign currencies. Such regulatory restrictions limit our financing sources and hence could constrain our ability to obtain financing on competitive terms and refinance existing indebtedness. In addition, we cannot assure you that the required approvals will be granted to us without onerous conditions, if at all. Limitations on raising foreign debt may have an adverse effect on our business.

63. *Foreign investors are subject to foreign investment restrictions under Indian law.*

Under foreign exchange regulations currently in force in India, transfer of shares between non-residents and residents are freely permitted (subject to certain exceptions) if they comply with the pricing guidelines and reporting requirements specified by the RBI. If the transfer of shares is not in compliance with such pricing guidelines or reporting requirements or fall under any of the exceptions, then the prior approval of the RBI will be required. Additionally, shareholders who seek to convert the Rupee proceeds from a sale of shares in India into foreign currency and repatriate that foreign currency from India will require a no objection or a tax clearance certificate from the income tax authority. We cannot assure you that any required approval from RBI or any other Government agency can be obtained on any particular terms or at all.

64. *Our business and financial performance is particularly vulnerable to interest rate risk.*

Our business is vulnerable to interest rate risk as it affects our net interest income in our financing business, as well as the willingness of our customers to borrow and invest their funds with us generally. Any adverse movement in interest rates could materially and adversely affect our business and financial condition. Any increase in the interest rates applicable to our liabilities, without a corresponding increase in the interest rates applicable to our assets, will result in a decline in net interest income. Further, in the event of rising interest rates, borrowers may not be willing to pay us correspondingly higher interest rates on their borrowings and may choose to repay their loans if they are able to switch to more competitively priced loans offered by other players. Any inability on our part to retain customers as a result of rising interest rates may adversely impact our earnings in future periods, which could have an adverse effect our business, prospects, financial condition and results of operations.

65. *Difficulties faced by other financial institutions or the Indian financial sector generally could cause our business to suffer and the price of the Equity Shares to decline.*

We are exposed to the risks consequent to being part of the Indian financial sector. This sector in turn may be affected by financial difficulties and other problems faced by Indian financial institutions. Certain Indian financial institutions have experienced difficulties during recent years, and some co-operative banks have also faced serious financial and liquidity difficulties. Any major difficulty or instability experienced by the Indian financial sector could create adverse market perception, which in turn could adversely affect our business and financial performance and the price of the Equity Shares.

66. *A slowdown in economic growth in India could adversely impact our business.*

We derive all of our revenues from operations in India and consequently, our performance and growth is dependent on the state of the Indian economy. The Annual Policy Statement of the Reserve Bank of India released in April 2009 placed real GDP growth for the fiscal 2009 at approximately 7.1% as compared to 9.0% in fiscal year 2008 following the downturn precipitated by the global financial crisis. Any slowdown in the Indian economy or in the growth of industries to which we provide financing to or future volatility in global commodity prices could adversely affect our borrowers and contractual counter parties. This in turn could adversely affect our business and financial performance and the price of the Equity Shares.

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

Terrorist attacks and other acts of violence, war or conflicts, particularly those involving India, as well as the U.S. and the European Union, may adversely affect Indian and worldwide financial markets. India recently witnessed a major terrorist attack in Mumbai on November 26, 2008, which led to an escalation of political tensions between India and Pakistan. Such acts may negatively impact business sentiment, which could adversely affect our business and profitability. India has from time to time experienced, and continues to experience, social and civil unrest, terrorist attacks and hostilities with neighbouring countries. Also, some of India's neighbouring countries have experienced, or are currently experiencing internal unrest. Such social or civil unrest or hostilities could disrupt communications and adversely affect the economy of such countries. Such events could also create a perception that investments in companies such as ours involve a higher degree of risk than investments in companies in other countries. This, in turn, could have a material adverse effect on the market for securities of such companies, including our Equity Shares. The consequences of any armed conflicts are unpredictable, and we may not be able to foresee events that could have an adverse effect on our business.

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

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

69. *An outbreak of an infectious disease or any other serious public health concerns in Asia or elsewhere could adversely affect our business.*

The outbreak of an infectious disease in Asia or elsewhere or any other serious public health concern, such as swine influenza, could have a negative impact on the global economy, financial markets and business activities worldwide, which could adversely affect our business. Although, we have not been adversely affected by such outbreaks in the past, we can give you no assurance that a future outbreak of an infectious disease among humans or animals or any other serious public health concern will not have a material adverse effect on our business.

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

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

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

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

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

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

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

Prominent Notes

- This is a public issue of 12,500,000 Equity Shares for cash at a price of Rs. 10 each including a share premium of Rs. [●] per Equity Share aggregating to Rs. [●]. The Issue would constitute 39.30% of the post Issue paid-up capital of our Company.
- The Issue is being made through the 100% Book Building Process wherein not more than 50% of the Issue shall be available for allocation on a proportionate basis to QIBs. 5% of the QIB Portion (excluding the Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder shall be available for allocation on a proportionate basis to all QIB Bidders, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Further, not less than 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.
- Our net worth as of September 30, 2009, was Rs. 789.11 million on a consolidated basis, as per our Restated Consolidated Financial Statements.
- The average cost of acquisition of equity shares (on ‘first in first out’ basis) by each of our Promoters, is as set out below:

Name of the Promoter	No. of Equity Shares held	Average Price per share (In Rs.)
Banwari Lal Mittal	10,814,400	0.64
Ravi Kant Sharma	876,800	29.48

- For further details, see “Capital Structure” beginning on page 25 of this Draft Red Herring Prospectus.

- The net asset value/book value per Equity Share of Rs. 10 each, on a consolidated basis, was Rs. 40.37 and on a standalone basis was Rs. 25.91, as on September 30, 2009, as per our restated consolidated financial statements and restated stand alone financial statements, respectively.
- Our Promoters, Directors and key managerial personnel are interested in our Company to the extent of remuneration and the Equity Shares held by them or their relatives and associates or held by the companies, firms and trusts in which they are interested as directors, member, partner and/or trustee and to the extent of the benefits arising out of such shareholding, if any, in our Company. For further details, see “Capital Structure”, “Our Promoters and Group Companies” and “Management” on pages 25, 106 and 89, respectively.
- There are no financing arrangements whereby the Promoter Group, the Directors or their relatives have financed the purchase by any other person of securities of the Company other than in the normal course of the business of the financing entity during the period of six months immediately preceding the date of filing draft offer document with SEBI.
- Our Company was incorporated as ‘Satyam Fiscal Services Private Limited’ on June 6, 1989 as a private limited company under the Companies Act, 1956. The name of our Company was changed to ‘Microsec Financial Services Private Limited’ and a fresh certificate of incorporation dated October 17, 2005 was issued by the Registrar of Companies, West Bengal at Kolkata. The name of our Company was further changed to Microsec Financial Services Limited consequent upon the conversion of our Company to a public limited company and a fresh certificate of incorporation dated October 21, 2005 was issued by the Registrar of Companies, West Bengal at Kolkata. For further details, see “History and Certain Corporate Matters” on page 81 of this Draft Red Herring Prospectus.
- For details of all the loans and advances made to any persons or companies in whom Directors are interested, refer to “Financial Statements” on page 112 of this Draft Red Herring Prospectus.
- Trading in Equity Shares of our Company for all investors shall be in dematerialized form only. For further details, see “Issue Procedure” on page 273 of this Draft Red Herring Prospectus.
- Investors may note that in case of over-subscription in the Issue, Allotment to QIBs, Non-Institutional Bidders and Retail Individual Bidders shall be on a proportionate basis. For further details, see “Issue Procedure – Basis of Allotment” on page 294 of this Draft Red Herring Prospectus.
- Any clarification or information relating to the Issue shall be made available by the BRLM or our Company to the investors at large and no selective or additional information would be available for investors in any manner whatsoever. Investors may contact the BRLM and the Syndicate Members for any complaints pertaining to the Issue.
- For further details pertaining to our related party transactions, refer to the notes on related party transactions in “Financial Statements” beginning non page 112 of this Draft Red Herring Prospectus.
- For the interests of our Group Companies in our Company, see “Related Party Transactions” on page 110 of this Draft Red Herring Prospectus.

SECTION III: INTRODUCTION

SUMMARY OF INDUSTRY

Overview of Global and Indian Economy

The fiscal 2008-09 has been a difficult year for the global economy and for India in its efforts to sustain the new found growth momentum of its economy. In the second half of the year, a crisis of unprecedented magnitude hit the financial markets in the industrialized economies, eventually pushing them into a recession. Most emerging market slowed down significantly and India has also been affected. (Source: *Annual Report 2008-09, Ministry of Finance, Government of India*)

The global economy has begun to recover from the deep recession set off by the financial crisis. This recovery is underpinned by output expansion in emerging market economies (“EMEs”), particularly those in Asia. The pace and shape of recovery, however, remain uncertain. The global economic outlook presents a mixed picture. On the positive side, world output, as per IMF estimates, has expanded by 3% in the second quarter, trade is recovering, financial markets conditions are improving and risk appetite is returning. On the negative side, there are concerns that recovery is fragile. The second quarter improvement is essentially the outcome of policy induced stimulus. (Source: *Second Quarter Review of Monetary Policy 2009 -10, RBI*).

The Indian economy, which slowed down significantly during the second half of 2008-09, largely due to the knock-on effect of the global financial crisis, has begun to stabilize. Both domestic and external financing conditions are on the upturn. Capital inflows have revived. Liquidity conditions have remained easy and interest rates have softened in the money and credit markets. At the same time, there are several negative indications. Private consumption demand is yet to pick up. Services sector growth remains below trend. Bank credit growth continues to be sluggish. The Indian economy posted a growth of 6.1% for the first quarter of 2009-10 (see table below). This is higher than the expansion of 5.8% in last quarter of 2008-2009, but lower than the expansion of 7.8% in the corresponding first quarter of 2008-09. The year-on-year deceleration in growth was broad based covering all the three major sectors viz. agriculture, industry and services. (Source: *Second Quarter Review of Monetary Policy 2009 -10, RBI*).

Sector	Financial Year		Quarterly Growth Rates (year-on-year)		
	2007-08	2008-09	2008-09		2009-10
			Q1	Q4	Q1
Agriculture	4.9	1.6	3.0	2.7	2.4
Industry	7.4	2.6	5.1	(-)0.5	4.2
Services	10.8	9.4	10.0	8.4	7.7
Overall GDP	9.0	6.7	7.8	5.8	6.1

(Source: *Second Quarter Review of Monetary Policy 2009 -10, RBI*)

Indian Financial Services Sector

India has been less affected by the crisis than most other countries because of its relatively cautious policies, prudent regulation and effective supervision. (Source: *Second Quarter Review of Monetary Policy 2009 -10, RBI*). To mitigate the impact of global financial crisis on India several steps have been taken by RBI and Government in the last few months to improve the liquidity and credit delivery. These, *inter alia*, include reduction of policy rates, reduction in SLR and CRR requirements, creation of special window under LAF to assist mutual funds and NBFCs, relaxation of ECB Policy, increase in the FCNR (B) and NR(E) RA deposit rates, relaxation of capital risk weights and provisioning requirements on standard assets for certain sectors including real estate, allowing special lines of credit to NHB and SIDBI, allowing more resource raising for infrastructure and NBFC sector and ensuring dollar liquidity. The focus on ensuring adequate flow of credit to agriculture, small, medium and micro industries, minorities and weaker sections continued with greater focus on financial inclusion. A number of policy initiatives on strengthening the cooperative credit structure and ensuring credit to agriculture and rural infrastructure and housing sector were initiated/ continued in 2008-2009 also. (Source: *Annual Report 2008-09, Ministry of Finance, Government of India*)

There has been a considerable broadening and deepening of the Indian financial markets due to various financial market reforms undertaken by the regulators, the introduction of innovative financial instruments in the recent years and the entry of sophisticated domestic and international players. Sectors such as banking, asset management and brokerage have been liberalised to allow private sector involvement, which has contributed to

the development and modernization of the financial services sector. This is particularly evident in the non-banking financial services sector, such as equities, derivatives and commodities brokerage, residential mortgage and insurance services, where new products and expanding delivery channels have helped these sectors achieve high growth rates.

Although banks dominate the Indian financial spectrum, NBFCs play an important role in financial markets. With their unique strengths, the stronger NBFCs could complement banks as innovators and partners. The core strength of NBFCs lies in their strong customer relationships, good understanding of regional dynamics, service orientation and ability to reach out to customers who would otherwise be ignored by banks, which makes such entities effective conduits of financial inclusion. The recent global financial turmoil has highlighted the impact on systemic stability through OFIs which, in India, operate as NBFCs. In India, there are two broad categories of NBFCs, viz., NBFCs-D and NBFCs-ND. The recent growth in the NBFC sector is due primarily to NBFCs-ND. Systemically important NBFCs – ND are growing at a rapid pace. The sector has been witnessing a significant improvement in financial health and is characterised by low and reducing NPAs and high RoA. (Source: *Report on Trend and Progress of Banking in India 2008-09*, RBI)

In Fiscal 2009, financial services recorded steep decline mainly due to significant correction in the capital market, following the international trends, heightened economic uncertainties and market expectations of a sluggish performance by corporates. (Source: *Economic Review; RBI Annual Report 2008-09*)

SUMMARY OF OUR BUSINESS

Overview

We are a financial services company engaged in businesses of (a) financing and investment; (b) investment banking and related services; (c) brokerage and related services; and (d) wealth management, insurance broking, financial planning and related services. We operate through the Issuer, Microsec Financial Services Limited (“MFSL”), and its Subsidiaries, Microsec Capital Limited (“MCap”), Microsec Resources Private Limited (“MRPL”), Microsec Technologies Limited (“MTL”), Microsec Insurance Brokers Limited (“MIBL”), Microsec Commerce Limited (“MCL”) and PRP Technologies Limited (“PRP”), as shown in the table below:

Company	Business	Shareholding
MFSL	<ul style="list-style-type: none"> • Financing and investment • Advisory services 	See “Capital Structure – Notes to Capital Structure – The Shareholding Pattern” on page 31 of this Draft Red Herring Prospectus
MCap	<ul style="list-style-type: none"> • Investment banking and related services • Brokerage (equity and currency) and related services • Wealth management, financial planning and related services 	MFSL: 100.00%
MRPL	<ul style="list-style-type: none"> • Financing 	MFSL: 100.00%
MTL	<ul style="list-style-type: none"> • Consultancy (equity research) • Technology support services 	MFSL: 80.00% MCap: 20.00%
MIBL	<ul style="list-style-type: none"> • Insurance broking 	MCap: 100.00%
MCL	<ul style="list-style-type: none"> • Broking (commodities) 	MCap: 100.00%
PRP	<ul style="list-style-type: none"> • Support Services to Distribution, Financial Planning and other related services 	MTL: 100.00%

The Issuer, MFSL, is a non-banking financial company registered with the RBI. MFSL is engaged in the business of financing, which primarily comprises giving loans against shares, and making investments. It is also the ultimate holding company of the Microsec Group, which operates as an integrated group in providing its various financial products and services to its target client base of retail investors, high net worth individuals, companies and institutions.

We are headquartered in Kolkata and, as at January 31, 2010, we had 632 employees operating through 235 branches in 17 states, with a higher concentration in eastern India. Our total income was Rs. 426.38 million and Rs. 389.33 million for fiscal 2008 and fiscal 2009, respectively. Our profit after taxation was Rs. 161.35 million and Rs. 86.11 million for fiscal 2008 and fiscal 2009, respectively. Our total income and profit after tax were Rs. 275.93 million and Rs. 109.47 million, respectively, for the six months ended September 30, 2009.

Our core values

The Microsec Group believes in four core values – knowledge, commitment, transparency and partnership. We believe that these values are key to the growth of business operations of the Microsec Group.

Business Strengths

Our business is characterized by the following key strengths:

Integrated business model

We operate as an integrated group, providing various financial products and services to our target client base of retail investors, high net worth individuals, companies and institutions. In our financing and investment business, we offer loans against shares to our clients, secured by liquid and marketable securities at appropriate margin levels. In our investment banking business, we offer our clients a range of merchant banking, corporate advisory (including research) and debt syndication services. In our brokerage business, we execute third-party trades for our clients in equities, derivatives, commodities and currencies on stock exchanges and commodity

exchanges as well as depository services. In our wealth management, insurance broking and financial planning business, we distribute third party insurance and mutual fund products and offer wealth management and financial planning services. Our integrated service platform allows us to leverage relationships across lines of business and our industry and product knowledge by providing multi-channel delivery systems to our client base, thereby increasing our ability to cross-sell our products services. For instance, we are able to offer loans against shares, which secured by liquid and marketable securities to our brokerage clients.

Experienced senior management and “people partnership” model

Our senior management comprises qualified and experienced professionals with a successful track record. Both our Promoters are executive directors and are actively involved in the day-to-day management of our business. Mr. B.L. Mittal is an executive director in MFSL and is in overall charge of our business and focuses specifically on the financing and investing business. Mr. Ravi Kant Sharma is an executive director in MCap and heads the brokerage and wealth management, insurance broking and financial planning businesses. Mr. Pankaj Harlalka is an executive director in MCap and heads our investment banking business.

Our senior management is supported by a team of qualified professionals with requisite experience in our businesses. We focus on employee welfare and a partnership culture with our professionals. As at the date of this Draft Red Herring Prospectus, approximately 9.24% of our share capital is held by Microsec Vision (Employees) Trust, a trust settled by our Promoter Mr. B.L. Mittal for the benefit of our employees. Further, we have introduced a revenue sharing model for a significant number of our channel partners in our brokerage business and for our employees in our wealth management, insurance broking and financial planning business. We believe that our revenue sharing model incentivizes performance of our channel partners and employees and fosters a partnership culture with our professionals. We believe that this partnership culture with focus on performance, with appropriate training and continuous education, enable us to recruit talented professionals and reduce employee attrition.

We believe that the experience and financial acumen of our management and professionals combined with our internal controls and risk management measures help us in implementing our business strategies.

Strong regional base with emerging pan India presence

We believe that we enjoy a strong presence in eastern India. As at January 31, 2010, we had a network of 235 branches, out of which 100 branches were located in Kolkata (where we also have our headquarters). In addition, 69 branches were located in West Bengal, excluding Kolkata. We have 35 branches in Eastern States other than West Bengal. Other than Eastern States we have 31 branches spread in different parts of India including locations at Mumbai, Nasik, Pune, Delhi, Varanasi, Srinagar, Surat, Jaipur, Raipur, Shimla and Indore. In aggregate we operate in different locations in 17 states. Whilst we are expanding our branch network and intend to strengthen our pan-India presence, we believe our presence in eastern India provides us with a competitive advantage and presents us an attractive opportunity to grow our client base and revenues.

Brand recognition and strong relationships

We believe that success in the financial services industry is derived from brand recognition and client relationships. We believe that “Microsec” is a well-recognized brand, especially in eastern India where we have a strong presence. We also believe that our clients associate the ‘Microsec’ brand with differentiated and quality services, solutions to strategic and financial challenges and execution of our clients’ transactions. We leverage our brand awareness to grow our business, build relationships and to attract and retain the services of talented individuals. We expect that our network of 235 branches across India will further enhance our brand recognition with our existing and potential clients.

We focus on nurturing long-term relationships with our corporate, institutional and high net-worth individual clients. In the case of our corporate clients, we focus on middle market companies and serving these companies throughout the course of their growth. We believe that this focus has enabled us to form strong relationships with these corporate clients. In the case of institutional and high net-worth individual clients, we focus on client coverage and providing ongoing and innovative solutions. We believe that such focus has enabled us to form strong relationships with these clients. We believe that these relationships provide us with an advantage in attracting deal flow and securing transactions and enable us to offer our clients diversified products and services and increase our revenues per client.

Adequate internal controls and risk management system

We believe we have adequate internal controls and risk management systems to assess and monitor risks across our various businesses. Our risk management system functions through our accounts and operations departments, risk control software and a dedicated centralized risk management team. We seek to monitor and control our risk exposure through a variety of separate but complementary financial, credit and operational reporting systems. We believe that we have effective procedures for evaluating and managing market, credit and other risks to which we are exposed.

Research and knowledge based organisation

We have adequate base of research with delivery capabilities. Our research reports are covered by print and electronic media at pan India level. We have effective systems to make and deliver knowledge through various reports across all section of our customers.

We benchmark our research calls against relative index which provides accountability to research. We have started a research based retail distribution channel namely “Club Kautilya”.

Business Strategies

Geographic expansion

As at January 31, 2010, we had a network of 235 branches, out of which 100 branches were located in Kolkata (where we also have our headquarters). In addition, 69 branches were located in West Bengal, excluding Kolkata. We also earn a substantial portion of our total income from this region. We propose to expand our branch network and intend to establish a pan-India presence. We plan to expand our operations into smaller cities and towns that we believe are under-served by financial services companies or where we believe we can develop our business. In the first phase of this expansion, we will expand our presence in western India. We have already set up an office and commenced operations in Mumbai. In the second phase, we will expand our presence in northern and southern India. As we do not have significant operations in these regions, we believe that these regions will offer opportunities for growth and expansion. We propose to expand by increasing the network of our branches and business associates. We also propose to continue our expansion in eastern India. We may also consider, from time to time, growth opportunities through the inorganic route. Whilst we propose to offer our range of products and services across our businesses through our expanded network, we also plan to set up 200 exclusive outlets of ‘Club Kautilya’ within a period of two years. We also plan to set up a network of ‘Microsec Enterprises’ (a network of entrepreneurs as channel partners for distribution of financial products) and ‘Microsec Network Services’ (a network of professionals, such as Chartered Accountants, as channel partners for distribution of multiple financial products) throughout India. We believe that our proposed expansion complemented by our client-focused relationship management, will allow us to increase our client base and help us increase our market share.

Strengthen research capabilities and continue to develop client relationships

We believe that we have adequate research capabilities that complement our businesses, particularly our brokerage business. We intend to develop our research division as a separate profit centre to provide research services to our clients, including our brokerage clients. We propose to enlarge our team of research analysts and advisors and dealers to strengthen relationships with our clients. We also propose develop our research division as a separate knowledge process outsourcing unit. We have been allotted a plot of land by WBHIDCO, a Government enterprise in the Knowledge Corridor at Rajarhat in Kolkata, which we propose to develop as a hub for our centralized operations, including research.

We propose to expand our business by increasing the number of our client relationships. We believe that increased client relationships will add stability to our business. We seek to develop our existing client relationships and also focus on increasing our client base. We believe our strengthened research capabilities will help us develop our client relationships. We expect the growth of small and medium enterprises to provide us an opportunity to offer our products and services to this class of clients. We also intend to cross-sell our various products and services to our clients and increase our revenues per client.

Expand internet based platform for our financial services and products

We are currently in the process of setting up an internet-based platform for providing our products and services to our clients, particularly our brokerage clients. We plan to establish online trading capabilities to complement our products and services. We believe that internet based services are cost effective, less risky and transparent. We have established a dedicated advisory desk for on-line services. We believe that we have technological platform and systems in place to accommodate and service significant increase in on-line trading accounts and clients. We also propose to offer wealth management, insurance broking, financial planning and related services through our internet-based platform. We have acquired PRP Technologies Limited, company which launched an internet-based personal resource planning application to provide information management services to individuals.

We believe that an internet based, easily scalable product delivery model will enable us to respond effectively to the competitive challenges of discount equity brokerages.

Strengthening institutional business

We have already set up desk for servicing the institutional business. We have filed applications for empanelment to several institutions. We have already been granted empanelment by three institutions out of which one has already started business. We plan to establish and scale the broking business with institutions. Our seamless transaction capabilities along with adequate research will provide support to this initiative. The institutional desk will also provide additional support to our investment banking business.

Maintain strict risk management policies for our loan portfolios.

We are focussed on building a large loan portfolio with minimum delinquency risk. We will continue to maintain strict risk management standards to reduce delinquency risks and promote a robust recovery process.

SUMMARY FINANCIAL INFORMATION

The following tables set forth summary information on our restated unconsolidated assets and liabilities as of September 30, 2009 and March 31, 2009, 2008, 2007, 2006 and 2005 and our restated unconsolidated profits and losses and cash flows for the six months ended September 30, 2009 and the years ended March 31, 2009, 2008, 2007, 2006 and 2005 and our restated consolidated assets and liabilities as of September 30, 2009 and March 31, 2009, 2008, 2007 and 2006 and our restated consolidated profits and losses and cash flows for the six months ended September 30, 2009 and the years ended March 31, 2009, 2008, 2007 and 2006. This summary information should be read in conjunction with our Restated Financial Statements and the notes thereto and the section "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 213 of this Draft Red Herring Prospectus.

Unconsolidated Restated Summary Statement of Assets and Liabilities

(Rs. in Million)

	Particulars	As at 31st March					As at 30th September, 2009
		2005	2006	2007	2008	2009	
A.	Fixed Assets						
	Gross Block	-	30.46	61.35	73.75	124.53	124.88
	Less: Accumulated Depreciation/Amortization	-	0.54	4.60	12.04	18.87	23.87
	Net Block	-	29.92	56.75	61.71	105.66	101.01
B.	Investments	-	131.05	128.16	195.32	205.46	159.65
C.	Deferred Tax Asset (Net)	-	4.07	0.19	-	-	-
D.	Current Assets, Loans and Advances						
	Inventories	20.29	-	-	-	-	-
	Sundry Debtors	-	5.05	0.77	63.78	41.04	16.63
	Cash & Bank Balances	0.03	0.24	6.92	0.70	5.62	3.12
	Loans and Advances	-	7.15	7.37	290.83	237.25	259.70
	Total	20.32	12.44	15.06	355.31	283.91	279.45
E	Total Assets (A+B+C+D)	20.32	177.48	200.16	612.34	595.03	540.11
F	Liabilities & Provisions						
	Secured loans	-	-	-	81.25	-	15.58
	Unsecured loans	-	8.70	17.70	-	-	-
	Current Liabilities	-	0.10	2.26	2.63	7.96	8.87
	Provisions	-	11.46	3.21	0.14	0.06	4.34
	Deferred Tax Liability (Net)	-	-	-	1.11	3.75	4.94
	Total	-	20.26	23.17	85.13	11.77	33.73
G	Net Worth (E-F)	20.32	157.22	176.99	527.21	583.26	506.38
	Represented by:						
	Shareholders' Funds:						
a	Equity Share Capital	8.05	100.00	100.00	203.11	203.11	193.11
b	Preference Share Capital	-	-	27.00	-	-	-
c	Share Application Money (Pending Allotment)	-	24.02	-	-	-	-
d	Reserves & Surplus	12.31	33.20	49.99	324.10	380.15	313.27
	Total	20.36	157.22	176.99	527.21	583.26	506.38
	Less: Miscellaneous expenditure to the extent not written off	0.04	-	-	-	-	-
	Net Worth	20.32	157.22	176.99	527.21	583.26	506.38

Notes:

1. The above figures should be read along with the Statement of Significant Accounting Policies and Notes to the Restated Unconsolidated Financial Statements as appearing in Annexure 5.
2. Necessary adjustments have been made to the audited financial statements in accordance with the requirements of Schedule VIII Part A Para IX(B) of The Securities & Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.

Unconsolidated Restated Summary Statement of Profits and Losses

(Rs. in Million)

Particulars	For the years ended 31st March					Six months Period ended 30th September, 2009
	2005	2006	2007	2008	2009	
Income						
Income from Operations	1.37	17.03	39.54	127.77	142.40	87.55
Other Income	-	-	-	-	-	-
Increase in Stock	8.27	-	-	-	-	-
Total Income	9.64	17.03	39.54	127.77	142.40	87.55
Expenditure						
Purchases of Securities	9.60	-	-	-	-	-
Staff Cost	0.02	0.14	0.43	4.44	8.87	3.77
Administrative and Other Expenses	0.01	0.35	1.40	14.62	46.58	14.15
Interest	-	-	-	5.80	11.36	5.14
Depreciation/Amortization	-	0.54	4.06	7.45	6.83	5.00
Total Expenditure	9.63	1.03	5.89	32.31	73.64	28.06
Net Profit before tax	0.01	16.00	33.65	95.46	68.76	59.49
Provision for taxation:						
Current Tax	-	1.36	4.11	17.11	9.99	10.18
Deferred Tax Charge/(Credit)	-	(4.07)	3.88	1.30	2.64	1.19
Fringe Benefit Tax	-	-	0.01	0.02	0.07	-
MAT Credit Entitlement	-	-	(3.21)	-	-	-
Net Profit after tax	0.01	18.71	28.86	77.03	56.06	48.12
Balance Brought Forward	0.01	0.02	4.40	11.76	27.69	73.65
Profit available for Appropriation	0.02	18.73	33.26	88.79	83.75	121.77
Appropriations:						
Dividend on Equity Shares	-	10.00	10.00	10.00	-	-
Dividend on Preference Shares	-	-	0.45	-	-	-
Tax on Dividends	-	1.40	1.48	1.70	-	-
Transfer to reserve under section 45-IC of the Reserve Bank of India Act,1934	-	2.93	9.57	17.40	10.10	9.60
Transfer to Capital Redemption Reserve	-	-	-	27.00	-	10.00
Amount utilised for Issue of Bonus Share	-	-	-	5.00	-	-
Surplus carried to Balance Sheet	0.02	4.40	11.76	27.69	73.65	102.17

Notes:

1. The above figures should be read along with the Statement of Significant Accounting Policies and Notes to the Restated Unconsolidated Financial Statements as appearing in Annexure 5.
2. Necessary adjustments have been made to the audited financial statements in accordance with the requirements of Schedule VIII Part A Para IX(B) of The Securities & Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.

Unconsolidated Restated Summary Statement of Cash Flows

(Rs. in Million)

	For the years ended 31 st March					Six months Period ended 30th September, 2009
	2005	2006	2007	2008	2009	
A. Cash Flow from Operating Activities						
Net Profit before tax	0.01	16.00	33.65	95.46	68.76	59.49
Adjustments for :						
Depreciation/amortization	-	0.54	4.06	7.45	6.83	5.00
Provision for Non Performing Assets	-	-	-	-	-	0.13
Interest Expenses	-	-	-	5.80	11.36	5.14
Preliminary Expenses Written off	0.01	0.04	-	-	-	-
Irrecoverable debts/advances written off	-	-	-	-	0.61	0.10
Loss on assignment of receivables	-	-	-	-	-	11.27
Operating profit before working capital changes	0.02	16.58	37.71	108.71	87.56	81.13
(Increase)/Decrease in Inventories	(8.27)	-	-	-	-	-
(Increase)/Decrease in Debtors	2.08	(5.05)	4.28	(63.01)	22.13	24.31
(Increase)/Decrease in Loans & Advances	6.15	(7.15)	3.00	(280.48)	55.13	(38.38)
(Increase)/Decrease in Investments	-	(110.76)	2.89	(67.16)	(10.14)	45.81
Increase/(Decrease) in Current Liabilities & Provisions	(0.02)	0.10	2.16	0.50	5.25	0.94
Cash generated from/(used in) operations	(0.04)	(106.28)	50.04	(301.44)	159.93	113.81
Direct Taxes Paid	(0.01)	(1.30)	(0.97)	(23.29)	(11.61)	(1.41)
Net cash generated from/(used in) operating activities	(0.05)	(107.58)	49.07	(324.73)	148.32	112.40
B. Cash Flow from Investing Activities						
Purchase of Fixed Assets	-	(30.46)	(30.89)	(12.40)	(50.78)	(0.35)
Net cash generated from/(used in) investing activities	-	(30.46)	(30.89)	(12.40)	(50.78)	(0.35)
C. Cash Flow from Financing Activities						
Proceeds from Issue of Equity Share including Securities Premium	-	106.00	-	312.98	-	-
Buy Back of Equity Shares	-	-	-	-	-	(125.00)
Proceeds from Issue of Preference Share including Securities Premium	-	-	2.98	-	-	-
Share Application Money	-	24.02	-	-	-	-
Share Issue Expense	-	(0.47)	(0.15)	(1.12)	-	-
Redemption of Preference Shares	-	-	-	(27.00)	-	-
Proceeds from Borrowings	-	8.70	17.70	485.64	384.55	1,094.90
Repayment of Borrowings	-	-	(8.70)	(426.52)	(461.38)	(1,079.90)
Interest Paid	-	-	-	(1.37)	(15.79)	(4.55)
Dividend Paid	-	-	(20.45)	(10.00)	-	-
Dividend tax Paid	-	-	(2.88)	(1.70)	-	-

		For the years ended 31 st March					Six months Period ended 30th September, 2009
		2005	2006	2007	2008	2009	
	Net cash generated from/(used in) financing activities	-	138.25	(11.50)	330.91	(92.62)	(114.55)
D.	Net change in cash and cash equivalents (A+B+C)	(0.05)	0.21	6.68	(6.22)	4.92	(2.50)
E.	Cash and Cash equivalents - Opening Balance	0.08	0.03	0.24	6.92	0.70	5.62
F.	Cash and Cash equivalents - Closing Balance	0.03	0.24	6.92	0.70	5.62	3.12

Consolidated Restated Summary Statement of Assets and Liabilities

(Rs. in Million)

Particulars		As at 31st March				As at 30th
Application of Funds		2006	2007	2008	2009	September, 2009
A.	Fixed Assets					
	Gross Block	115.33	183.13	242.56	336.82	308.54
	Less: Accumulated Depreciation/Amortisation	22.43	40.80	65.36	94.74	91.32
	Net Block	92.90	142.33	177.20	242.08	217.22
	Capital Work in Progress including Capital Advances	-	-	-	19.91	20.92
	Total	92.90	142.33	177.20	261.99	238.14
B.	Investments	21.55	48.16	75.86	150.14	70.47
C.	Deferred Tax Asset (Net)	-	3.06	-	-	-
D.	Current Assets, Loans and Advances					
	Inventories	0.06	2.06	6.57	-	-
	Sundry Debtors	54.25	28.37	230.54	76.98	181.75
	Cash & Bank Balances	25.39	40.84	130.30	160.88	182.67
	Other Current Assets	0.43	1.13	4.69	3.02	5.83
	Loans and Advances	122.32	135.08	495.96	341.00	411.14
	Total	202.45	207.48	868.06	581.88	781.39
E	Total Assets (A+B+C+D)	316.90	401.03	1,121.12	994.01	1,090.00
F	Liabilities & Provisions					
	Secured loans	1.49	0.96	145.44	3.80	59.27
	Unsecured loans	8.70	17.70	-	-	-
	Current Liabilities	88.54	96.54	248.57	168.18	222.94
	Provisions	11.40	1.79	1.07	0.71	0.94
	Deferred Tax Liability (Net)	3.17	-	7.47	16.68	17.74
	Total	113.30	116.99	402.55	189.37	300.89
G	Net Worth (E-F)	203.60	284.04	718.57	804.64	789.11
	Represented by:					
	Shareholders' Funds:					
a	Equity Share Capital	100.00	100.00	203.11	203.11	193.11
b	Preference Share Capital	-	27.00	-	-	-
c	Share Application Money (Pending Allotment)	24.02	-	-	-	-
d	Reserves & Surplus	79.58	157.04	515.46	601.53	596.00
	Total	203.60	284.04	718.57	804.64	789.11

Notes:

1. The above figures should be read along with the Statement of Significant Accounting Policies and Notes to the Restated Consolidated Financial Statements as appearing in Annexure 5.
2. Necessary adjustments have been made to the audited consolidated financial statements in accordance with the requirements of Schedule VIII Part A Para IX (B) of The Securities & Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.

Consolidated Restated Summary Statement of Profits and Losses

(Rs. in Million)

Particulars	For the years ended 31st March				Six months Period ended 30th September, 2009
	2006	2007	2008	2009	
Income					
Income from Operations	69.53	192.45	411.11	378.74	268.55
Other Income	1.08	2.57	15.27	10.59	7.38
Total Income	70.61	195.02	426.38	389.33	275.93
Expenditure					
Operating Expenses	4.29	9.35	15.84	14.91	6.56
Staff Cost	5.61	25.33	63.99	100.58	55.67
Administrative and Other Expenses	16.68	56.28	102.57	114.35	51.46
Interest	0.25	0.13	10.12	14.84	7.75
Depreciation/Amortisation	3.10	18.52	24.59	30.07	16.36
Total Expenditure	29.93	109.61	217.11	274.75	137.80
Net Profit before tax	40.68	85.41	209.27	114.58	138.13
Provision for taxation:					
Current Tax	1.45	7.77	34.35	18.38	27.60
Deferred Tax Charge/(Credit)	1.94	(6.23)	10.53	9.21	1.06
Fringe Benefit Tax	0.11	0.30	0.50	0.67	-
MAT Credit Entitlement	-	(5.96)	2.54	0.21	-
Net Profit after tax	37.18	89.53	161.35	86.11	109.47
Balance Brought Forward	24.28	47.00	113.83	205.35	280.73
Profit available for Appropriation	61.46	136.53	275.18	291.46	390.20
Appropriations:					
Dividend on Equity Shares	10.00	10.00	10.00	-	-
Dividend on Preference Shares	-	0.45	-	-	-
Tax on Dividends	1.40	1.48	1.70	-	-
Transfer to reserve under section 45-IC of the Reserve Bank of India Act,1934	2.93	9.57	19.50	10.18	10.25
Transfer to Debenture Redemption Reserve	0.13	1.20	6.63	0.55	0.63
Transfer to Capital Redemption Reserve	-	-	27.00	-	10.00
Amount utilised for Issue of Bonus Share	-	-	5.00	-	-
Surplus carried to Balance Sheet	47.00	113.83	205.35	280.73	369.32

Notes:

1. The above figures should be read along with the Statement of Significant Accounting Policies and Notes to the Restated Consolidated Financial Statements as appearing in Annexure 5.
2. Necessary adjustments have been made to the audited consolidated financial statements in accordance with the requirements of Schedule VIII Part A Para IX(B) of The Securities & Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.

Consolidated Restated Summary Statement of Cash Flows

(Rs. in Million)

Particulars		For the years ended 31st March				Six Months Period ended 30th September, 2009
		2006	2007	2008	2009	
A.	Cash Flow from Operating Activities					
	Net Profit before tax	40.68	85.41	209.27	114.58	138.13
	Adjustments for :					
	Depreciation/Amortization	3.10	18.52	24.59	30.07	16.36
	Provision for Non Performing Assets	-	-	-	-	0.13
	Interest Expenses	0.25	0.13	10.12	14.84	7.75
	Preliminary Expenses Written off	0.04	-	-	-	-
	(Profit)/Loss on sale/discard of Fixed Assets	-	0.12	0.01	0.05	(1.58)
	Irrecoverable debts/advances written off	0.40	0.11	2.90	8.07	5.40
	Loss on assignment of receivables	-	-	-	-	11.27
	Operating profit before working capital changes	44.47	104.29	246.89	167.61	177.46
	(Increase)/Decrease in Inventories	-	(2.00)	(4.51)	6.57	-
	(Increase)/Decrease in Trade & Other Receivables	(3.07)	25.07	(208.62)	147.16	(112.98)
	(Increase)/Decrease in Loans & Advances	(22.55)	(8.00)	(361.87)	160.82	(90.85)
	(Increase)/Decrease in Investments	(99.60)	(26.61)	(27.70)	(74.28)	79.67
	Increase/(Decrease) in Current Liabilities & Provisions	(37.45)	8.06	153.04	(80.75)	54.99
	Cash generated from/(used in) operations	(118.20)	100.81	(202.77)	327.13	108.29
	Income Tax Paid (net of refunds)	(1.54)	(5.12)	(38.14)	(25.17)	(18.29)
	Net cash generated from/(used in) operating activities	(119.74)	95.69	(240.91)	301.96	90.00
B.	Cash Flow from Investing Activities					
	Purchase of Fixed Assets	(34.00)	(68.33)	(59.44)	(115.59)	(6.76)
	Proceeds from sale of Fixed Assets	-	0.25	-	0.69	15.84
	Investments in Fixed Deposits	(0.03)	(15.22)	(55.01)	(0.17)	(52.58)
	Encashment of Fixed Deposits	-	-	-	16.30	-
	Net cash (used in) investing activities	(34.03)	(83.30)	(114.45)	(98.77)	(43.50)
C.	Cash Flow from Financing Activities					
	Proceeds from Issue of Equity Share including Securities Premium	106.00	-	312.98	-	-
	Buy Back of Equity Shares	-	-	-	-	(125.00)
	Proceeds from Issue of Preference Share including Securities Premium	-	2.98	-	-	-
	Share Application Money	24.02	-	-	-	-

Particulars	For the years ended 31st March				Six Months Period ended 30th September, 2009
	2006	2007	2008	2009	
Share Issue Expense	(0.47)	(0.15)	(1.12)	-	-
Redemption of Preference Shares	-	-	(27.00)	-	-
Proceeds from Borrowings	8.70	18.45	549.63	388.05	1,134.90
Repayment of Borrowings	(0.16)	(9.98)	(427.28)	(525.30)	(1,080.02)
Interest Paid	(0.25)	(0.13)	(5.70)	(19.23)	(7.17)
Dividend Paid	-	(20.45)	(10.00)	-	-
Dividend tax Paid	-	(2.88)	(1.70)	-	-
Net cash generated from/(used in) financing activities	137.84	(12.16)	389.81	(156.48)	(77.29)
D. Net change in cash and cash equivalents (A+B+C)	(15.93)	0.23	34.45	46.71	(30.79)
E. Cash and Cash equivalents - Opening Balance #	0.03	15.76	15.99	50.44	97.15
Opening Cash and Cash equivalents of the Subsidiary Companies *	31.66	-	-	-	-
F. Cash and Cash equivalents - Closing Balance #	15.76	15.99	50.44	97.15	66.36
* Represents cash and cash equivalents of the subsidiary Companies on the date on which they got consolidated with Holding Company.					
# Excludes Fixed Deposits as per the table shown below:					
Fixed Deposits with Banks with restricted use or for more than three months.	9.63	24.85	79.86	63.73	116.31

THE ISSUE

Issue of Equity Shares		12,500,000 Equity Shares
Issue to the Public		
Of which:		
A) Qualified Institutional Buyers (QIBs) Portion*		Up to 6,250,000 Equity Shares
<i>of which</i>		
	Available for allocation to Mutual Fund (5% of the QIB Portion) only	312,500 Equity Shares
	Balance of QIBs including Mutual Funds	5,937,500 Equity Shares
B) Non-Institutional Portion*		Not less than 1,875,000 Equity Shares
C) Retail Portion*		Not less than 4,375,000 Equity Shares
Pre and post-Issue Equity Shares		
Equity Shares outstanding prior to the Issue		19,310,500 Equity Shares
Equity Shares outstanding after the Issue		31,810,500 Equity Shares
Use of Issue Proceeds		See “Objects of the Issue” on page 36 of this Draft Red Herring Prospectus.

Allocation to all categories, except the Anchor Investor Portion, if any, shall be made on a proportionate basis.

Our Company may allocate up to 30% of the QIB Portion to Anchor Investors on a discretionary basis. One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to Anchor Investors.

In the event of under-subscription in the mutual fund portion only, the unsubscribed portion would be added to the balance of the QIB Portion to be allocated on a proportionate basis to all QIB Bidders, including Mutual Funds. For further details, please see “Issue Procedure” on page 273 of this Draft Red Herring Prospectus.

**Under subscription, if any, in any of these categories, the unsubscribed portion may be added to one of the other categories at the discretion of our Company, in consultation with the BRLM and the Designated Stock Exchange.*

GENERAL INFORMATION

Registered Office

Shivam Chambers,
1st floor, 53 Syed Amir Ali Avenue,
Kolkata 700 019
Tel: (91 33) 30512100
Fax: (91 33) 30512020

Corporate Office

Azimganj House,
2nd floor, 7 Camac Street
Kolkata 700 017
Tel: (91 33) 2282 9330
Fax: (91 33) 2282 9335

Email: info@microsec.in
Website: www.microsec.in
RoC Registration Number: 21-47002
Company Identification Number:
U65993WB1989PLC047002 Email: info@microsec.in
Website: www.microsec.in
RoC Registration Number: 21-47002
Company Identification Number: U65993WB1989PLC047002

Address of Registrar of Companies

Registrar of Companies
Nizam Palace, 2nd M.S.O. Building,
2nd floor, 234/4, A.J.C Bose Road,
Kolkata 700 020, West Bengal

Board of Directors

The Board comprises the following:

Name, Designation and Occupation	Age (Years)	DIN	Address
Banwari Lal Mittal <i>Chairman and Managing Director</i> <i>Occupation: Business</i>	41	00365809	25D, 3 rd Floor, Flat No.3A & B, Harish Mukherjee Road, Kolkata 700 025
Ravi Kant Sharma <i>Non-Executive Director</i> <i>Occupation: Business</i>	35	00364066	Block 10, Flat 3L, Space Town Housing Complex, VIP Road Raghunathpur, Kolkata 700 052
Parimal Kumar Chattaraj <i>Independent Director</i> <i>Occupation: Management Consultant and Advocate</i>	64	00893963	3H, Singhi Park, 48/3 Gariahat Road, Kolkata 700 019
Raj Narain Bhardwaj <i>Independent Director</i> <i>Occupation: Management Consultant</i>	64	01571764	402, Moksh Apartments, Upper Govind Nagar, Malad (East) Mumbai 400 097
Deba Prasad Roy	68	00049269	APT, 505 Nestle I.B. Wing,

Name, Designation and Occupation	Age (Years)	DIN	Address
<i>Independent Director</i> <i>Occupation: Financial Consultant and Arbitrator</i>			Pandurang Bhdhkar Marg, Mumbai 400 013

For further details of the Directors, see “Management” on page 89 of this Draft Red Herring Prospectus.

Company Secretary and Compliance Officer

Biplab Kumar Mani

Shivam Chambers,
1st Floor, 53 Syed Amir Ali Avenue,
Kolkata 700 019
Tel: (91 33) 3051 2100
Fax: (91 33) 3051 2020
Email: bmani@microsec.in

Investors can contact the Compliance Officer or the Registrar to the Issue in case of any pre- or post-Issue related problems, such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary account and refund orders.

Auditors to Our Company

S.R. Batliboi & Co.
22 Camac Street,
Block C, 3rd floor,
Kolkata 700 016
Tel: (033) 66153400
Fax: (033) 22817750
E-mail ID: SRBC@in.ey.com

Book Running Lead Manager

SBI Capital Markets Limited

202, Maker Tower ‘E’
Cuffe Parade
Mumbai 400 005
Tel: (9122) 2217 8300
Fax: (91 22) 2218 8332
E-mail ID: microsec.ipo@sbicaps.com
Investor Grievance Id: investor.relations@sbicaps.com
Website: www.sbicaps.com
Contact Person: Sandeep Onkar/Murtuza Patrawala
SEBI Registration Number: INM000003531

Legal Advisor to the Issue

Amarchand & Mangaldas & Suresh A. Shroff & Co.

5th Floor, Peninsula Chambers
Peninsula Corporate Park
Ganpatrao Kadam Marg, Lower Parel
Mumbai 400 013
Tel: (91 22) 2496 4455
Fax: (91 22) 2496 3666

Syndicate Members

[•]

[•]

IPO Grading Agency

This Issue has been graded by [●] as [●], indicating [●]. The rationale furnished by the grading agency for its grading will be updated at the time of filing the Red Herring Prospectus with the RoC.

Experts

Except the report of [●] in respect of the IPO grading of this Issue annexed herewith, our Company has not obtained any expert opinions.

Registrar to the Issue

Link Intime India Private Limited

C-13, Pannalal Silk Mills Compound
LBS Marg, Bhandup (W),
Mumbai 400 078
Tel: (91 22) 2596 0320
Fax: (91 22) 2596 0329
E-mail: mfsi.ipo@linkintime.co.in
Website: www.linkintime.co.in
Contact Person: Chetan Shinde
SEBI Registration No.: INR000004058

Bankers to the Issue and Escrow Collection Banks

[●]

Self Certified Syndicate Banks

The list of banks that have been notified by SEBI to act as SCSB for the ASBA process are provided on www.sebi.gov.in and for details on Designated Branches of SCSB collecting as per Bid cum Application Form, please refer to above-mentioned link.

Bankers to Our Company

HDFC Bank Limited

3A Gurusaday Road
Kolkata 700 019
Tel: (91 33) 3057 8217
Fax: (91 33) 2283 6922
Email: zafar.ehsan@hdfcbank.com
Website: www.hdfcbank.com

ICICI Bank Limited

Rasoi Court,
20 Sir R.N. Mukherjee Road,
Kolkata 700 001
Tel: (91 33) 4002 4382
Fax: (91 33) 2242 9083
Email: shyam.agarwal@icicibank.com
Website: www.icicibank.com

INDUSIND Bank

Savitri Tower, 3A Upper Wood Street
Kolkata 700 017
Tel: (91 33) 3021 2400
Fax: (91 33) 2289 6206
Email: caps@indusind.com
Website: www.indusind.com

Monitoring Agency

In accordance with Regulation 16 of the SEBI Regulations, as this Issue is less than Rs. 5,000 million, there is no requirement for appointment of a monitoring agency.

Statement of Responsibilities of the BRLM

The following table sets forth the statement of responsibilities for various activities of the BRLM for the Issue:

Activity		Responsibility	Co-ordination
1.	Capital structuring with relative components and formalities such as type of instruments, etc.	SBI Caps	SBI Caps
2.	Due diligence of Company's operations/ management/ business plans/ legal etc. Drafting and design of Red Herring Prospectus and of statutory advertisement including memorandum containing salient features of the Prospectus. The BRLMs shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI including finalisation of Prospectus and RoC filing	SBI Caps	SBI Caps
3.	Drafting and approval of all statutory advertisement	SBI Caps	SBI Caps
4.	Drafting and approval of all publicity material other than statutory advertisement as mentioned in (2) above including corporate advertisement, brochure, etc.	SBI Caps	SBI Caps
5.	Appointment of other intermediaries, i.e., Registrar(s), Printers, Advertising Agency and Bankers to the Issue	SBI Caps	SBI Caps
6.	Preparation of road show presentations	SBI Caps	SBI Caps
7.	International Institutional Marketing strategy <ul style="list-style-type: none"> Finalise the list and division of investors for one to one meetings, in consultation with our Company; and Finalizing the International road show schedule and investor meeting schedules 	SBI Caps	SBI Caps
8.	Domestic institutions / banks / mutual funds marketing strategy <ul style="list-style-type: none"> Finalise the list and division of investors for one to one meetings, institutional allocation in consultation with our Company; Finalizing the list and division of investors for one to one meetings; and Finalizing investor meeting schedules 	SBI Caps	SBI Caps
9.	Non-Institutional and Retail Marketing of the Issue, which will cover, <i>inter alia</i> , <ul style="list-style-type: none"> Formulating marketing strategies, preparation of publicity budget Finalise Media and PR strategy Finalising centres for holding conferences for press and brokers Follow-up on distribution of publicity and Issuer material including form, prospectus and deciding on the quantum of the Issue material Finalize collection centres 	SBI Caps	SBI Caps
9.	Co-ordination with Stock Exchanges for Book Building Software, bidding terminals and mock trading	SBI Caps	SBI Caps
10.	Finalisation of Pricing, in consultation with our Company	SBI Caps	SBI Caps
11.	The post bidding activities including management of escrow accounts, co-ordination of non-institutional allocation, intimation of allocation and dispatch of refunds to bidders etc. The post Issue activities for the Issue involving essential follow up steps, which include the finalisation of trading and dealing of instruments and demat of delivery of shares, with the various agencies connected with the work such as the Registrar(s) to the Issue and Bankers to the Issue and the bank handling refund business. The merchant banker shall be responsible for ensuring that these agencies fulfill their functions and enable it to discharge this responsibility through suitable agreements with our Company	SBI Caps	SBI Caps

Credit Rating

As this is an Issue of Equity Shares, there is no credit rating for this Issue.

Trustees

As the Issue is of Equity Shares, the appointment of trustees is not required.

Book Building Process

Book building, with reference to the Issue, refers to the process of collection of Bids on the basis of the Red Herring Prospectus within the Price Band, which will be decided by our Company in consultation with the BRLM and advertised at least two days prior to the Bid/Issue Opening Date. The Issue Price is finalized after the Bid / Issue Closing Date. The principal parties involved in the Book Building Process are:

- Our Company;
- the BRLM;
- Syndicate Members who are intermediaries registered with SEBI or registered as brokers with NSE/BSE and eligible to act as Underwriters. The Syndicate Members are appointed by the BRLMs;
- SCSBs;
- Registrar to the Issue; and
- Escrow Collection Banks.

The Issue is being made through the 100% Book Building Process wherein not more than 50% of the Issue shall be available for allocation on a proportionate basis to QIB Bidders. 5% of the QIB Portion (excluding the Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder shall be available for allocation on a proportionate basis to all QIB Bidders, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Further, not less than 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

In accordance with the SEBI Regulations, QIBs bidding in the QIB Portion are not allowed to withdraw their Bid(s) after the Bid/Issue Closing Date. For further details, see “Terms of the Issue” on page 266 of this Draft Red Herring Prospectus.

We will comply with the SEBI Regulations and any other ancillary directions issued by SEBI for this Issue. In this regard, we have appointed the BRLM to manage the Issue and procure subscriptions to the Issue.

The Book Building Process under the SEBI Regulations is subject to change from time to time and the investors are advised to make their own judgment about investment through this process prior to making a Bid or application in the Issue.

Illustration of Book Building and Price Discovery Process *(Investors should note that this example is solely for illustrative purposes and is not specific to the Issue; it also excludes bidding by Anchor Investors or under the ASBA process.)*

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

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

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
2,500	20	7,500	250.00%

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

Steps to be taken by the Bidders for Bidding:

1. Check eligibility for making a Bid (see “Issue Procedure – Who Can Bid?” on page 274 this Draft Red Herring Prospectus);
2. Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form;
3. Ensure that you have mentioned your PAN. In accordance with the SEBI Regulations, the PAN would be the sole identification number for participants transacting in the securities market, irrespective of the amount of the transaction. (see “Issue Procedure” on page 273 of this Draft Red Herring Prospectus);
4. Ensure that the Bid cum Application Form is duly completed as per instructions given in this Draft Red Herring Prospectus and in the Bid cum Application Form or the ASBA Bid cum Application Form; and
5. Bids by QIBs will only have to be submitted to the BRLM and/or their affiliates.

Withdrawal of the Issue

Our Company, in consultation with the BRLM, reserve the right not to proceed with the Issue anytime after the Bid/Issue Opening Date but before the Allotment of Equity Shares. In such an event our Company would issue a public notice in the newspapers, in which the pre-Issue advertisements were published, within two days of the Bid/ Issue Closing Date, providing reasons for not proceeding with the Issue. The BRLM, through the Registrar to the Issue, shall notify the SCSBs to unblock the bank accounts of the ASBA Bidders within one day from the day of receipt of such notification. Our Company shall also inform the same to Stock Exchanges on which the Equity Shares are proposed to be listed.

Any further issuances by our Company shall be undertaken in accordance with applicable law.

Bid/Issue Programme

BID/ISSUE OPENS ON	[●]
BID/ISSUE CLOSES ON	[●]

Our Company may consider participation by Anchor Investors. The Anchor Investor Bid/ Issue Period shall be one day prior to the Bid/ Issue Opening Date.

Bids and any revision in Bids shall be accepted **only between 10.00 a.m. and 3.00 p.m.** (IST) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form. On the Bid/Issue Closing Date, Bids (excluding the ASBA Bidders) shall be uploaded until (i) 4.00 p.m. (IST) in case of Bids by QIB Bidders, Non-Institutional Bidders where the Bid Amount is in excess of Rs. 100,000; and (ii) until 5.00 p.m. (IST) in case of Bids by Retail Individual Bidders where the Bid Amount is up to Rs. 100,000. It is clarified that Bids not uploaded in the book, would be rejected. 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 on the Bid/Issue Closing Date. All times mentioned in the Draft Red Herring Prospectus are IST. Bidders are cautioned that in the event a large number of Bids are received on the Bid/Issue Closing Date, as is typically experienced in public offerings, some Bids may not get uploaded due to lack of sufficient time. Such Bids that cannot be uploaded will not be considered for allocation under the Issue. If such Bids are not uploaded, the Issuer, the BRLM, Syndicate Members and the SCSBs will not be responsible. Bids will be accepted only on Business Days, i.e., Monday to Friday (excluding any public holidays).

On the Bid/Issue Closing Date, extension of time will be granted by the Stock Exchanges only for uploading the Bids received by Retail Bidders after taking into account the total number of Bids received up to the closure of the time period for acceptance of Bid-cum-Application Forms as stated herein and reported by the BRLM to the Stock Exchange within half an hour of such closure.

Our Company, in consultation with the BRLM, reserves the right to revise the Price Band during the Bid/Issue Period in accordance with the SEBI Regulations provided that the Cap Price is less than or equal to 120% of the Floor Price and the Floor Price cannot be less than the face value of the Equity Shares. The Floor Price can be revised up or down to a maximum of 20% of the Floor Price advertised at least two days before the Bid /Issue Opening Date.

In case of revision of the Price Band, the Issue Period will be extended for three additional working days after revision of the Price Band subject to the total Bid /Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bid/Issue, if applicable, will be widely disseminated by notification to the NSE and the BSE, by issuing a press release and also by indicating the changes on the web sites of the BRLM and at the terminals of the Syndicate. In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain [●] Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.

Underwriting Agreement

After the determination of the Issue Price and allocation of the Equity Shares, but prior to the filing of the Prospectus with the RoC, our Company will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through the Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLM shall be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfil their underwriting obligations. The Underwriting Agreement is dated [●].

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

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

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. in million)
SBI Capital Markets Limited 202, Maker Tower 'E' Cuffe Parade Mumbai – 400 005	[●]	[●]

The above-mentioned is indicative underwriting and this will be finalized after the pricing and actual allocation.

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

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 respective Underwriter, in addition to other obligations defined in the underwriting agreement, will also be required to procure/subscribe to Equity Shares to the extent of the defaulted amount.

CAPITAL STRUCTURE

The Equity Share capital as of the date of this Draft Red Herring Prospectus is set forth below:

		Aggregate Nominal Value	Aggregate Value at Issue Price
A)	Authorised Share Capital		
	35,000,000 Equity Shares	350,000,000	
B)	Issued, Subscribed and Paid up Share Capital before the Issue		
	19,310,500 fully paid up Equity Shares	193,105,000	[●]
C)	Present Issue in terms of this Draft Red Herring Prospectus		
	12,500,000 Equity Shares of face value of Rs. 10 each	125,000,000	[●]
D)	Issued, Subscribed and Paid up Capital after the Issue		
	31,810,500 Equity Shares	318,105,000	[●]
E)	Share Premium Account		
	Before the Issue	151,500,500	[●]
	After the Issue	[●]	[●]

The present Issue has been authorised by the Board of Directors and the shareholders, pursuant to their resolutions dated September 5, 2009 and September 30, 2009 respectively.

Changes in Authorised Share Capital

- (i) The initial authorized share capital of Rs. 300,000 divided into 30,000 Equity Shares of Rs. 10 each was increased to Rs. 5,000,000 divided into 500,000 Equity Shares of Rs. 10 each pursuant to a resolution of the shareholders at an EGM held on March 22, 1995.
- (ii) The authorised share capital of Rs. 5,000,000 divided into 500,000 Equity Shares of Rs. 10 each was increased to Rs. 6,000,000 divided into 600,000 Equity Shares of Rs. 10 each pursuant to a resolution of the shareholders at the EGM dated March 30, 2002.
- (iii) The authorised capital of Rs. 6,000,000 divided into 600,000 Equity Shares of Rs. 10 each was increased to Rs. 7,500,000 divided into 750,000 Equity Shares of Rs 10 each pursuant to a resolution of the shareholders at the EGM dated March 31, 2003.
- (iv) The authorised capital of Rs. 7,500,000 divided into 750,000 Equity Shares of Rs. 10 each was increased to Rs. 8,100,000 divided into 810,000 Equity Shares of Rs. 10 each pursuant to a resolution of the shareholders at the EGM dated March 30, 2004.
- (v) The authorised capital of Rs. 8,100,000 divided into 810,000 Equity Shares of Rs. 10 each was increased to Rs. 100,000,000 divided into 10,000,000 Equity Shares of Rs. 10 each pursuant to a resolution of the shareholders at the EGM dated October 19, 2005.
- (vi) The authorised capital of Rs. 100,000,000 divided into 10,000,000 Equity Shares of Rs. 10 each was increased to Rs. 127,000,000 divided into 10,000,000 Equity Shares and 2,700,000 preference shares of Rs. 10 each pursuant to a resolution of the shareholders at the EGM dated November 10, 2006.
- (vii) The authorised capital of our Company has been restructured by converting the Rs. 27,000,000 preference shares capital to Equity shares capital pursuant to a resolution of the shareholders at the EGM dated June 27, 2007.
- (viii) The authorised capital of Rs. 127,000,000 divided into 12,700,000 Equity Shares of Rs. 10 each was increased to Rs. 250,000,000 divided into 25,000,000 Equity Shares of Rs. 10 each pursuant to a resolution of the shareholders at the EGM dated June 30, 2007.
- (ix) The authorised capital of Rs. 250,000,000 divided into 25,000,000 Equity Shares of Rs. 10 each was increased to Rs. 350,000,000 divided into 35,000,000 Equity Shares of Rs. 10 each pursuant to a resolution of the shareholders at the EGM dated July 30, 2007.

Notes to Capital Structure

1. Share Capital History of our Company

(a) The following is the history of the equity share capital of our Company:

Date of allotment of equity shares	No. of equity shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration	Reasons for allotment	Cumulative no. of equity shares	Cumulative paid-up equity capital (Rs.)	Cumulative share premium
June 6, 1989	200	10	10	Cash	Initial subscription to memorandum of association	200	2,000	Nil
March 12, 1990	9,300	10	10	Cash	Preferential allotment to Sunil Kumar Sharma, Arun Kumar Khaitan, Surya Prasad Agarwal, Kishan Kumar Agarwal, Binod Kumar Sharma, Kamal Kumar Bagaria, Arvind Kumar Sharma, Rajesh, Butolia, Ardhendu Kumar Pande, Rupali Bose and Pulin Das	9,500	95,000	Nil
April 20, 1990	5,400	10	10	Cash	Preferential allotment to S.K. Panday, Bhupendra Patel, Ashok Butolia, Atma Pande, Ramkishor Sharma, K.M. Sharma, Prem Lata Rathi, Rakesh Rathi, Sanjeev Jain and Tapan Pande	14,900	149,000	Nil
June 11, 1991	12,500	10	10	Cash	Preferential allotment to Suman Bose, Bikash Gaur, Vinod Kumar Sharma, Himani Shoparna, Sushma Kumari Sharma, Mahesh Kaushik and Raj Kumar Sharma	27,400	274,000	Nil
March 27, 1995	325,600	10	10	Cash	Preferential allotment to Sushma Kumari Sharma, Adarsh Kumari Sharma, Shakuntala Sharma, Binesh Kumar Sharma, Mahesh Kaushik, Bhagwati Butolia, Anil Kumar Agarwal, Nidhi Shoparna, Abhishek Shoparna, Anil Agarwal, Rajesh Butolia, Sunil Kumar Agarwal, Neetu Agarwal, Shoparna Bros Private Limited, Savitri Agarwal, RLA Consultancy Services Private Limited, Fancy Lane Management	353,000	3,530,000	Nil

Date of allotment of equity shares	No. of equity shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration	Reasons for allotment	Cumulative no. of equity shares	Cumulative paid-up equity capital (Rs.)	Cumulative share premium
					Services Private Limited, Kamal Kumar Agarwal, Ashok Haldar, Sambhu Haldar, Mongola Haldar, Subir Das, Somnath Das, Sanjoy Mukherjee, Arun Kumar Sharma, Soumay Ash, Durga Devi Sharma, Kirti Thakkar, Ashok Butolia, Suman Bose, K.M. Sharma, Atma Panday, Arvind Kumar Sharma, Durga Devi Sharma, Sunil Kumar Sharma, Rita Sharma, Simmi Gaur and Krishna Mondal			
July 17, 1995	145,000	10	10	Cash	Preferential allotment to Fancy Lane Management Services Private Limited and Sunil Kumar Sharma	498,000	4,980,000	Nil
March 30, 2002	79,100	10	50	Cash	Preferential allotment to Shoparna Bros Private Limited, Radhika Trading Company Private Limited and Rita Sharma	577,100	5,771,000	3,164,000
March 31, 2003	113,240	10	50	Cash	Preferential allotment to Chakrapani Vinayog Private Limited, Radhika Trading Company Private Limited, Narain Resources Private Limited, Rajesh Butolia, Uma Putrya Estate Private Limited, Bengal Poly Sacks Private Limited, Sunil Kumar Sharma and Suman Bose	690,340	6,903,400	7,693,600
March 30, 2004	115,000	10	50	Cash	Preferential allotment to Shoparna Bros Private Limited, Durga Devi Sharma, Rita Sharma, Rajesh Butolia, Sunil Kumar Sharma, Naranjan Resources Private Limited and Gourav Kutir and Nivesh Private Limited	805,340	8,053,400	12,293,600
October 24, 2005	160,000	10	500	Cash	Preferential allotment to Luv-Kush	965,340	9,653,400	90,693,600
October 26, 2005	8,688,060	-	-	Capitalization of Reserves and Surplus	Bonus issue in the ratio of 9:1	9,653,400	96,534,000	3,813,000

Date of allotment of equity shares	No. of equity shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration	Reasons for allotment	Cumulative no. of equity shares	Cumulative paid-up equity capital (Rs.)	Cumulative share premium
March 30, 2006	346,600	10	75	Cash	Preferential allotment to Luv-Kush	10,000,000	100,000,000	25,873,000*
December 18, 2007	5,700,000	-	-	Capitalization of Reserves and Surplus	Bonus issue in the ratio of 57:100	15,700,000	157,000,000	738,000**
December 31, 2007	2,625,000	10	30	Cash	Preferential allotment to the Promoters, Promoter Group and certain employees ⁽¹⁾	18,325,000	183,250,000	53,238,000
December 31, 2007	280,000	10	75	Cash	Preferential allotment to certain individuals ⁽¹⁾	18,605,000	186,050,000	71,438,000
December 31, 2007	1,660,500	10	125	Cash	Preferential allotment to certain individuals and bodies corporate ⁽¹⁾	20,265,500	202,655,000	262,395,500
December 31, 2007	45,000	10	126	Cash	Preferential allotment to certain individuals ⁽¹⁾	20,310,500	203,105,000	266,500,500***
May 20, 2009	(1,000,000)	10	125	Cash	Buy-back of Equity Shares on Proportionate basis from shareholders (other than Promoter and Promoter Group)	19,310,500	193,105,000	151,500,500****

⁽¹⁾ For details of the names of allottees who were allotted Equity Shares of our Company on December 31, 2007 and the corresponding number of Equity Shares allotted, see "List of Shareholders who were allotted Equity Shares on December 31, 2007" in "Material Contracts and Documents for Inspection".

* This accounts for issue expenses of Rs. 469,000.

** Share premium of Rs. 25,000,000 was utilised towards the bonus issue.

*** This also accounts for issue related expenses of Rs. 135,000.

*** Share premium of Rs.1,115,000 was utilised towards increase of Authorised Capital

**** Share premium of Rs. 115,000,000 was utilised towards buy-back of shares.

(b) Following is the history of preference share capital of our Company

Date of allotment	Number of preference shares	Issue price per preference share (in Rs.)	Reasons for allotment	Consideration (cash or other than cash.)	Date of redemption
November 28, 2006	2,700,000	10	Fresh issue	Cash	June 30 th , 2007 ⁽¹⁾

⁽¹⁾ Redemption was funded out of available profits our Company.

(c) Details of equity shares issued for consideration other than cash:

Date of Allotment of equity shares	Number of equity shares	Face value	Issue price	Reason for allotment
October 26, 2005	8,688,060	10	-	Bonus issue in the ratio of 9:1
December 18, 2007	5,700,000	10	-	Bonus issue in the ratio of 57:100

2. History of Equity Share Capital held by Promoter

a) Details of the build up of the Promoters' shareholding in our Company:

Date of Allotment/Transfer	Nature of Transaction	Nature of consideration	No. of Equity Shares	Face Value	Issue/ Acquisition Price (Rs.)	Cumulative no. of Equity Shares
Banwari Lal Mittal						
August 1, 2005	Transferred from Nigolice Trading Private Limited, Deevee Commercial Limited and Arion Commercial Private Limited	Cash	800,000	10	10	800,000
October 26, 2005	Bonus Shares	-	7,200,000	10	-	8,000,000
December 18, 2007	Bonus Shares	-	4,560,000	10	-	12,560,000
December 31, 2007	Transferred to Laxmi Narayan Mandhana, Sumit Kumar Agarwal and Manish Kumar Agarwal as Trustees of 'Microsec Vision (Employees) Trust'	Gift	(1,200,000)	10	-	11,360,000
September 29, 2009	Transferred to Laxmi Narayan Mandhana, Pankaj Harlalka and Manish Kumar Agarwal as Trustees of Microsec Vision (Employees) Trust	Gift	(577,000)	10	-	10,783,000
November 11, 2009	Transferred from Sushila Devi Khaitan	Gift	15,700	10	-	10,798,700
November 11, 2009	Transferred from Prabhu Dayal Khaitan	Gift	15,700	10	-	10,814,400
Ravi Kant Sharma						
October 1, 2005	Transferred from Nigolice Trading Private Limited	Cash	1,000	10	10	1,000
October 26, 2005	Bonus Shares	-	9,000	10	-	10,000
December 18, 2007	Bonus Shares	-	5,700	10	-	15,700
December 31, 2007	Allotment of shares on preferential basis to Ravi Kant Sharma	Cash	867,500	10	30	883,200
December 31, 2007	Transferred to Laxmi Narayan Mandhana, Sumit Kumar Agarwal	-	(6,400)	10	-	876,800

Date of Allotment/Transfer	Nature of Transaction	Nature of consideration	No. of Equity Shares	Face Value	Issue/Acquisition Price (Rs.)	Cumulative no. of Equity Shares
	and Manish Kumar Agarwal as Trustees of 'Microsec Vision (Employees) Trust'					

3. Details of transactions in Equity Shares by the Directors, Promoters and Promoter Group entities during the six months preceding the filing of this Draft Red Herring Prospectus with SEBI

S No.	Name of Director/Promoter/ Promoter Group	Date of Transaction	No. of Equity Shares	Transaction Price (Rs.)	Nature of Transaction
Promoters and Directors					
1.	Banwari Lal Mittal	November 11, 2009	15,700	-	Gift
		November 11, 2009	15,700	-	Gift
		September 29, 2009	(577,000)	-	Gift
Promoter Group					
1.	LKPL	September 22, 2009	968,033	125	Transfer

4. Details of Promoters' Contribution and Lock-in:

The Equity Shares, which are being locked-in are not ineligible for computation of Promoter's contribution under the SEBI Regulations. Equity Shares offered by the Promoter for the minimum Promoter's contribution are not subject to pledge.

(a) Details of Promoters contribution locked in for three years

Pursuant to the SEBI Regulations, an aggregate of 20% of the fully diluted post-Issue capital of our Company (i.e. 6,362,100 Equity Shares) held by our Promoter, Banwari Lal Mittal, shall be locked in for a period of three years from the date of Allotment of Equity Shares in the Issue. The details of such lock-in are set forth in the table below:

Sr. No.	Date of Acquisition and when made fully paid-up	Nature of Allotment/Transfer	Nature of consideration	No. of Equity Shares locked in	Face Value	Issue/Acquisition Price (Rs.)	Percentage of Pre-Issue Paid-up Capital	Percentage of Post-Issue Paid-up Capital
Banwari Lal Mittal								
1.	August 1, 2005	Transferred from Nigolice Trading Private Limited, Deevee Commercial Limited and Arion Commercial Private Limited.	Cash	223,000	10	10	1.15%	0.70%
2.	October 26, 2005	Bonus Shares	N/A	6,139,100	-	-	31.79%	19.30%
Total				6,362,100			32.94%	20.00%

The minimum Promoter's contribution has been brought to the extent of not less than the specified minimum lot and from persons defined as Promoter's under the SEBI Regulations. The Promoter,

Banwari Lal Mittal, has through letter dated March 20, 2010 granted consent for the lock-in of 20% of the post-issue paid up Equity Share capital of our Company, held by him, for three years from the date of Allotment and lock in of the balance pre-issue Equity Share capital of our Company, held by him for a period of one year from the date of Allotment.

Any 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.

(b) Details of share capital locked in for one year

In addition to 20% of the post-Issue shareholding of our Company held by the Promoters and locked in for three years as specified above, the entire pre-Issue share capital of our Company will be locked in for a period of one year from the date of Allotment in this Issue.

(c) Other Requirements in respect of lock-in

The Equity Shares held by persons other than the Promoters prior to the Issue may be transferred to any other person holding the Equity Shares which are locked-in along with the Equity Shares proposed to be transferred, 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.

Equity Shares held by the Promoters may be transferred to any other Promoter or to any other person of the Promoter Group or to a new promoter or person in control of our Company, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with the Takeover Code as applicable.

The Equity Shares held by the Promoters, which are locked-in for a period of three years from the date of Allotment in the Issue can be pledged with any scheduled commercial bank or public financial institution as collateral security for loans granted by such banks or financial institutions, provided that the pledge of the Equity Shares can be created when the loan has been granted by such banks or financial institutions for financing one or more of the objects of the Issue and pledge of Equity Shares is one of the terms of sanction of the loan.

The Equity Shares held by the Promoters which are locked-in for a period of one year from the date of Allotment in the Issue can be pledged with any scheduled commercial bank or public financial institution as collateral security for loans granted by such bank or financial institution, provided that pledge of Equity Shares is one of the terms of sanction of the loan.

5. The shareholding pattern

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

Shareholders	Pre-Issue		Post-Issue [#]	
	No. of Equity Shares	Percentage	No. of Equity Shares	Percentage
Promoters (A)				
Banwari Lal Mittal	10,814,400	56.00%	10,814,400	34.00%
Ravi Kant Sharma	876,800	4.54%	876,800	2.75%
Sub Total (A)	11,691,200	60.54%	11,691,200	36.75%
Promoter Group (B)				
Abha Mittal	15,700	0.08%	15,700	0.05%
Bharati Sharma	323,200	1.67%	323,200	1.02%
LKPL	4,197,533	21.74%	4,197,533	13.20%
Ravi Kant Sharma jointly with Luv-Kush (as Trustees of Microsec Vision Trust One)	1,200,000	6.22%	1,200,000	3.76%
Sub Total (B)	5,736,433	29.71%	5,736,433	18.03%

Shareholders	Pre-Issue		Post-Issue [#]	
	No. of Equity Shares	Percentage	No. of Equity Shares	Percentage
Directors and Employees (C)				
Pankaj Harlalka, Manish Kumar Agarwal and Giridhar Dhelia as trustees of Microsec Vision (Employees) Trust	1,783,400	9.24%	1,783,400	5.61%
Sub Total (C)	1,783,400	9.24%	1,783,400	5.61%
Others (D)	99,467	0.51%	99,467	0.31%
Sub Total (D)	99,467	0.51%	99,467	0.31%
Public (Pursuant to the Issue) (E)	-	-	12,500,000	39.30%
Sub Total (E)	-	-	12,500,000	39.30%
Total (A+B+C+D+E)	19,310,500	100.00%	31,810,500	100.00%

[#] Assuming none of the existing shareholders participate in the Issue.

6. Top Ten Shareholders:

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

(a) As on the date of this Draft Red Herring Prospectus:

S. No.	Shareholder	No. of Equity Shares held	Percentage
1.	Banwari Lal Mittal	10,814,400	56.00%
2.	LKPL	4,197,533	21.74%
3.	Pankaj Harlalka, Manish Kumar Agarwal and Giridhar Dhelia as Trustees of Microsec Vision (Employees) Trust	1,783,400	9.24%
4.	Ravi Kant Sharma jointly with LKPL as Trustees of Microsec Vision Trust One	1,200,000	6.22%
5.	Ravi Kant Sharma	876,800	4.54%
6.	Bharati Sharma	323,200	1.67%
7.	Peeramadi Tracon Private Limited	44,460	0.23%
8.	Abha Mittal	15,700	0.08%
9.	Rani Agarwal	15,000	0.08%
10.	Naman Vincom Private Limited	11,115	0.06%

(b) As of 10 days prior to the date of this Draft Red Herring Prospectus

S.No.	Shareholder	No. of Equity Shares held	Percentage
1.	Banwari Lal Mittal	10,814,400	56.00%
2.	LKPL	4,197,533	21.74%
3.	Pankaj Harlalka, Manish Kumar Agarwal and Giridhar Dhelia as Trustees of Microsec Vision (Employees) Trust	1,783,400	9.24%
4.	Ravi Kant Sharma jointly with LKPL as Trustees of Microsec Vision Trust One	1,200,000	6.22%
5.	Ravi Kant Sharma	876,800	4.54%
6.	Bharati Sharma	323,200	1.67%
7.	Peeramadi Tracon Private Limited	44,460	0.23%
8.	Abha Mittal	15,700	0.08%
9.	Rani Agarwal	15,000	0.08%
10.	Naman Vincom Private Limited	11,115	0.06%

(c) Two years prior to the date of this Draft Red Herring Prospectus

S.No.	Shareholder	No. of Equity Shares held	Percentage
1.	Banwari Lal Mittal	11,360,000	55.93%
2.	Laxmi Narayan Mandhana, Sumit Kumar Agarwal and Manish Kumar Agarwal as Trustees of Microsec Vision (Employees) Trust	1,206,400	5.94%
3.	Ravi Kant Sharma jointly with Luv-Kush Projects Limited as Trustees of Microsec Vision Trust One	1,200,000	5.91%
4.	Rakesh Sony Jointly with Luv-Kush Projects Limited as Trustees of Microsec Vision Trust Two	1,200,000	5.91%
5.	Ravi Kant Sharma	876,800	4.32%
6.	Luv-Kush Projects Limited	661,500	3.26%
7.	Rakesh Sony	600,000	2.95%
8.	Kavita Sony	600,000	2.95%
9.	Maa Sarda Consultants Private Limited	600,000	2.95%
10.	Bharati Sharma	323,200	1.59%

7. Buy Back of Equity Shares:

In terms of resolution passed by the shareholders of our Company at the EGM held on March 28, 2009 authorising our Company to buy back its own equity shares under buy back programme, our Company has bought back 1,000,000 equity shares of Rs. 10 each fully paid representing 4.92% of its paid up equity share at a price of Rs. 125 per equity share on a proportionate basis. The buy back was through a tender offer in compliance with the Companies Act and the Private Limited Company and Unlisted Public Company (Buy-back of Securities) Rules, 1999 to all the shareholders of our Company except its Promoters, Promoter Group and the Employees.

8. Currently, about 9.24% of pre issue capital is owned by 'Microsec Vision (Employees) Trust' with employees of the Company and its Subsidiaries as its beneficiaries and Banwari Lal Mittal as the settler of the trust. The consideration received by the Microsec Vision (Employees) Trust is utilised for the benefit and welfare of the employees. The Microsec Vision (Employees) Trust is vested with the power of granting Equity Shares of the Company to the employees of the Company and its Subsidiaries.
9. Our Company has not issued any Equity Shares under any employee stock option scheme or employee stock purchase scheme. Certain employees of our Company and subsidiaries were granted employee stock options under Microsec Employee Stock Option Plan 2007. By agreement dated August 17, 2009 between our Company with the such employees, we have terminated the Microsec Employee Stock Option Plan 2007 whereby all options granted to such employees were cancelled. For further details see "Financial Statements" on page 112 of this Draft Red Herring Prospectus.
10. Our Company, the Directors, Promoters, Promoter Group, their respective directors and the BRLM have not entered into any buy-back for the purchase of Equity Shares from any person.
11. Except as stated in section titled "Management" on page 89 of this Draft Red Herring Prospectus, none of the Directors or key managerial personnel hold any Equity Shares in our Company.
12. Except as stated above, Promoters, Directors and Promoters Group have not purchased or sold any Equity Shares during a period of six months preceding the date of filing this Draft Red Herring Prospectus with SEBI.
13. 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 investor.
14. No person connected with the Issue shall offer any incentive, whether direct or indirect, in any manner, whether in cash, kind, services or otherwise, to any Bidder.

15. There are no outstanding financial instruments or any other rights which would entitle the existing promoters or shareholders or any other person any option to acquire the Equity Shares after the Issue.
16. Our Company has not raised any bridge loan against the proceeds of the Issue. For details on use of proceeds, see "Objects of the Issue" on page 36 of this Draft Red Herring Prospectus.
17. There will be no further issue of Equity Shares, whether by way of issue of bonus shares, preferential allotment, right issue or in any other manner during the period commencing from submission of this Draft Red Herring Prospectus with SEBI until the Equity Shares have been listed.
18. Our Company presently does not have any intention to or proposal to alter the capital structure by way of split or consolidation of the denomination of the Equity Shares, or issue Equity Shares on a preferential basis or issue of bonus or rights or further public issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) or qualified institutions placement, within a period of six months from the date of opening of the Issue.
19. There shall be only one denomination of Equity Shares, unless otherwise permitted by law. Our Company shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
20. The Equity Shares will be fully paid up at the time of Allotment.
21. Our Company has 14 members as of the date of this Draft Red Herring Prospectus.
22. Our Company is a non banking financial company and in terms of the second proviso to Section 67 (3) of the Companies Act, 1956, the first proviso to Section 67 (3) is not applicable to our Company. Our Company has not made an offer or invitation to offer to the public within the meaning of Section 67 of the Companies Act and accordingly our Company is compliant with the provisions of Section 67 at the time of making the allotments disclosed in "Capital Structure" on page 25 of this Draft Red Herring Prospectus.
23. Our Company has not issued any Equity Shares out of revaluation reserves. Except as disclosed in "Capital Structure – Notes to Capital Structure" beginning on page 26 of this Draft Red Herring Prospectus, our Company has not issued any Equity Shares for consideration other than cash.
24. As per the RBI regulations, OCBs are not allowed to participate in the Issue.
25. Our Company, Directors, Promoters or Promoter Group shall not make any payments direct or indirect, discounts, commissions, allowances or otherwise under this Issue.
26. The Equity Shares held by the Promoters are not subject to any pledge.
27. Our Company has not issued or allotted any Equity Shares in terms of any scheme approved under sections 391-394 of the Companies Act, 1956.
28. The Issue is being made through the 100% Book Building Process wherein not more than 50% of the Issue shall be available for allocation on a proportionate basis to QIB Bidders. 5% of the QIB Portion (excluding the Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Further, not less than 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

Under-subscription, if any, in any of category will be allowed to be met with spill over from any other category at the discretion of our Company, in consultation with the BRLM.
29. An oversubscription to the extent of 10% of the Issue can be retained for the purpose of rounding off while finalizing the basis of Allotment.
30. Our Promoters and members of our Promoter group will not participate in the Issue.

31. There are no financing arrangements whereby the Promoter Group, the Directors of our Company and their relatives have financed the purchase by any other person of securities of our Company other than in the normal course of the business of the financing entity during the period of six months immediately preceding the date of filing this Draft Red Herring Prospectus with the Board.
32. As on the date of the Draft Red Herring Prospectus, the BRLM and their associates do not hold any Equity Shares in our Company.

OBJECTS OF THE ISSUE

The objects of this Issue are to:

1. Expand our Financing business;
2. Expand MCap's domestic operations by increasing network of branches;
3. Enhance MCap's existing technological capacity;
4. General corporate purposes; and
5. Enhance our visibility and achieve the benefits of listing the Equity Shares on the Stock Exchanges.

The main objects and objects incidental or ancillary to the main objects set out in our Memorandum of Association enable us to undertake our existing and proposed activities/ expansion for which funds are being raised by us through the issue. Further, we confirm that the activities of our Company has been carrying out until now are in accordance with the objects clause of its Memorandum of Association.

Requirement of Funds

The details of the proceeds of the Issue are summarized in the table below:

<i>(Rs. in Million)</i>	
Particulars	Amount
Gross proceeds of the Issue	[●]
Issue related expenses	[●]
Net proceeds of the Issue ("Net Proceeds")*	[●]

**To be finalized upon determination of Issue Price.*

Utilisation of the Net Proceeds

The intended use of utilization of Net Proceeds is summarized in table below:

<i>(Rs. in Million)</i>	
Particulars	Amount
Expansion of financing business of our Company	1,250.00
Expansion of MCap's domestic operations by increasing network of branches	80.00
Enhance MCap's existing technological capacity	75.00
General Corporate Purposes*	[●]

** The amount to be deployed towards general corporate purposes will be decided after finalization of Issue Price.*

The entire requirements of the objects detailed above are intended to be funded from the proceeds of the issue. 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 from the issue.

Deployment of Net Proceeds:

The details of application of Net Proceeds towards the abovementioned objects and the proposed schedule of deployment of funds are set out below.

<i>(Rs. in Million)</i>		
Objects	Amount	Estimated schedule of deployment of funds
		Fiscal year 2011
Expansion of financing business of our Company	1,250.00	1,250.00
Expansion of MCap's domestic operations by increasing network of branches	80.00	80.00
Enhance MCap's existing technological capacity	75.00	75.00
General Corporate Purposes*	[●]	[●]
Total*	[●]	[●]

** The amount to be deployed towards general corporate purposes will be decided after finalization of Issue Price.*

The fund requirement in the table above is based on our current business plan. In view of the competitive and dynamic nature of the industry in which we operate, we may have to revise our business plan from time to time and consequently our fund requirement and deployment of funds may also change. This may, subject to compliance with applicable laws and regulations, also include rescheduling the proposed utilization of Net Proceeds and increasing or decreasing expenditure for a particular object vis-à-vis the utilization of Net Proceeds at the discretion of our management. In case of any increase in the actual utilization of funds earmarked for the above activities, such additional fund for a particular activity will be met from a combination of internal accruals or debt infusion. If the actual utilization towards any of the aforesaid objectives is higher than what is stated above, such increased fund requirements be financed by surplus funds, if any, available in respect of the other purposes. If the actual utilization towards any of the aforesaid objectives is lower than what is stated above, such balance will be used for future growth opportunities. In the event of a shortfall, the fund requirements will be met from internal accruals. In the event any surplus is left out of the Issue Proceeds after meeting all the aforesaid objectives, such surplus proceedings be used for general corporate purposes including for meeting future growth opportunities.

Details of Objects

Certain part of the objects of the Issue is proposed to be utilized towards investment in Subsidiaries through equity. We believe that such investments will provide scope for further growth in the business of the Subsidiary by helping it increase its net worth to do larger volume of business. Any growth in the business of our Subsidiaries will bring in larger dividends or higher valuation of the equity investments of our Company.

I. Expansion of Financing Business of our Company

Our Company intends to utilize approximately Rs. 1,250 million from the Net Proceeds towards the expansion of the financing business.

As on January 31, 2010 we have 502 registered clients in the LAS business out of which 448 are registered with MFSL and 54 are registered with MRPL. We believe that the financing facility offered by us enables our customers to leverage their equity market positions to increase their exposure to the capital markets. The consolidated deployment in LAS as on March 31, 2008 and 2009 was Rs. 280.30 million and Rs.142.93 million respectively. As on September 30, 2009, our consolidated deployment in LAS was Rs. 330.83 million out of which Rs.237.81 million was in MFSL and balance Rs.93.02 million was in MRPL.

Our business of providing loans against shares is complementary to our broking business as we believe we understand equity markets better than entities that are purely into the lending business. We have more than 23000 clients registered with us for our broking services as on January 31, 2010. Our revenues from the equity broking and related services for the years ended March 31, 2008 and 2009 and for the half year ended September 30, 2009 were Rs. 181.24 million, Rs.156.20 million and Rs. 100.13 million respectively.

We believe that we can draw on this broking business by cross-selling our financing services. We also intend to provide financing services through loans against shares to customers who may not be clients of our brokerage services.

We provide the loans against appropriate margin of liquid and marketable securities. We provide loans against shares mentioned in the approved list which is reviewed periodically by the senior management team of our risk management department and by our Board. We have established effective risk management system & tools to monitor the financing provided to the customers. For further details see "Our Business".

Rs. 1,250 million out of the Net Proceeds would be utilised towards loan against shares business of the Company. This is based on our management's estimates and no projections for the same are available. The requirement of funds for our financing activities is primarily driven by the growth in the number of customers registered for LAS facility and broking facility.

II. Expanding MCap's Domestic Operations by Increasing the Network of Branches

At present, we have a network of 235 business locations/ branches in 17 states in India, which are run by our Subsidiary, MCap. Consistent with our strategy to expand our domestic operations and network of branches, we propose to establish another 30 branches out of the Net Proceeds. We intend to set up these branches in various parts of India by funding our Subsidiary MCap through an infusion of funds. Although we do not believe that we will receive regular dividend inflows pursuant to such investments, since MCap will utilise all available resources into its business operations, we believe that such investments in the said subsidiaries is in line with the strategy of expanding our geographical presence.

The estimated cost for establishment of the branches primarily comprises advance rent and deposit for lease/license arrangements, expenditures on furniture and fixtures, installation of computers, network-connectivity etc. Since the required equipments are standard in nature, the estimated costs remain largely the same for similar sized branches, irrespective of the location of the branch. However, the rents and deposits for lease/license arrangements and expenses towards furnishing may vary based on location, size and several other factors.

Based on the above factors and our experience in establishing branches so far, we expect to incur, on an average, Rs. 1.5 million in establishing one branch.

(Rupees in million)

Particulars	Estimated cost of establishing one branch of Microsec Capital Limited
Deposits / Advance Rentals	0.30
Furniture and Fixtures	0.80
IT and Other office Equipment	0.30
Incidental and miscellaneous costs such as business promotion items	0.10
Total estimated costs	1.50

The above estimates are based on quotations dated February 1,2010 received from Advise India

Further, based on our past experience, the time taken to establish a branch may take up to 90 days from the date of identification of the location of the prospective branch. Since the time required in establishing a branch is relatively short, currently we have not made any prior arrangements for establishment of any of these branches. Further, no second-hand equipment and instruments are proposed to be purchased from the Net Proceeds. We expect to incur a total cost of Rs. 45 million towards setting up of our 30 branches.

In addition our branches, we propose to set up regional offices in South (Chennai and Bangalore), North (Delhi) and West (Ahmedabad). These offices are proposed to be set up for the purposes of administration and control of our branches in the aforementioned regions. We expect to incur, on an average, Rs. 8.75 million in establishing one regional office.

(Rupees in million)

Particulars	Estimated cost of establishing one branch of Microsec Capital Limited
Deposits / Advance Rentals	2.00
Furniture and Fixtures	3.50
IT and Other office Equipment	2.75
Incidental and miscellaneous costs such as business promotion items	0.50
Total estimated costs	8.75

The above estimates are based on quotations dated February 1, 2010 received from Design & U. We expect to incur total cost of Rs. 35 million for setting up our regional offices in aforementioned regions.

The schedule for deployment of funds for setting up our branches and regional offices is set forth in the table below:

Particulars	Fund requirement (Rs. million)	Fund deployment in Fiscal 2011 (Rs. million)
Setting up of branches	45.00	45.00
Setting up of regional offices	35.00	35.00
Total estimated cost for expansion of MCap's domestic operations by increasing network of branches	80.00	80.00

We propose to fund MCap through capital infusion as equity. We estimate that Rs. 80.00 million will be required by our Subsidiary, MCap towards establishment of additional branches and regional offices. \

For details regarding the business of MCap, see 'Our Business', beginning on page 60 of this Draft Red Herring Prospectus.

III. Enhance MCap's Existing Technological Capacity

In order to further improve our service offering and to meet our technological needs due to expansion in our business lines, we are required to spend on our technology platforms and systems. The expenditure in technology will be towards (a) acquisition of additional infrastructure, hardware/ software, server, 'disaster recovery site' (b) CRM and integrated multi-channel portal and (c) development of a 'business continuity plan'. This is expected to ensure availability of trading and service platforms at an alternate location and will include trading, back office, depository, customer service, networks and exchange connectivity. We have projected a capital expenditure of Rs. 75 million based on our future requirements as estimated by the management. The details of the equipment that we intend to purchase and their estimated costs, including the costs of associated spares, attachments and other accessories, are specified in the following capital expenditure plan:

Sr. No.	Particulars	Name of Vendor	Date of Quotation	Amount (in Rs. million)
1.	Setup of Disaster recovery Site, acquisition of additional servers, virtualisation, consolidation	Diamond infotech Pvt Ltd	Feb 3, 2010	59.50
2.	CRM, Integrated multi channel portal, back office software	Talisma Corporation Pvt Ltd, ,	Feb 8, 2010	15.50
		Accord fintech	Jan 12, 2010	
		Bennett Technologies Pvt Ltd	Dec 5, 2009	
	Total			75.00

As of the date of this Draft Red Herring Prospectus, the Company has not deployed any funds towards this object.

For the above estimates, most of the equipment of machinery or equipment is yet to be ordered and the Company has relied upon the quotations specified above as well as past experience. The Company has not yet made a decision to finalize the suppliers for the above equipment.

The figures in the Company's capital expenditure plans are based on management estimates and have not been appraised by an independent organization. In addition, the Company's capital expenditure plans are subject to a number of variables, including possible cost overruns or defects and changes in the management's view of the desirability of the current plans, among others.

We intend to enhance our technological capacities by funding our Subsidiary MCap. Infusion of funds in MCap will be in the form of investment in shares. Although we do not believe that we will receive regular dividend inflows pursuant to such investments we believe that such investments in the said subsidiaries is in line with the strategy of expanding our geographical presence.

IV. Fund expenditure for general corporate purposes

The Net Proceeds will be first utilised towards the aforesaid items and the balance is proposed to be utilized for general corporate purposes including but not restricted to expenses towards strategic initiatives, brand building exercises and strengthening of our marketing capabilities, which the Company in the ordinary course of its business may face, or any other purpose as may be approved by the Board.

Our management, in response to the competitive and dynamic nature of the industry, will have the discretion to revise its business plan from time to time and consequently our funding requirement and deployment of funds may also change. This may 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 including utilizing our internal accruals 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.

Bridge Financing Facilities

We have not entered into any bridge loan facility that will be repaid from the Net Proceeds of the Issue.

Issue Related Expenses

The estimated Issue related expenses are as follows:

Activity	Expenses* (Rs. in million)	Percentage of the Issue Expenses*	Percentage of the Issue size*
Lead manager fee and underwriting expenses (including commission to SCSBs for ASBA Applications)*	[•]	[•]	[•]
Registrar to the Issue	[•]	[•]	[•]
Advertising and marketing expenses	[•]	[•]	[•]
Printing and stationery	[•]	[•]	[•]
Bankers to the Issue	[•]	[•]	[•]
Others (SEBI filing fees, IPO grading expenses, legal fees, etc.)	[•]	[•]	[•]
Total estimated Issue expenses	[•]	[•]	[•]

** To be incorporated after finalization of the Issue price.*

Interim use of funds

Our Company intends to use the proceeds of the Issue to meet all or any of the uses of funds described above. Pending utilization for the purposes described above, our Company intends to invest the funds in high quality interest bearing liquid instruments including money market mutual funds, deposits with banks, for the necessary duration or reducing overdrafts. Such investments would be in accordance with investment policies approved by the Board from time to time.

Monitoring Utilization of Funds

Our Board will monitor the utilization of the proceeds of the Issue. We will disclose the utilization of the proceeds of the Issue under a separate head along with details, for all such proceeds of the Issue that have not been utilized. We will indicate investments, if any, of unutilized proceeds of the Issue in our balance sheet for the relevant financial years subsequent to our listing.

Pursuant to clause 49 of the Listing Agreement, we shall on a quarterly basis disclose to the Audit Committee the uses and applications of the proceeds of the Issue. On an annual basis, we shall prepare a statement of funds utilized for purposes other than those stated in this Draft Red Herring Prospectus and place it before the Audit Committee. Such disclosure shall be made only until such time that all the proceeds of the Issue have been utilized in full. The statement will be certified by the statutory auditors of

our Company.

We shall be required to inform material deviations in the utilization of Issue proceeds to the stock exchanges and shall also be required to simultaneously make the material deviations/ adverse comments of the Audit committee/monitoring agency public through advertisement in newspapers.

No part of the proceeds from the Issue will be paid by us as consideration to our Promoters, Promoter group companies, our Directors, group companies or key managerial employees, except in the normal course of our business.

BASIS FOR ISSUE PRICE

The Issue Price will be determined by our Company in consultation with the BRLM on the basis of the assessment of market demand for the offered Equity Shares by the book building process. The face value of the Equity Shares of our Company is Rs. 10 each and the Issue Price is [●] times of the face value at the lower end of the Price Band and [●] times the face value at the higher end of the Price Band.

Qualitative Factors

- Integrated business model
- Experienced senior management and “people partnership” model
- Strong regional base with emerging pan India presence
- Brand recognition and strong relationships
- Adequate internal controls and risk management system
- Research and knowledge based organisation

For more details on qualitative factors, refer to section titled “Our Business” beginning on page 60 of this Draft Red Herring Prospectus.

Quantitative Factors

1. *Basic and Diluted Earnings per share (EPS)- Standalone*

Year ended March 31	Basic and Diluted EPS (Rs.)	Weight
2009	2.76	3
2008	4.57	2
2007	1.81	1
Weighted Average	3.21	

Adjusted EPS (Basic and Diluted) for the half year ended September 30, 2009 (not annualised): Rs. 2.46

2. *Basic and Diluted Earnings per share (EPS)- Consolidated*

Year ended March 31	Basic and Diluted EPS (Rs.)	Weight
2009	4.24	3
2008	9.57	2
2007	5.67	1
Weighted Average	6.26	

Adjusted EPS (Basic and Diluted) for the half year ended September 30, 2009 (not annualised): Rs. 5.60

3. *Price Earnings Ratio (P/E) in relation to the Issue price of Rs. [●] per share*

- P/E based on Basic and Diluted EPS (Standalone) for the year ended March 31, 2009: [●] times
- P/E based on Basic and Diluted EPS (Consolidated) for the year ended March 31, 2009: [●] times
- Industry P/E
 - Highest : 337.8
 - Lowest : 1.3
 - Industry Composite : 19.9

Source: Capitaline Database, Capital Market Volume XXV/01-Mar 08-21, 2010. Category: Finance & Investments

4. **Return on Networth (RoNW) - Standalone**

Year ended March 31	RoNW (%)	Weight
2009	9.61	3
2008	14.61	2
2007	18.90	1
Weighted Average	12.83	

RoNW for the half year ended September 30, 2009: 9.50%

5. **Return on Networth (RoNW) - Consolidated**

Year ended March 31	RoNW (%)	Weight
2009	10.70	3
2008	22.45	2
2007	34.63	1
Weighted Average	18.61	

RoNW for the half year ended September 30, 2009: 13.87%

6. **Minimum Return on Total Net Worth after Issue needed to maintain Pre-Issue Basic EPS for the year ended March 31, 2009 is [●]**

7. **Net Asset Value**

NAV (Consolidated) as at March 31, 2009 : Rs. 39.62 per Equity Share
NAV (Standalone) as at March 31, 2009 : Rs. 28.72 per Equity Share
NAV (Consolidated) as at September, 30, 2009 : Rs. 40.37 per Equity Share
NAV (Standalone) as at September 30, 2009 : Rs. 25.91 per Equity Share

Issue price : Rs. [●] per Equity Share

NAV (Consolidated) after the Issue : Rs. [●] per Equity Share
NAV (Standalone) after the Issue : Rs. [●] per Equity Share

8. **Comparison with Industry peers**

		Face value (Rs.)	EPS (Rs.)	P/E Ratio	RoNW (%)	Book Value Per share (Rs.)
1.	Motilal Oswal	1	3.1	52.2	10.9	31.2
2.	Edelweiss	5	3.3	99.2	2	180.5
3.	India Infoline	2	3.2	22.6	10.1	36.8
4.	IndiaBulls	2	5.3	16.6	5.8	129.4
5.	Religare	10	38.3	32.9	15.1	277.1
6.	MFSL ⁽¹⁾	10	5.6	-	13.87	40.37

⁽¹⁾ On consolidated basis for the six months period ended September 30, 2009, as restated

Note: The EPS, RoNW and NAV figures for peer group companies are based on the latest audited results for the year ended March, 2009 for the respective companies and P/E is based on trailing twelve months (TTM) and market data.

Source: Capital Market Volume XXV/01-Mar 08-21, 2010, Category: Finance & Investment

The Issue price will be [●] times of the face value of the Equity Shares. The BRLM believes that the Issue Price of Rs. [●] is justified in view of the above qualitative and quantitative parameters.

STATEMENT OF TAX BENEFITS

To,
The Board of Directors
M/s Microsec Financial Services Limited,
Kolkata.

Dear Sirs,

Statement of Possible Tax Benefits Available to the Company and its shareholders

We hereby report that the enclosed statement provides the possible tax benefits available to the Company and to the shareholders of the Company under the Income tax Act, 1961 and 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 statute. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives, the Company faces in the future, the Company may or may not choose to fulfill.

The benefits discussed in the enclosed statement are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax-advice. In view of the individual nature of the tax consequences and 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.

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

- (i) Company or its shareholders will continue to obtain these benefits in future; or
- (ii) The conditions prescribed for availing the benefits has been/ would be met with.

The contents of the enclosed statement are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

Kolkata
Date: March 5, 2010

**For S.R.Batliboi & Co.
Chartered Accountants**

**per R.K Agrawal
Partner
Membership No.: 16667**

STATEMENT OF TAX BENEFITS

(i) SPECIAL TAX BENEFITS

1. SPECIAL TAX BENEFITS AVAILABLE TO THE COMPANY

There are no special tax benefits available to the Company.

2. SPECIAL TAX BENEFITS AVAILABLE TO THE SHAREHOLDERS OF THE COMPANY

There are no special tax benefits available to the shareholders of the Company.

(ii) GENERAL TAX BENEFITS

The Income Tax Act, 1961 and Wealth Tax Act, 1957 presently in force in India, make available the following general tax benefits to companies and to their shareholders. Several of these benefits are dependant on the companies or their shareholders fulfilling the conditions prescribed under the relevant provisions of the statute.

I. BENEFITS TO THE COMPANY UNDER THE INCOME TAX ACT, 1961 (“THE ACT”):

The Company will be entitled to deduction under the sections mentioned hereunder from its total income chargeable to Income Tax.

1. As per Section 10(34) of the Act, income earned by the Company by way of dividend income from another domestic company referred to in section 115-O of the act is exempt from tax.
2. As per section 10(35) of the Acts, the following income will be exempt from tax in the hands of the Company:
 - a. Income received in respect of the units of a Mutual Fund specified under section 10(23D); or
 - b. Income received in respect of units from the Administrator of the specified undertaking; or
 - c. Income received in respect of units from the specified company.
3. As per section 10(38) of the Act, long term capital gains arising to the Company from the transfer of a long term capital asset being an equity share in a company or a unit of an equity oriented fund, where such transaction is chargeable to securities transaction tax, will be exempt in the hands of the Company. However, profits on transfer of above referred long term capital asset shall not be reduced in computing the book profits for the purposes of computation of minimum alternate tax (“MAT”) under section 115JB of the I.T. Act.
4. Under section 32 of the Act, the Company is entitled to claim depreciation subject to the conditions specified therein, at the prescribed rates on its specified assets used for its business.
5. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from tax if the capital gains are invested in a “long term specified asset” within a period of six months after the date of such transfer, subject to the limit of Rupees Fifty lacs in a year.
6. As per section 111A of the Act, short term capital gains arising to the Company from the sale of equity shares or units of an equity oriented mutual fund transacted through a recognized stock exchange in India, where such transaction is chargeable to securities transaction tax, will

be taxable at the rate of 15%. Further, short term gains as computed above that are not liable to STT would be subject to tax at a rate of 30% (plus applicable surcharge and education cess) in case of a company.

7. In accordance with section 112 of the Act, the tax on capital gains on transfer of listed securities or units or zero coupon bonds where the transaction is not chargeable to securities transaction tax, held as long term capital assets will be the lower of: -
 - a. 20% of the capital gains as computed after indexation of the cost; or
 - b. 10% of the capital gains as computed without indexation.
8. The amount of tax paid under section 115 JB by the Company for any assessment year beginning on or after 1st April, 2010 will be available as credit to the extent specified in section 115 JAA for ten years succeeding the assessment year in which MAT credit becomes allowable in accordance with the provisions of Section 115 JAA.
9. Unabsorbed depreciation, if any, for an assessment year can be carried forward and set off against income from any other source in the subsequent assessment years as per section 32(2) subject to the provisions of section 72(2) and section 73(3) of the Act.
10. Under Section 35 (1) (ii) and (iii) of the Act, in respect of any sum paid to a scientific research association which has as its object the undertaking of scientific research, or to any approved university, College or other institution to be used for scientific research or for research in social sciences or statistical scientific research to the extent of a sum equal to one and one fourth times the sum so paid. Under Section 35 (1) (iia) of the Act, any sum paid to a company, which is registered in India and which has as its main object the conduct of scientific research and development, to be used by it for scientific research, shall also qualify for a deduction of one and one fourth times the amount so paid.
11. Under Section 36 (1) (xv) of the Act, the amount of Securities Transaction Tax paid by an assessee in respect of taxable securities transactions offered to tax as “Profits and gains of Business or profession” shall be allowable as a deduction against such Business Income.
12. As per the provisions of section 90, for taxes on income paid in Foreign Countries with which India has entered into Double Taxation Avoidance Agreements (Tax Treaties from projects/activities undertaken thereat), the Company will be entitled to the deduction from the India Income-tax of a sum calculated on such doubly taxed income to the extent of taxes paid in Foreign Countries. Further, the company as a tax resident of India would be entitled to the benefits of such Tax Treaties in respect of income derived by it in foreign countries. In such cases the provisions of the Income tax Act shall apply to the extent they are more beneficial to the company. Section 91 provides for unilateral relief in respect of taxes paid in foreign countries.

II. TO MEMBERS

A. RESIDENT MEMBERS

1. As per section 10(34) of the Act, income earned by the resident member by way of dividend income from the domestic company referred to in section 115-O of the act is exempt from tax.
2. Under Section 10(32) of the Act, any income of minor children clubbed in the total income of the parent under section 64(1A) of the Act will be exempted from tax to the extent of Rs.1,500/- per minor child.
3. As per section 10(38) of the Act, long term capital gains arising to the resident member from the transfer of a long term capital asset being an equity share in a company or a unit of an equity oriented fund, where such transaction is chargeable to securities transaction tax, will be exempt in the hands of such members.

4. As per section 111A of the Act, short term capital gains arising to the resident members from the sale of equity shares or units of an equity oriented mutual fund transacted through a recognized stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 15%.
5. In accordance with section 112 of the Act, the tax on capital gains on transfer of listed securities or units or zero coupon bonds where the transaction is not chargeable to securities transaction tax, held as long term capital assets will be the lower of: -
 - a. 20% of the capital gains as computed after indexation of the cost; or
 - b. 10% of the capital gains as computed without indexation.
6. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from tax if the capital gains are invested in a "long term specified asset" within a period of six months after the date of such transfer, subject to the limit of Rupees Fifty lacs in a year.
7. As per the provisions of section 54F of the Act, long term capital gains (in cases not covered under section 10(38)) arising on the transfer of the shares of the Company held by an individual or Hindu Undivided Family will be exempt from tax if the net consideration is utilised, within a period of one year before, or two years after the date of transfer, in the purchase of a residential house, or for construction of a residential house within three years.
8. Under Section 36 (1) (xv) of the Act, the amount of Securities Transaction Tax paid by an assessee in respect of taxable securities transactions offered to tax as "Profits and gains of Business or profession" shall be allowable as a deduction against such Business Income.
9. The assessee is not entitled to a deduction in respect of the Security Transaction Tax ('STT') paid by him against the income chargeable under the head 'Capital Gains'.
10. No income tax is deductible at source from income by way of capital gains under the present provisions of the Act in case of residents.

(B) Non-Resident Indian MEMBERS

1. As per section 10(34) of the Act, income earned by way of dividend income from the domestic company referred to in section 115-O of the act is exempt from tax.
2. Under Section 10(32) of the Act, any income of minor children clubbed in the total income of the parent under section 64(1A) of the Act will be exempted from tax to the extent of Rs.1,500/- per minor child.
3. As per section 10(38) of the Act, long term capital gains arising from the transfer of a long term capital asset being an equity share in a company or a unit of an equity oriented fund, where such transaction is chargeable to securities transaction tax, will be exempt.
4. As per section 111A of the Act, short term capital gains arising from the sale of equity shares or units of an equity oriented mutual fund transacted through a recognized stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 15%.
5. In accordance with section 112 of the Act, the tax on capital gains on transfer of listed securities or units or zero coupon bonds, acquired in Indian currency, where the transaction is not chargeable to securities transaction tax, held as long term capital assets will be lower of :-
 - a) 20% of the capital gains as computed after indexation of the cost;

- b) 10% of the capital gains as computed without indexation.
6. As per the first proviso to section 48 of the Act, in case of a non resident shareholder, the capital gain/loss arising from transfer of shares of the Company, acquired in convertible foreign exchange, will be computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively incurred in connection with such transfer, into the same foreign currency which was initially utilized in the purchase of shares. Cost indexation benefit will not be available in such a case.
 7. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from tax if the capital gains are invested in a “long term specified asset” within a period of six months after the date of such transfer, subject to the limit of Rupees Fifty lacs in a year.
 8. As per the provisions of section 54F of the Act, long term capital gains (in cases not covered under section 10(38)) arising on the transfer of the shares of the Company held by an individual or Hindu Undivided Family will be exempt from tax if the net consideration is utilised, within a period of one year before, or two years after the date of transfer, in the purchase of a residential house, or for construction of a residential house within three years.
 9. In accordance with section 115E, income from investment or income from long- term capital gains on transfer of assets other than specified asset shall be taxable at the rate of 20%. Income by way of long term capital gains in respect of a specified asset (as defined in section 115C (f) of the act), shall be chargeable at 10%.
 10. In accordance with section 115F, subject to the conditions and to the extent specified therein, long-term capital gain arising from transfer of shares of the company acquired out of convertible foreign exchange, and on which securities transaction tax is not payable, shall be exempt from capital gains tax, if the net consideration is invested within six months of the date of transfer in any specified asset.
 11. In accordance with section 115G, it is not necessary for a Non resident Indian to file a return of income under section 139(1), if his total income consists only of investment income earned on shares of the company acquired out of convertible foreign exchange or income by way of long term capital gains earned on transfer of shares of the company acquired out of convertible foreign exchange, and the tax has been deducted at source from such income under the provisions of Chapter XVII-B of the Income-tax Act.
 12. In accordance with section 115-I, where a Non Resident Indian opts not to be governed by the provision of chapter XII-A for any assessment year, his total income for that assessment year (including income arising from investment in the company) will be computed and tax will be charged according to the other provisions of the Income-tax Act.
 13. As per section 115H of the Act, where a non-resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under section 139 of the Act to the effect that the provisions of Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.
 14. Under Section 36 (1) (xv) of the Act, the amount of Securities Transaction Tax paid by an assessee in respect of taxable securities transactions offered to tax as “Profits and gains of Business or profession” shall be allowable as a deduction against such Business Income.
 15. Under the provisions of Section 195 of the Income Tax Act, any income by way of capital gains other than long term, payable to non residents, may be eligible to the provisions of withholding tax, subject to the tax treaty. Accordingly income tax may have to be deducted at source in the case of a non-resident at the rate under the domestic tax laws or under the tax treaty, whichever is beneficial to the assessee unless a lower withholding tax certificate is

obtained from the tax authorities.

16. The tax rates and consequent taxation mentioned above will be further subject to any benefits available under the Tax Treaty, if any, between India and the country in which the non-resident has fiscal domicile. As per the provisions of 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 non-resident.

C. OTHER NON-RESIDENT SHAREHOLDERS (OTHER THAN FIIS AND FOREIGN VENTURE CAPITAL INVESTORS):

1. Under section 10 (34) of the Act, income earned by way of dividend (Interim or final) from domestic Company referred to in section 115-O of the Act is exempt from income tax in the hands of the shareholders.
2. Under Section 10(32) of the Act, any income of minor children clubbed in the total income of the parent under section 64(1A) of the Act will be exempted from tax to the extent of Rs.1,500/- per minor child.
3. As per section 111A of the Act, short term capital gains arising from the sale of equity shares or units of an equity oriented mutual fund transacted through a recognized stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 15%.
4. In accordance with section 112 of the Act, the tax on capital gains on transfer of listed securities or units or zero coupon bonds, acquired in Indian currency, where the transaction is not chargeable to securities transaction tax, held as long term capital assets will be lower of:-
 - a) 20% of the capital gains as computed after indexation of the cost;
 - b) 10% of the capital gains as computed without indexation.
5. As per the first proviso to section 48 of the Act, in case of a non resident shareholder, the capital gain/loss arising from transfer of shares of the Company, acquired in convertible foreign exchange, will be computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively incurred in connection with such transfer, into the same foreign currency which was initially utilized in the purchase of shares. Cost indexation benefit will not be available in such a case.
6. Under section 10(38) of the Act, long term capital gains arising out of sale of equity shares or units of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or units is chargeable to STT.
7. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from tax if the capital gains are invested in a "long term specified asset" within a period of six months after the date of such transfer, subject to the limit of Rupees fifty lacs in a year.
8. As per the provisions of section 54F of the Act, long term capital gains (in cases not covered under section 10(38)) arising on the transfer of the shares of the Company held by an individual or Hindu Undivided Family will be exempt from tax if the net consideration is utilised, within a period of one year before, or two years after the date of transfer, in the purchase of a residential house, or for construction of a residential house within three years.
9. Under Section 36 (1) (xv) of the Act, the amount of Securities Transaction Tax paid by an assessee in respect of taxable securities transactions offered to tax as "Profits and gains of Business or profession" shall be allowable as a deduction against such Business Income.

10. As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the relevant tax treaty to the extent they are more beneficial to the non-resident.
11. Under the provisions of Section 195 of the Income Tax Act, any income by way of capital gains other than long term, payable to non residents, may be eligible to the provisions of withholding tax, subject to the tax treaty. Accordingly income tax may have to be deducted at source in the case of a non-resident at the rate under the domestic tax laws or under the tax treaty, whichever is beneficial to the assessee unless a lower withholding tax certificate is obtained from the tax authorities.

D. FOREIGN INSTITUTIONAL INVESTORS (FII'S)

1. As per section 10(34) of the Act, income earned by way of dividend income from the domestic company referred to in section 115-O of the act is exempt from tax.
2. As per section 10(38) of the Act, long term capital gains arising from the transfer of a long term capital asset being an equity share in a company or a unit of an equity oriented fund, where such transaction is chargeable to securities transaction tax, will be exempt.
3. As per section 115AD read with section 111A of the Act, short term capital gains arising from the sale of equity shares of the Company transacted through a recognized stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 15%.
4. As per section 115AD of the Act, FIIs will be taxed on the capital gains that are not exempt under the provisions of section 10(38) of the Act at the following rates:

Nature of income	Rate of tax (%)
Long term capital gains	10
Short term capital gains (other than referred to in section 111A)	30

5. In case of long term capital gains, (in cases not covered under section 10(38) of the Act), the tax is levied on the capital gains computed without considering the cost indexation and without considering foreign exchange fluctuation.
6. The tax rates and consequent taxation mentioned above will be further subject to any benefits available under the Tax Treaty, if any between India and the country in which the FII has fiscal domicile. As per the provisions of 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.
7. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from tax if the capital gains are invested in a "long term specified asset" within a period of six months after the date of such transfer, subject to the limit of Rupees Fifty lacs in a year.

E. BENEFITS AVAILABLE TO MUTUAL FUNDS

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 or regulations made there under, Mutual Funds set up by public sector banks or public financial institutions or authorized by the Reserve Bank of India, would be exempt from income tax subject to the conditions as the Central Government may notify. However, the mutual funds shall be liable to pay tax on distributed income to unit holders under section 115R of the Act.

F. BENEFITS AVAILABLE TO VENTURE CAPITAL COMPANIES/ FUNDS

As per the provisions of section 10(23FB) of the Act, any income of Venture Capital Companies / Funds (set up to raise funds for investment in a venture capital undertaking registered and notified in this behalf) registered with the Securities and Exchange Board of India, would be exempt from income tax, subject to the conditions specified therein. However, the exemption is restricted to the Venture Capital Company and Venture Capital Fund set up to raise funds for investment in a Venture Capital Undertaking, which is engaged in the business as specified under section 10(23FB)(c). However, the income distributed by the Venture Capital Companies/ Funds to its investors would be taxable in the hands of the recipients.

G. BENEFITS AVAILABLE UNDER THE WEALTH-TAX ACT, 1957

Shares of the company held by the shareholder will not be treated as an asset within the meaning of section 2(ea) of Wealth Tax Act, 1957. Hence, no wealth tax will be payable on the market value of shares of the company held by the shareholder of the company.

NOTES:

- i) In the above statement only basic tax rates have been enumerated and the same is subject to surcharge and education cess, wherever applicable.
- ii) The above Statement of Possible Direct Tax Benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of equity shares.
- iii) All the above benefits are as per the current tax laws (including amendments made by the Finance (No. 2) Bill 2009), legislation, its judicial interpretation and the policies of the regulatory authorities are subject to change from time to time, and these may have a bearing on the benefits listed above. Accordingly, any change or amendment in the law or relevant regulations would necessitate a review of the above.
- iv) Several of these benefits are dependent on the company and its shareholders fulfilling the conditions prescribed under the provisions of the relevant sections under the relevant tax laws.
- v) This statement is only extended to provide general information to the investors and is neither designed nor intended to be a substitute for Professional Tax Advice. In view of the individual nature of tax consequences, being based on all the facts, in totality, of the investors, each investor is advised to consult his/her/its own tax advisor with respect to specific tax consequences of his/her/its investments in the shares of the Company.

SECTION IV: ABOUT OUR COMPANY

INDUSTRY OVERVIEW

The information in this section is derived from a combination of various official and unofficial publicly available materials and sources of information. It has not been independently verified by the Company, the Lead Managers or their respective legal or financial advisors, and no representations is made as to the accuracy of this information, which may be inconsistent with information available or compiled from other sources.

Overview of Global and Indian Economy

The fiscal 2008-09 has been a difficult year for the global economy and for India in its efforts to sustain the new found growth momentum of its economy. In the second half of the year, a crisis of unprecedented magnitude hit the financial markets in the industrialized economies, eventually pushing them into a recession. Most emerging market slowed down significantly and India has also been affected. (Source: *Annual Report 2008-09, Ministry of Finance, Government of India*)

The global economy has begun to recover from the deep recession set off by the financial crisis. This recovery is underpinned by output expansion in emerging market economies (“EMEs”), particularly those in Asia. The pace and shape of recovery, however, remain uncertain. The global economic outlook presents a mixed picture. On the positive side, world output, as per IMF estimates, has expanded by 3% in the second quarter, trade is recovering, financial markets conditions are improving and risk appetite is returning. On the negative side, there are concerns that recovery is fragile. The second quarter improvement is essentially the outcome of policy induced stimulus. (Source: *Second Quarter Review of Monetary Policy 2009 -10, RBI*).

The Indian economy, which slowed down significantly during the second half of 2008-09, largely due to the knock-on effect of the global financial crisis, has begun to stabilize. Both domestic and external financing conditions are on the upturn. Capital inflows have revived. Liquidity conditions have remained easy and interest rates have softened in the money and credit markets. At the same time, there are several negative indications. Private consumption demand is yet to pick up. Services sector growth remains below trend. Bank credit growth continues to be sluggish. The Indian economy posted a growth of 6.1% for the first quarter of 2009-10 (see table below). This is higher than the expansion of 5.8% in last quarter of 2008-2009, but lower than the expansion of 7.8% in the corresponding first quarter of 2008-09. The year-on-year deceleration in growth was broad based covering all the three major sectors viz. agriculture, industry and services. (Source: *Second Quarter Review of Monetary Policy 2009 -10, RBI*).

Sector	Financial Year		Quarterly Growth Rates (year-on-year)		
	2007-08	2008-09	2008-09		2009-10
			Q1	Q4	Q1
Agriculture	4.9	1.6	3.0	2.7	2.4
Industry	7.4	2.6	5.1	(-)0.5	4.2
Services	10.8	9.4	10.0	8.4	7.7
Overall GDP	9.0	6.7	7.8	5.8	6.1

(Source: *Second Quarter Review of Monetary Policy 2009 -10, RBI*)

Indian Financial Services Sector

India has been less affected by the crisis than most other countries because of its relatively cautious policies, prudent regulation and effective supervision. (Source: *Second Quarter Review of Monetary Policy 2009 -10, RBI*). To mitigate the impact of global financial crisis on India several steps have been taken by RBI and Government in the last few months to improve the liquidity and credit delivery. These, *inter alia*, include reduction of policy rates, reduction in SLR and CRR requirements, creation of special window under LAF to assist mutual funds and NBFCs, relaxation of ECB Policy, increase in the FCNR (B) and NR(E) RA deposit rates, relaxation of capital risk weights and provisioning requirements on standard assets for certain sectors including real estate, allowing special lines of credit to NHB and SIDBI, allowing more resource raising for infrastructure and NBFC sector and ensuring dollar liquidity. The focus on ensuring adequate flow of credit to agriculture, small, medium and micro industries, minorities and weaker sections continued with greater focus on financial inclusion. A number of policy initiatives on strengthening the cooperative credit structure and ensuring credit to agriculture and rural infrastructure and housing sector were initiated/ continued in 2008-2009 also. (Source: *Annual Report 2008-09, Ministry of Finance, Government of India*)

There has been a considerable broadening and deepening of the Indian financial markets due to various financial market reforms undertaken by the regulators, the introduction of innovative financial instruments in the recent years and the entry of sophisticated domestic and international players. Sectors such as banking, asset management and brokerage have been liberalised to allow private sector involvement, which has contributed to the development and modernization of the financial services sector. This is particularly evident in the non-banking financial services sector, such as equities, derivatives and commodities brokerage, residential mortgage and insurance services, where new products and expanding delivery channels have helped these sectors achieve high growth rates.

Although banks dominate the Indian financial spectrum, NBFCs play an important role in financial markets. With their unique strengths, the stronger NBFCs could complement banks as innovators and partners. The core strength of NBFCs lies in their strong customer relationships, good understanding of regional dynamics, service orientation and ability to reach out to customers who would otherwise be ignored by banks, which makes such entities effective conduits of financial inclusion. The recent global financial turmoil has highlighted the impact on systemic stability through OFIs which, in India, operate as NBFCs. In India, there are two broad categories of NBFCs, viz., NBFCs-D and NBFCs-ND. The recent growth in the NBFC sector is due primarily to NBFCs-ND. Systemically important NBFCs – ND are growing at a rapid pace. The sector has been witnessing a significant improvement in financial health and is characterised by low and reducing NPAs and high RoA. (Source: *Report on Trend and Progress of Banking in India 2008-09*, RBI)

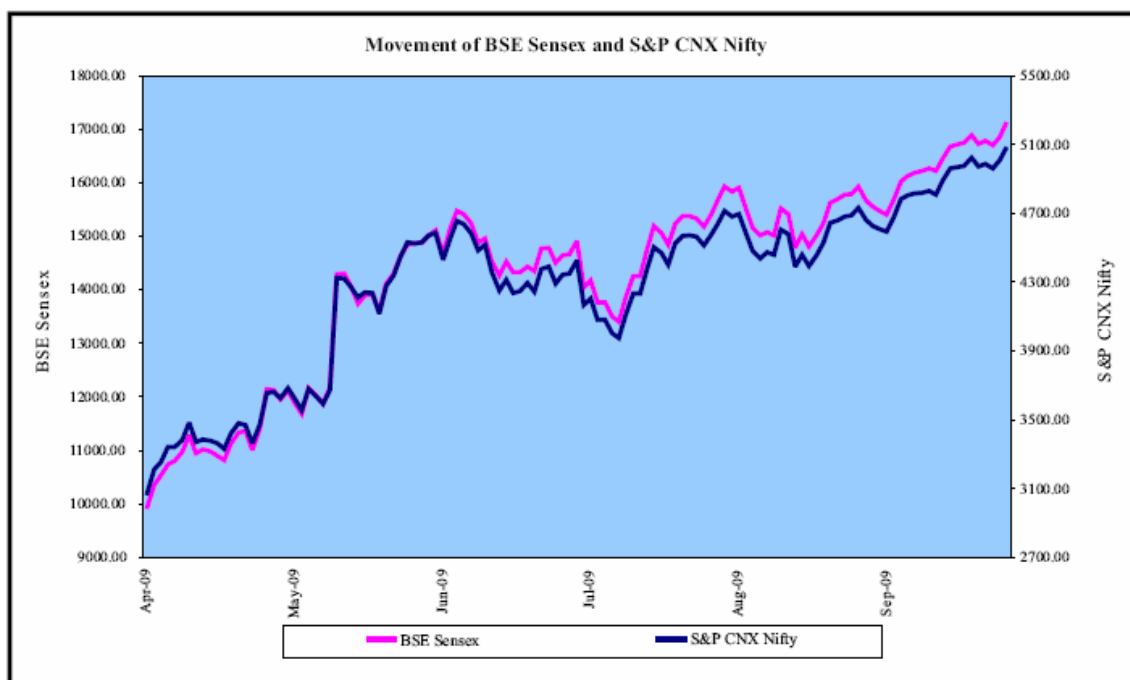
In Fiscal 2009, financial services recorded steep decline mainly due to significant correction in the capital market, following the international trends, heightened economic uncertainties and market expectations of a sluggish performance by corporates. (Source: *Economic Review; RBI Annual Report 2008-09*)

Indian Capital Markets

The Indian stock markets have witnessed remarkable volatility around a strong declining trend in this financial year. As on March 31, 2009, Sensex was at 9,708.50 and Nifty was at 3,020.95, down by around 38% from the beginning of the financial year. The combined market capitalization of the NSE and the BSE as on March 31, 2009 is Rs. 59,822,690 million. The market capitalization ratio is defined as market capitalization of stocks divided by GDP. It is used as a measure to denote the importance of equity markets relative to GDP. It is of economic significance since market is positively correlated with the ability to mobilize capital and diversify risks. The all-India market capitalization ratio increased to 109.26% in 2007-08 from 86.02% in 2006-07. This remains more or less constant, despite the financial crisis, at 110.25%. A large part of the above movement was attributable to FII flows and associated swings in domestic sentiments. For the financial year 2008-09, the net outflow on account of equity and debt totaled Rs. 482,480 million. (Source: *Annual Report 2008-09, Ministry of Finance, Government of India*)

In India, capital inflows have revived. Activity in the primary capital market has picked up and funding from non-bank domestic sources has eased. The wide array of supportive central bank actions and pronouncements have aided in the easing of money markets. Keeping in view both international and domestic initiatives in the financial sector, the annual policy statement of April 2009 indicated setting up of financial stability unit (“FSU”) in the Reserve Bank of India. Accordingly, the FSU was constituted in July 2009 drawing upon interdisciplinary expertise from the regulatory, supervisory, statistics, economics and financial markets departments of the Reserve Bank of India. (Source: *Second Quarter Review of Monetary Policy 2009 -10*, RBI)

BSE Sensex closed at 17,126.84 on September 30, 2009, as against 15,666.64 on August 31, 2009, registering a rise of 1,460.20 points (9.32%). In terms of closing value, Sensex recorded a high of 17,126.84 on September 30, 2009 and a low of 15,398.33 on September 3, 2009. S&P CNX Nifty closed at 5,083.95 on September 30, 2009, as against 4,662.10 on August 31, 2009, registering a rise of 421.85 points (9.05%). In terms of closing value, Nifty recorded a high of 5,083.95 on September 30, 2009 and a low of 4,593.55 on September 3, 2009 (see table below). (Source: *Number 10, Volume 7, October 2009, SEBI Bulletin*)



(Source: Number 10, Volume 7, October 2009, SEBI Bulletin)

As of March 31, 2009, there were 1432 companies listed on the NSE. (Source: Fact book 2009, NSE)

Equity Markets

The primary market segment of the domestic capital market witnessed a weak trend during the third quarter of 2008-09. Cumulatively, resource raised through public issues declined sharply to Rs. 140,070 million during April – December 2008 from Rs. 492,150 million during the corresponding period of 2007. The number of issues also declined considerably from 91 to 40. Mobilization of resources through private placement declined by 15.7% to Rs. 795,940 million during April – September 2008 as against an increase of 25.6% during April – September 2007. (Source: Macroeconomic and Monetary Developments, Third Quarter Review, 2008-09, RBI)

The equity market sustained the recovery seen since April 2009, and outperformed most of the EMEs in terms of extent of recovery in stock prices. The primary market activities also picked up significantly, with higher funds mobilized through public issues and private placements, large oversubscription of certain new issues indicating the return of risk appetite in the market, and manifold increase in mobilization of resources of mutual funds. (Source: Macroeconomic and Monetary Developments Second Quarter Review 2009-10, RBI) Further, during the current financial year (up to October 23, 2009), the secondary segment of the domestic capital market has also remained buoyant. The stock market staged a smart recovery reflecting large net FII inflows due to the optimistic outlook for Indian economy. FIIs made net purchases of US\$ 13.8 billion in 2009 – 10 (up to October 21, 2009) in the Indian equity market as against net sales of US\$ 8.6 billion in the corresponding period of 2008-09. The BSE Sensex rose from 9,709 at end-March 2009 to 16,811 on October 23, 2009, showing an increase of 73.1% during 2009-10 to date. (Second Quarter Review of Monetary Policy 2009 -10, RBI)

During September 2009, there were 4 public issues which mobilized Rs. 33,875.0 million and 10 rights issues which mobilized Rs. 24,514.5 million in the primary market. During September 2008, there were 2 public issues which mobilized Rs. 485.7 million and 6 rights issues which mobilized Rs. 96,660.0 million.

During 2009-10 (April – September), there were 14 public issues which mobilized Rs. 150,808.0 million and 15 rights issues which mobilized Rs. 26,786.8 million as against 19 public issues which mobilized Rs. 20,322.4 million and 14 rights issues which mobilized Rs. 103,774.8 million during the same period in the previous year. There were 8 QIPs in September 2009 which mobilized Rs. 49,420.2 million; however, there was no QIP issue in September 2008. In the current financial year so far, there has been 31 QIPs, which mobilized Rs. 261,805.7 million. There were 22 preferential allotments (Rs. 13,000.0 million) listed at BSE and 10 preferential

allotments (Rs. 11,468.6 million) listed at NSE in September 2009. During 2009-10 (April-September), 135 preferential allotments with issue value of Rs. 68,708.1 million were listed at BSE and 47 preferential allotments with issue value of Rs. 59,408.7 million were listed at NSE. (Source: Number 10, Volume 7, October 2009, SEBI Bulletin)

(Amount in Rs. million)

Particulars	September - 09		September - 08		2009-10 (April - September)		2008-2009 (April - September)		% change	
	No. of Issues	Amount	No. of Issues	Amount	No. of Issues	Amount	No. of Issues	Amount	Column 6/ Column 8	Column 7/ Column 9
1	2	3	4	5	6	7	8	9	10	11
a) Public Issues	4	33,875.0	2	485.7	14	150,808.0	19	20,322.4	-26.32%	642.08%
(i) IPOs	4	33,875.0	2	485.7	13	150,511.0	19	20,322.4	-31.58%	640.62%
(ii) FPOs	0	0.0	0	0.0	1	297.0	0	0.0	-	-
b) Rights Issues	10	24,514.5	6	96,660.0	15	26,786.8	14	103,774.8	7.14	-74.19%
c) QIP	8	49,420.2	0	0.0	31	261,805.7	1	745.3	-	251.96%
Total (a+ b + c)	22	107,809.7	8	97,145.7	60	439,400.5	34	124,842.5	76.47%	251.96%
d) Preferential Allotment*										
BSE	22	13,000.0	49	81,214.1	135	68,708.1	N.A. [#]	N.A. [#]	-	-
NSE	10	11,468.6	22	78,423.3	47	59,408.7	N.A. [#]	N.A. [#]	-	-

Note: Public issue includes equity as well as debt IPOs.

[#] not available

* Preferential issues are classified according to the month in which they are listed. Preferential issues may include common issues reported to both the exchanges.

(Source: Number 10, Volume 7, October 2009, SEBI Bulletin)

The growth of volume traded in secondary market (NSE) is set forth in the table below:

Particulars	Unit	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009
Capital Market						
Number of companies traded		856	928	1,114	1,244	1,277
Traded quantity	In million	79,768.5	84,448.6	85,545.6	149,846.9	142,635.5
Trading value	Rs. million	11,400,720	15,695,580	19,452,870	35,510,380	27,520,230
Average daily trading value	Rs. million	45,060	62,530	78,120	141,480	113,250
Wholesale debt market						
Number of trades		124,308	61,891	19,575	16,179	16,129
Trading volume	Rs. million	8,872,940	4,755,230	2,191,060	2,823,170	3,359,520
Average daily trading value	Rs. million	30,280	17,550	8,980	11,380	14,120
Derivates						
Number of contracts		77,017,185	157,619,271	216,883,573	425,013,200	657,390,497
Turnover	Rs. million	25,470,530	48,242,500	73,562,710	130,904,780	110,104,820
Average daily value	Rs. million	100,670	192,200	295,430	521,530	453,110

(Source: Fact book 2009, NSE)

Investment Banking

With the Indian economy maturing, Indian companies are also evaluating different means to raise capital in the equity and debt capital markets. The pursuit of value creation is leading Indian companies to constantly evaluate alternatives which held achieve strategic objectives. With increase in the activity and entry of foreign investment banks in India, the competition has intensified.

Equity Brokerage

As the Indian capital markets continue to evolve, they are undergoing rapid consolidation driven by increased trading volumes, increased regulation, customer sophistication, availability of better technology and increased back-office requirements. As a result, significant changes have been introduced to strengthen risk management systems.

The market share of the top five brokers on NSE has decreased from 14.57% in fiscal 2008 to approximately 13.56% in fiscal 2009. The market share of the top ten brokers on the NSE has reduced from approximately 25.71% in fiscal 2008 to 23.62% in fiscal 2009. The following table illustrates the trading volume on the NSE and the percentage traded by the top brokers from fiscal 2005 to fiscal 2009.

Number of brokers	Percentage volume by top brokers				
	5	10	25	50	100
Fiscal 2005	13.52%	20.20%	34.97%	49.01%	65.09%
Fiscal 2006	14.62%	22.57%	38.17%	52.57%	38.45%
Fiscal 2007	14.72%	24.27%	42.61%	56.71%	71.22%
Fiscal 2008	14.57%	25.71%	44.70%	60.11%	73.90%
Fiscal 2009	13.56%	23.62%	43.55%	61.21%	75.42%

(Source: Fact book 2009, NSE)

Internet Trading

During the year 2008-09 10.58% of the trading value in the capital market segment of NSE (Rs. 5,820,700 million) was routed and executed through internet. The table below shows the growth of internet trading from the fiscal year 2007-08 and 2008-09:

Year	Enabled Members*	Registered Clients*	Internet trading volume (in Rs. million)	Internet trading volume (US\$ million)	% of total trading volume
2007-08	305	4,404,134	6,496,580	162,536	9.15
2008-09	349	5,627,789	5,820,700	114,243	10.58

*at the end of the financial year

(Source: Fact Book 2009, NSE)

Mutual Funds

The mutual fund sector can broadly be divided based on the nature of the schemes launched by the mutual funds. The fixed income asset class, which comprises income, liquid, gilt and money market schemes, comprises a major share of total funds under management. The other two asset classes are equity and balanced schemes. The following table illustrates the assets under management by mutual funds:

(In Rs. million)

Particulars	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009	April – December 2009
Income/ debt oriented schemes	1,062,496.2	1,249,127.7	2,276,177.4	3,406,412.0	3,779,448.1	5,766,501.4
Growth/ equity oriented schemes	384,838.4	994,562.9	1,223,786.6	1,776,840.7	1,010,307.7	1,950,341.5
Balanced schemes	48,669.5	74,934.1	90,044.9	166,550.5	101,972.0	174,679.5
Exchange Traded Fund			-	35,280.0	14,809.8	24,100.8
Fund of funds investing overseas			-	-	26,316.8	29,237.1
Total	1,496,004.1	2,318,624.7	3,590,008.8	5,385,081.8	4,932,854.5	7,944,860.4

(Source: SEBI website)

As a consequence of global liquidity squeeze, corporate withdrew their investments from domestic money market mutual fund, putting redemption pressure on mutual funds. While the mutual funds promised immediate

redemption, their assets were relatively illiquid. Maturity mismatches between assets and liabilities of mutual funds further aggravated the problem. (Source: *Report on Trend and Progress of Banking in India 2008-09*, RBI) During April – December 2008, net resource mobilization by mutual funds indicated an outflow of Rs. 304,320 million compared to an inflow of Rs. 1,239,930 million during April – December 2007 (see table below). Scheme-wise, during April-December 2008, while income/ debt-oriented schemes witnessed a net outflow of Rs. 346,010 million, growth/ equity-oriented schemes registered a net inflow of Rs. 30,870 million. (Source: *Macroeconomic and Monetary Developments, Third Quarter Review, 2008-09*, RBI)

Resource Mobilisation by Mutual Funds						
(in Rs. million)						
Category	April – March		April – December			
	2007-08		2007-08		2008-09	
	Net mobilization [@]	Net assets [#]	Net mobilization [@]	Net assets	Net mobilization [@]	Net assets [#]
1	2	3	4	5	6	7
Private Sector	1,333,040	4,156,210	1,058,680	4,471,740	-399,420	3,307,300
Public Sector*	204,970	895,310	181,250	1,027,620	95,100	826,340
Total	1,538,010	5,051,520	1,239,930	5,499,360	-304,320	4,133,650

[@]Net of redemption.

[#]End period

*Including UTI Mutual Fund

(Source: *Macroeconomic and Monetary Developments, Third Quarter Review, 2008-09*, RBI)

During September 2009, investors redeemed a total of Rs. 1,443,278.8 million from mutual funds of which Rs. 315,422.1 million was redeemed from public sector mutual funds and Rs. 1,127,856.7 million was redeemed from private sector mutual funds. During 2009-10 (April-September), mutual funds mobilized Rs. 1,124,270.8 million from investors as against Rs. 24,769.6 million mobilized during the same period in the previous year. The market value of asset under management was higher by 29.95% from Rs. 4,832,700 million as on September 30, 2008 to Rs. 6,279,988.0 million as on September 30, 2009. (Source: *Number 10, Volume 7, October 2009, SEBI Bulletin*)

Insurance Sector

The insurance sector was opened up to private participation with the enactment of the Insurance Regulatory and Development Authority Act, 1999. The core functions of the Authority include (i) licensing of insurers and insurance intermediaries; (ii) financial and regulatory supervision; (iii) protection of the interest of the policyholders. With a view to facilitating development of the insurance sector, IRDA has issued regulations on protection of the interest of policyholders; obligations towards the rural and social sectors; micro insurance and licensing of agents, corporate agents, brokers and third party administrators. This is in addition to the regulatory framework provided for registration of insurance companies, maintenance of solvency margin, investments and financial reporting requirements. Since the opening up, the number of participants in the industry has gone up from six insurers in the year 2000 to 44 insurers as on March 2009 operating in life, non-life, and re-insurance segments. Of the twenty one life insurance companies which have set up operations in the life segment post opening up of the sector, nineteen are in joint venture with foreign partners. Of the fifteen who have commenced operations in the non-life segment, fourteen had been set up in collaboration with the foreign partners. Thus, thirty three insurance companies in the private sector are operating in the country in collaboration with established foreign insurance companies from across the globe as on March 31, 2009. (Source: *Annual Report 2008-09, Ministry of Finance, Government of India*)

During the financial year 2008-09, the life insurance industry has reported negative growth of 6.32% in new business premium underwritten as against growth of 23.88% in 2007-08. Non-life industry reported growth of 9.09% in gross direct premium as against 12.63% in 2007-08. While the growth in premium has slowed down during the last two year on account of reduction in rates the number of policies underwritten has exhibited an increase. (Source: *Annual Report 2008-09, Ministry of Finance, Government of India*)

Commodity Broking

The emergence of three nationwide exchanges, namely, MCX, NCDEX and NMCE, has increased the awareness of commodities trading. The volume in these exchanges has increased rapidly since their inception.

Some of the commodities where trading takes place are *inter alia* gold, silver, copper, castor seed, gram, soya oil, sugar and rubber.

OUR BUSINESS

Unless otherwise indicated, the financial information of our Company used in this section is derived from the Company's audited consolidated financial statements under Indian GAAP, as restated.

Overview

We are a financial services company engaged in businesses of (a) financing and investment; (b) investment banking and related services; (c) brokerage and related services; and (d) wealth management, insurance broking, financial planning and related services. We operate through the Issuer, Microsec Financial Services Limited ("MFSL"), and its Subsidiaries, Microsec Capital Limited ("MCap"), Microsec Resources Private Limited ("MRPL"), Microsec Technologies Limited ("MTL"), Microsec Insurance Brokers Limited ("MIBL"), Microsec Commerce Limited ("MCL") and PRP Technologies Limited ("PRP"), as shown in the table below:

Company	Business	Shareholding
MFSL	<ul style="list-style-type: none"> Financing and investment Advisory services 	See "Capital Structure – Notes to Capital Structure – The Shareholding Pattern" on page 31 of this Draft Red Herring Prospectus
MCap	<ul style="list-style-type: none"> Investment banking and related services Brokerage (equity and currency) and related services Wealth management, financial planning and related services 	MFSL: 100.00%
MRPL	<ul style="list-style-type: none"> Financing 	MFSL: 100.00%
MTL	<ul style="list-style-type: none"> Consultancy (equity research) Technology support services 	MFSL: 80.00% MCap: 20.00%
MIBL	<ul style="list-style-type: none"> Insurance broking 	MCap: 100.00%
MCL	<ul style="list-style-type: none"> Broking (commodities) 	MCap: 100.00%
PRP	<ul style="list-style-type: none"> Support Services to Distribution, Financial Planning and other related services 	MTL: 100.00%

The Issuer, MFSL, is a non-banking financial company registered with the RBI. MFSL is engaged in the business of financing, which primarily comprises giving loans against shares, and making investments. It is also the ultimate holding company of the Microsec Group, which operates as an integrated group in providing its various financial products and services to its target client base of retail investors, high net worth individuals, companies and institutions.

We are headquartered in Kolkata and, as at January 31, 2010, we had 632 employees operating through 235 branches in 17 states, with a higher concentration in eastern India. Our total income was Rs. 426.38 million and Rs. 389.33 million for fiscal 2008 and fiscal 2009, respectively. Our profit after taxation was Rs. 161.35 million and Rs. 86.11 million for fiscal 2008 and fiscal 2009, respectively. Our total income and profit after tax were Rs. 275.93 million and Rs. 109.47 million, respectively, for the six months ended September 30, 2009.

Our core values

The Microsec Group believes in four core values – knowledge, commitment, transparency and partnership. We believe that these values are key to the growth of business operations of the Microsec Group.

Business Strengths

Our business is characterized by the following key strengths:

Integrated business model

We operate as an integrated group, providing various financial products and services to our target client base of retail investors, high net worth individuals, companies and institutions. In our financing and investment business, we offer loans against shares to our clients, secured by liquid and marketable securities at appropriate margin levels. In our investment banking business, we offer our clients a range of merchant banking, corporate advisory (including research) and debt syndication services. In our brokerage business, we execute third-party trades for our clients in equities, derivatives, commodities and currencies on stock exchanges and commodity exchanges as well as depository services. In our wealth management, insurance broking and financial planning business, we distribute third party insurance and mutual fund products and offer wealth management and financial planning services. Our integrated service platform allows us to leverage relationships across lines of business and our industry and product knowledge by providing multi-channel delivery systems to our client base, thereby increasing our ability to cross-sell our products services. For instance, we are able to offer loans against shares, which secured by liquid and marketable securities to our brokerage clients.

Experienced senior management and “people partnership” model

Our senior management comprises qualified and experienced professionals with a successful track record. Both our Promoters are executive directors and are actively involved in the day-to-day management of our business. Mr. B.L. Mittal is an executive director in MFSL and is in overall charge of our business and focuses specifically on the financing and investing business. Mr. Ravi Kant Sharma is an executive director in MCap and heads the brokerage and wealth management, insurance broking and financial planning businesses. Mr. Pankaj Harlalka is an executive director in MCap and heads our investment banking business.

Our senior management is supported by a team of qualified professionals with requisite experience in our businesses. We focus on employee welfare and a partnership culture with our professionals. As at the date of this Draft Red Herring Prospectus, approximately 9.24% of our share capital is held by Microsec Vision (Employees) Trust, a trust settled by our Promoter Mr. B.L. Mittal for the benefit of our employees. Further, we have introduced a revenue sharing model for a significant number of our channel partners in our brokerage business and for our employees in our wealth management, insurance broking and financial planning business. We believe that our revenue sharing model incentivizes performance of our channel partners and employees and fosters a partnership culture with our professionals. We believe that this partnership culture with focus on performance, with appropriate training and continuous education, enable us to recruit talented professionals and reduce employee attrition.

We believe that the experience and financial acumen of our management and professionals combined with our internal controls and risk management measures help us in implementing our business strategies.

Strong regional base with emerging pan India presence

We believe that we enjoy a strong presence in eastern India. As at January 31, 2010, we had a network of 235 branches, out of which 100 branches were located in Kolkata (where we also have our headquarters). In addition, 69 branches were located in West Bengal, excluding Kolkata. We have 35 branches in Eastern States other than West Bengal. Other than Eastern States we have 31 branches spread in different parts of India including locations at Mumbai, Nasik, Pune, Delhi, Varanasi, Srinagar, Surat, Jaipur, Raipur, Shimla and Indore. In aggregate we operate in different locations in 17 states. Whilst we are expanding our branch network and intend to strengthen our pan-India presence, we believe our presence in eastern India provides us with a competitive advantage and presents us an attractive opportunity to grow our client base and revenues.

Brand recognition and strong relationships

We believe that success in the financial services industry is derived from brand recognition and client relationships. We believe that “Microsec” is a well-recognized brand, especially in eastern India where we have a strong presence. We also believe that our clients associate the ‘Microsec’ brand with differentiated and quality services, solutions to strategic and financial challenges and execution of our clients’ transactions. We leverage our brand awareness to grow our business, build relationships and to attract and retain the services of talented individuals. We expect that our network of 235 branches across India will further enhance our brand recognition with our existing and potential clients.

We focus on nurturing long-term relationships with our corporate, institutional and high net-worth individual clients. In the case of our corporate clients, we focus on middle market companies and serving these companies throughout the course of their growth. We believe that this focus has enabled us to form strong relationships

with these corporate clients. In the case of institutional and high net-worth individual clients, we focus on client coverage and providing ongoing and innovative solutions. We believe that such focus has enabled us to form strong relationships with these clients. We believe that these relationships provide us with an advantage in attracting deal flow and securing transactions and enable us to offer our clients diversified products and services and increase our revenues per client.

Adequate internal controls and risk management system

We believe we have adequate internal controls and risk management systems to assess and monitor risks across our various businesses. Our risk management system functions through our accounts and operations departments, risk control software and a dedicated centralized risk management team. We seek to monitor and control our risk exposure through a variety of separate but complementary financial, credit and operational reporting systems. We believe that we have effective procedures for evaluating and managing market, credit and other risks to which we are exposed.

Research and knowledge based organisation

We have adequate base of research with delivery capabilities. Our research reports are covered by print and electronic media at pan India level. We have effective systems to make and deliver knowledge through various reports across all section of our customers.

We benchmark our research calls against relative index which provides accountability to research. We have started a research based retail distribution channel namely “Club Kautilya”.

Business Strategies

Geographic expansion

As at January 31, 2010, we had a network of 235 branches, out of which 100 branches were located in Kolkata (where we also have our headquarters). In addition, 69 branches were located in West Bengal, excluding Kolkata. We also earn a substantial portion of our total income from this region. We propose to expand our branch network and intend to establish a pan-India presence. We plan to expand our operations into smaller cities and towns that we believe are under-served by financial services companies or where we believe we can develop our business. In the first phase of this expansion, we will expand our presence in western India. We have already set up an office and commenced operations in Mumbai. In the second phase, we will expand our presence in northern and southern India. As we do not have significant operations in these regions, we believe that these regions will offer opportunities for growth and expansion. We propose to expand by increasing the network of our branches and business associates. We also propose to continue our expansion in eastern India. We may also consider, from time to time, growth opportunities through the inorganic route. Whilst we propose to offer our range of products and services across our businesses through our expanded network, we also plan to set up 200 exclusive outlets of ‘Club Kautilya’ within a period of two years. We also plan to set up a network of ‘Microsec Enterprises’ (a network of entrepreneurs as channel partners for distribution of financial products) and ‘Microsec Network Services’ (a network of professionals, such as Chartered Accountants, as channel partners for distribution of multiple financial products) throughout India. We believe that our proposed expansion complemented by our client-focused relationship management, will allow us to increase our client base and help us increase our market share.

Strengthen research capabilities and continue to develop client relationships

We believe that we have adequate research capabilities that complement our businesses, particularly our brokerage business. We intend to develop our research division as a separate profit centre to provide research services to our clients, including our brokerage clients. We propose to enlarge our team of research analysts and advisors and dealers to strengthen relationships with our clients. We also propose develop our research division as a separate knowledge process outsourcing unit. We have been allotted a plot of land by WBHIDCO, a Government enterprise in the Knowledge Corridor at Rajarhat in Kolkata, which we propose to develop as a hub for our centralized operations, including research.

We propose to expand our business by increasing the number of our client relationships. We believe that increased client relationships will add stability to our business. We seek to develop our existing client

relationships and also focus on increasing our client base. We believe our strengthened research capabilities will help us develop our client relationships. We expect the growth of small and medium enterprises to provide us an opportunity to offer our products and services to this class of clients. We also intend to cross-sell our various products and services to our clients and increase our revenues per client.

Expand internet based platform for our financial services and products

We are currently in the process of setting up an internet-based platform for providing our products and services to our clients, particularly our brokerage clients. We plan to establish online trading capabilities to complement our products and services. We believe that internet based services are cost effective, less risky and transparent. We have established a dedicated advisory desk for on-line services. We believe that we have technological platform and systems in place to accommodate and service significant increase in on-line trading accounts and clients. We also propose to offer wealth management, insurance broking, financial planning and related services through our internet-based platform. We have acquired PRP Technologies Limited, company which launched an internet-based personal resource planning application to provide information management services to individuals.

We believe that an internet based, easily scalable product delivery model will enable us to respond effectively to the competitive challenges of discount equity brokerages.

Strengthening institutional business

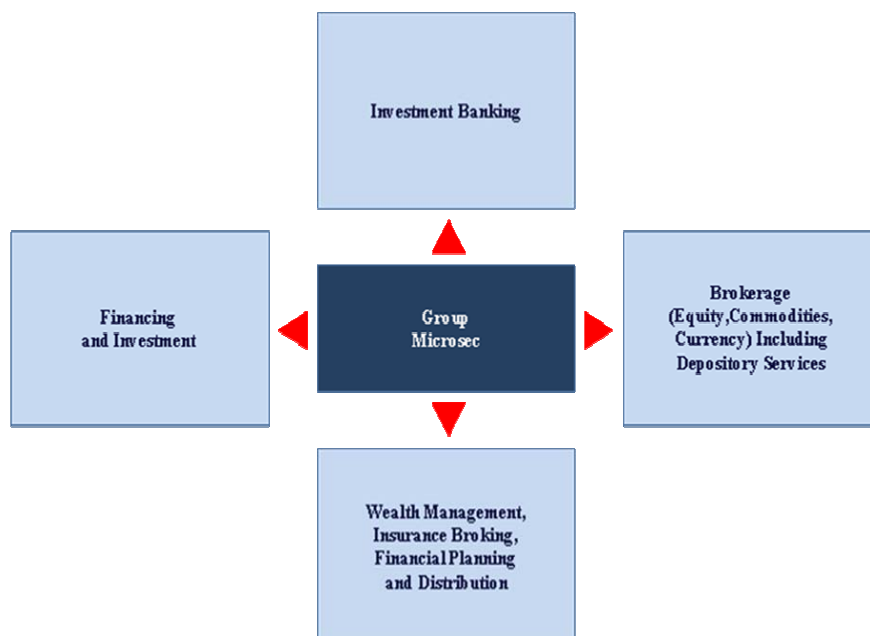
We have already set up desk for servicing the institutional business. We have filed applications for empanelment to several institutions. We have already been granted empanelment by three institutions out of which one has already started business. We plan to establish and scale the broking business with institutions. Our seamless transaction capabilities along with adequate research will provide support to this initiative. The institutional desk will also provide additional support to our investment banking business.

Maintain strict risk management policies for our loan portfolios.

We are focussed on building a large loan portfolio with minimum delinquency risk. We will continue to maintain strict risk management standards to reduce delinquency risks and promote a robust recovery process.

Our business operations

We operate as an integrated group in providing our financial products and services. We have divided our products and services offering into the following four broad categories:



Financing and Investment

In our financing and investment business, we offer loans against shares to our clients, secured by liquid and marketable securities at appropriate margin levels. Our LAS business helps our clients leverage their equity market positions to take increased exposure.

We commenced our financing and investment business in May 2005. This business is operated through the Issuer, MFSL and its Subsidiary, MRPL. We offer loans to clients, including our brokerage clients, against specified securities which fall within our 'approved list'. Only a certain percentage of the market value of the securities is advanced as loan, and this helps to provide for market fluctuations in the value of the security. The client is required to deposit and maintain an appropriate margin and is responsible for infusing additional funds in case the margin falls below the prescribed limit, failing which we have the power to sell the securities to the extent that would be required in order to maintain the required margin. Margin levels of exposure can be monitored on a real-time basis as the selling price of the securities securing the loan are usually transparent and easily accessible on a stock exchange.

As at September 30, 2009, 57 clients maintained a margin 50% or more and the loan amounts outstanding in respect of such clients aggregated to approximately Rs. 239.34 million; 33 clients of the Company maintained a margin between 25% to 50% and the loan amounts outstanding in respect of such clients aggregated to approximately Rs. 82.40 million; One client wherein the margin maintained is below 25% and the loan amounts outstanding in respect of such client aggregated to approximately Rs. 9.09 million. In the event the margin placed by a client falls below 25%, steps are initiated for the purposes of replenishment of margin by way of additional securities, liquidation of loan partially or sale of securities, with due notice to the clients.

We have a risk management policy for our LAS activities, which includes a three tier system of 'sanction', 'monitoring' and 'risk management'. The risk management system is designed to divide the portfolio in four parts and the monitoring being done in the following manner:

Category	Type of Client	Funding Amount*	Sanctioning Authority
I	Retail – general	Upto Rs. 1 million	President, risk management
II	HNI – general	> Rs. 1 million to Rs. 2.5 million	Chief Executive Office
III	HNI – specific**	> Rs. 2.5 million to Rs. 20 million	Risk management committee
IV	HNI – special**	> Rs. 20 million	Board of directors

** Borrowers are allocated into categories on the basis of funding amount*

*** In case of category III and IV borrowers, equal weightage is given to collateral securities as well as the credit worthiness of the client.*

Our risk management system includes margin systems, documented processes and approved list of acceptable securities. The client's past business/ payment track record with us is also considered. We also consider the credit worthiness of the client in terms of its ability to repay the loan.

As on September 30, 2009, our total non-performing assets aggregated to Rs. 1.30 million, which constituted 0.16% of our consolidated net worth. Until Fiscal 2009, no material amount was written off on account of bad debts. However, we paid Rs. 39.50 million as liability for early recall of loans during the Fiscal 2009. We assigned receivables of certain loan accounts and incurred a loss of Rs. 11.27 million in such assignment during the six months ended September 30, 2009. For the half year ended September 30, 2009 we have provided a sum of Rs. 0.13 million as provision for non performing assets.

As of the date of this Draft Red Herring Prospectus, seven persons are employed towards LAS activity of our group. The Company operates its LAS business from its Registered Office. As on March 31, 2006, we had 15 clients and nil outstanding loan amount in our LAS business. As on September 30, 2009, we had 91 clients in our LAS business and an outstanding loan amount of Rs. 330.83 million.

We face competition in our LAS business from several players in the financial services sector, including, Indiabulls Financial Services Limited, India Infoline, Motilal Oswal Financial Services Limited, Religare Enterprises Limited and Sharekhan.

Investment banking and related services

Our investment banking business provides a wide spectrum of services including capital market transactions, debt syndication, mergers and acquisitions and corporate advisory services. Our subsidiary, MCap, holds SEBI registration as a Category I Merchant Banker.

Capital Market Transactions

As of January 31, 2010, MCap has managed 12 equity capital market offerings aggregating to Rs. 3,860 million. Further, we have also undertaken 2 rights issues, 4 delisting and 10 takeover assignments. We provide broad range of services from transaction structuring to product placement and possess extensive product knowledge and efficient execution capability. Currently, we have a number of assignments in the pipeline, including IPOs and rights issues. We earn a fee as a percentage of the value of transaction, with the fee being dependent on successful completion of the transaction.

Debt Syndication

Our desk syndication desk focuses on arranging finances for the corporate through various sources of financing at competitive interest rates, making strategies for client for interest rate optimization and other advisory services related to debt.

Mergers and Acquisition Advisory and other Corporate Advisory

Our advisory team provides clients financial advice pertaining to mergers, acquisitions, takeovers, tender offers, divestments, restructuring, joint ventures and strategic alliances and de-mergers. Our services encompass strategy formulation, identification of buyers or targets, valuation, negotiations and bidding, capital structuring, transaction structuring and execution. We earn a fee as a percentage of the value of transaction, with the fee being dependent on successful completion of the transaction. Our advisory team comprises a skilled team of professionals with experience and understanding of the Indian regulatory, legal and financial framework.

Our investment banking business is primarily driven by the strength of our corporate relationships backed by our strong focus and understanding of the growth oriented mid market companies, which we leverage for origination of new assignments.

Our income from investment banking and related services was Rs. 115.70 million during Fiscal 2009 and Rs. 47.94 million during the six months ended September 30, 2009.

The mandate book size for our investment banking business was Rs. 155 million as on January 31, 2010.

Brokerage and related services

Our consolidated brokerage and related revenue in Fiscal 2009 was Rs. 161.56 million while in the six months ended September 30, 2009 the revenue was Rs. 112.72 million.

Equity Broking

Our equity broking and depository participant business is operated by MCap. MCap's share in the aggregate turn over of the cash market segments of the NSE and the BSE was approximately 0.21% in Fiscal 2009 and 0.20% in the six months ended September 30, 2009. MCap's share in the aggregate turn over of the futures and options segments of the NSE and the BSE was approximately 0.04% in Fiscal 2009 and 0.03% in the six months ended September 30, 2009.

Retail broking

Our retail broking business primarily covers secondary market equity broking. As of January 31, 2010, we had more than 23,000 clients registered with MCap. We operate our equity broking business from 228 business locations. Our ability to provide and share real-time information, backed by personalised customer care has enabled us to increase our customer base. To service our clients' trading information needs, we have a team of technical and fundamental research analysts and our model combines a dedicated relationship and dealing team behind each client to ensure that our services continuously grow not only in terms of revenue but also in terms of number of clients. While the dealing teams continuously keep equity trading clients updated with market

information and are responsible for execution of trades, the relationship team continues to acquire and enroll new clients for our services.

We propose to further strengthen the research function, which is also one of our future strategies. Our consolidated revenue from brokerage (equity, commodities and currency including depository services) and related services was Rs. 161.56 million during the Fiscal 2009 out of which Rs. 156.20 million was related to equity brokerage. The equity brokerage income in MCap during the six months ended September 30, 2009 was Rs. 100.13 million.

Priority client broking

Our priority client broking is mainly targeted at high networth individuals, who participate in the secondary equity market and require priority services with customized research and advisory support. The Priority Client Group (PCG) team actively advises clients, aided by our dedicated research team.

Institutional broking

We have, recently, commenced initiatives for providing institutional equity services. Our institutional equities business is operated by MCap. Our institutional broking desk provides services to primarily corporate and institutions. We have started our activities of institutional brokerage.

We have applied for empanelment as an equity broker to several institutions and have recently received approvals from three institutions, out of which one has already started transactions with us. We have set up a dedicated institutional broking team in Mumbai comprising three skilled personnel for servicing institutional clients and have taken up separate office space for this service. We believe that the institutional broking business will provide us with more visibility.

Online Equity Portal

We offer online trading facilities to our customers, where they can have access to real time quotes, charting and market information. Our online equity trading portal 'Microclick', operated by MCap, was launched in April, 2007. The portal has been designed by Asian CERC Information Technology Limited and offers several beneficial features, including low cost transaction execution and less human interference. The portal has been designed in a manner to provide different products to the clients tailored to meet their specified requirements - fixed as well as variable brokerage models.

MCap has more than 1,500 registered clients as on January 31, 2010 on its internet trading platform.

Depository Participant Services

Depository participant services also form part of our integrated offering to our equity broking and other clients. As on January 31, 2010, we had 23,355 depository accounts with NSDL holding securities aggregating to Rs. 24,175.85 million in value and 1,548 depository accounts with CDSL holding securities aggregating to Rs. 35.93 million in value.

Since we provide both equity broking and depository services through MCap, we are able to provide these services in an efficient manner, reducing transaction time. Additionally, offering equity broking services simultaneously with depository participant services ensures efficient monitoring of margining requirement prior to conducting any sales of shares.

Commodity and Currency Broking

Commodity broking gives investors the opportunity to hedge risks of capital in commodity and currency market fluctuations. The commodities segment has emerged as an additional class of investment for investors in recent times. Out of our equity trading clients, we are targeting corporate houses for our commodity broking business, including investment, trading and hedging in globally-traded commodities. Our commodity broking business covers commodities such as metals (both precious metals and industrial metals), oil and gas, agro commodities (such as oils, seeds, grains, pulses, and spices) and also industrial commodities (such as plastic, cotton and jute).

Since Fiscal 2003, our commodity broking and advisory for hedging operations are managed by MCL.

We provide commodity broking services at 23 locations. We employ experienced commodity dealers, who support trading for existing commodity broking clients, in addition to the equity relationship manager. The research team formulates trading strategies depending on the risk-return profile of the client. The relationship manager team provides support to our commodities team. We provide expert research and analysis to our clients in various commodities, listed in NCDEX and MCX. We also provide technical analysis through trained and qualified analysts. As of January 31, 2010, the number of commodity dealers and relationship managers was 5 and 3 respectively.

As at January 31, 2010, we had 211 clients for our commodity broking business. Our income from commodity brokerage was Rs. 5.37 million during Fiscal 2009 and Rs. 12.59 million during the six months ended September 30, 2009.

Our currency brokering services are offered by MCap.

Foreign currency future contracts were launched by Indian exchanges in fiscal 2009 and the volumes have grown consistently over time. Forex futures are used by corporates and other market participants for hedging and speculative purposes. We focus on providing advisory services to corporate clients and suggest them on their hedging needs. Exporters and importers hedge their forex risk by transacting in currency future contracts.

Wealth management, insurance broking, financial planning, distribution and related services

Insurance Broking

We conduct the insurance brokerage business since Fiscal 2003 through MIBL. MIBL offers consultancy and guidance to its clients in the insurance spectrum and deals with insurance companies in India, both in the life and the non-life segments. We offer risk management services and customised insurance solutions for mitigation of personal as well as corporate risks after understanding specific requirements and risk appetite of our clients. We analyze the insurance requirement, conduct insurance audit and risk inspection where necessary and recommend suitable insurance solution for our customers.

As at January 31, 2010, MIBL had approximately 1,400 clients. Our income from insurance broking was Rs. 7.87 million during Fiscal 2009 and Rs. 8.61 million during the six months ended September 30, 2009.

Distribution of Mutual Funds and other Financial Products

As part of the wealth management services, we focus on the distribution of mutual funds to institutions/corporate and retail investors. We offer distribution of personal financial products, mutual fund schemes, tax savings instruments, bonds, debentures, fixed deposits and other saving products.

For the purposes of providing services relating to financial planning, we have set up a 'financial planning division' in August, 2008. Based on the financial commitments and financial requirements of our clients vis-à-vis their financial resources, our financial planning division advises our clients on financial planning and devise investment strategies to enable the client to optimize its financial requirements vis-à-vis financial resources through savings and investments. The financial planning division also provides advisory services pertaining to insurance portfolio. Our Company expects advisory based revenue out of this activity and proposes to facilitate this financial planning to individuals through a chain of representatives or distribution networks appointed /employed by our Company and designated as 'Microsec Enterprises' or 'Microsec Network Services'.

We believe that multi product distribution networks for the distribution of multi products, which are briefly set forth below:

- Microsec Enterprises – we have individual channel partners on revenue sharing basis;
- Microsec Network Services – we have a network of chartered accountants, company secretaries and independent finance professionals;
- Branches of the Microsec Group; and
- Internet based marketing through online portal

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

Portfolio Management Services

We offer portfolio management services through MCap, which is registered with SEBI as a portfolio manager. As a portfolio manager, MCap provides investment advisory and planning services to high net worth individuals. MCap has designed various portfolio management schemes and structures. The requisite software for PMS has been obtained and the Company has recently started operations in this segment.

Club Kautilya

‘Club Kautilya’ is an initiative of Microsec Group formed with the motive of providing financial planning services to our individual clients. We provide services to corporate executives, government employees, self employed professionals and self employed entrepreneurs. Currently, we operate from Kolkata. We also plan to set up 200 exclusive outlets of ‘Club Kautilya’ within a period of two years. See “Our Business – Business Strategies – Geographic Expansion” on page 62 of this Draft Red Herring Prospectus.

Personal Resource Planning

We recognize that with the spread of use of internet and due to technological evolution, it is essential to provide online value added services. We acquired PRP Technologies Limited, which launched a web based personal resource planning application to provide information management services to individuals. PRP has developed an online portal for personal resource planning (an information management service for individuals), wherein an individual can update and plan his terms of finance, accounting and personal details.

Our gross revenue for wealth management, insurance broking, financial planning and related services for Fiscal 2009 was Rs. 8.17 million while for the six months ended September 30, 2009 was Rs. 23.91 million.

Our subsidiaries

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

Microsec Resources Private Limited is an RBI registered NBFC provides ‘loan against shares’ facility to the clients including broking clients of the group. MRPL is engaged in business similar to that of our Company.

Microsec Technologies Limited is engaged in providing consultancy services. It also provides technological support and research support to its clients as well as to the Microsec Group.

PRP Technologies Limited is engaged in the business of providing web-based solutions through portals. PRP has recently launched a personal resource planning portal, which enables its individual clients to plan their resources in terms of finance, accounting and maintain and update such information.

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

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

Support Systems

Risk Management

We believe that effective risk management is of primary importance to the success of our operations. Accordingly, we have risk management processes to monitor, evaluate and manage the principal risks we

assume in conducting our activities. These risks include market, credit, liquidity, operational, legal and reputational risks.

We seek to monitor and control our risk exposure through a variety of separate but complementary financial, credit, operational, compliance and legal reporting systems based on mandatory regulatory requirements as well as our business needs. Our Board of Directors has overall responsibility for monitoring enterprise-wide risk. Credit risk related to loans against shares business and the book debts of share broking, commodities broking and derivatives business on behalf of clients is monitored by the risk management committee. Market risk in our case arises out of unfavourable movements in the prices of our investments and shares received as collateral against loans and it is monitored by our risk management team in accordance with our risk management policies. Legal risk arising out of compliances under various laws is being monitored by the respective whole-time director with his compliance team supplemented by the Chief Financial Officer and the Company Secretary, in consultation with domain experts from time to time. We have well-documented policies and guidelines for compliance and risk management. In order to mitigate business risk, the risk management policies are decided by our risk management committee comprising of Chairman and Managing director of MFSL, Managing Director and CEO of MCap, CFO and Head Financial Risk Management. In order to mitigate business risk, the risk management policies are reviewed regularly by the risk management committee and are regularly updated to take care of changing market dynamics.

Our 'risk management system' monitors our market exposure on the basis of the total margin collected from clients, the total margin deposited with the exchanges and the lines of credit available from the banks. Our risk management department analyses this data in conjunction with our risk management policies and takes appropriate action wherever necessary to minimize risk. As part of our regulatory obligation, we use technology for the monitoring of circular trading (manipulation of stock), the positions of traders, the impact of volatility and any concentration of position in a few scrips.

Technology

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

The highlights of our technology infrastructure and system include:

- A well-balanced technology team comprising managerial personnel, engineering graduates, software engineers, application support managers, network and hardware managers managing our IT infrastructure across our business locations;
- Managing a complex multi-product/multi-architecture system serving the needs of our retail, online broking, institutional and wealth management customers;
- Balanced in-house/outsourcing approach to IT combined with a quick response to business needs;
- Scalable platforms for order-management and risk management requiring minimal human intervention;
- Sophisticated server and network infrastructure;
- Redundancy (alternate connectivity) for network;
- 24 x 7 x 365 connectivity with high data speed;
- Data back-up is taken on an incremental basis on tape drives and sent to another location.
- Use of both VSAT / leased lines;
- Power back up

Receivable management

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

Audit and inspection

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

Security and disaster recovery

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

Human Resources

As at January 31, 2010, we employed approximately 13 employees in our Company who are all permanent employees. The Company's permanent employees include personnel engaged in management, administration, operations, maintenance, auditing, finance, sales and marketing functions. The table below sets forth employee details in various segments:

Segment	No. of employees
Managers/ Management	7
Staff	6
Total	13

As at January 31, 2010, we employed 619 employees on the payroll of the Subsidiaries of our Company. We believe that our ability to grow depends to a significant extent on our ability to attract and retain the best talent in the market place. The key elements of our human resource strategy include:

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

Intellectual Property

We use the trade name/ logo "Microsec" and its associated logos and invest our resources in building our brand. Our trade name/ logo "Microsec" is registered in the name of our Subsidiary. Another principal trade name "CLUB KAUTILYA" is also registered in the name of our subsidiary. We acquired acquired certain intellectual property rights in brand name "PRP" pursuant to our arrangement with Gulmohar Advisors Private Limited. See "History and Certain Corporate Matters – Other Agreements" on page 87 of this Draft Red Herring Prospectus. These tradename and copyrights over PRP are registered in the name of the seller. We have submitted our application for transfer in our name. Further, we have filed applications with the registry for trade mark and copyright registration of various product names that we use in our business under various classes. As of the date of this Draft Red Herring Prospectus, most of our applications for trade mark registration are pending before the Registry of Trade Marks.

We have faced opposition in relation to certain applications filed before the Trade Mark Registry for registration of labels, "MICRO FOCUS. – MEGA WEALTH" and "MICROSEC, MICRO FOCUS. MEGA WEALTH". For further details, see "Outstanding Litigation and Material Developments" on page 230 and "Risk Factors" on page x of this Draft Red Herring Prospectus.

Insurance

Our Company currently maintains insurance cover on building, electronic equipments covering servers, switch and modems, digiset. The Company also has a group mediclaim insurance policy covering the employees of the group. Our Company's insurance policies cover physical loss or damage to its property arising from a number of specified risks including burglary, fire and other perils. Our Company paid Rs. 0.57 million in Fiscal 2009 in insurance premiums. Our Company maintains insurance on personnel, equipment and property in amounts believed to be consistent with industry practices. Notwithstanding the insurance coverage that our Company carries, the occurrence of an events/ accident that causes losses in excess of limits specified under the relevant

policy, or losses arising from events not covered by insurance policies, could materially affect our Company's financial condition and future operating results.

Competition

We face stiff competition in all of our main business lines of investment banking and equity broking. Our primary competitors differ in each respective business and include both domestic and foreign institutions. Some of our regional competitors include Indiabulls Financial Services Limited, India Infoline Limited and Motilal Oswal Securities Limited.

Property

We own offices in Kolkata admeasuring more than 18,000 sq. ft. in area (including a basement) and offices at Mumbai admeasuring more than 1400 sq. ft. in area. These offices have been given on mortgage to HDFC Bank Limited for availing credit facilities.

Most of our marketing and sales offices are on rental agreement. Payment of rent during the year ended March 31, 2009 was Rs. 3.02 million which for the half year ended September 30, 2009 was Rs. 1.39 million.

We are in the process of constructing an independent building having floor space admeasuring approximately 30,000 sq. ft in our subsidiary at the Knowledge Hub at New Town, Rajarhat in Kolkata.

REGULATIONS AND POLICIES

The following description is a summary of certain laws and regulations, which are relevant for our business. The information detailed in this chapter has been obtained from publications available in the public domain. The regulations set out below may not be exhaustive, and are only intended to provide general information to the investors and are neither designed nor intended to be a substitute for professional legal advice.

We are engaged in the business of providing varied financial services, including investment banking, retail and institutional equity broking and research, commodities broking and research, asset management, merchant banking, depository services, financial services, wealth management, portfolio management services, mutual fund distribution services, risk analysis and distribution of life and non-life insurance products. We may be required to obtain licenses and approvals depending upon the prevailing laws and regulations as applicable. For details of such approvals, please see “Government Approvals” on page 245 of this Draft Red Herring Prospectus.

NBFC Regulations

The Reserve Bank of India Act, 1934

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

“

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

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

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

The RBI Act mandates that no NBFC shall commence or carry on the business of a non-banking financial institution without obtaining a certificate of registration. In case an NBFC does not accept deposits from the public (“NBFC-ND”), it shall obtain a certificate of registration without authorisation to accept public deposits. The NBFC must also have a net owned fund of at least Rs. 2.5 million but not exceeding Rs. 20 million.

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

Public Deposit Regulations

As per the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998 (Notification No.DFC.118/DG(SPT)-98) dated January 31, 1998 (as amended from time to time and last amended on July 01, 2006) (“Public Deposit Regulations”), an NBFC-ND is entitled to certain exemptions from the norms and conditions stipulated on NBFCs taking deposits. In order to benefit from these exemptions, the board of directors of the NBFC-ND must pass a resolution for non-acceptance of public deposits and such NBFC-ND should not have accepted any public deposits during the relevant period/ year.

Certain financial companies, including *inter alia* insurance companies, companies doing business as a stock broker or sub-broker, merchant banking companies, housing finance companies, venture capital fund

companies, are exempt from the requirement of obtaining a certificate of registration or complying with the Public Deposit Regulations.

Prudential Norms

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

Systemically Important NBFCs-ND

All NBFCs – ND with an asset size of Rs. 1,000 million or more as per the last audited balance sheet will be considered as a systemically important NBFC – ND (“NBFC-ND-SI”). All NBFCs–ND–SI are required to maintain a minimum Capital to Risk-weighted Assets Ratio (“CRAR”) of 10%. An NBFC–ND–SI is not allowed to:

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

Pursuant to its Notification dated August 1, 2008, the RBI has issued guidelines with respect to non-deposit taking NBFCs with asset size of Rs. 1,000 million, which pertain to capital adequacy, liquidity and disclosure norms. Vide (Notification No. DNBS. 206 / CGM(ASR)-2009 dated May 26, 2009) NBFCs are advised to achieve 12% CRAR by March 31, 2010 and 15% CRAR by March 31, 2011. Further additional disclosures pertaining to CRAR, exposure to real estate sector (both direct and indirect) and maturity pattern of assets and liabilities are required to be made in their balance sheet from the year ending March 31, 2009.

Furthermore, the RBI issued a clarification (Notification No. RBI/2008-09/491dated July 4, 2009) that the NBFC-ND-SI regulation will apply to an NBFC-ND at the moment it reaches an asset size of 1,000 million, even if such assets were not present at the time of when the last balance sheet was produced.

Additionally, the RBI has decided (Notification No. RBI /2008-09 /253 dated October 29, 2008) that NBFC-ND-SI can issue Perpetual Debt Instruments, which will not be treated as ‘public deposits’ for the purpose of the Public Deposit Regulations.

Know Your Customer Guidelines

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

Corporate Governance Guidelines

Pursuant to an RBI Circular dated May 8, 2007, all NBFC-ND-SIs are required to adhere to certain corporate governance norms including constitution of an audit committee, a nomination committee, a risk management

committee and certain other norms in connection with disclosure and transparency and connected lending.

Norms for excessive interest rates

In addition, the RBI has recently introduced (RBI/2006-07/414 dated May 24, 2007) whereby the RBI has requested all NBFCs to put in place appropriate internal principles and procedures in determining interest rates and processing and other charges. Furthermore, the RBI has recently directed NBFCs (Notification No. DNBS. 204 / CGM (ASR)-2009 dated January 2, 2009) to annualise interest rates and to adopt an interest rate model that takes into account factors such as cost of funds and margin of risk premium. Additionally, NBFC are required to disclose to borrowers the rate of interest, approach for gradation of risk and rationale for adoption of such an approach in the application form.

Monitoring of non-deposit taking NBFCs

The RBI has directed (Notification No. RBI/2008-09/194 dated September 24, 2008) non deposit taking NBFCs with an asset size between Rs. 500 million and Rs. 1000 million to file quarterly returns with basic information concerning the business of the NBFC.

Rating of NBFC

The RBI now mandates vide (Notification No. RBI /2008-09 /372 dated February 04, 2009) that all NBFCs (both deposit taking and non-deposit taking) with asset size of Rs 1,000 million and above will furnish information to the RBI, about downgrading / upgrading of assigned rating of any financial product issued by them, within fifteen days of such a change in rating.

Dealing in Securities

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

Securities Contracts Regulations Act, 1956

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

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

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

The Securities and Exchange Board of India Act, 1992

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

Stock Broker Regulations

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

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

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

The minimum net worth for clearing members is Rs. 100 million and they are required to deposit a sum of at least Rs. 5.00 million with the clearing corporation or clearing house of the derivatives exchange or derivatives segment of an exchange, as applicable. The code of conduct specified for stock brokers is applicable *mutatis mutandis* to the trading and clearing members.

In terms of a Notification dated August 22, 2008, issued by SEBI, stock brokers/ clearing members, are required to conduct complete internal audit on half yearly basis by a independent qualified chartered accountants, which shall cover, inter alia, the existence, scope and efficiency of internal control system, compliance with SEBI Act, SCRA and the KYC requirements and data security and insurance in respect of their operations. Furthermore, through a Notification dated June 29, 2009, SEBI has amended the Stock Broker Regulations regarding fees payable for the sale and purchase of securities other than debt securities from 0.0002% to 0.0001% (Rs.10 per crore) and for the sale and purchase in debt securities from 0.00005 to 0.000025 (Rs. 2.5 per crore) of the price at which securities are purchased.

Internet Trading

Internet based trading was approved by SEBI through its Circular No. SMDRP/POLICY/CIR-06/2000 dated January 31, 2000. The circular provides that SEBI registered stock brokers interested in providing internet based trading services must obtain formal permission of the concerned stock exchange. The stock exchange, before giving permission must ensure the fulfillment of certain minimum conditions such as a minimum net worth of Rs. 500 million, the system used by the broker has provision for security, reliability and confidentiality of data through use of encryption technology and has adequate backup systems and data storage capacity. The broker's web site providing the internet based trading facility should contain information meant for investor protection. Certain mandatory security features are also prescribed in the circular for all internet based trading systems.

Depository Regulation

The Depositories Act, 1996

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

Depository Regulations

SEBI framed the Securities and Exchange Board of India (Depositories and Participants) Rules and Regulations, 1996 which provide *inter alia*, for the formation of such depositories, the registration of participants as well as the rights and obligations of the depositories, participants, companies and beneficial owners.

Merchant Banking

Merchant Banker Regulations

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

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

Mutual Funds

Mutual Funds Regulations

The SEBI (Mutual Funds) Regulations, 1996 (the “Mutual Fund Regulations”) govern the law pertaining to the business of mutual funds in India. In terms of Regulation 9 of SEBI (Mutual Fund) Regulations 1996, SEBI may grant a certificate of registration to a mutual fund, subject to terms and conditions as laid down in Regulation 10 and subject to compliance of all directives, guidelines and/or circulars issued by SEBI from time to time. SEBI has vide Circular SEBI/IMD/CIR No. 1/122201/08 dated April 3, has reduced the registration fee from Rs. 5 million to Rs. 2.5 million. Additionally, pursuant to an amendment notified on June 5, 2009, SEBI has directed that mutual funds cannot invest more than 30% of their net assets in the money market instruments of an issuer.. The SEBI, with a view to improving professional standards, has made it mandatory for all mutual funds to appoint agents/distributors who have obtained certification from the AMFI. In case of firms/companies, the requirement of certification is made applicable to the persons engaged in sales and marketing.

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

Mutual Fund distribution by NBFCs

In order to strengthen the NBFC sector, the RBI vide its circular RBI/2006-07/195 DNBS (PD) CC No. 84/03.10.27/2006-07 allowed NBFC to diversify in their business. The NBFCs maintaining minimum net owned fund of Rs. 1,000 million, earning net profit as per the last two years audited balance sheet, maintaining CRAR of 10% (in the case of NBFC-ND) and the percentage of net NPA to net advances of the NBFCs are not more than 3% are eligible to apply to market and distribute mutual fund products, as agents of mutual funds, with the prior approval of the RBI for an initial period of two years and a review thereafter. From the operational perspective the NBFCs are required to adhere with the SEBI guidelines/regulations, including their code of conduct, for distribution of mutual fund products.

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

Insurance Broking

Insurance Act, 1938

The Insurance Act, 1938 (“Insurance Act”) embodies the law relating to the business of insurance in India. Under the provisions of the Insurance Act, no person shall pay or contract to pay any remuneration or reward whether by way of commission or otherwise, for soliciting or procuring insurance business in India to any person except an insurance agent, licensed under the provisions of the Insurance Act. The Insurance Regulatory Development Authority (“IRDA”), established under the Insurance Regulatory and Development Authority Act,

1991 (“IRDA Act”), is authorized to issue to any person making an application in the manner determined by the regulations, a license to act as an insurance agent for the purpose of soliciting or procuring insurance business. The IRDA was constituted, *inter alia*, with the objective of protecting the interests of holders of insurance policies, regulating, promoting and ensuring the orderly growth of the insurance industry.

Insurance Broker Regulations

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

Commodities Regulation under Forward Contracts (Regulation) Act, 1952

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

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

Portfolio Management Services

Portfolio Manager Regulations

The Securities and Exchange Board of India (Portfolio Managers) Regulation, 1993 (“Portfolio Manager Regulations”) provide that no person shall carry on activity as a Portfolio Manager unless he holds a certificate granted by SEBI under the Portfolio Manager Regulations. A Portfolio Manager has been defined as a person who pursuant to a contract or arrangement with a client, advises or directs or undertakes on behalf of the client (whether as a discretionary Portfolio Manager or otherwise) the management or administration of a portfolio of securities or the funds of the client.

The Portfolio Manager Regulations lay down *inter alia* the eligibility criteria, conditions for grant of certificate to a Portfolio Manager and their general responsibilities. Further, the Portfolio Manager Regulations prescribe a code of conduct which shall be followed by every Portfolio Manager. A Portfolio Manager must fulfill the prescribed capital adequacy requirement of net worth of not less than Rupees twenty million. In terms of the SEBI Notification dated August 11, 2008, the minimum net worth requirement for a portfolio manager has been increased from Rs. 5 million to Rs. 20 million. Further, it provides that existing managers have to raise their net worth to not less than Rs. 10 million within six months from August 11, 2008 and to not less than Rs. 20 million within six months thereafter.

Intermediaries Regulations

SEBI (Intermediaries) Regulations, 2008

With the objective of providing a single comprehensive regulation, SEBI through its notification dated May 26, 2008 notified the SEBI (Intermediaries) Regulations, 2008 (the “Intermediaries Regulations”). These regulations will apply to all intermediaries and will deal with common requirements pertaining to grant of registration, general obligations, code of conduct. In terms of the Intermediaries Regulations, these regulations shall come into force in relation to different classes of intermediaries on such dates as SEBI may be notification in the Official Gazette may appoint.

Further, in terms of the Intermediaries Regulations, provisions relating to chapter V (action in case of default and manner of suspension or cancellation of certificate) and chapter VI (miscellaneous provisions) have come into force with effect from May 26, 2008. Pursuant to this, the following regulations have been repealed with effect from May 26, 2008

1. The SEBI (Criteria for Fit and Proper Persons) Regulations, 2004; and
2. SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002.

The notifications also provides, that, any reference to The SEBI (Criteria for Fit and Proper Persons) Regulations, 2004 in any regulation, guidelines, circulars shall be deemed to be reference to chapter V and Schedule II of the Intermediaries Regulations. Further, any action undertaken including an enquiry commenced or notice issued under the SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002, prior to publication of the Intermediaries Regulations in the Official Gazette, shall be deemed to have been done or taken or commenced under the corresponding provisions of the Intermediaries Regulations.

Investment Advisory Services

Draft SEBI (Investment Advisory) Regulations, 2007

The SEBI has framed draft SEBI (Investment Advisers) Regulations, 2007 (“Draft Regulations”) to bring investment advisers under the regulatory framework. In terms of Draft Regulations, an investment adviser is any person who for consideration is engaged in the business of providing investment advice to others and as part of regular business, issues or publishes reports or analyses containing investment advice. The Draft Regulations provide *inter alia* the eligibility criteria and the procedure for obtaining a certificate of registration to carry on investment advisory services. It requires investment advisors to be members of a self-regulatory organization as defined therein. With regard to the general obligations and responsibilities as laid out in the Draft Regulations, an investment advisor would also be required to comply with certain disclosure norms and disclose *inter alia* all material information about itself and its business to a prospective client.

Insider Trading

Insider Trading Regulations

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

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

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

Foreign Investment in NBFCs

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

FDI is permitted (except in the prohibited sectors) in Indian companies either through the automatic route or the

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

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

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

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

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

Where FDI is allowed on an automatic basis without FIPB approval, the RBI would continue to be the primary

agency for the purposes of monitoring and regulating foreign investment. In cases where FIPB approval is obtained, no approval of the RBI is required except with respect to fixing the issuance price, although a declaration in the prescribed form, detailing the foreign investment, must be filed with the RBI once the foreign investment is made in the Indian company. The foregoing description applies only to an issuance of shares by, and not to a transfer of shares of, Indian companies. Every Indian company issuing shares or convertible debentures in accordance with the RBI regulations is required to submit a report to the RBI within 30 days of receipt of the consideration and another report within 30 days from the date of issue of the shares to the non-resident purchaser.

FII Regulations

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

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

Laws relating to Employment

Shops and Establishments legislations in various states

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

Labour Laws

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

HISTORY AND CERTAIN CORPORATE MATTERS

Brief History of our Company

Our Company was incorporated as “Satyam Fiscal Services Private Limited” on June 6, 1989 as a private limited company under the Companies Act, 1956. The name of our Company was changed to “Microsec Financial Services Private Limited” and a fresh certificate of incorporation dated October 17, 2005 was issued by the Registrar of Companies, West Bengal at Kolkata. The name of our Company was further changed to Microsec Financial Services Limited consequent upon the conversion of our Company to a public limited company and a fresh certificate of incorporation dated October 21, 2005 was issued by the Registrar of Companies, West Bengal at Kolkata. The aforesaid changes in the name were made to reflect the nature of the business.

Prior to its acquisition by the current Promoters on August 1, 2005, our Company was a financial services company and was engaged in the business of financing and investment management. Our Company was registered with the RBI as a NBFC since January 29, 2003, but did not have significant operations.

As a part of the financing activities, our Company was engaged in the business of providing loans. As at March 31, 2005 (the date of the last audited financing statements prior to acquisition by the current Promoters) and at March 31, 2004 respectively, the loans and advances of our Company were Rs. 8,176 and Rs. 6,189,182. Further, for the fiscal years ended March 31, 2005 and March 31, 2004, respectively, our Company earned an aggregate income of Rs. Nil and Rs. 27,000 respectively from this business.

As a part of the investment management activities, our Company was engaged in the business of trading in securities. For the fiscal years ended March 31, 2005 and March 31, 2004, respectively, our Company earned an aggregate income of Rs. 35,000 and Rs. 6,000 respectively from this business.

The profit before tax of our Company for the fiscal years ended March 31, 2005 and March 31, 2004, respectively, was Rs. 1,000 and Rs. 2,179, respectively.

The Promoters acquired the entire shareholding of our Company from the previous shareholders. On August 1, 2005, 800,000 Equity Shares were transferred to Banwari Lal Mittal, and on October 1, 2005, 5,340 Equity Shares were transferred to LKPL, Abha Mittal, Prabhu Dayal Khaitan, Bharati Sharma, Ravi Kant Sharma and Sushila Devi Khaitan. The previous shareholders do not hold Equity Shares of our Company. Our Company also held the entire shareholding of Microsec Capital Limited (“MCap”) on November 24, 2005 and Microsec Resources Private Limited (“MRPL”) on February 1, 2006. Since MCap, prior to its acquisition by our Company, held the entire equity share capital of Microsec Commerce Limited (“MCL”) and Microsec Risk Management Limited (as it then was), on acquisition by our Company, MCL and Microsec Risk Management Limited (now Microsec Insurance Brokers Limited) became the indirect subsidiaries of our Company.

Further, MIL Technologies Limited (now renamed Microsec Technologies Limited as on March 17, 2008) held the entire shareholding of erstwhile Microsec Technologies Limited as on October 1, 2005 and the entire share capital of MIL Technologies Limited (now Microsec Technologies Limited) were held by Our Company on March 30, 2006 respectively. The erstwhile Microsec Technologies Limited was merged with MIL Technologies Limited (now known as Microsec Technologies Limited) Microsec Technologies Limited (“MTL”) acquired the entire shareholding of PRP Technologies Limited on February 9, 2009. On acquisition by the MTL, PRP Technologies became the indirect subsidiary of our Company. For further details, see section “History and Certain Corporate Matters – Schemes of Amalgamation” on page 84 of this Draft Red Herring Prospectus.

Shringar Vinimay Private Limited (“SVPL”) became a wholly owned subsidiary of our Company with effect from February 26, 2009. Subsequently, on March 1, 2009, SVPL was merged with our Company. For further details see “History and Certain Corporate Matters – Scheme of Amalgamations - Scheme of Amalgamation of SVPL with our Company” on page 84 of this Draft Red Herring Prospectus.

The Microsec Group operates in the financial services sector since fiscal 2000 through Microsec Capital Limited (then known as Microsec India Limited). Microsec Capital Limited, Microsec Resources Private Limited, MIL Technologies Limited (now Microsec Technologies Limited), Microsec Insurance Brokers Limited and Microsec Commerce Limited became Subsidiaries of our Company pursuant to the acquisition of our Company by the Promoters and the subsequent reorganization of the business of investment banking, equity and

commodities brokerage, depository participant, wealth management, insurance financial advisory, financing services, wealth management and insurance broking under a consolidated entity.

Changes in Registered Office

The details of changes in the registered office of our Company are set forth below:

Date of Change	Changes in Address of the Registered Office
March 28, 2005	Change in registered office from 8/1 Lal Bazar Street, Bikaner Building, Block-B, Kolkata 700 001 to 25D Harish Mukherjee Rd., 1E 1 st floor, Kolkata 700 025
May 30, 2005	Change in registered office from 25D Harish Mukherjee Rd., 1E First Floor, Kolkata 700 025 to Azimganj House, 2 nd floor, 7 Camac Street, Kolkata 700 017
December 11, 2006	Change in registered office from Azimganj House, 2 nd floor, 7 Camac Street, Kolkata 700 017 to Shivam Chambers, 1 st floor, 53 Syed Amir Ali Avenue, Kolkata 700 019

The changes mentioned above were made to enable greater operational efficiency.

Main Objects

The main objects as contained in our Company's Memorandum of Association are:

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

The main objects as contained in the Memorandum of Association enable our Company to carry on the business presently carried out as well as business proposed to be carried out and the activities proposed to be undertaken pursuant to the Objects of the Issue.

Amendments to the Memorandum of Association

Date of shareholders' resolution	Nature of Amendment
March 22, 1995	The initial authorized share capital of Rs.300,000 divided into 30,000 Equity Shares of Rs. 10 each was increased to Rs. 5,000,000 divided into 500,000 Equity Shares of Rs. 10 each.
March 30, 2002	The authorised share capital of Rs. 5,000,000 divided into 500,000 Equity Shares of Rs. 10 each was increased to Rs. 6,000,000 divided into 600,000 Equity Shares of Rs. 10 each.
March 31, 2003	The authorised capital of Rs. 6,000,000 divided into 600,000 Equity Shares of Rs. 10 each was increased to Rs. 7,500,000 divided into 750,000 Equity Shares of Rs 10 each.
March 30, 2004	The authorised capital of Rs. 7,500,000 divided into 750,000 Equity Shares of Rs. 10 each was increased to Rs. 8,100,000 divided into 810,000 Equity Shares of Rs. 10 each.

Date of shareholders' resolution	Nature of Amendment
July 4, 2005	Change of name of our Company from “Satyam Fiscal Services Private Limited” to “Microsec Financial Services Private Limited”
October 19, 2005	The authorised capital of Rs. 8,100,000 divided into 810,000 Equity Shares of Rs. 10 each was increased to Rs. 100,000,000 divided into 10,000,000 Equity Shares of Rs. 10 each.
October 19, 2005	Change of main object by substitution existing of clauses 1 and 2 by new clauses 1 to 5 and by addition of new clause 32 and 33 in the ancillary of the main object.
October 19, 2005	Upon the conversion of our Company to a public limited company, the name of our Company was changed to “Microsec Financial Services Limited”
November 10, 2006	The authorised capital of Rs. 100,000,000 divided into 10,000,000 Equity Shares of Rs. 10 each was increased to Rs. 127,000,000 divided into 10,000,000 Equity Shares and 2,700,000 preference shares of Rs. 10 each
November 10, 2006	Addition of clause 6 to the existing main object clause.
June 27, 2007	The authorized capital of our Company has been restructured by converting the Rs. 27,000,000 preference shares capital to Equity shares capital
June 30, 2007	The authorised capital of Rs.127,000,000 divided into 12,700,000 Equity Shares of Rs. 10 each was increased to Rs. 250,000,000 divided into 25,000,000 Equity Shares of Rs. 10 each.
July 30, 2007	The authorised capital of Rs. 250,000,000 divided into 25,000,000 Equity Shares of Rs. 10 each was increased to Rs. 350,000,000 divided into 35,000,000 Equity Shares of Rs. 10 each.

Key Events and Milestones

Following are the major events of our Company:

Year	Event
2003	Our Company was registered as an NBFC (not accepting public deposit) with RBI
2006	Ravindra Shelter Limited was merged with our Company.
2009	Shringar Vinimay Private Limited was merged with our Company.

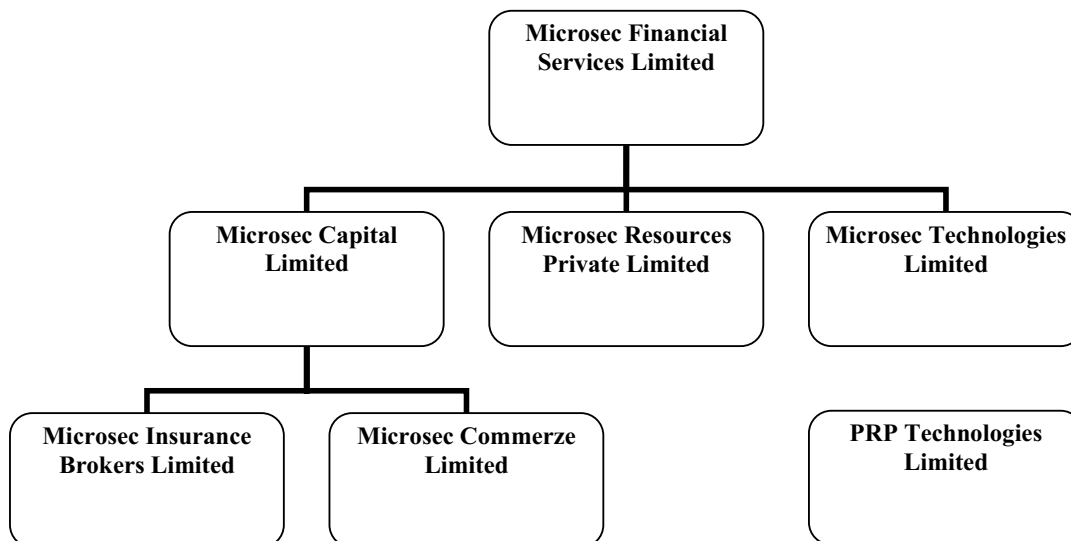
Following are certain key events and milestones achieved by our Subsidiaries:

Year	Event
2003	MCL was registered as a trading-cum-clearing member with NCDEX
2003	MIBL was registered as a insurance broker with IRDA
2003	MCap was registered as a mutual fund advisor with AMFI
2003	MCap was registered as a merchant banker in the category-I with SEBI
2004	MCap was registered as a member of future and option segment with NSE
2004	MCL was registered as a trading-cum-clearing member with MCX
2005	MCap was registered as a stock broker with BSE
2005	MCap was registered as a depositor participant with NSDL
2005	Amalgamation of MTL with MIL Technologies Limited
2006	MRPL was registered as a non banking financial institution not accepting public deposit with RBI
2006	MCap was registered as a self clearing member with NSE
2006	Amalgamation of Kautilya Advisory Private Limited with MCap
2007	MCap was registered as a member of future and options segment with BSE
2007	MTL was registered as a 100% export oriented unit with the Software Technology Park, Kolkata
2007	MCap was registered as a depository participant with CDSL
2007	MCap was registered as a portfolio manager with SEBI
2007	MCap was certified as ISO 9001:200 company by Moody International Certification Limited
2008	MCap was registered as a trading member with NSE in respect of currency derivative segment/ clearing corporation/ clearing house

2009	MCap was registered as a trading member with MCX Stock Exchange Limited
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Our Corporate Structure

The Corporate Structure of our Company is set forth below:



Subsidiaries

Our Company has six subsidiaries. For details regarding the Subsidiaries of our Company please see “Our Subsidiaries” on page 102 of this Draft Red Herring Prospectus.

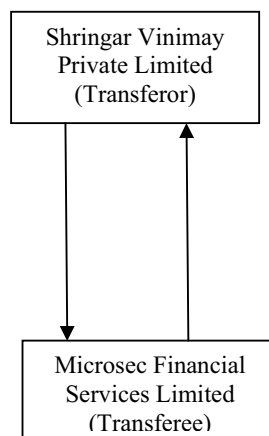
Schemes of Amalgamation:

1. *Scheme of Amalgamation of Shringar Vinimay Private Limited (“SVPL”) with our Company (hereinafter referred to as “Scheme A”)*

The High Court of Calcutta in Company Petition No. 274 of 2009 and Company Application No. 281 of 2009 sanctioned the scheme of amalgamation of SVPL with our Company. The same was declared to be binding from with effect from March 1, 2009 by the High Court of Calcutta by its order dated August 24, 2009. SVPL was engaged in the business of Consultancy. As per terms of Scheme A, the entire business and undertaking including all assets, liabilities and properties of SVPL vested in our Company along with all books of accounts and documents and records relating thereto, was transferred to our Company. Since SVPL was a wholly owned subsidiary of MFSL, no shares were issued or allotted and accordingly all equity shares held by the MFSL in the SVPL were cancelled.

The diagrammatic representation of the actual amounts of assets and liabilities which were transferred on account of amalgamation of SVPL with our Company is set forth below:

Assets taken over:	(in Rs.)
<u>Fixed Assets</u>	-
Investments	7,594,381
Cash & Bank Balances	358,257
Debtors	36,000
Loans & Advances	40,000,000
Total	47,988,638
<u>Less: Liabilities taken over</u>	
Provisions	27,846,100
Other Current Liabilities	7,538
Total	27,853,638
Net assets taken over	20,135,000



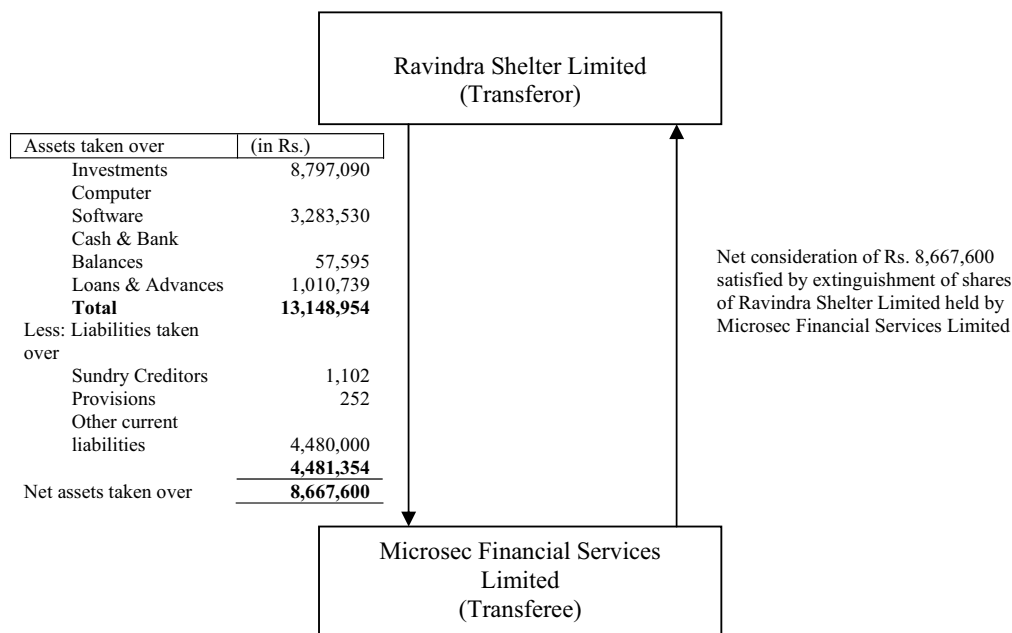
Net consideration against this, of Rs. 2,01,35,000 satisfied by extinguishment of shares of Shringar Vinimay Pvt. Limited held by the Transferee Company.

The amalgamating companies did not obtain independent valuation reports at the time of amalgamation of erstwhile SVPL with our Company.

2. *Scheme of Amalgamation of Ravindra Shelter Limited ("RSL") with our Company (hereinafter referred to as "Scheme B")*

The High Court of Calcutta in Company Petition No. 16 of 2006 and Company Application No. 760 of 2005 sanctioned the scheme of amalgamation of RSL with our Company. The same was declared to be binding from December 1, 2005 by High Court of Calcutta by its order dated April 5, 2006. Scheme B was declared to be binding on MFSL and its shareholders and RSL and its shareholders. Leave was granted to RSL to apply for dissolution and all its properties, rights, interests, liabilities, duties, proceedings, suits or appeals pending against were transferred to our Company. Our Company was instructed to obtain approval from the RBI if necessary and all other approvals required under the applicable law. The amalgamation was undertaken for better and efficient management of the business and to obtain economies of scale as both the companies were engaged in the business of financial services and RSL was a wholly owned subsidiary of our Company. Since RSL was a wholly owned subsidiary of our Company, no shares were issued or allotted and accordingly all equity shares held by our Company in RSL were cancelled.

The diagrammatic representation of the actual amounts of assets and liabilities which were transferred on account of amalgamation of RSL with our Company is set forth below:

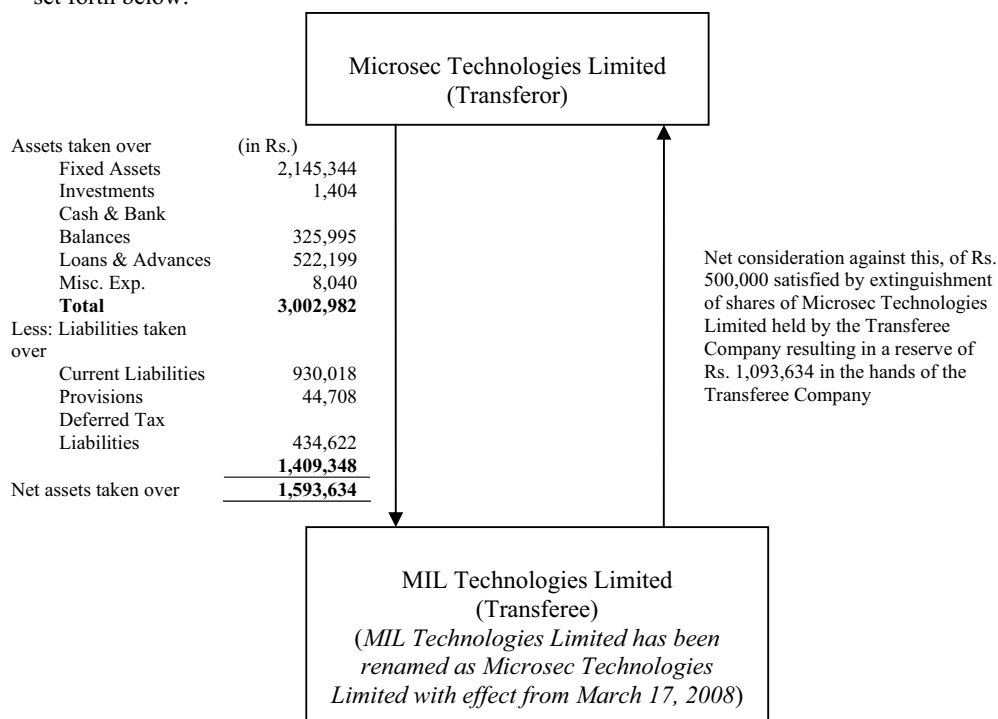


The amalgamating companies did not obtain independent valuation reports at the time of amalgamation of erstwhile RSL with our Company.

3. *Scheme of Amalgamation of Microsec Technologies Limited with MIL Technologies Limited (now renamed as Microsec Technologies Limited with effect from March 17, 2008)*

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

The diagrammatic representation of the actual amounts of assets and liabilities which were transferred on account of the amalgamation of Microsec Technologies Limited with MIL Technologies Limited is set forth below:



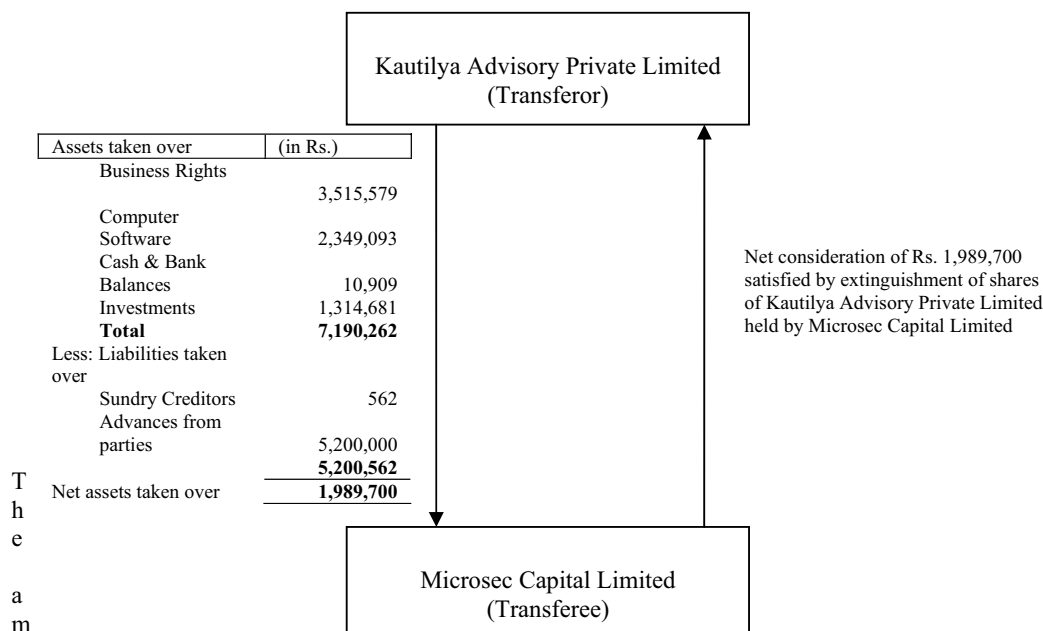
The amalgamating companies did not obtain independent valuation reports at the time of amalgamation of erstwhile Microsec Technologies Limited with MIL Technologies Limited.

4. *Scheme of Amalgamation of Kautilya Advisory Private Limited (KAPL) with Microsec Capital Limited*

The High Court of Calcutta sanctioned the scheme of amalgamation of KAPL with MCap. The scheme was declared to be binding from September 1, 2006, on MCap and its shareholders and KAPL and its shareholders. Leave was granted to KAPL to apply for dissolution and all its properties, rights, interests, liabilities, duties, proceedings, suits or appeals pending against were transferred to MCap. The amalgamation was undertaken for better and efficient management of the business and to obtain

economies of scale as KAPL was engaged in the business of consultancy services and MCap is engaged in the business of financial services. Since KAPL was a wholly owned subsidiary of MCap, no shares were issued or allotted and accordingly all equity shares held by MCap in KAPL were cancelled.

The diagrammatic representation of the actual amounts of assets and liabilities which were transferred on account of amalgamation KAPL with MCap is as follows:



The amalgamating companies did not obtain independent valuation reports at the time of amalgamation of erstwhile KAPL with MCap.

Other Agreements

1. Agreement between our Company and Gulmohar Advisors Private Limited ("Gulmohar") dated March 30, 2009 (the "Business Rights Agreement")

Gulmohar Advisors Private Limited has for a consideration of Rs. 1,000 transferred certain business rights and interest to our Company. The business rights and interest transferred to our Company includes (a) trademark of the words 'Personal Resource Planning' and 'PRP', in respect of which Gulmohar had filed application for registration as a trademark before the Trade Mark Registry.; and (b) registered website domain names, such as www.prpsolutions.com; www.prpsolutions.in; www.prpsolutions.net; www.ourprp.com; www.ourprp.in; www.myprp.in; www.prpclub.com; www.prpclub.in; www.prpsolution.com; and www.prpsolution.in. Further, in terms of an Agreement dated October 30, 2008 between Gulmohar and PRP Technologies Limited ("PRP"), PRP is required to pay a royalty of 10% of the revenues earned through sell or service of software or website by PRP for each financial year ended March 31 of each year. Pursuant to the Business Rights Agreement, Gulmohar has also transferred the business right to receive royalty from PRP to our Company.

2. Agreement between our Company and Gulmohar Advisors Private Limited ("Gulmohar") dated March 28, 2009

An application for registration of copyright on 'PRP Concept' and 'PRP-SRS' for the PRP software and website was made by Gulmohar. In terms of the agreement, our Company acquired all rights and interest in the above-mentioned copyrights. Gulmohar had availed a short term loan of Rs. 50 million from our Company. Due to inability of Gulmohar to repay the short term loan, Gulmohar transferred all rights and interest in the above-mentioned copyrights to our Company. In terms of the agreement, our Company will adjust the amount of the loan against the consideration for the above-mentioned

copyrights.

MANAGEMENT

The Board of Directors

Under the Articles of Association our Company is required to have not less than three Directors and not more than 12 directors. We currently have five directors on the Board.

The following table sets forth details regarding the Board of Directors as of the date of filing the Draft Red Herring Prospectus with SEBI:

Name, Designation, Father's Name, Occupation, Nationality, Term and DIN	Age (Years)	Address	Other Directorships
Banwari Lal Mittal <i>Chairman and Managing Director</i> (S/o Late Sanwar Mal Mittal) <i>Occupation:</i> Business <i>Nationality:</i> Indian <i>Term:</i> Three years from July 3, 2007 <i>DIN:</i> 00365809	41	25D, 3 rd Floor, Flat No.3A & B, Harish Mukherjee Road, Kolkata 700 025	1. Microsec Capital Limited 2. Microsec Commerze Limited 3. Microsec Resources Private Limited 4. Microsec Technologies Limited 5. Microsec Insurance Brokers Limited 6. Luv-Kush Projects Limited
Ravi Kant Sharma <i>Non-Executive Director</i> (S/o Sajjan Kumar Sharma) <i>Occupation:</i> Business <i>Nationality:</i> Indian <i>Term:</i> Liable to retire by rotation <i>DIN:</i> 00364066	35	Block 10, Flat 3L, Space Town Housing Complex, VIP Road Raghunathpur, Kolkata 700 052	1. Microsec Capital Limited 2. Microsec Insurance Brokers Limited 3. Microsec Commerze Limited 4. Microsec Technologies Limited 5. Microsec Resources Private Limited 6. PRP Technologies Limited
Parimal Kumar Chattaraj <i>Independent Director</i> (S/o Late Basant Kumar Chattaraj) <i>Occupation:</i> Management Consultant and Advocate <i>Nationality:</i> Indian <i>Term:</i> Liable to retire by rotation <i>DIN:</i> 00893963	64	3H, Singhi Park, 48/3 Gariahat Road, Kolkata 700 019	1. Tantia Constructions Limited 2. BMW Industries Limited 3. Microsec Capital Limited 4. Microsec Resources Private Limited 5. Microsec Technologies Limited 6. Microsec Insurance Brokers Limited 7. Microsec Commerze Limited
Raj Narain Bhardwaj <i>Independent Director</i> (S/o Late Murarilal) <i>Occupation:</i> Management Consultant	65	402 Moksh Apartments, Upper Govind Nagar, Malad (East) Mumbai 400 097	1. Reliance Infratel Limited 2. Jaiprakash Associates Limited 3. Money Matter Financial Services Limited 4. Jaiprakash Power Ventures Limited

Name, Designation, Father's Name, Occupation, Nationality, Term and DIN	Age (Years)	Address	Other Directorships
<i>Nationality:</i> Indian <i>Term:</i> Liable to retire by rotation <i>DIN:</i> 01571764			5. SREI Venture Capital Limited 6. Religare Trustee Company Limited 7. ESKAY 'n' IT (India) Limited 8. KSL and Industries Limited 9. Milestone Religare Investment Advisors Private Limited 10. Indian Railway Catering and Tourism Corporation Limited 11. IIT Insurance Broking and Risk Management Private Limited 12. Invent Asset Securitization and Reconstruction Private Limited 13. Samvridhi Advisors Private Limited 14. Lanco Kondapalli Power Private Limited (Nominee Director of IFCI) 15. Singhi Advisors Private Limited 16. Milestone Capital Advisors Private Limited 17. ILFS Milestone Realty Advisors Private Limited 18. Milestone Wealth Advisors Pvt Limited 19. Jaypee Infratech Limited
Deba Prasad Roy <i>Independent Director</i> (S/o Sudhirendu Nath Roy) <i>Occupation:</i> Financial Consultant and Arbitrator Term: To hold office as director up to the date of the next Annual General Meeting <i>DIN:</i> 00049269	68	APT, 505 Nestle I.B. Wing, Pandurang Budhkar Marg, Mumbai 400 013	1. Petronet LNG Limited 2. Artheon Finance Limited 3. ITD Cementation India Limited 4. Escorts Investment Trust Limited 5. ICRA Management Consulting Services Limited 6. Singhi Advisors Private Limited

None of the Directors of our Company are related to each other.

Brief Profile of the Directors

Banwari Lal Mittal is the Chairman and Managing Director and is also a Promoter of our Company. He is the founder of Microsec Group. He holds a bachelor's degree in commerce from Calcutta University. He is a fellow member of the Institute of Chartered Accountants of India, the Institute of Company Secretaries of India and the Institute of Costs and Works Accountants of India. He has 17 years of experience in different fields including investment banking, wealth management and corporate advisory. Banwari Lal Mittal has in the past worked with the M.P. Birla Group in a managerial position for about eight years.

Ravi Kant Sharma is a non-executive Director of our Company. Ravi Kant Sharma is the co-founder of the Microsec Group and is associated with it since 1999. He holds a bachelor's degree in commerce from Calcutta University and is a fellow member of the Institute of Chartered Accountants of India. He has an experience of more than 12 years in wealth management and capital market operations. He is also the Managing Director and Chief Executive Officer of the brokerage and wealth management business of MCap.

Parimal Kumar Chattaraj is an independent Director of our Company. He holds a bachelor's degree in science from Calcutta University, a post graduate diploma in management from Calcutta University and a bachelor's degree in law from Ranchi University. Parimal Kumar Chattaraj has also specialised in organization behaviour from National Institute of Management, Delhi. He is the founder of Vertex Consulting (Organization and HR Solutions). He has also worked in management positions in India and abroad contributing to business strategy, aligning employee skill to business, creating learning organization & leadership development. He has over 30 years of experience and was associated with management institutes and business schools including IIM Kolkata, XLRI Jamshedpur and XISS, Ranchi. He is also enrolled as an advocate with the Bar Council of High Court of Calcutta and provides legal advice to corporate houses and selective clients. P. K. Chattaraj was appointed as an additional director of our Company on April 2, 2007. Subsequently, in the Annual General Meeting of our Company held on September 28, 2007 he was appointed as a director of our Company.

Raj Narain Bhardwaj is an independent Director of our Company. He holds a post graduate degree in economics from the Delhi School of Economics and a Diploma in Industrial Relations and Personnel Management from Punjabi University, Patiala. He has over 37 years of experience with the Life Insurance Corporation of India and has served in various positions including managing director and chairman of Life Insurance Corporation of India. Raj Narain Bhardwaj has also served as a member of the Securities Appellate Tribunal (SAT) for two years. He was appointed as an additional director of our Company on September 5, 2009. Subsequently, in the Annual General Meeting of our Company held on September 30, 2009 he was appointed as a director of our Company.

Deba Prasad Roy is an independent Director of our Company. He holds a post graduate degree in science (Chemistry) from Jadavpur University, Kolkata. He is also certified associate of Indian Institute of Bankers and a fellow of Indian Council of Arbitration. He has over 35 years of experience in corporate, international and investment banking sectors. He is on the advisory committee of Central Bank of India and currently engaged as an arbitrator in various arbitration proceedings in NSE, MCX and ICA. He was previously associated with State Bank of India and has held senior and managerial posts such as deputy managing director and group executive (international banking), president and chief executive officer (New York) and country manager (USA) and manager of SBI London. Deba Prasad Roy is ex-chairman of SBI Capital Markets Limited. He was appointed as an additional director of our Company on October 12, 2009.

Borrowing Powers of the Board

In terms of the Articles, the Board may, from time to time, at its discretion raise or borrow any sum or sums of money for the purposes of our Company. However, if the moneys sought to be borrowed (apart from temporary loans obtained from our Company's bankers in the ordinary course of business) should exceed the aggregate of the paid-up capital of our Company and its free reserves (not being reserves set apart for any specific purpose), the Board is required to obtain the sanction of our Company in general meeting. Subject to the above, the Directors may raise moneys.

On September 29, 2008 the shareholders passed an ordinary resolution empowering the Board to borrow monies which together with monies already borrowed might exceed the paid up share capital and free reserves of our Company then existing, but in the aggregate not exceeding Rs. 4,000 million at any one time.

Remuneration of Directors

Executive Director

The remuneration of Banwari Lal Mittal is as per the terms of appointment contained below:

Banwari Lal Mittal, Chairman and Managing Director

Banwari Lal Mittal was appointed as the Managing Director of our Company under the Companies Act, 1956,

for a period of three years effective from July 3, 2007, Pursuant to a shareholders' resolution dated July 30, 2007. The terms of his employment and remuneration include the following:

Particulars	Remuneration
Salary	<p>(a) Rs. 200,000 per month (with an annual increment as decided by the Board of Directors, subject to the ceiling as prescribed in schedule XII of the Companies Act, 1956)</p> <p>(b) Rs. 200,000 per annum is payable as exgratia.</p> <p>(c) Rs. 200,000 per annum is payable as gratuity and leave pay. The gratuity is as per provision of Payment of Gratuity Act, 1972.</p>
Perquisites	<p>(a) <u>Insurance Benefit</u>: Provision of premium towards group medical claim for self.</p> <p>(b) <u>Use of Car</u>: Provision of car for official duties and reimbursement of expenses incurred for running and maintenance of the car including the salary of the driver.</p> <p>(c) <u>Telephone and other communication facilities</u>: The Company will provide/ reimburse expenses in respect of cellular phone with STD and ISD facilities and one telephone line at residence for official use.</p>

The aggregate of the salary, special pay, allowances and perquisites in any Financial Year shall be subject to the limits prescribed from time to time under section 198, 309 and other applicable provisions of the Companies Act, read with Schedule XIII thereof. In the event, that in any fiscal, the profits of our Company are inadequate, the foregoing amount of remuneration and benefits will be paid or given to the Managing Director in accordance with the applicable provisions of Schedule XIII of the Companies Act, and subject to the approval of the Central Government wherever required.

Banwari Lal Mittal has been paid Rs. 2.60 million as remuneration for fiscal 2009.

The Articles of Association of our Company provide for sitting fees and commission for the Directors as determined by the Board. Except Ravi Kant Sharma, pursuant to the Board resolution dated November 3, 2007 our Company pays sitting fees of Rs. 12,500 to the non-executive directors ("NEDs") for attending the meeting of Board of Directors, Rs. 7,500 for attending meeting of the Audit Committee. Our Company pays sitting fees of Rs. 5,000 per meeting to NEDs for attending the other committee meetings of our Company.

The following table sets forth the sitting fees and commission paid to the Directors during the fiscal 2009:

Name of the Director	Sitting fees (Rs.)	Commission (Rs.)	Total (Rs.)
Parimal Kumar Chattaraj	52,500	Nil	52,500
Dr. Bidhubhusan Samal	37,500	Nil	37,500
Vinod Kumar Kothari	57,500	Nil	57,500

Corporate Governance

The provisions of the Listing Agreement to be entered into with the Stock Exchanges with respect to corporate governance will be applicable to our Company immediately upon the listing of the Equity Shares on the Stock Exchanges. We believe we are in compliance with the requirements of the applicable regulations, including the Listing Agreement with the Stock Exchanges and the SEBI Regulations, in respect of corporate governance including constitution of the Board and committees thereof. The corporate governance framework is based on an effective independent Board, separation of Board's supervisory role from the executive management team and constitution of the Board Committees, as required under law. In addition, our Company has adopted a code of conduct for corporate governance.

We have a Board of Directors constituted in compliance with the Companies Act and Listing Agreement to be

entered into with Stock Exchanges and in accordance with best practices in corporate governance. The Board functions either as a full Board or through various committees constituted to oversee specific operational areas. The executive management of our Company provides the Board detailed reports on its performance periodically.

The Board of Directors consists of a total of five directors of which three are independent directors (as defined under Clause 49). This is in compliance with the requirements of Clause 49.

The Board functions through the following committees:

Audit Committee

The members of the Audit Committee are:

1. Parimal Kumar Chattaraj, chairman;
2. D.P. Roy;
3. R. N. Bhardwaj; and
4. Ravi Kant Sharma.

The Audit Committee was constituted by a meeting of the Board held on April 2, 2007 and re-constituted on February 11, 2010. The scope and functions of the Audit Committee and its terms of reference are set forth below:

The terms of reference of the Audit Committee include:

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

The role of the Audit Committee shall include the following:

- 1) Oversight of 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 required to be included in the director's responsibility statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956
 - b. Changes, if any, in accounting policies and practices and reasons for the same
 - c. Major accounting entries involving estimates based on the exercise of judgment by management
 - d. Significant adjustments made in the financial statements arising out of audit findings
 - e. Compliance with listing and other legal requirements relating to financial statements
 - f. Disclosure of any related party transactions

- g. Qualifications in the draft audit report.
- 5) Reviewing, with the management, the quarterly financial statements before submission to the board for approval
 - 6) Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
 - 7) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
 - 8) Discussion with internal auditors any significant findings and follow up thereon.
 - 9) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
 - 10) Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
 - 11) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
 - 12) To review the functioning of the Whistle Blower mechanism, in case the same is existing.
 - 13) Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
 - 14) Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
 - 15) The Audit Committee shall mandatory review the following information:
 - a. Management discussion and analysis of financial condition and results of operations;
 - b. Statement of significant related party transactions, periodically submitted by management;
 - c. Management letters or the letters of internal control weaknesses issued by the statutory auditors;
 - d. Internal audit reports relating to internal control weaknesses; and
 - e. The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee

In fiscal 2009 the Audit Committee met two times.

Shareholders'/Investors' Grievance and Share Transfer Committee

The Shareholders'/ Investors' Grievance and Share Transfer Committee was constituted on November 3, 2007 and re-constituted on December 19, 2009. The members of the Shareholders'/ Investors' Grievance and Share Transfer Committee are:

1. R. N. Bhardwaj, chairman;
2. Banwari Lal Mittal; and
3. Parimal Kumar Chattaraj.

The function of the Shareholders'/ Investors' Grievance and Share Transfer Committee is to supervise share transfer and also to redress the grievances of the shareholders/investors, if any.

The terms of reference of the Shareholders'/ Investors' Grievance and Share Transfer Committee are as follows:

1. Redressing complaints from shareholders such as non-receipt of dividends, annual report, transfer of Equity Shares and issue of duplicate share certificates.
2. To approve and ratify the action taken by the authorised Officers of our Company in compliance with the request received from the shareholder/investors for issue of duplicate/ replacement/ consolidation/ subdivision share certificates and other purposes for the shares, debentures and securities of the Company.
3. To monitor and expedite the status and process of dematerialisation and dematerialisation of shares, debentures and securities of our Company.
4. To approve allotment of shares, debentures and other securities as per the authority conferred/ to be conferred to the Committee by the Board of Directors from time to time.
5. To monitor, under the supervision of the Company Secretary, the complaints received by the Company from SEBI, Stock Exchanges, Department of Company Affairs, RoC and the Share/ Debentures/ Security holders of the Company etc., and the action taken for redressal of the same.
6. The committee oversees performance of the registrars and transfer agents of the Company and recommends measures for overall improvement in the quality of investor services.

In fiscal 2009 the Shareholders'/ Investors' Grievance and Share Transfer Committee met once.

Remuneration Committee

The members of the Remuneration Committee are:

1. Parimal Kumar Chattaraj, chairman;
2. R.N. Bhardwaj; and
3. Deba Prasad Roy.

The Remuneration Committee was constituted on November 3, 2007 and re-constituted by a meeting of the Board held on October 12, 2009. The functions of the remuneration committee are to determine on behalf of the Board and on behalf of the shareholders with agreed terms of reference, our Company's policy on specific remuneration packages for executive directors including pension rights and compensation payment, if any.

The terms of reference/ scope of the Committee are as follows:

The Remuneration Committee shall determine on behalf of the Board, the Company's policy on specific remuneration package for Executive Directors including pension rights and any compensation payment.

Policy on Disclosures and Internal Procedure for Prevention of Insider Trading

Our Company has adopted a code of conduct 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. We shall comply with the requirements of the SEBI (Prohibition of Insider Trading) Regulations, 1992 on listing of the Equity Shares.

Shareholding of Directors in our Company

The Directors are not required to hold any qualification shares under the terms of the Articles of Association. The list of Directors holding Equity Shares as of the date of this Draft Red Herring Prospectus is set forth below:

S.No.	Name of the	No. of Equity	Pre-Issue Percentage	Post-Issue
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	Shareholder	Shares	Shareholding	Percentage Shareholding
1.	Banwari Lal Mittal	10,814,400	56.00%	34.00%
2.	Ravi Kant Sharma	876,800	4.54%	2.75%
	Total	11,691,200	60.54%	36.75%

Interest of the Directors

Two of our Directors are also Promoters of our Company.

All of the Directors of our Company may be deemed to be interested to the extent of fees payable to them if any, for attending meetings of the Board or a committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them, if any under the Articles of Association, and to the extent of remuneration paid to them, if any for services rendered as an officer or employee of our Company.

The Directors may also be regarded as interested in the Equity Shares, if any, held by them or by the companies/firms/ventures promoted by them or that may be subscribed by or allotted to the companies, firms, trusts, in which they are interested as Directors, members, partners, trustees and Promoter, pursuant to this Issue. All of the Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

The Directors have no interest in any property acquired by our Company within two years of the date of this Draft Red Herring Prospectus.

Except as stated in “Related Party Transactions” on page 110 of this Draft Red Herring Prospectus and to the extent of shareholding in our Company, the Directors do not have any other interest in the business of our Company.

Our Company has not entered into any service contracts with the Directors.

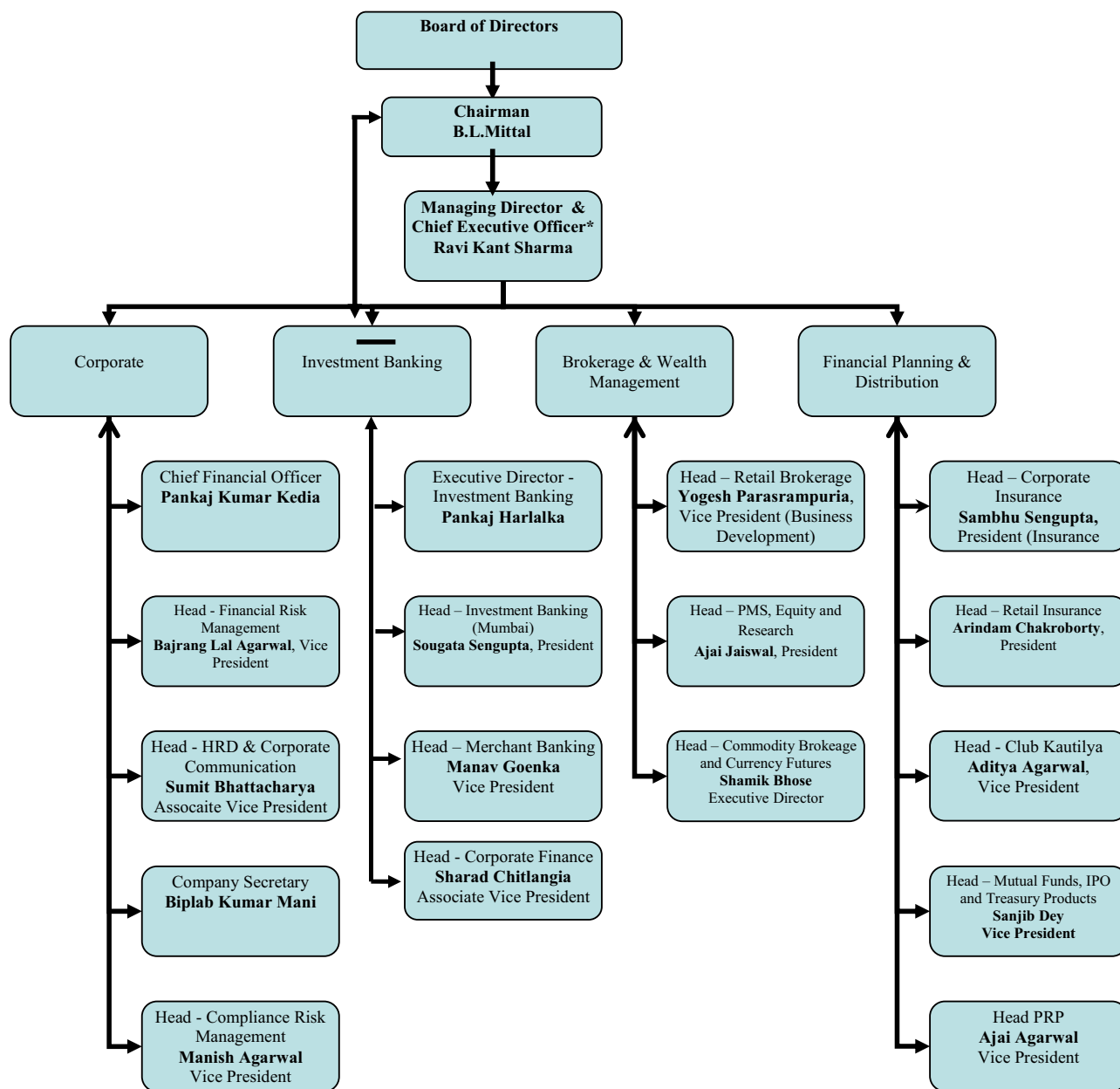
Changes in the Board of Directors in the last three years

The following changes have occurred in Board of Directors of our Company in the last three years:

Name of Director	Date of Cessation	Date of Appointment / Re-appointment	Reason
Parimal Kumar Chattaraj	-	April 2, 2007	Appointment
Rakesh Sony	October 7, 2008	September 27, 2005	Resignation
Dr. Bidhubhushan Samal	November 7, 2008	November 3, 2007	Resignation
Vinod Kumar Kothari	November 7, 2008	November 3, 2007	Resignation
Raj Narain Bhardwaj	-	September 5, 2009	Appointment
Deba Prasad Roy	-	October 12, 2009	Appointment
Manoj Banthia	December 19, 2009	September 5, 2009	Resignation

Management Organisation Structure

The management organisation chart of the Microsec Group is set forth below:



*Mr. Ravikant Sharma is the Managing Director of Mcap, the 100% subsidiary of our Company.

Key Managerial Personnel

Details of the key managerial personnel permanently employed by our Company are set out below.

Biplab Kumar Mani, aged 34 years, is the company secretary of our Company. He is a qualified company secretary and also holds a bachelors degree in commerce from Calcutta University. He has been working with our Company from February 19, 2007. Prior to joining our Company, he was associated with B. K. Group of Companies. He has experience of more than six years in the area of corporate law, stock exchange compliances and other statutory matters. He is responsible for managing the process concerning company legislation and

regulations. In fiscal 2009, Biplab Kumar Mani was paid a remuneration of Rs. 0.33 million by our Company.

Birendra Kumar Sethia, aged 29 years, is the associate vice president (corporate) of our Company. He is a qualified chartered accountant. He has been working with our Company from July 7, 2009. Prior to joining our Company, he was associated with ACC group of companies and Reliance Industries group of companies. He has a post qualification experience of more than six years in preparation of Project report, budgeting and corporate accounts. In fiscal 2009, Birendra Kumar Sethia was not paid any remuneration by our Company.

Giridhar Dhelia, aged 27 years, is the vice president (corporate consultancy) of our Company. He is a qualified chartered accountant and company secretary. He has been working with our Company from April 1, 2008. Prior to joining our Company, he was a practicing chartered accountant. He has more than six years of work experience in the areas of mergers and acquisitions, direct tax and corporate law. He was also a co-opted member of the student committee of Eastern India Regional Council of the Institute of Chartered Accountants of India. In fiscal 2009, Giridhar Dhelia was paid a remuneration of Rs. 0.63 million by our Company.

Pankaj Kumar Kedia, aged 41 years, is the chief financial officer of our Company. He is a qualified chartered accountant with rank and company secretary. He has been working with our Company from November 11, 2009. Prior to joining our Company, he was associated with IFB Industries Limited. He has experience of more than eighteen years in the field of finance, tax and project activities. He is in-charge of the financial and corporate functions of our Company. In fiscal 2009, Pankaj Kumar Kedia was not paid any remuneration by our Company.

Details of the key managerial personnel permanently employed by our Subsidiaries are set out below:

Aditya Agarwal, aged 27 years, is the vice president of Club Kautilya. He holds a bachelors degree in commerce from Calcutta University. He joined in MCap on May 11, 2009. Prior to joining the Microsec Group, he was associated with Indiabulls Securities Limited, ITC limited, Karvy group. He has experience of more than six years in Strategic Planning, Consulting and Marketing. In fiscal 2009, Aditya Agarwal was not paid any remuneration by MCap.

Ajai Kumar Agrawal, aged 48 years, is the vice president (consulting) in PRP. He is a qualified cost and works accountant and also holds a bachelors degree in science. He joined MCap group on November 4, 2006. Currently he is associated with PRP. Prior to joining the group, he was associated with Birla Corporation Limited, SWIL Limited and Electrosteel Castings Limited. He has a post qualification experience of nineteen years in methods and procedures of cost accounting and formulation of operating strategy, investment feasibility analysis. His write-ups are also published in the ICWAI Journal - "The Management Accountant. He was awarded with a special appreciation letter for the outstanding performance effecting cost saving in Birla Corporation Limited. In fiscal 2009, Ajay Kumar Agrawal was paid a remuneration of Rs. 0.60 million by MCap.

Ajay Jaiswal, aged 40 years, is the president (investment strategies) in MTL. He holds a bachelors degree in commerce. He Joined MCap on April 8, 2008, as a president (research and investment strategies) and was later transferred to MTL on November 1, 2008. Prior to joining the group he was associated with Angel Broking Limited as investment strategist for two years, with Lohia Securities Limited as head of research for six years, with CD Resarch as resarch analyst for three years. He has more than fifteen years of experience in stock markets, fundamental research of stocks, commodity and currency markets. In fiscal 2009, Ajay Jaiswal was paid a remuneration of Rs. 0.82 million by MCap and Rs. 0.58 million by MTL.

Anurag Goyal, aged 30 years, is the associate vice president (investment banking) in MCap. He is a qualified chartered accountant. He joined MCap on April 1, 2006. Prior to joining the group he was associated with Provogue India Limited. He has experience of more than five years in preparation of project report, capex structure and business plan. He is instrumental in setting up the Mumbai office of the group. In fiscal 2009, Anurag Goyal was paid a remuneration of Rs. 0.86 million by MCap.

Arindam Chakraborty, aged 37 years, is the president (insurance – retail) in MIBL. He holds a bachelors degree in computer science from Pune University. He joined MIBL on March 4, 2009. Prior to joining Microsec Group, he was associated with IMRS Financial Services as the director (operations) and also with ING Vysya Life. He has experience of more than fourteen years in driving operational growth, maximizing business opportunities and ensuring compliance with legal and regulatory requirements. In fiscal 2009, Arindam Chakraborty was paid a remuneration of Rs. 0.09 million by MIBL.

Atanu Ghosh, aged 31 years, is the head (technology) in MTL. He holds a diploma in computer science, a CISCO certified network assistant and is also a Microsoft Certified Professional. He joined MCap on May 8, 2006 and thereafter he was transferred to MTL on August 1, 2008. Prior to joining the group he was associated with Infrotonix Channels. He has experience of more than seven years in network administration, IT infrastructure planning and implementation. In fiscal 2009, Atanu Ghosh was paid a remuneration of Rs. 0.13 million by MCap and Rs. 0.11 million by MTL.

Bajrang Lal Agarwal, aged 35 years, is the vice president (financial risk management) in MCap. He is a qualified chartered accountant. He joined MCap on November 1, 2006. Prior to joining the group, he was associated with Lohia Securities Limited. He has experience of more than six years in the capital markets and risk management. In fiscal 2009, Bajrang Lal Agarwal was paid a remuneration of Rs. 0.78 million by MCap.

Mahendra Kumar Yadav, aged 31 years, is the associate vice president (account and taxation) in MRPL. He is a qualified chartered accountant. He joined MFSL on February 12, 2007. He joined MRPL on November 3, 2009. Prior to joining the group, he was associated with Mayur Ply Private Limited. He has experience of more than seven years in the field of accounts, audit and taxation. In fiscal 2009, Mahendra Kumar Yadav was paid a remuneration of Rs. 0.47 million by MFSL.

Manav Goenka, aged 29 years, is the vice president (investment banking) in MCap. He holds a master of business administration in finance from Globsyn Business School. He joined MCap on April 11, 2005. He has more than five years of experience in capital market offerings, merger & acquisition, valuations and SEBI laws. In fiscal 2009, Manav Goenka was a remuneration of Rs. 0.86 million by MCap.

Manish Kumar Agarwal, aged 34 years, is the vice president (compliance risk management) in MIBL. He is a qualified chartered accountant and company secretary. He joined MIBL on July 1, 2005. Prior to joining MIBL, he was associated with Bachhawat group. He has experience of more than eight years in the field of finance and equity broking. In fiscal 2009, Manish Kumar Agarwal was paid a remuneration of Rs. 1.03 million by MIBL.

Naveen Vyas, aged 30 years, is the associate vice president (technical research) in MCap. He holds a master of business administration in finance from Visvesvaraya Technological University. He joined MCap on October 4, 2005. Prior to joining the Microsec Group, he was associated with Hall & Anderson Limited. He has experience of more than five years in the analysis of financial strength and valuation of companies. In fiscal 2009, Naveen Vyas was paid a remuneration of Rs. 0.55 million by MCap.

Pankaj Harlalka, aged 36 years, is the executive director (investment banking) in MCap. He is a company secretary and has a more than 10 years experience in dealing with corporates. He joined MCap on November 7, 2003 and has played a major role in the execution of major assignments handled in the merchant banking division. He now provides leadership to his team and is nurturing relationships with Corporates and Investors. Prior to joining the Microsec Group, he was an independent practicing company secretary. In fiscal 2009, Pankaj Harlalka was paid a remuneration of Rs. 1.28 million by MCap.

Prabir Kumar Sarkar, aged 43 years, is the associate vice president (technical research) in MCap. He holds a diploma in mechanical engineering, a diploma in business management, NCFM certification in capital market, derivative, commodity and currency modules, MCCP certification by MCX. He joined MCap on November 6, 2006. Prior to joining the Microsec Group, he was associated with Reymount Commodities Private Limited. He has more than nine years of experience as technical analyst in the area of stocks, commodity and currencies markets. In fiscal 2009, he was paid a remuneration of Rs. 0.27 million by MCap.

Sambhu Sengupta, aged 78 years, is the president (insurance broking) in MIBL. He is an associate of Chartered Insurance Institute, London. He joined MIBL on July 1, 2003. Prior to joining the group, he was associated with Birla Technical Services. He has experience of more than four decades in the field of insurance and has a deep knowledge of risk management in insurance business. He was also held the positions of ex-regional head of the New India Assurance Company Limited and ex-chairman of the Fire Sub-Committee of Calcutta Regional Committee of Tariff Advisory Committee. In fiscal 2009, Sambhu Sengupta was paid a remuneration of Rs. 0.54 million by MIBL.

Sanjay Kumar Sureka, aged 48 years, is the vice president (technical research) in MCap. He is a commerce graduate from Calcutta University and holds an NCFM certification in futures module. He joined MCap on May 14, 2008. Prior to joining the MCap, he was associated with AUM Capital Market Private Limited. He has

experience of more than fourteen years in equity research and financial analysis. In fiscal 2009, Sanjay Sureka was paid a remuneration of Rs. 0.66 million by MCap.

Sanjib Dey, aged 41 years, is the vice president (channel sales distribution) in MCap. He is a graduate in commerce from Calcutta University. He joined MCap on April 7, 2009. Prior to joining the group, he was associated with Merrill Lynch. He has experience of more than sixteen years in handling the finance functions through distribution channel sales network activities in entire eastern region and north east part of India. In fiscal 2009, Sanjib Dey was not paid any remuneration.

Sarad Chitlangia, aged 26 years, is the associate vice president (corporate finance) in MCap. He is a qualified chartered accountant and chartered financial analyst. He joined MCap on December 16, 2006. Prior to joining the Microsec Group, he was associated with ICICI Bank Limited as regional credit manager – east in the SME. He has experience of more than four years in the field of corporate finance and his specialisation includes education, power ancillary, retail, infrastructure and steel industry. In fiscal 2009, Sarad Chitlangia was paid a remuneration of Rs. 0.67 million by MCap.

Shamik Bhowse, aged 46 years, is the executive director (commodity markets) in MCL. He is a master in economics from Calcutta University. He joined MCL on May 2, 2007. Prior to joining the group, he was associated with Adani Exports Limited. He has experience of more than twenty three years in Commodities and related Markets. He has been a nominee member at world trade bodies like Grain and Feed Trade Association (GAFTA) and Federation of Oils, Seeds and Fats (FOSFA), Indian trade bodies like Bombay Oils & Oilseeds Exchange, a founding committee member of Coffee Futures Exchange of India - Bangalore (COFEI) and has also been a speaker and panelist in conferences organized by Forward Market Commission (FMC), Associated Chambers of Commerce and Industry of India (ASSOCHAM) and Indian Chamber of Commerce (ICC) on development of the commodity futures market and warehouse receipt finance in India. He has also been advisor to some well known companies, commodity exchanges like MCX and was also a member of Product Committee of NCDEX as a general manager and as a director with Commodity World Trade.Com. In fiscal 2009, Shamik Bhowse was paid a remuneration of Rs. 0.59 million by MCL.

Sougata Sengupta, aged 35 years, is the president (investment banking) in MCap. He is a qualified company secretary and a master of business administration in finance from IMT Gaziabad. He joined MCap on July 1, 2009. Prior to joining the group, he was associated with Adhunik Group as company secretary and associate vice president (legal). He has experience of more than fifteen years in handling finance function and monitoring secretarial compliance, setting up joint ventures, finalization of business acquisitions, handling IPO, private equity and private placement of convertible debenture through FDI route. He has good exposure and knowledge of company law and SEBI regulations. In fiscal 2009, Sougata Sengupta was not paid any remuneration.

Soumesh Tripathi, aged 30 years, is the associate vice president (business development) in MCL. He is a graduate in commerce and also holds a diploma in computer software applications from NIIT. He joined MCL on July 1, 2004. Prior to joining the Microsec Group, he was associated with Micro Network Systems. He has experience of more than five years in corporate hedging in the future market specifically in metal sector (steel, copper, aluminium and zinc). In fiscal 2009, Soumesh Tripathi was paid a remuneration of Rs. 0.31 million by MCL.

Sumanta Samaddar, aged 31 years is the senior manager (business development) in MCap. He is a graduate in commerce and holds NCFM certification in cash market module. He joined MCap on September 4, 2007. Prior to joining the group, he was associated with IL & FS, Motilal Oswal and UTI Securities. He has experience of more than ten years in Capital Markets. In fiscal 2009, Sumanta Samaddar was paid a remuneration of Rs. 0.52 million by MCap.

Sumit Bhattacharya, aged 35 years, is the associate vice president (human resource development and corporate communication) in MCap. He is a master of business administration (gold medalist) from National Institute of Personal Management and holds a diploma in labour laws and administrative laws. He joined MCap on September 19, 2006. Prior to joining the group, he was associated with Khadim India Limited. He has experience of more than nine years in human resources, personal and administrative functions. In fiscal 2009, Sumit Bhattacharya was paid a remuneration of Rs. 0.50 million by MCap.

Vinit Pagaria, aged 29 years, is the assistant vice president (derivative) in MCap. He is a qualified chartered accountant and a degree of financial risk manager from global association of risk professional. He also holds a diploma in investment management and NSE's certification in financial markets. He joined MCap on December

20, 2006. Prior to joining the group, he was employed with Kotak Securities Limited. He has more than five years of experience in capital markets and specializes in integrating fundamental and technical research. His reports are also covered in the Economic Times. In fiscal 2009, Vinit Pagaria was paid a remuneration of Rs. 0.52 million by MCap.

Yogesh Parasrampuria, aged 28 years, is the vice president (business development) in MCap. He is a graduate in commerce from Calcutta University and has completed a professional course in network centric computing. He joined MCap on May 7, 2005. Prior to joining the group he was associated with Vedicka Securities Private Limited, Kotak Securities Limited, J M Morgan Stanley and ICICI Bank-LAS Services He has experience of more than nine years in equity broking and related services. In fiscal 2009, Yogesh Parasrampur was paid a remuneration of Rs. 0.75 million by MCap.

Changes in Key Management Personnel during the last three years

The changes in key managerial personnel of our Company during the last three years is as follows:

Name	Designation	Date of change	Reason
Laxmi Narayan Mandhana	Chief Financial Officer	September 11, 2007	Appointment
Ashok Dalmia	Senior Vice President Finance & Accounts	February 1, 2008	Appointment
Giridhar Dhelia	Vice President – Finance	April 1, 2008	Appointment
Ashok Dalmia	Senior Vice President Finance & Accounts	February 19, 2009	Resignation
Mahendra Kumar Yadav	Manager – Finance	May 4, 2009	Resignation
Birendra Kumar Sethia	Assistant Vice President – Corporate	July 7, 2009	Appointment
Pankaj Kumar Kedia	Chief Financial Officer	November 11, 2009	Appointment
Laxmi Narayan Mandhana	Chief Financial Officer	November 20, 2009	Resignation

Interest of Key Managerial Personnel of Our Company

Other than our Promoters, none of the key managerial personnel of our Company hold any Equity Shares in our Company. The key managerial personnel of our Company do not have any interest in our Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business including in their capacity as nominee directors of our Subsidiaries. The employees of our Company including the key managerial personnel are entitled to superannuation and gratuity benefits. As at the date of this Draft Red Herring Prospectus, approximately 9.24% of our share capital is held by Microsec Vision (Employees) Trust, a trust settled by our Promoter Mr. B.L. Mittal for the benefit of our employees.

Except as disclosed in “Management – Payment or Benefit to officers of our Company (non – salary related)” on page 101 of this Draft Red Herring Prospectus, none of the key managerial personnel have been paid any consideration of any nature from our Company other than their remuneration.

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

None of the beneficiaries of loans and advances and sundry debtors are related to the Directors.

Bonus or Profit Sharing Plan for the Key Managerial Personnel

Our Company does not have any profit sharing plan with its Directors or its key managerial personnel. Our Company awards performance linked bonuses, as part of remuneration, to its key managerial personnel.

Payment or Benefit to officers of our Company (non – salary related)

No amount or benefit has been paid or given to any officer of our Company within the two preceding years from the date of filing of this Draft Red Herring Prospectus or is intended to be paid, other than in the ordinary course of their employment.

OUR SUBSIDIARIES

Our Company has 3 direct subsidiaries and 3 indirect subsidiaries. None of our Subsidiaries has made any public or rights issue in the last three years and have not become sick companies under the meaning of SICA and are not under winding up.

The Subsidiaries of our Company were acquired by, and became the subsidiaries of, our Company at the dates set forth below:

S No.	Name of the Subsidiary	Nature of Shareholding of our Company	Date of becoming a Subsidiary
1.	Microsec Capital Limited	Direct	October 24, 2005 ⁽¹⁾
2.	Microsec Resources Private Limited	Direct	February 1, 2006
3.	Microsec Technologies Limited ⁽²⁾	Direct	March 30, 2006
4.	Microsec Commerze Limited ⁽³⁾	Indirect	October 24, 2005
5.	Microsec Insurance Brokers Limited ⁽⁴⁾	Indirect	October 24, 2005
6.	PRP Technologies Limited ⁽⁵⁾	Indirect	February 9, 2009

⁽¹⁾ Microsec Capital Limited became a wholly owned subsidiary of our Company on November 24, 2005.

⁽²⁾ Microsec Technologies Limited was earlier known as MIL Technologies Limited.

⁽³⁾ Microsec Commerze Limited has been a subsidiary of Microsec Capital Limited since October 1, 2005 and became an indirect subsidiary of our Company with effect from October 24, 2005 consequent to our Company acquiring the shareholding of Microsec Capital Limited.

⁽⁴⁾ Microsec Insurance Brokers Limited has been a subsidiary of Microsec Capital Limited since October 9, 2002 and became an indirect subsidiary of our Company with effect from October 24, 2005 consequent to our Company acquiring the shareholding of Microsec Capital Limited.

⁽⁵⁾ PRP Technologies Limited is a wholly owned subsidiary of Microsec Technologies Limited since February 9, 2009. It became an indirect subsidiary of our Company consequent to MTL acquiring the shareholding of PRP Technologies Limited.

The significant details of our Subsidiaries are as provided below:

Interest of the Subsidiaries in our Company

Except as stated in “Related Party Transactions” on page 110, our Subsidiaries do not have any other interest in our Company’s business.

Direct Subsidiaries

1. Microsec Capital Limited

Corporate Information:

Microsec Capital Limited (“MCap”) was incorporated as ‘Lokpriya Mercantile Private Limited’ on July 14, 1995 as a private limited company under the Companies Act, 1956. The name was changed to ‘Lokpriya Mercantile Limited’ upon conversion from a private limited company to a public limited company on February 2, 2000. The name was further changed to ‘Microsec India Limited’ on February 16, 2000 and to ‘Microsec Capital Limited’ on October 24, 2005. It is a wholly owned subsidiary of our Company. MCap is registered with the SEBI as a stock broker, a Category I Merchant Banker, a depository participant and a Portfolio Manager.

Capital Structure and Shareholding Pattern:

The authorised share capital of MCap is Rs. 30,000,000 divided into 3,000,000 equity shares of face value of Rs. 10 each and the paid up capital is Rs. 14,885,610 divided into 1,488,561 equity shares of face value of Rs. 10 each.

The shareholding pattern of MCap is as follows:

S. No.	Name of the Shareholder	No. of equity shares of Rs. 10 each	Percentage of total of equity holding (%)
1.	Microsec Financial Services Limited	1,488,561*	100.00
	Total	1,488,561	100.00

*includes six shares held by six individuals as representatives of MFSL

2. Microsec Resources Private Limited

Corporate Information:

Microsec Resources Private Limited (“MRPL”) was incorporated as Godrey Agencies Private Limited under the Companies Act, 1956 on December 12, 1994. The name was changed to Keshav Resources Private Limited on August 4, 1999. The name was further changed to Microsec Resources Private Limited as on February 22, 2006. It is a non-banking finance company registered with the Reserve Bank of India and is presently engaged in the business of providing loans including loans against shares.

Capital Structure and Shareholding Pattern:

The authorised share capital of MRPL is Rs. 10,100,000 divided into 1,010,000 equity shares of face value of Rs. 10 each and the paid up capital is Rs. 3,200,000 divided into 320,000 equity shares of face value of Rs. 10 each.

Deep Discount Debentures

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

Amount in Rupees.

S. No.	Face Value	Maturity Value	Discount Value	Issue date	Maturity date	Period
1.	50,00,000	100,00,000	95,00,000	June 1, 1999	May 31, 2019	20 Years
2.	10,00,000	75,00,000	65,00,000	December 13, 2001	December 12, 2021	20 Years
3.	10,00,000	75,00,000	65,00,000	December 17, 2001	December 16, 2021	20 Years

The shareholding pattern of MRPL is as follows:

S. No.	Name of the Shareholder	No. of Equity Shares	Percentage of total of equity holding (%)
1.	Microsec Financial Services Limited	320,000*	100.00
	Total	320,000	100.00

* includes one share held by Banwari Lal Mittal as a representative of MFSL.

3. Microsec Technologies Limited

Corporate Information:

Microsec Technologies Limited (“MTL”) was incorporated as MIL Technologies Limited under the Companies Act, 1956, on May 10, 2002. MTL received its certificate of commencement of business on May 27, 2002. The name ‘MIL Technologies Limited’ was changed to ‘Microsec Technologies Limited’ pursuant to a fresh certificate of incorporation issued by the Registrar of Companies, West Bengal at Kolkata, dated March 17, 2008. It is engaged in the business of software development, related consultancy and data processing.

Capital Structure and Shareholding Pattern:

The authorised share capital of MTL is Rs. 2,000,000 divided into 150,000 equity shares of face value of Rs. 10 each and 50,000 5% redeemable optionally convertible cumulative preference shares. The paid up equity capital is Rs. 627,000 divided into 62,700 equity shares of face value of Rs. 10 each.

Preference Share:

MTL has issued 23,000 Preference Shares to MCap on September 17, 2008

The shareholding pattern of MTL is as follows:

S. No.	Name of the Shareholder	No. of Equity Shares	Percentage of total of equity holding (%)
1.	Microsec Financial Services Limited	50,000*	79.74
2.	Microsec Capital Limited	12,700	20.26
	Total	62,700	100.00

* includes 600 shares held by six individuals as representatives of MFSL.

Indirect Subsidiaries**1. Microsec Insurance Brokers Limited****Corporate Information:**

Microsec Insurance Brokers Limited ("MIBL") was incorporated as Microsec Risk Management Limited under the Companies Act, 1956, on October 9, 2002 and received the certificate of commencement of business on October 21, 2002. The name was changed to Microsec Insurance Brokers Limited on August 24, 2007.

Capital Structure and Shareholding Pattern:

The authorised share capital of MIBL is Rs. 5,200,000 divided into 520,000 equity shares of face value of Rs. 10 each and the paid up capital is Rs. 5,160,600 divided into 516,060 equity shares of face value of Rs. 10 each.

The shareholding pattern of MIBL is as follows:

S. No.	Name of the Shareholder	No. of Equity Shares	Percentage of total of equity holding (%)
1.	Microsec Capital Limited	516,060	100.00
	Total	516,060	100.00

* includes six shares held by six individuals as representatives of MCap

2. Microsec Commerze Limited**Corporate Information:**

Microsec Commerze Limited ("MCL") was incorporated as Mittal Management & Tax Consultants Private Limited under the Companies Act, 1956, on December 7, 1994. The name was changed to Mittal Management Private Limited on September 19, 1997. Further, the name was changed to Mittal Management Limited upon conversion from private limited company to public limited company on March 27, 2002. Subsequently, the name was changed to Microsec Commerze Limited on September 9, 2003.

It is engaged in the business of commodity derivative broking.

Capital Structure and Shareholding Pattern:

The authorised share capital of MCL is Rs. 16,100,000 divided into 1,610,000 equity shares of face value of Rs. 10 each and the paid up capital is Rs. 16,029,500 divided into 1,602,950 equity shares of face value of Rs. 10 each.

The shareholding pattern of MCL is as follows:

S. No.	Name of the Shareholder	No. of Equity Shares	Percentage of total of equity holding (%)
1.	Microsec Capital Limited	1,602,950*	100.00
	Total	1,602,950	100.00

** includes six shares held by six individuals as representatives of MCap*

3. PRP Technologies Limited

Corporate Information:

PRP Technologies Limited (“PRP”) was incorporated under the Companies Act, 1956, on October 16, 2007 and received its certificate of commencement of business on December 5, 2007.

It is engaged in the business of providing web-based solutions through portals. PRP has recently launched a personal resource planning portal by the name of ‘PRP’.

Capital Structure and Shareholding Pattern:

The authorised share capital of PRP is Rs. 1,000,000 divided into 100,000 equity shares of face value of Rs. 10 each and the paid up capital is Rs. 1,000,000 divided into 100,000 equity shares of face value of Rs. 10 each.

The shareholding pattern of PRP is as follows:

S. No.	Name of the Shareholder	No. of Equity Shares	Percentage of total of equity holding (%)
1.	MTL	100,000*	100.00
	Total	100,000	100.00

** includes six shares held by six individuals as as representatives of MTL*

OUR PROMOTERS AND GROUP COMPANIES

Our Promoters

The Promoters of our Company are Banwari Lal Mittal and Ravi Kant Sharma.

Banwari Lal Mittal



Identification Particulars	Details
Age	41
PAN	ADMMPM0065G
Passport No.	F4841742
Voter ID Number	HZG3561545
Driving License Number	WB-012007452760
Bank Account Number	00081840000086 – HDFC Bank Limited, Stephen House, Kolkata.

Ravi Kant Sharma



Identification Particulars	Details
Age	35
PAN	AIWPS1830J
Passport No.	F6213987
Voter ID Number	WB/21/143/255140
Driving License Number	WB-012005202176
Bank Account Number	840592, ABN AMRO, Camac Street Branch

For other details relating to the Promoters, including their brief profile, addresses, terms of appointment as Directors and details of their other directorships, see “Management – Board of Directors” on page 89 of this Draft Red Herring Prospectus.

Our Company confirms that the permanent account number, bank account number and the passport number of Banwari Lal Mittal and Ravi Kant Sharma shall be submitted to the Stock Exchanges at the time of filing the Draft Red Herring Prospectus.

Interest of Promoters and Common Pursuits

The aforementioned Promoters of our Company are interested to the extent of their shareholding in our Company. Further, the Promoters who are also the Directors of our Company may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a Committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them. For shareholding of the Promoter, see “Capital Structure” on page 25 of this Draft Red Herring Prospectus.

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 Promoters 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.

Our promoters do not hold any interest in any of the properties purchased by the company in the preceding two years.

Except for LKPL, which is also an NBFC registered with the RBI and is largely into the business of making investments in shares and providing loan facilities, the Promoters and the Promoter Group entities do not have any interest in any venture that is involved in any activities similar to those conducted by us.

Payment of benefits to the Promoters

Except as stated otherwise in the “Related Party Transactions” and “ – Interest of Promoters and Common Pursuits” on pages 110 and 106 respectively of this Draft Red Herring Prospectus, there has been no payment or benefits to the Promoters during the two years prior to the filing of this Draft Red Herring Prospectus.

Other Confirmations

Further, none of the Promoters has been declared as a wilful defaulter by the RBI or any other governmental authority and there are no violations of securities laws committed by the Promoters in the past or are pending against them.

Additionally, none of the Promoters have been debarred from dealing in securities or have been restrained from accessing the capital markets for any reasons by the SEBI or any other authorities.

Except as stated in the “Related Party Transactions” on page 110 of this Draft Red Herring Prospectus, there have been no transaction with the Promoters and Group Companies.

Disassociation of Promoters

Rakesh Sony resigned as a Director of our Company with effect from October 7, 2008.

Rakesh Sony was one of the initial promoters of our Company and was associated with our Company for six years. In terms of the Supplement Agreement to Shareholders Agreement dated October 2, 2008, Rakesh Sony transferred his entire shareholding in our Company to LKPL. Pursuant to these developments, Rakesh Sony has ceased to be a promoter of our Company.

Except as mentioned above, the Promoters have not dissociated from our Company or any other company/ firm during preceding three years from the date of the Draft Red Herring Prospectus.

Companies with which the Promoters have disassociated in the last three years

The promoters have not disassociated themselves from any company/ firm during the preceding three years.

Promoter Group

Relatives of Promoters

The natural persons who are part of the Promoter Group (due to their relationship with each of the Promoters), other than the Promoters are as follows:

Name of the Person	Relationship with the Promoter
Banwari Lal Mittal	
Gomti Devi Mittal	Mother
Abha Mittal	Wife
Saloni Mittal (Minor)	Daughter
Vidhi Mittal (Minor)	Daughter
Krishna Mittal (Minor)	Son
Sushila Devi Khaitan	Sister
Arjun Mittal	Brother
Narsingh Mittal	Brother
Bhagwati Agarwal	Sister
Deepika Agarwal	Sister
Govind Ram Bhimrajka	Father of the spouse
Prabha Bhimrajka	Mother of the spouse
Vikash Bhimrajka	Brother of the spouse
Priti Bhimrajka	Sister of the spouse
Ravi Kant Sharma	
Sajjan Kumar Sharma	Father
Kanta Devi Sharma	Mother

Name of the Person	Relationship with the Promoter
Bharati Sharma	Wife
Mohit Sharma (Minor)	Son
Stuti Sharma (Minor)	Daughter
Rajiv Sharma	Brother
Girdhari Lal Mishra	Father of the spouse
Rekha Mishra	Mother of the spouse
Ravi Mishra	Brother of the spouse
Renuka Mishra	Sister of the spouse

Companies/ Partnership firms/ HUFs forming part of Promoter Group

The following is the list of the Promoter Group companies:

1. Luv-Kush Projects Limited
2. Micro Resources Private Limited
3. Longrange Management Services Private Limited

Group Companies

Unless otherwise stated none of the companies forming part of Group Companies is a sick company under the meaning of SICA and none of them are under winding up. None of the group companies have been struck from the records of the RoC during the preceding three years.

1. Luv-Kush Projects Limited

Corporate Information

LKPL is a NBFC registered with the RBI, and was incorporated on March 9, 1989. LKPL is engaged in the business of making investment in shares and providing loans.

LKPL has not made any public or rights issues in the preceding three years. LKPL is not a listed company.

Interest of the Promoter

Banwari Lal Mittal and Abha Mittal are the directors of LKPL and hold 609,965 and 449,950 equity shares respectively of LKPL. Collectively they hold more than 50% of the total paid up capital of LKPL.

Financial Information

The brief financial details of LKPL derived from its audited financial statements for the past three years are set forth below:

Particulars	<i>(In Rs. million, except share data)</i>		
	Fiscal 2009	Fiscal 2008	Fiscal 2007
Equity Capital	16.10	12.50	12.11
Reserves (excluding revaluation reserves) and surplus	334.25	266.92	219.65
Income (including other income)	3.44	12.91	6.30
Profit After Tax	(10.08)	8.66	5.34
Earning Per Share (face value 10 each)	-	6.93	4.41
Net asset value per share	217.59	223.52	191.35

There are no transactions between our Company and LKPL. However, MCap, in its capacity as an equity broker, executes transactions of sale and purchase of shares on behalf of LKPL, for which it earns a brokerage. For fiscal 2006, 2007, 2008, 2009 and six months period ended September 30, 2009 MCap has earned a brokerage of Rs. 0.06 million, Rs. 0.54 million, Rs. 0.41 million, Rs. 0.37 million and Rs. 0.24 million respectively. MCL, in its capacity as a commodity broker, executes transactions

on behalf of LKPL, for which it earns a brokerage. For fiscal 2006, 2007, 2008, 2009 and six months period ended September 30, 2009 MCL has earned a brokerage of Rs. NIL million, Rs. 0.03 million, Rs. 0.17 million, Rs. 0.01 million and Rs. 0.01 million respectively. The details of the aforesaid transactions have been included in the schedule of Related Party Transactions in the consolidated financial statements of our Company on page 184 of this Draft Red Herring Prospectus.

2. Micro Resources Private Limited (“Micro Resource”)

Corporate Information

Micro Resource was incorporated on March 27, 2000 under the Companies Act. Micro Resource is engaged in the business of Consultancy.

Micro Resource has not made any public or rights issues in the preceding three years and is not a listed company.

Interest of the Promoter

Banwari Lal Mittal holds 10,100 equity shares of Rs. 10 each of class A and 1,985 equity shares of Rs. 1,000 each of class B and Abha Mittal holds 100 equity shares of Rs. 10 each of class A of Micro Resources, which constitutes 99 % and 1% of the total paid up capital of Micro Resources.

Financial Information

The brief financial details of Micro Resource derived from its audited financial statements for the past three years are set forth below:

(In Rs. million, except share data)

Particulars	Fiscal 2009	Fiscal 2008	Fiscal 2007
Equity Capital	2.09	2.09	2.09
Reserves (excluding revaluation reserves) and surplus	0.82	0.82	0.82
Income (including other income)	0.19	0.02	0.17
Profit After Tax	0.02	(0.13)	(0.02)
Earning Per Share (face value Rs. 10each)	0.09	-	-
Net asset value per share	10.79	10.70	11.34

Business interest of Group Companies and Subsidiaries in our Company

None of our Group Companies and Subsidiaries have any business interest in our Company.

RELATED PARTY TRANSACTIONS

See page 184 of this Draft Red Herring Prospectus for a description of the related party transactions.

DIVIDEND POLICY

The declaration and payment of dividends will be recommended by the Board and approved by the shareholders of our Company, at their discretion and will depend on a number of factors, including but not limited to our profits and overall financial condition. The Board may also from time to time pay interim dividends.

In addition, the ability of our Company to pay dividends may be impacted by a number of factors, including restrictive covenants under the loan or financing arrangements we may enter into. The dividend declared by our Company during the last five fiscal years has been presented below:

Particulars	Fiscal 2009	Fiscal 2008	Fiscal 2007	Fiscal 2006	Fiscal 2005
Face Value of Equity Shares (Rs)	10	10	10	10	10
Interim dividend on each Equity Shares (Rs.)	-	1	1	-	-
Final dividend on each Equity Share (Rs.)	-	-	-	1	-
Dividend Rate (%)	-	10%	10%	10%	-

The amounts paid as dividend in the past are not necessarily indicative of the dividend policy of our Company or dividend amounts, if any, in the future.

SECTION V: FINANCIAL INFORMATION

FINANCIAL STATEMENTS

Auditors' Report

To
The Board of Directors
Microsec Financial Services Limited
Kolkata

Dear Sirs,

1. We have examined the Unconsolidated Restated Summary Statement of Assets and Liabilities of Microsec Financial Services Limited ('the Company') as at 31st March 2005, 2006, 2007, 2008, 2009 and as at 30th September, 2009 and the related Unconsolidated Restated Summary Statement of Profits and Losses and Unconsolidated Restated Summary Statement of Cash Flows, for the years ended 31st March 2005, 2006, 2007, 2008, 2009 and for the six months period ended 30th September, 2009 (collectively, the Unconsolidated Restated Summary Statements"). These Unconsolidated Restated Summary Statements have been prepared by the Company and approved by the Board of Directors for the proposed Initial Public Offer (referred to as the "Offer") in accordance with the requirements of:
 - a. paragraph B(1) of Part II of Schedule II to the Companies Act, 1956 ('the Act') and
 - b. The SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009 issued by Securities and Exchange Board of India ('SEBI'), on August 26, 2009 in pursuance of Section 30 of the Securities and Exchange Board of India Act, 1992 (the "SEBI Regulations").
2. We have examined such Unconsolidated Restated Summary Statements taking into consideration:
 - a. Revised Guidance Note on Reports in Company Prospectuses issued by the Institute of Chartered Accountants of India (the "ICAI") and
 - b. The respective terms of reference dated 20th October, 2009 received from the Company, requesting us to carry out the assignment, in connection with the Draft Offer Document being issued by the Company for its proposed Initial Public Offer.

The Management has informed that the Company proposes to make an offer of fresh issue of 12,500,000 equity shares, having a face value of Rs. 10 each, at an issue price to be arrived at by the book building process.

Unconsolidated Restated Summary Statements as per Audited Financial Statements:

3. The Unconsolidated Restated Summary Statements of the Company have been extracted by the management from the Unconsolidated Financial Statements of the Company for the years ended 31st March 2005, 2006, 2007, 2008, 2009 and for the six months period ended 30th September, 2009 which have been approved by the Board of Directors. The audit of the accounts for the financial year ended 31st March, 2005 was conducted by Sanjeev Kumar Mishra & Co., Chartered Accountants and for the years ended 31st March, 2006, 2007, 2008 and 2009 was conducted by Vidya & Co., Chartered Accountants.

This report, in so far as it relates to the amounts included for the financial years ended 31st March, 2005, 2006, 2007, 2008 and 2009 , is based on the Unconsolidated Audited Financial Statements of the Company which were audited by the above auditors and their audit reports have been relied upon by us for the said years.

4. In accordance with the requirements of Paragraph B of Part II of Schedule II of the Act, the SEBI Regulations and the terms of our engagement agreed with you, we further report that:

- i) The Unconsolidated Restated Summary Statements of the Company, including as at and for the years ended 31st March, 2005, 2006, 2007, 2008 and 2009 based on the audited financial statements of the Company which were audited by other auditors as stated in Para 3 above and on which reliance has been placed by us and as at and for the six months period ended 30th September, 2009 based on the audited financial statements of the Company audited by us, as set out in Annexures 1, 2 & 3 to this report are after making such adjustments and regroupings as in our opinion were appropriate and more fully described in Statement of Adjustments and Significant Accounting Policies & Notes (Refer Annexures 4 & 5).
- ii) Based on the above, and as per the reliance placed by us on the reports issued by other auditors for the respective years as stated above, we are of the opinion that
 - (a) the Unconsolidated Restated Summary Statements have been made, after incorporating:
 - (i) The impact arising on account of changes in accounting policies adopted by the Company as at and for the six months period ended 30th September, 2009 applied with retrospective effect in the Unconsolidated Restated Summary Statements;
 - (ii) Adjustments for the material amounts in the respective financial years to which they relate.
 - (b) There are no extraordinary items which need to be disclosed separately in the Unconsolidated Summary Statements; and
 - (c) There are no qualifications in the auditors' reports, which require any adjustments to the Unconsolidated Restated Summary Statements.

Other Unconsolidated Restated Financial Information:

- 5. At the Company's request, we have examined the following other Unconsolidated Financial Information, as restated, proposed to be included in the Draft Offer Document, prepared by the management and approved by the Board of Directors of the Company and annexed to this report relating to the Company, as at and for the years ended 31st March, 2005, 2006, 2007, 2008, 2009 and as at and for the six months period ended September 30, 2009. In respect of the years ended 31st March, 2005, 2006, 2007, 2008 & 2009 these information have been included based on the Audited Financial Statements which were audited by other auditors as stated in para 3 above and whose auditors' reports have been relied upon by us.
 - i. Statement of accounting ratios based on the adjusted profits relating to earning per share, net assets value, return on net worth enclosed as Annexure- 6.
 - ii. Statement of Related Party Transactions enclosed as Annexure -7.
 - iii. Statement of Segment Reporting enclosed as Annexure-8.
 - iv. Statement of Dividend Paid enclosed as Annexure-9.
 - v. Statement of Tax Shelter enclosed as Annexure-10.
 - vi. Capitalisation Statement as at 30th September 2009 enclosed as Annexure 11.
 - vii. Statement of Earnings per Share enclosed as -Annexure 12A.
 - viii. Statement of Fixed Assets enclosed as Annexure -12B.
 - ix. Statement of Investments enclosed as Annexure -12C.

- x. Statement of Debtors enclosed as Annexure -12D.
 - xi. Statement of Cash & Bank Balances enclosed as Annexure -12E.
 - xii. Statement of Loans & Advances enclosed as Annexure -12F.
 - xiii. Statement of Secured & Unsecured Loans enclosed as Annexure -12G & 12H.
 - xiv. Statement of Current Liabilities & Provisions enclosed as Annexure- 12I.
 - xv. Statement of Share Capital enclosed as Annexure -12J.
 - xvi. Statement of Reserves & Surplus enclosed as Annexure- 12K.
 - xvii. Statement of Income from Operations enclosed as Annexure 12L.
 - xviii. Statement of Staff cost enclosed as Annexure 12M.
 - xix. Statement of Administrative & Other expenses enclosed as Annexure 12N.
 - xx. Statement of Interest expenses enclosed as Annexure 12O.
6. In our opinion, other Unconsolidated Restated Financial Information, contained in the Annexures to this report as referred to above, read along with the Significant Accounting Policies & Notes as set out in Annexure 5 have been prepared after making adjustments and regroupings as considered appropriate, in accordance with SEBI Regulations.

Others

- 7. We have not audited any financial statements of the Company as of any date or for any period subsequent to September 30, 2009. Accordingly, we express no opinion on the financial position, results of operations or cash flows of the Company as of any date or for any period subsequent to September 30, 2009.
- 8. This report should not be in any way construed as a reissuance or redating of any of the previous audit reports issued by us or by other auditors, nor should this report be construed as a new opinion on any of the financial statements referred to herein.
- 9. We have no responsibility to update our report for events and circumstances occurring after the date of the report.
- 10. This report is intended solely for your information and for inclusion in the Draft Offer Document in connection with the proposed initial public offer of the Company, and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S.R. BATLIBOI & CO.
Chartered Accountants

per R.K.Agrawal
Partner
Membership No: 16667

Place: Kolkata

Date: March 5, 2010

Unconsolidated Restated Summary Statement of Assets and Liabilities – Annexure 1

(Rs. in Million)

	Particulars	As at 31st March					As at 30th September, 2009
		2005	2006	2007	2008	2009	
A.	Fixed Assets						
	Gross Block	-	30.46	61.35	73.75	124.53	124.88
	Less: Accumulated Depreciation/Amortization	-	0.54	4.60	12.04	18.87	23.87
	Net Block	-	29.92	56.75	61.71	105.66	101.01
B.	Investments	-	131.05	128.16	195.32	205.46	159.65
C.	Deferred Tax Asset (Net)	-	4.07	0.19	-	-	-
D.	Current Assets, Loans and Advances						
	Inventories	20.29	-	-	-	-	-
	Sundry Debtors	-	5.05	0.77	63.78	41.04	16.63
	Cash & Bank Balances	0.03	0.24	6.92	0.70	5.62	3.12
	Loans and Advances	-	7.15	7.37	290.83	237.25	259.70
	Total	20.32	12.44	15.06	355.31	283.91	279.45
E	Total Assets (A+B+C+D)	20.32	177.48	200.16	612.34	595.03	540.11
F	Liabilities & Provisions						
	Secured loans	-	-	-	81.25	-	15.58
	Unsecured loans	-	8.70	17.70	-	-	-
	Current Liabilities	-	0.10	2.26	2.63	7.96	8.87
	Provisions	-	11.46	3.21	0.14	0.06	4.34
	Deferred Tax Liability (Net)	-	-	-	1.11	3.75	4.94
	Total	-	20.26	23.17	85.13	11.77	33.73
G	Net Worth (E-F)	20.32	157.22	176.99	527.21	583.26	506.38
	Represented by:						
	Shareholders' Funds:						
a	Equity Share Capital	8.05	100.00	100.00	203.11	203.11	193.11
b	Preference Share Capital	-	-	27.00	-	-	-
c	Share Application Money (Pending Allotment)	-	24.02	-	-	-	-
d	Reserves & Surplus	12.31	33.20	49.99	324.10	380.15	313.27
	Total	20.36	157.22	176.99	527.21	583.26	506.38
	Less: Miscellaneous expenditure to the extent not written off	0.04	-	-	-	-	-
	Net Worth	20.32	157.22	176.99	527.21	583.26	506.38

Notes:

1. The above figures should be read along with the Statement of Significant Accounting Policies and Notes to the Restated Financial Statements as appearing in Annexure 5.
2. Necessary adjustments have been made to the audited financial statements in accordance with the requirements of Schedule VIII Part A Para IX(B) of The Securities & Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.

Unconsolidated Restated Summary Statement of Profits and Losses – Annexure 2

(Rs. in Million)

Particulars	For the years ended 31st March					Six months Period ended 30th September, 2009
	2005	2006	2007	2008	2009	
Income						
Income from Operations (Refer Annexure 12L)	1.37	17.03	39.54	127.77	142.40	87.55
Other Income	-	-	-	-	-	-
Increase in Stock	8.27	-	-	-	-	-
Total Income	9.64	17.03	39.54	127.77	142.40	87.55
Expenditure						
Purchases of Securities	9.60	-	-	-	-	-
Staff Cost	0.02	0.14	0.43	4.44	8.87	3.77
Administrative and Other Expenses	0.01	0.35	1.40	14.62	46.58	14.15
Interest	-	-	-	5.80	11.36	5.14
Depreciation/Amortization	-	0.54	4.06	7.45	6.83	5.00
Total Expenditure	9.63	1.03	5.89	32.31	73.64	28.06
Net Profit before tax	0.01	16.00	33.65	95.46	68.76	59.49
Provision for taxation:						
Current Tax	-	1.36	4.11	17.11	9.99	10.18
Deferred Tax Charge/(Credit)	-	(4.07)	3.88	1.30	2.64	1.19
Fringe Benefit Tax	-	-	0.01	0.02	0.07	-
MAT Credit Entitlement	-	-	(3.21)	-	-	-
Net Profit after tax	0.01	18.71	28.86	77.03	56.06	48.12
Balance Brought Forward	0.01	0.02	4.40	11.76	27.69	73.65
Profit available for Appropriation	0.02	18.73	33.26	88.79	83.75	121.77
Appropriations:						
Dividend on Equity Shares	-	10.00	10.00	10.00	-	-
Dividend on Preference Shares	-	-	0.45	-	-	-
Tax on Dividends	-	1.40	1.48	1.70	-	-
Transfer to reserve under section 45-IC of the Reserve Bank of India Act, 1934	-	2.93	9.57	17.40	10.10	9.60
Transfer to Capital Redemption Reserve	-	-	-	27.00	-	10.00
Amount utilised for Issue of Bonus Share	-	-	-	5.00	-	-
Surplus carried to Balance Sheet	0.02	4.40	11.76	27.69	73.65	102.17

Notes:

1. The above figures should be read along with the Statement of Significant Accounting Policies and Notes to the Restated Financial Statements as appearing in Annexure 5.
2. Necessary adjustments have been made to the audited financial statements in accordance with the requirements of Schedule VIII Part A Para IX(B) of The Securities & Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.

Unconsolidated Restated Summary Statement of Cash Flows – Annexure 3

(Rs. in Million)

Particulars	For the years ended 31st March					Six months Period ended 30th September, 2009
	2005	2006	2007	2008	2009	
A. Cash Flow from Operating Activities						
Net Profit before tax	0.01	16.00	33.65	95.46	68.76	59.49
Adjustments for :						
Depreciation/amortization	-	0.54	4.06	7.45	6.83	5.00
Provision for Non Performing Assets	-	-	-	-	-	0.13
Interest Expenses	-	-	-	5.80	11.36	5.14
Preliminary Expenses Written off	0.01	0.04	-	-	-	-
Irrecoverable debts/advances written off	-	-	-	-	0.61	0.10
Loss on assignment of receivables	-	-	-	-	-	11.27
Operating profit before working capital changes	0.02	16.58	37.71	108.71	87.56	81.13
(Increase)/Decrease in Inventories	(8.27)	-	-	-	-	-
(Increase)/Decrease in Debtors	2.08	(5.05)	4.28	(63.01)	22.13	24.31
(Increase)/Decrease in Loans & Advances	6.15	(7.15)	3.00	(280.48)	55.13	(38.38)
(Increase)/Decrease in Investments	-	(110.76)	2.89	(67.16)	(10.14)	45.81
Increase/(Decrease) in Current Liabilities & Provisions	(0.02)	0.10	2.16	0.50	5.25	0.94
Cash generated from/(used in) operations	(0.04)	(106.28)	50.04	(301.44)	159.93	113.81
Direct Taxes Paid	(0.01)	(1.30)	(0.97)	(23.29)	(11.61)	(1.41)
Net cash generated from/(used in) operating activities	(0.05)	(107.58)	49.07	(324.73)	148.32	112.40
B. Cash Flow from Investing Activities						
Purchase of Fixed Assets	-	(30.46)	(30.89)	(12.40)	(50.78)	(0.35)
Net cash generated from/(used in) investing activities	-	(30.46)	(30.89)	(12.40)	(50.78)	(0.35)
C. Cash Flow from Financing Activities						
Proceeds from Issue of Equity Share including Securities Premium	-	106.00	-	312.98	-	-
Buy Back of Equity Shares	-	-	-	-	-	(125.00)
Proceeds from Issue of Preference Share including Securities Premium	-	-	2.98	-	-	-
Share Application Money	-	24.02	-	-	-	-
Share Issue Expense	-	(0.47)	(0.15)	(1.12)	-	-
Redemption of Preference Shares	-	-	-	(27.00)	-	-
Proceeds from Borrowings	-	8.70	17.70	485.64	384.55	1,094.90
Repayment of Borrowings	-	-	(8.70)	(426.52)	(461.38)	(1,079.90)
Interest Paid	-	-	-	(1.37)	(15.79)	(4.55)
Dividend Paid	-	-	(20.45)	(10.00)	-	-
Dividend tax Paid	-	-	(2.88)	(1.70)	-	-

Particulars		For the years ended 31st March					Six months Period ended 30th September, 2009
		2005	2006	2007	2008	2009	
	Net cash generated from/(used in) financing activities	-	138.25	(11.50)	330.91	(92.62)	(114.55)
D.	Net change in cash and cash equivalents (A+B+C)	(0.05)	0.21	6.68	(6.22)	4.92	(2.50)
E.	Cash and Cash equivalents - Opening Balance	0.08	0.03	0.24	6.92	0.70	5.62
F.	Cash and Cash equivalents - Closing Balance*	0.03	0.24	6.92	0.70	5.62	3.12

* represents Cash and Bank balances as indicated in Annexure- 12E

Unconsolidated Statement of adjustments made to the Audited Financial Statements – Annexure – 4
(Rs. in Million)

Particulars	For the year ended 31st March					Six Months Period ended 30th September, 2009
	2005	2006	2007	2008	2009	
Net Profit after tax as per Audited Profit and Loss Account	0.01	14.64	29.88	86.72	49.61	47.93
Adjustments on account of :						
Provision for Gratuity	-	-	-	0.10	(0.01)	(0.01)
Provision for Leave	-	-	-	0.02	(0.03)	0.01
Liabilities no longer required, written back	-	-	-	-	-	(0.08)
Expenses relating to earlier years. (refer note below)	-	-	-	(10.28)	9.85	0.43
Total adjustments before tax	-	-	-	(10.16)	9.81	0.35
Adjustments for taxation						
Provision for Current Income Tax	-	-	(0.35)	0.61	(3.33)	(0.14)
MAT Credit Entitlement	-	-	3.21	-	-	-
Deferred Tax	-	4.07	(3.88)	(0.14)	(0.03)	(0.02)
Total adjustments for taxation	-	4.07	(1.02)	0.47	(3.36)	(0.16)
Net adjustments	-	4.07	(1.02)	(9.69)	6.45	0.19
Restated Net Profit after tax	0.01	18.71	28.86	77.03	56.06	48.12

Note						
The break up and nature of expenses relating to earlier years is as follows:						
Legal & Professional Fees	-	-	-	(7.31)	7.31	-
Rates & Taxes	-	-	-	(2.93)	2.50	0.43
Travelling & Conveyance	-	-	-	(0.04)	0.04	-
Total	-	-	-	(10.28)	9.85	0.43

Annexure – 5:

Statement of Significant Accounting Policies and Notes to the Unconsolidated Restated Financial Statements:

A. SIGNIFICANT ACCOUNTING POLICIES

i) Basis of preparation

The financial statements have been prepared to comply in all material aspects with the Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956 and the directives as prescribed by the Reserve Bank of India for Non Banking Financial Companies. The financial statements have been prepared under the historical cost convention on an accrual basis. However, income is not recognized and also provision is made in respect of non- performing assets as per the prudential norms prescribed by the Reserve Bank of India.

ii) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of financial statements and the results of operations during the reporting year end. Although these estimates are based upon the management's best knowledge of current events and actions, actual results could differ from these estimates.

iii) Revenue Recognition

- a) Fees from Investment Banking activities which include issue Management, Mergers & Acquisitions, Investment and other advisory services are recognized as and when the services are rendered to the customers and when there is reasonable certainty of its ultimate realisation/collection.
- b) Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.
- c) Dividend income is recognized when the shareholder's right to receive payment is established by the balance sheet date. Dividend from the Subsidiaries is recognised even if the same are declared after the Balance Sheet date but pertain to the period on or before the date of Balance Sheet, as per the requirement of Schedule VI of the Companies Act, 1956.
- d) Income from Royalty is recognised on an accrual basis in accordance with the terms of the relevant agreement.

iv) Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and impairment, if any. Cost comprises the purchase price inclusive of duties (net of cenvat credit), taxes and incidental expenses, etc. up to the date, the asset is ready for its intended use.

v) Depreciation/Amortisation

- a) Depreciation on fixed assets is provided on written down value method at the rates specified in schedule XIV to the Companies Act, 1956.
- b) Depreciation on Fixed Assets added/disposed off during the period is provided on prorata basis with reference to the date of addition/disposal.
- c) In case of impairment, if any, depreciation is provided on the revised carrying

amount of the assets over their remaining useful life.

- d) Copyrights are amortized on straight-line basis over a period of ten years from the date the assets become available for use.
- e) Softwares are amortized on straight line basis over a period of three years from the date the assets become available for use.

vi) **Impairment of Assets:**

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment based on external/internal factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount which represents the greater of the net selling price and 'Value in use' of the assets. The estimated future cash flows considered for determining the value in use, are discounted to their present value at the weighted average cost of capital.

vii) **Borrowing Costs:**

Borrowing costs relating to acquisition / construction of qualifying assets are capitalized until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

viii) **Investments**

Investments that are readily realisable and intended to be held for not more than a year are classified as Current Investments. All other Investments are classified as Long term Investments. Current Investments are stated at lower of cost and market rate on an individual investment basis. Long term investments are considered "at cost" on individual investment basis, unless there is a decline other than temporary in the value, in which case adequate provision is made against such diminution in the value of investments.

ix) **Provisions**

A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions made in terms of Accounting Standard 29 are not discounted to its present value and are determined based on management estimate required to settle the obligation, at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current management estimates.

x) **Contingencies**

Liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty are treated as contingent and disclosed by way of notes to the accounts.

xi) **Taxation**

Tax expense comprises of current, deferred and Fringe Benefit tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred Income tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

The deferred tax for timing differences between the book and tax profit for the year is accounted for using the tax rates and laws that have been substantively enacted as of the Balance Sheet date. Deferred tax asset is recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax asset can be realised. If the Company has carry forward unabsorbed depreciation and tax

losses, deferred tax asset is recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient taxable income will be available in future against which such deferred tax asset can be realised.

The carrying amount of deferred tax asset is reviewed at each Balance Sheet date. The company writes down the carrying amount of a Deferred Tax Asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

At each Balance Sheet date, the company recognizes the unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax asset can be realized.

Minimum Alternative Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in the guidance note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay normal Income Tax during the specified period.

xii) **Segment Reporting:**

a) **Identification of Segments :**

The Company has identified that its business segments are the primary segments. The Company's operating businesses are organized and managed separately according to the nature of products/services provided, with each segment representing a strategic business unit that offers different products/services and serves different markets. The analysis of geographical segments is based on the areas in which the customers of the Company are located.

b) **Allocation of Common Costs:**

Common allocable costs are allocated to each segment on case to case basis applying the ratio, appropriate to each relevant case. Revenue and expenses which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis are included under the head "Unallocated –Common".

The accounting policies adopted for segment reporting are in line with those of the Company.

xiii) **Retirement and other employees benefits**

- (a) Gratuity liability being a defined benefit obligation is provided for on the basis of actuarial valuation on projected unit credit method at the end of each year.
- (b) Long term compensated absences are provided for based on actuarial valuation on projected unit credit method at the end of each year.
- (c) Actuarial gains / losses are immediately taken to profit and loss account and are not deferred.

xiv) **Earnings per Share**

Earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders, by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

xv) **Employee Stock Compensation Cost**

Measurement and disclosure of the employee share-based payment plans is done in accordance with the guidance note on accounting for employee share-based payment, issued by the Institute of Chartered Accountants of India. The Company measures compensation cost relating to employee stock options using the intrinsic value method. The compensation expense is amortised over the vesting period of the options on a straight line basis.

xvi) **Cash and Cash equivalents**

Cash and cash equivalents in the cash flow statement comprise of cash at bank and Cash/Cheque in hand and short-term investments with an original maturity of three months or less.

B. NOTES ON ACCOUNTS:

1) **Auditor's qualification (Not requiring any adjustments in the financial statements)**

Auditors Report

Since the interim financial statements for the six months period ended 30th September, 2009 have been prepared for the limited purpose i.e. for inclusion in the restated financial statements, the comparative figures for the corresponding previous six months have not been compiled by the Company and thus are not disclosed in the said accounts. Non disclosure of figures for the corresponding previous six months in the said interim financial statements is not in accordance with Accounting Standard 25 notified by Companies Accounting Standard Rules, 2006 and accordingly, the statutory auditors have given a qualification for the above matter. However, the above non disclosure has no impact on these restated financial statements.

CARO Report

Financial year ended 31st March 2009

During the year 2008-09, certain parties from whom unsecured loans aggregating to Rs. 52.03 Million were outstanding and, along with certain other persons, fraudulently misrepresented to the Company and there was an element of both civil and criminal offences by the said parties and accordingly the Company had initiated necessary proceedings both civil and criminal against the said parties. However, the said loans have been assigned during the period ended 30th September 2009 in favour of another Company and necessary adjustments thereof, have been made in the accounts as indicated in note 6 below.

Financial year ended 31st March 2006 & 2007

On the basis of overall examination of the balance sheet of the Company, certain short term funds to the tune of Rs. 7.81 Million and Rs. 10.98 Million in the financial year ended 31st March, 2006 and 31st March, 2007 respectively have been used for long term investments.

2) The year wise break up of Contingent Liabilities is as under:

(Rs. in Million)

Particulars	As at 31 st March 2005	As at 31 st March 2006	As at 31 st March 2007	As at 31 st March 2008	As at 31 st March 2009	As at 30 th September, 2009
Guarantees in favour of Banks against facilities granted to Subsidiary Companies.	-	-	60.00	150.00	275.00	275.00
Credit facilities availed against the above as on the Balance Sheet date.	-	-	-	-	3.50	43.50

- 3) Based on the information / documents available with the Company, no creditor is covered under Micro, Small and Medium Enterprise Development Act, 2006. As a result, no interest provision/payments have been made by the Company to such creditors, if any, and no disclosures thereof are made in these accounts
- 4) During the period ended 30th September, 2009, the company has bought back 10,00,000 equity shares from the existing shareholders at a price of Rs. 125 per share (including premium of Rs. 115 per share) on proportionate basis, u/s 77A of the Companies Act, 1956, pursuant to the letter of offer dated 25th April 2009. The aforesaid buy back of shares has been approved by the board at its meeting held on 2nd March 2009 and by the shareholders at the extraordinary general meeting held on 28th March 2009. The said shares stand extinguished after their buy back. Accordingly, a sum of Rs. 10 million representing the face value has been reduced from the Share Capital and an equal amount has been transferred to Capital Redemption Reserve and Rs. 115 million has been adjusted against Securities Premium Account.
- 5) The Company, under the Employees Stock Option Scheme, 2007 (The Scheme), had granted options for 6,22,805 shares exercisable only after listing of the shares of the Company at National Stock Exchange and/or Bombay Stock Exchange. By an agreement dated 17.08.2009, between the Company and the respective employees, the said options have been terminated.

The details of the above Employee Stock Option Scheme is as under:

Date of grant	21.01.2008
Date of Board Approval	03.09.2007
Date of Shareholder's approval	28.09.2007
Number of options granted	622805
Method of Settlement (Cash/Equity)	Equity
Vesting Period	15 Days from the date of grant letter
Vesting Condition	Continued employment with the company and/or its subsidiary at the date of vesting.
Exercise Period	Maximum of 6 years from the date of grant.

Outstanding at the beginning of the year	622805
Granted during the year	Nil

Terminated during the year	622805
Exercised during the year	Nil
Expired during the year	Nil
Outstanding at the end of the year	Nil
Exercisable at the end of the year	Nil
Weighted average remaining contractual life (in years)	Not Applicable
Weighted average fair value of options granted	Not Applicable

- 6) During the period ended 30th September, 2009, the Company has entered into an agreement with Mandapam Commercial Limited for assignment of receivables from certain parties at a total consideration of Rs. 45.07 Million as against loan receivables of Rs. 56.34 Million from the said parties. The above arrangement has resulted into a loss of Rs. 11.27 Million for the Company which has been charged to profit and loss account.
- 7) During the year 2005-06, the Company's wholly owned subsidiary namely Ravindra Shelter Limited (a Consultancy & Advisory Services Company) was amalgamated with the Company with effect from 1st December, 2005 in terms of the scheme of amalgamation u/s 391 & 394 of the Companies Act, 1956 approved by Hon'ble Kolkata High Court vide its order dated 5th April 2006. Pursuant to the said scheme of amalgamation, assets and liabilities of the amalgamating company as on the date of amalgamation were incorporated in the Company's books in accordance with the Accounting Standard 14 notified by Companies Accounting Standard Rules, 2006 by applying the "purchase method" at a purchase consideration of Rs. 8.67 million. Cash, Bank Balances and net current assets were recorded at the book values and the balance of the Company's investments in the shares of the said amalgamating Company was allocated to the remaining assets on proportionate basis.
- 8) During the year 2008-09, the Company's wholly owned subsidiary namely Shringar Vinimay Private Limited (a Consultancy Services Company) was amalgamated with the Company with effect from 1st March, 2009 in terms of the scheme of amalgamation u/s 391 & 394 of the Companies Act, 1956 approved by Hon'ble Kolkata High Court vide its order dated 24th August 2009. Pursuant to the said scheme of amalgamation, assets and liabilities of the amalgamating company as on the date of amalgamation were incorporated in the Company's books in accordance with the Accounting Standard 14 notified by Companies Accounting Standard Rules, 2006 by applying the "purchase method" at a purchase consideration of Rs. 20.14 million. Cash, Bank Balances, net current assets and part of investments were recorded at the book values and the balance of the Company's investments in the shares of the said amalgamating Company was allocated to the remaining assets on proportionate basis.
- 9) The Company has provided gratuity liabilities with effect from 1st April, 2009 as per Actuarial Valuation on the basis of Accounting Standard 15 (Revised) - "Employee Benefits" notified by the Companies Accounting Standard Rules, 2006, as against the past practice of providing the same on the basis of amount demanded by LIC for the covered employees as per group Gratuity Scheme taken by the Company. The effect of compliance with regard to the above has now been given in the accounts of respective financial years and duly disclosed vide Annexure 4.
- 10) The Company has provided leave liabilities with effect from 1st April, 2009 as per Actuarial Valuation on the basis of Accounting Standard 15 (Revised) - "Employee Benefits" notified by the Companies Accounting Standard Rules, 2006, as against the past practice of providing the same on management estimate. The effect of compliance with regard to the above has now been given in the accounts of the respective financial years and duly disclosed vide Annexure 4.
- 11) Gratuity – Defined Benefit Plan

The Company has a defined benefit gratuity plan. Every employee, who has completed five years or more of services, is entitled to gratuity on terms not less favorable than the provisions of the payment of Gratuity Act, 1972. The scheme is funded with an insurance Company.

The following tables summarise the components of gratuity expenses recognised in the Restated Profit & Loss Account and the funded status and amounts recognized in the Restated Assets and Liabilities.

(Rs. in Million)						
		Six months period ended 30th September, 2009	2008-09	2007-08	2006-07	2005-06
(i)	Net Employee Expense /(benefit)					
	Current service cost	0.04	0.09	0.11	-	-
	Interest cost on benefit obligation	0.01	0.01	-	-	-
	Expected return on plan assets	0.01	-	-	-	-
	Net Actuarial (gain) /loss recognised in the year/period.	(0.03)	(0.07)	0.01	-	-
	Total employer (income)/expense recognised in Profit and Loss Account	0.01	0.03	0.12	-	-
(ii)	Benefit Asset/(Liability)					
	Defined benefit obligation	0.18	0.16	0.12	-	-
	Fair value of Plan Assets	0.26	0.23	-	-	-
	Benefit Asset/(Liability)	0.08	0.07	(0.12)	-	-
(iii)	Movement in benefit liability					
	Opening defined benefit obligation	0.16	0.12	-	-	-
	Interest cost	0.01	0.01	-	-	-
	Current service cost	0.04	0.09	0.11	-	-
	Benefits paid	-	-	-	-	-
	Actuarial (gains)/losses on obligation	(0.03)	(0.06)	0.01	-	-
	Closing benefit obligation	0.18	0.16	0.12	-	-
(iv)	Movement in fair value of plan assets					
	Opening fair value of plan assets	0.23	-	-	-	-
	Return on plan assets	0.01	-	-	-	-
	Contributions by employer	0.02	0.22	-	-	-
	Benefits paid	-	-	-	-	-

		Six months period ended 30th September, 2009	2008- 09	2007- 08	2006- 07	2005- 06
	Actuarial (gains)/losses on plan assets	-	(0.01)	-	-	-
	Closing fair value of plan assets	0.26	0.23	-	-	-
(v)	The major categories of plan assets as a percentage of the fair value of total plan assets					
	Investments with insurance managed fund	100%	100%	100%	100%	100%
(vi)	The principal actuarial assumptions are as follows					
	Discount Rate	7.50%	7.50%	7.50%	7.50%	7.50%
	Expected rate of return on assets	8.00%	8.00%	8.00%	8.00%	8.00%
	Salary increase	5.00%	5.00%	5.00%	5.00%	5.00%
	Withdrawal rates	1.00%	1.00%	1.00%	1.00%	1.00%
(vii)	Amount incurred as expense for defined contribution plans					
	Contribution to Provident / Pension fund	Not Applicable				
(viii)	The estimates of future salary increases considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.					
(ix)	The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.					
(x)	The Company expects to contribute Rs. 0.25 Million to Gratuity fund during Oct 09-Sep 10.					
(xi)	Amounts for the current period are as follows :					
	Gratuity					
	Defined Benefit Obligation	0.18	0.16	0.12	-	-
	Plan Assets	0.26	0.23	-	-	-
	Surplus / (Deficit)	0.08	0.07	(0.12)	-	-
	Experience adjustments on plan liabilities*	Not Available				
	Experience adjustments on plan assets*	Not Available				

*The management has relied on the overall actuarial valuation conducted by the actuary. However, experience adjustments on plan liabilities and plan assets are not readily available

and hence not disclosed.

There were no employees in the Company as at 31st March, 2005 and hence no actuarial valuation was carried out for the year 2004-05.

- 12) The year wise break-up of net deferred tax liability/(assets) is as under:

(Rs. in Million)						
Particulars	As at 31st March, 2005	As at 31st March, 2006	As at 31st March, 2007	As at 31st March, 2008	As at 31st March, 2009	As at 30 th September, 2009
Deferred Tax Liability						
Timing Difference in Depreciable assets	-	-	-	1.16	3.77	5.01
Sub Total (A)	-	-	-	1.16	3.77	5.01
Deferred Tax Asset						
Timing Difference in Depreciable assets	-	4.07	0.19	-	-	-
Expenses Allowable against taxable income in future years	-	-	-	0.05	0.02	0.07
Sub Total (B)	-	4.07	0.19	0.05	0.02	0.07
Net Deferred Tax (Assets)/Liability (A-B)	-	(4.07)	(0.19)	1.11	3.75	4.94

- 13) Minimum Alternate Tax (MAT) credit entitlement of Rs. 7.35 Million as on 30th September, 2009, although being available as tax credit for set off in future years as per Income Tax Act, 1961, has not been accounted for in view of accounting policy specified in note no. A (xi) above.
- 14) In the audited financial statements, MAT credit entitlement for earlier years was adjusted against the current taxes in the year normal tax was payable. For the purpose of restated unconsolidated financial statements, the same has been restated and adjusted in the respective year to which they relate.
- 15) In the audited financial statements for the years ended 31st March, 2006, 31st March, 2007, 31st March, 2008, 31st March, 2009 and for the six months period ended 30th September, 2009, certain deferred tax for earlier years were recorded in the subsequent years/period. For the purpose of restated unconsolidated financial statements, the same has been restated and adjusted in the respective year to which they relate.
- 16) In the year 2008-09, the Company had made a provision of Rs. 27.85 million for the diminution in the value of investments and accordingly the investments were shown at gross value and net of provisions in the audited accounts for the above year. The said provision has subsequently been adjusted in the accounts for the period ended 30th September, 2009 against investments written off to the above extent. However, in the restated financial statements, investments have been shown at net value.
- 17) In the financial year 2005-06, the name of the Company was changed from “Satyam Fiscal Services Private Limited” to “Microsec Financial Services Limited”.
- 18) During the year 2005-06, the Company had transferred the Opening inventories amounting to Rs. 20.29 million to investments at its book value as on 1st April, 2005.
- 19) For the financial year ended 31st March, 2005, the accounts were audited by Sanjeev Kumar

Mishra & Co., Chartered Accountants and for the years ended 31st March 2006, 2007, 2008 and 2009, the accounts were audited by Vidya & Co., Chartered Accountants.

- 20) Since, the figures are given in million, figures less than Rs. 5000/- have not been disclosed in these restated financial statements.

Unconsolidated Statement of Adjusted Accounting Ratios – Annexure 6

Accounting Ratios	For the years ended 31st March,					Six Months Period ended 30th September, 2009
	2005	2006	2007	2008	2009	
Basic & Diluted Earning per Share (Rs.)	-	1.25	1.81	4.57	2.76	2.46 *
(Nominal Value Rs.10 Per Share)						
Net Asset Value per Share (Rs.)	1.61	8.87	9.55	31.27	28.72	25.91
Return on Net Worth (%)	0.05%	14.05%	18.90%	14.61%	9.61%	9.50%

* Not Annualised

The impact on Earnings per share and Net Assets Value per share on account of issue of Bonus Shares is as follows:						
Basic & Diluted Earning per Share (Rs.)	(0.01)	(0.71)	(1.02)	-	-	-
Net Asset Value per Share (Rs.)	(23.62)	(5.06)	(5.45)	-	-	-

Notes:

Definition of Ratios:

- | | |
|-------------------------------------|---|
| a) Earning per share (EPS) | Restated Profit after tax as per statement of Restated Profit & Loss, as reduced by preference dividend for the year/period (including dividend tax), divided by the weighted average number of outstanding equity shares during the year/period. |
| b) Net Asset Value per share | Net worth as per statement of Restated Assets and Liabilities, as reduced by Preference Share Capital/Preference Share Application money, divided by the weighted average number of outstanding equity shares during the year/period. |
| c) Return on net worth (%) | Restated Profit after tax as per statement of Restated Profit and Loss as reduced by preference dividend for the year/period (including dividend tax), divided by net worth, as reduced by Preference Share Capital/Preference Share Application money. |

Unconsolidated Statement of Related Party Transactions – Annexure – 7

Names of the Related Parties

Subsidiary Companies	Microsec Capital Limited (From 24th November, 2005) Microsec Commerze Limited (From 24th November, 2005) Microsec Insurance Brokers Limited (Formerly Microsec Risk Management Limited) (From 24th November, 2005) Microsec Resources Private Limited (From 1st February, 2006) Microsec Technologies Limited (Formerly MIL Technologies Limited) (From 30th March, 2006) PRP Technologies Limited (From 8th February, 2009)
Key Management Personnel	B.L.Mittal (Chairman & Managing Director) Ravi Kant Sharma (Director) Rakesh Sony (Director) * L.N.Mandhana (Chief Financial Officer) #
Relatives of Key Management Personnel	Mrs. Abha Mittal (Wife of Mr.Banwari Lal Mittal) Mr. Narsingh Mittal (Brother of Mr. Banwari Lal Mittal) Mr. Rajiv Sharma (Brother of Mr.Ravi Kant Sharma) Mr. Sajjan Kumar Sharma (Father of Mr.Ravi Kant Sharma) Mrs. Bharati Sharma (Wife of Mr.Ravi Kant Sharma) Mrs.Sangita Mandhana (Wife of Mr.L.N.Mandhana) #
Enterprise in which Key Management Personnel Exercise a Significant Influence	Luv-Kush Projects Limited Micro Resources Private Limited B. L. Mittal (HUF)

* upto 7th October, 2008

resigned with effect from 20th November, 2009

Statement of Aggregated Related Party Transactions as per Accounting Standard 18 for the Reporting Period

(Rs. in million)						
Particulars	Time Period	Subsidiary Companies	Key Management Personnel	Relatives of Key Management Personnel	Enterprises in which Key Management personnel exercises significant influence	TOTAL
Remuneration						
Mr.Rajiv Sharma	2006-07			0.12		0.12
	2005-06			0.07		0.07
Mr. B. L. Mittal	Apr-Sep 09		1.39			1.39
	2008-09		2.60			2.60

Particulars	Time Period	Subsidiary Companies	Key Management Personnel	Relatives of Key Management Personnel	Enterprises in which Key Management personnel exercises significant influence	TOTAL
	2007-08		1.85			1.85
Mr. L. N. Mandhana	Apr-Sep 09		0.56			0.56
	2008-09		1.10			1.10
	2007-08		0.60			0.60
Refund of Loans & Advances						
Microsec Capital Ltd.	Apr-Sep 09	12.27				12.27
	2008-09	1,254.23				1,254.23
	2007-08	744.64				744.64
	2006-07	51.19				51.19
	2005-06	39.92				39.92
Microsec Resources Pvt. Ltd.	Apr-Sep 09	55.68				55.68
	2008-09	160.79				160.79
	2007-08	143.85				143.85
	2006-07	35.17				35.17
	2005-06	15.48				15.48
Luv Kush Projects Limited	Apr-Sep 09				-	-
	2008-09				14.00	14.00
Others	Apr-Sep 09	7.09	0.19	-		7.28
	2008-09	5.45	-	-		5.45
	2007-08	8.40	-	-		8.40
	2006-07	-	-	-		-
	2005-06	2.67	-	0.14		2.81
Loans &						

Particulars	Time Period	Subsidiary Companies	Key Management Personnel	Relatives of Key Management Personnel	Enterprises in which Key Management personnel exercises significant influence	TOTAL
Advances Given						
Microsec Capital Ltd.	Apr-Sep 09	-				-
	2008-09	1,206.67				1,206.67
	2007-08	797.78				797.78
	2006-07	46.17				46.17
	2005-06	25.34				25.34
Microsec Resources Pvt. Ltd.	Apr-Sep 09	55.68				55.68
	2008-09	160.74				160.74
	2007-08	143.90				143.90
	2006-07	33.23				33.23
	2005-06	0.02				0.02
Microsec Technologies Ltd.	Apr-Sep 09	9.31				9.31
	2008-09	16.13				16.13
	2007-08	5.05				5.05
Luv Kush Projects Limited	Apr-Sep 09				-	-
	2008-09				14.00	14.00
Others	Apr-Sep 09	8.67	-	-		8.67
	2008-09	2.24	0.19	-		2.43
	2007-08	5.80		-		5.80
	2006-07	-		-		-
	2005-06	0.68		0.14		0.82
Service Charges						
Microsec Capital Ltd.	Apr-Sep 09	0.03				0.03

Particulars	Time Period	Subsidiary Companies	Key Management Personnel	Relatives of Key Management Personnel	Enterprises in which Key Management personnel exercises significant influence	TOTAL
	2008-09	0.06				0.06
	2007-08	0.04				0.04
Interest Income						
Microsec Resources Pvt. Ltd.	Apr-Sep 09	-				-
	2008-09	-				-
	2007-08	-				-
	2006-07	-				-
	2005-06	0.79				0.79
Royalty Received						
PRP Technologies Ltd	Apr-Sep 09	1.53				1.53
	2008-09	0.03				0.03
Purchase of Shares						
Mr. B. L. Mittal	Apr-Sep 09		-			-
	2008-09		-			-
	2007-08		-			-
	2006-07		-			-
	2005-06		1.04			1.04
Abha Mittal	Apr-Sep 09			-		-
	2008-09			-		-
	2007-08			-		-
	2006-07			-		-
	2005-06			2.34		2.34
Others	Apr-Sep 09		-			-
	2008-09		-			-

Particulars	Time Period	Subsidiary Companies	Key Management Personnel	Relatives of Key Management Personnel	Enterprises in which Key Management personnel exercises significant influence	TOTAL
	2007-08		-			-
	2006-07		-			-
	2005-06		0.06			0.06
Share Application Money Received						
Luv Kush Projects Limited	Apr-Sep 09				-	-
	2008-09				-	-
	2007-08				52.00	52.00
	2006-07				2.99	2.99
	2005-06				152.75	152.75
Others	Apr-Sep 09		-			-
	2008-09		-			-
	2007-08		-			-
	2006-07		-			-
	2005-06		0.29			0.29
Share Application Money Refunded						
Luv Kush Projects Limited	Apr-Sep 09				-	-
	2008-09				-	-
	2007-08				52.00	52.00
	2006-07				-	-
	2005-06				0.95	0.95
Others	Apr-Sep 09		-			-
	2008-09		-			-
	2007-		-			-

Particulars	Time Period	Subsidiary Companies	Key Management Personnel	Relatives of Key Management Personnel	Enterprises in which Key Management personnel exercises significant influence	TOTAL
	08					
	2006-07		-			-
	2005-06		0.29			0.29
Equity Share Capital Issued (Including Premium)						
Luv Kush Projects Limited	Apr-Sep 09				-	-
	2008-09				-	-
	2007-08				-	-
	2006-07				-	-
	2005-06				106.00	106.00
Rakesh Sony	Apr-Sep 09		-			-
	2008-09		-			-
	2007-08		18.00			18.00
Ravi Kant Sharma	Apr-Sep 09		-			-
	2008-09		-			-
	2007-08		26.03			26.03
B.L.Mittal	Apr-Sep 09		-			-
	2008-09		-			-
	2007-08		-			-
	2006-07		-			-
	2005-06		72.00			72.00
Kavita Sony	Apr-Sep 09			-		-
	2008-09			-		-
	2007-08			18.00		18.00

Particulars	Time Period	Subsidiary Companies	Key Management Personnel	Relatives of Key Management Personnel	Enterprises in which Key Management personnel exercises significant influence	TOTAL
Bharati Sharma	Apr-Sep 09			-		-
	2008-09			-		-
	2007-08			9.23		9.23
Others	Apr-Sep 09		-	-		-
	2008-09		-	-		-
	2007-08		0.30	-		0.30
	2006-07		-	-		-
	2005-06		0.09	0.18		0.27
Preference Share Capital Issued						
Luv Kush Projects Limited	Apr-Sep 09				-	-
	2008-09				-	-
	2007-08				-	-
	2006-07				27.00	27.00
Preference Share Capital Redeemed						
Luv Kush Projects Ltd	Apr-Sep 09				-	-
	2008-09				-	-
	2007-08				27.00	27.00
Dividend Paid						
Mr. B. L. Mittal	Apr-Sep 09		-			-
	2008-09		-			-
	2007-08		8.00			8.00
	2006-07		16.00			16.00

Particulars	Time Period	Subsidiary Companies	Key Management Personnel	Relatives of Key Management Personnel	Enterprises in which Key Management personnel exercises significant influence	TOTAL
Luv Kush Projects Limited	Apr-Sep 09				-	-
	2008-09				-	-
	2007-08				1.95	1.95
	2006-07				4.35	4.35
Others	Apr-Sep 09		-	-		-
	2008-09		-	-		-
	2007-08		0.01	0.04		0.05
	2006-07		0.02	0.08		0.10
Investment in Equity Shares						
Microsec Resources Pvt Ltd	Apr-Sep 09	-				-
	2008-09	-				-
	2007-08	10.00				10.00
Security Deposit Received						
Microsec Capital Ltd.	Apr-Sep 09	-				-
	2008-09	-				-
	2007-08	-				-
	2006-07	1.02				1.02
						-
Security Deposit Refunded						
Microsec Capital Ltd.	Apr-Sep 09	-				-
	2008-09	-				-
	2007-08	-				-
	2006-07	1.02				1.02
						-
Corporate Guarantee given						

Particulars	Time Period	Subsidiary Companies	Key Management Personnel	Relatives of Key Management Personnel	Enterprises in which Key Management personnel exercises significant influence	TOTAL
Microsec Capital Ltd.	Apr-Sep 09	150.00				150.00
	2008-09	150.00				150.00
	2007-08	150.00				150.00
	2006-07	60.00				60.00
Microsec Technologies Ltd	Apr-Sep 09	125.00				125.00
	2008-09	125.00				125.00
Balances Receivable						
Microsec Capital Ltd.	30-Sep-09	3.45				3.45
	31-Mar-09	5.58				5.58
	31-Mar-08	53.15				53.15
	31-Mar-07	-				-
	31-Mar-06	5.03				5.03
Microsec Technologies Ltd	30-Sep-09	17.26				17.26
	31-Mar-09	14.54				14.54
	31-Mar-08	1.50				1.50
Microsec Resources Pvt. Ltd.	30-Sep-09	-				-
	31-Mar-09	-				-
	31-Mar-08	0.05				0.05
	31-Mar-07	-				-

Particulars	Time Period	Subsidiary Companies	Key Management Personnel	Relatives of Key Management Personnel	Enterprises in which Key Management personnel exercises significant influence	TOTAL
	31-Mar-06	1.94				1.94
Others	30-Sep-09	3.67	-			3.67
	31-Mar-09	0.82	0.19			1.01
	31-Mar-08	0.95				0.95

**Unconsolidated Restated Statement of Segment Information as per Accounting Standard 17 for the Reporting Periods
Annexure - 8**

(Rs. In Million)

Particulars	Financing & Investment					Investment Banking & Related Services							Total					
	2004-05	2005-06	2006-07	2007-08	2008-09	Apr-Sep 09	2004-05	2005-06	2006-07	2007-08	2008-09	Apr-Sep 09	2004-05	2005-06	2006-07	2007-08	2008-09	Apr-Sep 09
Segment Revenue	1.37	5.49	21.50	57.41	80.77	66.73	-	11.54	18.04	70.36	61.63	20.82	1.37	17.03	39.54	127.77	142.40	87.55
Segment Results	0.01	5.02	18.58	39.35	20.99	42.29	-	11.07	15.17	58.19	50.68	19.24	0.01	16.09	33.75	97.54	71.67	61.53
Less: Unallocated expenses net of unallocated income													-	0.09	0.10	2.08	2.91	2.04
Profit Before Tax													0.01	16.00	33.65	95.46	68.76	59.49
Less : Provision for Taxation																		
Current Tax													-	1.36	4.11	17.11	9.99	10.18
Deferred Tax charge/(credit)													-	(4.07)	3.88	1.30	2.64	1.19
Fringe Benefit Tax													-	-	0.01	0.02	0.07	-
MAT Credit Entitlement													-	-	(3.21)	-	-	-
Net Profit after Tax													0.01	18.71	28.86	77.03	56.06	48.12
Segment Assets	20.29	23.91	38.25	387.84	402.38	359.49	-	19.85	29.14	31.89	28.44	24.58	20.29	43.76	67.39	419.73	430.82	384.07
Unallocated Corporate Assets													0.03	133.72	132.77	192.61	164.21	156.04
Total Assets													20.32	177.48	200.16	612.34	595.03	540.11
Segment Liabilities	-	8.70	17.70	81.94	6.75	21.75	-	-	0.05	0.28	0.35	1.11	-	8.70	17.75	82.22	7.10	22.86
Unallocated Corporate Liabilities													-	11.56	5.42	2.91	4.67	10.87
Total Liabilities													-	20.26	23.17	85.13	11.77	33.73
Capital Expenditure	-	15.23	15.44	6.20	50.35	0.27	-	15.23	15.45	6.20	0.43	0.08	-	30.46	30.89	12.40	50.78	0.35
Net Capital Employed	20.29	15.21	20.55	305.90	395.63	337.74	-	19.85	29.09	31.61	28.09	23.47	20.29	35.06	49.64	337.51	423.72	361.21
Depreciation/Amortization	-	0.27	2.03	3.72	3.48	4.41	-	0.27	2.03	3.73	3.35	0.59	-	0.54	4.06	7.45	6.83	5.00
Non-cash expenses included in segment expenses for arriving at	0.01	-	-	-	-	11.40	-	-	-	0.04	0.61	0.10	0.01	-	-	0.04	0.61	11.50

Particulars	Financing & Investment				Investment Banking & Related Services				Total			
	2004-05	2005-06	2006-07	2007-08	2008-09	Apr-Sep 09	2004-05	2005-06	2006-07	2007-08	2008-09	Apr-Sep 09
segment results												

Notes

1. Business segments – The business segment has been identified on the basis of the services of the company. Accordingly the company has identified “Financing and Investment” and “Investment Banking and Related Services” as business segments

Financing and Investment – consists of financing of loans and investment in shares and securities and income from Royalty

Investment Banking and Related Services – consists of financial consultancy and debt syndication

2. Geographical Segments – The company operates in only one geographical segment i.e within India and no separate information for geographical segment has been given.

Unconsolidated Statement of Dividend Paid – Annexure – 9

EQUITY CAPITAL	For the years ended 31st March					Six Months Period ended 30th September, 2009
	2005	2006	2007	2008	2009	
No. of Equity Shares of Rs. 10 each	8,05,340	1,00,00,000	1,00,00,000	2,03,10,500	2,03,10,500	1,93,10,500
Rate of Dividend (%)	-	10%	10%	10%	-	-
Dividend Paid (Rs. in Million)						
Proposed Dividend	-	10.00	-	-	-	-
Interim Dividend	-	-	10.00	10.00	-	-
Tax on Proposed Dividend	-	1.40	-	-	-	-
Tax on Interim Dividend	-	-	1.41	1.70	-	-
Total	-	11.40	11.41	11.70	-	-

PREFERENCE CAPITAL	For the years ended 31st March					For the Period ended 30th September, 2009
	2005	2006	2007	2008	2009	
No. of Preference Shares of Rs. 10 each	-	-	27,00,000	-	-	-
Rate of Dividend (%)	-	-	5.00%	-	-	-
Dividend Paid (Rs. in Million)						
Amount of Dividend	-	-	0.45	-	-	-
Tax on Dividend	-	-	0.07	-	-	-
Total	-	-	0.52	-	-	-

Unconsolidated Tax Shelter Statement – Annexure – 10

(Rs. in Million)

Particulars	For the years ended 31st March					Six Months period ended 30th September, 2009
	2005	2006	2007	2008	2009	
Tax Rate including surcharge and cess (%)	36.59%	33.66%	33.66%	33.99%	33.99%	33.99%
Tax Rate as per MAT u/s 115JB including surcharge and cess (%)	7.84%	8.42%	11.22%	11.33%	11.33%	17.00%
A Profit Before Tax as Restated	0.01	16.00	33.65	95.46	68.76	59.49
Tax at notional rates	-	5.39	11.33	32.45	23.37	20.22
Adjustments						
Permanent Differences						
Profit on Sale of Investments	-	3.80	20.42	31.56	31.22	42.60
Securities Transaction Tax	-	(0.04)	-	(0.08)	-	-
Dividend exempt u/s 10 (34)	-	-	0.03	-	0.28	0.10
Interest and Finance Charges	-	-	-	8.04	-	-
Other Adjustments	-	-	-	0.29	-	-
B Total Permanent Differences	-	3.76	20.45	39.81	31.50	42.70
Timing Differences						
Difference between Tax and Book Depreciation	-	7.86	11.53	3.95	7.68	3.65
43B expenses	-	-	-	0.13	0.08	0.01
Other Adjustments - expenses related to earlier years	-	-	-	(10.28)	9.85	0.43
Difference in Short Term Capital Gain/(Loss)	-	-	(0.11)	-	(0.07)	(2.55)
C Total Timing Differences	-	7.86	11.42	(6.20)	17.54	1.54
Net Adjustments (B+C)	-	11.62	31.87	33.61	49.04	44.24
Tax Savings thereon	-	3.91	10.73	11.42	16.67	15.04
Tax Saving On STCG and LTCG	-	0.12	-	0.49	1.76	-
Total Tax Savings	-	4.03	10.73	11.91	18.43	15.04
Brought Forward Loss adjusted	-	-	-	1.43	-	-
Tax payable for the period/year	-	1.36	3.77	20.54	6.65	10.03
Less: MAT Credit set off	-	-	-	3.21	-	-
Net Tax payable for the period/year	-	1.36	3.77	17.33	6.65	10.03
Interest u/s 234B and 234C	-	0.03	0.34	0.07	-	-
Total Tax as per return	-	1.39	4.11	17.40	6.65	-

Notes:

- Figures for the six months period ended 30th September, 2009 are based on provisional computation and actual tax liability will be determined on the basis of results of operation of the Company for the financial year ended 31st March, 2010.
- The company has paid Minimum Alternate Tax (MAT) in the Financial Year 2006-07 and 2008-09, being higher than the normal tax.

Unconsolidated Capitalization Statement – Annexure – 11

(Rs. in Million)

Particulars	As at 30th September, 2009	
	Pre-issue	Adjusted for the Public Issue
Borrowings		
Short-Term*	0.58	See note below
Long-Term	15.00	
Total	15.58	
Shareholders' Funds		
Share Capital	193.11	
Reserves & Surplus	313.27**	
Total	506.38	
Long-term Debt/Equity ratio	0.03:1	

* Represents interest accrued & due.

**Restated Reserves

Note:

Share Capital and Reserves & Surplus post issue can be calculated only on the conclusion of the book building process.

Unconsolidated Statement of Restated Earning Per Share – Annexure – 12A

(Rs. In Million)

	For the years ended 31st March					Six Months Period ended 30th September, 2009
	2005	2006	2007	2008	2009	
Restated Profit/(Loss) after Tax	0.01	18.71	28.86	77.03	56.06	48.12
Less: Preference dividend for the year/period (including dividend tax)	-	-	0.52	-	-	-
Profit available for Equity Shareholders	0.01	18.71	28.34	77.03	56.06	48.12
Weighted average number of outstanding equity Shares during the year/period	1,26,43,838*	1,50,17,047*	1,57,00,000*	1,68,58,923	2,03,10,500	1,95,45,473
Nominal Value of Equity Shares (Rs.)	10	10	10	10	10	10
Basic / Diluted Earning per share (Rs.)	-	1.25	1.81	4.57	2.76	2.46 #

* Adjusted for Bonus Shares issued in the subsequent year

not annualised

Unconsolidated Restated Statement of Fixed Assets – Annexure – 12B

(Rs. in Million)

Particulars	As at 31st March					As at 30th September, 2009
	2005	2006	2007	2008	2009	
A. Tangible Assets						
Office Premises	-	26.90	34.50	46.05	46.40	46.40
Computers	-	0.28	4.60	4.80	5.01	5.32
Furniture & Fixtures	-	-	12.33	12.33	12.34	12.34
Office Equipments	-	-	6.62	6.77	6.85	6.89
Vehicles	-	-	-	0.50	0.50	0.50
Total	-	27.18	58.05	70.45	71.10	71.45
B. Intangible Assets						
Software	-	3.28	3.30	3.30	3.43	3.43
Copy Rights*	-	-	-	-	50.00	50.00
- Right on Web Application Portal -						
Personal Resource Planning						
Total	-	3.28	3.30	3.30	53.43	53.43
Gross Block (A+B)	-	30.46	61.35	73.75	124.53	124.88
Less : Accumulated Depreciation/Amortization	-	0.54	4.60	12.04	18.87	23.87
Net Block	-	29.92	56.75	61.71	105.66	101.01

* yet to be transferred in the name of the Company. As per the Management, the application for registration of the Copy Right has already been filed with the appropriate authorities and the process of registration in the name of the Company would be completed by June 2010.

Unconsolidated Restated Statement of Investments – Annexure – 12C

(Rs. in Million)

Particulars	As at 31st March					As at 30th September, 2009
	2005	2006	2007	2008	2009	
Unquoted Investments						
Equity Shares						
In Subsidiary Companies	-	122.25	122.25	132.25	132.25	132.25
Others	-	7.88	4.61	-	15.70	14.01
Units in Mutual Funds	-	-	1.30	-	26.35	0.13
Total	-	130.13	128.16	132.25	174.30	146.39
Quoted Investments						
Equity Shares	-	0.92	-	63.07	31.16	13.26
Grand Total	-	131.05	128.16	195.32	205.46	159.65
Market Value of Quoted Investments	-	0.62	-	69.80	12.70	15.37
Aggregate NAV of Units of Mutual Funds	-	-	1.33	-	26.44	0.13

Unconsolidated Restated Statement of Debtors – Annexure- 12D
(Rs. in Million)

Age wise Break-up	As at 31st March					As at 30th September, 2009
	2005	2006	2007	2008	2009	
Unsecured, Considered good						
Debts outstanding for a period exceeding six months	-	-	-	-	-	-
Other Debts	-	5.05	0.77	63.78	41.04	16.63
Total	-	5.05	0.77	63.78	41.04	16.63

The above includes the following debts due from the Subsidiary Companies

Particulars	As at 31st March					As at 30th September, 2009
	2005	2006	2007	2008	2009	
Debts outstanding for a period exceeding six months	-	-	-	-	-	-
Other Debts						
Microsec Capital Limited	-	0.17	-	0.05	-	3.45
PRP Technologies Limited	-	-	-	-	0.03	1.38
Sub Total	-	0.17	-	0.05	0.03	4.83
Total	-	0.17	-	0.05	0.03	4.83

Unconsolidated Restated Statement of Cash & Bank Balances – Annexure – 12E

(Rs. in Million)

Particulars	As at 31st March					As at 30th September, 2009
	2005	2006	2007	2008	2009	
Cash in Hand	0.02	0.05	0.05	0.01	0.32	-
Cheques in Hand	-	-	-	-	-	0.70
Balances with Scheduled Banks						
On Current Accounts	0.01	0.19	6.87	0.69	5.30	2.42
Total	0.03	0.24	6.92	0.70	5.62	3.12

Unconsolidated Restated Statement of Loans & Advances – Annexure – 12F

(Rs. In Million)

Particulars	As at 31st March					As at 30th September, 2009
	2005	2006	2007	2008	2009	
Considered good,						
Loans (Bearing Interest)						
-Secured	-	-	3.96	207.32	110.88	237.81
-Unsecured	-	-	-	23.86	100.05	1.30
Less : Provision for Non-Performing Assets	-	-	-	-	-	0.13
Sub-Total	-	-	3.96	231.18	210.93	238.98
Advances - (Unsecured)						
Advances recoverable in cash or in kind or for value to be received or pending adjustments	-	-	0.01	0.83	0.68	0.97
Advances to Subsidiary Companies	-	6.96	-	55.65	20.92	19.56
Advance Payment of Income Tax & Tax Deducted at Source (Net of Provision)	-	-	-	2.98	4.51	-
Advance Fringe Benefit Tax (Net of Provisions)	-	-	-	-	0.02	-
MAT Credit Entitlement	-	-	3.21	-	-	-
Deposits with Government Authorities and others	-	0.19	0.19	0.19	0.19	0.19
Sub-Total	-	7.15	3.41	59.65	26.32	20.72
Total	-	7.15	7.37	290.83	237.25	259.70

Details of Advances to Subsidiary Companies

Particulars	As at 31st March					As at 30th September, 2009
	2005	2006	2007	2008	2009	
Microsec Capital Limited	-	5.03	-	53.15	5.58	-
Microsec Resources Private Ltd	-	1.93	-	0.05	-	-
Microsec Insurance Brokers Ltd	-	-	-	0.45	0.30	1.70
Microsec Technologies Ltd.	-	-	-	1.50	14.54	17.26
Microsec Commerze Ltd	-	-	-	0.50	-	-
PRP Technologies Limited	-	-	-	-	0.50	0.60
Total	-	6.96	-	55.65	20.92	19.56

Unconsolidated Restated Statement of Secured Loans – Annexure – 12G

(Rs. in Million)

Particulars	As at 31st March					As at 30th September, 2009
	2005	2006	2007	2008	2009	
Term Loans						
Infrastructure Leasing & Financial Services Ltd	-	-	-	16.83	-	-
DSP Merrill Lynch Limited	-	-	-	60.00	-	-
Citicorp Finance India Ltd	-	-	-	-	-	15.00
Interest accrued and due	-	-	-	4.42	-	0.58
Total	-	-	-	81.25	-	15.58

Details of terms & conditions of Secured Loans outstanding as on 30th September, 2009:

Name of Lender	Sanctioned Amount	Outstanding as on 30 th September, 2009	Rate of Interest	Repayment Terms	Nature of Securities
Citicorp Finance India Ltd	60.00	15.23	14.50%	3 years	Secured by pledge of securities obtained as margin from borrowers.
Infrastructure Leasing & Financial Services Ltd	50.00	0.35	14.00%	12 months	
Total		15.58			

Unconsolidated Restated Statement of Unsecured Loans – Annexure – 12H

(Rs. in Million)

Particulars	As at 31st March					As at 30th September, 2009
	2005	2006	2007	2008	2009	
From Body Corporates	-	8.70	17.70	-	-	-
Total	-	8.70	17.70	-	-	-

Unconsolidated Restated Statement of Current Liabilities & Provisions – Annexure – 12I

(Rs. in Million)

Particulars	As at 31st March					As at 30th September, 2009
	2005	2006	2007	2008	2009	
Current Liabilities						
Sundry Creditors for goods, services, expenses etc.						
Dues to Micro and Small Enterprises	-	-	-	-	-	-
Dues to Others	-	0.10	2.19	1.49	7.65	7.12
Other liabilities	-	-	0.07	1.14	0.31	1.75
Sub Total	-	0.10	2.26	2.63	7.96	8.87
Provisions						
Taxation (Net of Advance Payments)	-	0.06	3.21	-	-	4.25
Fringe Benefit Tax (Net of Advance Tax)	-	-	-	0.01	-	-
Leave Encashment	-	-	-	0.01	0.06	0.09
Gratuity	-	-	-	0.12	-	-
Proposed Dividend	-	10.00	-	-	-	-
Tax on Proposed Dividends	-	1.40	-	-	-	-
Sub Total	-	11.46	3.21	0.14	0.06	4.34
Total	-	11.56	5.47	2.77	8.02	13.21

Unconsolidated Restated Statement of Share Capital – Annexure – 12J

Particulars	As at 31st March					As at 30th September, 2009
	2005	2006	2007	2008	2009	
Authorised Share Capital						
No. of Equity Shares of Rs. 10 each	8,10,000	1,00,00,000	1,00,00,000	3,50,00,000	3,50,00,000	3,50,00,000
Equity Share Capital (Rs. in Million)	8.10	100.00	100.00	350.00	350.00	350.00
No. of Preference Shares of Rs. 10 each	-	-	27,00,000	-	-	-
Preference Share Capital (Rs. in Million)	-	-	27.00	-	-	-
Total Authorised Capital (Rs. in Million)	8.10	100.00	127.00	350.00	350.00	350.00
Issued, Subscribed and Paid-up						
No. of Equity Shares of Rs. 10 each (fully paid)	8,05,340	1,00,00,000	1,00,00,000	2,03,10,500	2,03,10,500	1,93,10,500
Equity Share Capital (Rs. in Million)	8.05	100.00	100.00	203.11	203.11	193.11
No. of Preference Shares of Rs. 10 each (fully paid)	-	-	27,00,000	-	-	-
Preference Share Capital (Rs. in Million)	-	-	27.00	-	-	-
Total Issued, Subscribed and Paid-up Capital (Rs. in Million)	8.05	100.00	127.00	203.11	203.11	193.11

Unconsolidated Restated Statement of Reserves & Surplus – Annexure – 12K

(Rs. in Million)

Particulars	As at 31st March					As at 30th September, 2009
	2005	2006	2007	2008	2009	
Securities Premium Account	12.29	25.87	25.73	266.50	266.50	151.50
Capital Redemption Reserve	-	-	-	-	-	10.00
Reserve under Section 45-IC of the Reserve Bank of India Act, 1934	-	2.93	12.50	29.91	40.00	49.60
Surplus as per Profit and Loss Account	0.02	4.40	11.76	27.69	73.65	102.17
Total	12.31	33.20	49.99	324.10	380.15	313.27

Unconsolidated Restated Statement of Income from Operations – Annexure – 12L

(Rs. in Million)

Particulars	For the years ended 31st March					Six months Period ended 30th September 2009
	2005	2006	2007	2008	2009	
Interest on Loans	-	0.88	0.92	16.38	43.91	22.50
Investment Banking Revenue	-	11.54	18.04	70.36	61.63	20.82
Profit on Sale/Redemption of Investments (Net)	-	4.61	20.58	41.03	36.55	42.60
Dividend from Investments	-	-	-	-	0.28	0.10
Income from Royalty	-	-	-	-	0.03	1.53
Sale of Securities	1.37	-	-	-	-	-
Total	1.37	17.03	39.54	127.77	142.40	87.55

Unconsolidated Restated Statement of Staff Cost – Annexure- 12M

(Rs. in Million)

Particulars	For the years ended 31st March					Six months Period ended 30th September, 2009
	2005	2006	2007	2008	2009	
Salary, Bonus etc.	0.02	0.14	0.40	4.26	8.68	3.73
Gratuity	-	-	-	0.12	0.03	0.01
Employees' welfare expenses	-	-	0.03	0.06	0.16	0.03
	0.02	0.14	0.43	4.44	8.87	3.77

Unconsolidated Restated Statement of Administrative & Other Expenses – Annexure- 12N

(Rs. in Million)

Particulars	For the years ended 31st March					Six months Period ended 30th September, 2009
	2005	2006	2007	2008	2009	
Advertisement & Publicity	-	0.01	0.06	1.10	0.64	0.05
Communication Expenses	-	-	0.07	0.04	0.14	0.06
Repairs & Maintenance - Others	-	0.01	0.11	0.11	0.31	0.12
Rates & Taxes	-	0.10	0.21	3.22	0.07	0.31
Filing Fees	-	-	-	0.05	-	0.06
Insurance Premium	-	-	0.02	0.05	0.07	0.02
Printing & stationery	-	0.02	0.01	0.11	0.61	0.02
Bank & Demat charges	-	-	0.01	0.08	0.06	0.01
Travelling & Conveyance	-	-	0.01	0.19	0.82	0.08
Legal & Professional fees	-	0.06	0.02	8.49	1.71	0.72
Irrecoverable debts/advances written off	-	-	-	-	0.61	0.10
Penal Charges	-	-	-	-	39.50	-
Loss on assignment of receivables	-	-	-	-	-	11.27
Director Sitting Fees	-	-	-	0.13	0.15	0.05
Provision for Non Performing Assets	-	-	-	-	-	0.13
Motor Car Expenses	-	-	-	0.10	0.40	0.11
Auditors Remuneration						
As Auditors						
- Audit Fees	-	0.07	0.08	0.08	0.09	0.43
- Tax Audit	-	0.02	0.02	0.02	0.02	-
- Other Services	-	0.01	-	-	-	0.18
Commission Paid	-	-	-	-	0.04	-
Miscellaneous expenses	-	0.01	0.21	0.10	0.35	0.43
Service Charges	-	-	0.45	0.73	0.91	-
Electricity Charges	-	-	0.12	-	-	-
Software Expenses	-	-	-	0.02	0.08	-
Miscellaneous expenditure written off	0.01	0.04	-	-	-	-
	0.01	0.35	1.40	14.62	46.58	14.15

Unconsolidated Restated Statement of Interest Expenses – Annexure – 12O

(Rs. in Million)

Particulars	For the years ended 31st March					Six months Period ended 30th September, 2009
	2005	2006	2007	2008	2009	
On Fixed Loans	-	-	-	5.80	11.36	0.75
Others	-	-	-	-	-	4.39
Total	-	-	-	5.80	11.36	5.14

Auditors' Report

To
The Board of Directors
Microsec Financial Services Limited
Kolkata

Dear Sirs,

1. We have examined the Consolidated Restated Summary of Assets and Liabilities of Microsec Financial Services Limited ("the Company") and its subsidiaries as stated in Paragraph 3(b) below, (collectively referred to as the "Group") as at 31st March 2006, 2007, 2008, 2009 and as at 30th September, 2009 and the related Consolidated Restated Summary Statement of Profits and Losses and Consolidated Restated Summary Statement of Cash Flows, for the years ended 31st March 2006, 2007, 2008, 2009 and for the six months period ended 30th September, 2009 (Collectively, the "Consolidated Restated Summary Statements"). These Consolidated Restated Summary Statements have been prepared by the Group and approved by the Board of Directors for the proposed Initial Public Offer (referred to as the "Offer") in accordance with the requirements of :
 - a. paragraph B(1) of the Part II of Schedule II to the Companies Act, 1956 ('the Act') and
 - b. The SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009 issued by Securities and Exchange Board of India ('SEBI'), on August 26, 2009 in pursuance of the Section 30 of the Securities and Exchange Board of India Act, 1992 (the "SEBI Regulations")
2. We have examined such Consolidated Restated Summary Statements taking into Consideration:
 - a. Revised Guidance Note on Reports in Company Prospectuses issued by the Institute of Chartered Accountants of India (the "ICAI") and
 - b. The respective terms of reference dated 20th October, 2009 received from the Company, requesting us to carry out the assignment, in connection with the Draft Offer Document being issued by the Company for its proposed Initial Public Offer.

The Management has informed that the Company proposes to make an offer of fresh issue of 12,500,000 equity shares, having a face value of Rs. 10 each, at an issue price to be arrived at by the book building process.

Consolidated Restated Summary Statements as per audited Consolidated Financial Statements :

3. (a) The Consolidated Restated Summary Statement of the Group have been extracted by the management from the Consolidated Financial Statements of the Group for the years ended 31st March 2006, 2007, 2008, 2009 and for the six months period ended 30th September, 2009 which have been approved by the Board of Directors. The audit of the Consolidated Financial Statements for the financial years ended 31st March, 2006, 2007, 2008, and 2009 was conducted by Vidya & Co., Chartered Accountants.

This report, in so far as it relates to the amounts included for the financial years ended 31st March, 2006, 2007, 2008, and 2009, is based on the Consolidated Audited Financial Statements of the Group which were audited by the above auditors and their audit reports have been relied upon by us for the said years.
- (b) We did not audit the financial statements of the subsidiaries, namely Microsec Capital Limited (MCAP), Microsec Commerce Limited (MCL), Microsec Insurance Brokers Limited (MIBL), Microsec Technologies Limited (MTL), Microsec Resources Private Limited (MRPL) and PRP Technologies Limited (PRP) for the financial years as set out below. These financial Statements have been solely audited by other auditors.

This report in so far as it relates to the amounts of the subsidiaries included in the Consolidated Restated Summary Statements for the financial years as set out below are based on the audited financial statements of the subsidiaries audited solely by other auditors and whose reports have been relied upon by us for the said years.

(Rs. In million)

Period/Year ended	MCAP		MCL		MIBL		MTL		MRPL		PRP	
	Total Assets	Total Revenue	Total Assets	Total Revenue	Total Assets	Total Revenue	Total Assets	Total Revenue	Total Assets	Total Revenue	Total Assets	Total Revenue
September 30 2009	*	*	109.26	22.80	20.91	8.99	85.18	22.65	96.47	8.53	20.09	15.33
March 31 2009	389.84	215.21	81.99	5.84	15.79	8.80	64.09	8.29	89.58	8.51	3.91	0.31
March 31 2008	551.73	245.09	100.32	16.50	13.37	4.53	23.19	12.47	83.74	20.03	Not Applicable	Not Applicable
March 31 2007	252.67	110.78	60.59	25.45	12.03	4.00	28.77	6.70	59.71	8.54	Not Applicable	Not Applicable
March 31 2006	218.21	46.87	45.61	4.20	13.69	1.19	27.15	-	52.46	1.31	Not Applicable	Not Applicable

*Audited by us

4. In accordance with the requirements of Paragraph B of Part II of Schedule II of the Act, the SEBI Regulations and the terms of our engagement agreed with you, we further report that:

- i) The Consolidated Restated Summary Statements of the Group, including as at and for the years ended 31st March, 2006, 2007, 2008 and 2009 based on the audited consolidated financial statements of the Group which were audited by other auditors as stated in Para 3 above and on which reliance has been placed by us and as at and for the six months period ended 30th September, 2009 based on the audited consolidated financial statements of the Group audited by us, as set out in Annexures 1, 2 & 3 to this report are after making such adjustments and regroupings as in our opinion were appropriate and more fully described in the Statement of Adjustments and Statement of Significant Accounting Policies & Notes (Refer Annexures 4 & 5).
- ii) Based on the above, and as per the reliance placed by us on the reports issued by other auditors for the respective years as stated above, we are of the opinion that
 - (a) the Consolidated Restated Summary Statements have been made, after incorporating:
 - (i) The impact arising on account of changes in accounting policies adopted by the Group as at and for the six months period ended 30th September, 2009 applied with retrospective effect in the Consolidated Restated Summary Statements;
 - (ii) Adjustments for the material amounts in the respective financial years to which they relate.
 - (b) There are no extraordinary items which need to be disclosed separately in the Consolidated Restated Summary Statements; and
 - (c) There are no qualifications in the auditors' reports, which require any adjustments to the Consolidated Restated Summary Statements.

Other Consolidated Restated Financial Information:

5. At the Company's request, we have examined the following other Consolidated Financial Information, as restated, proposed to be included in the Draft Offer Document, prepared by the management and approved by the Board of Directors of the Company and annexed to this report relating to the Group, as at and for the years ended 31st March, 2006, 2007, 2008, 2009 and as at and for the six months period ended September 30, 2009. In respect of the years ended 31st March, 2006, 2007, 2008 & 2009 these information have been included based on the Audited Consolidated Financial Statements of the Group which were audited by other auditors as stated in para 3 above and whose auditors' reports have been relied upon by us. The financial information relating to the subsidiaries included in the consolidated financial information are based on the audited financial statements of the subsidiaries audited by other

auditors and relied upon by us as given in paragraph 3(b) above:

- i. Statement of Consolidated accounting ratios based on the adjusted profits relating to earning per share, net assets value, return on net worth enclosed as Annexure- 6.
 - ii. Statement of Consolidated Related Party Transactions enclosed as Annexure -7.
 - iii. Statement of Consolidated Segment Reporting enclosed as Annexure-8.
 - iv. Statement of Dividend Paid enclosed as Annexure-9.
 - v. Capitalisation Statement as at 30th September 2009 enclosed as Annexure 10.
 - vi. Statement of Consolidated Earnings per Share enclosed as -Annexure 11A.
 - vii. Statement of Consolidated Fixed Assets enclosed as Annexure -11 B.
 - viii. Statement of Consolidated Investments enclosed as Annexure -11 C.
 - ix. Statement of Consolidated Debtors enclosed as Annexure -11 D.
 - x. Statement of Consolidated Cash & Bank Balances enclosed as Annexure -11 E.
 - xi. Statement of Consolidated Loans & Advances enclosed as Annexure -11 F.
 - xii. Statement of Consolidated Secured & Unsecured Loans enclosed as Annexures -11G & 11H.
 - xiii. Statement of Consolidated Current Liabilities & Provisions enclosed as Annexure- 11 I.
 - xiv. Statement of Share Capital enclosed as Annexure -11 J.
 - xv. Statement of Consolidated Reserves & Surplus enclosed as Annexure- 11K.
 - xvi. Statement of Consolidated Income from Operations enclosed as Annexure 11 L.
 - xvii. Statement of Consolidated Other Income enclosed as Annexure 11 M.
 - xviii. Statement of Consolidated Operating Expenses enclosed as Annexure 11 N.
 - xix. Statement of Consolidated Staff cost enclosed as Annexure 11O.
 - xx. Statement of Consolidated Administrative & Other expenses enclosed as Annexure 11P.
 - xxi. Statement of Consolidated Interest expenses enclosed as Annexure 11Q.
6. In our opinion, other Consolidated Restated Financial Information, contained in the Annexures to this report as referred to above, read along with the Significant Accounting Policies & Notes as set out in Annexure 5 have been prepared after making such adjustments and regroupings as were considered appropriate, in accordance with SEBI Regulations.

Others

7. We have not audited any consolidated financial statements of the Group or any of its subsidiaries as of any date or for any period subsequent to September 30, 2009. Accordingly, we express no opinion on the financial position, results of operations or cash flows of the Company or its subsidiaries as of any date or for any period subsequent to September 30, 2009.
8. This report should not be in any way construed as a reissuance or redating of any of the previous audit

reports issued by us or by other auditors, nor should this report be construed as a new opinion on any of the financial statements referred to herein.

9. We have no responsibility to update our report for events and circumstances occurring after the date of the report.
10. This report is intended solely for your information and for inclusion in the Draft Offer Document in connection with the proposed initial public offer of the Company, and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S.R. BATLIBOI & CO.
Chartered Accountants

per R.K.Agrawal
Partner
Membership No: 16667

Place: Kolkata

Date: March 5, 2010

Consolidated Restated Summary Statement of Assets and Liabilities – Annexure 1

(Rs. in Million)

Particulars		As at 31st March				As at 30th
Application of Funds		2006	2007	2008	2009	September, 2009
A.	Fixed Assets					
	Gross Block	115.33	183.13	242.56	336.82	308.54
	Less: Accumulated Depreciation/Amortisation	22.43	40.80	65.36	94.74	91.32
	Net Block	92.90	142.33	177.20	242.08	217.22
	Capital Work in Progress including Capital Advances	-	-	-	19.91	20.92
	Total	92.90	142.33	177.20	261.99	238.14
B.	Investments	21.55	48.16	75.86	150.14	70.47
C.	Deferred Tax Asset (Net)	-	3.06	-	-	-
D.	Current Assets, Loans and Advances					
	Inventories	0.06	2.06	6.57	-	-
	Sundry Debtors	54.25	28.37	230.54	76.98	181.75
	Cash & Bank Balances	25.39	40.84	130.30	160.88	182.67
	Other Current Assets	0.43	1.13	4.69	3.02	5.83
	Loans and Advances	122.32	135.08	495.96	341.00	411.14
	Total	202.45	207.48	868.06	581.88	781.39
E	Total Assets (A+B+C+D)	316.90	401.03	1,121.12	994.01	1,090.00
F	Liabilities & Provisions					
	Secured loans	1.49	0.96	145.44	3.80	59.27
	Unsecured loans	8.70	17.70	-	-	-
	Current Liabilities	88.54	96.54	248.57	168.18	222.94
	Provisions	11.40	1.79	1.07	0.71	0.94
	Deferred Tax Liability (Net)	3.17	-	7.47	16.68	17.74
	Total	113.30	116.99	402.55	189.37	300.89
G	Net Worth (E-F)	203.60	284.04	718.57	804.64	789.11
	Represented by:					
	Shareholders' Funds:					
a	Equity Share Capital	100.00	100.00	203.11	203.11	193.11
b	Preference Share Capital	-	27.00	-	-	-
c	Share Application Money (Pending Allotment)	24.02	-	-	-	-
d	Reserves & Surplus	79.58	157.04	515.46	601.53	596.00
	Total	203.60	284.04	718.57	804.64	789.11

Notes:

1. The above figures should be read along with the Statement of Significant Accounting Policies and Notes to the Restated Consolidated Financial Statements as appearing in Annexure 5.
2. Necessary adjustments have been made to the audited consolidated financial statements in accordance with the requirements of Schedule VIII Part A Para IX(B) of The Securities & Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.

Consolidated Restated Summary Statement of Profits and Losses – Annexure 2

(Rs. in Million)

Particulars	For the years ended 31st March				Six months Period ended 30th September, 2009
	2006	2007	2008	2009	
Income					
Income from Operations	69.53	192.45	411.11	378.74	268.55
Other Income	1.08	2.57	15.27	10.59	7.38
Total Income	70.61	195.02	426.38	389.33	275.93
Expenditure					
Operating Expenses	4.29	9.35	15.84	14.91	6.56
Staff Cost	5.61	25.33	63.99	100.58	55.67
Administrative and Other Expenses	16.68	56.28	102.57	114.35	51.46
Interest	0.25	0.13	10.12	14.84	7.75
Depreciation/Amortisation	3.10	18.52	24.59	30.07	16.36
Total Expenditure	29.93	109.61	217.11	274.75	137.80
Net Profit before tax	40.68	85.41	209.27	114.58	138.13
Provision for taxation:					
Current Tax	1.45	7.77	34.35	18.38	27.60
Deferred Tax Charge/(Credit)	1.94	(6.23)	10.53	9.21	1.06
Fringe Benefit Tax	0.11	0.30	0.50	0.67	-
MAT Credit Entitlement	-	(5.96)	2.54	0.21	-
Net Profit after tax	37.18	89.53	161.35	86.11	109.47
Balance Brought Forward	24.28	47.00	113.83	205.35	280.73
Profit available for Appropriation	61.46	136.53	275.18	291.46	390.20
Appropriations:					
Dividend on Equity Shares	10.00	10.00	10.00	-	-
Dividend on Preference Shares	-	0.45	-	-	-
Tax on Dividends	1.40	1.48	1.70	-	-
Transfer to reserve under section 45-IC of the Reserve Bank of India Act,1934	2.93	9.57	19.50	10.18	10.25
Transfer to Debenture Redemption Reserve	0.13	1.20	6.63	0.55	0.63
Transfer to Capital Redemption Reserve	-	-	27.00	-	10.00
Amount utilised for Issue of Bonus Share	-	-	5.00	-	-
Surplus carried to Balance Sheet	47.00	113.83	205.35	280.73	369.32

Notes:

1. The above figures should be read along with the Statement of Significant Accounting Policies and Notes to the Restated Consolidated Financial Statements as appearing in Annexure 5.
2. Necessary adjustments have been made to the audited consolidated financial statements in accordance with the requirements of Schedule VIII Part A Para IX(B) of The Securities & Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.

Consolidated Restated Summary Statement of Cash Flows – Annexure 3

(Rs. in Million)

Particulars		For the years ended 31st March				Six Months Period ended 30th September, 2009
		2006	2007	2008	2009	
A.	Cash Flow from Operating Activities					
	Net Profit before tax	40.68	85.41	209.27	114.58	138.13
	Adjustments for :					
	Depreciation/Amortization	3.10	18.52	24.59	30.07	16.36
	Provision for Non Performing Assets	-	-	-	-	0.13
	Interest Expenses	0.25	0.13	10.12	14.84	7.75
	Preliminary Expenses Written off	0.04	-	-	-	-
	(Profit)/Loss on sale/discard of Fixed Assets	-	0.12	0.01	0.05	(1.58)
	Irrecoverable debts/advances written off	0.40	0.11	2.90	8.07	5.40
	Loss on assignment of receivables	-	-	-	-	11.27
	Operating profit before working capital changes	44.47	104.29	246.89	167.61	177.46
	(Increase)/Decrease in Inventories	-	(2.00)	(4.51)	6.57	-
	(Increase)/Decrease in Trade & Other Receivables	(3.07)	25.07	(208.62)	147.16	(112.98)
	(Increase)/Decrease in Loans & Advances	(22.55)	(8.00)	(361.87)	160.82	(90.85)
	(Increase)/Decrease in Investments	(99.60)	(26.61)	(27.70)	(74.28)	79.67
	Increase/(Decrease) in Current Liabilities & Provisions	(37.45)	8.06	153.04	(80.75)	54.99
	Cash generated from/(used in) operations	(118.20)	100.81	(202.77)	327.13	108.29
	Income Tax Paid (net of refunds)	(1.54)	(5.12)	(38.14)	(25.17)	(18.29)
	Net cash generated from/(used in) operating activities	(119.74)	95.69	(240.91)	301.96	90.00
B.	Cash Flow from Investing Activities					
	Purchase of Fixed Assets	(34.00)	(68.33)	(59.44)	(115.59)	(6.76)
	Proceeds from sale of Fixed Assets	-	0.25	-	0.69	15.84
	Investments in Fixed Deposits	(0.03)	(15.22)	(55.01)	(0.17)	(52.58)

Particulars		For the years ended 31st March				Six Months Period ended 30th September, 2009
		2006	2007	2008	2009	
	Encashment of Fixed Deposits	-	-	-	16.30	-
	Net cash (used in) investing activities	(34.03)	(83.30)	(114.45)	(98.77)	(43.50)
C.	Cash Flow from Financing Activities					
	Proceeds from Issue of Equity Share including Securities Premium	106.00	-	312.98	-	-
	Buy Back of Equity Shares	-	-	-	-	(125.00)
	Proceeds from Issue of Preference Share including Securities Premium	-	2.98	-	-	-
	Share Application Money	24.02	-	-	-	-
	Share Issue Expense	(0.47)	(0.15)	(1.12)	-	-
	Redemption of Preference Shares	-	-	(27.00)	-	-
	Proceeds from Borrowings	8.70	18.45	549.63	388.05	1,134.90
	Repayment of Borrowings	(0.16)	(9.98)	(427.28)	(525.30)	(1,080.02)
	Interest Paid	(0.25)	(0.13)	(5.70)	(19.23)	(7.17)
	Dividend Paid	-	(20.45)	(10.00)	-	-
	Dividend tax Paid	-	(2.88)	(1.70)	-	-
	Net cash generated from/(used in) financing activities	137.84	(12.16)	389.81	(156.48)	(77.29)
D.	Net change in cash and cash equivalents (A+B+C)	(15.93)	0.23	34.45	46.71	(30.79)
E.	Cash and Cash equivalents - Opening Balance #	0.03	15.76	15.99	50.44	97.15
	Opening Cash and Cash equivalents of the Subsidiary Companies *	31.66	-	-	-	-
F.	Cash and Cash equivalents - Closing Balance #	15.76	15.99	50.44	97.15	66.36
	* Represents cash and cash equivalents of the subsidiary Companies on the date on which they got consolidated with Holding Company.					
	# represents Cash and Bank balance as indicated in Annexure- 11E but excludes Fixed Deposits as per the table shown below:					
	Fixed Deposits with Banks with restricted use or for more than three months.	9.63	24.85	79.86	63.73	116.31

Statement of Adjustments made to the Audited Condolited Financial Statements- Annexure 4
(Rs. in Million)

Particulars	For the years ended 31st March				Six Months Period ended 30th September, 2009
	2006	2007	2008	2009	
Net Profit after tax as per Audited Profit and Loss Account	42.64	76.34	183.12	78.71	107.55
Adjustments on account of :					
Provision for Gratuity	(0.04)	0.01	(0.10)	(0.08)	0.18
Provision for Leave	-	-	0.25	0.06	(0.31)
Liabilities no longer required, written back	0.03	-	-	-	(0.08)
Provision for ESI	-	(0.07)	(0.23)	(0.32)	0.62
Miscellaneous Expenditure written off	-	0.05	-	-	-
Depreciation/Amortization	(1.16)	(4.00)	0.19	2.33	2.38
Expenses relating to earlier years. (refer note below)	(1.82)	1.82	(10.28)	9.85	0.43
Total adjustments before tax	(2.99)	(2.19)	(10.17)	11.84	3.22
Adjustments for taxation					
Provision for Current Income Tax	0.02	(0.28)	0.53	(3.36)	(0.12)
MAT Credit Entitlement	-	5.96	(2.51)	(0.24)	-
Deferred Tax	2.30	9.70	(9.62)	(0.84)	(1.18)
Total adjustments for taxation	2.32	15.38	(11.60)	(4.44)	(1.30)
Adjustments towards pre-acquisition profit for earlier years	(4.79)	-	-	-	-
Net adjustments	(5.46)	13.19	(21.77)	7.40	1.92
Restated Net Profit after tax	37.18	89.53	161.35	86.11	109.47

Note:

The break up and nature of expenses relating to earlier years is as follows:

Legal & Professional Fees	-	-	(7.31)	7.31	-
Rates & Taxes	-	-	(2.93)	2.50	0.43
Travelling & Conveyance	-	-	(0.04)	0.04	-
SEBI Turnover Fees	(1.82)	1.82	-	-	-
Total	(1.82)	1.82	(10.28)	9.85	0.43

Microsec Financial Services Limited and its Subsidiaries

Annexure – 5:

Statement of Significant Accounting Policies and Notes to the Restated Consolidated Financial Statements:

A. BASIS OF CONSOLIDATION:

The Consolidated Financial Statements which relate to Microsec Financial Services Ltd. (the Company) and its subsidiaries have been prepared on the following basis:

- a) The financial Statements of the Company and its subsidiaries have been consolidated in terms of Accounting Standard – 21, “Consolidated Financial Statements” notified by the Companies Accounting Standard Rules, 2006, on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenditure after fully eliminating intra group balances, intra group transactions and any unrealized profit/loss included therein.
- b) The excess/shortfall of cost to the Company of its investment over equity in the subsidiary companies as on the date of investment is recognized in the financial statements as goodwill / capital reserve as the case may be.
- c) The consolidated financial statements have been prepared using uniform accounting policies, for like transactions and are presented to the extent possible, in the same manner as the Company’s separate financial statements.
- d) The Subsidiary Companies considered in the financial statements are as under:

Name	Country of Incorporation	% of Voting Power as at				
		31 st March, 2006	31 st March, 2007	31 st March, 2008	31 st March, 2009	30 th September, 2009
Microsec Capital Limited	India	100	100	100	100	100
Microsec Commerce Limited	India	100	100	100	100	100
Microsec Insurance Brokers Limited	India	100	100	100	100	100
Microsec Technologies Limited	India	100	100	100	100	100
Microsec Resources Private Limited	India	100	100	100	100	100
PRP Technologies Limited	India	-	-	-	100	100

B SIGNIFICANT ACCOUNTING POLICIES:

i) Basis of preparation

The financial statements have been prepared to comply in all material aspects with the Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956 and the directives as prescribed by the Reserve Bank of India for Non Banking Financial Companies. The financial

statements have been prepared under the historical cost convention on an accrual basis. However, income is not recognized and also provision is made in respect of non- performing assets as per the prudential norms prescribed by the Reserve Bank of India.

ii) **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of financial statements and the results of operations during the reporting year end. Although these estimates are based upon the management's best knowledge of current events and actions, actual results could differ from these estimates.

iii) **Revenue Recognition**

- Revenue from share brokerage activities is accounted for on settlement date basis and excludes service tax and Securities Transaction Tax.
- Fees from Investment Banking activities which include issue Management, Mergers & Acquisitions, Investment and other advisory services etc. are recognised as and when the services are rendered to the customers and when there is reasonable certainty of its ultimate realisation/collection.
- Commission on insurance policies sold is recognized, when an insurance policy sold by the Company is accepted by the principal insurance company.
- Commission and Incentive income on primary market activities, included in Investment Banking revenue is recognized on receipt of confirmation from the concerned party after completion of the public issue.
- Dividend income is recognized when the shareholder's right to receive payment is established by the balance sheet date.
- Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.
- Penal Charges for delay receipt of dues from the clients are credited on accrual basis, as per management's judgment, as to the reasonable certainty in realisation thereof.
- Service Charges is recognised when there is reasonable certainty for its ultimate realisation/collection.

iv) **Fixed Assets**

Fixed Assets are stated at cost, less accumulated depreciation and impairment losses if any. Cost comprises the purchase price inclusive of duties (net of cenvat), taxes and incidental expenses, etc. up to the date, the asset is ready for its intended use.

v) **Depreciation/Amortisation**

- Depreciation on fixed assets is provided on written down value method at the rates specified in schedule XIV to the Companies Act, 1956.
- Depreciation on Fixed Assets added/disposed off during the period is provided on prorata basis with reference to the date of addition/disposal.
- In case of impairment, if any, depreciation is provided on the revised carrying

amount of the assets over their remaining useful life.

- Copyrights are amortized on straight-line basis over a period of ten years from the date the assets become available for use.
- Other Intangible assets are amortized on straight line basis over a period of three/five years from the date the assets become available for use.

vi) **Impairment of Fixed Assets**

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment based on external/internal factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount which represents the greater of the net selling price and 'Value in use' of the assets. The estimated future cash flows considered for determining the value in use, are discounted to their present value at the weighted average cost of capital.

vii) **Borrowing Costs**

Borrowing costs relating to acquisition / construction of qualifying assets are capitalized until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

viii) **Investments**

Investments that are readily realisable and intended to be held for not more than a year are classified as Current Investments. All other Investments are classified as Long term Investments. Current Investments are stated at lower of cost and market rate on an individual investment basis. Long term investments are considered "at cost" on individual investment basis, unless there is a decline other than temporary in the value, in which case adequate provision is made against such diminution in the value of investments.

ix) **Fixed Assets Acquired under lease**

Operating Lease

Leases where the lessor effectively retains substantially all the risks and benefits of the ownership of the leasehold assets are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account.

Finance Lease:

Assets acquired under lease agreements which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased items, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of their liability. Finance charges are charged directly to expenses account.

x) **Provisions**

A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions made in terms of Accounting Standard 29 are not discounted to its present value and are determined based on management estimate required to settle the obligation, at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current management estimates.

x i) **Contingencies**

Liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty are treated as contingent and disclosed by way of notes to the accounts.

x ii) **Taxation**

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred Income tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

The deferred tax for timing differences between the book and tax profit for the year is accounted for using the tax rates and laws that have been substantively enacted as of the Balance Sheet date. Deferred tax asset is recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax asset can be realised. If the Company has carry forward unabsorbed depreciation and tax losses, deferred tax asset is recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient taxable income will be available in future against which such deferred tax asset can be realised.

The carrying amount of deferred tax asset is reviewed at each Balance Sheet date. The company writes down the carrying amount of a Deferred Tax Asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

At each Balance Sheet date, the company recognizes the unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax asset can be realized.

Minimum Alternate Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in the guidance note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay normal Income Tax during the specified period.

x iii) **Employee Stock Compensation Cost**

Measurement and disclosure of the employee share-based payment plans is done in accordance with the guidance note on accounting for employee share-based payment, issued by the Institute of Chartered Accountants of India. The Company measures compensation cost relating to employee stock options using the intrinsic value method. The compensation expense is amortised over the vesting period of the options on a straight line basis.

x iv) **Segment Reporting:**

a) **Identification of Segments :**

The Company has identified that its business segments are the primary segments. The Company's operating businesses are organized and managed separately according to the nature of products/services provided, with each segment representing a strategic business unit that offers different products/services and serves different markets. The

analysis of geographical segments is based on the areas in which the customers of the Company are located.

b) Allocation of Common Costs :

Common allocable costs are allocated to each segment on case to case basis applying the ratio, appropriate to each relevant case. Revenue and expenses which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis are included under the head “Unallocated –Common”.

The accounting policies adopted for segment reporting are in line with those of the Company.

xv) Retirement and other employees benefits

- a) Gratuity liability being a defined benefit obligation is provided for on the basis of actuarial valuation on projected unit credit method at the end of each year.
- b) Long term compensated absences are provided for based on actuarial valuation on projected unit credit method at the end of each year.
- c) Actuarial gains / losses are immediately taken to profit and loss account and are not deferred.

xvi) Earnings per Share

Earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders, by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

xvii) Cash and Cash equivalents

Cash and cash equivalents in the cash flow statement comprise of cash at bank and Cash/Cheque in hand and short-term investments with an original maturity of three months or less.

C. NOTES ON ACCOUNTS:

i. Auditor’s qualification (Not requiring any adjustment in the financial statements)

Auditors Report

Since the interim consolidated financial statements for the six months period ended 30th September, 2009 have been prepared for the limited purpose i.e. for inclusion in the restated consolidated financial statements, the comparative figures for the corresponding previous six months have not been compiled by the Company and thus are not disclosed in the said accounts. Non disclosure of figures for the corresponding previous six months in the said interim consolidated financial statements is not in accordance with Accounting Standard 25 notified by Companies Accounting Standard Rules, 2006 and accordingly, the statutory auditors have given a qualification for the above matter. However, the above non disclosure has no impact on these restated consolidated financial statements.

ii. The year wise break up of contingent liabilities is as under :

(Rs. in Million)

Particulars	As at 30 th September, 2009	As at 31 st March 2009	As at 31 st March 2008	As at 31 st March 2007	As at 31 st March 2006
a) i) Guarantees in favour of Banks against facilities granted to Subsidiary Companies.	295.00	295.00	170.00	60.00	-
ii) Credit facilities availed against the above as on the Balance Sheet date	43.50	3.50	12.50	-	-
b) Claims against the company not acknowledged as debts*	2.63	11.31	-	-	-
c) Bank Guarantees outstanding in favour of stock/Commodity exchanges	83.50	71.00	64.50	20.00	15.00
d) Counter Guarantee in favour of a Bank for guarantees issued by the bank on behalf of a subsidiary company.	7.50	7.50	7.50	5.00	5.00
e) Disputed Income Tax demands in Appeal*	6.32	6.32	2.05	-	-

*The management believes that the company has a good chance of success in above mentioned cases and hence no provision thereagainst is considered necessary.

iii. The year wise break up of Fixed Deposit pledged are as follows:

(Rs. in Million)					
Pledged with	As at 30 th September, 2009	As at 31 st March 2009	As at 31 st March 2008	As at 31 st March 2007	As at 31 st March 2006
National Securities Clearing Corporation Ltd.	40.00	5.26	19.90	-	-
Bombay Stock Exchange Ltd.	-	5.26	9.90	-	-
National Stock Exchange of India Ltd.	0.80	0.80	-	-	-
East India Securities Ltd. (Clearing Member)	-	-	0.80	0.80	0.80
HDFC Bank Ltd. (As security against Credit facilities / Bank Guarantees)	49.32	21.32	33.31	17.78	7.68
United Bank of India (As security against Bank Guarantees/Lien as per IRDA Regulation 22)	6.14	3.83	5.95	1.15	1.15
Indusind Bank Ltd. (As security against Bank Guarantees)	20.00	10.00	10.00	-	-
Axis Bank Ltd. (As security against Bank Guarantees)	0.05	-	-	-	-

- iv. Based on the information / documents available with the Company, no creditor is covered under Micro, Small and Medium Enterprise Development Act, 2006. As a result, no interest provision/payments have been made by the Company to such creditors, if any, and no disclosures thereof are made in these accounts.
- v. During the period ended 30th September, 2009, the Company has bought back 10,00,000 equity shares from the existing shareholders at a price of Rs. 125 per share (including premium of Rs. 115 per share) on proportionate basis, u/s 77A of the Companies Act, 1956, pursuant to the letter of offer dated 25th April 2009. The aforesaid buy back of shares has been approved by the board at its meeting held on 2nd March 2009 and by the shareholders at the extraordinary general meeting held on 28th March 2009. The said shares stand extinguished after their buy back. Accordingly, a sum of Rs. 10 million representing the face value has been reduced from the Share Capital and an equal amount has been transferred to Capital Redemption Reserve and Rs. 115 million has been adjusted against Securities Premium Account.
- vi. The Company, under the Employees Stock Option Scheme, 2007 (The Scheme), had granted options for 6,22,805 shares exercisable only after listing of the shares of the Company at National Stock Exchange and/or Bombay Stock Exchange. By an agreement dated 17.08.2009, between the Company and the respective employees, the said options have been terminated.

The details of the above Employee Stock Option Scheme is as under:

Date of grant	21.01.2008
Date of Board Approval	03.09.2007
Date of Shareholder's approval	28.09.2007
Number of options granted	622805
Method of Settlement (Cash/Equity)	Equity
Vesting Period	15 Days from the date of grant letter
Vesting Condition	Continued employment with the company and/or its subsidiary at the date of vesting.
Exercise Period	Maximum of 6 years from the date of grant.

Outstanding at the beginning of the year	622805
Granted during the year	Nil
Terminated during the year	622805
Exercised during the year	Nil
Expired during the year	Nil
Outstanding at the end of the year	Nil
Exercisable at the end of the year	Nil
Weighted average remaining contractual life (in years)	Not Applicable
Weighted average fair value of options granted	Not Applicable

- vii. During the period ended 30th September, 2009, the Company has entered into an agreement with Mandapam Commercial Limited for assignment of receivables from certain parties at a total consideration of Rs. 45.07 million as against loan receivables of Rs. 56.34 million from the said parties. The above arrangement has resulted into a loss of Rs. 11.27 million for the Company which has been charged to profit and loss account.

- viii. During the reporting periods, the following companies were amalgamated with the Company/its subsidiaries, as per terms of scheme of amalgamation under section 391 & 394 of The Companies Act, 1956, approved by Hon'ble Kolkata High Court:

Amalgamating Company	Amalgamated Company	Amalgamated with effect from	Date of approval by Hon'ble Kolkata High Court	Method applied for Amalgamation	Accounting treatment as per Scheme of Amalgamation
Ravindra Shelter Limited (a Consultancy and Advisory Services Company)	Microsec Financial Services Limited	1 st December, 2005	5 th April, 2006	Purchase Method* Purchase Consideration – Rs. 8.67 million	Cash, Bank Balances and net current assets were recorded at the book values and the balance of the Company's investments in the shares of the said amalgamating Company was allocated to the remaining assets on a proportionate basis.
Shringar Vinimay Private Limited (a Consultancy Services Company)	Microsec Financial Services Limited	1 st March, 2009	24 th August 2009	Purchase Method* Purchase Consideration – Rs. 20.14 million	Cash, Bank Balances, net current assets and part of investments were recorded at the book values and the balance of the Company's investments in the shares of the said amalgamating Company was allocated to the remaining assets on a proportionate basis.
Kautilya Advisory Pvt. Ltd. (a Consultancy and Advisory Services Company)	Microsec Capital Limited	1 st September, 2006	26 th March 2007	Purchase Method* Purchase Consideration – Rs. 1.99 million	Cash, Bank Balances, net current assets and investments were recorded at the book values and the balance of the Company's investments in the shares of the said amalgamating Company was allocated to the remaining assets on a

Amalgamating Company	Amalgamated Company	Amalgamated with effect from	Date of approval by Hon'ble Kolkata High Court	Method applied for Amalgamation	Accounting treatment as per Scheme of Amalgamation
					proportionate basis.
Microsec Technologies Limited (a Technology Company)	MIL Technologies Limited	01 st April, 2005	22 nd March 2006	Pooling of Interest Method*	All the assets and liabilities of the amalgamating company were recorded at the book value.

* As per Accounting Standard 14 notified by The Companies Accounting Standard Rules, 2006.

- ix. In terms of letter no. N/41-38793-101/Ins-I dated 04/09/2009 received from Employees State Insurance Corporation for applicability of the provisions of the Employee State Insurance Act, 1948 and for its retrospective compliance, Microsec Capital Limited, a Subsidiary Company, has paid Rs. 0.80 million during the period ended 30th September, 2009 towards the statutory dues (both Employer's & Employee's contribution) and the same has been charged to Profit & Loss Account. The effect of the above has been given in these accounts in respective financial years and duly disclosed vide Annexure – 4.
- x. The Company and its Subsidiaries has provided gratuity liabilities with effect from 1st April, 2009 as per Actuarial Valuation on the basis of Accounting Standard 15 (Revised) - "Employee Benefits" notified by the Companies Accounting Standard Rules, 2006, as against the past practice of providing the same on the basis of amount demanded by LIC for the covered employees as per group Gratuity Scheme taken by the Company. The effect of compliance with regard to the above has now been given in the accounts of respective financial years and duly disclosed vide Annexure – 4.
- xi. The Company and its subsidiaries has provided leave liabilities with effect from 1st April, 2009 as per Actuarial Valuation on the basis of Accounting Standard 15 (Revised) - "Employee Benefits" notified by the Companies Accounting Standard Rules, 2006, as against the past practice of providing the same on management estimate. The effect of compliance with regard to the above has now been given in the accounts of the respective financial years and duly disclosed vide Annexure 4.
- xii. Gratuity – Defined Benefit Plan :

The Company has a defined benefit gratuity plan. Every employee, who has completed five years or more of services, is entitled to gratuity on terms not less favorable than the provisions of the payment of Gratuity Act, 1972. The scheme is funded with an insurance Company.

The following tables summarise the components of gratuity expenses recognised in the Restated Profit & Loss Account and the funded status and amounts recognized in the Restated Assets and Liabilities.

(Rs. in Million)						
		Six Months Period Ended 30th September, 2009	2008-09	2007-08	2006-07	2005-06
(i)	Net Employee Expense /(benefit)					
	Current service cost	0.80	1.14	1.06	0.33	0.26

		Six Months Period Ended 30th September, 2009	2008- 09	2007- 08	2006- 07	2005- 06
	Interest cost on benefit obligation	0.08	0.12	0.04	0.03	0.01
	Expected return on plan assets	0.07	0.05	0.04	0.04	0.01
	Net Actuarial (gain) /loss recognised in the year/period	(0.29)	(0.81)	(0.09)	(0.24)	(0.01)
	Total employer (income)/expense recognised in Profit and Loss Account	0.52	0.40	0.97	0.08	0.25
(ii)	Benefit Asset/(Liability)					
	Defined benefit obligation	2.68	2.09	1.59	0.57	0.45
	Fair value of Plan Assets	2.08	1.66	0.65	0.51	0.47
	Benefit Asset/(Liability)	(0.60)	(0.43)	(0.94)	(0.06)	0.02
(iii)	Movement in benefit liability					
	Opening defined benefit obligation	2.09	1.59	0.57	0.45	0.19
	Interest cost	0.08	0.12	0.04	0.03	0.01
	Current service cost	0.80	1.14	1.06	0.33	0.26
	Benefits paid	-	-	-	-	-
	Actuarial (gains)/losses on obligation	(0.29)	(0.76)	(0.08)	(0.24)	(0.01)
	Closing benefit obligation	2.68	2.09	1.59	0.57	0.45
(iv)	Movement in fair value of plan assets					
	Opening fair value of plan assets	1.66	0.65	0.51	0.47	0.12
	Return on plan assets	0.07	0.05	0.04	0.04	0.01
	Contributions by employer	0.35	0.91	0.09	-	0.34
	Benefits paid	-	-	-	-	-
	Actuarial (gains)/losses on plan assets	-	(0.05)	(0.01)	-	-
	Closing fair value of plan assets	2.08	1.66	0.65	0.51	0.47
(v)	The major categories of plan assets as a percentage of the fair value of total plan assets					
	Investments in insurance managed fund	100%	100%	100%	100%	100%
(vi)	The principal actuarial assumptions are as follows					
	Discount Rate	7.50%	7.50%	7.50%	7.50%	7.50%
	Expected rate of return on assets	8.00%	8.00%	8.00%	8.00%	8.00%
	Salary increase	5.00%	5.00%	5.00%	5.00%	5.00%
	Withdrawal rates	1.00%	1.00%	1.00%	1.00%	1.00%
(vii)	Amount incurred as					

		Six Months Period Ended 30th September, 2009	2008- 09	2007- 08	2006- 07	2005- 06
	expense for defined contribution plans					
	Contribution to Provident / Pension fund	Not Applicable				
	Contribution to Employees State Insurance	0.17	0.32	0.23	0.07	-
(viii)	The estimates of future salary increases considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factor, such as supply and demand in the employment market.					
(ix)	The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.					
(x)	The Company expects to contribute Rs. 1.05 Million to Gratuity fund during Oct 09-Sep 10.					
(xi)	Amounts for the current period are as follows :					
	Gratuity					
	Defined Benefit Obligation	2.68	2.09	1.59	0.57	0.45
	Plan Assets	2.08	1.66	0.65	0.51	0.47
	Surplus / (Deficit)	(0.60)	(0.43)	(0.94)	(0.06)	0.02
	Experience adjustments on plan liabilities*	Not Available				
	Experience adjustments on plan assets*	Not Available				

*The management has relied on the overall actuarial valuation conducted by the actuary. However, experience adjustments on plan liabilities and plan assets are not readily available and hence not disclosed.

- xiii. The year wise break-up of net deferred tax liability/(assets) is as under:

(Rs. in Million)					
Particulars	As at 30 th September, 2009	As at 31 st March 2009	As at 31 st March 2008	As at 31 st March 2007	As at 31 st March 2006
Deferred Tax Liability					
Timing Difference in Depreciable assets	3.76	4.02	-	-	-
Discount on Deep Discount Debentures	14.41	13.06	10.66	8.45	6.59
Sub Total (A)	18.17	17.08	10.66	8.45	6.59
Deferred Tax Asset					
Timing Difference in Depreciable assets	-	-	3.02	11.48	3.41
Short Term Capital Loss	-	0.19	-	-	-
Expenses Allowable against taxable income in future years	0.43	0.21	0.17	0.03	0.01
Sub Total (B)	0.43	0.40	3.19	11.51	3.42
Net Deferred Tax (Assets)/Liability (A-B)	17.74	16.68	7.47	(3.06)	3.17

- xiv. Finance Lease:

Fixed Assets includes certain Vehicles obtained on finance lease. The lease term is for 3 years after which the Company has the option to purchase the asset. There is no escalation clause in the agreement. The year-wise break-up and future obligation towards minimum lease payment of Rs 0.15 million consisting of present value of lease payments and finance charges of Rs. 0.14 million and Rs. 0.01 million respectively under the respective agreements as on 30th September, 2009 is given below.

Particulars	Not later than 1 year		Later than 1 year but not later than 5 years	
	Minimum lease payments	Present value as on 30 th September, 2009	Minimum lease payments	Present value as on 30 th September, 2009
Finance Lease*	0.15	0.14	NIL	NIL

The Gross Book Value and the Written Down Value of assets taken on finance lease is Rs. 0.90 million and Rs. 0.07 million respectively.

* Rate of interest 11.48% – 12.48%

xv. Operating Lease:

Certain office premises are obtained on operating lease. The initial lease term is for 1 to 3 years and renewable for a further period either mutually or at the option of the Company. There is no escalation clause in the lease agreement. There are no restrictions imposed by lease arrangements. There are no sub-leases. The leases are cancellable.

(Rs. in Million)

Particulars	Six months period ended 30 th September, 2009	2008-09	2007-08	2006-07	2005-06
Lease payments made for the period	1.39	3.02	2.51	1.36	0.18
Contingent rent recognised in Profit and Loss Account	-	-	-	-	-

- xvi. Minimum Alternate Tax (MAT) credit entitlement of Rs. 12.60 Million as on 30th September, 2009, although being available as tax credit for set off in future years as per Income Tax Act, 1961, has not been accounted for in view of the accounting policy specified in note no. B (xii) above.
- xvii. In the consolidated audited financial statements, MAT credit entitlement for earlier years was adjusted against the current taxes in the year normal tax was payable. For the purpose of restated consolidated financial statements, the same has been restated and adjusted in the respective year to which they relate.
- xviii. In the consolidated audited financial statements for the years ended 31st March, 2006, 31st March, 2007, 31st March, 2008, 31st March, 2009 and for the six months period ended 30th September, 2009, certain deferred tax for earlier years were recorded in the subsequent years/period. For the purpose of restated consolidated financial statements, the same has been restated and adjusted in the respective year to which they relate.
- xix. In the year 2008-09, the Company had made a provision of Rs. 27.85 millions for the diminution in the value of investments and accordingly the investments were shown at gross value and net of provisions in the audited accounts for the above year. The said provision has subsequently been adjusted in the accounts for the period ended 30th September, 2009 against investments written off to the above extent. However, in the restated financial statements, investments have been shown at net value.

- xx. One of the Company's subsidiary has invested in deep discount Bonds redeemable after a period of 20 years issued by another fellow subsidiary company. The investor company has not accounted for income on such deep discount bonds whereas the investee company has accounted for interest expense in its books. As per policy consistently followed, the investor company will account for such interest income at the time of redemption of the bonds in their books. However, at the time of consolidation, to follow uniform accounting policies for like transactions, income accrued on such bonds has been duly considered as a consolidated adjustment and eliminated with the corresponding expenses recognised by another subsidiary. The consequential deferred tax liability of Rs. 14.41 million on such interest income has also been considered in these restated consolidated financial statements.
- xxi. In the consolidated financial statements, as at and for the year ended 31st March 2009, goodwill and capital reserve arisen on consolidation were understated by Rs. 23.18 million and Rs. 3.65 million respectively and the net impact was adjusted with the Profit & Loss Account Balance. The above error has been rectified in consolidated financial statements and the above amount of goodwill and Capital Reserve have been accordingly restated in the years ended 31st March, 2006, 31st March, 2007, 31st March, 2008 and 31st March, 2009.
- xxii. Microsec Insurance Brokers Limited (MIBL), a subsidiary company has been engaged in the business of offering insurance broking services. The Company's application for renewal of license has been rejected by Insurance Regulatory and Development Authority (IRDA) vide its letter dated November 25, 2009 since the said subsidiary has allegedly failed to adhere to the applicable and relevant regulations for carrying out the activities as insurance broker and also revoked the license already granted vide letter dated October 12, 2009 by IRDA. However, subsequently, IRDA through its letter dated January 15, 2010 imposed a penalty of Rs.0.5 million regarding the non compliance of IRDA Regulations and this amount has since been paid by the Company. The Company has received the renewed license from IRDA vide its letter dated 2nd March, 2010.
- xxiii. In the financial year 2005-06, the name of holding company was changed from "Satyam Fiscal Services Private Limited" to "Microsec Financial Services Limited".
- Further, the names of the following subsidiary companies were changed as given below:
- a) In the financial year 2005-06, Keshav Resource Private Limited was changed to Microsec Resource Private Limited.
 - b) In the financial year 2007-08, Microsec Risk Management Limited was changed to Microsec Insurance Brokers Limited.
 - c) In the financial year 2007-08, MIL Technologies Limited was changed to Microsec Technologies Limited.
- xxiv. During the year 2005-06, the company had transferred the opening inventories amounting to Rs. 20.29 million to investments at its book value as on 1st April, 2005.
- xxv. For the financial years ended 31st March, 2006, 2007, 2008 and 2009, the accounts of the holding company, Microsec Financial Services Limited and a subsidiary namely, Microsec Capital Ltd. were audited by Vidya & Co., Chartered Accountants. The accounts of other subsidiaries for the financial year ended 31st March 2006, 2007, 2008, 2009 and 30th September, 2009 were audited by firms of Chartered Accountants other than S.R. Batliboi & Co.
- xxvi. Since the figures are given in million, figures less than Rs. 5,000 have not been disclosed in these restated consolidated financial statements.

Consolidated Statement of Adjusted Accounting Ratios – Annexure 6

Accounting Ratios	For the year ended 31 st March				Six Months Period ended 30th September, 2009
	2006	2007	2008	2009	
Basis & Diluted Earning per Share (Rs.)	2.48	5.67	9.57	4.24	5.60*
(Nominal Value Rs.10 Per Share)					
Net Asset Value per Share (Rs.)	11.96	16.37	42.62	39.62	40.37
Return on Net Worth (%)	20.70%	34.63%	22.45%	10.70%	13.87%

* Not annualised

The impact on Earnings per share and Net Assets Value per Share on account of issue of Bonus Shares is as follows:					
Basic & Diluted Earning per Share (Rs.)	(1.41)	(3.23)	-	-	-
Net Asset Value per Share (Rs.)	(6.82)	(9.33)	-	-	-

Notes:

Definition of Ratios:

- Earning per share (EPS)** Restated Profit after tax as per statement of Restated Profit & Loss, as reduced by preference dividend for the year/period (including dividend tax), divided by the weighted average number of outstanding equity shares during the year/period.
- Net Asset Value per share** Net worth as per statement of Restated Assets and Liabilities, as reduced by Preference Share Capital/Preference Share Application money, divided by the weighted average number of outstanding equity shares during the year/period.
- Return on net worth (%)** Restated Profit after tax as per statement of Restated Profit and Loss as reduced by preference dividend for the year/period (including dividend tax), divided by net worth, as reduced by Preference Share Capital/Preference Share Application money.

Consolidated Statement of Related Party Transactions – Annexure - 7

Related Party Disclosures

Names of the Related Parties

Key Management Personnel

Mr. B. L. Mittal (Chairman & Managing Director)
 Mr. Ravi Kant Sharma (Director)
 Mr. Rakesh Sony (Director) *
 Mr. L.N.Mandhana (Chief Financial Officer in Microsec Financial Services Ltd.) #
 Mr. Shamik Bhose (Executive Director in Microsec Commerze Ltd.)
 Mr. Ajai Kumar Agrawal (Director in PRP Technologies Ltd.)
 Mr. Pankaj Harlalka (Executive Director in Microsec Capital Ltd.)

Relatives of Key Management Personnel

Mrs. Abha Mittal (Wife of Mr.B. L.Mittal)
 Mr. Narsingh Mittal (Brother of Mr.B. L.Mittal)
 Mr. Rajiv Sharma (Brother of Mr.Ravi Kant Sharma)
 Mr. Sajjan Kumar Sharma (Father of Mr.Ravi Kant Sharma)
 Mrs. Bharati Sharma (Wife of Mr.Ravi Kant Sharma)
 Mrs.Sangita Mandhana (Wife of Mr.L.N.Mandhana) #
 Mrs. Kavita Sony (Wife of Mr. Rakesh Sony) *
 Mr. Sunil Sony (Brother of Mr. Rakesh Sony) *
 Mrs. Rashmi Harlalka (Wife of Mr. Pankaj Harlalka)
 Mr. Manmohan Harlalka (Father of Mr. Pankaj Harlalka)
 Mrs. Sushila Devi Khaitan (Sister of Mr. B. L.Mittal)
 Mr. Arjun Mittal (Brother of Mr.B. L.Mittal)
 Mr. Niraj Harlalka (Brother of Mr.Pankaj Harlalka)
 Mrs. Kanta Harlalka (Mother of Mr.Pankaj Harlalka)
 Mrs. Kanta Devi Sharma (Mother of Mr.Ravi Kant Sharma)

Enterprise in which Key Management Personnel Exercise a Significant Influence

Luv-Kush Projects Limited
 Micro Resources Private Limited
 B. L. Mittal (HUF)

* upto 7th October, 2008

resigned with effect from 20th November, 2009

Statement of Aggregated Related Party Transaction as per Accounting Standard 18 for the Reporting Period

(Rs. in Million)					
Particulars	Time Period	Key Management Personnel	Relatives of Key Management Personnel	Enterprises in which Key Management personnel exercises significant influence	TOTAL
Remuneration					
Mr. B. L. Mittal	Apr-	1.39			1.39

Particulars	Time Period	Key Management Personnel	Relatives of Key Management Personnel	Enterprises in which Key Management personnel exercises significant influence	TOTAL
	Sep-09				
	2008-09	2.60			2.60
	2007-08	2.15			2.15
	2006-07	1.19			1.19
	2005-06	0.36			0.36
Mr. L. N. Mandhana	Apr-Sep-09	0.56			0.56
	2008-09	1.10			1.10
	2007-08	0.60			0.60
Mr. Ravi Kant Sharma	Apr-Sep-09	1.29			1.29
	2008-09	2.60			2.60
	2007-08	2.60			2.60
	2006-07	1.20			1.20
	2005-06	0.35			0.35
Mr. Rakesh Sony	2008-09	1.59			1.59
	2007-08	2.60			2.60
	2006-07	1.18			1.18
	2005-06	0.34			0.34
Mrs. Abha Mittal	2005-06		0.26		0.26
Others	Apr-Sep-09	0.44			0.44
	2008-09	0.60			0.60
	2007-08	0.82			0.82
	2006-07		0.12		0.12
	2005-06		0.07		0.07
Brokerage & Related Income					
Mr. Ravi Kant Sharma	Apr-Sep-09	-			-

Particulars	Time Period	Key Management Personnel	Relatives of Key Management Personnel	Enterprises in which Key Management personnel exercises significant influence	TOTAL
	2008-09	-			-
	2007-08	-			-
	2006-07	0.01			0.01
	2005-06	0.07			0.07
Mr. Sajjan Kumar Sharma	Apr-Sep-09		-		-
	2008-09		0.02		0.02
	2007-08		0.03		0.03
	2006-07		0.01		0.01
	2005-06		0.11		0.11
Bharati Sharma	Apr-Sep-09		-		-
	2008-09		0.02		0.02
	2007-08		0.05		0.05
	2006-07		-		-
	2005-06		0.14		0.14
Luv Kush Projects Ltd	Apr-Sep-09			0.25	0.25
	2008-09			0.38	0.38
	2007-08			0.58	0.58
	2006-07			0.56	0.56
	2005-06			0.06	0.06
Others	Apr-Sep-09	-	0.01	-	0.01
	2008-09	0.01	0.02	-	0.03
	2007-08	0.03	0.05	-	0.08
	2006-07	0.03	0.02	-	0.05
	2005-06	0.01	0.02	-	0.03
Loans & Advances Received					

Particulars	Time Period	Key Management Personnel	Relatives of Key Management Personnel	Enterprises in which Key Management personnel exercises significant influence	TOTAL
Mr. B.L.Mittal	Apr-Sep-09	-			-
	2008-09	0.10			0.10
	2007-08	0.35			0.35
Mr. Rakesh Sony	2008-09	0.10			0.10
	2007-08	0.01			0.01
	2006-07	-			-
	2005-06	2.02			2.02
Mr. Pankaj Harlalka	Apr-Sep-09	0.06			0.06
Mrs. Abha Mittal	2007-08		0.30		0.30
B.L.Mittal (HUF)	2007-08			0.35	0.35
Luv Kush Projects Limited	2008-09			14.00	14.00
Mr. L.N.Mandhana	Apr-Sep-09	0.19			0.19
Others	Apr-Sep-09	0.02	-		0.02
	2008-09	-	0.15		0.15
	2007-08	0.08	-		0.08
	2005-06	0.16	-		0.16
Loans & Advances Given					
Mr. Ajai Kumar Agrawal	Apr-Sep-09	0.02			0.02
Mr. B.L.Mittal	Apr-Sep-09	-			-
	2008-09	0.32			0.32
	2007-08	0.12			0.12

Particulars	Time Period	Key Management Personnel	Relatives of Key Management Personnel	Enterprises in which Key Management personnel exercises significant influence	TOTAL
Mr. Ravi Kant Sharma	2006-07	0.08			0.08
	2005-06	0.01			0.01
Mr. Rakesh Sony	2008-09	0.12			0.12
	2007-08	0.04			0.04
	2006-07	-			-
	2005-06	0.02			0.02
Mr. Pankaj Harlalka	Apr-Sep-09	0.06			0.06
Luv Kush Projects Limited	2008-09			14.00	14.00
Others	2008-09	0.19	0.45	0.35	0.99
Purchase of Shares					
Mr. B. L. Mittal	2005-06	1.03			1.03
Mrs. Abha Mittal	2005-06		2.34		2.34
Others	2005-06	0.06			0.06
Sale of Shares					
Luv Kush Projects Limited	2005-06			2.65	2.65
Others	2005-06		0.02		0.02
Share Application Money Received					
Luv Kush Projects Limited	2007-08			52.00	52.00
	2006-07			2.99	2.99
	2005-06			152.75	152.75
Others	2005-06	0.29			0.29
Share Application Money Refunded					

Particulars	Time Period	Key Management Personnel	Relatives of Key Management Personnel	Enterprises in which Key Management personnel exercises significant influence	TOTAL
Luv Kush Projects Limited	2007-08			52.00	52.00
	2006-07			-	-
	2005-06			0.95	0.95
Mr. Ravi Kant Sharma	2005-06	0.29			0.29
Equity Share Capital Issued (Including Premium)					
Luv Kush Projects Limited	2005-06			106.00	106.00
Mr. Rakesh Sony	2007-08	18.00			18.00
Mr. Ravi Kant Sharma	2007-08	26.03			26.03
	2006-07	-			-
Mr. B.L.Mittal	2005-06	72.00			72.00
Mrs. Kavita Sony	2007-08		18.00		18.00
Mrs. Bharati Sharma	2007-08		9.23		9.23
Others	2007-08	0.30			0.30
	2006-07				
	2005-06	0.09	0.18		0.27
Preference Share Capital Issued					
Luv Kush Projects Limited	2006-07			27.00	27.00
Preference Share Capital Redeemed					
Luv Kush Projects Ltd	2007-08			27.00	27.00
Dividend Paid					
Mr. B. L. Mittal	2007-08	8.00			8.00
	2006-	16.00			16.00

Particulars	Time Period	Key Management Personnel	Relatives of Key Management Personnel	Enterprises in which Key Management personnel exercises significant influence	TOTAL
	07				
Luv Kush Projects Limited	2007-08			1.95	1.95
	2006-07			4.35	4.35
Others	2007-08	0.01	0.04		0.05
	2006-07	0.02	0.08		0.10
Balance Receivable					
Mr. L.N.Mandhana	31-Mar-09	0.19			0.19
Luv Kush Projects Ltd.	30-Sep-09			-	-
	31-Mar-08			-	-
	31-Mar-07			0.01	0.01
	31-Mar-06			-	-
Others	30-Sep-09	-	-	-	-
	31-Mar-09	-	-	-	-
	31-Mar-08	-	0.01	-	0.01
	31-Mar-07	-	-	-	-
	31-Mar-06	-	-	-	-
Balance Payable					
Mr. B.L.Mittal	31-Mar-08	0.37			0.37
Mr. Rakesh Sony	31-Mar-09	0.05			0.05
	31-Mar-08	0.03			0.03
Mrs. Abha Mittal	31-Mar-08		0.30		0.30

Particulars	Time Period	Key Management Personnel	Relatives of Key Management Personnel	Enterprises in which Key Management personnel exercises significant influence	TOTAL
B.L.Mittal (HUF)	31-Mar-08			0.30	0.30

Restated Statement of Consolidated Segment Information as per Accounting Standard 17 for the Reporting Period
Annexure – 8

Particulars	Financing & Investment				Investment Banking & Related Services				Brokerage (Equity, Commodities and Currency including Depository Services) & related services,				Wealth Management, Insurance Broking, Financial Planning, Distribution and related services				Total			
	2005-06	2006-07	2007-08	2008-09	Apr-Sep 09	2005-06	2006-07	2007-08	2008-09	Apr-Sep 09	2005-06	2006-07	2007-08	2008-09	Apr-Sep 09	2005-06	2006-07	2007-08	2008-09	Apr-Sep 09
Segment Revenue	27.97	49.59	104.40	93.31	83.98	18.97	72.49	113.83	113.70	47.94	21.64	66.61	188.72	161.56	112.72	69.53	192.45	411.11	378.74	268.55
Segment Results	27.29	46.46	80.99	29.24	56.78	11.29	35.71	63.81	67.63	26.58	1.72	4.35	52.62	10.04	32.80	39.67	84.60	198.03	108.94	133.11
Add: Unallocated income net of unallocated expenses																1.01	0.81	11.24	5.64	5.02
Profit Before Tax																40.68	85.41	209.27	114.58	138.13
Less: Provision for Taxation																				
Current Tax																1.45	7.77	34.35	18.38	27.60
Deferred Tax charge(credit)																1.94	(6.23)	10.53	9.21	1.06
Fringe Benefit Tax																0.11	0.30	0.50	0.67	-
MAT Credit Entitlement																-	(5.96)	2.54	0.21	-
Net Profit after Tax																37.18	89.53	161.35	86.11	109.47
Segment Assets	87.47	139.61	494.21	526.19	494.96	66.56	80.57	98.71	103.28	112.38	122.35	109.21	406.41	221.09	276.97	4.47	3.12	2.16	8.38	29.61
Unallocated Corporate Assets																280.85	332.51	1,001.49	858.94	913.92
Total Assets																36.05	68.52	119.63	135.07	176.08
Segment Liabilities	9.48	19.94	83.74	7.06	21.75	9.75	1.21	3.40	2.23	4.47	83.39	90.57	241.18	155.63	208.80	0.02	0.13	0.17	2.71	3.68
Unallocated Corporate Liabilities																102.64	111.85	328.49	167.63	238.70
Total Liabilities																10.66	5.14	74.06	21.74	62.19
Capital Expenditure	15.23	17.68	6.23	50.35	0.27	15.58	27.32	28.27	20.95	1.86	2.67	14.44	24.94	14.67	2.66	0.52	1.89	-	6.47	1.97
Unallocated Capital Expenditure																34.00	61.33	59.44	92.44	6.76
Total Capital Expenditure																7.00	-	-	23.15	-
Net Capital Employed	77.99	119.67	410.47	519.13	473.21	56.81	79.36	95.31	101.05	107.91	38.96	18.64	165.23	65.46	68.17	4.45	2.99	1.99	5.67	25.93
Depreciation/Amortization	0.27	2.11	4.62	4.02	4.57	0.94	7.83	10.43	10.02	4.90	0.81	4.03	7.52	13.28	5.55	1.08	3.64	0.91	1.85	1.34
Unallocated Depreciation																3.10	17.61	23.48	29.17	16.36
Total Depreciation																0.84	11.16	11.16	11.16	11.16
Non-cash expenses included in segment results	0.04	0.12	0.03	0.05	11.40	-	-	2.44	2.62	3.11	0.27	0.11	0.10	5.44	1.97	0.13	-	0.34	0.01	0.32
segment results																0.44	0.23	2.91	8.12	16.80

Notes

1) Business segments – The business segment has been identified on the basis of the services of the Group. Accordingly the Group has identified “Financing and Investment”, “Investment Banking and Related Services”, “Brokerage (Equity, Commodities and Currency including depository services) and related Services” and “Wealth Management, Insurance Broking, Financial Planning, Distribution and Related Services” as business segments

Financing and Investment – consists of financing of loans and investment in shares and securities.

Investment Banking and Related Services – consists of financial consultancy and debt syndication.

Brokerage (Equity, Commodities and Currency including depository services) and Related Services- consists of brokerage and related services

Wealth Management, Insurance Broking, Financial Planning, Distribution and Related Services- consists of brokerage from insurance activities, distribution and financial planning services

2) Geographical Segments – The Company operates in only one geographical segment i.e within India and no separate information for geographical segment has been given.

Statement of Dividend Paid – Annexure – 9

EQUITY CAPITAL	For the years ended 31st March				Six Months Period ended 30th September, 2009
	2006	2007	2008	2009	
No. of Equity Shares of Rs. 10 each	1,00,00,000	1,00,00,000	2,03,10,500	2,03,10,500	1,93,10,500
Rate of Dividend (%)	10%	10%	10%	-	-
Dividend Paid (Rs. in Million)					
Proposed Dividend	10.00	-	-	-	-
Interim Dividend	-	10.00	10.00	-	-
Tax on Proposed Dividend	1.40	-	-	-	-
Tax on Interim Dividend	-	1.41	1.70	-	-
Total	11.40	11.41	11.70	-	-

PREFERENCE CAPITAL	For the years ended 31st March				Six Months Period ended 30th September, 2009
	2006	2007	2008	2009	
No. of Preference Shares of Rs. 10 each	-	27,00,000	-	-	-
Rate of Dividend (%)	-	5.00%	-	-	-
Dividend Paid (Rs. in Million)					
Amount of Dividend	-	0.45	-	-	-
Tax on Dividend	-	0.07	-	-	-
Total	-	0.52	-	-	-

Consolidated Capitalization Statement– Annexure – 10

(Rs. in Million)

Particulars	As at 30th September, 2009	
	Pre-issue	Adjusted for the Public Issue
Borrowings		
Short-Term*	0.77	See note below
Long-Term	58.50	
Total	59.27	
Shareholders' Funds		
Share Capital	193.11	
Reserves & surplus	596.00**	
Total	789.11	
Long-term Debt/Equity ratio	0.07:1	

* Represents interest accrued & due and deferred payment credit under Hire Purchase from a Scheduled Bank.

**Restated Reserves

Note:

Share Capital and Reserves & Surplus post issue can be calculated only on the conclusion of the book building process.

Consolidated Statement of Restated Earning Per Share – Annexure – 11A

(Rs. in Million)

	For the years ended 31st March				Six Months Period ended 30th September, 2009
	2006	2007	2008	2009	
Restated Profit/(Loss) after Tax	37.18	89.53	161.35	86.11	109.47
Less: Preference dividend for the year/period (including dividend tax)	-	0.52	-	-	-
Profit available for Equity Shareholders	37.18	89.01	161.35	86.11	109.47
Weighted average number of outstanding equity Shares during the year/Period	1,50,17,047*	1,57,00,000*	1,68,58,923	2,03,10,500	1,95,45,473
Nominal Value of Equity shares (Rs.)	10	10	10	10	10
Basic / diluted Earning per share (Rs.)	2.48	5.67	9.57	4.24	5.60 #

* Adjusted for Bonus Shares issued in the subsequent year

not annualised

Consolidated Restated Statement of Fixed Assets – Annexure – 11B

(Rs. in Million)

Particulars	As at 31st March				As at 30th September, 2009
	2006	2007	2008	2009	
A. Tangible Assets					
Land	3.78	4.02	4.02	4.02	4.02
Office Premises	45.34	54.84	86.07	86.82	87.39
Computers	7.06	21.72	28.94	43.02	31.18
Furniture & Fixtures	5.60	31.63	34.56	34.81	28.96
Office Equipments	3.11	11.67	15.29	16.54	18.16
Vehicles	3.09	3.44	4.84	3.97	3.27
Total	67.98	127.32	173.72	189.18	172.98
B. Intangible Assets					
Goodwill on Consolidation	23.18	23.18	23.18	46.33	46.33
Software	23.67	28.61	41.64	44.45	31.24
Business Rights	0.50	4.02	4.02	4.52	4.52
Web Application Portal	-	-	-	2.34	3.47
Copy Rights*	-	-	-	50.00	50.00
- Right on Web Application Portal - Personal Resource Planning					
Total	47.35	55.81	68.84	147.64	135.56
Gross Block (A+B)	115.33	183.13	242.56	336.82	308.54
Less : Accumulated Depreciation/Amortisation	22.43	40.80	65.36	94.74	91.32
Net Block	92.90	142.33	177.20	242.08	217.22
Add : Capital Work in Progress (including Capital Advances)	-	-	-	19.91	20.92
Total	92.90	142.33	177.20	261.99	238.14

* yet to be transferred in the name of the Company. As per the Management, the application for registration of the Copy Right has already been filed with the appropriate authorities and the process of registration in the name of the Company would be completed by June 2010.

Consolidated Restated Statement of Investments – Annexure – 11C

(Rs. in Million)

Particulars	As at 31st March				As at 30th September, 2009
	2006	2007	2008	2009	
Unquoted Investments					
Equity Shares	8.40	4.71	-	15.70	14.01
Units in Mutual Funds	9.29	9.73	6.93	71.55	1.84
Preference Shares	-	-	0.12	0.12	-
Others	1.73	31.73	4.73	1.73	1.73
Total	19.42	46.17	11.78	89.10	17.58
Quoted Investments					
Equity Shares	2.13	1.99	64.08	61.04	52.89
Grand Total	21.55	48.16	75.86	150.14	70.47
Market Value of Quoted Investments	3.01	2.70	71.90	28.87	59.44
Aggregate NAV of Units of Mutual Funds	9.40	9.77	7.10	71.69	1.86

Consolidated Restated Statement of Debtors – Annexure- 11D

(Rs. in Million)

Age wise Break-up	As at 31st March				As at 30th September, 2009
	2006	2007	2008	2009	
Considered good					
Debts outstanding for a period exceeding six months					
Secured	0.09	0.17	-	0.88	0.82
Unsecured	1.07	5.96	3.29	8.98	3.67
Sub Total	1.16	6.13	3.29	9.86	4.49
Other Debts					
Secured	26.59	16.21	101.73	15.31	105.98
Unsecured	26.50	6.03	125.52	51.81	71.28
Sub Total	53.09	22.24	227.25	67.12	177.26
Total	54.25	28.37	230.54	76.98	181.75

Consolidated Restated Statement of Cash & Bank Balances – Annexure – 11E

(Rs. in Million)

Particulars	As at 31st March				As at 30th September, 2009
	2006	2007	2008	2009	
Cash in Hand	0.58	0.78	0.17	0.48	0.13
Cheques in Hand	-	-	-	-	1.00
Balances with Scheduled Banks					
On Current Accounts	15.18	15.21	50.27	96.67	65.23
On Fixed Deposits	9.63	24.85	79.86	63.73	116.31
Total	25.39	40.84	130.30	160.88	182.67

Consolidated Restated Statement of Loans & Advances – Annexure – 11F

(Rs. in Million)

Particulars	As at 31st March				As at 30th September, 2009
	2006	2007	2008	2009	
Considered good					
Loans (Bearing Interest)					
-Secured	-	-	280.30	142.93	330.83
-Unsecured	45.65	58.57	23.86	110.39	1.30
Less : Provision for Non-Performing Assets	-	-	-	-	0.13
Sub-Total	45.65	58.57	304.16	253.32	332.00
Advances - (Unsecured)					
Advances recoverable in cash or in kind or for value to be received or pending adjustments	20.51	3.43	7.05	26.73	9.24
Advance Payment of Income Tax & Tax Deducted at Source (Net of Provision)	1.20	-	4.83	10.81	1.51
Advance Fringe Benefit Tax (Net of Provisions)	-	-	-	0.02	-
MAT Credit Entitlement	-	5.96	0.15	-	-
Deposits with Government Authorities and others	54.96	67.12	179.77	50.12	68.39
Sub-Total	76.67	76.51	191.80	87.68	79.14
Total	122.32	135.08	495.96	341.00	411.14

Consolidated Restated Statement of Secured Loans – Annexure – 11G

(Rs. in Million)

Particulars	As at 31st March				As at 30th September, 2009
	2006	2007	2008	2009	
Term Loans					
From Scheduled Banks	-	-	63.36	3.50	43.50
Infrastructure Leasing & Financial Services Ltd	-	-	16.83	-	-
DSP Merrill Lynch Limited	-	-	60.00	-	-
Citicorp Finance India Ltd	-	-	-	-	15.00
Interest accrued and due	-	-	4.42	0.04	0.62
Deferred payment credit under hire purchase from a scheduled Bank	1.49	0.96	0.83	0.26	0.15
Total	1.49	0.96	145.44	3.80	59.27

Details of terms & conditions of Secured Loans outstanding as on 30th September, 2009:

Name of Lender	Sanctioned Amount	Outstanding as on 30 th September 2009	Rate of Interest	Repayment Terms	Nature of Securities
Citicorp Finance India Ltd	60.00	15.23	14.50%	3 years	Secured by pledge of securities obtained as margin from borrowers.
Infrastructure Leasing & Financial Services Ltd	50.00	0.35	14.00%	12 months	
Scheduled Banks					
HDFC Bank	50.00	40.00	8.50%	12 months	Partly secured by pledge of Fixed deposits receipts of Rs. 20 Million, Personal guarantee of two directors of the company and Corporate guarantee of the holding Company.
State Bank of India	125.00	3.54	12.00%	5 years	Mortgage of Land & Building
Deferred payment credit	0.63	0.15	11.48% - 12.48%	3 years	Motor Car
Total		59.27			

Consolidated Restated Statement of Unsecured Loans – Annexure – 11H

(Rs. in Million)

Particulars	As at 31st March				As at 30th September, 2009
	2006	2007	2008	2009	
From Body Corporates	8.70	17.70	-	-	-
Total	8.70	17.70	-	-	-

Consolidated Restated Statement of Current Liabilities & Provisions – Annexure – 11I

(Rs. in Million)

Particulars	As at 31st March				As at 30th September, 2009
	2006	2007	2008	2009	
Current Liabilities					
Sundry Creditors for goods, services, expenses etc.					
Dues to Micro and Small Enterprises	-	-	-	-	-
Dues to Others	12.85	11.37	32.64	13.90	10.88
Margin from Clients	38.06	62.53	87.50	46.91	29.84
Amount Payable to Clients	15.30	11.78	101.11	82.47	162.14
Amount Payable to Stock Exchanges	15.15	-	-	-	1.09
Security Deposits	1.29	2.56	5.47	7.82	8.59
Other liabilities	2.13	1.45	5.45	3.38	10.32
Temporary Bank overdraft from Scheduled Banks	3.76	6.85	16.40	13.70	0.08
Sub Total	88.54	96.54	248.57	168.18	222.94
Provisions					
Taxation (Net of Advance Payments)	-	1.73	-	-	-
Leave Encashment	-	-	0.13	0.28	0.34
Gratuity	-	0.06	0.94	0.43	0.60
Proposed Dividend	10.00	-	-	-	-
Tax on Proposed Dividends	1.40	-	-	-	-
Sub Total	11.40	1.79	1.07	0.71	0.94
Total	99.94	98.33	249.64	168.89	223.88

Restated Statement of Share Capital – Annexure – 11J

Particulars	As at 31st March				As at 30th September, 2009
	2006	2007	2008	2009	
Authorised Share Capital					
No. of Equity Shares of Rs. 10 each	1,00,00,000	1,00,00,000	3,50,00,000	3,50,00,000	3,50,00,000
Equity Share Capital (Rs. in Million)	100.00	100.00	350.00	350.00	350.00
No. of Preference Shares of Rs. 10 each	-	27,00,000	-	-	-
Preference Share Capital (Rs. in Million)	-	27.00	-	-	-
Total Authorised Capital (Rs. in Million)	100.00	127.00	350.00	350.00	350.00
Issued, Subscribed and Paid-up					
No. of Equity Shares of Rs. 10 each (fully paid)	1,00,00,000	1,00,00,000	2,03,10,500	2,03,10,500	1,93,10,500
Equity Share Capital (Rs. in Million)	100.00	100.00	203.11	203.11	193.11
No. of Preference Shares of Rs. 10 each (fully paid)	-	27,00,000	-	-	-
Preference Share Capital (Rs. in Million)	-	27.00	-	-	-
Total Issued, Subscribed and Paid-up Capital (Rs. in Million)	100.00	127.00	203.11	203.11	193.11

Consolidated Restated Statement of Reserves & Surplus – Annexure – 11K

(Rs. in Million)

Particulars	As at 31st March				As at 30th September, 2009
	2006	2007	2008	2009	
Securities Premium Account	25.87	25.73	266.50	266.46	151.47
Capital Reserve on Consolidation	3.65	3.65	3.65	3.65	3.65
Capital Redemption Reserve	-	-	-	-	10.00
Debenture Redemption Reserve	0.13	1.33	7.96	8.51	9.13
Reserve under Section 45-IC of the Reserve Bank of India Act, 1934	2.93	12.50	32.00	42.18	52.43
Surplus as per Profit and Loss Account	47.00	113.83	205.35	280.73	369.32
Total	79.58	157.04	515.46	601.53	596.00

Consolidated Restated Statement of Income from Operations – Annexure – 11L

(Rs. in Million)

Particulars	For the years ended 31st March				Six months Period ended 30th September 2009
	2006	2007	2008	2009	
Brokerage & Related Income	21.64	65.34	182.01	148.93	106.91
Insurance Brokerage Income	0.95	3.76	4.16	7.87	8.61
Interest on Loans	2.19	2.83	41.37	57.02	29.36
Investment Banking Revenue	18.97	72.49	113.83	115.70	47.94
Profit on Sale/Redemption of Investments (Net)	25.82	40.84	66.24	35.90	52.54
Dividend from Investments	-	0.28	0.04	0.83	1.78
Service Charges	-	-	-	0.30	15.30
Income/(Loss) from Trading in Securities	(0.04)	5.64	(3.25)	(0.44)	0.30
Penal Charges Collected from clients	-	1.27	6.71	12.63	5.81
Total	69.53	192.45	411.11	378.74	268.55

Consolidated Restated Statement of Other Income – Annexure – 11M

(Rs. in Million)

Particulars	For the years ended 31st March				Six months Period ended 30th September 2009
	2006	2007	2008	2009	
Interest on Bank Deposits etc.	0.56	2.51	12.59	10.25	5.61
Unspent liabilities no longer required, written back	0.03	-	0.01	0.05	0.05
Profit on sale/discard of Fixed Assets (net)	-	-	-	-	1.58
Miscellaneous Income	0.49	0.06	2.67	0.29	0.14
	1.08	2.57	15.27	10.59	7.38

Note:

All the items of Other Income as given above are generally recurring in nature and are related to the business activity carried out by the Company and its subsidiaries.

Consolidated Restated Statement of Operating Expenses – Annexure – 11N

(Rs. in Million)

Particulars	For the years ended 31st March				Six months Period ended 30th September 2009
	2006	2007	2008	2009	
Depository Transaction charges	0.99	1.37	2.23	1.92	1.31
Membership Fees and Subscription	0.35	0.47	0.69	0.84	0.33
Software Maintenance charges	1.19	2.94	1.37	7.25	1.69
Stock Exchange charges	0.87	4.31	10.05	4.64	3.11
SEBI Turnover Fees	0.89	0.26	1.50	0.26	0.12
	4.29	9.35	15.84	14.91	6.56

Consolidated Restated Statement of Staff Cost – Annexure- 11O

(Rs. in Million)

Particulars	For the years ended 31st March				Six months Period ended 30th September 2009
	2006	2007	2008	2009	
Salary, Bonus etc.	4.68	23.70	60.81	95.20	53.38
Gratuity	0.25	0.08	0.97	0.40	0.52
Employees' welfare expenses	0.68	1.48	1.98	4.66	1.60
Contribution to ESI	-	0.07	0.23	0.32	0.17
	5.61	25.33	63.99	100.58	55.67

Consolidated Restated Statement of Administrative & Other Expenses – Annexure- 11P

(Rs. in Million)

Particulars	For the years ended 31st March				Six months Period ended 30th September 2009
	2006	2007	2008	2009	
Advertisement & Publicity	0.15	2.14	6.27	4.74	1.06
Communication Expenses	0.84	3.33	6.49	7.15	2.77
Repairs & Maintenance - Others	0.96	2.92	3.57	4.60	1.51
Repairs & Maintenance - Buildings	-	0.14	0.17	0.08	-
Rates & Taxes	0.15	0.43	3.93	0.58	0.78
Rent	0.18	1.36	2.51	3.02	1.39
Insurance Premium	0.01	0.41	0.39	0.57	0.24
Printing & stationery	0.43	2.90	4.24	2.64	1.39
Bank & Demat charges	0.21	1.04	1.38	1.27	0.23
Travelling & Conveyance	0.42	1.82	2.91	3.95	1.52
Legal & Professional fees	0.15	2.13	10.03	2.69	1.68
Irrecoverable debts/advances written off	0.40	0.11	2.90	8.07	5.40
Filing Fees	-	0.01	0.05	0.01	0.06
Penal Charges	-	-	-	39.50	-
Loss on assignment of receivables	-	-	-	-	11.27
Director Sitting Fees	-	-	0.13	0.15	0.05
Provision for Non Performing Assets	-	-	-	-	0.13
Postage & Courier Expenses	0.11	0.49	1.89	1.93	0.86
Motor Car Expenses	-	-	0.10	0.40	0.12
Loss on Sale of Fixed Assets	-	0.12	0.01	0.05	-
Licence Fees	-	-	-	0.05	0.04
Auditors' Remuneration	-	-	-	-	-
As Auditors	-	-	-	-	-
- Audit Fees	0.15	0.25	0.25	0.27	0.80
- Tax Audit	0.03	0.05	0.05	0.05	-
- Other Services	0.02	-	-	-	0.18
Commission Paid	-	-	-	0.04	-
Research & Knowledge Processing Charges	-	0.33	-	-	-
Miscellaneous expenses	0.36	2.22	1.49	1.49	0.98
Service Charges	11.90	32.76	51.54	28.21	17.41
Electricity Charges	0.17	1.32	2.25	2.73	1.58
Membership Fees	-	-	-	0.03	0.01
Software Expenses	-	-	0.02	0.08	-
Miscellaneous expenditure written off	0.04	-	-	-	-
	16.68	56.28	102.57	114.35	51.46

Consolidated Restated Statement of Interest Expenses – Annexure – 11Q

(Rs. in Million)

Particulars	For the years ended 31st March				Six months Period ended 30th September 2009
	2006	2007	2008	2009	
On Fixed Loans	0.25	0.11	6.47	12.16	1.84
On Working Capital	-	-	2.81	2.63	1.46
Others	-	0.02	0.84	0.05	4.45
Total	0.25	0.13	10.12	14.84	7.75

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following discussion and analysis of our financial condition and results of operations is based upon, and should be read in conjunction with, our restated consolidated financial statements as of and for years ended March 31, 2007, 2008 and 2009 and the six months period ended September 30, 2009, including the schedules, annexures and notes thereto and the reports thereon, in "Financial Statements" on page 112 of this Draft Red Herring Prospectus. These financial statements are based on our audited consolidated financial statements and are restated in accordance with paragraph B(1) of Part II of Schedule II of the Companies Act and the SEBI Regulations.

The audit committee of the Board of MFSL was constituted on November 3, 2007. The financial statements of MFSL or any of the subsidiaries have been approved by their respective Boards, and where applicable, by the earlier audit committee. Our Subsidiary Microsec Capital Limited has two wholly-owned subsidiaries – Microsec Insurance Brokers Limited and Microsec Commerce Limited on and from Fiscal 2003 and Fiscal 2006 respectively. Our Subsidiary Microsec Technologies Limited acquired PRP Technologies Limited with effect from February 9, 2009 and is a wholly owned subsidiary of MTL on and from Fiscal 2009.

The following discussion and analysis contains forward-looking statements that reflect our current views with respect to future events and financial performance. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of any number of factors, including those set forth in "Forward Looking Statements" and "Risk Factors" beginning on pages ix and x of this Draft Red Herring Prospectus respectively.

BUSINESS OVERVIEW

We are a well-diversified financial services company providing an array of services including investment banking, retail brokerage, wealth management, insurance broking, Depository-participant and financing services to corporate / institutional / high net worth individual clients. We are headquartered in Kolkata and our products and services are distributed through 235 business locations spread across 17 states.

We operate through Microsec Financial Services Limited ("MFSL") and its Subsidiaries. MFSL, the ultimate holding company of all the Subsidiaries, is an NBFC, registered with the RBI and its main business includes giving loans against shares and rendering advisory services to clients. Our Subsidiaries are Microsec Capital Limited ("MCap"), Microsec Resources Private Limited ("MRPL"), Microsec Technologies Limited ("MTL"), Microsec Insurance Brokers Limited ("MIBL"), Microsec Commerce Limited ("MCL") and PRP Technologies Limited ("PRP").

The Microsec Group operates through Microsec Financial Services Limited and its Subsidiaries. MCap and MRPL are wholly owned subsidiaries of MFSL. Further, MIBL and MCL are wholly owned subsidiaries of MCap. 80% of the shareholding in MTL is held by MFSL and MCap holds 20% of MTL. PRP Technologies Limited is a wholly owned subsidiary of MTL.

The Microsec Group employs approximately 632 employees as of January 31, 2010. In Fiscal 2008 and 2009, our consolidated total income was Rs. 426.38 million and Rs. 389.33 million respectively. In Fiscal 2008 and 2009, our consolidated profit after taxation was Rs. 161.35 million and Rs. 86.11 million respectively. Consolidated total income and profit after tax in the 6 months' period ended September 30, 2009 stands at Rs. 275.93 million and Rs. 109.47 million respectively.

Our group-wise results of operations for the six months ended September 30, 2009 is outlined below.

(In Rs. million)

Entity	Gross Revenue	Profit After Tax
MFSL	87.55	48.12
MCap	111.72	11.12
MRPL	8.53	3.21
MCL	22.80	14.93
MIBL	8.99	2.60
MTL	22.65	16.84
PRP	15.33	10.00

Total	277.57	106.82
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The following table summarizes our revenues from each of our company and its subsidiaries for the fiscal years ended March 31, 2009, 2008 and 2007.

Rs. in Million

	2007				2008				2009			
	Revenue	%	PAT	%	Revenue	%	PAT	%	Revenue	%	PAT	%
MFSL	39.54	20.28%	28.86	33.64%	127.77	29.97%	77.03	48.96%	142.40	36.57%	56.06	68.85%
MCAP	110.78	56.80%	35.65	41.55%	245.09	57.48%	57.68	36.67%	215.21	55.27%	20.98	25.77%
MRPL	8.55	4.38%	1.93	2.25%	20.02	4.70%	8.34	5.30%	8.51	2.19%	0.40	0.49%
MCL	25.45	13.05%	20.31	23.67%	16.50	3.87%	9.68	6.15%	5.84	1.50%	0.13	0.16%
MIBL	4.00	2.05%	(1.22)	(1.42)%	4.53	1.06%	0.82	0.52%	8.80	2.26%	2.03	2.49%
MTL	6.70	3.44%	0.27	0.31%	12.47	2.92%	3.77	2.40%	8.29	2.13%	1.79	2.20%
PRP	-	-	-	-	-	-	-	-	0.31	0.08%	0.03	0.04%
	195.02*		85.80*		426.38*		157.32*		389.36*		81.42*	

* Without inter company adjustments

The following table summarizes our revenues from each of our business activities for the fiscal years ended March 31, 2009, 2008 and 2007.

PARTICULARS	Fiscal Year Ended March 31,					
	2009		2008		2007	
	Rs. (millions)	%	Rs. (millions)	%	Rs. (millions)	%
Financing and Investment	93.31	24.64	104.40	25.39	49.59	25.77
Investment banking and related services	115.70	30.55	113.83	27.69	72.49	37.67
Brokerage (equity, commodity and currency including depository services) and related services	161.56	42.66	188.72	45.90	66.61	34.61
Wealth management, insurance broking, financial planning, distribution and related services	8.17	2.15	4.16	1.02	3.76	1.95
Total	378.74	100.00	411.11	100.00	192.45	100.00

FACTORS AFFECTING RESULTS OF OPERATIONS

Our financial condition and results of operations are affected by numerous factors. We believe the following are of importance.

The income from brokerage services is driven principally by the number of active clients and the volume of business done by them. Client growth has been a significant driver of revenue growth in our broking business. Growth in total client numbers has been driven primarily by our increased geographical presence, and enhanced skilled and competent trade and execution teams aided by well structured research team.

Dependence on the income of MFSL

Our Company is into business of providing loans against shares (LAS) and advisory services. The LAS business is dependent upon the resource availability with our Company both through its own capital and borrowed capital. The leverage of borrowed capital is very important to the bottom line of our Company as the borrowed resources offer an opportunity for interest arbitrage. The revenue stream from advisory service depends upon our ability to successfully execute the assignments.

Dependence on the business of MCap

MCap carries on the business of, equity broking, consultancy and depositories, merchant banking and other investment banking activities. MCap contributed 56.80%, 57.48% and 55.28% of our total consolidated

revenues for the year ended March 31, 2007, March 31, 2008 and March 31, 2009 respectively. We are substantially dependent on the business of MCap and any increase or decrease in MCap's revenues and profit margins may cause our consolidated results to increase or decrease sizably. In addition, our results are also dependent on our equity brokerage business, where market volatility at times affects the business volumes. In other words, the business of MCap is to a large extent dependant upon the given state of capital markets in India. Our strategy is to actively grow our other lines of businesses also so that any decline in our capital market business should therefore not affect our overall financial condition and operating results. The increased thrust on fund-based activity shall provide us a large insulation from capital market fluctuations in our business.

Competition

We face significant competition from other Indian and foreign brokerage houses, investment banks, and public and private sector commercial banks operating in the markets in which we operate. In recent years, international banks have also entered these markets. Some of these firms have greater resources, a longer operating history (than in case of our business) and / or a more widely recognised brand than us, which may give them a competitive advantage. Our ability to grow our revenues will depend on demand for our products and services in preference to those of our competitors. We can always differentiate ourselves favourably from our competitors only on our unique customer segmentation, product capabilities and our service conditions to clients.

Stock market trends

The merchant banking and equity broking business in the Microsec Group is dependent on favourable capital market conditions and other factors that affect the volume of stock trading in India. In recent years, the Indian and world securities markets have fluctuated considerably. The Indian stock markets witnessed a strong declining trend in the Fiscal 2009. There are many factors outside our control which may offset future increases or result in a decline in equity-broking volumes. However, the increasing thrust of the Microsec Group on fund-based activities should provide adequate guard from any decline in capital-market related revenues.

Growth in the Indian economy

General economic conditions in India have a significant impact on our consolidated results of operations. Fiscal 2009 has been a difficult year for the global economy and for India in its efforts to sustain the new found growth momentum of its economy. In the second half of the year, a crisis hit the financial markets in the industrialized economies, eventually pushing them into a recession. Most emerging market slowed down significantly and India has also been affected. However, the Indian economy has begun to stabilize. The second quarter improvement is essentially the outcome of policy induced stimulus. Both domestic and external financing conditions are on the upturn. Capital inflows have revived. Liquidity conditions have remained easy and interest rates have softened in the money and credit markets. At the same time, there are several negative indications. There are concerns that the recovery is fragile. Private consumption demand is yet to pick up. Services sector growth remains below trend. We believe growth in the overall economy has driven, and will drive, the underlying demand for investment products and services both in terms of the availability of capital for investment and the availability of such products and services.

Geographical expansion and new branch openings

We deliver our products and services through multiple business locations. As at January 31, 2010, we had 235 business locations spread across 17 states. Our increased geographical spread has contributed to increased net revenues.

Regulatory developments

We are regulated by the Companies Act and some of our activities are subject to supervision and regulation by statutory and regulatory authorities including the SEBI, FMC, RBI, CDSL, NSDL, IRDA and Stock and Commodity exchanges. For more information, see "Regulations and Policies" on page 72 of this Draft Red Herring Prospectus. We are therefore subject to changes in Indian law, as well as to changes in regulations, government policies and accounting principles.

Recruitment and retention of employees

We are dependent on our Directors, senior management and other key personnel. There is high demand in the Indian financial services industry for senior management and qualified employees and we must reward employees in line with the market to remain competitive and to retain as well as attract well-qualified individuals. In addition, our employee base has increased as our network has grown and as we have entered into new business areas, including distribution business which requires hiring of a number of qualified personnel.

New business products

We have recently expanded our business offerings to include wider areas of corporate consultancy, Portfolio Management Service and distribution of third party savings products. The competitive edge of the organisation can be maintained only if it comes out with innovative financial products that the market may demand at any given point of time. This offers a major challenge which our organisation would like to meet through its professional acumen.

Technology

We recognise the need to have adequate technology in place across our whole network to allow customers to avail of advanced trading systems, real time information and access to research reports online. We expect that advances in technology will enable us to provide a more efficient trade execution and ancillary services to our customers, which is expected to have a positive impact on our revenues, although this may be partially offset by initial capital investment costs.

For further details, see “Risk Factors”, “Our Business” and “Industry Overview” on page x, 60, and 53 respectively of this Draft Red Herring Prospectus.

DISCUSSION ON RESULTS OF OPERATIONS

The following table sets forth select financial data from our restated consolidated profit and loss accounts, for the year ended March 31, 2006, 2007, 2008, 2009 and for the six months period ended September 30, 2009. Our historical results presented below are not necessarily indicative of the results that may be expected for any other future period.

(Rs. in million, except for percentages)

	Year ended March 31,								Six months ended September 30,	
	2006		2007		2008		2009		2009	
	Rs.	% of Total Income	Rs.	% of Total Income	Rs.	% of Total Income	Rs.	% of Total Income	Rs.	% of Total Income
Income										
Financing and investment	27.97	39.61	49.59	25.42	104.40	24.49	93.31	23.96	83.98	30.44
Investment banking and related services	18.97	26.87	72.49	37.17	113.83	26.70	115.70	29.72	47.94	17.37
Brokerage (equity, commodities & currency including depository services) and related services	21.64	30.65	66.61	34.16	188.72	44.26	161.56	41.50	112.72	40.85
Wealth management, insurance broking, financial planning, distribution and related	0.95	1.34	3.76	1.93	4.16	0.97	8.17	2.10	23.91	8.67

	Year ended March 31,								Six months ended September 30,	
	2006		2007		2008		2009		2009	
	Rs.	% of Total Income	Rs.	% of Total Income	Rs.	% of Total Income	Rs.	% of Total Income	Rs.	% of Total Income
services										
Income from operation	69.53	98.47	192.45	98.68	411.11	96.42	378.74	97.28	268.55	97.33
Other income	1.08	1.53	2.57	1.32	15.27	3.58	10.59	2.72	7.38	2.67
Total income	70.61	100.00	195.02	100.00	426.38	100.00	389.33	100.00	275.93	100.00
Expenditure										
Operating expenses	4.29	6.07	9.35	4.80	15.84	3.71	14.91	3.83	6.56	2.37
Staff cost	5.61	7.95	25.33	12.99	63.99	15.01	100.58	25.84	55.67	20.18
Administrative and other Expenses	16.68	23.62	56.28	28.86	102.57	24.06	114.35	29.37	51.46	18.65
Interest	0.25	0.35	0.13	0.06	10.12	2.37	14.84	3.81	7.75	2.81
Depreciation / Amortization	3.10	4.39	18.52	9.50	24.59	5.77	30.07	7.72	16.36	5.93
Total	29.93	42.38	109.61	56.21	217.11	50.92	274.75	70.57	137.80	49.94
Net Profit before tax	40.68	57.62	85.41	43.79	209.27	49.08	114.58	29.43	138.13	50.06
Provision for taxation:										
Current tax	1.45	2.05	7.77	3.98	34.35	8.06	18.38	4.72	27.60	10.00
Deferred tax charge/ (credit)	1.94	2.75	(6.23)	(3.20)	10.53	2.46	9.21	2.37	1.06	0.39
Fringe benefit tax	0.11	0.16	0.30	0.15	0.50	0.12	0.67	0.17	-	-
MAT credit entitlement	-	-	(5.96)	(3.05)	2.54	0.60	0.21	0.05	-	-
Net Profit after tax	37.18	52.66	89.53	45.91	161.35	37.84	86.11	22.12	109.47	39.67

Revenues

Our revenues consist of income from operations and other income.

Income from Operations

Our income from operations consists principally of income from financing and investment, investment banking and related services, brokerage (equity, commodity and currency, including depository services) and related services and wealth management, insurance broking financial planning, distribution and related services.

Financing and Investment

Our income from financing and investment activities consists of interest income from loans and income from investments in shares and securities. Interest income is earned from providing finance, including to our broking customers through loans against shares. Our income from investments in shares and securities includes income from the sale of such investments and dividend income.

Investment Banking and Related Services

Our income from investment banking and related services includes fee-based income from merchant banking, corporate advisory (including research services) and debt syndication services.

Brokerage (Equity, Commodity and Currency, Including Depository Services) and Related Services

Our income from brokerage and related services includes income through our execution of third party trades in equities, commodities and currencies on the exchanges and income from depository services. Our income from broking services is derived as a percentage of the traded volume of equities, commodities and currencies. Our income from depository services includes an annual maintenance fee and a transaction-based charge for transactions undertaken by our depository clients.

Wealth Management, Insurance Broking, Financial Planning, Distribution and Related Services

Our income from wealth management, insurance broking, financial planning, distribution and related services includes income from distribution of third-party insurance and mutual fund products and fees for wealth management and financial planning services.

Other Income

Other income consists primarily of interest earned on bank deposits and subsidies received by our Subsidiary, MTL.

Expenditure

Our expenditure primarily consists of operating expenses, staff costs, administrative and other expenses, interest and depreciation/amortization.

Operating expenses

Our operating expenses primarily include charges for transactions on stock exchanges and commodity exchanges, depository transaction charges payable to NSDL and CDSL and software maintenance charges, including for technology upgradation.

Staff Costs

Our staff costs include salaries, bonuses, ex-gratia payments, directors' remuneration, contributions to applicable statutory funds and training costs.

Administrative and other expenses

The principal components of administrative expenses relate to costs associated with services charges for marketing and other related supports, bank charges, advertisement, telephones, electricity, repairs, rent, rates and taxes, printing and stationery, travelling, legal and professional fees, marketing expenses and audit fees.

Interest Expenses

Our interest expenses principally include interest and other fees charged by banks and financial institutions in respect of credit facilities availed by us, including on our overdraft facilities.

Depreciation/Amortization

We provide for depreciation/amortization on our tangible and intangible assets.

Taxation

Current tax: Current tax is the provision made for income tax liability on the profits for the applicable financial period in accordance with applicable tax laws.

Deferred tax: Deferred tax arises from timing differences between book profits (accounting) and taxable profits that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using tax rates and laws that have been enacted or substantially enacted as of the date of our balance sheet.

Fringe benefit tax: The Company, in accordance with applicable laws, had to pay fringe benefit tax until fiscal 2009.

MAT: MAT credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax.

COMPARISON OF FINANCIAL PERFORMANCE IN RECENT YEARS ON THE MAJOR HEADS OF THE PROFIT AND LOSS ACCOUNT

Financial Results of six month period ended September 30, 2009

Income from Operations: Total revenue is Rs. 268.55 million in the six month period ended September 30, 2009.

Other income: Other income was Rs. 7.38 million in the six month period ended September 30, 2009.

Depreciation/Ammortization: Depreciation/Ammortization expenses were Rs. 16.36 millions for the six months period ended September 30, 2009.

Administrative and other expenses: The operational administration expenses were Rs. 51.46 million for the six months period ended September 30, 2009.

Operating expenses: The operational expenses were Rs. 6.56 million for the six months period ended September 30, 2009.

Profit / (Loss) before tax: Profit before tax and extra-ordinary items stood at Rs. 138.13 millions for the six months period ended September 30, 2009.

Restated Net Profit

Our restated net profit for the six month period ended September 30, 2009 was Rs.109.47 million. For further information on adjustments refer to “Financial Statements” on page 112 of this Draft Red Herring Prospectus.

Impact of Global Credit Crisis for the Fiscal Year Ended March 31, 2009

Fiscal 2009 was characterized by extremely volatile global financial markets, a significant lack of liquidity, loss of confidence in the financial sector and disruptions in the credit markets. In light of these circumstances, our management focused on consolidation of all business activities. We believe the above measures, together with better risk management and recovery processes, helped to minimize our exposure during the global financial crisis.

Comparison of financial performance for the financial year ended March 31, 2009 with the financial year ended March 31, 2008

Income from operations

Our income from operations decreased by 7.87% from Rs.411.11 million during fiscal 2008 to Rs.378.74 Million during fiscal 2009. The decrease was primarily due to a reduction in our income from brokerage and related services.

Financing and Investment

Our income from financing and investment decreased by 10.62% from Rs. 104.40 million during fiscal 2008 to Rs. 93.31 million during fiscal 2009. This decrease was primarily due to a reduction in our loans against shares business.

Investment Banking and Related Services

Our income from investment banking and related services increased by 1.64% from Rs.113.83 million during fiscal 2008 to Rs. 115.70 million during fiscal 2009. This increase was due to an increase in fee based income from corporate advisory services.

Brokerage (Equity, Commodity and Currency, Including Depository Services) and Related Services

Our income from brokerage and related services decreased by 14.39% from Rs.188.72 million during fiscal 2008 to Rs. 161.56 million during fiscal 2009. This reduction was primarily on account of reduction in the volume of brokerage transactions during this period.

Wealth Management, Insurance Broking, Financial Planning, Distribution and Related Services

Our income from wealth management, insurance broking, financial planning, distribution and related services increased by 96.39% from Rs. 4.16 million during fiscal 2008 to Rs. 8.17 million during fiscal 2009. This increase was primarily on account of increase in the distribution of insurance products.

Other income

Other income decreased by 30.65% from Rs. 15.27 million during fiscal 2008 to Rs.10.59 million during fiscal 2009. This decrease in other income was on account of a reduction in the amount invested in fixed deposits with banks.

Expenditure

Our total expenditure increased by 26.55% from Rs. 217.11 million during fiscal 2008 to Rs. 274.75 million during fiscal 2009. This increase was primarily on account of increase in staff costs.

Operating expenses

Our operating expenses decreased by 5.87% from Rs. 15.84 million during fiscal 2008 to Rs. 14.91 million during fiscal 2009. The decrease in operating expenses was primarily on account of decrease in revenues from brokerage related services.

Staff costs

Our staff costs increased significantly by 57.18% from Rs. 63.99 million during fiscal 2008 to Rs. 100.58 million during fiscal 2009. The increase in staff costs was on account of an increase in our employee strength from 331 as at March 31, 2008 to 352 as at March 31, 2009. We recruited new employees during this period to service new branches set up by us started by us during this period.

Administrative and other expenses

Our administrative and other expenses increased by 11.48% from Rs. 102.57 million during fiscal 2008 to Rs. 114.35 million during fiscal 2009. The increase in administrative and other expenses was on account of a one-time penal charge of Rs. 39.50 million paid to a customer for pre-calling a loan given to such customer.

Interest Expenses

Our interest expenses increased by 46.64% from Rs. 10.12 million during fiscal 2008 to Rs. 14.84 million during fiscal 2009 due to an increase in the amount of loans availed of by us during this period.

Depreciation and Amortization

Our depreciation and amortization expenses increased by 22.29% from Rs. 24.59 million during fiscal 2008 to Rs. 30.07 million during fiscal 2009 due to acquisition of new fixed assets by us.

Net Profit Before Tax

Our net profit before tax decreased by 45.25% from Rs. 209.27 million during fiscal 2008 to Rs. 114.58 million during fiscal 2009. The reduction in our net profit before tax primarily reflected the decrease in our income from

operations and increase in staff costs.

Provision for taxation

Our provision for taxation, including deferred tax, fringe benefit tax and MAT, decreased by 40.59% from Rs. 47.92 million during fiscal 2008 to Rs. 28.47 million during fiscal 2009, which was primarily on account of reduction in net taxable profit.

Profit After Tax

Our net profit after tax decreased by 46.63% from Rs. 161.35 million during fiscal 2008 to Rs. 86.11 million during fiscal 2009. The reduction in our profit after tax primarily reflected the decrease in our income from operations and increase in staff costs.

Comparison of financial performance for the financial year ended March 31, 2007 with the financial year ended March 31, 2008

Income from operations

Our income from operations increased by 113.62% from Rs. 192.45 million during fiscal 2007 to Rs. 411.11 million during fiscal 2008. The increase was primarily due to an increase in our interest on loans and income from brokerage and related services.

Financing and Investment

Our income from financing and investment increased by 110.53% from Rs. 49.59 million during fiscal 2007 to Rs. 104.40 million during fiscal 2008. This increase was primarily due to an increase in our loans against shares business.

Investment Banking and Related Services

Our income from investment banking and related services increased by 57.03% from Rs. 72.49 million during fiscal 2007 to Rs. 113.83 million during fiscal 2008. This increase was due to an increase in fee based income from corporate advisory and debt syndication services.

Brokerage (Equity, Commodity and Currency, Including Depository Services) and Related Services

Our income from brokerage and related services increased by 183.32% from Rs. 66.61 million during fiscal 2007 to Rs. 188.72 million during fiscal 2008. This increase was primarily on account of an increase in the volume of brokerage transactions during this period.

Wealth Management, Insurance Broking, Financial Planning, Distribution and Related Services

Our income from wealth management, insurance broking, financial planning, distribution and related services increased by 10.64% from Rs. 3.76 million during fiscal 2007 to Rs. 4.16 million during fiscal 2008. This increase was primarily on account of an increase in the distribution of insurance products.

Other income

Other income increased by 494.16% from Rs. 2.57 million during fiscal 2007 to Rs. 15.27 million during fiscal 2008. This increase in other income was on account of an increase in the amount invested in fixed deposits with banks.

Expenditure

Our total expenditure increased by 98.07% from Rs. 109.61 million during fiscal 2007 to Rs. 217.11 million during fiscal 2008. This increase was primarily on account of a significant increase in our interest expenses and staff costs.

Operating expenses

Our operating expenses increased by 69.41% from Rs. 9.35 million during fiscal 2007 to Rs. 15.84 million during fiscal 2008. The increase in operating expenses was primarily on account of increase in charges payable to stock exchanges and commodity exchanges from Rs. 4.31 million during fiscal 2007 to Rs. 10.05 million during fiscal 2008, as result of increase in the volume of brokerage transactions during this period.

Staff costs

Our staff costs increased significantly by 152.63% from Rs. 25.33 million during fiscal 2007 to Rs. 63.99 million during fiscal 2008. The increase in staff costs was on account of an increase in our employee strength from 160 as at March 31, 2007 to 331 as at March 31, 2008. We recruited new employees during this period to service new branches set up by us started by us during this period.

Administrative and other expenses

Our administrative and other expenses increased by 82.25% from Rs. 56.28 million during fiscal 2007 to Rs. 102.57 million during fiscal 2008. The increase in administrative and other expenses was on account of increase in revenues of the Company and owing to legal and professional fees incurred towards the proposed initial public offer of the Company.

Interest Expenses

Our interest expenses increased from Rs.0.13 million during fiscal 2007 to Rs. 10.12 million during fiscal 2008 due to an increase in the amount of loans availed of by us during this period.

Depreciation and Amortization

Our depreciation and amortization expenses increased by 32.78% from Rs.18.52 million during fiscal 2007 to Rs. 24.59 million during fiscal 2008 due to acquisition of new fixed assets by us.

Net Profit Before Tax

Our net profit before tax increased by 145.02% from Rs.85.41 million during fiscal 2007 to Rs. 209.27 million during fiscal 2008. The increase in our net profit before tax primarily reflected the increase in our income from operations, which was partially offset by an increase in our staff costs and administrative expenses.

Provision for taxation

Our provision for taxation, including deferred tax, fringe benefit tax and MAT, increased from Rs. (4.12) million during fiscal 2007 to Rs. 47.92 million during fiscal 2008. Our provision for taxation was negative during fiscal 2007, as we had recognized a MAT credit of Rs. 5.96 million and we had a deferred tax credit of Rs. 6.23 million.

Profit After Tax

Our net profit after tax increased by 80.22% from Rs. 89.53 million during fiscal 2007 to Rs. 161.35 million during fiscal 2008. The increase in our profit after tax primarily reflected the increase in our income.

Further, our profit after tax during fiscal 2007 was greater than our profit before tax for the same period, on account of recognition of MAT credit and deferred tax credit, given effect during that year.

FINANCIAL CONDITION

(Rs. in Million)

Particulars	As at March 31				As at September 30
	2006	2007	2008	2009	2009
Fixed Assets					
Gross Block	115.33	183.13	242.56	336.82	308.54
Less: Accumulated depreciation/Amortizati	22.43	40.80	65.36	94.74	91.32

Particulars	As at March 31				As at September 30
	2006	2007	2008	2009	2009
on					
Net Block	92.90	142.33	177.20	242.08	217.22
Capital Work in progress	-	-	-	19.91	20.92
Total	92.90	142.33	177.20	261.99	238.14
Investments	21.55	48.16	75.86	150.14	70.47
Deferred Tax Assets (Net)	-	3.06	-	-	-
Current Assets, Loans and Advances					
Inventories	0.06	2.06	6.57	-	-
Sundry Debtors	54.25	28.37	230.54	76.98	181.75
Cash & Bank Balances	25.39	40.84	130.30	160.88	182.67
Other Current Assets	0.43	1.13	4.69	3.02	5.83
Loans and Advances	122.32	135.08	495.96	341.00	411.14
Total	202.45	207.48	868.06	581.88	781.39
Total Assets	316.90	401.03	1,121.12	994.01	1,090.00
Liabilities & Provisions					
Secured Loans	1.49	0.96	145.44	3.80	59.27
Unsecured Loans	8.70	17.70	-	-	-
Current Liabilities	88.54	96.54	248.57	168.18	222.94
Provisions	11.40	1.79	1.07	0.71	0.94
Deferred Tax Liability (Net)	3.17	-	7.47	16.68	17.74
Total Liabilities	113.30	116.99	402.55	189.37	300.89

Comparison of our financial condition as at March 31, 2009 with our financial condition as at March 31, 2008

Fixed Assets –The Gross Block of Fixed Assets increased from Rs.242.56 million in fiscal 2008 to Rs. 336.82 million in fiscal 2009. The difference was mainly for following reasons:

- We accounted for Goodwill of Rs.23.15 million which arose on acquisition of subsidiary - PRP Technologies Limited.
- Acquisition of copyrights of Personal Resource Planning software for Rs.50 million
- Balance pertains to purchase of Computer hardware, software and other assets.

Besides, one of our subsidiary, MTL, incurred capital expenditure of Rs. 19.91 million towards construction of office premises in Kolkata.

Investments –The investment increased from Rs.75.86 million in fiscal 2008 to Rs.150.14 million in fiscal 2009. The difference was mainly on account of following reasons:

- Acquisition of unquoted equity shares of Shringar Vinimay Private Ltd, of Rs.15.70 million as a result of amalgamation;
- Increase in investment in Mutual Funds by Rs.64.62 million.
- This was set off by sale of investment (net) of Rs 6.04 million.

Current Assets, Loans & Advances - It decreased from Rs.868.06 million to Rs.581.88 million. The difference is mainly due to following reasons:

- Closing Inventory of 2007-08 of Rs.6.57 million sold during the year 2008-09.
- Sundry debtors decreased by Rs.153.56 million on account of receipt of payment.
- Net increase in Cash & Bank Balances by Rs.30.58 million (refer cash flow).
- Loans decreased by Rs.50.84 million on account of repayment demanded by us. Deposits with Government & other Authorities decreased by Rs.129.65 million on account of release of margin money from Stock exchanges.

Secured Loan – It decreased by Rs.141.64 million on account of repayment to Banks and Financial Institutions, either on demand or as per payment terms.

Current Liabilities & Provisions – It decreased from Rs.249.64 million to Rs.168.89 million. This is mainly due to decrease in margin money received from clients and also other dues payable to them.

Comparison of our financial condition as at March 31, 2008 with our financial condition as at March 31, 2007

Fixed Assets –The Gross Block of Fixed Assets increased from Rs.183.13 million to Rs.242.56 million. The difference is mainly for following reasons:

- Purchase of Office Premises for Rs.31.23 million at Kolkata and Mumbai.
- Balance pertains to purchase of Software and other assets.

Investments – The investment increased from Rs.48.16 million to Rs.75.86 million. The difference is mainly for following reasons:

- Net increase in investment of Rs.62.09 million in quoted Equity Shares.
- This was set off by redemption of investments of Rs.27.00 million.

Current Assets, Loans & Advances - It increased from Rs.207.48 million to Rs.868.06 million. The difference is mainly for following reasons:

- Inventory increased by Rs.4.51 million.
- Sundry debtors increased by Rs.202.17 million on account of increase in brokerage business.
- Net increase in Cash & Bank Balances by Rs.89.46 million (refer cash flow)
- Loans increased by Rs.245.59 million on account of increase in loans against shares.

Secured Loan – It increased by Rs.144.48 million on account of loan taken from Banks and Financial Institutions for providing loan against shares to clients.

Unsecured Loan – It decreased by Rs.17.70 million due to repayment to Body corporate.

Current Liabilities & Provisions – It increased from Rs.98.33 million to Rs.249.64 million. This is mainly due to increase in margin money received from clients and also other dues payable to them.

Non-Performing Assets

The table below sets forth our Gross NPA, Net NPA, amounts written off and provision made for the period indicated.

Particulars	(Rs. in Million)				As at September 30 2009
	As at March 31				
	2006	2007	2008	2009	
Gross NPA	-	-	-	-	1.30
Net NPA	-	-	-	-	1.17
Amount written	0.40	0.11	2.90	8.07	16.67

Particulars	As at March 31				As at September 30
	2006	2007	2008	2009	2009
off					
Provision made	-	-	-	-	0.13

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Our primary liquidity requirements have been to extend loans, finance our own working capital needs and capital expenditure. We require working capital to meet our requirement for funds in connection with our payments in the ordinary course of our business. The need for having appropriate levels of trading exposure fluctuates on a regular basis depending on the trading needs. To fund these costs, we currently rely principally on our own cash flows from operations. As at March 31, 2009, MFSL had a consolidated Net-worth of Rs.804.64 million, which was majorly deployed in fixed assets and giving of loans. As per the needs, we also access short-term credit or overdraft facilities to meet margin requirements to fund short term working capital.

Cash Flows

The following table presents our restated consolidated cash flows for the year ended March 31, 2008 & March 31, 2009:

Particulars	(Rs. in million)	
	Year ended March 31, 2008	Year ended March 31, 2009
Net Cash generated from/ (used in) Operating Activities	(240.91)	301.96
Net Cash from generated from/ (used in) Investing Activities	(114.45)	(98.77)
Net Cash from generated from/ (used in) Financing Activities	389.81	(156.48)
Cash & Cash equivalent –Opening Balance	15.99	50.44
Cash & Cash equivalent –Closing Balance	50.44	97.15

Cash Flow from Operating Activities

During fiscal 2009, cash flow generated from Operating Activities was Rs.301.96 million. The cash flow generated from operation was Rs.167.61 million before changes in working capital. This was further increased by Rs.159.52 million due to change in working capital and offset by income tax paid of Rs.25.17 million. The increase in working capital was primarily due to decrease in Sundry Debtors and Loans & Advances by Rs.147.16 million & Rs.160.82 million respectively. The decrease in current liabilities resulted in cash outflow of Rs.80.75 million.

During fiscal 2008, cash flow used in Operating activities was Rs.240.91 million. We generated the positive cash flow from operation of Rs.246.89 million before changes in working capital. This was further decreased by Rs. 449.66 Million due to decrease in working capital and by Rs. 38.14 million due to income tax paid. The decrease in working capital was primarily due to increase in Sundry Debtors & Loans & Advances by Rs. 208.62 million & Rs.361.87 million respectively. However, increase in current liabilities & provisions contributed to cash inflow of Rs.153.04 million.

Cash Flow from Investing Activities

Our cash flow used in investing activities was Rs.98.77 million during fiscal 2009. This was primarily due to acquisition of assets. We also encashed an investment of Rs. 16.30 million in fixed deposits.

Our cash flow used in investing activities was Rs.114.45 million during fiscal 2008. This was primarily due to purchase of fixed assets and investment in Fixed Deposits of Rs.59.44 million and Rs.55.01 million respectively.

Cash Flow from Financing Activities

Our cash flow used in financing activity was Rs.156.48 million in fiscal 2009. This primarily comprised of repayment of borrowings of Rs.525.30 million offset by proceeds from borrowing Rs.388.05 million. We also paid finance charges of Rs. 19.23 million during the period.

Our cash flow generated from financing activity was Rs.389.81 million during fiscal 2008. The inflow comprised of proceeds from fresh issue of shares Rs 312.98 million and borrowing of Rs.549.63 million whereas the outflow was due to redemption of preference shares Rs.27 million, repayment of borrowings Rs.427.28 million, payment of dividend (including tax on dividend) Rs.11.70 million and payment of finance charges of Rs. 5.70 million during the period.

Contingent Obligations

Our principal contingent obligations relate to guarantees given to the Exchanges and Regulatory Authorities by banks in the ordinary course on our behalf for meeting, daily margin and other contractual commitments, against which we have provided some counter-guarantees. The level of guarantees fluctuates on a regular basis in connection with our trading and broking activity and the related requirements in respect thereof.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Unusual or infrequent events or transactions

Other than as described in this Draft Red Herring Prospectus, particularly in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” the Company believes, there are no events that may be described as unusual or infrequent events and transactions.

Significant economic/regulatory changes

The Group’s business is highly dependent on the regulatory environment. Most of the activities carried out by the Group are regulated by SEBI, IRDA, RBI and other regulatory authorities and require prior registration in most of the cases. The operations are regulated and are subject to periodic review/ inspection from regulatory agencies and stock exchanges. Since the level of operations is dependent on the general economic conditions, any changes in the economic conditions may affect the revenues and profitability of the Company. Other than as described in this Draft Red Herring Prospectus, particularly in “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, the Company believes, there are no significant economic / regulatory changes that materially affect or are likely to affect the income from continuing operations.

Known trends and uncertainties

Other than as described in this Draft Red Herring Prospectus, in “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, the Company believes, there are no trends or uncertainties that have or had or are expected to have a material adverse impact on revenues or income of the Company from continuing operations.

Future relationship between costs and income

Other than as described in this Draft Red Herring Prospectus, particularly in “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, the Company believes, there are no known factors, which will have a material adverse impact on the operation and finances of the Company and its subsidiaries, taken as a whole.

New Products or business segments

Other than as described in this Draft Red Herring Prospectus, particularly in “Our Business”, the Company is not planning as of date for introducing any new products or business segments.

Seasonality of business

Our business to some extent is dependent on the state of capital markets, level of activity in the primary and secondary market and overall economic conditions prevailing both locally and globally. The level of our operations, income and profitability may be affected by such factors. However, the organisation is continuously growing successfully its income from non-capital-market segment. In Fiscal 2009, non-capital-market income constituted 56.47% of the Microsec Group's consolidated revenues.

Dependence on single or few suppliers / customers

Our operations are not significantly dependent on a single or a few suppliers or customers.

Competitive Conditions

We expect competition to intensify for existing and potential new customers. For further details, see “ – Factors affecting results of operations” on page 214 of this Draft Red Herring Prospectus, “Risk Factors” on page x of this Draft Red Herring Prospectus and “Our Business” on page 60 of this Draft Red Herring Prospectus.

FINANCIAL INDEBTEDNESS

The Microsec Group, as on September 30, 2009, had consolidated secured outstanding loans from Banks/Financial Institutions for Rs. 59.27 million in the business of the organisation.

Borrowings by the Subsidiaries:

The Stock Exchanges require MCap and Commodity Exchanges require MCL to maintain margin deposits in the form of cash deposits, bank guarantees, FDRs or shares or any combination thereof as prescribed which are suitable for the Microsec Group as well as the exchanges for exposure purposes. For the said purpose and also for the purpose of meeting its working capital requirements, we have availed of certain facilities: Set forth below is a brief summary of our aggregate borrowings, in addition to the facilities referred to above.

Category of Borrowing Outstanding Amount (Rs. in Millions) availed of as on September 30, 2009

The borrowing outstanding amount as on September 30, 2009 consists of the following:

Overdraft Facilities: Rs. 0.08 million

For details, see “Financial Indebtedness” on page 228 of this Draft Red Herring Prospectus.

SIGNIFICANT DEVELOPMENTS AFTER SEPTEMBER 30, 2009 THAT MAY AFFECT FUTURE OPERATIONS

Except as stated elsewhere in the Draft Red Herring Prospectus, to our knowledge no circumstances have arisen since the date of the last financial statements as disclosed in the Draft Red Herring Prospectus which materially and adversely affects or is likely to affect, our operations or profitability, or the value of our assets or our ability to pay our material liabilities within the next twelve months.

FINANCIAL INDEBTEDNESS

Details of Secured Loans

The details of our secured loans are as follows:

Sl. No.	Name of the Lenders	Nature of Borrowing	Amount Sanctioned as of September 30, 2009 (in Rs. million)	Amount outstanding as of September 30, 2009 (in Rs. million)	Interest (in % p.a.)	Tenure	Security
MFSL							
1.	Citicorp Finance India Limited	Revolving loan facility cum pledge agreement dated January 21, 2009 as amended by letter dated October 5, 2009	60.00	15.23	14.50%	3 years	Refer to Note 1
2.	IL& FS Financial Services Limited	Renewal Agreement-cum-pledge dated July 30, 2009 (Line of Credit)	50.00	0.35	14.00%	12 months	Refer to Note 2
MCap							
3.	HDFC Bank	Short term loan	50.00	40.00	8.50%	12 months	Refer to Note 3
MTL							
4.	State Bank of India	Term loan – sanction letter dated September 18, 2008	125.00	3.54	12%	5 years	Refer to Note 4

Note 1:

1. Secured by pledge of securities obtained as margin from borrowers.

Note 2:

1. Secured by pledge of securities obtained as margin from borrowers.

Note 3:

1. Partly secured by pledge of fixed deposits receipt, personal guarantee of two directors of the MCap and Corporate guarantee of MFSL.

Note 4:

1. Secured by mortgage of land and building by the MTL

Corporate Actions

Corporate actions, for which our Company requires the prior written approval of the lenders, include:

1. Financing of any takeover or acquisition related activity.

SECTION VI: LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as stated below there are no outstanding litigation, suits, criminal or civil prosecutions, proceedings or tax liabilities against our Company, the Directors, Subsidiaries, the Promoters and the Group Companies and there are no defaults, non-payment of statutory dues, over-dues to banks/financial institutions, defaults against banks/financial institutions, defaults in dues payable to holders of any debenture, bonds and fixed deposits and arrears of preference shares issue by our Company and its Subsidiaries, defaults in creation of full security as per terms of issue/other liabilities, proceedings initiated for economic/civil/any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part 1 of Schedule XIII of the Companies Act) other than unclaimed liabilities of our Company and its Subsidiaries, Directors, Promoters, Promoters and Group Companies and no disciplinary action has been taken by SEBI or any stock exchanges against our Company, its Subsidiaries its Promoters, Group Companies, Directors. Our Company, its Subsidiaries, the Directors, Promoters and Group Companies have not been detained as wilful defaulters by the RBI or any government authority and there have been no violation of securities laws in the past or pending against them.

Our Company does not owe any small scale industries any amounts exceeding Rs. 100,000.

For details of contingent liabilities of our Company and its Subsidiaries, refer to the Restated Consolidated Financial Statements on page 112 of this Draft Red Herring Prospectus.

Cases involving our Company

Litigation against our Company

Civil Proceedings

1. On June 19, 2008 Kohinoor Foods Limited (“KFL”) filed a petition (C.A. No.1&2 of 2008/ Company Petition No. 12/111A (ND) of 2008) before the Company Law Board (“CLB”), New Delhi against our Company, Temptation Foods Limited (“TFL”) and others alleging that the shares of KFL were acquired in violation of the SEBI Takeover Regulations. On January 5, 2009, KFL also filed an application (No.C.A 1 and 2 of 2009) before the CLB, New Delhi seeking an ex-parte ad interim stay to restrain our Company and others from acquiring any further shares of KFL and for suspension of voting rights with respect to the acquired shares. Subsequently, on January 19, 2009 KFL filed an application (No. C.A. No.3 of 2009) alleging that our Company sold its entire shareholding of KFL to certain other entities during the pendency of the petition. Our Company filed its reply dated February 3, 2009 stating *inter alia*, that our Company received KFLs’s shares as a collateral security against the loan provided to TFL and that such shares were subsequently transferred to certain other entities for the purpose of re-financing. On February 12, 2009 KFL filed an application before the CLB, New Delhi for impleadment of MCap in the matter, alleging that MCap being a broker of TFL was acting in concert with our Company. KFL in its reply dated March 8, 2009 stated that the responses of our Company in its reply dated February 3, 2009 are misleading and devoid of any merit. Our Company on March 23, 2009 filed its reply before CLB. The matter is currently pending before CLB.

Litigation filed by our Company

Civil Proceedings

1. On December 16, 2009, our Company filed a civil suit (Title Suit No. 3721 of 2009) before the 2nd Court of Civil Judge (Senior Division), at Alipore, Calcutta, against its client Venture Business Advisors Private Limited (“VBAPL”), alleging defaults in payment of dues pursuant to purchase of certain shares by VBAPL from our Company. The amount involved in the matter is approximately Rs. 45.20 million. The matter is currently pending before the 2nd Court of Civil Judge (Senior Division), at Alipore, Calcutta.

Criminal Proceedings

1. Our Company filed two complaints (Compliant No. C/12924 of 2009) on March 17, 2009 and

(Compliant No. C/ 48747 of 2009) on September 9, 2009 before the Chief Metropolitan Magistrate, at Calcutta under sections 138 read with section 141 of the Negotiable Instruments Act, 1881 against its client, TFL and its various officers alleging dishonour of cheque. It was alleged that the cheques were issued by TFL towards discharge of certain amounts payable to our Company, in respect of finance availed from our Company by TFL for trading/ investing in certain securities. The amount involved in the matter is approximately Rs. 102.5 million. The matter is currently pending before 8th Metropolitan Magistrate, at Calcutta.

2. On May 21, 2009 our Company filed a complaint (Compliant No. C 22545 of 2009) before the Chief Metropolitan Magistrate, at Calcutta under section 138 of the Negotiable Instruments Act, 1881 against its client, Ramamurat Singh alleging dishonour of cheque. It was alleged that the cheque was issued by Ramamurat Singh towards discharge of certain amounts payable to our Company, in respect of finance availed from our Company by Ramamurat Singh for trading/ investing in certain securities. The amount involved in the matter is Rs. one million. The matter is currently pending before 8th Metropolitan Magistrate, at Calcutta.
3. Our Company filed three complaints (Complaint No. C 42637 of 2009, Complaint No. C 42638 of 2009 and C 42636 of 2009) before the Chief Metropolitan Magistrate, at Calcutta on July 31, 2009 and one compliant (Complaint No. C 48748 of 2009) on September 9, 2009 against its client, Eversight Tradecomm Private Limited ("ETPL") and its various officers. The complaints were filed under sections 138 and 141 of the Negotiable Instruments Act alleging dishonour of cheque. It was alleged that the cheques were issued by ETPL towards discharge of certain amounts payable to our Company, in respect of finance availed from our Company by ETPL for trading/investing in certain securities. The amount involved in the matter is Rs. 50 million. The matter is currently pending before the 8th Metropolitan Magistrate, at Calcutta.
4. On July 31, 2009 our Company filed a complaint (Complaint No. C 42635 of 2009) before the Chief Metropolitan Magistrate, at Calcutta under section 138 of the Negotiable Instruments Act against its client, Samta Jain alleging dishonour of cheque. It was alleged that the cheque was issued by Samta Jain towards discharge of certain amounts payable to our Company, in respect of finance availed from our Company by Samta Jain for trading/ investing in certain securities. The amount involved in the matter is Rs. 0.95 million. The matter is currently pending before 8th Metropolitan Magistrate, at Calcutta.
5. On July 31, 2009 our Company filed three complaints (Compliant No. C 42639/ 2009, Complaint No. C 42641/2009 and Compliant No. C 42640/ 2009) before the Chief Metropolitan Magistrate, at Calcutta under sections 138 and 141 of the Negotiable Instruments Act, 1881 against our client, Stupendors Traders Private Limited ("STPL") alleging dishonour of cheque. It was alleged that the cheques were issued by STPL towards discharge of certain amounts payable to our Company, in respect of finance availed from our Company by STPL for trading/ investing in certain securities. The amount involved in the matter is Rs. 20.6 million. The matter is currently pending before 8th Metropolitan Magistrate, at Calcutta.
6. On January 29, 2010 our Company filed a complaint (Compliant No. C 2906 of 2010) before the Chief Metropolitan Magistrate, at Calcutta under section 138 of the Negotiable Instruments Act, 1881 against its client, VBAPL alleging dishonour of cheque. It was alleged that the cheque was issued by VBAPL towards discharge of certain amounts payable to our Company, in respect of purchase of certain shares. The amount involved in the matter is Rs. 38 million. The matter is currently pending before 10th Metropolitan Magistrate, at Calcutta.
7. On August 31, 2009 Giridhar Dhelia, vice president of our Company in his official capacity filed a complaint (Compliant No. C/ 47957 of 2009) before the Chief Metropolitan Magistrate, at Calcutta under section 156 (3) of the Code of Criminal Procedure, 1973 against Nimesh B Thakore and others, alleging default in payment of amounts due and fraud and deception to repay the finance availed by TFL and others from our Company. The amount involved in the matter is Rs. 74.61 million. On August 31, 2009 the Chief Metropolitan Magistrate, at Calcutta directed the officer-in-charge of shakespeare sarani police station to register the case for investigation. On September 16, 2009 Peeyush Jain, a co-petitioner, moved an application (C.R.R. No. 3546 of 2009) before the High Court of Calcutta, against the order dated August 31, 2009 delivered by the Chief Metropolitan Magistrate. Pursuant to an interim order dated September 16, 2009 passed by the High Court of Calcutta, the matter was stayed for a

period of four weeks. On November 23, 2009, the High Court of Calcutta vacated the stay which was earlier granted pursuant to order dated September 16, 2009. The matter is currently pending before the High Court at Calcutta and the investigating authority at the Shakespeare sarani police station.

Arbitration Proceedings

1. On July 13, 2009 our Company initiated arbitration proceedings against its client, TFL, alleging defaults in payment of dues pursuant to certain credit facilities availed by TFL from our Company. On July 14, 2009, our Company filed petition (A.P.No.398 of 2009) before the High Court of Calcutta under section 9 of the Arbitration and Conciliation Act, 1996 to furnish security and to restrain TFL from *inter alia*, dealing in certain securities in its demat account. In this regard, an interim order dated July 20, 2009 was passed by the High Court of Calcutta to restrain TFL to deal in securities in its demat account for a period of two weeks from July 20, 2009. The amount involved in the matter is Rs. 48.78 million. The matter is currently pending before the High Court of Calcutta and the Arbitrator.
2. On July 13, 2009 our Company initiated arbitration proceedings against its client, Eversight Tradecomm Private Limited (“ETPL”), alleging defaults in payment of dues pursuant to certain credit facilities availed by ETPL from our Company. Our Company also filed petition (A.P.No.399 of 2009) before the High Court of Calcutta under section 9 of the Arbitration and Conciliation Act, 1996 to furnish security and to restrain ETPL from *inter alia*, to deal in securities held by it in its demat account. In this regard, an interim order dated July 20, 2009, July 29, 2009, September 8, 2009 and October 29, 2009 were passed by the High Court of Calcutta to restrain ETPL to deal in securities owned by it till further order. The High Court of Calcutta by its order dated February 10, 2010, disposed the petition (A.P.No.399 of 2009) by confirming the interim order passed dated July 20, 2009. The amount involved in the matter is Rs. 33.25 million. The matter is currently pending before the Arbitrator.
3. On July 13, 2009 our Company initiated arbitration proceedings against its client, STPL, alleging defaults in payment of dues pursuant to certain credit facilities availed by STPL from our Company. Subsequently on August 25, 2009 our Company filed a petition (A.P.No.480 of 2009) before the High Court of Calcutta under section 11 of the Arbitration and Conciliation Act, 1996 seeking an appointment of the arbitrator. Our Company also filed petition (A.P.No.397 of 2009) before the High Court of Calcutta under section 9 of the Arbitration and Conciliation Act, 1996 to furnish security and to restrain STPL to deal in securities held by it in its demat account. In this regard interim order’s dated July 20, 2009, July 29, 2009, September 8, 2009 and October 29, 2009 were passed by the High Court of Calcutta restraining STPL to deal in securities till further orders. The High Court of Calcutta by its order dated February 10, 2010, disposed the petition (A.P.No.397 of 2009) by confirming the interim order passed dated July 20, 2009. The amount involved in the matter is Rs. 21.41 million. The matter is currently pending before the High Court of Calcutta and the Arbitrator.
4. On July 15, 2009 our Company initiated arbitration proceedings against its client, Samta Jain, alleging defaults in payment of dues pursuant to certain credit facilities availed by Samta Jain from our Company. Subsequently on September 14, 2009 our Company filed a petition (A.P.No.552 of 2009) before the High Court of Calcutta under section 11 of the Arbitration and Conciliation Act, 1996 seeking an appointment of the arbitrator. Our Company also filed petition (A.P.No.405/2009) dated July 16, 2009 before the High Court of Calcutta under section 9 of the Arbitration and Conciliation Act, 1996 to furnish security and to restrain Samta Jain from *inter alia*, to deal in securities held in her demat account. In this regard an order dated August 25, 2009 was passed by the High Court of Calcutta requiring Samta Jain to furnish the bank guarantee of approximately Rs. 1 million. Samta Jain has accordingly furnished a bank guarantee of approximately Rs. 1.02 million in favour of our Company. On February 11, 2010, the High Court of Calcutta disposed the petition (A.P.No. 552 of 2009) by referring the matter to the arbitrator. The matter is currently pending before the High Court of Calcutta and the Arbitrator.

Cases involving our Subsidiaries

A. Microsec Capital Limited

Litigation against MCap

Notices from SEBI

1. SEBI through its letter dated January 5, 2004 asked MCap to show cause why action should not be taken against them for not exercising proper due diligence as a Merchant Banker as incorrect information had been provided in the prospectus and application form for the initial public offering of Jai Balaji Sponge Limited. MCap replied to the same and SEBI through its letter dated February 10, 2004 has warned MCap to exercise proper due diligence in the future.
2. SEBI through its letter dated March 29, 2007 has advised MCap to exercise adequate and proper due diligence as MCap had omitted to sign the letter dated February 14, 2007, due diligence certificate and the enclosures thereto in the transaction pertaining to the open offer to the shareholders of Dunlop India Limited in accordance with the Takeover Code. MCap replied to the same through its letter dated April 3, 2007. SEBI has not initiated any further action in this regard.
3. Pursuant to notice of inspection dated November 3, 2008 an inspection of the books of accounts of MCap was conducted during December 1, 2008 to December 4, 2008 by a team of SEBI officials. The SEBI by an inspection report dated May 19, 2009 highlighted certain irregularities and violations in the operations of MCap as a broker and depository participant, which includes *inter alia*, failure to properly maintain client agreements and registration forms, fines and penalties levied by stock exchanges on several occasions for violation of margin and other prescribed limits, delay in forwarding demat requests forms to issuer company or RTA and failure to record correct PAN numbers and thereby violating provisions of SEBI (Stock Broker and Sub-Brokers) Regulation 1992, SEBI (Depositories and Participants) Regulations, 1996 and relevant circulars issued by SEBI in relation thereto. MCap was directed to file explanation in respect of the each of the violations within fourteen days of receipt of the inspection report dated May 19, 2009. MCap has filed its reply dated June 3, 2009. SEBI through its letter dated July 18, 2009 issued a warning to MCap not to repeat such irregularities in future and also to ensure strict compliance of all the rules and regulations issued by SEBI and the stock exchanges.

Notices from the Stock Exchanges

1. The NSE through its letter dated May 8, 2006, made certain observations regarding some violation pursuant to the trades executed during February 14, 2006 to March 10, 2006, by MCap in the F&O segment. MCap replied to the NSE through its letter dated May 15, 2006. The NSE has, by its letter dated January 23, 2007 imposed a penalty of Rs. 50,000, and also advised MCap to ensure non-recurrence of the violations and to ensure compliance with the regulations of the NSE and the National Securities Clearing Corporation.
2. The NSE through its letter dated May 18, 2007 made certain observations regarding some violation pursuant to the trades executed during March 1, 2007 to March 31, 2007, by MCap in the F&O segment. MCap replied to the NSE through its letter June 5, 2007. The NSE has, by its letter dated November 20, 2007 imposed a penalty of Rs. 100,000 and also advised MCap to ensure non-recurrence of the violations and to ensure compliance with the regulations of the NSE.
3. The NSE through its letter dated August 13, 2007, requested MCap to furnish certain information within seven days from the date of the letter in respect of certain alleged violations related to trading in the capital market segment. The allegations *inter alia* include failure to issue the electronic contract notes in the prescribed format and failure to review client information on a periodically basis. The letter was sent pursuant to an inspection undertaken by a team of officers of the NSE during January 2007. Further, MCap was advised to immediately stop the violations and report the same as a part of their reply. The same was without prejudice to the disciplinary proceedings / actions that the NSE may initiate. MCap through a letter dated August 20, 2007, replied to the specific allegations and stating that the observations had been noted and implemented. The NSE has, by its letter dated January 18,

2008, advised MCap to ensure non-recurrence of the violations and to ensure compliance with the regulations of NSE. The NSE has not initiated any further action in this regard.

4. The NSE through its letter dated August 27, 2007, requested MCap to furnish certain information within seven days from the date of the letter in respect of certain alleged violations related to trading in the futures and options segment. The allegations *inter alia* failure to issue the contract notes in the prescribed format and incorrect reporting of the margin collected. The letter was sent pursuant to an inspection undertaken by a team of officers of the NSE on December 27, 2006, January 2, 2007 and January 3, 2007. Further, MCap was advised to immediately stop the violations and report the same as a part of their reply. The same was without prejudice to the disciplinary proceedings / actions that the NSE may initiate. MCap through a letter dated September 3, 2007, replied to the specific allegations and stated that the observations had been noted and implemented. The NSE has, by its letter dated January 18, 2008, advised MCap to ensure non-recurrence of the violations and to ensure compliance with the regulations of NSE. The NSE has not initiated any further action in this regard.
5. The BSE, through its letter dated November 23, 2007, undertook an inspection of the books of accounts and other documents of MCap on January 25, 2008. The BSE pursuant to the inspection of books of accounts and other documents for the period commencing from November 2006 to October 2007, through its letter dated July 24, 2008 has alleged certain lapses such as failure to route clients' funds through designated client bank accounts, usage of client's funds for other clients or towards MCap's own purpose, failure to provide to its clients a 16 digit code that facilitates internet trading and failure to designate exclusive e-mail address for investor complaints. BSE requested MCap to submit clarifications towards the above-mentioned allegations. MCap replied to the same through its letter dated August 8, 2008. BSE through its letter dated October 14, 2008 warned MCap that client funds must be routed through the designated client bank accounts, failure of which will entail penalty as per Exchange Notice No. 20080307-8 dated March 7, 2008. BSE also directed MCap to obtain a compliance certificate either from a compliance officer or a chartered accountant and submit the same within 30 days and further warned MCap that failure to submit the same/ or submitting a wrong compliance certificate will also be subject to necessary fine as may be imposed by the BSE. MCap through its letter dated November 11, 2008, submitted the compliance certificate to the BSE and also confirmed compliance to the observations made by the BSE.
6. The NSE, through a notice dated May 22, 2008, undertook an inspection of the books of accounts and other documents in accordance with Chapter 7 of National Stock Exchange (Futures and Options Segment) Trading Regulations. Pursuant to submission of reply dated October 6, 2008 to NSE's preliminary observation sheet by MCap and pursuant to the inspection conducted by NSE, NSE through its letter dated October 13, 2008 furnished its observations alleging certain irregularities including *inter alia* incorrect reporting of margin collected from clients, failure to broadcast NSE feed to such terminals enabled for trading only. NSE directed MCap to file a reply in relation to the same. MCap by its letter dated October 17, 2008 replied to the same. Subsequently NSE, after considering the observations and submissions made by MCap, through its letter dated November 17, 2008 levied a fine of Rs. 10,000 against MCap in this regard, and which was duly paid by MCap. The NSE acknowledged the receipt of the same by its penalty receipt dated December 1, 2008.
7. NSE through its letter dated September 11, 2008 informed MCap that Ankit Bimal Deorah, a client of MCap, filed an arbitration application against MCap alleging that MCap had executed certain unauthorised transactions in securities in respect of Ankit Deorah's account. MCap through its letter dated September 26, 2008 replied to same. Ankit Bimal Deorah, filed arbitration proceedings (Arbitration Matter No. F&O/ M-0869 of 2008) against MCap before an arbitrator appointed by NSE. Ankit Deorah has claimed an amount of Rs. 1.90 million along with interest at the rate of 18% per annum. The arbitrator by its order dated June 1, 2009 rejected the claim on the ground that Ankit Deorah was required to maintain sufficient margin money to avoid squaring off open positions by trading members to ensure compliance with applicable regulations. Subsequently, Ankit Deorah has filed an arbitration petition No. 645/2009 before the High Court of Judicature at Mumbai under section 34 of the Arbitration

and Conciliation Act, 1996 against the order dated June 1, 2009. The matter is currently pending before the High Court of Judicature at Mumbai.

8. BSE through its letter dated May 4, 2009 informed MCap that Harish Manohar Kalra filed arbitration proceedings (Arbitration Reference No. 234 of 2009) against MCap before an arbitrator appointed by BSE. Harish Manohar Kalra alleged that MCap executed certain unauthorised transaction in securities in respect of Harish Kalra's account. Harish Kalra has claimed an amount of approximately Rs. 0.67 million along with interest at the rate of 18% per annum against MCap. The arbitrator by its order dated January 14, 2010 directed MCap to pay a sum of approximately Rs. 0.67 million along with interest at the rate of 8% to Harish Kalra. MCap filed an appeal before the appellate bench of the BSE against the order passed dated January 14, 2010 by the arbitrator appointed by the BSE. The matter is currently pending before the appellate bench of the BSE.
9. Pursuant to BSE's letter dated June 17, 2009, an inspection of books of accounts and records of MCap was undertaken by a team of officers of BSE on July 7, 2009. The inspection was undertaken in respect of books of accounts and other documents from February 2009 to May 2009. Subsequently, MCap by its letter dated July 10, 2009 has submitted certain documents with BSE in relation to the inspection. BSE by its letter dated September 7, 2009 acknowledged conclusion of inspection. BSE has not taken any further action in this regard.
10. MCap by letter dated October 13, 2008 intimated NSE in relation to resignation of Rakesh Sony as a director of MCap. The NSE issued a show cause notice dated May 7, 2009 to MCap, requiring MCap to explain failure to acquire approval of NSE for change in directors. Subsequently, MCap by letter dated May 14, 2009 replied to the same explaining that Rakesh Sony was not a designated director. NSE has not initiated any further action in this regard.
11. NSE through its letter dated November 18, 2009 informed MCap, that Dr. K. Haridas, a client of MCap has filed an arbitration application against MCap alleging that MCap had executed certain unauthorised transactions in securities in respect of Dr. K. Haridas's account. The amount claimed by Dr. K. Haridas is approximately Rs. 1.33 million. MCap has filed its reply dated November 23, 2009 seeking dismissal of the claim made by Dr. K. Haridas. NSE through its letter dated January 1, 2010 informed MCap regarding the appointment of an arbitrator. On February 5, 2010, first hearing of the matter was conducted and MCap was instructed to provide certain information and submit certain documents by February 26, 2010. The next hearing of the matter is scheduled on March 16, 2010. The matter is currently pending before the arbitrator appointed by the NSE.
12. The NSE, through its letter dated January 27, 2010, undertook an inspection of the books of accounts and other documents of MCap on February 18, 2010. The inspection was in relation to the cash and futures and options segment for the period from January 1, 2009 to December 12, 2009. The NSE, through its letter dated February 25, 2010 issued certain observation which *inter alia* include contravening clauses in the client registration kit, execution of trades in minor's account, allotment of more than one client code for single PAN, discrepancy in taking record of email addresses of the clients and identification of clients of special category. MCap has filed its reply to the NSE through a letter dated March 4, 2010.

Correspondences with the NSDL

1. The NSDL pursuant to their visit to MCap on June 29, 2005, made a number of observations pertaining to the activities of the company in its capacity as a depository participant. The observations *inter alia* include that the Net BUEI protocol was not installed on the server. MCap replied to the same through a letter dated July 4, 2005. Through letters dated July 21, 2005 and August 4, 2005, NSDL made further observations requiring compliance. Subsequent to MCap's confirmation through its letter dated August 8, 2005, that it has complied with such further observations, NSDL has not initiated any further action in this regard.
2. The NSDL pursuant to their visit to MCap on December 2, 2005, made a number of observations pertaining to the activities of the company in its capacity as a depository participant. The observations *inter alia* pertaining to opening an account, non collection of ID

proof of directors in cases of corporate accounts and sending the statement of transactions. NSDL stated that compliance was expected within a week. MCap through its letter dated December 9, 2005 replied to the same. Subsequently, through a letter dated February 6, 2006, NSDL stated that such deviations in the future were liable to attract penalty. Furthermore, NSDL through its letter dated January 6, 2006, requested MCap to confirm compliance with the observations. MCap has through its letter dated January 20, 2006, confirmed compliance with the observations. NSDL has not initiated any further action in this regard.

3. The NSDL pursuant to their visit to MCap on June 6, 2006, made a number of observations pertaining to the activities of the company in its capacity as a depository participant. The observations *inter alia* pertaining to opening of accounts including incorrect name. MCap replied through its letter dated June 12, 2006. NSDL has not initiated any further action in this regard.
4. The NSDL, pursuant to their visit to MCap on December 7, 2006, made a number of observations pertaining to the activities of the company in its capacity as a depository participant. Majority of the observations *inter alia* pertaining to opening of accounts including incorrect name and address mismatch. MCap replied through its letter dated December 16, 2006. NSDL, through its letter dated February 3, 2007, levied a penalty of Rs. 5,000 under the provisions of chapter 18 of Business Rule of NSDL for debiting client's account without proper authorization from the clients. NSDL has not initiated any further action in this regard.
5. NSDL, through its letter dated March 16, 2007, levied a penalty of Rs. 2,000 for entering incorrect PAN number of the account holders. Further, NSDL advised MCap to ensure non-recurrence of such deviations.
6. NSDL, through its letter dated May 11, 2007, levied a penalty of Rs. 1,500 for entering incorrect PAN number of the account holders. Further, NSDL advised MCap to ensure non-recurrence of such deviations.
7. The NSDL, pursuant to their visit to MCap on June 11, 2007, made a number of observations pertaining to the activities of the company in its capacity as a depository participant. The observations *inter alia* pertaining to opening an account including capturing of multiple signatures, absence of introductions and proper verification and the non submission of the internal audit report. MCap replied through its letter dated June 18, 2007. Subsequently, through a letter dated August 8, 2007, NSDL made certain further observations such as keeping NSDL informed about the status of specific client and submission of a revised Form B, which were required to be complied with by MCap by August 28, 2007 and levied a penalty of Rs. 20,000 under the provisions of chapter 18 of Business Rule of NSDL. MCap through its letter dated August 25, 2007, replied to the same. NSDL has not initiated any further action in this regard.
8. NSDL, through its letter dated June 16, 2007, levied a penalty of Rs. 500 for entering incorrect PAN number of the account holder. Further, NSDL advised MCap to ensure non-recurrence of such deviations.
9. NSDL, through its letter dated August 22, 2007, levied a penalty of Rs. 1,000 for entering incorrect PAN number of the account holders. Further, NSDL advised MCap to ensure non-recurrence of such deviations.
10. NSDL, through its letter dated October 30, 2007, levied a penalty of Rs. 1,000 for entering incorrect PAN number of the account holders. Further, NSDL advised MCap to ensure non-recurrence of such deviations.
11. NSDL, through its letter dated November 22, 2007, levied a penalty of Rs. 500 for entering PAN number of the account holder. Further, NSDL advised MCap to ensure non-recurrence of such deviations.
12. The NSDL, pursuant to their visit to MCap on December 11, 2007, made a number of observations pertaining to the activities of the company in its capacity as a depository

participant. The observations *inter alia* pertain to inconsistencies regarding signature and date of birth, delay in submission of internal audit reports, delay in dispatch of DRF's in few cases and failure to make certain technical updations. MCap replied through its letter dated December 18, 2007. Subsequently, NSDL through its letter dated January 21, 2008 further advised MCap to ensure correct dates are noted, an operations manual is prepared and certified by MCap's internal auditors. NSDL through its letter dated February 8, 2008 observed further irregularities, including *inter alia*, delay in dispatch of demat request and inconsistencies regarding signature and date of birth and warned MCap that that similar deviations/ non-compliance may attract monetary penalty.

13. The NSDL pursuant to, its letter dated May 9, 2008 undertook a review of the depository operations of MCap on June 16, 2008 and made a number of observations pertaining to the activities of the company in its capacity as a depository participant. The observations *inter alia* pertain to opening an account including capturing of multiple signature and mode of operation of account. NSDL stated that compliance was expected within a week. MCap through its letter dated June 20, 2008 replied to the same. NSDL, through its letter dated August 11, 2008, directed MCap to submit revised Form B to NSDL with respect the LAN hub. Further, NSDL also directed MCap to report compliance of observations made during the visit by August 30, 2008. MCap through its letter dated August 27, 2008 has submitted the revised Form B and report compliance of observations as directed. NSDL has not taken any further action in this regard.
14. NSDL, through its letter dated August 5, 2008, levied a penalty of Rs. 5,000 under the provisions of chapter 18 of Business Rules of NSDL for failure to take the database back-up of June 28, 2008. Additionally, NSDL made observations of certain deviations, *inter alia*, opening of accounts without obtaining adequate proof of address, delay in process of demat requests and usage of forms which are not in conformity with the NSDL prescribed format. No penalties were levied in respect of these observations, however, NSDL advised MCap to ensure non-recurrence of such deviations.
15. NSDL in its inspection report dated December 3, 2008 made certain observations pertaining to *inter alia*, failure to take adequate address proof to open client accounts, failure to show details of corporate action in the back office. MCap submitted a reply dated December 8, 2008. Subsequently, NSDL by its letter dated January 13, 2009 advised and directed MCap to comply with instructions pertaining to *inter alia*, adherence to prescribed guidelines pertaining to closure/ transmission of accounts, modification of MCap's back office software to reflect correct details of corporate action narration, periodic submission of investor grievance report. Pursuant to MCap's reply dated January 30, 2009 to NSDL's directions, NSDL by its letter dated February 6, 2009 made further observations pertaining to certain irregularities pertaining to *inter alia*, inadequate control over issuance and/or acceptance of instruction slips, failure to conduct transmission as per prescribed procedure and further imposed a penalty of Rs. 6000 against MCap in this regard under Chapter 18 of the Business Rules of NSDL.
16. NSDL, through its letter dated June 4, 2009, levied a penalty of Rs. 5,000 under the provisions of chapter 18 of Business Rules of NSDL for failure to take database back-up of April 25, 2009. Further, NSDL advised MCap to ensure non-recurrence of such deviations.
17. NSDL in its inspection report dated June 16, 2009 made certain observations pertaining to *inter alia*, failure to capture mode of operation, failure to acquire signature of first holder of certain securities, inadequate narration on transaction statement from the back office, failure to configure back office to display mode of operation for corporate accounts. MCap filed its reply dated June 24, 2009. Subsequently, NSDL by its letter dated July 17, 2009 advised and directed MCap to comply with instructions pertaining to *inter alia*, modification of MCap's back office software to reflect correct details of corporate action narration and ensure that the back office software shows the mode of operation captured in the DP Manager. Further, MCap by its letter dated August 3, 2009 informed NSDL that narration on transaction statements generated from back office has been rectified and sought clarification from NSDL in relation to display mode of operation in DPM. NSDL has not taken any further action in this regard.

Correspondence with CDSL

1. CDSL by its letter dated January 28, 2009 issued its inspection report for the period January 1, 2008 to October 31, 2008 to MCap. CDSL has not taken any further action in this regard.

Complaints from Customers

1. MCap has received approximately 100 complaints from customers, either directly or through the NSE, through which such customers have alleged minor administrative infractions on the part of MCap including inter alia, suspension of client's trading account without obtaining prior intimation, executing transactions pertaining to certain securities without obtaining prior consent of the client, failure to provide periodic updates, charging higher brokerage than the amount agreed upon. The company has replied to each of these complaints. The financial implications of these complaints cannot be computed.

Penalties for administrative infractions

Penalties have been imposed on MCap by the Stock Exchanges and NSCCL for administrative infractions. The details of such penalties paid by MCap in Fiscal 2005, 2006, 2007, 2008, 2009 and period ended January 31, 2010 are set forth below:

Nature of infraction	Fiscal 2005		Fiscal 2006		Fiscal 2007		Fiscal 2008		Fiscal 2009		January 31, 2010	
	No. of cases	Amount (in Rs.)	No. of cases	Amount (in Rs.)	No. of cases	Amount (in Rs.)	No. of cases	Amount (in Rs.)	No. of cases	Amount (in Rs.)	No. of cases	Amount (in Rs.)
Wrong/non-upload of UCI/UCC/CTCL/margin report	4	25,018	13	52,945	20	1,42,424	15	38,324	19	5,245	13	4,200
Violation of intra day trade/gross exposure limits	-	-	1	20,000	4	55,000	4	40,000	5	23,311	-	-
Delay in reporting of client funding	-	-	-	-	2	3,900	1	1,000	1	100	-	-
Late submission of margin trading certificate	-	-	-	-	-	-	2	1,800	-	-	-	-
Total	4	25,018	14	72,945	26	201,324	22	81,124	25	28,656	13	4,200

Intellectual Property

1. Micro Focus (IP) Limited, a Company organised under the laws of England and Wales, filed a notice of opposition (No. CAL-727590) dated June 30, 2008 before the Registrar of Trade Marks, Trade Mark Registry, Kolkata, under section 21(1), 64, 66 and 73 of the Trade Marks Act, 1999 denying alleged use of mark 'MICROSEC-MICRO FOCUS. MEGA WEALTH' by MCap since 1999. Micro Focus (IP) Limited alleged *inter alia*, bad faith on the part of MCap on the ground that the impugned mark is deceptively similar to their trade mark 'MICRO FOCUS' and other 'MICRO FOCUS' formative marks and that the registration of impugned mark is contrary to various provisions of the Trade Marks Act, 1999. Further, it was also alleged that since the mark is associated to the products and services of Micro Focus (IP) Limited, the application for registration of impugned trade mark by MCap should be refused and MCap be directed to delete the words 'MICRO FOCUS' from the impugned mark. On January 13, 2009 MCap filed a counterstatement denying all allegations of Micro Focus (IP) Limited on various grounds, including, that the impugned mark is being used by MCap, since 1999, in different field of service and that the adoption of the mark by MCap is honest and bona fide. MCap, in its counter-statement has requested the registry to dismiss the opposition and allow MCap to register the impugned mark. An affidavit of director of Micro Focus (IP) Limited was filed as evidence in support of opposition under Rule 50 was filed on October 29,

2009. The matter is currently pending before the Registrar of Trade Marks.

Civil Proceedings

1. On June 19, 2008, Kohinoor Foods Limited (“KFL”) filed a petition (C.A. No.1&2 of 2008/ Company Petition No. 12/111A (ND) of 2008) before the Company Law Board (“CLB”), New Delhi against our Company, Temptation Foods Limited (“TFL”) and others alleging that the shares of KFL were acquired in violation of the SEBI Takeover Regulations. MCap filed its reply before the Company Law Board, New Delhi. KFL also filed an application (No.C.A 1 and 2 of 2009) before the CLB, New Delhi seeking an ex-parte ad interim stay to restrain our Company and others from acquiring any further shares of KFL and for suspension of voting rights with respect to the acquired shares. Subsequently, on January 19, 2009, KFL filed an application (No. C.A. No.3 of 2009) alleging that our Company sold its entire shareholding of KFL to certain other entities during the pendency of the petition. Our Company filed its reply dated February 3, 2009 stating *inter alia*, that our Company received KFLs’s shares as a collateral security against the loan provided to TFL and that such shares were subsequently transferred to certain other entities for the purpose of re-financing. On February 12, 2009, KFL filed an application before the CLB, New Delhi for impleadment of MCap in the matter, alleging that MCap being a broker of TFL was acting in concert with our Company. KFL in its reply dated March 8, 2009 stated that the responses of our Company in its reply dated February 3, 2009 are misleading and devoid of any merit. Our Company on March 23, 2009 filed its reply before CLB. The matter is currently pending before CLB.

Litigation filed by MCap

Criminal Proceedings

1. On September 24, 2008 MCap filed a complaint (Compliant No. c 1051 of 2008) before the Additional Chief Metropolitan Magistrate, at Calcutta under section 138 of the Negotiable Instruments Act against its client, Ashok Kumar Daga alleging dishonour of cheque. It was alleged that the cheque was issued by Ashok Kumar Daga towards discharge of certain amounts payable to MCap, in respect of execution of certain transactions in securities by MCap on behalf of Ashok Kumar Daga. The amount involved in the matter is approximately Rs. 0.10 million. The matter is currently pending before the 12th Metropolitan Magistrate, Calcutta.
2. On February 16, 2009 MCap filed a complaint (Complaint no. c 7201 of 2009) before the Chief Metropolitan Magistrate, at Calcutta under section 138 of the Negotiable Instruments Act against its client, Arshad Hussain Kadri alleging dishonour of cheque. It was alleged that the cheque was issued by Arshad towards discharge of certain amounts payable to MCap, in respect of execution of certain transactions in securities by MCap on behalf of Arshad Hussain Kadri. The amount involved in the matter is approximately Rs. 0.31 million. The matter is currently pending before the 17th Metropolitan Magistrate, Calcutta.
3. On June 21, 2008 MCap filed a complaint (Compliant No. c 17095 of 08) before the Chief Metropolitan Magistrate, at Calcutta under section 138 of the Negotiable Instruments Act against its client, Md. Arif Sadique alleging dishonour of cheque. It was alleged that the cheque was issued by Arif Sadique towards discharge of certain amounts payable to MCap, in respect of execution of certain transactions in securities by MCap on behalf of Arif Sadique. The amount involved in the matter is approximately Rs.0.04 million. The matter is currently pending before the 17th Metropolitan Magistrate, Calcutta.
4. On June 21, 2008 MCap filed a complaint (Complaint No. c 17096 of 08) before the Chief Metropolitan Magistrate, at Calcutta under section 138 of the Negotiable Instruments Act against its client, Mintu Biswas alleging dishonour of cheque. It was alleged that the cheque was issued by Mintu Biswas towards discharge of certain amounts payable to MCap, in respect of execution of certain transactions in securities by MCap on behalf of Mintu Biswas. The amount involved in the matter is Rs. 0.10 million. The matter is currently pending before the 1^{4th} Metropolitan Magistrate, Calcutta.

5. On December 23, 2008 MCap filed two complaints (Compliant No. c 38612 of 2008 and Complaint No. c 38613 of 2008) before the Chief Metropolitan Magistrate, at Calcutta under section 138 of the Negotiable Instruments Act against its client, Radha Mundhra alleging dishonour of cheque. It was alleged that the cheques were issued by Radha Mundhra towards discharge of certain amounts payable to MCap, in respect of execution of certain transactions in securities by MCap on behalf of Radha Mundhra. The amount involved in the matter is Rs. 0.20 million. The matters are currently pending before the 14th Metropolitan Magistrate, Calcutta.
6. On February 17, 2009 MCap filed a complaint (Complaint No. c 891 of 09) before the Chief Judicial Magistrate, at Alipore under section 138 of the Negotiable Instruments Act against its client, Prahlad Bhowmick alleging dishonour of cheque. It was alleged that the cheque was issued by Prahlad Bhowmick towards discharge of certain amounts payable to MCap, in respect of execution of certain transactions in securities by MCap on behalf of Prahlad Bhowmick. The amount involved in the matter is approximately Rs. 0.24. The matter is currently pending before 5th Judicial Magistrate, Alipore.
7. On July 6, 2009 MCap filed a complaint (Compliant No. c 42668 of 2009) before the Chief Metropolitan Magistrate, at Calcutta under section 138 of the Negotiable Instruments Act against its client, Rishav Bhojnarwala alleging dishonour of cheque. It was alleged that the cheque was issued by Rishav Bhojnarwala towards discharge of certain amounts payable to MCap, in respect of execution of certain transactions in securities by MCap on behalf of Rishav Bhojnarwala. The amount involved in the matter is approximately Rs. 0.07 million. The matter is currently pending before 14th Metropolitan Magistrate, Calcutta.

Arbitration Proceedings

1. On July 14, 2008, MCap filed arbitration proceedings (A.M.No.FO/K-0133/2008) before an arbitrator appointed by the NSE its client, Uttam Kumar Bali. MCap claimed an amount of approximately Rs. 58,350 in lieu of outstanding debit balance in the account of Uttam Kumar Bali. Uttam Kumar Bali filed his reply on January 21, 2009 and alleged certain irregularities in his trading account with MCap. The arbitrator by its order dated February 9, 2009 directed Uttam Bali to make a payment of Rs. 40,000 to MCap by February 28, 2009. Subsequently, on April 27, 2009 MCap filed a petition (M.Ex 17/2009) before the Court of District Judge at Alipore under section 151 of CPC for the execution of the award and also seeking attachment of certain shares laying in the depository account of Uttam Kumar Bali. On November 3, 2009 the Court of District Judge ordered MCap to sell certain shares laying in the depository account of Uttam Kumar Bali and to submit all the documents relating to the sales proceeds along with an affidavit on November 30, 2009. The matter is currently pending before the Court of District Judge at Alipore.
2. On August 10, 2008, MCap had initiated an arbitration proceeding (Reference No. 386/2008) before an arbitrator appointed by the BSE against its client, Jatin Bimal Deorah. MCap claimed an amount of approximately Rs. 0.52 million including interest, in lieu of outstanding debit balance in the account of Jatin Bimal Deorah. The arbitrator by its order dated April 1, 2009 rejected the claim of approximately Rs. 0.48 million made by MCap. MCap filed an appeal before the appellate bench of the BSE against the order passed dated April 1, 2009 by the arbitrator appointed by the BSE. The appellate bench by its order dated August 28, 2009 dismissed the appeal. Subsequently, on November 30, 2009, MCap has filed an appeal in the High Court of Judicature, at Bombay under Section 34 of the Arbitration and Conciliation Act, 1996, for setting aside the impugned award dated August 28, 2009 passed by the appellant bench of the BSE and the arbitration award dated April 1, 2009 passed by the sole arbitrator appointed by the BSE. The matter is currently pending before the High Court of Judicature, at Bombay.

B. Microsec Technologies Limited

Litigation against MTL

1. The Service Tax Commissionerate, Kolkata, issued a show cause notice to MTL dated

October 20, 2009, alleging contravention of the provisions of the Finance Act, 1994 and a non payment of service tax, education cess and H.E. Cess totalling to approximately Rs. 1.07 million. MTL has by its letters dated November 18, 2009 and December 20, 2009, has sought an extension of up to January 20, 2010 for the submission of the reply to the show cause notice. On January 19, 2010 MTL filed its reply and denied the charges and have requested the Service Tax Commissionerate, to withdraw the matter.

Litigation filed by MTL

Nil

C. Microsec Resources Private Limited

Litigation against MRPL

Direct Tax

1. MRPL received an assessment order dated December 31, 2007 from the Income Tax Office under Sections 274 read with Section 271 of the Income Tax Act, 1961 alleging that MRPL had concealed particulars of its income for the assessment year 2005-2006 alleging *inter alia*, wrongful claim of expenditure terms as 'discount on deep discount debentures written off'. It was alleged that MRPL and MCL are sister concerns, working in the same premises in such an arrangement resulting in evasion of tax in addition to evasion of tax by deleting the addition of discount on deep discount debentures issued by MRPL. A demand notice dated December 31, 2007 for approximately Rs. 2.05 million was issued against MRPL in this regard. On January 18, 2008 MRPL filed an appeal (no.540/XII/10(2)07-08) before the Commissioner of Income Tax (Appeals), Kolkata, against the assessment order and demand notice dated December 31, 2007. Commissioner of Income Tax (Appeals) by its Order dated April 28, 2008 allowed the appeal filed by MRPL. Subsequently, the Income Tax Department filed an appeal (IT Appeal No. 1321/ KOL/ 08) against the order dated April 28, 2008 before the Income Tax Tribunal 'C' Bench, Kolkata. Income Tax Tribunal, by its Order dated February 13, 2009 rejected the appeal and upheld the order dated April 28, 2008 delivered by the Commissioner of Income Tax (Appeals). The Income Tax Department has filed an appeal (I.T.A.No. 248/2009) in the High Court of Calcutta against the order dated February 13, 2009 and the matter is currently pending.

D. Microsec Commerze Limited

Litigation against MCL

Correspondences with the NCDEX

1. NCDEX through its letter dated August 24, 2007, requested MCL to rectify certain deficiencies / irregularities. The deficiencies *inter alia* include non-receipt in writing of the order cancellation / modification slips. The said letter was issued pursuant to an inspection undertaken on August 21, 2007 and MCL was also advised to immediately stop the violations and report the same as a part of their reply by September 10, 2007. The same was without prejudice to the disciplinary actions that NCDEX may initiate. MCL replied through a letter dated September 6, 2007. NCDEX has not initiated any further action in this regard.
2. MCL through its letter dated June 14, 2007, submitted its compliance report for the period ended March 31, 2007 to NCDEX which also points out certain non compliances of MCL. NCDEX has not initiated any further action in this regard.
3. NCDEX through its letter dated April 28, 2007, stated that MCL has not entered PAN numbers of certain account holders. There has been no further correspondence by NCDEX in this regard.
4. NCDEX through its letter dated March 8, 2007, stated that MCL had not submitted PAN details of the directors prior to November 25, 2006. MCL replied to the same. NCDEX has not

initiated any further action in this regard.

5. NCDEX through its letter dated April 29, 2005, stated that the net worth computation submitted by MCL as on March 31, 2004, was not in accordance with the rules of NCDEX. There has been no further correspondence by NCDEX in this regard.
6. NCDEX through its letter dated December 20, 2004, requested MCL to rectify certain deficiencies / irregularities. The deficiencies *inter alia* include incomplete client registration forms. The letter was sent pursuant to an inspection undertaken on December 16, 2004, and also stated that without prejudice to the disciplinary actions that NCDEX may take, MCL was advised to immediately stop the violations and report the same as a part of their reply. MCL replied through a letter dated December 31, 2004. NCDEX has not initiated any further action in this regard.
7. MCL through its letter dated July 25, 2008 submitted its compliance report for the period ended March 31, 2008 to NCDEX. NCDEX has not initiated any further action in this regard.
8. On November 11, 2008 NCDEX pursuant to its letter dated November 7, 2008 conducted an inspection on a sample basis of MCL's operations, books and records. On November 25, 2008 MCL submitted its replies to an inspection questionnaire issued by NCDEX along with its reply to an inspection checklist to NCDEX. NCDEX has not initiated any further action in this regard.

Correspondences with the Multi Commodity Exchange of India Limited

1. MCL through its letter dated August 24, 2007, submitted its compliance report 2006-2007 to MCX which also points out certain non compliances of MCL. MCX has not initiated any further action in this regard.
2. MCX, pursuant to its letter dated January 29, 2008 undertook an inspection of the books of accounts and other documents of MCL. Thereafter, MCX through its letter dated May 21, 2008 alleged certain irregularities, administrative lapses/ violations and non-compliances such as failure to provide trade confirmation slips to client on execution of the trade, failure to issue contract notes in format prescribed by the exchange and failure to maintain copies of written consent of client in respect of for order modification, order cancellation and trade cancellation. MCX had advised MCL to submit their reply within 15 days from the date of their letter. MCL through its letter dated May 28, 2008 replied to the same. Subsequently, MCX through its letter dated June 26, 2008 imposed a penalty of Rs. 6,000 for the violations mentioned in their letter dated May 21, 2008 and further advised MCL not to repeat these violations.
3. MCX through its letter dated June 26, 2008 directed MCL to submit a certificate confirming non-recurrence of violations in respect of inspection conducted for the financial year 2006 - 07. Due to failure of the Company to comply with the same, MCX again by its letter dated December 12, 2008 directed MCL to submit the certificate confirming non-recurrence of violations by December 26, 2008. Subsequently, MCL by its letter dated December 18, 2008 submitted a certificate confirming non-recurrence of violations. MCX has not initiated any further action in this regard.
4. MCL through its letter dated June 27, 2008, submitted its Compliance Report 2007-2008 to MCX. MCX through its letter dated December 29, 2008 issued observations pertaining to MCL's dealings with the sub-brokers, membership requirements, office management and internet trading. MCL filed its reply dated January 12, 2009 to MCX submitting the explanations. MCX has not initiated any further action in this regard.

Tax cases

1. MCL received a notice dated May 5, 2009 from the Income Tax Office under Section 148 of the Income Tax Act, 1961 alleging that income of MCL for the assessment year 2005-2006 has escaped assessment within the meaning of Section 147 of the Income Tax Act, 1961 directing MCL to deliver a return of the income of MCL for the assessment year 2005-2006 in

the prescribed format within thirty days from the date. MCL has replied to the same vide its letter dated June 2, 2009. Income Tax Department has not taken any further action in this regard.

Penalties for administrative infractions

Penalties have been imposed on MCL by NCDEX and MCX for administrative infractions. The details of such penalties paid by MCL in Fiscal 2006, 2007, 2008, 2009 and period ended January 31, 2010 are set forth below:

Nature of infraction	Fiscal 2006		Fiscal 2007		Fiscal 2008		Fiscal 2009		January 31, 2010	
	No. of cases	Amount (in Rs.)	No. of cases	Amount (in Rs.)	No. of cases	Amount (in Rs.)	No. of cases	Amount (in Rs.)		
NCDEX										
Wrong/non-upload of UCC	4	3,890	4	690	4	1100	-	-	-	-
Modification of executed trades	-	-	2	3,000	2	4,000	-	-	-	-
Exceeding margin limits	2	1,694	-	-	3	3,736	-	-	-	-
Failure to raise invoices for executed trades	-	-	1	5,000	-	-	-	-	-	-
Non/late submission of client information	-	-	-	-	-	-	2	200	-	-
MCX										
Wrong/non-upload of UCC	-	-	5	2,500	1	400	1	100	-	-
Modification of executed trades	-	-	-	-	5	2,500	-	-	-	-
Failure to raise invoices for executed trades	-	-	1	2,143	2	20,000	2	8,700	-	-
Total	6	5,584	13	13,333	17	31,736	5	9,000	-	-

E. Microsec Insurance Brokers Limited

Litigation against MIBL

Notices by IRDA

1. IRDA by its letter dated January 7, 2004 informed MIBL about non-compliance of the Regulation 22 and 26 of IRDA (Insurance Brokers) Regulations, 2002 and required MIBL to submit an un-audited half yearly accounts as of September 30, 2004 to IRDA. Upon failure to comply with the same, IRDA issued a SCN dated April 21, 2004, pursuant to which MIBL submitted a reply dated April 29, 2004 along with the half yearly unaudited accounts as of September 30, 2004. Subsequently, IRDA by its letter dated June 8, 2004 issued a warning to MIBL, requiring MIBL to be diligent in future regarding its activities as an insurance broker. MIBL by its letter dated June 14, 2004 acknowledged the warning letter. IRDA has not initiated any further action in this regard.
2. Pursuant to an application made by MIBL for renewal of its insurance broking license, IRDA issued a SCN dated October 12, 2009 to MIBL, alleging diversion of funds within the group companies or associates in violation of IRDA (Insurance Brokers) Regulations, 2002. It was alleged that pledge of certain bonds for obtaining bank guarantee for MCap and pledge of fixed deposits for availing overdraft facility for MCL was in violation of Regulation 18 (2) and 34 (2). Further, in this regard IRDA extended MIBL's insurance broking license for one year from March 20, 2009 instead of three years. MIBL has submitted its reply dated October 22, 2009 indicating that the aforementioned violations have been rectified and requested

IRDA to extend its insurance broking license for a term of three years from March 20, 2009. IRDA through its letter dated November 25, 2009 observed that MIBL has failed to adhere to the applicable and relevant regulations for carrying the activities as insurance broker and hence rejected the renewal application filed by MIBL and also revoked the previous license granted vide letter dated October 12, 2009. MIBL by its letter dated December 12, 2009, addressed to the Chairman of IRDA, requested for the reconsideration for the renewal of the license for the period of three years. IRDA through its letter dated January 15, 2010 imposed a penalty of Rs. 0.5 million regarding the non compliance of Regulation 32 (2) of the IRDA (Insurance Brokers) Regulations, 2002, by MIBL. MIBL by its letter dated January 22, 2010, has confirmed to comply with the directions of IRDA and has requested to grant the renewal of license for a period of three years. MIBL has paid the penalty and IRDA has, by its letter dated March 2, 2010 granted renewal of the license for a period of three years.

Cases involving Group Companies

(b) LKPL

Litigation filed against LKPL

1. LKPL received an assessment order dated October 26, 2009 under section 143 (3) of the Income Tax Act, 1961 from assessing officer, Income Tax Office, disallowing certain expenses in respect of assessment year 2007-2008. A demand notice of dated September 26, 2009 for approximately Rs. 0.27 million was also issued against LKPL. On November 25, 2009, LKPL filed an appeal (no. 737/CIT(A)-VI/09-10/W-6(2)/Kol) before the Commissioner of Income Tax (Appeal) under section 246 A of the Income Tax Act, 1961 against the order and demand notice dated October 26, 2009. LKPL received a notice of the hearing under section 250 of the Income Tax Act, 1961, for appearance on January 18, 2010 before the Commissioner of Income Tax (Appeal). The matter is pending before the Commissioner of Income Tax (Appeals).

GOVERNMENT APPROVALS

Our Company has received the necessary consents, licenses, permissions and approvals from the Government and various governmental agencies required for its present business and except as mentioned below, no further approvals are required for carrying on our Company's present business.

In view of the approvals listed below, our Company can undertake this Issue and its current business activities and no further major approvals from any governmental or regulatory authority or any other entity are required to undertake the Issue or continue its business activities. Certain approvals have elapsed in their normal course and our Company has either made an application to the appropriate authorities for renewal of such licenses and/or approvals or is in the process of making such applications.

Approvals for the Issue

1. The Board of Directors have, pursuant to a resolution dated September 5, 2009 authorised the Issue, subject to the approval by the shareholders of our Company under Section 81(1A) of the Companies Act.
2. The shareholders have, pursuant to a resolution dated September 30, 2009 under Section 81(1A) of the Companies Act, authorised the Issue.
3. In - principle approval from the NSE dated [●].
4. In - principle approval from the BSE dated [●].

Approvals obtained by our Subsidiaries for change in shareholding pattern of our Company pursuant to the Issue

1. MCap, has received the following approvals for change in shareholding pattern, the details of which are set forth below:
 - (a) NSE by its letter (Reference No. NSE/MEM/FC/1902/SHP/25092009001) dated September 25, 2009 approved changes to shareholding pattern of our Company pursuant to listing of our Company on the NSE. The approval for change in shareholding of our Company is valid till March 31, 2010. In terms of the approval granted by NSE, the Promoter and Promoter Group shareholding in our Company is not allowed to go below 26% of the share capital pursuant to listing of our Company on the Stock Exchanges.
 - (b) MCap by its letter dated September 4, 2009 informed BSE in relation to change in shareholding of our Company pursuant to the Issue. BSE by its letter (Reference No. MSD/MM/AK/PB/6708/2009) dated September 10, 2009 has noted the same.
 - (c) MCap by its letter dated August 28, 2009 informed Inter-connected Stock Exchange of India Limited in relation to change in shareholding of our Company pursuant to the Issue. The Inter-connected Stock Exchange of India Limited by its letter (Reference No. 09-10/ISE/1029/GK) dated January 18, 2010 has noted the same.

Approvals for Our Company's business

1. PAN of our Company issued by Income Tax Department: AADCS7147N
2. Tax Deduction Account Number issued by the Income Tax Department: CALM07541C
3. Certificate of Registration dated January 24, 2007 issued by Assistant Commissioner, Service Tax Department, Kolkata under section 69 of the Finance Act, 1994. Our Company was granted service tax code AADCS7147NST001.
4. Certificate of Registration B-05.05346 (in lieu of certificate number B-05-05346 dated January 29, 2003) dated November 9, 2005 issued by Department of Non-Banking Supervision, RBI to our Company to commence business of NBFC without accepting public deposits.

5. Certificate of Registration (No. Kol/Kar/P-II/42730) dated October 12, 2007 issued by the Registering Authority under the West Bengal Shops & Establishment Act, 1963 to our Company. The registration is granted in respect of 1st Floor, 53, Syed Amir Ali Avenue as a 'commercial establishment'. The registration is valid till October 11, 2010.
6. Certificate of Enlistment (Trade Certificate) No 002851006636 issued by the Kolkata Municipal Corporation. The licence is valid till March, 2010.

Approvals for the business of our Subsidiaries

A. Microsec Capital Limited

1. PAN of MCap issued by Income Tax Department: AAACL6332R
2. Tax Deduction Account Number issued by the Income Tax Department: CALM04995E
3. Certificate of Registration dated January 22, 2007 issued by Assistant Commissioner, Service Tax Department, Kolkata under section 69 of the Finance Act, 1994. MCap was granted service tax code AAACL6332RST001.
4. Certificate of Registration (No. INB011115939) dated August 12, 2005 issued by SEBI under regulation 6 of SEBI (Stock Brokers and Sub-brokers) Regulations, 1992. MCap is registered as a stock broker (member of BSE) in respect of carrying on the activities of buying, selling or dealing in securities and carrying on such other activities as are permitted by such stock exchanges. The registration is valid up till suspension or cancellation.
5. Certificate of Registration (No. INB231115933) dated September 9, 2004 issued by SEBI under regulation 6 of SEBI (Stock Brokers and Sub-brokers) Regulations, 1992. MCap is registered as a stock broker (member of NSE) in respect of carrying on the activities of buying, selling or dealing in securities and carrying on such other activities as are permitted by such stock exchanges. The registration is valid up till suspension or cancellation.
6. Certificate of Registration (No. INF011115939) dated May 24, 2007 issued by SEBI under regulation 16 D of SEBI (Stock brokers and Sub-brokers) Regulations, 1992. MCap is registered as a trading member of BSE in derivative (futures and options) segment. The registration is valid up till suspension or cancellation.
7. Certificate of Registration (No. INF231115933) dated October 12, 2006 issued by SEBI under regulation 16 D of SEBI (Stock brokers and Sub-brokers) Regulations, 1992. MCap is registered as a self-clearing member of NSE in respect of derivatives exchange/ derivatives segment/ clearing corporation/ clearing house as trading/ clearing member for carrying on the activities of dealing in derivatives/ clearing & settlement of derivatives trades and for carrying on such other activities as are permitted from time to time by such exchanges/ segments/ clearing corporation/ clearing house. The registration is valid up till suspension or cancellation.
8. Certificate of Registration (No. INB241115931) dated July 11, 2000 issued by SEBI under regulation 6 of SEBI (Stock Brokers and Sub-brokers) Regulations, 1992. MCap is registered as a stock broker (as a dealer of Inter-Connected Stock Exchange of India Limited) in respect of carrying on the activities of buying, selling or dealing in securities and carrying on such other activities as are permitted by the such stock exchanges. The registration is valid up till suspension or cancellation.
9. Certificate of Registration (No. INP000002304) dated August 27, 2007 issued by SEBI under regulation 8 of SEBI (Portfolio Managers) Regulations, 1993. MCap is registered as a portfolio manager. The registration is valid till August 26, 2010.
10. Certificate of Registration (No. IN-DP-NSDL-245-2005) dated February 24, 2005 issued by SEBI under regulation 20 SEBI (Depositories and Participants) Regulations 1996. MCap is

registered as a depository participant with NSDL. The registration is valid till February 23, 2010.

11. Certificate of Registration (No. IN-DP-CDSL-424-2007) dated September 27, 2007 issued by SEBI under regulation 20 of SEBI (Depositories and Participants) Regulations, 1996. MCap is registered as a depository participant with CDSL. The registration is valid till September 26, 2012.
12. Renewal of Certificate of Conditional Registration (No. INM000010791) dated November 26, 2009 issued by SEBI under regulation 8 of the SEBI (Merchant Bankers) Regulations, 1992. MCap is registered as a merchant banker (category – I). The registration is valid till March 15, 2012.
13. Certificate of Registration (No. ARN-3087) dated March 19, 2008 issued by AMFI. MCap is registered as a mutual fund advisor with AMFI. The registration is valid till March 18, 2013.
14. Certificate of Registration (No. INF231115933) dated October 14, 2004 issued by SEBI under SEBI (Stock Brokers and Sub Brokers) Regulations, 1992. MCap is registered as a stock broker (member of NSE) in futures and options segment. The registration is valid up till suspension or cancellation.
15. Certificate of Registration (No. INE261115933) dated October 20, 2009 issued by SEBI under Regulation 16M of SEBI (Stock Brokers and Sub Brokers) Regulations, 1992. MCap is registered as a Trading Member of MCX Stock Exchange Limited in currency derivative segment/ clearing corporation/ clearing house as trading/ clearing member for carrying on the activities of dealing in currency derivatives/ clearing & settlement of currency derivatives trades. The registration is valid till suspension or cancellation.
16. Renewal of Certificate of Enlistment (Trade Certificate) (No. 0028 9100 6630) dated September 16, 2009 issued by the Kolkata Municipal Corporation to MCap for its trade as ‘office of –accounts’. The licence is valid till March 31, 2010.
17. Certificate of Registration (No. INE231115931) dated October 24, 2008 issued by SEBI under Regulation 16M of SEBI (Stock brokers and Sub-brokers) Regulations, 1992. MCap is registered as a trading member of NSE in respect of currency derivatives segment/ clearing corporation/ clearing house as trading/ clearing member for carrying on the activities of dealing in currency derivatives/ clearing & settlement of currency derivatives trades and for carrying on such other activities as are permitted by such exchanges/segments/clearing corporation/clearing house. The registration is valid up till suspension or cancellation.
18. Certificate of Registration (No. INF231115933) dated October 14, 2004 issued by SEBI under regulation 16D of SEBI (Stock brokers and Sub-brokers) Regulations, 1992. MCap is registered as a trading member of NSE in respect of derivatives exchange/ derivatives segment/ clearing corporation/ clearing house as trading/ clearing member for carrying on the activities of dealing in derivatives/ clearing & settlement of derivatives trades and for carrying on such other activities as are permitted from time to time by such exchanges/ segments/ clearing corporation/ clearing house. The registration is valid up till suspension or cancellation.
19. Certificate of Registration (No. IKT-0203.07) dated November 5, 2007 issued by Moody International Certification Limited to MCap for the quality management system of MCap in compliance with the requirements of ISO 9001:2000. The registration is granted in respect of providing broking services both online and offline, depository services and distribution services. The registration is valid till November 4, 2010.
20. Certificate of Registration (No. Kol/Kar/P-II/42747) dated October 15, 2007 issued by the Registering Authority under the West Bengal Shops & Establishment Act, 1963 to MCap. The registration is granted in respect of the 1st Floor, 53, Syed Amir Ali Avenue as a Commercial Establishment. The registration is valid till October 14, 2010.

21. Certificate of Enlistment (Trade Certificate) No 002891006630 issued by the Kolkata Municipal Corporation. The licence is valid till March 31, 2010.
22. Employees State Insurance Corporation by its letter (No. 41.Z.17/20/2009-EDP (Project Panchdeep)) dated September 29, 2009 allotted code no. 41000387930001001 to MCap for factory/ establishment under section 2 A of the Employees State Insurance Act, 1948.

B. Microsec Resources Private Limited

1. PAN of MRPL issued by Income Tax Department: AABCG2396M
2. Tax Deduction Account Number issued by Income Tax Department: CALK02830C
3. Certificate of Registration B-05.06241 (in lieu of certificate number B-05-06241 dated March 10, 2004) dated April 21, 2006 issued by Department of Non-Banking Supervision, RBI to MRPL to commence business of NBFC without accepting public deposits.
4. Certificate of Registration (No. Kol/Park/P-II/42500/07) dated August 28, 2007 issued by the Registering Authority under the West Bengal Shops & Establishment Act, 1963 to MRPL. The registration is granted in respect of the 2nd Floor, 7, Camac Street, Kolkata-17 as a Commercial Establishment. The registration is valid till August 27, 2010.
5. Certificate of Enlistment (Trade Certificate) No. 407114000772 issued by the Kolkata Municipal Corporation for trade as 'Office of – Accounts and Administration'. The licence is valid till March 31, 2010.

C. Microsec Technologies Limited

1. PAN of MTL issued by Income Tax Department: AADCM4151G
2. Tax Deduction Account Number issued by Income Tax Department: CALM03919G
3. Certificate of Registration dated April 13, 2006 issued by Assistant Commissioner, Service Tax Department, Kolkata under section 69 of the Finance Act, 1994. MIL Technologies Limited (now MTL) was granted service tax code AADCM4151GST001.
4. License (No. STPK: DIR:488:2006-07) dated February 16, 2007 granted by Ministry of Communication and Information Technology under Software Technologies Park. The license is valid till February 16, 2012.
5. Certificate of Registration (No. Kol/Park/P-II/42231/07) dated July 12, 2007 issued by the Registering Authority under the West Bengal Shops & Establishment Act, 1963 to MTL. The registration is granted in respect of the 2nd Floor, 7, Camac Street, Kolkata-17 as a Commercial Establishment. The registration is valid till July 11, 2010.
6. Certificate of Enlistment (Trade Certificate) No 306306003412 issued by the Kolkata Municipal Corporation for trade as 'Professionals (with office) – Software Developers and Data Processor'. The licence is valid till March 31, 2010.

D. Microsec Commerce Limited

1. PAN of MCL issued by Income Tax Department: AACCM2612B
2. Tax Deduction Account Number issued by Income Tax Department: CALM04718A
3. Certificate of Registration dated January 22, 2007 issued by Assistant Commissioner, Service Tax Department, Kolkata under section 69 of the Finance Act, 1994. MCL was granted service tax code AACCM2612BST001.
4. Certificate of membership (NCDEX-CO-03-00089) dated February 12, 2007 issued by

NCDEX, to MCL under rule 5.2 (11) NCDEX Rules, whereby MCL was admitted as trading-cum-clearing member of NCDEX with effect from December 26, 2003. The registration is valid up till suspension of membership.

5. Certificate of membership (No. 28025) dated December 17, 2004 issued by MCX, to MCL, whereby MCL was admitted as trading-cum-clearing member of MCX with effect from December 12, 2004. The registration is valid up till suspension of membership.
6. MCL was allotted Unique Membership Code NCDEX/TCM/CORP/0026 by FMC on December 20, 2005.
7. MCL was allotted Unique Membership Code MCX/TCM/CORP/0687 by FMC on December 22, 2005.
8. Certificate of Registration (No. Kol/Kar/P-II/42746) dated October 15, 2007 issued by the Registering Authority under the West Bengal Shops & Establishment Act, 1963 to MCL. The registration is granted in respect of the 1st Floor, 53, Syed Amir Ali Avenue as a Commercial Establishment. The registration is valid till October 14, 2010.
9. Renewal of Certificate of Enlistment (Trade Licence) (No. 407114000243) dated September 16, 2009 issued by the Kolkata Municipal Corporation to MCL for trade as 'dealer of non food items – shares (ID-2805/MCEI)'. The licence is valid till March 31, 2010.

E. Microsec Insurance Brokers Limited

1. PAN of MIBL issued by Income Tax Department: AADCM3059K
2. Tax Deduction Account Number issued by Income Tax Department: CALM04188C
3. Certificate of Renewal of License dated March 2, 2010 issued by the Insurance Regulatory and Development Authority issued to MIBL, renewing MIBL's license as a direct broker for the period from March 20, 2009 to March 19, 2012.
4. Certificate of Registration dated November 24, 2008 issued by Assistant Commissioner, Service Tax Department, Kolkata under section 69 of the Finance Act, 1994. MIBL was granted service tax code AADCM3059KST001.
5. Certificate of Registration (No. Kol/Kar/P-II/42728) dated October 11, 2007 issued by the Registering Authority under the West Bengal Shops & Establishment Act, 1963 to MIBL. The registration is granted in respect of the 1st Floor, 53, Syed Amir Ali Avenue as a Commercial Establishment. The registration is valid till October 10, 2010.
6. Renewal of Certificate of Enlistment (Trade Licence) (No. 306306003434) dated September 16, 2009 issued by Kolkata Municipal Corporation to Microsec Risk Management Limited (now MIBL) for trade as 'broker of non-food items – insurance' in respect. The license is valid till March 31, 2010.

F. PRP Technologies Limited

1. PAN of PRP Technologies Limited issued by Income Tax Department: AAACP4235F
2. Tax Deduction Account Number issued by Income Tax Department: CALP07894F
3. Certificate of Registration dated November 17, 2008 issued by Assistant Commissioner, Service Tax Department, Kolkata under section 69 of the Finance Act, 1994. PRP was granted service tax code AAACP4235FST001
4. Renewal of Certificate of Enlistment (Trade Certificate) (No. 0011 9101 4853) dated October 23, 2009 issued by the Kolkata Municipal Corporation to PRP Technologies Limited for its trade as 'office of – software and hardware'. The licence is valid till March 31, 2010.

5. Allotment of incubation facility dated May 22, 2009 issued by the Assistant Director & OIC, Software Technology Park of India, Dheradun. PRP has been allotted an area of 200 sq.ft and facility of two personal computers at the Incubation centre, IT Park Sahastradhara Road, Dheradun. The facility is valid May 31, 2010.

Intellectual Property Related Approvals

A. Microsec Financial Services Limited

Copyrights

1. Registration (No. L-32079/2009) dated February 20, 2009 was granted to our Company by Deputy Registrar of Copyrights, for copyright of title of literary work being 'Financial Planning Check-Up'. The author of the literary work is Banwari Lal Mittal.

B. Microsec Capital Limited

Copyrights

1. Registration (No. A-73950/2005) dated June 3, 2005 was granted to Microsec India Limited (now MCap) by Deputy Registrar of Copyrights, for copyright of title of artistic work being 'CLUB KAUTILYA'. The author of the artistic work is R.K. Sharma

Trade Marks

1. Microsec India Limited (now MCap) was granted Trade Mark No. 1244386 in respect of 'MICROSEC-PARTNERS IN GROWTH' by Certificate No. 607740 dated February 17, 2007 by Trade Mark Registry under Trade Marks Act, 1999 in respect of insurance, financial affairs and monetary affairs included in class 36 with effect from October 20, 2003. The registration is valid up till October 19, 2013.
2. Microsec India Limited (now MCap) was granted Trade Mark No. 1140472 in respect of 'MICROSEC-PARTNERS IN GROWTH' by Certificate No. 372366 dated May 17, 2005 by Trade Mark Registry under Trade Marks Act, 1999 in respect of newsletters, periodicals, journals, various printed materials related to financial, insurance, consultancy advisory, legal, accounting, data processing software and LT. enable services and other products included in class 16 with effect from October 3, 2003. The registration is valid up till October 2, 2013.
3. Microsec India Limited (now MCap) was granted Trade Mark No. 1278243 in respect of 'INSURING SUCCESS' by Certificate No. 460053 dated November 9, 2005 by Trade Mark Registry under Trade Marks Act, 1999 in respect of insurance, insurance risk, financial and taxation services included in class 36 with effect from April 12, 2004. The registration is valid up till April 11, 2014.
4. Microsec India Limited (now MCap) was granted Trade Mark No. 1244385 in respect of 'MICROSEC-PARTNERS IN GROWTH' by Certificate No. 675491 dated February 20, 2008 by Trade Mark Registry under Trade Marks Act, 1999 in respect of business management, business administration and office functions included in class 35 with effect from October 20, 2003. The registration is valid up till October 19, 2013.
5. Microsec India Limited (now MCap) was granted Trade Mark No. 1239946 in respect of 'Club Kautilya' by Certificate No. 438448 dated October 6, 2005 by Trade Mark Registry under Trade Marks Act, 1999 in respect of financial insurance and taxation services included in class 36 with effect from September 26, 2003. The registration is valid up till September 25, 2013.
6. MCap was granted Trade Mark No.1340444 in respect of 'FINANCIAL DOCTOR' by Trade Mark Registry under Trade Marks Act, 1999 with effect from February 23, 2005 in respect of financial insurance and taxation service included in class 36. The registration is valid up till

February 22, 2015.

7. MCap is granted Trade Mark No. 1407968 in respect of 'MICROSEC BUYING SHARE IS NOT BUYING POTATO' by Trade Mark Registry under Trade Marks Act, 1999 with effect from December 22, 2005 in respect of services relating to insurance, financial affairs, monetary affairs and share brokers included in class 36. The registration is valid up till December 21, 2015.
8. MCap was granted Trade Mark No. 1407967 in respect of 'SAUDA SAMAJH KE' by Trade Mark Registry under Trade Marks Act, 1999 with effect from December 22, 2005 in respect of services relating to insurance, financial affairs, monetary affairs and share brokers included in class 36 with effect from December 22, 2005. The registration is valid up till December 21, 2015.
9. MCap is granted Trade Mark No. 1499057 in respect of 'Microsec' by Certificate No. 745068 dated August 8, 2008 by Trade Mark Registry under Trade Marks Act, 1999 in respect of services relating to insurance, financial affairs, monetary affairs and share brokers included in class 36 with effect from October 25, 2006. The registration is valid up till October 24, 2016.
10. MCap is granted Trade Mark No. 1499059 in respect of 'Microsec Viewpoint' by Certificate No. 745073 dated August 8, 2008 by Trade Mark Registry under Trade Marks Act, 1999 in respect of service relating to insurance, financial affairs, monetary affairs and share brokers included in class 36 with effect from October 25, 2006. The registration is valid up till October 24, 2016.
11. MCap is granted Trade Mark No. 1506102 in respect of 'I LISTEN TO MICROSEC BECAUSE MICROSEC LISTENS TO ME.' by Trade Mark Registry under Trade Marks Act, 1999 with effect from November 21, 2006 in respect of services relating to insurance, financial affairs, monetary affairs and share brokers included in class 36. The registration is valid up till November 20, 2016.
12. MCap is granted Trade Mark No. 1499056 in respect of 'I SEND MY MONEY TO WORK' by Trade Mark Registry under Trade Marks Act, 1999 with effect from October 25, 2006 in respect of services relating to insurance, financial affairs, monetary affairs and share brokers included in class 36. The registration is valid up till October 24, 2016.
13. MCap is granted Trade Mark No. 1499060 in respect of 'PERSONAL – PRUDENT – PROACTIVE' by Trade Mark Registry under Trade Marks Act, 1999 with effect from October 25, 2006 in respect of services relating to insurance, financial affairs, monetary affairs and share brokers included in class 36. The registration is valid up till October 24, 2016.
14. MCap is granted Trade Mark No. 1499058 in respect of label 'SMALL THINGS MATTER' by Trade Mark Registry under Trade Marks Act, 1999 with effect from October 25, 2006 in respect of services relating to insurance, financial affairs, monetary affairs and share brokers included in class 36. The registration is valid up till October 24, 2016.

C. Microsec Insurance Brokers Limited

Trade Marks

1. Microsec Risk Management Limited (now MIBL) was granted Trade Mark No. 1188670 in respect of 'INSURING SUCCESS' by Certificate No. 442079 dated October 13, 2005 by Trade Mark Registry under Trade Marks Act, 1999 in respect of printed matters, literature, letter head and other material relating to insurance risk service included in class 16 with effect from April 1, 2003. The registration is valid up till March 31, 2013.
2. Microsec Risk Management (now MIBL) was granted Trade Mark No. 1212280 in respect of 'FOUR PILLAR STRATEGY' by Certificate No. 442743 dated October 14, 2005 by Trade Mark Registry under Trade Marks Act, 1999 in respect of printed matters, literature, other material relating to financial insurance and taxation services included in class 16 with effect

from July 7, 2003. The registration is valid up till July 6, 2013.

3. Microsec Risk Management Limited (now MIBL) was granted Trade Mark No. 1212281 in respect of 'CLUB KAUTILYA' by Certificate No. 442737 dated October 14, 2005 by Trade Mark Registry under Trade Marks Act, 1999 in respect of printed matters, literature, other materials relating to financial insurance and taxation services included in class 16 with effect from July 7, 2003. The registration is valid up till July 6, 2013.

Pending Approvals:

A. Microsec Financial Services Limited

1. Registration (No. L-31951/2009) dated January 20, 2009 was granted to Gulmohar Advisors Private Limited by Deputy Registrar of Copyrights, for copyright of title of literary work being 'Personal Resource Planning'. The author of the literary work is Amit Sharma. Our Company has filed an application dated October 28, 2009 to Registrar of Copyright for registering the same in the name of Microsec Financial Services Limited*.
2. Registration (No. L-32298/2009) dated March 12, 2009 was granted to Gulmohar Advisors Private Limited by Deputy Registrar of Copyrights, for copyright of title of literary work being 'Personal Resource Planning (Software Requirement Specifications)'. The author of the literary work is Anidita Ghosh. The author of the literary work is Anidita Ghosh. Our Company has filed an application dated October 28, 2009 to Registrar of Copyright for registering the same in the name of Microsec Financial Services Limited*.

**For further details see "History and Certain Corporate Matters – Other Agreements – Agreement between our Company and Gulmohar Advisors Private Limited dated March 28, 2009" on page 87 of this Draft Red Herring Prospectus.*

3. Our Company has filed a trade mark form No. 24 on October 26, 2009 to the Trade Mark Registry, Kolkata to register the name of our Company in the Register of Trade Marks as the proprietor of the Trade Mark Application No. 1611165 filed in respect of mark 'PRP' in class 35. For further details see "History and Certain Corporate Matters – Other Agreements" on page 86 of this Draft Red Herring Prospectus.
4. Our Company has filed a trade mark form No. 16 on October 26, 2009 to Trade Mark Registry, Kolkata for amendment of the name and address mentioned in the Application No. 1611166 filed in respect of 'Personal Resource Planning' in class 35 and to record its name and address as the subsequent proprietor of the above-mentioned trade mark application. For further details see "History and Certain Corporate Matters – Other Agreements" on page 86 of this Draft Red Herring Prospectus.
5. Our Company has made an application (No. 1850988) dated August 17, 2009 to the Trade Mark Registry, Kolkata for registration of trade name/ mark 'PRP-Personal Resource Planning' in respect of advertising; business management; business administration; office functions; economic consultancy services; economic forecasting services; business organisation consultancy services; economic information services for business purposes; preparation of economic reports; retail services; the bringing together, for the benefit of others, of variety of goods/ and or various offerings of services and/or different kinds of businesses, included in class 35 specified under fourth schedule of the Trade Marks Rules, 2002.
6. Our Company has made an application (No. 1850989) dated August 17, 2009 to the Trade Mark Registry, Kolkata for registration of trade name/ mark 'PRP' in respect of financial consultancy services; securities investment and management services; securities investment services for personal investors; valuation of portfolios of securities; foreign exchange transaction; investment custody (demat); financial advisory services relating to assets management; tax planning and legal; financial assets management; financial planning for all kinds of loans through banks; software for personalised planning; insurance – life and non life; investment in mutual funds; commodities market; research data related to equity, commodity

included in class 36 specified under fourth schedule of the Trade Marks Rules, 2002.

7. Our Company has made an application (No. 1850990) dated August 17, 2009 to the Trade Mark Registry, Kolkata for registration of trade name/ mark 'PRP-Personal Recourse Planning' in respect of financial consultancy services; securities investment and management services; securities investment services for personal investors; valuation of portfolios of securities; foreign exchange transaction; investment custody (demat); financial advisory services relating to assets management; tax planning and legal; financial assets management; financial planning for all kinds of loans through banks; software for personalised planning; insurance – life and non life; investment in mutual funds; commodities market; research data related to equity, commodity included in class 36 specified under fourth schedule of the Trade Marks Rules, 2002.
8. Our Company has made an application (No. 1850991) dated August 17, 2009 to the Trade Mark Registry, Kolkata for registration of trade name/ mark 'PRP' in respect of assembling, repairing, altering, maintain of lighting systems, consumer appliances, industrial goods, construction and building materials and sanitary products, software and hardware products, office automation equipments, office automation and data processing equipment and information technology and surveillance system; vehicle maintenance and repair services; service stations for vehicles included in class 37 specified under fourth schedule of the Trade Marks Rules, 2002.
9. Our Company has made an application (No. 1850992) dated August 17, 2009 to the Trade Mark Registry, Kolkata for registration of trade name/ mark 'PRP-Personal Resource Planning' in respect of assembling, repairing, altering, maintain of lighting systems, consumer appliances, industrial goods, construction and building materials and sanitary products, software and hardware products, office automation equipments, office automation and data processing equipment and information technology and surveillance system; vehicle maintenance and repair services; service stations for vehicles included in class 37 specified under fourth schedule of the Trade Marks Rules, 2002.
10. Our Company has made an application (No. 1850993) dated August 17, 2009 to the Trade Mark Registry, Kolkata for registration of trade name/ mark 'PRP' in respect of telecommunication services, telecommunication, television and radio broadcasting services including cable and satellite electronic mail, cellular, wireless, communications by computer terminals and fibre optic networks, computer aided recording, storage and transmission of sound, message, images, data and documents, internet communication services, services by telegrams, message delivery and sending news agencies, telex services provision of website to enable physicians, healthcare workers and other caregivers remote connections to patient monitors thereof included in class 38 specified under fourth schedule of the Trade Marks Rules, 2002.
11. Our Company has made an application (No. 1850994) dated August 17, 2009 to the Trade Mark Registry, Kolkata for registration of trade name/ mark 'PRP-Personal Resource Planning' in respect of telecommunication services, telecommunication, television and radio broadcasting services including cable and satellite electronic mail, cellular, wireless, communications by computer terminals and fibre optic networks, computer aided recording, storage and transmission of sound, message, images, data and documents, internet communication services, services by telegrams, message delivery and sending news agencies, telex services provision of website to enable physicians, healthcare workers and other caregivers remote connections to patient monitors thereof included in class 38 specified under fourth schedule of the Trade Marks Rules, 2002.
12. Our Company has made an application (No. 1850995) dated August 17, 2009 to the Trade Mark Registry, Kolkata for registration of trade name/ mark 'PRP' in respect of hotel booking, ticket booking and tours, travel arrangement services, packaging, storage of goods, train cargo, air freight, sea freight and clearing agent IATA agent, custom house agent and multi modal transport operators, freight forwarding services, logistics, cargo management services, transportation services, warehousing, distribution and value added services, supply chain services, customs brokerage services, tour operators, travel consultants, car rental, arranging

of tours, agencies and trades, travels included in class 39 specified under fourth schedule of the Trade Marks Rules, 2002.

13. Our Company has made an application (No. 1850996) dated August 17, 2009 to the Trade Mark Registry, Kolkata for registration of trade name/ mark 'PRP-Personal Resource Planning' in respect of hotel booking, ticket booking and tours, travel arrangement services, packaging, storage of goods, train cargo, air freight, sea freight and clearing agent IATA agent, custom house agent and multi model transport operators, freight forwarding services, logistics, cargo management services, transportation services, warehousing, distribution and value added services, supply chain services, customs brokerage services, tour operators, travel consultants, car rental, arranging of tours, agencies and trades, travels included in class 39 specified under fourth schedule of the Trade Marks Rules, 2002.
14. Our Company has made an application (No. 1850997) dated August 17, 2009 to the Trade Mark Registry, Kolkata for registration of trade name/ mark 'PRP' in respect of treatment of materials, film processing, key duplicating, photographic film developing services, photographic film developing services, rental and leasing of photographic processing and printing apparatus, provision of the aforesaid services via a global computer network, utilising electronic settlement system (electronic commerce); recycling of computer printer parts and computer components, rechargeable batteries and printer cartridges for printer thereof included in class 40 specified under fourth schedule of the Trade Marks Rules, 2002.
15. Our Company has made an application (No. 1850998) dated August 17, 2009 to the Trade Mark Registry, Kolkata for registration of trade name/ mark 'PRP-Personal Resource Planning' in respect of treatment of materials, film processing, key duplicating, photographic film developing services, photographic film developing services, rental and leasing of photographic processing and printing apparatus, provision of the aforesaid services via a global computer network, utilising electronic settlement system (electronic commerce); recycling of computer printer parts and computer components, rechargeable batteries and printer cartridges for printer thereof included in class 40 specified under fourth schedule of the Trade Marks Rules, 2002.
16. Our Company has made an application (No. 1850999) dated August 17, 2009 to the Trade Mark Registry, Kolkata for registration of trade name/ mark 'PRP' in respect of education; providing of training; entertainment; sporting and cultural activities; libraries; physical education; seminars; personality and career development courses; services on diet, health, fitness; publication of newspaper, books, magazines, journals, periodicals, reports, manuals, texts, electronic books; journals online, multimedia and electronic recordings, film production, animated motion pictures; waterfalls, recreation parks, clubs, resorts, restaurants included in class 41 specified under fourth schedule of the Trade Marks Rules, 2002.
17. Our Company has made an application (No. 1851000) dated August 17, 2009 to the Trade Mark Registry, Kolkata for registration of trade name/ mark 'PRP-Personal Resource Planning' in respect of education; providing of training; entertainment; sporting and cultural activities; libraries; physical education; seminars; personality and career development courses; services on diet, health, fitness; publication of newspaper, books, magazines, journals, periodicals, reports, manuals, texts, electronic books; journals online, multimedia and electronic recordings, film production, animated motion pictures; waterfalls, recreation parks, clubs, resorts, restaurants included in class 41 specified under fourth schedule of the Trade Marks Rules, 2002.
18. Our Company has made an application (No. 1851001) dated August 17, 2009 to the Trade Mark Registry, Kolkata for registration of trade name/ mark 'PRP' in respect of information technology enabling services, providing of food and drink, temporary accommodation, medical hygienic and beauty care, veterinary, agricultural services, scientific and industrial research, computer programming, servicing, resell of desk jet and laser printer cartridges, sweetmeats, snacks, cafes and cafeterias, resorts and lodging services, rental of temporary accommodation; rental of meeting rooms; tourist homes, inns; canteen, hotel and restaurants; rental of tents, transportable buildings included in class 42 specified under fourth schedule of the Trade Marks Rules, 2002.

19. Our Company has made an application (No. 1851002) dated August 17, 2009 to the Trade Mark Registry, Kolkata for registration of trade name/ mark 'PRP-Personal Resource Planning' in respect of information technology enabling services, providing of food and drink, temporary accommodation, medical hygienic and beauty care, veterinary, agricultural services, scientific and industrial research, computer programming, servicing, resell of desk jet and laser printer cartridges, sweetmeats, snacks, cafes and cafeterias, resorts and lodging services, rental of temporary accommodation; rental of meeting rooms; tourist homes, inns; canteen, hotel and restaurants; rental of tents, transportable buildings included in class 42 specified under fourth schedule of the Trade Marks Rules, 2002.
20. Our Company has made an application (No. 1862507) dated September 14, 2009 to the Trade Mark Registry, Kolkata for registration of trade name/ mark 'Life on a Better and Large Scale' in respect of financial consultancy services; securities investment and management services; securities investment services for personal investors; valuation of portfolios of securities; foreign exchange transaction; investment custody (demat); financial advisory services relating to assets management; tax planning and legal; financial assets management; financial planning for all kinds of loans through banks; software for personalised planning; insurance – life and non life; investment in mutual funds; commodities market; research data related to equity, commodity included in class 36 specified under fourth schedule of the Trade Marks Rules, 2002.
21. Our Company has made an application (No. 1862508) dated September 14, 2009 to the Trade Mark Registry, Kolkata for registration of trade name/ mark 'Life on a Better and Large Scale' in respect of information technology enabling services, providing of food and drink, temporary accommodation, medical hygienic and beauty care, veterinary, agricultural services, scientific and industrial research, computer programming, servicing, resell of desk jet and laser printer cartridges, sweetmeats, snacks, cafes and cafeterias, resorts and lodging services, rental of temporary accommodation; rental of meeting rooms; tourist homes, inns; canteen, hotel and restaurants; rental of tents, transportable buildings included in class 42 specified under fourth schedule of the Trade Marks Rules, 2002.
22. Our Company has made an application (No. 1853382) dated August 21, 2009 to the Trade Mark Registry, Kolkata for registration of trade name/ mark 'Club Kautilya' in respect of financial consultancy services; securities investment and management services; securities investment services for personal investors; valuation of portfolios of securities; foreign exchange transaction; investment custody (demat); financial advisory services relating to assets management; tax planning and legal; financial assets management; financial planning for all kinds of loans home, car, business, personal through banks; software for personalised planning; insurance – life and non life; investment in mutual funds; commodities market; research data related to equity, commodity currency and bond markets included in class 36 specified under fourth schedule of the Trade Marks Rules, 2002.
23. Our Company has made an application (No. 1853383) dated August 21, 2009 to the Trade Mark Registry, Kolkata for registration of trade name/ mark 'Club Kautilya' in respect of financial consultancy services; securities investment and management services; securities investment services for personal investors; valuation of portfolios of securities; foreign exchange transaction; investment custody (demat); financial advisory services relating to assets management; tax planning and legal; financial assets management; financial planning for loans – home, car, business, personal through banks; software for personalised planning; insurance – life and non life; investment in mutual funds; commodities market; research data related to equity, commodity currency and bond markets included in class 36 specified under fourth schedule of the Trade Marks Rules, 2002.
24. Our Company has made an application (No. 1853384) dated August 21, 2009 to the Trade Mark Registry, Kolkata for registration of trade name/ mark 'Club Kautilya' in respect of financial consultancy services; securities investment and management services; securities investment services for personal investors; valuation of portfolios of securities; foreign exchange transaction; investment custody (demat); financial advisory services relating to assets management; tax planning and legal; financial assets management; financial planning

for loans – home, car, business, personal through banks; software for personalised planning; insurance – life and non life; investment in mutual funds; commodities market; research data related to equity, commodity currency and bond markets included in class 36 specified under fourth schedule of the Trade Marks Rules, 2002.

B. Microsec Capital Limited

Trade Marks

1. MCap has made an application (No. 1499055) dated October 25, 2006 to the Trade Mark Registry, Kolkata for registration of trade name/ mark ‘MICROSEC – MICRO FOCUS MEGA WEALTH’ in respect of consultant and advisor included in class 36 as specified under fourth schedule of the Trade Marks Rules, 2002.
2. MCap has made an application (No. 1499054) dated October 25, 2006 to the Trade Mark Registry, Kolkata for registration of trade name/ mark ‘‘MICRO FOCUS. MEGA WEALTH’ in respect of insurance, financial affairs, monetary affairs and share brokers included in class 36 as specified under fourth schedule of the Trade Marks Rules, 2002.
3. MCap has made an application (No. 1529593) dated February 9, 2007 to the Trade Mark Registry, Kolkata for registration of trade name/ mark ‘‘CALENDAR OF WEALTH CREATORS’ in respect of insurance, financial affairs, monetary affairs and share brokers included in class 36 as specified under fourth schedule of the Trade Marks Rules, 2002.
4. MCap has made an application (No. 1718709) dated August 6, 2008 to the Trade Mark Registry, Kolkata for registration of trade name/ mark ‘MICRO INSIGHT. MEGA WEALTH’ in respect of insurance, financial affairs, monetary affairs and real estate affairs included in class 36 as specified under fourth schedule of the Trade Marks Rules, 2002. The application has been approved by the Registrar and advertised in the Trade Mark Journal.
5. MCap has made an application (No. 1718710) dated August 6, 2008 to the Trade Mark Registry, Kolkata for registration of trade name/ mark ‘MICROSEC - YOU ASPIRE. WE EMPOWER’** in respect of insurance, financial affairs, monetary affairs and real estate affairs included in class 36 as specified under fourth schedule of the Trade Marks Rules, 2002. The application has been approved by the Registrar and advertised in the Trade Mark Journal.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Issue has been authorised by a resolution of the Board of Directors passed at their meeting held on September 5, 2009, subject to the approval by the shareholders of our Company under Section 81 (1A) of the Companies Act.

The shareholders have authorised the Issue by a special resolution passed pursuant to Section 81(1A) of the Companies Act, passed at the AGM of our Company held on September 30, 2009.

Prohibition by SEBI and RBI

Our Company, Promoters, Promoter Group, Directors, Group Entities, natural persons in control of our corporate promoters, 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 or any other authorities.

Details of the entities that the Directors are associated with, which are engaged in securities market related business and are registered with SEBI for the same have been provided to SEBI.

Prohibition by RBI

Our Company, the Promoters or their relatives (as defined in the Companies Act) and, Group Companies, have not been identified as willful defaulters by the RBI or any other government authority. There are no violations of securities laws committed by any of them in the past or pending against them.

Eligibility for the Issue

We are eligible for the Issue in accordance with Regulation 26 (1) of the SEBI Regulations as explained under the eligibility criteria calculated in accordance with financial statements under Indian GAAP:

- Our Company has net tangible assets of at least Rs. 30 million in each of the preceding three full years (of 12 months each), of which not more than 50% are held in monetary assets.
- Our Company has a track record of distributable profits in accordance with Section 205 of the Companies Act, for at least three of immediately preceding five years.
- Our Company has a net worth of at least Rs. 10 million in each of the three preceding full years (of 12 months each);
- The aggregate of the proposed Issue and all previous issues made in the same financial years in terms of the issue size is not expected to exceed five times the pre-Issue net worth of our Company; and
- Our Company has not changed its name in the last fiscal year.

Our Company's net profit, dividend, net worth, net tangible assets and monetary assets derived from the Unconsolidated Restated Financial Statements included in this Draft Red Herring Prospectus as at, and for the last five years ended Fiscal 2009 are set forth below:

(Rs. million)

Particulars	Fiscal 2009	Fiscal 2008	Fiscal 2007	Fiscal 2006	Fiscal 2005
Net tangible assets ⁽¹⁾	537.14	604.41	174.96	150.23	20.32
Monetary assets ⁽²⁾	5.62	0.70	6.92	0.24	0.03
Net worth ⁽³⁾	583.26	527.21	149.99	133.20	20.32
Restated Net Profit After Tax	56.06	77.03	28.86	18.71	0.01
Dividend on Equity Shares	-	10.00	10.00	10.00	-
Monetary assets as a percentage of the net tangible assets	1.05	0.12	3.96	0.16	0.15

⁽¹⁾ "Net tangible asset" means the sum of fixed assets, investment, current assets, loans and advances (excluding deferred tax assets) less current liabilities and provisions (excluding deferred tax liabilities and long term loans), short term unsecured loan and interest accrued and due excluding 'intangible assets', as defined in Accounting Standard 26 (AS-26) issued by the Institute of Chartered Accountants of India.

⁽²⁾ Monetary assets comprise of cash and bank balances.

⁽³⁾ 'Net Worth' means the sum of equity share capital, reserves and surplus (excluding revaluation reserve) less miscellaneous expenditure to the extent not written off. The above networth excludes the effect of contingent liabilities as disclosed in the restated unconsolidated accounts, the impact whereof is presently not ascertainable.

Further, we shall ensure that the number of prospective allottees to whom the Equity Shares will be allotted shall not be less than 1,000; otherwise the entire application money will be refunded forthwith. In case of delay, if any, in refund our Company shall pay interest on the application money at the rate of 15% per annum for the period of delay.

The Issue is being made through the 100% Book Building Process wherein not more than 50% of the Issue shall be available for allocation on a proportionate basis to QIB Bidders. 5% of the QIB Portion (excluding the Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder shall be available for allocation on a proportionate basis to all QIB Bidders, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Further, not less than 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

Disclaimer Clause of SEBI

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. 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 THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, SBI CAPITAL MARKETS LIMITED, HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (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 MANAGERS ARE 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 MANAGERS, HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED MARCH 20, 2010 WHICH READS AS FOLLOWS:

WE, THE LEAD MERCHANT BANKER(S) TO THE ABOVE MENTIONED FORTHCOMING ISSUE, STATE AND CONFIRM AS FOLLOWS:

- 1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIAL IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS (IN CASE OF A BOOK BUILT ISSUE) / DRAFT PROSPECTUS (IN CASE OF A FIXED PRICE ISSUE) / LETTER OF OFFER (IN CASE OF A RIGHTS ISSUE) PERTAINING TO THE SAID ISSUE;**
- 2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE ISSUER, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, AND INDEPENDENT**

VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS 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 THE 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 HAVE SATISFIED 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 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 SAID REGULATION HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS/DRAFT PROSPECTUS.**
 - 7. WE UNDERTAKE THAT SUB-REGULATION (4) OF REGULATION 32 AND CLAUSE (C) AND (D) OF SUB-REGULATION (2) OF REGULATION 8 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE BOARD. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE ISSUER ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE. NOT APPLICABLE.**
 - 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 HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF 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 PROSPECTUS. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION. NOTED FOR COMPLIANCE.

10. WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE. NOT APPLICABLE.

AS THE OFFER SIZE IS MORE THAN 10 CRORES, HENCE UNDER SECTION 68B OF THE COMPANIES ACT, 1956, THE EQUITY SHARES ARE TO BE ISSUED IN DEMAT 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 EQUITY SHARES OF THE ISSUER 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 WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY.

The filing of the Draft Red Herring Prospectus does not, however, absolve our Company from any liabilities under Section 63 or Section 68 of the Companies Act or from the requirement of obtaining such statutory and/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 Book Running Lead Manager, any irregularities or lapses in the Draft Red Herring Prospectus.

All legal requirements pertaining to the issue will be complied with at the time of filing of the Red Herring Prospectus with the Registrar of Companies, West Bengal at Kolkata, in terms of Section 56, Section 60 and Section 60B of the Companies Act.

Caution - Disclaimer from our Company, the BRLM

Our Company, the Directors, the BRLM accept no responsibility for statements made otherwise than in this Draft Red Herring Prospectus or in the advertisements or any other material issued by or at our instance and anyone placing reliance on any other source of information, including our web site www.microsec.in, would be doing so at his or her own risk.

The BRLM accept no responsibility, save to the limited extent as provided in the Issue Agreement entered into between the BRLM and us and the Underwriting Agreement to be entered into between the Underwriters and our Company.

All information shall be made available by us, the BRLM to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports, at bidding centres or elsewhere.

Neither us nor the Syndicate is liable for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Investors that bid in the Issue will be required to confirm and will be deemed to have represented to our Company, the Underwriters and their respective directors, officers, agents, affiliates, and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of our Company and will not Issue, sell, pledge, or transfer the Equity Shares of our Company to any person who is not eligible under any applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of our Company. Our Company, the Underwriters and their respective directors, officers, agents, affiliates, and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares of our Company.

The BRLM and their respective associates and affiliates may engage in transactions with, and perform services for, our Company and their respective group companies, affiliates or associates or third parties in the ordinary course of business and have engaged, or may in future engage, in commercial banking and investment banking transactions with our Company and their respective group companies, affiliates or associates or third parties, 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 not minors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised 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), or trusts under applicable trust law and who are authorised under their constitution to hold and invest in shares, permitted insurance companies and pension funds) and to FIIs, eligible NRIs and other eligible foreign investors (viz. FVCIs, multilateral and bilateral development financial institutions). This Draft Red Herring Prospectus does not, however, constitute an invitation to purchase shares offered hereby in any jurisdiction other than India to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Draft Red Herring Prospectus comes is required to inform himself or herself about, and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Kolkata, India only.

No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Draft Red Herring Prospectus has been filed with SEBI for its observations and SEBI shall give its observations in due course. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and this Draft Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Draft Red Herring Prospectus nor any sale hereunder shall, under any circumstances,

create any implication that there has been no change in the affairs of our Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the “Securities Act”), and may not be offered or sold within the United States (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Equity Shares are being offered and sold only outside the United States in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdictions whose those offers and sales occur.

Disclaimer Clause of BSE

As required, a copy of the Draft Red Herring Prospectus had been submitted to BSE. The Disclaimer Clause as intimated by BSE to our Company, post scrutiny of this Draft Red Herring Prospectus, shall be included in the Red Herring Prospectus prior to the RoC filing.

Disclaimer Clause of the NSE

As required, a copy of the Draft Red Herring Prospectus had been submitted to NSE. The Disclaimer Clause as intimated by NSE to our Company, post scrutiny of this Draft Red Herring Prospectus, shall be included in the Red Herring Prospectus prior to the RoC filing.

Filing

A copy of the Draft Red Herring Prospectus has been filed with SEBI at Corporation Finance Department, Plot No.C4-A,'G' Block, 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 RoC and a copy of the Prospectus to be filed under Section 60 of the Companies Act would be delivered for registration with RoC at the Office of the Registrar of Companies, West Bengal at Nizam Palace, 2nd M.S.O. Building, 2nd Floor, 234/4, A.J.C Bose Road, Kolkata 700 020

Listing

Applications have been made to the NSE and the BSE for permission to deal in and for an official quotation of the Equity Shares. BSE will be the Designated Stock Exchange with which the Basis of Allotment will be finalized.

If the permissions to deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchanges mentioned above, our Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Draft Red Herring Prospectus. If such money is not repaid within eight days after our Company becomes liable to repay it, i.e. from the date of refusal or within 70 days from the Bid/Issue Closing Date, whichever is earlier, 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, as prescribed under Section 73 of the Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within 7 working days of finalisation of the Basis of Allotment for the Issue.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, 1956 which is reproduced below:

“Any person who:

- (a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or*
- (b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,*

shall be punishable with imprisonment for a term which may extend to five years.”

Consents

Consents in writing of: (a) the Directors, our Company Secretary and Compliance Officer, the legal advisors, Bankers to our Company and Bankers to the Issue; and (b) Book Running Lead Manager and Syndicate Members, Escrow Collection Bankers, Registrar to the Issue, Legal Advisor to Issue, to act in their respective capacities, will be obtained and will be filed along with a copy of the Red Herring Prospectus with the RoC, as required under Sections 60 and 60B of the Companies Act and such consents shall not be withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the RoC.

In accordance with the Companies Act and SEBI Regulations, S.R. Batliboi & Co., statutory auditors of our Company, have given their written consent to the inclusion of their report dated March 5, 2010 and statement of the tax benefits dated March 5, 2010 in the form and context in which it appears in this Draft Red Herring Prospectus and such consent has not be withdrawn up to the time of submission of the Draft Red Herring Prospectus with SEBI.

Expert to the Issue

Except as stated below, the Company has not obtained any expert opinions:

The Issue has been graded by [●]. The report of [●] in respect of the IPO Grading of the Issue has been annexed with the Draft Red Herring Prospectus.

Expenses of the Issue

The total expenses of the Issue are estimated to be approximately Rs. [●] million. The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees.

The estimated Issue expenses are as under:

Activity	Expenses* (Rs. in million)	Percentage of the Issue Expenses*	Percentage of the Issue size*
Lead manager fee and underwriting expenses (including commission to SCSBs for ASBA Applications)*	[●]	[●]	[●]
Registrar to the Issue	[●]	[●]	[●]
Advertising and marketing expenses	[●]	[●]	[●]
Printing and stationery	[●]	[●]	[●]
Bankers to the Issue	[●]	[●]	[●]
Others (SEBI filing fees, IPO grading expenses, legal fees, etc.)	[●]	[●]	[●]
Total estimated Issue expenses	[●]	[●]	[●]

** To be incorporated after finalization of the Issue price.*

Fees Payable to the Book Running Lead Manager and Syndicate

The total fees payable to the BRLM and the Syndicate (including underwriting commission and selling commission) will be as per their engagement letter issued by our Company, a copy of which is available for inspection at the Registered Office at Shivam Chambers, 1st Floor, 53 Syed Amir Ali Avenue, Kolkata 700 019

Fees Payable to the Registrar to the Issue

The fees payable by our Company to the Registrar to the Issue for processing of application, data entry, printing of CAN/refund order, preparation of refund data on magnetic tape, printing of bulk mailing register will be as the per the Agreement between our Company and the Registrar to the Issue dated February 9, 2010, a copy of which is available for inspection the Registered Office.

The Registrar to the Issue will be reimbursed for all out of pocket expenses including cost of stationery, postage, stamp duty, and communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or Allotment advice by registered post/speed post/under certificate of posting.

Underwriting commission, brokerage and selling commission on Previous Issues

Since this is the initial public offer of our Company, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares since the inception of our Company.

Previous capital issue during the previous three years by listed Group Companies and Subsidiaries of our Company

None of the Group Companies and Subsidiaries of our Company are listed on any stock exchange.

Promise vis-à-vis objects – Public/ Rights Issue of our Company and/ or listed group companies, subsidiaries and associates of our Company

Our Company has not undertaken any previous public or rights issue.

Previous issues of shares otherwise than for cash

Except as stated in section “Capital Structure” beginning on page 25 of this Draft Red Herring Prospectus, our Company has not issued Equity Shares for consideration otherwise than for cash.

Outstanding Debentures, Bond Issues, or Preference Shares

Our Company does not have any outstanding debentures or bonds or preference shares as of the date of filing of this Draft Red Herring Prospectus. For more details in relation to the same, see “Capital Structure” on page 25 of this Draft Red Herring Prospectus.

Stock Market Data for the Equity Shares

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 Investor Grievances

The agreement between the Registrar to the Issue and our Company will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of despatch of the letters of allotment, demat credit and refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as

name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch or collection centre where the application was submitted.

All grievances relating to ASBA process may be addressed by SCSB, giving full details such as name, address of applicant, application number, number of Equity Shares applied for, amount paid on application and Designated Branch or the collection centre of the SCSB where the ASBA Bid cum Application Form was submitted by the ASBA Bidders.

Disposal of Investor Grievances

Our Company estimates that the average time required by our Company, or the Registrar to the Issue or the SCSB in case of ASBA Bidders for the redressal of routine investor grievances shall be 10 working days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, our Company will seek to redress these complaints as expeditiously as possible.

Our Company has appointed an Investors' Grievance Committee comprising R.N. Bhardwaj as Chairman and Mr. P.K. Chattaraj and Banwari Lal Mittal as members.

We have also appointed Biplab Kumar Mani, Company Secretary of our Company as the Compliance Officer for this Issue and he may be contacted in case of any pre-Issue or post-Issue related problems, at the following address:

Biplab Kumar Mani

Shivam Chambers, 1st Floor,
53 Syed Amir Ali Avenue,
Kolkata 700 019,
Tel: (91 33) 30512100
Fax: (91 33) 30512020
Email: bmani@microsec.in

Changes in Auditors in the last three years

The changes in auditors of our Company in the last three years are set forth below:

Date	Name of Auditor	Reason for Change
September 30, 2009	S. R. Batliboi & Co.	Appointment as statutory auditors
September 6, 2009	Vidya & Co.	Resigned as statutory auditors

Capitalisation of Reserves or Profits

Our Company has not capitalised our reserves or profits during the last five years, except as stated in "Capital Structure" on page 25 of this Draft Red Herring Prospectus.

Revaluation of Assets

Our Company has not revalued its assets in the last five years.

SECTION VII: ISSUE INFORMATION

TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, the Memorandum and Articles of Association, the terms of this Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus, Bid cum Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the Allotment advices and other documents/ certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws, guidelines, notifications and regulations relating to the issue of capital and listing of securities issued from time to time by SEBI, the Government of India, Stock Exchanges, RoC, RBI 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 issued shall be subject to the provisions of the Memorandum and Articles of Association and shall rank pari-passu with the existing Equity Shares of our Company including rights in respect of dividend. The Allotees in receipt of Allotment of Equity Shares under this Issue will be entitled to dividends and other corporate benefits, if any, declared by our Company after the date of Allotment. For further details, please see “Main Provisions of the Articles of Association” on page 302 of this Draft Red Herring Prospectus.

Mode of Payment of Dividend

Our Company shall pay dividends to its shareholders in accordance with the provisions of the Companies Act the Articles and the provision of the Listing Agreement.

Face Value and Issue Price

The face value of the Equity Shares is Rs. 10 each and the Issue Price is Rs. [●] per Equity Share. The Anchor Investor Issue Price is Rs. [●] per Equity Share.

At any given point of time there shall be only one denomination for the Equity Shares.

Compliance with SEBI Regulations

Our Company shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholder

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act, the terms of the listing agreement executed with the Stock Exchanges, and our Company's Memorandum and Articles of Association.

For a detailed description of the main provisions of the Articles relating to voting rights, dividend, forfeiture and lien and/or consolidation/splitting, please see “Main Provisions of the Articles of Association” on page 302 of

this 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 SEBI Regulations, the trading of the Equity Shares shall only be in dematerialised form. Since trading of the Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment in this Issue will be only in electronic form in multiples of one (1) Equity Share subject to a minimum Allotment of [●] Equity Shares.

The Price Band and the minimum Bid Lot size for the Issue will be decided by our Company in consultation with the BRLM and advertised in [●] edition of [●] in the English language, [●] edition of [●] in the Hindi language and [●] edition of [●] in the regional language at least two days prior to the Bid/ Issue Opening Date.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with the competent courts/authorities in Kolkata.

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 allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office/ Corporate Office of our Company or to the Registrar and Transfer Agents of our Company.

In accordance with Section 109B of the Companies Act, any Person who becomes a nominee by virtue of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- To register himself or herself as the holder of the Equity Shares; or
- To make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the Allotment of Equity Shares in the Issue will be made only in dematerialised form, there is no need to make a separate nomination with our Company. Nominations registered with respective depository participant of the applicant would prevail. If the investors require changing their nomination, they are requested to inform their respective depository participant.

Minimum Subscription

If our Company does not receive the minimum subscription of 90% of the Issue, including devolvment of underwriters within 60 days from the Bid/Issue Closing Date, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after our Company becomes liable to pay the amount, our Company shall pay interest prescribed under Section 73 of the Companies Act.

Further, our Company shall ensure that the number of prospective allottees to whom Equity Shares will be allotted shall not be less than 1,000.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction.

Arrangement for disposal of Odd Lots

There are no arrangements for disposal of odd lots.

Restriction on transfer of shares

Except for lock-in of the pre-Issue Equity Shares and Promoters' minimum contribution in the Issue as detailed in "Capital Structure" on page 25 of this Draft Red Herring Prospectus, and except as provided in the Articles of Association, there are no restrictions on transfers of Equity Shares. There are no restrictions on transfers of debentures except as provided in the Articles of Association. There are no restrictions on transmission of shares/ debentures and on their consolidation/ splitting except as provided in the Articles of Association. Please see "Main Provisions of the Articles of Association" on page 302 of this Draft Red Herring Prospectus.

ISSUE STRUCTURE

Issue of 12,500,000 Equity Shares for cash at a price of Rs. [●] per Equity Share (including share premium of Rs. [●] per Equity Share) aggregating to Rs. [●]. The Issue will constitute 39.30% of the post-issue paid-up capital of our Company.

The Issue is being made through the 100% Book Building Process.

	QIBs[#]	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares*	Up to 6,250,000 Equity Shares	Not less than 1,875,000 Equity Shares available for allocation or Issue less allocation to QIB Bidders and Retail Individual Bidders.	Not less than 4,375,000 Equity Shares available for allocation or Issue less allocation to QIB Bidders and Non-Institutional Bidders.
Percentage of Issue Size available for Allotment/allocation	Not more than 50% of the Issue Size being allocated. However, 5% of the QIB Portion (excluding the Anchor Investor Portion) shall be available for allocation proportionately to Mutual Funds only.	Not less than 15% of Issue or the Issue less allocation to QIB Bidders and Retail Individual Bidders.	Not less than 35% of the Issue or the Issue less allocation to QIB Bidders and Non-Institutional Bidders.
Basis of Allotment/Allocation if respective category is oversubscribed	Proportionate as follows: (a) 312,500 Equity Shares shall be allocated on a proportionate basis to Mutual Funds; and (b) 5,937,000 Equity Shares shall be allotted on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of [●] Equity Shares thereafter.	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of [●] Equity Shares thereafter.	[●] Equity Shares
Maximum Bid	Such number of Equity Shares not exceeding the Issue, subject to applicable limits.	Such number of Equity Shares not exceeding the Issue subject to applicable limits.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000.
Mode of Allotment	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.
Bid Lot	[●] Equity Shares and in multiples of [●] Equity Shares thereafter.	[●] Equity Shares and in multiples of [●] Equity Shares thereafter.	[●] Equity Shares and in multiples of [●] Equity Shares thereafter.
Allotment Lot	[●] Equity Shares and in multiples of 1 Equity Share thereafter.	[●] Equity Shares and in multiples of 1 Equity Share thereafter.	[●] Equity Shares and in multiples of 1 Equity Share thereafter.
Trading Lot	One Equity Share	One Equity Share	One Equity Share
Who can Apply **	Public financial institutions as	Resident Indian	Resident Indian

	QIBs[#]	Non-Institutional Bidders	Retail Individual Bidders
	specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds registered with SEBI, FIIs and sub-accounts registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 250 million, pension funds with minimum corpus of Rs. 250 million and National Investment Fund set up by Government of India and insurance funds set up and managed by the army, navy or air force of the Union of India.	individuals, Eligible NRIs, HUF (in the name of Karta), companies, corporate bodies, scientific institutions societies and trusts, sub-accounts of FIIs registered with SEBI, which are foreign corporates or foreign individuals.	individuals, Eligible NRIs and HUF (in the name of Karta)
Terms of Payment	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Members. ^{***}	Amount shall be payable at the time of submission of Bid cum Application Form.	Amount shall be payable at the time of submission of Bid cum Application Form. ^{##}
Margin Amount	Not less than 10% of Bid Amount	Full Bid Amount on bidding	Full Bid Amount on bidding

[#] *Our Company may allocate up to 30% of the QIB Portion to Anchor Investors on a discretionary basis. One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to Anchor Investors. For further details, please see "Issue Procedure" on page 273 of this Draft Red Herring Prospectus.*

^{##} *In case of ASBA Bidders, the SCSB shall be authorised to block such funds in the bank account of the ASBA Bidder that are specified in the ASBA Bid cum Application Form.*

^{*} The Issue is being made through the 100% Book Building Process wherein not more than 50% of the Issue shall be allocated to QIB Bidders on a proportionate basis. 5% of the QIB Portion (excluding the Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder shall be available for allotment on a proportionate basis to all QIBs, including Mutual Funds, subject to valid bids being received at or above the Issue Price. However, if the aggregate demand from Mutual Funds is less than 312,500 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will be added to the QIB Portion and allocated proportionately to the QIB Bidders in proportion to their Bids. Further, not less than 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.

Under-subscription, if any, in any of category will be allowed to be met with spill over from any other category at the discretion of our Company, in consultation with the BRLM.

^{**} In case the Bid cum Application Form is submitted in joint names, the Bidders should ensure that the demat 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.

*** After the Bid/ Issue Closing Date, depending on the level of subscription, additional Margin Amount, if any, may be called for from the QIB Bidders.

Withdrawal of the Issue

Our Company, in consultation with the BRLM, reserves the right not to proceed with the Issue anytime after the Bid/Issue Opening Date but before the Allotment of Equity Shares. In such an event our Company would issue a public notice in the newspapers, in which the pre-Issue advertisements were published, within two days of the Bid/ Issue Closing Date, providing reasons for not proceeding with the Issue. The BRLM, through the Registrar to the Issue, shall notify the SCSBs to unblock the bank accounts of the ASBA Bidders within one day from the day of receipt of such notification. Our Company shall also inform the same to Stock Exchanges on which the Equity Shares are proposed to be listed.

Any further issue of Equity Shares by our Company shall be in compliance with applicable laws.

Bid/ Issue Programme

BID/ISSUE OPENS ON	[•]*
BID/ISSUE CLOSES ON	[•]

* Our Company may consider participation by Anchor Investors. The Anchor Investor Bid/ Issue Period shall be one day prior to the Bid/ Issue Opening Date.

Bids and any revision in Bids shall be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) during the Bid/ Issue Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form. On the Bid / Issue Closing Date, the Bids (excluding the ASBA Bidders) shall be uploaded until (i) 4.00 p.m. in case of Bids by QIB Bidders, Non-Institutional Bidders and (ii) until 5.00 p.m. or such extended time as permitted by the Stock Exchanges, in case of Bids by Retail Individual Bidders. It is clarified that the Bids not uploaded in the book would be rejected. Bids by the ASBA Bidders shall be uploaded by the SCSB in the electronic system to be provided by the Stock Exchanges.

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 the physical form of the 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 on the Bid/ Issue Closing Date. All times mentioned in the Draft Red Herring Prospectus are Indian Standard Time. Bidders are cautioned that in the event a large number of Bids are received on the Bid/ Issue Closing Date, as is typically experienced in public offerings, some Bids may not get uploaded due to lack of sufficient time. Such Bids that cannot be uploaded will not be considered for allocation under the Issue. Bids will be accepted only on Business Days, i.e., Monday to Friday (excluding any public holiday).

On the Bid/ Issue Closing Date, extension of time will be granted by the Stock Exchanges only for uploading the Bids received by Retail Individual Bidders after taking into account the total number of Bids received up to the closure of time period for acceptance of Bid cum Application Forms as stated herein and reported by the BRLM to the Stock Exchange within half an hour of such closure.

Our 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 disclosed at least two days prior to the Bid/ Issue Opening Date and the Cap Price will be revised accordingly.

In case of revision of the Price Band, the Bid/ Issue Period will be extended for three additional working days after revision of Price Band subject to the Bid/ Issue Period not exceeding 10 days. Any revision in the Price Band and the revised Bid/ Issue Period, if applicable, will be widely disseminated by notification

to the Stock Exchanges, by issuing a press release and also by indicating the changes on the web site of the BRLM and at the terminals of the Syndicate.

ISSUE PROCEDURE

This section applies to all Bidders. Please note that all Bidders other than QIBs can participate in the Issue through the ASBA process. ASBA Bidders should note that the ASBA process involves application procedures that are different from the procedure applicable to Bidders other than the ASBA Bidders. Bidders applying through the ASBA process should carefully read the provisions applicable to such applications before making their application through the ASBA process.

Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein not more than 50% of the Issue shall be allocated to QIB Bidders on a proportionate basis. 5% of the QIB Portion (excluding the Anchor Investor Portion), shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder shall be available for allocation on a proportionate basis to all QIB Bidders, including Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Further, not less than 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Allocation to Anchor Investors shall be on a discretionary basis and not on a proportionate basis.

Bidders are required to submit their Bids through the Syndicate. ASBA Bidders are required to submit their Bids to SCSBs.

Investors should note that the Equity Shares will be Allotted to all successful Bidders only in dematerialised form. The Bid cum Application Forms which do not have the details of the Bidders' depository account shall be treated as incomplete and rejected. Bidders will not have the option of being Allotted Equity Shares in physical form. The Equity Shares on Allotment shall be traded only in the dematerialised segment of the Stock Exchanges.

Bid cum Application Form

The prescribed colour of the Bid cum Application Form for various categories is as follows:

Category	Colour of Bid cum Application Form
Resident Indians and Eligible NRIs applying on a non-repatriation basis	[●]
Eligible NRIs, FIIs or Foreign Venture Capital Funds, registered Multilateral and Bilateral Development Financial Institutions applying on a repatriation basis	[●]
ASBA Bidders	[●]
Anchor Investors*	[●]

**Bid cum Application forms for Anchor Investors have been made available at the office of the BRLM.*

Bidders are required to submit their Bids through the Syndicate. 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 Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised our Company to make the necessary changes in the Red Herring Prospectus as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

ASBA Bidders shall submit a Bid cum Application Form either in physical or electronic form to the SCSB authorising blocking of funds that are available in the bank account specified in the Bid cum Application Form used by ASBA Bidders.

- Only Bidders other than QIBs can participate by way of ASBA process.

- Only QIBs can participate in the Anchor Investor Portion.

Who can Bid?

- Indian nationals resident in India, who are not minors, in single or joint names (not more than three);
- Hindu Undivided Families or HUFs, in the individual name of the *Karta*. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: “Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*”. Bids by HUFs would be considered at par with those from individuals;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in equity shares;
- Mutual Funds registered with SEBI;
- Eligible NRIs on a repatriation basis or on a non repatriation basis subject to applicable laws. NRIs other than eligible NRIs are not eligible to participate in this issue;
- Indian financial institutions, commercial banks (excluding foreign banks), regional rural banks, co-operative banks (subject to RBI regulations and the SEBI Regulations and other laws, as applicable);
- FIIs and sub-accounts registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual;
- Sub-accounts of FIIs registered with SEBI, which are foreign corporates or foreign individuals only under the Non-Institutional Bidders category.
- A multilateral and bilateral development financial institution;
- State Industrial Development Corporations;
- Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/societies and who are authorised under their constitution to hold and invest in equity shares;
- Scientific and/or industrial research organisations authorised to invest in equity shares;
- Insurance Companies registered with Insurance Regulatory and Development Authority;
- Provident Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;
- Pension Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;
- National Investment Fund;
- Insurance funds set up and managed by the army, navy or air force of the Union of India.

As per the existing regulations, OCBs cannot participate in this Issue. Further in terms of the FVCI Regulations and the VCF Regulations, FVCIs and VCFs are not eligible to participate in the issue.

Participation by Associates of BRLM and Syndicate Members

The BRLM and Syndicate Members shall not be allowed to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the BRLM and Syndicate Members may subscribe to or purchase Equity Shares in the Issue, either in the QIB Portion or in the Non-

Institutional Portion as may be applicable to such investors, where the allocation is on a proportionate basis.

The BRLM and any persons related to the BRLM, our Promoters and the Promoter Group cannot apply in the Issue under the Anchor Investor Portion.

Bids by Mutual Funds

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand is greater than [●] Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to other Anchor Investors.

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.

No mutual fund scheme shall invest more than 10% of its net asset value in the equity shares or equity related instruments of any single company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights.

Bids by Eligible NRIs

1. Bid cum Application Forms have been made available for Eligible NRIs at the Registered Office of our Company and with members of the Syndicate.
2. Eligible NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for Allotment. The Eligible NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians.

Bids by FIIs

As per the current regulations, the following restrictions are applicable for investments by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of our post-issue issued capital (i.e. 10% of [●] Equity Shares). In respect of an FII investing in the our equity shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. As of now, the aggregate FII holding in us cannot exceed 24% of our total issued capital. With the approval of the board and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. Our Company has not obtained board or shareholders approval to increase the FII limit to more than 24%.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended (the "SEBI FII Regulations"), an FII, as defined in the SEBI FII Regulations, or its sub-account may issue, deal or hold, off shore derivative instruments (defined under the SEBI FII Regulations as any instrument, by whatever name called, which is issued overseas by a foreign institutional investor against securities held by it that are listed or proposed to be listed on any recognised stock exchange in India, as its underlying) directly or indirectly, only in the event (i) such offshore derivative instruments are issued only to persons who are regulated by an appropriate regulatory authority; and (ii) such offshore derivative instruments are issued after compliance with 'know your client' norms. The FII or sub-account is also required to ensure that no further issue or transfer of any Offshore Derivative Instrument issued by it is made to any persons that are not regulated by an appropriate foreign regulatory authority as defined under the SEBI Regulations. Associates and affiliates of the

underwriters including the BRLM and the Syndicate Members that are FIIs may issue offshore derivative instruments against Equity Shares Allotted to them in the Issue.

Bids by SEBI registered Venture Capital Funds and Foreign Venture Capital Investors

As per the current regulations, the following restrictions are applicable for SEBI Registered Venture Capital Funds and Foreign Venture Capital Investors:

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulation, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI.

Accordingly, whilst the holding by any individual venture capital fund registered with SEBI in one company should not exceed 25% of the corpus of the venture capital fund, a Foreign Venture Capital Investor can invest its entire funds committed for investments into India in one company. Further, Venture Capital Funds and Foreign Venture Capital Investors can invest only up to 33.33% of the investible funds by way of subscription to an initial public offer.

The above information is given for the benefit of the Bidders. Our Company and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid Size

- (a) **For Retail Individual Bidders:** The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Share thereafter, so as to ensure that the Bid Amount payable by the Bidder does not exceed Rs. 100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 100,000. In case the Bid Amount is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allocation under the Non-Institutional Portion. The Cut-off option is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.
- (b) **For Other Bidders (Non-Institutional Bidders and QIBs):** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of [●] Equity Shares thereafter. A Bid cannot be submitted for more than the Issue Size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. **A QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay QIB Margin upon 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 the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIBs are not allowed to Bid at 'Cut-off'.

- (c) **For Bidders in the Anchor Investor Portion:** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100 million and in multiples of [●] Equity Shares thereafter. Bids by Anchor Investors under the Anchor Investor Portion and the QIB Portion shall not be considered as multiple Bids. A Bid cannot be submitted for more than 30% of the QIB Portion. **Anchor Investors cannot withdraw their Bids after the Anchor Investor Bid/ Issue Period.**

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Draft Red Herring Prospectus.

Information for the Bidders

- (a) Our Company and the BRLM shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date in the Red Herring Prospectus to be registered with the RoC and also publish the same in two national newspapers (one each in English and Hindi) and in one Bengali newspaper with wide circulation. This advertisement shall be in the prescribed format.
- (b) Our Company will file the Red Herring Prospectus with the RoC at least three days before the Bid/Issue Opening Date.
- (c) Copies of the Bid cum Application Form and, at the request of potential investors, copies of the Red Herring Prospectus will be available with the Syndicate and the SCSBs.
- (d) Any investor (who is eligible to invest in the Equity Shares) who would like to obtain the Red Herring Prospectus and/ or the Bid cum Application Form can obtain the same from the Registered Office.
- (e) Eligible investors who are interested in subscribing for the Equity Shares should approach any of the BRLM or Syndicate Members or their authorised agent(s) to register their Bids.
- (f) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms (other than ASBA Bid cum Application Forms) should bear the stamp of the members of the Syndicate, otherwise they will be rejected. Bids by ASBA Bidders shall be accepted by the Designated Branches in accordance with the SEBI Regulations and any circulars issued by SEBI in this regard.

Method and Process of Bidding

- (a) Our Company in consultation with the BRLM will decide the Price Band and the minimum Bid Lot size for the Issue and the same shall be advertised in [●] edition of [●] in the English language, [●] edition of [●] in the Hindi language and [●] edition of [●] in the Bengali language at least two working days prior to the Bid/ Issue Opening Date. The Syndicate and the SCSBs shall accept Bids from the Bidders during the Bid/ Issue Period.
- (b) The Bid/Issue Period shall be for a minimum of three working days and shall not exceed 10 working days. The Bid/ Issue Period maybe extended, if required, by an additional three working days, subject to the total Bid/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bid/ Issue Period, if applicable, will be published in two national newspapers (one each in English and Hindi) and one regional language newspaper with wide circulation and also by indicating the change on the websites of the BRLM and at the terminals of the members of the Syndicate.
- (c) During the Bid/Issue Period, eligible investors who are interested, other than QIBs, in subscribing for the Equity Shares should approach Syndicate or their authorised agents to register their Bid. The Syndicate shall accept Bids from all other Bidders and have the right to vet the Bids during the Bid/ Issue Period in accordance with the terms of the Red Herring Prospectus.
- (d) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled “Bids at Different Price Levels” below) within the Price Band and specify the demand (i.e., the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation/Allotment and the rest of the Bid(s), irrespective of the Bid Amount, will become automatically invalid.
- (e) 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 or SCSBs. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate or SCSBs will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or Allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph titled “Build up of the Book and Revision of Bids”.

- (f) Except in relation to Bids received from the Anchor Investors, the members of the Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, (“TRS”), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.
- (g) The BRLM shall accept Bids from the Anchor Investors during the Anchor Investor Bid/ Issue Period i.e. one working day prior to the Bid/ Issue Opening Date. Bids by Anchor Investors under the Anchor Investor Portion and the QIB Portion shall not be considered as multiple Bids.
- (h) Along with the Bid cum Application Form, all Bidders (other than ASBA Bidders) will make payment in the manner described in the section entitled “-Escrow Mechanism, Terms of payment and payment into the Escrow Accounts” on page 278 of the Draft Red Herring Prospectus.
- (i) 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.
- (j) 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.
- (k) 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 and will enter each Bid option into the electronic bidding system as a separate Bid and generate a TRS for each price and demand option. The TRS shall be furnished to the ASBA Bidder on request.

Bids at Different Price Levels and Revision of Bids

- (a) Our 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 disclosed at least two days prior to the Bid/ Issue Opening Date and the Cap Price will be revised accordingly.
- (b) Our Company, in consultation with the BRLM will finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.
- (c) Our Company, in consultation with the BRLM, can finalise the Anchor Investor Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Anchor Investors.
- (d) 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 may bid at the Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB and Non-Institutional Bidders and such Bids from QIB and Non-Institutional Bidders shall be rejected.
- (e) Retail Individual Bidders, who Bid at Cut-off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders shall submit the Bid cum Application Form along with a cheque/demand draft for the Bid Amount based on the cap of the Price Band with the members of the Syndicate. In case of ASBA Bidders bidding at Cut-off Price, the ASBA Bidders shall instruct the SCSBs to block amount based on the cap of the price band.

Escrow mechanism, terms of payment and payment into the Escrow Accounts

For details of the escrow mechanism and payment instructions, please refer to the section entitled “Issue Procedure - Payment Instructions” on page 287 of this Draft Red Herring Prospectus.

Electronic Registration of Bids

- (a) The members of the Syndicate and SCSBs will register the Bids using the on-line facilities of the Stock Exchanges. There will be at least one on-line connectivity facility in each city, where a stock exchange is located in India and where Bids are being accepted. The BRLM, our Company and the Registrar are not responsible for any acts, mistakes or errors or omission and commissions in relation to, (i) the Bids accepted by the Syndicate Members and the SCSBs, (ii) the Bids uploaded by the Syndicate Members and the SCSBs, (iii) the Bids accepted but not uploaded by the Syndicate Members and the SCSBs or (iv) with respect to ASBA Bids, Bids accepted and uploaded without blocking funds in the ASBA Accounts. It shall be presumed that for Bids uploaded by the SCSBs, the Bid Amount has been blocked in the relevant ASBA Account.
- (b) The Stock Exchanges will offer an electronic facility for registering Bids for the Issue. This facility will be available with the Syndicate and their authorised agents and the SCSBs during the Bid/ Issue Period. The Syndicate Members and the Designated Branches 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 members of the Syndicate and the Designated Branches shall upload the Bids till such time as may be permitted by the Stock Exchanges. This information will be available with the BRLM on a regular basis.
- (c) Based on the aggregate demand and price for Bids registered on the electronic facilities of the BSE and the NSE, a graphical representation of consolidated demand and price would be made available at the bidding centres during the Bid/Issue Period.
- (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: Bidders 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, Bidders 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, FII, NRI, Mutual Fund, etc.
 - Numbers of Equity Shares bid for.
 - Bid Amount.
 - Bid cum Application Form number.
 - Whether Margin Amount has been paid upon submission of Bid cum Application Form.
 - Depository Participant Identification Number and Client Identification Number of the beneficiary account of the Bidder.

With respect to ASBA Bids, at the time of registering each Bid, the Designated Branches of the SCSBs shall enter the following information pertaining to the Bidder into the electronic bidding system:

- Name of the Bidder(s).
 - Application Number.
 - PAN.
 - Number of Equity Shares Bid for.
 - Depository Participant Identification Number and Client Identification Number of the beneficiary 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 or the Designated Branches. The registration of the Bid by the member of the Syndicate or the Designated Branches does not guarantee that the Equity Shares shall be allocated/Allotment 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) In case of QIB Bidders, members of the Syndicate have the right to accept the bid or reject it. However, such rejection should be made at the time of receiving the bid and only after assigning a reason for such rejection in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, Bids would not be rejected except on the technical grounds listed on page 290 of this Draft Red Herring Prospectus.
- (h) 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 and/or the 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 the Company, our Promoter, the management or any scheme or project of the Company; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the Stock Exchanges.
- (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 the NSE and the members of the Syndicate or the Designated Branches, the decision of our Company, in consultation with the BRLM and the Registrar, based on the physical records of Bid Application Forms shall be final and binding on all concerned.
- (j) Details of Bids in the Anchor Investor Portion will not be registered on the on-line facilities of electronic facilities of BSE and NSE.

Build up of the book and revision of Bids

- (a) Bids received from various Bidders through the members of the Syndicate and the SCSBs shall be electronically uploaded to the Stock Exchanges' mainframe on a regular basis.
- (b) The book gets built up at various price levels. This information will be available with the BRLM on a regular basis.
- (c) During the Bid/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.
- (d) Revisions can be made in both the desired number of Equity Shares and the Bid Amount 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 such Bidder is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being revised, in the Revision Form. The members of the Syndicate and the Designated Branches will not accept incomplete or inaccurate Revision Forms.
- (e) The Bidder can make this revision any number of times during the Bid/Issue Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate or the SCSB through whom such Bidder 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) 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 or (ii) shall make additional payment based on the cap of the revised Price Band (such that the total amount i.e., original Bid Amount plus additional payment does not exceed Rs. 100,000 if the Bidder wants to continue to Bid at Cut-off Price), 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 Portion in terms of this 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 downwards 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 Price.

- (g) 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 Escrow Account.
- (h) The Company, in consultation with BRLM, shall decide the minimum number of Equity Shares for each Bid to ensure that the minimum application value is within the range of Rs. 5,000 to Rs. 7,000.
- (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. With respect to the ASBA Bids, if revision of the Bids results in an incremental amount, the SCSB shall block the additional Bid amount. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft 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.
- (g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and may get a revised TRS from the members of the Syndicate or the SASB, as applicable. 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.

Price Discovery and Allocation

- (a) Based on the demand generated at various price levels, our Company in consultation with the BRLM shall finalise the Issue Price.
- (b) Under-subscription, if any, in any of category will be allowed to be met with spill over from any other category at the discretion of our Company, in consultation with the BRLM.
- (c) Allocation to Non-Residents, including Eligible NRIs and FIIs registered with SEBI, applying on repatriation basis will be subject to applicable law, rules, regulations, guidelines and approvals.
- (d) The BRLM, in consultation with our Company, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- (e) QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.
- (f) The Basis of Allotment shall be put on the website of the Registrar to the Issue.

Signing of Underwriting Agreement and RoC Filing

- (a) Our Company, the BRLM and the Syndicate Members shall enter into an Underwriting Agreement on or immediately after the finalisation of the Issue Price.
- (b) After signing the Underwriting Agreement, the Company will update and file the updated Red Herring Prospectus with the RoC in accordance with the applicable law, 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.

Pre-Issue Advertisement

Subject to Section 66 of the Companies Act, the Company shall, after registering the Red Herring Prospectus with the RoC, publish a pre-Issue advertisement, in the form prescribed by the SEBI Regulations, in one English language national daily newspaper; one Hindi language national daily newspaper and one regional language daily newspaper, each with wide circulation.

Advertisement regarding Issue Price and Prospectus

The Company will issue a statutory advertisement after filing the Prospectus with the RoC. This advertisement,

in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price and the Anchor Investor Issue Price. Any material updates between the date of the Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of Confirmation of Allocation Note (“CAN”)

- (a) Upon approval of the basis of Allotment by the Designated Stock Exchange, the BRLM or the Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated/Allotted Equity Shares in the Issue. The approval of the basis of Allotment by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail and Non-Institutional Bidders. However, investors should note that our Company shall ensure that the date of Allotment of the Equity Shares to all investors in this Issue shall be done on the same date. Our Company shall also ensure that the instructions by our Company for demat credit of the Equity Shares to all investors in the Issue shall be given on the same date.
- (b) The BRLM or members of the Syndicate or the Registrar will then dispatch a CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the entire Bid Amount into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.
- (c) Bidders who have been allocated Equity Shares and who have already paid the Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of his or her cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the Allotment to such Bidder.
- (d) The Issuance of CAN is subject to “Notice to Anchor Investors - Allotment Reconciliation and Revised CANs” and “Notice to QIBs - Allotment Reconciliation and Revised CANs” as set forth under the section “Issue Procedure” on page 273 of this Draft Red Herring Prospectus.

Notice to Anchor Investors: Allotment Reconciliation and Revised CANs

A physical book will be prepared by the Registrar on the basis of the Bid cum Application Forms received from Anchor Investors. Based on the physical book and at the discretion of our Company and the BRLM, select Anchor Investors may be sent a CAN, within two working days of the Anchor Investor Bid/ Issue Period, indicating the number of Equity Shares that may be allocated to them. The provisional CAN shall constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the Anchor Investors to pay the entire Anchor Investor Issue Price for all the Equity Shares allocated to such Anchor Investor. This provisional CAN and the final allocation is subject to the physical application being valid in all respect along with receipt of stipulated documents, the Issue Price being finalised at a price not higher than the Anchor Investor Issue Price and Allotment by the Board of Directors. In the event that the Issue Price is higher than the Anchor Investor Issue Price, a revised CAN will be sent to Anchor Investors. Anchor Investors should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares or increased price of Equity Shares. The Pay-in Date in the revised CAN shall not be later than two working days after the Bid/ Issue Closing Date. Any revised CAN, if issued, will supersede in entirety the earlier CAN.

Notice to QIBs: Allotment Reconciliation and Revised CANs

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE/NSE system. This shall be followed by a physical book prepared by the Registrar on the basis of Bid cum Application Forms received. Based on the electronic book or the physical book, as the case may be, QIBs may be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Regulations, certain bid may be rejected due to technical reasons, non-receipt of funds, insufficient funds, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be sent to QIBs and the allocation of Equity Shares in such

revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

Designated Date and Allotment of Equity Shares

- (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 to the Public Issue Account on the Designated Date, our Company would ensure the credit to the successful Bidders depository account within two working days of the date of Allotment.
- (b) In accordance with the SEBI Regulations, Equity Shares will be issued and Allotment shall be made only in the dematerialised form to the Allottees.
- (c) Allottees will have the option to re-materialise the Equity Shares so Allotted as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated/ Allotted to them pursuant to this Issue.

GENERAL INSTRUCTIONS

Do's:

- (a) Check if you are eligible to apply;
- (b) Ensure that you have Bid within the Price Band;
- (c) Read all the instructions carefully and complete the Bid cum Application Form;
- (d) Ensure that the details about Depository Participant and Beneficiary Account are correct as Allotment of Equity Shares will be in the dematerialised form only;
- (e) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate or with respect to ASBA Bidders ensure that your Bid is submitted at a Designated Branch of the SCSB where the ASBA Bidder or the person whose bank account will be utilized by the ASBA Bidder for bidding has a bank account;
- (f) With respect to ASBA Bids 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 you have mentioned the correct bank account number in the ASBA Bid cum Application Form;
- (g) Ensure that you have been given a TRS for all your Bid options;
- (h) Ensure that you have funds equal to the Bid Amount 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) Instruct your respective banks to not release the funds blocked in the bank account under the ASBA process;
- (j) Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;
- (k) Except for Bids submitted on behalf of the Central Government or the State Government and officials appointed by a court, all Bidders should mention their Permanent Account Number (PAN) allotted under the IT Act;

- (l) Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects;
- (m) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form.

Don'ts:

- (a) Do not Bid for lower than the minimum Bid size;
- (b) Do not submit a Bid through the ASBA process if you are a QIB;
- (c) Do not Bid/ revise Bid Amount 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 or the SCSB;
- (e) Do not pay the Bid Amount in cash, by money order or by postal order;
- (f) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate or the SCSBs only;
- (g) Do not bid at Cut-off Price (for QIB Bidders and Non-Institutional Bidders, for bid amount in excess of Rs. 100,000);
- (h) Do not Bid for a Bid Amount exceeding Rs. 100,000 (for Bids by Retail Individual Bidders);
- (i) Do not fill up the Bid cum Application Form such that the Equity Shares bid for exceeds the Issue Size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;
- (j) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground; and
- (k) Do not submit the Bid with the Margin Amount.

INSTRUCTIONS FOR COMPLETING THE BID CUM APPLICATION FORM

Bids must be:

- (a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable.
- (b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.
- (c) For Retail Individual Bidders, the Bid must be for a minimum of [●] Equity Shares and in multiples of [●] thereafter subject to a maximum Bid Amount of Rs. 100,000.
- (d) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds or equal to Rs. 100,000 and in multiples of [●] Equity Shares thereafter. Bids cannot be made for more than the Issue. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.
- (e) For Anchor Investors, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds or equal to Rs. 100 million and in multiples of [●] Equity Shares thereafter.

- (f) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).
- (g) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bidder's Depository Account and Bank Account Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the demographic details including address, Bidders bank account details, MICR code and occupation (hereinafter referred to as "Demographic Details"). These Bank Account details would be used for giving refunds (including through physical refund warrants, direct credit, ECS, NEFT and RTGS) to the Bidders. Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in despatch/ credit of refunds to Bidders at the Bidders sole risk and neither the BRLMs or the Registrar to the Issue or the Escrow Collection Banks or the SCSBs nor our Company shall have any responsibility and undertake any liability for the same. Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the CANs/Allocation Advice and printing of Bank particulars on the refund orders or for refunds through electronic transfer of funds, as applicable. The Demographic Details given by Bidders in the Bid cum Application Form would not be used for any other purpose by the Registrar to the Issue.

By signing the Bid cum Application Form, the Bidder would be deemed to have authorised the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund Orders/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither our Company, Escrow Collection Banks nor the BRLM shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories, which matches the 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.

Our Company in its absolute discretion, reserves the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice or refunds through electronic transfer of funds, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid cum Application Form instead of

those obtained from the depositories.

Bids by Non Residents including NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI on a repatriation basis

Bids and revision to Bids must be made in the following manner:

1. On the Bid cum Application Form or the Revision Form, as applicable (blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In a single name or joint names (not more than three and in the same order as their Depository Participant Details).
3. Bids on a repatriation basis shall be in the names of individuals, or in the name of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

Bids by Eligible NRIs for a Bid Amount of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

As per the existing policy of the Government of India, OCBs are not permitted to participate in the Issue.

There is no reservation for Eligible NRIs and FIIs and all applicants will be treated on the same basis with other categories for the purpose of allocation.

Bids under Power of Attorney

In case of Bids (including ASBA Bids) made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, FIIs, Mutual Funds, insurance companies and provident funds with minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with a minimum corpus of Rs. 250 million a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum of Association and Articles of Association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In addition to the above, certain additional documents are required to be submitted by the following entities:

- a. With respect to Bids by FIIs and Mutual Funds, a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form.
- b. With respect to Bids by insurance companies registered with the Insurance Regulatory and Development Authority, in addition to the above, a certified copy of the certificate of registration issued by the Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form.
- c. With respect to Bids made by provident funds with minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with a minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid cum Application Form.

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 Bid cum Application form, subject to such terms and conditions that our Company and the BRLM may deem fit.

PAYMENT INSTRUCTIONS

Escrow Mechanism for Bidders other than the ASBA Bidders

Our Company and the Syndicate shall open Escrow Accounts with one or more Escrow Collection Bank(s) 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.

The Escrow Collection Banks will act in terms of the Draft Red Herring Prospectus and the Escrow Agreement. The Escrow Collection Banks for and on behalf of the Bidders shall maintain the monies in the Escrow Account until the Designated Date. The Escrow Collection Banks 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 the funds represented by allocation of Equity Shares (other than ASBA funds with the SCSBs) from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Bankers to the Issue. The balance amount after transfer to the Public Issue Account shall be transferred to the Refund Account. Payments of refund to the Bidders shall also be made from the Refund Account as per the terms of the Escrow Agreement and the Draft Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between our Company, the Syndicate, the Escrow Collection Banks and the Registrar to the Issue to facilitate collections from the Bidders.

Payment mechanism for ASBA Bidders

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 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 shall give instructions to the SCSB to unblock the application money in the relevant bank account within one day of receipt of such instruction. The Bid Amount shall remain blocked in the ASBA Account until finalisation 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.

Payment into Escrow Account for Bidders other than ASBA Bidders

Each Bidder shall draw a cheque or demand draft or remit the funds electronically through the RTGS mechanism for the amount payable on the Bid and/or on allocation/Allotment as per the following terms:

1. QIB Bidders, Non-Institutional Bidders and Retail Individual Bidders would be required to pay their applicable 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 "Issue Structure" on page 269 of this Draft Red Herring Prospectus.
2. The Bidders for whom the applicable Margin Amount is equal to 100%, shall, with the submission of the Bid cum Application Form, draw a payment instrument for the Bid Amount in favour of the Escrow Account and submit the same to the members of the Syndicate.
3. In case the above Margin Amount paid by the Bidders during the Bid/Issue 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 within the period specified in the 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. 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.
4. The payment instruments for payment into the Escrow Account should be drawn in favour of:

- (a) In case of Resident QIB Bidders: “[●]”
 - (b) In case of Non Resident QIB Bidders: “[●]”
 - (c) In case of Resident Retail and Non-Institutional Bidders: “[●]”
 - (d) In case of Non-Resident Retail and Non-Institutional Bidders: “[●]”
5. Anchor Investors would be required to pay the Anchor Investor Margin Amount at the time of submission of the application form and the balance shall be payable within two working days of the Bid/ Issue Closing Date. In the event of Issue Price being higher than the price at which allocation is made to Anchor Investors, the Anchor Investors shall be required to pay such additional amount to the extent of shortfall between the price at which allocation is made to them and the Issue Price. If the Issue Price is lower than the price at which allocation is made to Anchor Investors, the amount in excess of the Issue Price paid by Anchor Investors shall not be refunded to them.
 6. For Anchor Investors, the payment instruments for payment into the Escrow Account should be drawn in favour of:
 - (a) In case of resident Anchor Investors: “[●]”
 - (b) In case of non-resident Anchor Investors: “[●]”
 7. In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account.
 8. In case of Bids by NRIs applying on non-repatriation basis, the payments must be made through Indian Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance or out of a Non-Resident Ordinary (NRO) Account of a Non-Resident Bidder bidding on a non-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 or NRO Account.
 9. 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.
 10. The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.
 11. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Public Issue Account with the Bankers to the Issue.
 12. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjusting for allocation/Allotment to the Bidders.
 13. Payments should be made by cheque, or demand draft drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member of or sub-member of the bankers’ clearing house located at

the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ money order/ postal orders will not be accepted.

Payment by cash/ money order

Payment through cash / money order shall not be accepted in this Issue.

Submission of Bid cum Application Form

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid. With respect to ASBA Bidders, the ASBA Bid cum Application Form or the ASBA Revision Form shall be submitted to the Designated Branches.

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. All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made. Bids by QIBs under the Anchor Investor Portion and QIB Portion (excluding Anchor Investor Portion) will not be considered as multiple Bids.

Our Company reserves the right to reject, in its absolute discretion, all or any multiple Bids in any or all categories. In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications are given below:

1. All applications with the same name and age will be accumulated and taken to a separate process file which would serve as a multiple master.
2. 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.
3. The Registrar to the Issue 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.
4. 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.

5. The applications will be scrutinised 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.
6. Subsequent to the aforesaid procedures, a print out of the multiple master will be taken and the applications (other than ASBA Bids) will be physically verified to tally signatures as also father's/ husband's names. On completion of this, the applications with same signatures and father's/ husband's names will be identified as multiple applications.

Permanent Account Number or PAN

The Bidders, 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 Income Tax Act. In accordance with the SEBI Regulations, the PAN would be the sole identification number for participants transacting in the securities market, irrespective of the amount of transaction. **Any Bid cum Application Form without the PAN is liable to be rejected. It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.**

REJECTION OF BIDS

In case of QIB Bidders, our Company in consultation with the BRLM may reject Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders, Retail Individual Bidders, our Company has a right to reject Bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk. With respect to 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 Bidder's bank account, the respective Designated Branch ascertains that sufficient funds are not available in the Bidder's bank account maintained with the SCSB. Subsequent to the acceptance of the ASBA Bid by the SCSB, our Company would have a right to reject the ASBA Bids only on technical grounds.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected *inter alia* on the following technical grounds:

- Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for. With respect to ASBA Bids, the amounts mentioned in the ASBA Bid cum Application Form does not tally with the amount payable for the value of the Equity Shares Bid for;
- Age of First Bidder not given;
- 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;
- Bid by persons not competent to contract under the Indian Contract Act, 1872 including minors, insane persons;
- PAN not mentioned in the Bid cum Application Form;
- GIR number furnished instead of PAN;
- Bids for lower number of Equity Shares than specified for that category of investors;
- Bids at a price less than lower end of the Price Band;
- Bids at a price more than the higher end of the Price Band;

- Submission of more than five ASBA Bids cum Application Forms per bank account;
- Bids at Cut-off Price by Non-Institutional and QIB Bidders.
- Bids for number of Equity Shares which are not in multiples of [●];
- Category not ticked;
- Multiple Bids as defined in this Draft Red Herring Prospectus;
- In case of Bids under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- Bids accompanied by money order/postal order/cash;
- Signature of sole and / or joint Bidders missing. With respect to ASBA Bids, the Bid cum Application form not being signed by the account holders, if the account holder is different from the Bidder;
- Bid cum Application Forms does not have the stamp of the BRLM or Syndicate Members or the SCSB;
- Bid cum Application Forms does not have Bidder's depository account details;
- Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Forms, Bid/Issue Opening Date advertisement and the Draft Red Herring Prospectus and as per the instructions in the Draft Red Herring Prospectus and the Bid cum Application Forms;
- In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's account number;
- With respect to ASBA Bids, inadequate funds in the bank account to block the Bid Amount specified in the ASBA Bid cum Application Form at the time of blocking such Bid Amount in the bank account;
- Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
- Bids in respect whereof the Bid cum Application Form do not reach the Registrar to the Issue prior to the finalisation of the Basis of Allotment;
- Bids where clear funds are not available in Escrow Accounts as per final certificate from the Escrow Collection Banks;
- Bids by QIBs not submitted through members of the Syndicate;
- Bids by U.S. residents other than in reliance on Regulation S under the Securities Act;
- Bids by any person outside India if not in compliance with applicable foreign and Indian Laws;
- Bids not uploaded on the terminals of the Stock Exchanges; and
- Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority.

EQUITY SHARES IN DEMATERIALISED FORM WITH NSDL OR CDSL

As per the provisions of Section 68B of the Companies Act, the Allotment of Equity Shares in this Issue shall be only in a de-materialised form, (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among our Company, the respective Depositories and the

Registrar to the Issue:

- Agreement dated January 23, 2008, between NSDL, our Company and the Registrar to the Issue;
- Agreement dated January 18, 2008, between CDSL, our Company and the Registrar to the Issue.

All Bidders can seek Allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

- (a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
- (b) 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.
- (c) Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder
- (d) Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.
- (e) 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.
- (f) The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.
- (g) Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where the Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- (h) The trading of the Equity Shares of our Company would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, Bidders Depository Account Details, number of Equity Shares applied for, date of bid form, name and address of the member of the Syndicate or the Designated Branch where the Bid was submitted and cheque or draft number and issuing bank thereof or with respect to ASBA Bids, bank account number in which the amount equivalent to the Bid Amount was blocked.

Investors can contact the Compliance Officer or the Registrar to the Issue in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary accounts, refund orders etc.

PAYMENT OF REFUND

Bidders other than ASBA Bidders must note that on the basis of the names of the Bidders, Depository Participant's name, DP ID, Beneficiary Account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain, from the Depositories, the Bidders' bank account details, including the nine digit Magnetic Ink Character Recognition ("MICR") code as appearing on a cheque leaf. Hence Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in despatch of refund order or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the Bidders' sole risk and neither our Company, the Registrar to the Issue, Escrow Collection Bank(s), Bankers to the Issue nor the BRLM shall be liable to compensate the Bidders for any losses caused to the Bidder due to any such delay or liable to pay any

interest for such delay.

Mode of making refunds

The payment of refund, if any, for Bidders other than ASBA Bidders would be done through various modes in the following order of preference:

1. ECS – Payment of refund would be done through ECS for applicants having an account at any of the centres where such facility has been made available. 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 centres where such facility is made available, except where the applicant, being eligible, opts to receive refund through direct credit or RTGS.
2. Direct Credit – Applicants having bank accounts with the Refund Bank (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 centres where such facility is available and whose refund amount exceeds Rs. 5 million, has 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 – 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. In the event that NEFT is not operationally feasible, the payment of refunds would be made through any one of the other modes as discussed in the sections.
5. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be despatched under certificate of posting for value upto 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.

DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS AND INTEREST IN CASE OF DELAY

With respect to Bidders other than ASBA Bidders, our Company shall ensure dispatch of Allotment advice, refund orders (except for Bidders who receive refunds through electronic transfer of funds) and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the Allotment to the Stock Exchanges within two working days of date of Allotment of Equity Shares.

In case of applicants who receive refunds through ECS, direct credit or RTGS, the refund instructions will be given to the clearing system within 15 days from the Bid/ Issue Closing Date. A suitable communication shall be sent to the bidders receiving refunds through this mode within 15 days of Bid/ Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

Our Company shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are

taken within seven working days of Allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Regulations, our Company further undertakes that:

- Allotment of Equity Shares shall be made only in dematerialised form within 15 days of the Bid/Issue Closing Date;
- With respect to Bidders other than ASBA Bidders, dispatch of refund orders or in a case where the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within 15 days of the Bid/Issue Closing Date would be ensured. With respect to the ASBA Bidders' instruction for unblocking of the ASBA Bidder's Bank Account shall be made within 15 days from the Bid/Issue Closing Date; and

Our Company shall pay interest at 15% per annum for any delay beyond the 15 day time period as mentioned above, if Allotment is not made and refund orders are not dispatched or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within the 15 day time prescribed above as per the guidelines issued by the Government of India, Ministry of Finance.

IMPERSONATION

Attention of the applicants 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, an application to a company for acquiring or subscribing for, any shares therein, or*
- (b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,*

shall be punishable with imprisonment for a term which may extend to five years.”

BASIS OF ALLOTMENT

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Issue size less Allotment to Non-Institutional and QIB Bidders shall be available for Allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Issue Price, full Allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.
- If the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, the Allotment shall be made on a proportionate basis up to a minimum of [●] Equity Shares. For the method of proportionate basis of Allotment, refer below.

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful

Non-Institutional Bidders will be made at the Issue Price.

- The Issue size less Allotment to QIBs and Retail Portion shall be available for Allotment to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Issue Price, full Allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, Allotment shall be made on a proportionate basis up to a minimum of [●] Equity Shares. For the method of proportionate basis of Allotment refer below.

C. For QIBs

- 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 Allotment to all the QIB Bidders will be made at the Issue Price.
- The QIB Portion shall be available for Allotment to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- Allotment shall be undertaken in the following manner:
 - (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion (excluding Anchor Investor Portion) shall be determined as follows:
 - (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion (excluding Anchor Investor Portion), allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion (excluding Anchor Investor Portion).
 - (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion (excluding Anchor Investor 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 for Allotment to all QIB Bidders as set out in (b) below;
 - (b) In the second instance Allotment to all QIBs 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 Shares on a proportionate basis along with other QIB Bidders.
 - (iii) Under-subscription below 5% of the QIB Portion (excluding Anchor Investor Portion), if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.
- The aggregate Allotment to QIB Bidders shall not be less than [●] Equity Shares

D. For Anchor Investor Portion

- Allocation of Equity Shares to Anchor Investors at the Anchor Investor Issue Price will be at the discretion of our Company, in consultation with the BRLM, subject to compliance with the following requirements:
 - a. not more than 30% of the QIB Portion will be allocated to Anchor Investors;
 - b. one-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to other Anchor Investors;
 - c. allocation to Anchor Investors shall be on a discretionary basis and subject to a minimum number of two Anchor Investors for allocation upto Rs. 2,500 million and minimum number of five Anchor Investors for allocation more than Rs. 2,500 million.
- The number of Equity Shares Allotted to Anchor Investors and the Anchor Investor Issue Price, shall be made available in the public domain by the BRLM before the Bid/ Issue Opening Date by intimating the Stock Exchanges.

Method of Proportionate Basis of Allotment in the Issue

In the event of the Issue being over-subscribed, our Company shall finalise the basis of Allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrar to the Issue shall be responsible for ensuring that the basis of Allotment is finalised in a fair and proper manner.

The Allotment shall be made in marketable lots, on a proportionate basis as explained below:

- a) Bidders will be categorised according to the number of Equity Shares applied for.
- b) The total number of Equity Shares to be Allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- c) Number of Equity Shares to be Allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.
- d) In all Bids where the proportionate Allotment is less than [●] Equity Shares per Bidder, the Allotment shall be made as follows:
 - The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares Allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above; and
 - Each successful Bidder shall be Allotted a minimum of [●] Equity Shares.
- 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 that number is lower than 0.5 it would be rounded off to the lower whole number. Allotment to all in such categories would be arrived at after such rounding off.
- 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 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.

- g) Subject to valid Bids being received, allocation of Equity Shares to Anchor Investors shall be at the sole discretion of our Company, in consultation with the BRLM.

Illustration of Allotment to QIBs and Mutual Funds (“MF”)

A. Issue Details

Sr. No.	Particulars	Issue details
1.	Issue size	200 million equity shares
2.	Allocation to QIB* (60%)	120 million equity shares
3.	Anchor Investor Portion	36 million equity shares
4.	Portion available to QIBs other than Anchor Investors [(2) minus (3)]	84 million equity shares
	Of which:	
	a. Allocation to MF (5%)	4.20 million equity shares
	b. Balance for all QIBs including MFs	79.8 million equity shares
3	No. of QIB applicants	10
4	No. of shares applied for	500 million equity shares

B. Details of QIB Bids

Sr. No.	Type of QIB bidders [#]	No. of shares bid for (in million)
1	A1	50
2	A2	20
3	A3	130
4	A4	50
5	A5	50
6	MF1	40
7	MF2	40
8	MF3	80
9	MF4	20
10	MF5	20
	Total	500

[#] A1-A5: (QIB bidders other than MFs), MF1-MF5 (QIB bidders which are Mutual Funds)

C. Details of Allotment to QIB Bidders/ Applicants

(Number of equity shares in million)

Type of QIB bidders	Shares bid for	Allocation of 4.20 million Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 79.80 million Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
(I)	(II)	(III)	(IV)	(V)
A1	50	0	8.05	0
A2	20	0	3.22	0
A3	130	0	20.92	0
A4	50	0	8.05	0
A5	50	0	8.05	0
MF1	40	0.84	6.30	7.14
MF2	40	0.84	6.30	7.14
MF3	80	1.68	12.61	14.29
MF4	20	0.42	3.15	3.57

Type of QIB bidders	Shares bid for	Allocation of 4.20 million Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 79.80 million Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
MF5	20	0.42	3.15	3.57
	500	4.20	79.80	35.71

Please note:

- The illustration presumes compliance with the requirements specified in this Draft Red Herring Prospectus in the section entitled “Issue Structure” on page 269 of the Draft Red Herring Prospectus.
- Out of 84 million equity shares allocated to QIBs, 4.2 million (i.e. 5%) will be allocated on proportionate basis among five Mutual Fund applicants who applied for 200 million equity shares in QIB category.
- The balance 79.80 million equity shares (i.e. 84 – 4.2 (available for MFs)) will be allocated on proportionate basis among 10 QIB applicants who applied for 500 million equity shares (including five MF applicants who applied for 200 million equity shares).
- The figures in the fourth column entitled “Allocation of balance 79.80 million Equity Shares to QIBs proportionately” in the above illustration are arrived as under:
 - For QIBs other than Mutual Funds (A1 to A5)= No. of shares bid for (i.e. in column II) X 79.80 / 495.80.
 - For Mutual Funds (MF1 to MF5)= [(No. of shares bid for (i.e. in column II of the table above) less Equity Shares allotted (i.e., column III of the table above)] X 79.80/ 495.80.
 - The numerator and denominator for arriving at allocation of 84 million shares to the 10 QIBs are reduced by 4.2 million shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

Letters of Allotment or Refund Orders or instructions to the SCSBs

Our Company shall give credit to the beneficiary account with depository participants within two working days from the date of the finalisation of Basis of Allotment. Applicants residing at the centres where clearing houses are managed by the RBI, will get refunds through ECS only except where applicant is otherwise disclosed as eligible to get refunds through direct credit and RTGS. Our Company shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500, by “Under Certificate of Posting”, and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or first Bidder’s sole risk within 15 days of the Bid/Issue Closing Date. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post, intimating them about the mode of credit of refund within 15 days of closure of Bid / Issue. In case of ASBA Bidders, the Registrar to the Issue shall instruct the relevant SCSB to unblock the funds in the relevant ASBA Account to the extent of the Bid Amount specified in the ASBA Bid cum Application Forms for withdrawn, rejected or unsuccessful or partially successful ASBA Bids within 15 days of the Bid/Offer Closing Date.

Interest in case of delay in despatch of Allotment Letters or Refund Orders/ instruction to SCSB by the Registrar

Our Company agrees that the Allotment of Equity Shares in the Issue shall be made not later than 15 days of the Bid/ Issue Closing Date. Our Company further agrees that it shall pay interest at the rate of 15% p.a. if the allotment letters or refund orders have not been despatched 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 in the disclosed manner within 15 days from the Bid/ Issue Closing Date.

Our Company will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by our Company as a Refund Bank and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

UNDERTAKINGS BY THE COMPANY

Our Company undertakes the following:

- That the complaints received in respect of this Issue shall be attended to by our Company expeditiously and satisfactorily;
- 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 within seven working days of finalisation of the basis of Allotment;
- That funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the Issuer;
- That where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of the Bid/ Issue Closing Date, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;
- That the Promoters' contribution in full has already been brought in;
- That the certificates of the securities/ refund orders to the non-resident Indians shall be despatched within specified time;
- That no further issue of Equity Shares shall be made till the Equity Shares offered through the Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.; and
- That adequate arrangements shall be made to collect all Applications Supported by Blocked Amount and to consider them similar to non-ASBA applications while finalizing the Basis of Allotment

Our Company shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

Withdrawal of the Issue

Our Company, in consultation with the BRLM, reserves the right not to proceed with the Issue anytime after the Bid/Issue Opening Date but before the Allotment of Equity Shares. In such an event our Company would issue a public notice in the newspapers, in which the pre-Issue advertisements were published, within two days of the Bid/ Issue Closing Date, providing reasons for not proceeding with the Issue. Our Company shall also inform the same to Stock Exchanges on which the Equity Shares are proposed to be listed.

Any further issue of Equity Shares by our Company shall be in compliance with applicable laws.

If our Company withdraws the Issue after the closure of bidding, our Company shall be required to file a fresh draft red herring prospectus with SEBI.

Utilisation of Issue proceeds

The Board of Directors certify that:

- All monies received out of the Issue shall be credited/transferred to a separate bank account other than

the bank account referred to in sub-section (3) of Section 73 of the Companies Act;

- Details of all monies utilised out of Issue shall be disclosed, and continue to be disclosed till the time any part of the issue proceeds remains unutilised, under an appropriate head in the balance sheet of our Company indicating the purpose for which such monies have been utilised;
- Details of all unutilised monies out of the Issue, if any shall be disclosed under an appropriate separate head in the balance sheet indicating the form in which such unutilised monies have been invested;
- the utilisation of monies received under Promoters' contribution shall be disclosed, and continue to be disclosed till the time any part of the Issue proceeds remains unutilised, under an appropriate head in the balance sheet of our Company indicating the purpose for which such monies have been utilised; and
- the details of all unutilised monies out of the funds received under Promoters' contribution shall be disclosed under a separate head in the balance sheet of the issuer indicating the form in which such unutilised monies have been invested.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the GoI, as notified through press notes and press releases issued from time to time, and FEMA and circulars and notifications issued thereunder. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of the Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures and reporting requirements for making such investment. The government bodies responsible for granting foreign investment approvals are FIPB and the RBI.

Subscription by foreign investors (NRIs/FIIs)

FIIs are permitted to subscribe to shares of an Indian company in a public offer without the prior approval of the RBI, so long as the price of the shares is not less than the price at which the shares are issued to residents.

The transfer of shares between an Indian resident and a non-resident does not require the prior approval of the FIPB or the RBI, provided that (i) the activities of the investee company are under the automatic route under the FDI Policy and transfer does not attract the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended; (ii) the non-resident shareholding is within the sectoral limits under the FDI policy; and (iii) the pricing is in accordance with the guidelines prescribed by the SEBI/RBI.

As per the existing policy of the Government of India, OCBs cannot participate in this Issue.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933 (the “Securities Act”) and may not be offered or sold within the United States (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered outside the United States in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

The above information is given for the benefit of the Bidders. Our Company and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the Bids are not in violation of laws or regulations applicable to them.

SECTION VIII: MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Capitalized terms used in this section have the meaning that has been given to such terms in the Articles of Association of our Company. Pursuant to Schedule II of the Companies Act and the SEBI Regulations, the main provisions of the Articles of Association of our Company are detailed below:

Table “A” Not to Apply

The Regulations contained in Table “A” in Schedule I of the Companies Act shall not apply to our Company, except in so far as the same are repeated, contained or expressly made applicable in these Articles of Association by the Companies Act.

Capital and Increase and Reduction of Capital

Amount of Capital

Article 3 provides that, “The Authorised Share Capital of the company shall be the capital as specified in Clause V of the Memorandum of Association, with power to increase and reduce the Share Capital of the company and to divide the shares in the Capital for the time being into several classes as permissible in law and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company to vary, modify, amalgamate or abrogate any such rights, privileges or conditions in such manner as may for time being be provided in the Articles of Association.”

Increase of Capital by the Company and How Carried in to Effect

Article 4 provides that, “The Company in General Meeting may, from time to time, increase the Capital by the creation of new Shares. Such increase to be of such aggregate amount and to be divided into such shares of such respective amounts as the resolution shall prescribe. Subject to the provisions of the Act, any shares of the original or increased capital shall be issued upon such terms and conditions and with such rights and privileges annexed thereto, as the General Meeting resolving upon the creation thereof, shall direct, and if no direction be given, as the Directors shall determine, and in particular, such shares may be issued with a preferential or qualified right to dividends, or otherwise and in the distribution of assets of the Company, and with a right of voting at general meetings of the Company in conformity with Section 87 of the Act. Whenever the Capital of the Company has been increased under the provisions of this Article, the Directors shall comply with the provisions of Section 97 of the Act.”

Redeemable Preference Shares

Article 6 provides that, “Subject to the provisions of Section 80 of the Act, the Company shall have the power to issue Preference Shares which at or at the option of the Company are liable to be redeemed and the resolution authorising such issue shall prescribe the manner, terms and conditions of redemption.”

Provision applicable on the Issue Redeemable Preference shares

Article 7 provides that, “On the issue of Redeemable Preference Shares under the provisions of Article 6 hereof, the following provisions shall take effect :

- (a) no such shares shall be redeemed except out of the profits of the Company which would otherwise be available for dividend or out of the proceeds of a fresh issue of shares made for the purpose of the redemption.
- (b) no such shares shall be redeemed unless they are fully paid.
- (c) Where any such shares are redeemed otherwise than out of the proceeds of a fresh issue, there shall, out of the profits which would otherwise have been available for dividend, be transferred to a reserve fund, to be called the “Capital Redemption Reserve Account” a sum equal to the nominal amount of the shares redeemed and the provisions of the Act relating to the reduction of the share capital of the Company shall, excepts as provided in Section 80 of the Act, apply as if the Capital Redemption Reserve Account were paid up share capital of the Company.”

Reduction of Capital

Article 8 provides that, “The Company may (subject to the Provisions of Section 78, 80, 100 to 105 both inclusive, of the Act) from time to time by Special Resolution reduce its capital, any Capital Redemption Reserve Account or Share Premium Account in any manner for the time being authorised by law, and in particular, capital may be paid off on the footing that it may be called upon again or otherwise. This Article is not to derogate from any power the Company would have if the were omitted.”

Sub-division Consolidation and Cancellation of Shares

Article 9 provides that, “Subject to the provisions of Section 94 of the Act, the Company in General Meeting may from time to time sub-divide consolidate its shares, or any of them, and the resolution whereby any share is sub-divided, may determine that, as between the holders of the shares resulting from such sub-division one or more of such shares shall have some preference or special advantage as regards dividend, capital or otherwise over or as compared with the other or others. Subject as aforesaid, the Company in General Meeting may also cancel shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.”

Modification of Rights

Article 10 provides that, “Whenever the Capital is divided into different classes of shares all or any of the rights and privileges attached to each class may, subject to the provisions of Sections 106 and 107 of the Act, be modified, commuted, affected or abrogated or dealt with by agreement between the Company and any person purporting to contract on behalf of that class, provided such agreement is ratified in writing by holders of at least three-fourths of nominal value of the issued shares of the class or is confirmed by a Resolution passed at a separate General Meeting of the holders of shares of that class and supported by the votes of the holders of at least three-fourths of those shares, and all the provisions hereinafter contained as to General Meetings shall mutatis mutandis apply to every such Meeting, but so that the quorum thereof shall be members present in person or by proxy and holding three-fourths of the nominal amount of the issued shares of the class. This Article is not to derogate from any power the Company would have if it were omitted.”

Shares and Certificates

Register and Index of Members

Article 11 provides that, “The Company shall cause to be kept a Register and index of Members in accordance with Sections 150 and 151 of the Act. The Company shall be entitled to keep in any State or country outside India a branch Register of Members resident in that State or country.”

Shares to be Numbered Progressively And no Share to be Subdivided

Article 12 provides that, “The shares in the Capital shall be numbered progressively according to their several denominations, and except in the manner hereinbefore mentioned, no share shall be sub-divided. Every forfeited or surrendered share shall continue to bear the number by which the same was originally distinguished.”

Further Issue of Capital

Article 13 provides as follows,

- “(1) Where at the time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares, then:
- a. Such further shares shall be offered to the persons who on the date of the offer, are holders of the equity shares of the Company, in proportion as near as circumstances admit, to the capital paid-up on those shares at the date.

- b. Such offer shall be made by a notice specifying the number of shares offered and limiting a time not being less than fifteen days from the date of the offer and the offer, if not accepted, will be deemed to have been declined.
 - c. The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in favour of any other person and the notice referred to in sub clause (b) hereof shall contain a statement of this right.
 - d. After the expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board may dispose of them in such manner as they are most beneficial to the company.
- (2) Notwithstanding anything contained in the sub-clause (1) thereof, the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in clause (a) of sub clause (1) hereof) in any manner whatsoever.
- (i) if a special resolution to that effect is passed by the company in general meeting; or
 - (ii) where no such special resolution is passed, if the votes cast (whether on a show of hands or on a poll, as the case may be) in favour of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any, of. The Chairman) by members who, being entitled so to do, vote in person, or where proxies are allowed, by proxy, exceed the votes if any, cast against the proposal by members so entitled to voting and the Central Government is satisfied on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the Company.
- (3) Nothing in sub-clause (c) of (1) hereof shall be deemed;
- (a) To extend the time within which the offer should be accepted; or
 - (b) To authorise any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.
- (4) Nothing in this article shall apply to the increase of the subscribed capital of the company caused by the exercise of an option attached to the debenture issued by the company:
- (i) To convert such debentures or loans into shares in the company; or
 - (ii) To subscribe for shares in the company.

Provided that the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

- 1. Either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with rules, if any, made by that government in this behalf; and
- 2. in the case of debentures or loans or other than debentures issued to or loans obtained from government or any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the company in general meeting before the issue of the debentures or raising of the loans.”

Shares at the disposal of the Directors’

Article 14 provides that, “Subject to the provisions of section 81 of the act and these Articles, the shares in the capital of the company for the time being shall be under the control of the directors who may issue, allot or otherwise dispose of the same or any of them such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of section 79 of the act) at discount and at such time as they may from time to time think fit and with the sanction of the company in the

general meeting to give to any persons the option or right to call for any shares either at par or premium during such time and for such consideration as the directors think fit, and may issue and allot shares in the capital of the company on payment in full or part of any property sold and transferred or for any services rendered to the company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that option or right to call of shares shall not be given to any persons without the sanction of the company in the general meeting.”

The power also to company in general meeting to authorize issue of shares

Article 15 provides that, “In addition to and without derogating from the powers for the purpose conferred on the Board under Articles 13 and 14, the Company in General Meeting may, subject to the provisions of Section 81 of the Act, determine that any shares (whether forming part of the original capital or of any increased capital of the Company) shall be offered to such persons whether (members or not) in such proportion and on such terms and conditions and either (subject to compliance with the provisions of Sections 78 and 79 of the Act) at a premium or at a discount as such General Meeting shall determine and with full power to give any person (whether a member or not) the option to call for or be allotted shares of any class of the Company, either (subject to compliance with the provisions of Sections 78 and 79 of the Act) at a premium or at par or at a discount as such General Meeting shall determine and with full power to give any person (whether a member or not) the option being exercisable at such times and for such consideration as may be directed by such General Meeting of the Company and the General Meeting may make any other provisions whatsoever for the issue, allotment or disposal of any shares.”

Deposit and call to be a debt payable immediately

Article 17 provides that, “The money (if any) which the Board shall, on the allotment of any share being made by them require or direct to be paid by way of deposit, call or otherwise in respect of any shares allotted by them shall immediately on the insertion of the name of the allottee in the Register of Members as the name of the holder of such shares, become a debt due to and recoverable by the Company from the allottee thereof, and shall be paid by him accordingly.”

Liability of Members

Article 18 provides that, “Every member, or his heirs, executors or administrators shall pay to the Company the portion of the capital represented by his share or shares which may, for the time being, remain unpaid thereon, in such amounts, at such time or times, and in such manner as the Board shall, from time to time in accordance with the Company’s regulations, require or fix for the payment thereof.”

Limitation of time for issue of certificates

Article 19 provides that, “Every member shall be entitled, without payment, to one or more certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the directors so approve (upon paying such fee as the directors may from time to time determine) to several certificates each for one or more of such shares and the company shall complete and have ready for delivery of such certificates within 3 month from the date of allotment, unless the conditions of issue thereof otherwise provide or within 2 month of the receipt of application of registration of transfer, transmission, subdivision, consolidation or renewal of any of its shares as the case may be. Every certificates of shares shall be under the seal of the company and shall specify the no. and distinctive nos. of shares in respect of which it is issued and the amount Paid-up thereon and shall be in such form as the directors may prescribe or approve, provided that in respect of a share or shares held jointly by several persons, the company shall not be bound to issue more than one certificate and delivery of a certificate of shares to one of several joint holders shall be sufficient delivery to all such holders.”

Issue of New Certificate in Place of One Defaced, lost or Destroyed

Article 20 provides that, “If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the company, a new certificate may be issued in lieu thereof, and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the company and on execution of such indemnity as the company deem adequate, being given, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate. Every certificate under the article shall be issued without payment of fees if the directors so decide, or on

payment of such fees (not exceeding Rs.2 for each certificate) as the directors shall prescribe, provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced, worn out.”

The first named joint holder deemed to be sole holder

Article 21 provides that, “If any share stands in the names of two or more persons, the person first named in the register shall, as regards receipt of dividends or bonus or service of notice and all or any earlier matter connected with the Company, except voting at meetings, be deemed the sole holder thereof, but the joint holders of a share shall be severally as well as jointly liable for the payment of all installments and calls due in respect of such shares for all incidents thereof according to the Company’s regulations.”

Company not bound to recognize any interest in share other than that of registered holder

Article 22 provides that, “Except as ordered by a Court of competent jurisdiction, or as by law required, the Company shall not be bound to recognize any equitable, contingent, future or partial interest in any share, or (except provided) any right in respect of a share other than an absolute right thereto, in accordance with these Articles, in the person from time to time registered as the holder thereof; but the

Board shall be at liberty at their sole discretion to register any share in the joint names of any two or more persons or the survivor or survivors of them.”

Buy back of Securities by the Company

Article 23 provides that, “The Company shall have power, subject to and in accordance with all the applicable provisions of the Act and the rules made thereunder, to purchase any of its own fully paid shares or other specified securities whether or not they are redeemable and may make a payment out of its free reserves or securities premium account of the Company or proceeds of any shares or other specified securities provided that no buy back of any kind of shares or other specified securities shall be made out of the proceeds of an earlier issue of the same kind of shares or same kind of other specified securities or from such other sources as may be permitted by Law on such terms, conditions and in such manner as may be prescribed by the Law from time to time in respect of such purchase.”

Article 24 provides that, “Any debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on the condition that they shall be convertible into shares of any denomination and with any privileges and conditions as to redemption, surrender, drawing, allotment of share, attending (but not voting) at the general meeting, appointment of directors and otherwise. Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the company in the general meeting by a special resolution.”

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UNDERWRITING AND BROKERAGE

Commission may be paid

Article 25 provides that, “Subject to the provisions of Section 76 of the Act, the Company may at any time pay a commission to any person in consideration of his subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares in or debentures of the Company, but so that the commission shall not exceed in the case of shares, five per cent of the price at which the shares are issued, and in the case of debentures, two and a half per cent of the price at which the debentures are issued. Such commission may be satisfied by payment of cash or by allotment of fully or partly paid shares or partly in one way and partly in the other.”

Brokerage

Article 26 provides that, “The Company may pay a reasonable sum for brokerage.”

Interest Out of Capital

Article 27 provides that, “Where any shares are issued for the purpose of raising money to defray the expenses of the Construction of any work or building, or the provision of any plant, which cannot be made profitable for a lengthy period, the Company may pay interest on so much of that share capital as is for the time being paid-up, for the period, at the rate and subject to the conditions and restrictions provided by Section 208 of the Act and may charge the same to capital as part of the cost of construction of the work or building, or the provision of plant.”

Calls

Directors may make calls

Article 28 provides as follows,

- “(a) The Board may, from time to time and subject to the terms on which any shares have been issued and subject to the conditions of allotment, by a resolution passed at a meeting of the Board (and not by circular resolution) make such call as it thinks fit upon the members in respect of all moneys unpaid on the shares held by them respectively, and each member shall pay the amount of every call so made on him to the person or persons and at the times and places appointed by the Board. A call may be made payable by installments.
- (b) That option or right to call of shares shall not be given to any person except with the sanction of the issuer in general meetings.”

Directors may extend time

Article 34 provides that, “The Board may, from time to time at its discretion, extend the time fixed for the payment of any call, and may extend such time as to all or any of the members who from residence at a distance or other cause, the Board may deem fairly entitled to such extension, but no member shall be entitled to such extension save as a member of grace and favour.”

Calls to carry interest

Article 35 provides that, “If any member fails to pay any call due from him on the day appointed for. Payment thereof, or any such extension thereof as aforesaid, he shall be liable to pay interest of the same from the day appointed for the payment thereof to the time of actual payment at such rate as shall from time to time be fixed by the Board, but nothing in this Article shall render it obligatory for the Board to demand or recover any interest from any such member.”

Calls in advance

Article 39 provides that, “The directors may, if they think fit, subject to the provisions of section 92 of the Act, agree to and receive from any member willing to advance the same whole or any part of the moneys due upon the shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance,

or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the company may pay interest at such rate, as the member paying such sum in advance and the directors agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The directors may at any time repay the amount so advanced. The members shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable. The provisions of these Articles shall mutatis mutandis apply to the calls on debenture of the company.”

Lien

Company to have lien on shares

Article 40 provides that, “The Company shall have a first and paramount lien upon all the shares/ debentures (other than fully paid-up shares/debentures) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof, for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares/debentures and no equitable interest in any shares shall be created except upon the footing, and upon the condition that that this Article will have full effect and any such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares. Unless otherwise agreed, the registration of a transfer of shares shall operate as a waiver of the Company’s lien, if any, on such shares/debentures. The directors may at any time declare any shares/ debentures wholly or in part to be exempt from the provision of this clause”

As to Enforcing Lien by Sale

Article 41 provides that, “For the purpose of enforcing such lien, the Board may sell the shares subject thereto in such manner as they shall think fit, and for that purpose may cause to be issued a duplicate certificate in respect of such shares and may authorise one of their member to execute a transfer thereof on behalf of and in the name of such member. No sale shall be made until such period as aforesaid shall have arrived, and until notice in writing of the intention to sell shall have been served on such member or his representatives and default shall have been made by him or them in payment, fulfillment, or discharge of such debts, liabilities or engagements for fourteen days after such notice.”

Forfeiture of Share

If call or installment not paid notice may be given

Article 43 provides that, “If any member fails to pay any call or installment on or before the day appointed for the payment of the same the Board may at any time thereafter during such time as the call or installment remains unpaid, serve notice on such member requiring him to pay the same, together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non payment.”

If notice not complied with shares may be forfeited

Article 45 provides that, “If the requisitions of any such notice as aforesaid be not complied with, any shares in respect of which such notice has been given may, at any time thereafter, before payment of all calls or installments, interest and expenses, due in respect thereof, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.”

Forfeited share to become property of the company

Article 47 provides that, “Any share so forfeited shall be deemed to be the property of the Company, and the Board may sell, re allot or otherwise dispose of the same in such manner as think fit”

Power to annul forfeiture

Article 48 provides that, “The Board may, at any time before any share so forfeited shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as it thinks fit.”

ADRs/GDRs

Article 52 A provides that, “The Company shall, subject to the provisions of the Act, compliance with all applicable laws, rules and regulations, have power to issue ADRs or GDRs on such terms and in such manner as the Board deems fit including their conversion and repayment. Such terms may include, at the discretion of the

Board, limitations on voting by holders of ADRs or GDRs, including without limitation, exercise of voting rights in accordance with the directions of the Board or otherwise.”

Employees Stock Options

Article 52 B provides that, “Subject to the provisions of section 81 of the Act and the applicable law, the Company may issue options to the whole-time directors, officers, or employees of the Company, its subsidiaries or its parent, which would give such directors, officers or employees, the benefit or right to purchase or subscribe at a future date, the securities offered by the Company at a predetermined price, in terms of schemes of employee stock options or employees share purchase or both.”

Variation of Share Holder’s Rights

Article 52 C provides that, “If at any time the share capital is divided into different classes of shares, all or any of the rights and privileges attached to any class (unless otherwise prohibited by the terms of issue of the shares of that class) may, subject to the provisions of sections 106 and 107 of the Act, whether or not the Company is being wound up, be modified, commuted, affected, abrogated, varied or dealt with by the consent in writing of the holders of not less than three fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of three fourths of the issued shares of that class. To every such separate meeting the provisions of these regulations relating to general meeting shall mutatis mutandis apply but so that necessary quorum shall be five members or all the members holding or represented by proxy of the entire issued share of the class in the question.”

Power to Issue Shares with Differential Voting Rights

Article 52 D provides that, “The Company shall have the power to issue Shares with such differential rights as to dividend, voting or otherwise, subject to the compliance with requirements as provided for in the Companies (Issue of Share Capital with Differential Voting Rights) Rules, 2001, or any other law as may be applicable.”

Power to Issue Share Warrants

Article 52 E provides that, “The Company may issue share warrants subject to and in accordance with the provisions of Sections 114 and 115, and accordingly, the Board may in its discretion, with respect to any share which is fully paid up on an application in writing signed by the person registered as holder of the share, and authenticated by such evidence (if any) as the Board may from time to time require as to the identity of the persons signing the application, and on receiving the certificate (if any) of the share and the amount of the stamp duty on the warrant and such fee as the Board may from time to time require, issue a share warrant.”

Transfer and Transmission of Shares

Register of transfers

Article 53 provides that, “The Company shall keep a book to be called the “Register of Transfers”, and therein shall be fairly and directly entered particulars of every transfer or transmission of any share.”

Instruments of transfer

Article 54 provides that, “The instrument of transfer shall be in writing and all provision of section 108 of the Companies Act, 1956 and statutory modification there of for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.”

To be executed by transferor and transferee

Article 55 provides that, “Every such instrument of transfer shall be executed both by transferor and the transferee and the transferor shall be deemed to remain the holder of such share until the name of the transferee shall have been entered in the Register of Members in respect thereof. The Board shall not issue or register a transfer of any share in favour of a minor (except in cases when they are fully paid up).”

Transfer books when closed

Article 56 provides that, “The Board shall have power on giving seven days’ previous notice by advertisement in some newspaper circulating in the district in which the Office of the Company is situated to close the transfer books, the Register of Members or Register of Debenture holders at such time or times and for such period or periods, not exceeding thirty days at a time and not exceeding in the aggregate forty-five days in each year, as it may deem expedient.”

Directors may refuse to register transfer

Article 57 provides that, “Subject to the provisions of section 111A, these Articles and other applicable provisions of the Act or any other law for the time being in force, the Board may refuse whether in pursuance of any power of the Company under these Articles or otherwise to register the transfer of, or the transmission by operation of law of the right to, any shares or interest of a member in or debentures of the Company. The Company shall within one month from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was delivered to the Company, send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission, as the case may be, giving reasons for such refusal. Provided that the registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except where the Company has a lien on shares.”

Nomination

Article 58 provides that, “Every holder of shares in, or Debentures of the Company may at any time nominate, in the manner prescribed under the Act, a person to whom his Shares in or Debentures of the Company shall vest in the event of death of such holder.

Where the Shares in, or Debentures of the Company are held by more than one person jointly, the joint holders may together nominate, in the prescribed manner, a person to whom all the rights in the Shares or Debentures of the Company, as the case may be, held by them shall vest in the event of death of all joint holders.

Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, or in these Articles, in respect of such Shares in or Debentures of the Company, where a nomination made in the prescribed manner purports to confer on any person the right to vest the Shares in, or Debentures of the Company, the nominee shall, on the death of the Shareholders or holder of Debentures of the Company or, as the case may be, on the death of all the joint holders become entitled to all the rights in the Shares or Debentures of the Company to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner under the provisions of the Act.

Where the nominee is a minor, it shall be lawful for the holder of the Shares or holder of Debentures to make the nomination to appoint, in the prescribed manner under the provisions of the Act, any person to become entitled to the Shares in or Debentures of the Company, in the event of his death, during the minority.”

Transmission in the name of nominee

Article 59 provides that, “Any person who becomes a nominee by virtue of the provision of the above Article, upon production of such evidence as may be required by the Board and subject as hereinafter provided, elect, either:

- a) to be registered himself as holder of the shares or debentures, as the case may be; or
- b) to make such transfer of the shares or debentures, as the case may be, as the deceased shareholder or debenture holder, as the case may be, could have made.

If the nominee, so becoming entitled, elects himself to be registered as holder of the Shares or Debentures, as the case may be, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects and such notice shall be accompanied with death certificate of the deceased shareholder or debenture holder and the certificate(s) of Shares or Debentures, as the case may be, held by the deceased in the Company.

Subject to the provisions of Section 109B (3) of the Act and these Articles, the Board may register the relevant Shares or Debentures in the name of the nominee of the transferee as if the death of the registered holder of the Shares or Debentures had not occurred and the notice or transfer were a transfer signed by that shareholder or debenture holder, as the case may be.

A nominee on becoming entitled to Shares or Debentures by reason of the death of the holder, or joint holders shall be entitled to the same dividend and other advantages to which he would be entitled if he were the registered holder of the Share or Debenture, except that he shall not before being registered as holder of such Shares or Debentures, be entitled in respect of them to exercise any right conferred on a member or Debenture holder in relation to meetings of the Company.

The Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the Shares or Debentures, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonus, interest or other moneys payable or rights accrued or accruing in respect of the relevant Shares or Debentures, until the requirements of the notice have been complied with."

Registration of persons entitled to shares otherwise than by transfer (The transmission article)

Article 61 provides that, "Subject to the provisions of articles 56 and 57, any person becoming entitled to shares in consequence of the death, lunacy, bankruptcy or insolvency of any member, or the marriage of a female member, or by any lawful means other than by a transfer in accordance with these presents, may with the consent of the Board of Directors (which it shall not be under any obligation to give) upon producing such evidence that he sustains the character in respects of which he proposes to act under this article of his title, as the holder of the shares or elect to have some person nominated by him and approved by the Board of Directors, registered as such holder, provided nevertheless, that if such person shall elect to have his nominee registered he shall testify the election by executing to his nominee an instrument of transfer in accordance with the provisions herein contained and until he does so, he shall not be freed from any liability in respect of the shares. This Article is referred to in these Articles as the Transmission Article."

Transfer to be presented with evidence of title

Article 63 provides that, "Every instrument of transfer shall be presented to the Company duly stamped for registration accompanied by such evidence as the Board of Directors may require to prove the title of the transferor, his right to transfer the shares and generally under and subject to such conditions and regulations as the Board of Directors shall from time to time prescribe, and every registered instrument of transfer shall remain in the custody of the Company until destroyed by order of the Board of Directors."

Fee on transfer or transmission

Article 65 provides that, "No fee shall be charged for registration of transfer, transmission, probate, succession certificate and letters of administration, certificate of death or marriage, power of attorney or similar other document."

Company not liable for disregards of a notice in prohibiting registration of transfer

Article 66 provides that, "The Company shall incur no liability or responsibility whatsoever in consequence of its registering or giving effort to any transfer of shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of Members) to the Prejudice of persons having or claiming any equitable right, title or interest to or in the said shares, notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer, and may have entered such notice, or deferred thereto, in any book of the Company, and the Company shall not be bound or required to regard or attend or give effect to any notice which may be given to it of any equitable right title or interest, or be under any liability whatsoever for refusing or neglecting so to do, though it may have been

entered or referred to in some book of the Company; but the Company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereto, if the Board of Directors shall so think fit.”

Dematerialisation of Securities

Definitions

Article 67 provides that, “The provisions of this Article shall apply notwithstanding anything to the contrary contained in any other Articles.

1. For the purpose of this Article

‘Beneficial Owner’ means a person or persons whose name is recorded as such with a depository’
‘SEBI’ means the Securities & Exchange Board of India; established under Section 3 of the Securities & Exchange Board of India Act, 1992 and

‘Depository’ means a company formed and registered under the Companies Act, 1956, and which has been granted a certificate of registration to act as depository under Securities & Exchange Board of India Act, 1992; and wherein the securities of the Company are dealt With in accordance with the provisions of the Depositories Act, 1996.

2. Dematerialization of Securities

The Company shall be entitled to dematerialize securities and to offer securities in a dematerialized form pursuant to the Depositories Act, 1996.

3. Options for investors

Every holder of or subscriber to securities of the Company shall have the option to receive certificates for such securities or to hold the securities with a Depository. Such a person who is the beneficial owner of the securities can at any time opt out of a depository, if permitted bylaw, in respect of any securities in the manner provided by the Depositories Act, 1996 and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificates for the Securities.

If a person opts to hold his Securities with the depository, the Company shall intimate such depository the details of allotment of the Securities, and on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of the Securities

4. Securities in depositories to be in fungible form

All securities held by a depository shall be dematerialized and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372A of the Act shall apply to a depository in respect of the securities held by on behalf of the beneficial owners.

5. Rights of Depositories and beneficial owners

- (a) Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of securities of the Company on behalf of the beneficial owner.
- (b) Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.
- (c) Every person holding securities of the Company and whose name is entered as the beneficial owner of securities in the record of the depository shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of the securities which are held by a depository and shall be deemed to be a Member of the Company.

6. Service of Documents

Notwithstanding anything contained in the Act or these Articles to the contrary, where securities of the Company are held in a depository, the records of the beneficiary ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.

7. Transfer of securities

Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a depository.

8. Allotment of securities dealt with in a depository

Notwithstanding anything contained in the Act or these Articles, where securities are dealt with by a depository, the Company shall intimate the details thereof to the depository immediately on allotment of such securities

9. Distinctive number of securities held in a Depository

Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held with a depository.

10. Register and index of Beneficial Owners

The Register and Index of beneficial owners maintained by a depository under the Depositories Act, 1996 shall be deemed to be the Register and Index of Members and Security holders for the purposes of these Articles.”

Borrowing Powers

Power to borrow

Article 69 provides that, “The Board may, from time to time, at its discretion subject to the provisions of Section 292 of the Act, raise or borrow, either from the Directors or from elsewhere and secure the payment of any sum or sums of money for the purpose of the Company; provided that the Board shall not without the sanction of the Company in General Meeting borrow any sum of money which together with money borrowed by the Company (apart from temporary loans obtained from the Company’s bankers in the ordinary course of business) exceed the aggregate for the time being of the paid up capital of the Company and its free reserves, that is to say, reserves not set aside for any specific purpose.”

Conditions on which money may be borrowed

Article 70 provides that, “The Board may raise or secure the repayment of such sum or sums in such; manner and upon such terms and conditions in all respects as it thinks fit and in particular, by the issue of bonds, perpetual or redeemable, debentures or debenture-stock, or any mortgage, or other security on the undertaking of the whole or any part of the property of the Company (both present and future including its uncalled capital for the time being.”

Conversion of Shares in to Stock and Reconversion

Shares may be converted to stock

Article 76 provides that, “The Company in General Meeting may convert any paid-up shares into stock; and when any shares shall have been converted into stock, the several holders of such stock may henceforth transfer their respective interest therein, or any part of such interest, in the same manner and subject to the same regulations as, and subject to which the shares from which the stock arose might have been transferred, if no such conversion had taken place or as near thereto as circumstances will admit. The Company may at any time re-convert any stock into paid-up shares of any denomination.”

Meeting of Members

Annual General Meeting Summary

Article 78 provides that, “The company shall in each year hold a General Meeting as its Annual General Meeting in addition to any other meetings in that year. All General Meetings other than Annual General Meeting shall be Extraordinary General Meetings. The first Annual General Meeting shall be held within eighteen months from the date of incorporation of the company and the next Annual General Meeting shall be held within six months after the expiry of the financial year in which the first Annual General Meeting was held and thereafter an Annual General Meeting of the Company shall be held within six months after the expiry of each financial year, provided that not more than fifteen months shall elapse between the date of one Annual General Meeting and that of the next Nothing contained in the foregoing provisions shall be taken as affecting the right conferred upon the Registrar under the provisions of Section 166(1) of the Act to extend the time within which any Annual General Meeting may be held. Every Annual General Meeting shall be called for on a time during business hours, on a day that is not a public holiday, and shall be held in the office of the company or at some other place within the city in which the office of the Company is situated as the Board may determine and the Notices calling the Meeting shall specify it as the Annual General Meeting. The Company may in anyone Annual General Meeting fix the time for its subsequent Annual General Meeting. Every member of the Company shall be entitled to attend either in person or by proxy and the Auditor of the Company shall be entitled to attend and to be heard at any General Meeting which he attends on any part of the business, concerns him as Auditor. At every Annual General Meeting of the Company there shall be laid on the table the Directors’ Report (if not already attached in the Audited statement of Accounts) the proxy Register with proxies and the Register of Directors’ Share holdings of which latter Register shall remain open and accessible during the continuance of the meeting. The Board shall cause to be prepared the Annual List of Members, summary of the Share Capital, Balance Sheet and Profit and Loss Account and forward the same to the Registrar in accordance with Sections 159, 161 and 220 of the Act.”

Extraordinary General Meeting

Article 79 provides that, “The Board may, whenever it thinks fit, call an Extraordinary General Meeting and it shall do so upon a requisition in writing by any member or members holding in the aggregate not less than one-tenth of such of the paid-up capital as at the date carries the right of voting in regard to the matter in respect of which the requisition has been made.”

Quorum of General Meeting

Article 87 provides that, “A body corporate being a member shall be deemed to be personally present if it is represented in accordance with Section 187 of the Act.”

If quorum not present meeting to be dissolved or adjourned

Article 88 provides that, “If, at the expiration of half an hour from the time appointed for holding a meeting of the Company, a quorum shall not be present, the meeting, if convened by or upon the requisition of members shall stand dissolved, but in any other case the meeting shall stand adjourned to the same day in the next week or, if that day is a public holiday, until the next succeeding day, which is not a public holiday, at the same time and place, or to such other day and at such oilier time and place in the city or town in which the office of the Company is for the time being situate as the Board may determine and if at such adjourned meeting a quorum is not present at the expiration of half an hour from the time appointed for holding the meeting, the members present shall be quorum and may transact the business for which the meeting was called.”

Chairman of general meeting

Article 89 provides that, “The Chairman (if any) of the Board shall be entitled to take the chair at every General Meeting, whether Annual or Extraordinary. If there be no such Chairman of the Board, or if at any meeting he shall not be present within fifteen minutes of the time appointed for holding such meeting, or if he shall be unable or unwilling to take the Chair, then the directors present may choose one of their member to be the Chairman of the meeting. If no director be present or if all the directors present decline to take the chair, then the Members present shall elect one of their number to be Chairman.”

Article 90 provides that, “No business shall be discussed at any General Meeting except the election of a

Chairman, while the chair is vacant.”

Questions at general meeting decided

Article 92 provides that, “At any General Meeting a resolution put to vote at the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded by at least five members having the right to vote on the resolution and present in person or by proxy, or by the Chairman of the Meeting or by any member or members holding not less than one-tenth of the total voting power in respect of the resolution or by any member or members present in person or by proxy and holding shares in the Company conferring a right to vote on the resolution, being shares on which an aggregate sum has been paid-up on all the shares conferring that right, and unless a poll is demanded, a declaration by the Chairman that a resolution has on a show of hands, been carried unanimously, or by a particular majority, or lost, and an entry to that effect in the Minute Book of the Company shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against the resolution.”

Poll if be taken if demanded

Article 94 provides that, “If a poll is demanded as aforesaid, the same shall, subject to Article 89 be taken at such time (not later than forty-eight hours from the time when the demand was made) and place in the city or town in which the Office of the Company is for the time being situate and either by open voting or by ballot, as the Chairman shall direct, and either at once or after an interval or adjournment or otherwise, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll may be withdrawn at any time by the person or person who made the demand.”

Scrutinizers at poll

Article 95 provides that, “Where a poll is to be taken, the Chairman of the meeting shall appoint two scrutineers to scrutinize the vote given on the poll and to report thereon to him. One of the scrutinizers so appointed shall always be a member (not being an officer or employee of the Company) present at the meeting provided such member is available and willing to be appointed. The Chairman shall have power at any time before the result of the poll is declared to remove a Scrutinizer from office and fill vacancies in the office of Scrutinizer from such removal or from any other cause.”

Vote of Members

Members in arrears not to vote

Article 98 provides that, “No member shall be entitled to vote either personally or by proxy, at any General Meeting or Meeting of a class of shareholders, either upon a show of hands or upon a poll in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or, in regard to which the Company has, and has exercised any right of lien.”

Voting in person or by proxy

Article 103 provides that, “Subject to the provisions of these Articles, votes may be given either personally or by proxy. A body corporate being a member may vote either by a proxy or by a representative duly authorised in accordance with Section 187 of the Act, and such representative shall be entitled to exercise the same rights and powers (including the rights to vote by proxy) on behalf of the body corporate which he represents as the body could exercise if it were an individual member.”

Votes in respect of shares of deceased and insolvent members

Article 104 provides that, “Any person entitled under Article 60, to transfer any share may vote at any General Meeting in respect thereof in the same manner, as if he were the registered holder of such shares, provided that forty eight hours at least before the time of holding the meeting or adjourned meeting, as the case may be at which he proposes to vote he shall satisfy the Directors of his right to transfer such shares and give such indemnity (if any) as the Directors may require or the Directors shall have previously admitted his right to vote at such meeting in respect thereof.”

Appointment of proxy

Article 105 provides that, “Every proxy (whether a member or not) shall be appointed in writing under the hand of the appointer or his attorney, or if such appointer is a corporation under the common seal of such corporation, or be signed by an officer or any attorney duly authorised by it, and any Committee or guardian may appoint such proxy. The proxy so appointed shall not have any right to speak at the meeting.”

Passing of resolution by postal ballot

Article 112 provides that, “Notwithstanding any thing contained in the foregoing, the company shall transact such business, as may be specified by the Central Government from time to time, through the means of postal ballot. In case of resolutions to be passed by postal ballot, no meeting need to be held at a specified time and space requiring physical presence of members to form a quorum. Where a resolution will be passed by postal ballot the company shall, in addition to the requirements of giving requisite clear days notice, send to all the members the following:

- i) Draft resolution and relevant explanatory statement clearly explaining the reasons thereof.
- ii) Postal ballot for giving assent or dissent, in writing by members; and
- iii) Postage prepaid envelope (by Registered Post) for communicating assents or dissents on the postal ballot to the company with a request to the members to send their communications within 30 days from the date of dispatch of Notice

The Company shall also follow such procedure, for conducting vote by postal ballot and for ascertaining the assent or dissent, as may be prescribed by the Act and the relevant Rules made there under.”

Chairman of meeting to be the judge of validity of any vote

Article 113 provides that, “The Chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting. The Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.”

Directors

Article 115 provides as follows,

- “1. Until otherwise determined by a General Meeting of the Company and subject to the provisions of Section 252 of the Act, the number of Directors (excluding Debenture and Alternate Directors, (if any) shall not be less than three nor more than twelve.
2. The first Directors of the Company were the following:
 - i) Mr. Arun Kumar Khetan
 - ii) Mr. Sunil Kumar Sharma”

Power to appoint ex-officio directors

Article 116 provides that, “If at any time the Company obtains any loan or any assistance in connection there with by way of guarantee or otherwise from any person, firm, body corporate, local authority or public body (hereinafter called “the institution”) or if at any time the Company issues any shares, debentures and enters into any contract or arrangement with the institution, whereby the institution subscribes for or underwrites the issue of the Company’s shares or debentures or provides any assistance to the Company in any manner and it is a term of the relative loan, assistance, contract or agreement that the institution shall have the right to appoint one or more directors to the Board of the Company, then subject to the provisions of Section 225 of the Act and subject to the terms and conditions of such loan, assistance, contract or arrangement, the institution shall be entitled to appoint one or more director or Directors, as the case may be, to the Board of the Company and to remove from office any director so appointed and to appoint another in his place or in the place of Director so appointed who resigns or otherwise vacates his office, Any such appointment or removal shall be made in writing and shall be served at the office of the Company. The director or directors so appointed shall neither be required to hold any qualification share nor be liable to retire by rotation and shall continue in the office for so long as the relative

loan, assistance, contract or arrangement, as the case may be, subsists.”

Article 117 provides that, “If it is provided by the Trust Deed, securing or otherwise in connection with any issue of debentures of the Company, that any person or persons shall have power to nominate a Director of the Company, then in the case of any and every such issue of debenture, the person or persons having such power may exercise such power from time to time and appoint a Director accordingly. Any Director so appointed is herein referred to as Debenture Director. A Debenture Director may be removed from office at any time by the person or persons in whom for the time being is vested the power under which he was appointed and another Director maybe appointed in his place. A Debenture Director shall not be allowed to hold any qualification share.”

Appointment of alternate directors

Article 119 provides that, “The Board may appoint an Alternate Director to act for a Director (hereinafter called “the Original Director”) during his absence for a period of not less than three months from the State in which the meetings of the Board are ordinarily held. An Alternate Director appointed under this Article shall not hold office for a period longer than that permissible to the Original director in whose place he has been appointed and shall vacate the office of the Original Director when he returns to that State. If the terms of office of the Original Director are determined before he so returns to that state, any provisions in the Act or in these Articles for the automatic reappointment of any retiring Director in default of another appointment shall apply to the Original Director and not to the Alternate Director.”

Remuneration of Directors

Article 124 provides as follows,

- (1) “Subject to the provisions of the Act, a Managing Director, or Managing Directors or Director who is/are in the whole-time employment of the Company may be paid remuneration either by way of a monthly payment or at a specified percentage of the net profits of the Company or partly by one way and partly by the other.
- (2) Subject to the provisions of the Act, a Director who is neither in the whole-time employment nor a Managing Director, may be paid remuneration either:
 - i) by way of monthly, quarterly or annual payment or
 - ii) by way of commission if the Company by a special resolution authorised such payment.
- (3) The fees payable to a Director (including a Managing or whole-time Director, if any), for attending a Meeting of the Board or Committee thereof may be in accordance with and subject to the provisions of Section 309 of the Act or such other sum as the Company in General Meeting may from time to time determine.”

Director may contract with company

Article 128 provides as follows,

1. “A Director or his relative, a firm in which such Director or relative is a partner, or any other partner in such firm or a private company of which the Director is a member or a private company of which the Company is a member or director, may enter into any contract with Company for the sale, purchase or supply of any goods, materials, or services or for underwriting the subscription of any shares in, or debentures of the Company, provided that the sanction of the Board is obtained before or within three months of the date on which the contract is entered into in accordance with Section 297 of the Act.
2. No sanction shall, however, be necessary for :
 - a) any purchase of goods and materials from the Company, or the sale of the goods or materials to the Company, by any such director, relative, firms partner or private company as aforesaid for cash at prevailing market prices; or

- b) any contract or contracts between the Company on one side and any such Director, relative, firm, partner or private company on the other side for sale, purchase or supply of any goods, materials and services in which either the Company or the director, relative, firm, partner or private company, as the case may be, regularly trades or does business, where the value of the goods and materials or the, cost of such services does not exceed Rs. 5,000/- Rupees Five Thousand only) in the aggregate in any year comprised in the period of the contract or contracts.

Provided that in the circumstances of urgent necessity, a Director, relative, firm, partner or private company as aforesaid may 'without obtaining the consent of the Board enter into any such contract with the Company for the sale, purchase or supply of any goods, materials or services even if the value of such goods or the cost of such services exceeds Rs.5,000/- Rupees Five Thousand only) in the aggregate in any year comprised in the period of the contract and the consent of the Board shall be obtained to such contract or contracts at a meeting within three months of the date on which the contract was entered into."

Managing Directors

Board may appoint Managing Director or Managing Directors

Article 143 provides that, "Subject to the provisions of the Act and of these Articles, the Board shall have power to appoint from time to time any of its member or members as Managing Director or Managing Directors of the Company for fixed term not exceeding five years at a time and upon such terms and conditions as the Board thinks fit and subject to the provisions of Article 140, the Board may by resolution vest in such Managing Director or Managing Directors such of the powers hereby vested in the Board generally as it thinks fit, and such powers may be made exercisable for such period or periods and upon such conditions and subject to such restrictions as it may determine. The remuneration of a Managing Director may be by way of monthly payment, fee for each meeting or participation in profits, or by any or all these modes, or any other mode not expressly prohibited by the Act."

Proceedings of the Board of Directors

Meetings of Directors

Article 147 provides that, "The Directors may meet together as a Board for the dispatch of business from time to time, and shall so meet at least once in every three months and at least four such meetings shall be held in every year. The Directors may adjourn and otherwise regulate their meetings as they think fit."

Notice of Meeting

Article 148 provides that, "Notice of every meeting of the Board shall be given in writing to every Director for the time being in India, and at his usual address in India; to every other Director."

Quorum

Article 151 provides that, "The quorum for a meeting of the Board shall be determined from time to time in accordance with the provisions of the Section 287 of the Act. If a quorum shall not be present within fifteen minutes from the time appointed for holding a meeting of the Board it shall be adjourned until such date and time as the Chairman of the Board shall appoint."

Exercise of powers to be valid in meetings where quorum is present

Article 152 provides that, "A meeting of the Board of which a quorum be present shall be competent to exercise all or any of the authorities, powers and discretions by or under these Articles for the time being vested in or exercisable by the Board."

Power to appoint committee and a delegate

Article 154 provides that, "The Board may subject to the provisions of the Act, from time to time and at any time delegate any of its powers to a committee consisting of such Director or Directors as it thinks fit, and may from time to time revoke such delegation. Any committee so formed shall, in the exercise of the powers so

delegated, conform to any regulation that may from time to time be imposed upon it by the Board.”

Absolute powers of Board in certain cases

Article 160 provides that, “Without prejudice to the general powers conferred by the last preceding Article and so as not in any way to limit or restrict those powers, and without prejudice to the other powers conferred by these Articles, but subject to the restrictions contained in the last preceding Article, it is hereby declared that the Directors shall have the following powers; that is to say, power:

- 1) To pay the costs, charges and expenses preliminary and incidental to the promotion, formation, establishment and registration of the Company.
- 2) To pay any charge to the capital account of the Company and Commission or interest lawfully payable there out under the provisions of Sections 76 and 208 of the Act.
- 3) Subject to Sections 292 and 297 of the Act to purchase or otherwise acquire for the Company any property, rights or privileges which the Company is authorised to acquire, at or for such price or consideration and generally on such terms and conditions as they may think fit and in any such purchase or other acquisition to accept such title as the Directors may believe or may be advised to be reasonably satisfactory.
- 4) At their discretion and subject to the provisions of the Act to pay for any property, rights or privileges acquired by or services rendered to the Company, either wholly or partially, in shares, bonds, debentures, mortgages, or other securities of the Company, and such shares may be issued either as fully paid up or with such amount credited as paid up thereon as may be agreed upon all or any part of the property of the Company and its uncalled capital or not so charged;
- 5) To secure the fulfillment of any contracts or engagement entered into by the Company by mortgage or charge of all or any of the property of the Company and its uncalled capital for the firm being or in such manner as they may think fit;
- 6) To accept from any member, as far as may be permissible by law, a surrender of his shares or any part thereof, on such terms and conditions as shall be agreed;
- 7) To appoint any person to accept and hold in trust for the Company and property belonging to the Company, in which it is interested, or for any other purposes; and execute such deeds and do all such things as may be required in relation to any trust, and to provide for the remuneration of such trustee or trustees;
- 8) To institute, conduct, defend, compound or abandon any legal proceedings by or against the Company or its officers, or otherwise concerning the affairs of the Company, and also to compound and allow time for payment or satisfaction of any debts due, and of any claim or demands by or against the Company and to refer any differences to arbitration, and observe and, perform any awards made thereon;
- 9) To act on behalf of the Company in all matters relating to bankrupts and insolvents;
- 10) To make and give receipts, releases and other discharges for moneys payable to the Company and for the claims and demands of the Company.
- 11) Subject to the provisions of Sections 292, 295, 370 and 372 of the Act, to invest and deal with any moneys of the Company not immediately required for the purpose thereof upon such security (not being shares of this Company), or without security and in such manner as they think fit, and from time to time to vary the size of such investments. Save as provided in Section 49 of the Act, all investments shall be made and held in the Company’s own name;
- 12) To execute in the name and on behalf of the Company in favour of any Director or other person who may incur or be about to incur any personal liability whether as principal or surety, for the benefit of the Company, such mortgages of the Company’s property (present or future) as they think fit, and any such mortgage may contain a power of sale and such other powers, provisions, covenants and

agreements as shall be agreed upon.

- 13) To determine from time to time who shall be entitled to sign, on the Company's behalf, bills, notes, receipts, acceptances, endorsements, cheques, dividends, warrants, releases, contracts and documents and to give the necessary authority for such purpose;
- 14) To distribute by way of bonus amongst the staff of the Company, share or shares in the profits of the Company, and to give to any officer or other person employed by the Company a commission on the profits of any particular business or transaction; and to charge such bonus or commission as part of the working expenses of the Company;
- 15) To provide for the welfare of Directors or ex-Directors or employees or ex-employees of the Company and their wives, widows and families or the dependents or connections of such persons by building or contributing to the building of houses, dwellings or by grants of money, pension, gratuities, allowances, bonus or other payments, or by creating and from time to time subscribing or contributing to provident and other associations, institutions; funds or trusts and by providing or subscribing or contributing towards places of instructions and recreation, hospitals and dispensaries, medical and other attendance and other assistance as the Board shall think fit; and to subscribe or contribute or otherwise to assist or to guarantee money to charitable, benevolent, religious, scientific, national or other institutions or objects which shall have any moral or other claim to support or aid by the Company, either by reason of locality of operation, or of public and general utility or otherwise;
- 16) Before recommending any dividend, to set aside out of the profits of the Company such sums as they may think proper for depreciation or to Depreciation Fund, or to an Insurance Fund, or as a Reserve Fund, or Sinking fund, or any Special Fund to meet contingencies or to repay Debentures or Debenture stock, or for special dividends or for equalized dividends or for repairing, improving, extending and maintaining any of the property of the Company or for such other purpose (including the purposes referred to in the preceding clause), as the Board may, in their absolute discretion, think conducive to the interest of the Company, and subject to Section 292 of the Act, to invest the several sums so set aside or so much thereof as required to be invested upon such investments (other than shares of the Company) as they may think fit, and from time to time to deal with and vary such investments and dispose of and apply and expand all or any part thereof for the benefit of the Company, in such manner and for such purpose as the Board in their absolute discretion think conducive to the interest of the Company, notwithstanding that the matters to which the Board apply or upon which they expend the same, or any part thereof, may be matters to or upon which the capital moneys of the Company might rightly be applied or expended; and to divide the Reserve Fund into such special Funds as the Board may think fit, with full power to transfer the whole or any portion of a Reserve Fund or division of a Reserve Fund to another Reserve Fund or division, of a Reserve Fund and with full power to employ the assets constituting all or any of the above Funds, including the Depreciation Fund, in the business of the Company or in the purchase or repayment of Debentures or debenture stock, and without being bound to keep the same, separate from the other assets, and without being bound to pay interest on the same with power, however, to the Board at their discretion to pay or allow to the credit of such funds interest at such rate as the Board may think proper.
- 17) Subject to the provisions of the Act to appoint, and at their discretion remove or suspend such general managers, managers, secretaries, assistants, supervisor, clerks, agents and servants of permanent, temporary or special services as they may for time to time think fit, and to determine their powers and duties and fix their salaries or emoluments or remuneration, and to require security in such instances and to such amount as they may think fit also from time to time provide for the management and transaction of the affairs of the Company in any specified locality in India, or elsewhere in such manner as they think fit; and the provisions contained in the four next following subclauses shall be without prejudice to the general powers conferred by this sub-clause.
- 18) To comply with the requirements of any local law which in their opinion it shall, in the interest of the Company, be necessary or expedient to comply with;
- 19) From time to time and at any time to establish any Local Board for managing any of the affairs of the Company in any specified locality in India or elsewhere and to appoint any persons to the members of

such Local Boards and to fix their remuneration.

- 20) Subject to Section 292 & 293 of the Act from time to time and at any time, delegate to any person so appointed any of the powers, authorities and discretion for the time being vested in the Board, other than their power to make calls or to make loans or borrow moneys, and to authorise the Members for the time being of any such Local Board, or any of them to fill up any vacancies therein and to act notwithstanding vacancies, and any such appointment or delegation may be made on such terms and subject to such conditions as the Board may think fit, and the Board may at any time remove any person so appointed, and may annul or vary any such delegation.
- 21) At any time and from time to time by Power of Attorney under the Seal of the Company, to appoint any person or persons to be the Attorney or Attorneys of the Company, for such purposes and with such powers, authorities and discretion (not exceeding those vested in or exercisable by the Board under these presents and excluding the powers to make calls and excluding also, except in their limits authorised by the Board, the power to make loans and borrow money') and for' such period and subject to such conditions as the Board may from time to time think fit; and any such appointment may (if the Board thinks fit) be made in favour of the members or any of the Members of any Local Board, established as aforesaid or in favour of any company, or the share holders, directors, nominees or managers of any company or firm or otherwise in favour of any fluctuating body of persons whether nominated directly by the Board and any such power of Attorney may contain such powers for the protection or convenience of persons dealing with such attorneys as the Board may think fit and may contain powers enabling any such delegates or attorneys as aforesaid to sub-delegate all or any of the powers, authorities and discretions for the time being vested in them;
- 22) Subject to Sections 294, 294A, 297 and 301 of the Act, for or in relation to any of the matters aforesaid or otherwise for the purposes of the Company to enter into all such contracts, and to execute and do all such acts, deeds and things in the name and on behalf of the Company as they may consider expedient;
- 23) Subject to the provisions of Companies Act, 1956, the Board may pay such remuneration to Chairman/Vice Chairman of the Board upon such conditions as they may think fit."

The Company in general meeting may declare a dividend

Article 165 provides that, "The Company in General Meeting may declare dividends to be paid to members according to their respective rights, but no dividend shall exceed the amount recommended by the Board, but the company in general meeting may declare a smaller dividend."

Dividend only to be paid out of profits

Article 166 provides that, "No dividend shall be declared or paid otherwise than out of the profits of the financial year arrived at after providing for depreciation in accordance with the provisions of Section 205 of the Act or out of the profits of the Company for any previous financial year or years arrived at after providing for depreciation in accordance with these provisions and remaining undistributed or out of both, provided that;

- a) if the Company has not provided for depreciation for any previous financial year or years, it shall, before declaring or paying a dividend for any financial year, provide for such depreciation out of the profits of the financial year or years.
- b) if the Company has incurred any loss in any previous financial year or years, the amount of the loss or any amount which is equal to the amount provided for depreciation for that year or those years whichever is less, shall be set off against the profits of the company for the year for which the dividend is proposed to be declared or paid or against the profits of the Company for any previous financial year or years arrived at in both cases after providing for depreciation in accordance with the provisions of sub-section (2) of Section 205 of the Act, or against both."

Interim Dividend

Article 167 provides that, "The Board may, from time to time, pay to the Members such interim dividend as in their judgment, the position of the Company justifies."

Deduction of money owned to the company

Article 172 provides that, “No member shall be entitled to receive payments of any interest or dividend in respect of his share or shares, while any money may be due or owing from him to the Company in respect of such share or shares or otherwise howsoever, either alone or jointly with any other person or persons and the Board may deduct from the interest or dividend payable to any member all sums of money so due from him to the Company.”

Article 177 provides that, “Where the company has declared a dividend but which has not been paid or claimed within 30 days from the date of the declaration, transfer the total amount of dividend which remains unpaid or unclaimed within the said period of 30 days to a special account to be opened by the Company in that behalf in any scheduled bank to be called “Unpaid dividend of Microsec Financial Services Limited”. Any money transferred to the unpaid dividend account of the Company which remains unpaid/unclaimed for a period of 7 years from the date of such transfer, shall be transferred by the Company to the Investor Education and Protection Fund established under the sub section (1) of section 205C of the Act.

No unclaimed dividend or unpaid dividend shall be forfeited by the Board.”

Capitalisation of Reserves

Issue of Bonus Shares

Article 178 provides that, “Any General Meeting may resolve that any moneys, investments, or other assets forming part of undivided profits of the Company standing to the credit of the Reserves, or any Capital Redemption Reserve Fund, in the hands of the company and available for dividend or representing premiums received on the issue of shares and standing to the credit of the Share Premium Account be capitalised and distributed amongst such of the members as would be entitled to receive the same if distributed by way of dividend all in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalised fund be applied on behalf of such members in paying up in full any un issued shares, debentures, or debenture-stock of the Company which shall be distributed accordingly or in or towards payment of the uncalled liability on any issued shares, all that such distribution or payment shall be accepted by such members in full satisfaction of their interest in the said capitalised sum. Provided that any sum standing to the credit of a Share Premium Account or a Capital Redemption Reserve Fund may, for the purposes of this Article, only be applied in the paying up of un issued shares to be issued to members of the Company as fully paid bonus shares.”

Utilization of undistributed capital profits

Article 179 provides that, “A General Meeting may resolve that any surplus money arising from the realisation of any capital asset of the Company or any investments representing the same, or any other undistributed profits of the Company not subject to charge for income tax, be distributed among the members on the footing that they receive the same as capital.”

Resolving issues of fractional certificates

Article 180 provides that, “For the purpose of giving effect to any resolution under the two last preceding articles hereof the Board may settle any difficulty which may arise in regard the distribution as it thinks expedient and in particular may issue fractional certificates, and may fix the value of distribution of any specific assets, and may determine that cash payment shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest such cash or specific assets in trustees upon such trusts for the persons entitled to the Board. Where requisite, a proper contract shall be filed in accordance with Section 75 of the Act, and the Board may appoint any person to sign such contract on behalf of the person entitled to the dividend or capital fund, and such appointment shall be effective.”

Winding Up

Liquidators powers

Article 195 provides that, “The Liquidator on any winding-up (whether voluntary, under supervision or compulsory) may, with the sanction of a Special Resolution but subject to the rights attached to any preference

share capital, divide among the contributories in specie any part of the assets of the Company and may with the like sanction vest any part of the assets of the Company in trustees upon such trusts for the benefit of the contributories as the Liquidator, with the like sanction shall think fit.”

Indemnity and Responsibility

Person when to be indemnified by the company

Article 196 provides that, “Every officer or agent for the time being of the Company shall be indemnified out of the assets of the Company against all liability incurred by him in defending any proceeding, whether civil or criminal in which judgment is given in his favour or in which he is acquitted or discharged or in connection with any application under Section 633 of Act, in which relief is granted to him by the Court.”

Secrecy

No members to enter the premises of the company without permission

Article 197 provides that, “Subject to the provisions of these Articles and the Act no member, or other person (not being a Director) shall be entitled to enter the property of the Company or to inspect or examine the Company’s premises or properties of the Company without the permission of the Directors or to require discovery of or any information respecting any detail of the Company’s trading or any matter which is or may be in the nature of a trade secret, mystery of trade, or secret process or of any matter whatsoever which may relate to the conduct of the business of the Company and which in the opinion of the Directors will be inexpedient in the interest of the Company to communicate.”

SECTION IX: OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts which are or may be deemed material have been entered into or will be entered into by our Company. These contracts, copies of which have been attached to the copy of this Draft Red Herring Prospectus, will be delivered to the Registrar of Companies for registration and also the documents for inspection referred to hereunder, will be available for inspection at the Registered office of our Company situated at Shivam Chambers, 1st Floor, 53 Syed Amir Ali Avenue, Kolkata - 700 019, from 10.00 am to 4.00 pm on working days from the date of this Draft Red Herring Prospectus until the Bid/Issue Closing Date.

Material Contracts to the Issue

1. Issue Agreement between our Company and the BRLM dated March 20, 2010.
2. Memorandum of Understanding between our Company and the Registrar to the Issue dated February 9, 2010.
3. Escrow Agreement dated [●] between our Company, the BRLMs, the Escrow Banks and the Registrar to the Issue.
4. Syndicate Agreement dated [●] between our Company, the BRLMs and the Syndicate Members.
5. Underwriting Agreement dated [●] between our Company, the BRLMs and the Syndicate Members.

Material Documents

1. The Memorandum and Articles of Association of our Company as amended.
2. The certificate of incorporation of our Company.
3. Board resolutions in relation to the Issue.
4. Shareholders' resolutions in relation to the Issue.
5. Shareholders' Resolutions of the general body for appointment and remuneration of the whole-time Directors of our Company.
6. Agreement dated April 2, 2007 and the supplemental agreement dated July 3, 2007 between our Company and B.L. Mittal.
7. Statement of Tax Benefits from, S. R. Batliboi & Co., Chartered Accountants dated March 5, 2010.
8. Copies of annual reports of our Company for the years ended March 31, 2005, 2006, 2007, 2008 and 2009.
9. Consent of S.R. Batliboi & Co., the Auditors of our Company for inclusion of their examination reports on restated financial statements and statement of tax benefits in the form and context in which they appear in the Draft Red Herring Prospectus.
10. Consents of Bankers to our Company, BRLMs, Syndicate Members, Registrar to the Issue, Escrow Collection Bank(s), Bankers to the Issue, Legal Advisors to the Issue, IPO Grading Agency, Directors of our Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities.
11. Business Rights Agreement dated March 30, 2009 between our Company and Gulmohar Advisors Private Limited.
12. Agreement dated March 28, 2009 between our Company and Gulmohar Advisors Private Limited.

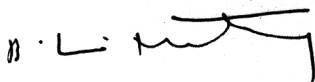
13. Initial listing applications dated [●] filed with BSE and NSE respectively.
14. In-principle listing approval dated [●] and [●] from BSE and NSE respectively.
15. Tripartite Agreement between NSDL, our Company and the Registrar to the Issue dated January 23, 2008
16. Tripartite Agreement between CDSL, our Company and the Registrar to the Issue dated January 18, 2008
17. Due diligence certificate dated March 20, 2010 to SEBI from the BRLM.
18. SEBI observation letter No. [●] dated [●].
19. IPO Grading Report dated [●] by [●].

Any of the contracts or documents mentioned in this Draft Red Herring Prospectus may be amended or modified at any time if so required in the interest of 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

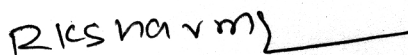
DECLARATION

All relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the regulations issued by Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules or regulations made thereunder or guidelines issued, as the case may be. We further certify that all the statements in this Draft Red Herring Prospectus are true and correct.

Signed by the Directors of our Company



Banwari Lal Mittal, Chariman and Managing Director



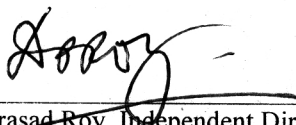
Ravi Kant Sharma, Non-Executive Director



Parimal Kumar Chattaraj, Independent Director



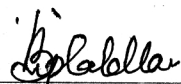
Raj Narain Bhardwaj, Independent Director



Deba Prasad Roy, Independent Director



Pankaj Kumar Kedia, Chief Financial Officer



Biplab Kumar Mani, Company Secretary

Date: **MARCH 20, 2010**

Place: Kolkata

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