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## MAHINDRA HOLIDAYS & RESORTS INDIA LIMITED

(Our Company was incorporated as a private limited company called 'Mahindra Holidays & Resorts India Private Limited' on September 20, 1996. The status of our Company was changed to a public limited company by a special resolution of the members passed at the annual general meeting held on January 29, 1998. The fresh certificate of incorporation consequent upon conversion was issued to our Company on April 17, 1998, by the Registrar of Companies, Tamil Nadu at Chennai.)

Registered Office: Mahindra Towers, 2<sup>nd</sup> Floor, No. 17/18, Patullos Road, Chennai – 600 002, Tamil Nadu

Company Secretary and Compliance Officer: Mr. Rajiv Balakrishnan

Tel: (91 44) 3988 1000, Fax: (91 44) 3027 7778, Email: investors@clubmahindra.com, Website: www.clubmahindra.com

**PUBLIC ISSUE OF 92,65,275 EQUITY SHARES OF Rs. 10 EACH OF MAHINDRA HOLIDAYS & RESORTS INDIA LIMITED ("MAHINDRA HOLIDAYS" OR THE "COMPANY" OR THE "ISSUER") FOR CASH AT A PRICE OF Rs. [●] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF Rs. [●] PER EQUITY SHARE), CONSISTING OF A FRESH ISSUE OF 58,96,084 EQUITY SHARES AND AN OFFER FOR SALE OF 33,69,191 EQUITY SHARES BY MAHINDRA & MAHINDRA LIMITED (THE "SELLING SHAREHOLDER"), AGGREGATING Rs. [●] CRORE (THE "ISSUE"). THE ISSUE WOULD CONSTITUTE 11.0 % OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF THE COMPANY.**

**THE FACE VALUE OF THE EQUITY SHARES IS RS. 10**

**THE PRICE BAND AND THE MINIMUM BID LOT SIZE WILL BE DECIDED BY US AND THE SELLING SHAREHOLDER IN CONSULTATION WITH THE GCBRLM AND THE BRLMs AND ADVERTISED ATLEAST TWO DAYS PRIOR TO BID/ISSUE OPENING DATE**

In case of revision in the Price Band, the Bidding Period will be extended for three additional days after revision of the Price Band subject to the Bidding Period/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to the 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 websites of the Global Co-ordinator and Book Running Lead Manager and the Book Running Lead Manager and at the terminals of the Syndicate.

In terms of Rule 19(2)(b) of the Securities Contract Regulation Rules, 1957 ("SCRR"), this being an Issue for less than 25% of the post-Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Issue will be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs"), out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.

### IPO GRADING

The Issue has been graded as 4/5 by Fitch Ratings India Private Limited pursuant to the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000, ("SEBI Guidelines"), indicating that the fundamentals of Issue are above average relative to other listed securities in India. The IPO Grading is assigned on a five-point scale from 5, with an IPO Grade of 5/5 indicating strong fundamentals and 1/5 indicating poor fundamentals. For details, see the section titled "General Information" on page ii.

### RISK IN RELATION TO THE FIRST ISSUE

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

### GENERAL RISKS

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

### ISSUER'S AND SELLING SHAREHOLDER'S ABSOLUTE RESPONSIBILITY

The Issuer and the Selling Shareholder, having made all reasonable inquiries, accept responsibility for and confirm that this Red Herring Prospectus contains all information with regard to the Issuer and the Issue, which is material in the context of the Issue, that the information contained in this Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

### LISTING ARRANGEMENT

The Equity Shares offered through this Red Herring Prospectus are proposed to be listed on the NSE and the BSE. We have received in-principle approval from NSE and BSE for the listing of our Equity Shares pursuant to letters dated January 23, 2009 and February 13, 2009, respectively. For purposes of this Issue, the Designated Stock Exchange is NSE.

#### GLOBAL CO-ORDINATOR AND BOOK RUNNING LEAD MANAGER



**Kotak Mahindra Capital Company Limited**  
3rd Floor, Bakhtawar, 229, Nariman Point, Mumbai 400 021, India  
Tel: (91 22) 6634 1100  
Fax: (91 22) 2283 7517  
Email: mhril ipo@kotak.com  
Investor grievance id: kmccredressal@kotak.com  
Website: www.kotak.com  
Contact Person: Mr. Chandrakant Bhole  
SEBI Registration No.: INM000008704

#### BOOK RUNNING LEAD MANAGER



**HSBC Securities and Capital Markets (India) Private Limited**  
52/60 Mahatma Gandhi Road, Fort, Mumbai 400 001, India  
Tel: (91 22) 2268 1086  
Fax: (91 22) 2263 1984  
Email: mhril ipo@hsbc.co.in  
Investor grievance id: investor grievance@hsbc.co.in  
Website: www.hsbc.co.in  
Contact Person: Mr. Amit Gupta  
SEBI Registration No.: INM000010353

#### REGISTRAR TO THE ISSUE



**Karvy Computershare Private Limited**  
Plot No. 17 to 24, Vithalrao Nagar, Madhapur, Hyderabad 500 081, India  
Tel: (91 40) 2342 0815-20  
Fax: (91 40) 2342 0814  
Email: einward.ris@karvy.com  
Website: www.karvy.com  
Contact Person: Mr. M. Murali Krishna  
SEBI Registration No.: INR000000221

### BID/ISSUE PROGRAMME

**BID/ISSUE OPENS ON**

**JUNE 23, 2009**

**BID/ISSUE CLOSES ON**

**JUNE 26, 2009**

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## SECTION I – GENERAL

### DEFINITIONS AND ABBREVIATIONS

#### General Terms

Term	Description
“We”, “us” and “our”	Unless the context otherwise requires, Mahindra Holidays & Resorts India Limited and our Subsidiaries on a consolidated basis
“Issuer”, the “Company”, “our Company” and “Mahindra Resorts”	Mahindra Holidays & Resorts India Limited on a stand alone basis

#### Company Related Terms

Term	Description
Articles	Articles of Association of our Company
Auditors	The statutory auditors of our Company, M/s. Deloitte Haskins & Sells, Chartered Accountants
Board / Board of Directors	Board of Directors of our Company
Directors	Directors of Mahindra Holidays & Resorts India Limited, unless otherwise specified
ESOS 2006	Mahindra Holidays & Resorts India Limited Employee Stock Option Scheme 2006
ESOS Trust	Mahindra Holidays & Resorts India Limited Employees’ Stock Option Trust
Memorandum	Memorandum of Association of our Company
Promoter	Mahindra & Mahindra Limited
MHFL	Mahindra Holdings and Finance Limited
Registered Office of our Company/Registered Office	Mahindra Towers, 2 <sup>nd</sup> Floor, No. 17/18, Patullos Road, Chennai – 600 002, Tamil Nadu, India
Subsidiaries	Mahindra Hotels & Residences India Limited, MHR Hotel Management GmbH, Mahindra Holidays and Resorts USA Inc. and Heritage Bird (M) Sdn Bhd

#### Issue Related Terms

Term	Description
Allotment/Allot	Unless the context otherwise requires, the issue and allotment of Equity Shares, pursuant to the Issue and the transfer of Equity Shares pursuant to the Offer for Sale
Allottee	The successful Bidder to whom the Equity Shares are/ have been allotted
Application Supported by Blocked Amount/ ASBA	The application (whether physical or electronic) used by a Resident Retail Individual Investors to make a Bid authorizing the SCSB to block the Bid Amount in their specified bank account maintained with the SCSB
ASBA Application Form	The ASBA Bid cum Application Form, upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC
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 Resident Retail Individual Investor who intends to apply through ASBA and (i) is bidding at Cut-off Price, with single option as to the number of shares; (ii) is applying through blocking of funds in a bank account with the SCSB; (iii) has agreed not to revise his/her bid; and (iv) is not bidding under any of the reserved categories
ASBA Public Issue Account	A bank account of the Company, under Section 73 of the Act where the funds shall be transferred by the SCSBs from the bank accounts of the ASBA Bidders
Banker(s) to the Issue	The banks which are clearing members and registered with SEBI as Banker to the Issue with whom the Escrow Account will be opened and in this case being Kotak Mahindra Bank Limited, HongKong and Shanghai Banking Corporation Limited, State Bank of India, Yes Bank Limited and HDFC Bank Limited
Bid	An indication to make an offer during the Bidding Period by a prospective investor to subscribe to or purchase the Equity Shares of our Company at a price within the Price Band, including all revisions and modifications thereto. For the purposes of

Term	Description
	ASBA Bidders, it means an indication to make an offer during the Bidding Period by a Retail Resident Individual Bidder to subscribe to the Equity Shares of our Company at Cut-off Price
Bid / Issue Closing Date	The date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in a widely circulated English national newspaper, a Hindi national newspaper and a Tamil newspaper with wide circulation
Bid / Issue Opening Date	The date on which the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in a widely circulated English national newspaper, a Hindi national newspaper and a Tamil newspaper with wide circulation
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to subscribe or purchase Equity Shares of our Company and which will be considered as the application for Allotment pursuant to the terms of the Red Herring Prospectus
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form
Bidding / Issue Period	The period between the Bid/ Issue Opening Date and the Bid/ Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids
Book Building Process/ Method	Book building route as provided in Chapter XI of the SEBI DIP Guidelines, in terms of which this Issue is being made
BRLMs/Book Running Lead Managers	Book Running Lead Managers to the Issue, in this case being HSBC Securities and Capital Markets (India) Private Limited and SBI Capital Markets Limited
Business Day	Any day other than Saturday and Sunday, on which commercial banks in Mumbai, India 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	Such branches of the SCSB which coordinate with the GCBRLM and the BRLMs, the Registrar to the Issue and the Stock Exchanges
Cut-off Price	A price within the price band finalised by our Company and the Selling Shareholder in consultation with the GCBRLM and the BRLMs. A Bid submitted at Cut-off Price by a Retail Individual Bidder is a valid Bid at all price levels within the Price Band. Retail Individual Bidders are entitled to bid at the Cut-off Price for a Bid Amount not exceeding Rs. 1,00,000. QIBs and Non-Institutional Bidders are not entitled to Bid at Cut-off Price
Designated Branches	Such branches of the SCSBs which shall collect the ASBA Bid cum Application Form used by ASBA Bidders and a list of which is available on <a href="http://www.sebi.gov.in/pmd/scsb.pdf">http://www.sebi.gov.in/pmd/scsb.pdf</a>
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account or the amount blocked by the SCSB is transferred from the bank account of the ASBA Bidder 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	NSE
DP ID	Depository Participant's Identity
DRHP or Draft Red Herring Prospectus	The Draft Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not contain complete particulars on the price at which the Equity Shares are offered and the size of the Issue
ECS	Electronic Clearing Service
Eligible NRI	NRI from such jurisdiction outside India where it is not unlawful to make an offer or invitation under the Issue and in relation to whom the Red Herring Prospectus constitutes an invitation to subscribe or purchase the Equity Shares offered thereby
Equity Shares	Equity shares of our Company of Rs. 10 each unless otherwise specified in the context thereof
Escrow Account	Account opened with the Escrow Collection Bank(s) for the Issue and in whose favour the Bidder (excluding the ASBA Bidders) will issue cheques or drafts in respect of the Bid Amount when submitting a Bid
Escrow Agreement	Agreement to be entered into by our Company, the Registrar to the Issue, the

Term	Description
	GCBRLM and the BRLMs, the Syndicate Members and the Escrow Collection Bank(s) for collection of the Bid Amounts and where applicable, refunds of the amounts collected to the Bidders (excluding the ASBA Bidders) on the terms and conditions thereof
Escrow Collection Bank(s)	The banks which are clearing members and registered with SEBI as Banker to the Issue with whom the Escrow Account will be opened and in this case being Kotak Mahindra Bank Limited, HongKong and Shanghai Banking Corporation Limited, State Bank of India, Yes Bank Limited and HDFC Bank Limited
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form or the ASBA Bid cum Application Form
Floor Price	The lower end of the Price Band, above which the Issue Price will be finalized and below which no Bids will be accepted
Fresh Issue	The fresh issue of 58,96,084 Equity Shares at the Issue Price by our Company
FII's	FIIs and sub-accounts registered with SEBI, other than a sub-account which is a foreign corporate or a foreign individual
FVCI	Foreign Venture Capital Investor registered under the Securities and Exchange Board of India (Foreign Venture Capital Investor) Regulations, 2000
GCBRLM/Global Co-ordinator and Book Running Lead Manager	Global Coordinator and Book Running Lead Manager to the Issue, in this case being Kotak Mahindra Capital Company Limited
HSBC	HSBC Securities and Capital Markets (India) Private Limited, having its registered office at 52/60 Mahatma Gandhi Road, Fort, Mumbai 400 001, India
Issue	Collectively the Fresh Issue and the Offer for Sale.
Issue Price	The final price at which Equity Shares will be issued and allotted in terms of the Red Herring Prospectus or the Prospectus. The Issue Price will be decided by our Company and the Selling Shareholder in consultation with the GCBRLM and the BRLMs on the Pricing Date
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
Kotak	Kotak Mahindra Capital Company Limited, having its registered office at 3 <sup>rd</sup> Floor, Bakhtawar, 229, Nariman Point, Mumbai 400 021, India
Kotak Securities	Kotak Securities Limited, having its registered office at 1st Floor, Bakhtawar, 229, Nariman Point, Mumbai 400 021, India
Mutual Fund Portion	5% of the QIB Portion or 2,77,958 Equity Shares available for allocation to Mutual Funds only, out of the QIB Portion
Mutual Funds	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996
Net Proceeds	Proceeds of the Fresh Issue, after deducting our Company's share of the underwriting and management fees, selling commissions and other expenses associated with the Issue
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. 1,00,000 (but not including NRIs other than eligible NRIs)
Non Institutional Portion	The portion of the Issue being not less than 9,26,527 Equity Shares of Rs. 10 each available for allocation to Non Institutional Bidders
Offer for Sale	The Offer for Sale by the Selling Shareholder of 33,69,191 Equity Shares of Rs. 10 each at the Issue Price
Pay-in Date	Bid Closing Date or the last date specified in the CAN sent to Bidders, as applicable
Pay-in-Period	(a) With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date; and extending until the Bid/ Issue Closing Date; and (b) With respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date and extending until the closure of the Pay-in Date, specified in the CAN
Price Band	Price band of a minimum price (Floor Price) of Rs. [●] and the maximum price (Cap Price) of Rs. [●] and includes revisions thereof including any revision to such Floor Price or Cap Price as may be permitted by the SEBI Guidelines. The Price Band and the minimum Bid lot size for the Issue will be decided by us and the Selling Shareholder in consultation with the GCBRLM and the BRLMs and advertised in all editions of the Financial Express, Jansatta and Makkal Kural at least two days

Term	Description
	prior to the Bid/Issue Opening Date.
Pricing Date	The date on which our Company and the Selling Shareholder in consultation with the GCBRLM and the BRLMs and the Selling Shareholder finalizes the Issue Price
Prospectus	The Prospectus to be filed with the RoC in terms of Section 60 of the Companies Act, containing, inter alia, the Issue Price that is determined at the end of the Book Building process, the size of the Issue and certain other information
Public Issue Account	Account opened with the Bankers to the Issue to receive monies from the Escrow Account on the Designated Date
QIB Margin Amount	An amount representing at least 10% of the Bid Amount which QIBs are required to pay at the time of submission of a Bid
QIB Portion	The portion of the Issue being at least 55,59,165 Equity Shares of Rs. 10 each to be allocated to QIBs
Qualified Institutional Buyers or QIBs	Includes public financial institutions as defined in S. 4A of the Companies Act, FIIs and sub-accounts registered with SEBI, other than a sub-account which is a foreign corporate or a foreign individual, scheduled commercial banks, mutual funds registered with SEBI, 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 with minimum corpus of Rs. 25 crores, pension funds with minimum corpus of Rs. 25 crores and the national investment fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of Government of India published in the Gazette of India
RTGS	Real Time Gross Settlement
Refund account	The account opened with Escrow Collection Bank(s), from which refunds, if any, of the whole or part of the Bid Amount (excluding to the ASBA Bidder) shall be made
Refund Banker	HDFC Bank Limited and Kotak Mahindra Bank Limited
Refunds through electronic transfer of funds	Refunds through ECS, Direct Credit, RTGS or the ASBA process, as applicable
Registrar to the Issue	Karvy Computershare Private Limited, having its registered office at Plot No. 17 to 24, Vithalrao Nagar, Madhapur, Hyderabad 500 081, India
Resident Retail Individual Bidder	Retail Individual Bidder who is a person resident in India as defined in Foreign Exchange Management Act, 1999 and who has not Bid for Equity Shares for an amount more than Rs. 100,000 in any of the bidding options in the Issue
Retail Individual Bidder(s)	Individual Bidders (including HUFs applying through their karta, Eligible NRIs and Resident Retail Individual Bidders) who have not Bid for Equity Shares for an amount 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 27,79,582 Equity Shares of Rs. 10 each available for allocation to Retail Bidder(s)
Revision Form	The form used by the Bidders excluding ASBA Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s)
SBI Caps	SBI Capital Markets Limited having its registered office at 202, Maker Towers 'E', Cuffe Parade, Mumbai 400 005, India
SBICAP Securities	SBICAP Securities Limited having its registered office at 191, Maker Towers 'F', Cuffe Parade, Mumbai 400 005, India
Selling Shareholder	Mahindra and Mahindra Limited
Self Certified Syndicate Bank/ SCSB	The banks which are registered with SEBI under the SEBI (Bankers to an Issue) Regulations, 1994 and offers services of ASBA, including blocking of bank account and a list of which is available on <a href="http://www.sebi.gov.in/pmd/scsb.pdf">http://www.sebi.gov.in/pmd/scsb.pdf</a>
SCSB Agreement	The agreement to be entered into between the SCSBs, the GCBRLM, the BRLMs, the Registrar to the Issue and our Company only in relation to the collection of Bids from the ASBA Bidders
Stock Exchanges	BSE and NSE
Syndicate	The GCBRLM, the BRLMs and the Syndicate Members
Syndicate Agreement	The agreement to be entered into between the Syndicate and our Company in relation to the collection of Bids (excluding Bids from the ASBA Bidders)
Syndicate Members	Kotak Securities Limited and SBICAP Securities Limited
TRS/ Transaction Registration Slip	The slip or document issued by a member of the Syndicate or the SCSB (only on demand), as the case may be, to the Bidder as proof of registration of the Bid

Term	Description
Underwriters	The GCBRLM, the BRLMs and the Syndicate Members
Underwriting Agreement	The Agreement between the members of the Syndicate, the Selling Shareholder and our Company to be entered into on or after the Pricing Date

### Conventional and General Terms/ Abbreviations

Term	Description
A/c	Account
Act or Companies Act	Companies Act, 1956 and amendments thereto
AGM	Annual General Meeting
AIRDA	All India Resort Development Association
ARDA	American Resort Development Association
AS	Accounting Standards issued by the Institute of Chartered Accountants of India
AY	Assessment Year
BSE	The Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
CRM	Customer Relations Management
Crore	Cr.
Depositories	NSDL and CDSL
Depositories Act	Depositories Act, 1996 as amended from time to time
DIPP	Department of Industrial Policy and Promotion
DP/ Depository Participant	A depository participant as defined under the Depositories Act, 1996
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
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
ECS	Electronic Clearing Service
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999 read with rules and regulations thereunder and amendments thereto
FII(s)	Foreign Institutional Investors (as defined under SEBI (Foreign Institutional Investor) Regulations, 1995 registered with SEBI under applicable laws in India
Financial Year/ Fiscal/ FY	Period of twelve months ended March 31 of that particular year
FIPB	Foreign Investment Promotion Board
GDP	Gross Domestic Product
GoI/Government	Government of India
HNI	High Networth Individual
HUF	Hindu Undivided Family
IFRS	International Financial Reporting Standards
ICAI	Institute of Chartered Accountants of India
IT	Information Technology
I.T. Act	The Income Tax Act, 1961, as amended from time to time
Indian GAAP	Generally Accepted Accounting Principles in India
IPO	Initial Public Offering
Mn / mn	Million
MOU	Memorandum of Understanding
MYR	Malaysian Ringgit
NA	Not Applicable
NAV	Net Asset Value being paid up equity share capital plus free reserves (excluding reserves created out of revaluation) less deferred expenditure not written off (including

Term	Description
	miscellaneous expenses not written off) and debit balance of Profit and Loss account, divided by number of issued equity shares
NOC	No Objection Certificate
NR	Non-resident
NRE Account	Non Resident External Account
NRI	Non Resident Indian, is a person resident outside India, as defined under FEMA and the FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	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
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number allotted under the Income Tax Act, 1961,
PIO	Persons of Indian Origin
PLR	Prime Lending Rate
QIB	Qualified Institutional Buyer
RBI	The Reserve Bank of India
RCI	Resort Condominiums International
Registration Act	Registration Act, 1908
RoC	Registrar of Companies
RONW	Return on Net Worth
Rs.	Indian Rupees
SCRA	Securities Contracts (Regulation) Act, 1956, as amended from time to time
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992
SEBI Act	Securities and Exchange Board of India Act 1992, as amended from time to time
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 as amended from time to time
S. or Sec.	Section
Stock Exchange(s)	BSE and/ or NSE as the context may refer to
US / USA	United States of America

### Industry Related Terms

Term	Description
Acre	Equals 43,560 sq. ft
Sq. ft.	Square Feet
The A.C. Nielsen Report	A.C. Nielsen – Club Mahindra Brand Track Dip 5 commissioned by us in July 2007

## CERTAIN CONVENTIONS; PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA

In this Red Herring Prospectus, resorts referred to as “our Resorts” are resorts the title to which is with our Company, and resorts which have been leased to us on a long-term basis and references to “resorts” refers to all resorts leased or owned by our Company.

All references to “Rupees” or “Rs” or “INR” are to Indian Rupees, the official currency of the Republic of India. All references to “US\$” or “U.S. Dollars” are to United States Dollars, the official currency of the United States of America. All references to “Euro” or “€” are to the currency of the European Economic Area. All references to “MYR” are to the currency of the Republic of Malaysia. All references to “Singapore Dollar” are to the currency of the Republic of Singapore.

Unless stated otherwise the financial data in this Red Herring Prospectus is derived from our restated consolidated financial statements prepared in accordance with Indian GAAP and the SEBI Guidelines, which are included in this Red Herring Prospectus. Our fiscal year commences on April 1 and ends on March 31 of the next year, so all references to a particular fiscal year are to the twelve-month period ended on March 31 of that year.

All the numbers in the document have been presented in crores or in whole numbers, where the numbers have been too small to present in crores.

There are significant differences between Indian GAAP, IFRS and US GAAP. 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 Indian GAAP financial statements included in this 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 Red Herring Prospectus should accordingly be limited.

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

Market and industry data used in this Red Herring Prospectus has generally been obtained or derived from industry publications and sources. These publications typically state that the information contained therein has been obtained from sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. In particular, we have relied on a report by AC Nielsen called “AC Nielsen – Club Mahindra: Brand Track-Dip 5” (the “**AC Nielsen Report**”). This AC Nielsen Report was commissioned by us. Neither we nor any other person connected with the Issue has verified the information sourced from this AC Nielsen Report. The AC Nielsen Report reflects estimates of market conditions based on samples, and is prepared primarily as a marketing research tool on the time share industry. This information should not be viewed as a basis for investments and references to AC Nielsen should not be considered as AC Nielsen’s opinion as to the value of any security or the advisability of investing in the Company. Although we believe that industry data used in this Red Herring Prospectus is reliable, it has not been verified. Similarly, we believe that the internal company reports are reliable. However, they have not been verified by any independent sources.

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

The following table sets forth, for each period indicated, information concerning the number of Rupees for which one US\$ could be exchanged at the on the last business day of the applicable period in Rupees as certified by [www.rbi.org.in](http://www.rbi.org.in). The row titled “Average” in the table below is the average of the exchange rate

for each day in the period. Similarly, the rows titled “low” and “high” give the lowest and highest exchange rates during the period.

	<b>Fiscal 2009</b>	<b>Fiscal 2008</b>	<b>Fiscal 2007</b>
Period End	50.95	39.97	43.59
Average	45.91	40.24	45.29
Low	39.89	39.27	43.14
High	52.06	43.15	46.95

For certain sections of this Red Herring Prospectus, we have used a conversion rate of foreign exchange rate for € and MYR as follows:

<b>Currency</b>	<b>As on March 31, 2009</b>	<b>As on March 31, 2008 ( in Rupees)</b>	<b>As on March 31, 2007 ( in Rupees)</b>
€	68.91	63.04	57.92
MYR	14.31	12.65	12.57
\$	52.17	39.00	43.44

## FORWARD-LOOKING STATEMENTS

This Red Herring Prospectus contains certain “forward-looking statements”. These forward looking statements can generally 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 meaning. 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 forward looking statement.

Important factors that could cause actual results to differ materially from our expectations include, among others:

- Our inability to manage the timing of vacation requests of our members;
- Loss of members or dissatisfaction of our members;
- Inability to expand our inventory of resorts;
- Inability to maintain effective quality control systems at the resorts;
- Changes in foreign exchange rates, equity prices or other rates or prices;
- High level of dependence on senior management and key managerial personnel;
- Increased competition;
- Our inability to manage our growth;
- Our failure to keep pace with rapid changes in technology;
- The monetary and interest policies of India, inflation, deflation, unanticipated turbulence in interest rates;
- Changes in the foreign exchange control regulations in India; and
- Changes in the regulatory regime applicable to our business.

For a further discussion of factors that could cause our actual results to differ, refer to “Risk Factors” and “Management’s Discussion of Financial Condition and Results of Operations” on pages xi and 233. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated.

Future looking statements speak only as of the date of this Red Herring Prospectus. Neither we, the Selling Shareholder, our Directors, 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, the GCBRLM, the BRLMs, our Company and the Selling Shareholder will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

## SECTION II - RISK FACTORS

*The risks and uncertainties described below together with the other information contained in this Red Herring Prospectus should be carefully considered before making an investment decision in our Equity Shares. The risks described below are not the only ones relevant to the country, the industry in which our Company operates, our Company or the Equity Shares. Additional risks, not presently known to our Company or that we currently deem immaterial, may also impair our Company's business and operations. To obtain a complete understanding of our Company, prospective investors should read this section in conjunction with the sections titled "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 88 and 233, respectively, as well as the other financial and statistical information contained in this Red Herring Prospectus. If any of the risks described below actually occur, our business, prospects, financial condition and results of operations could be seriously harmed, the trading price of our Equity Shares could decline, and prospective investors may lose all or part of their investment.*

*Prospective investors should pay particular attention to the fact that our Company is incorporated under the laws of India and is subject to a legal and regulatory environment, which may differ in certain respects from that of other countries. Prior to making an investment decision, prospective investors and purchasers should carefully consider all of the information contained in this Red Herring Prospectus (including the consolidated financial statements on page 176).*

*This Red Herring Prospectus also contains forward-looking statements that involve risk and uncertainties. Our Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Red Herring Prospectus. See "Forward-Looking Statements" on page x.*

*Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial or other implication of any of the risks described in this section. The numbering of the risk factors has been done to facilitate ease of reading and reference and does not in any manner indicate the importance of one risk over another.*

### **Internal Risk Factors**

#### **Risks Related to Our Business and Our Company**

##### **1) *Five of our eight directors have litigations pending against them.***

Our Chairman, Mr. A. K. Nanda, has 1 criminal case pending against him. The Registrar of Companies has filed a criminal complaint before the Additional Chief Metropolitan Magistrate, Esplanade Court, Mumbai, alleging contravention of the provisions of the Section 211 of the Companies Act. It has been alleged by the Deputy Registrar of Companies that M/s Ramani Hotels Ltd., of which Mr. Nanda is a director, had not prepared its balance sheet in accordance with Section 211 of the Companies Act. Non-compliance with Section 211(7) of the Companies Act would attract a penalty of ten thousand rupees or imprisonment up to 6 months or both. The matter was compounded by the Company Law Board pursuant to an order dated March 18, 2009, which has been filed with the Registrar of Companies, Mumbai on March 20, 2009.

Mr. Uday Phadke has received summons from the Special Metropolitan Magistrate, Municipal Bench Court in the name of four directors of Mahindra Subhlabh Services Limited including Mr. Uday Phadke, for alleged violation of Section 7 of the Shops and Establishment Act for non-renewal of their registrations certificate and non-display of the same at the establishment, as required. In addition, a notice was received from the Magistrate Court (First Class) at Kota against the directors of Mahindra Gujarat Tractor Limited including Mr. Uday Phadke for production of documents under Section 91 of the Criminal Procedure Code.

A case has been filed by the Registrar of Companies, Bangalore against Guestline Hospitality Management & Development Services Limited and its directors, including Mr. Rohit Khattar, for alleged violation of sections 146 and 628 of the Companies Act, 1956, in relation to the registered office of the company and penalty for false statements, respectively. The matter is pending before the magistrate in the economic offences court in Bangalore.

A writ petition has been filed by Mr. Karuppa, holder of a savings and demat account with ICICI Bank Limited against the RBI, Ministry of Finance and the directors and officials of the bank including Mr. Sridar Iyengar for alleged offences of criminal breach of trust and cheating. The matter is pending before the High Court at Madras. Also, Mr. Sylvia Fernandes has filed a case before the District Consumer Dispute Redressal Forum, Bandra, against 16 working and non working directors of the ICICI Bank Limited, including Mr. Sridar Iyengar alleging deficiency of services. The matter is settled between the parties and the complainant has filed a withdrawal application which has been taken on record.

The following cases have been filed against our director, Mr. Cyrus Guzder as chairman and managing director of AFL Pvt. Ltd.:

1. Case filed by BMC License Inspector in 2007, before the Magistrate Court, Pune, in connection with the non-compliance of some of the provisions under the Shops and Establishment Act.
2. Case filed by BMC before the Magistrate, Dadar, in connection with carrying on transportation of goods by logistics division without a license for the Sakinaka Premises.
3. Case filed by the Labour Inspector attached to the Municipal Corporation of Chennai in 2007 for: (a) carrying on transport business without a valid license.

For further details of the above cases, refer to section titled “Outstanding Litigation and Material Developments” on page 257 .

We cannot assure you that our directors will be able to successfully defend these cases pending against them. The consequences may adversely affect our business, reputation and results of operations.

**2) *The current worldwide economic recession has adversely affected, and is likely to continue to adversely affect, our business and our results of operations.***

Economic developments outside India have adversely affected the economy, our industry and our business. Since the second half of 2007, the global credit markets have experienced, and may continue to experience, significant volatility which have originated from the adverse developments in the United States and the European Union credit and sub-prime residential mortgage markets. These and other related events, such as the recent collapse of a number of financial institutions, have had and continue to have a significant adverse impact on the availability of credit and the confidence of the financial markets, globally as well as in India.

Our business is affected by domestic and international economic conditions, including rates of economic growth and the impact that such economic conditions have on consumer spending. The current downturn in global economies has led to an increased level of consumer delinquencies, lack of consumer confidence, decreased market valuations and liquidity, increased market volatility and a widespread reduction of business activity generally. The resulting economic pressure and dampened consumer sentiment has adversely affected our business and our results of operations. Specifically, in the third quarter of fiscal 2009, we experienced a reduction in the pace of new member acquisition, as customers postponed purchase decisions. The risks associated with new member acquisitions are more acute during periods of economic slowdown or recession because such periods are accompanied by decreased discretionary consumer and corporate spending.

In addition, market volatility has been unprecedented in recent months, and the resulting economic turmoil may continue to exacerbate industry conditions or have other unforeseen consequences, leading to uncertainty about future conditions in our industry. There can be no assurances that government responses to the disruptions in the financial markets will restore consumer confidence, stabilize the markets or increase liquidity and the availability of credit. Continuation or worsening of this downturn or general economic conditions may have an adverse effect on our business, liquidity and results of operations.

**3) *Our inability to manage the timing of vacation requests of our members could lead to member dissatisfaction as well as loss of revenue generation opportunities.***

Our members have the flexibility to choose the time (within certain seasonal limitations) and location of their vacations. If more than our anticipated number of members apply for a vacation in the same resort on the same dates of the year, we may not be in a position to satisfy their vacation requests. Declining members the usage of their requested week may lead to member dissatisfaction, which could have an adverse effect on our reputation, growth and results of operations.

Conversely, if less than our anticipated number of members apply to stay at any resort at any given time, we may have a large number of unused apartments, which could lead to a loss of revenue generation opportunities.

**4) *Our inventory of apartments and cottages may be in excess of the vacation ownerships sold by us and this may have an adverse affect on our results of operations. Similarly, our inventory of apartments and cottages could limit our growth prospects if such inventory is less than the number of vacation ownerships sold by us.***

As part of our growth strategy, we continuously work towards creation of new resorts. As development of resorts takes a substantial lead-time, there maybe circumstances wherein our inventory of apartments and cottages may be more than the number of vacation ownerships sold by us. As we generate revenues primarily through sale of vacation ownerships (67.25% of our total income was generated from sale of vacation ownerships for the fiscal year 2009), such mismatch between our inventory of apartments and cottages and the number of vacation ownerships sold, may increase our total expenditure during the period of the development of our resorts and the period where our excess inventory is unused.

In addition, the vacation ownerships we sell ranging from one to seven day periods, are limited by the total number of apartments and cottages available during the relevant season. As such, if we do not develop, acquire or lease additional resorts or increase the number of apartments and cottages at our existing resorts, we may not be able to sell additional vacation ownerships. Also, certain of our resorts are leased on a short term basis from third parties. If the lessors of these resorts do not renew their lease agreements with us on terms acceptable to us, or at all, or if we are unable to enter into agreements with other lessors of resorts, our inventory of apartments and cottages may be limited. This would limit our growth prospects and adversely affect our business.

**5) *Once we enroll a member, we have a long term commitment to service such member.***

Upon enrolment to the membership of Club Mahindra Holidays, we have an obligation to service our members for a period of 10 years, 25 years or 33 years. Servicing of our members requires us to maintain our resorts at certain specified standards for such number of years. We can give no assurance that we will be in a position to service our members for the entire tenure at their level of expectation. Our inability to maintain and operate our resorts and our inability to maintain the leases for our leased properties may have an adverse effect on our reputation, revenues and results of operations.

- 6) ***We may be unable to attract, retain and motivate senior management, hospitality and other skilled personnel, which could have an adverse impact on our operations.***

Owing to competition, we may not be able to attract, motivate and retain personnel with the skills and experience needed to successfully manage our business, operations and resorts, and successfully implement our business plan. Our inability to attract, hire or retain the necessary executive, hospitality, sales, marketing and other personnel, or the loss of the services of any member of our senior management team, could adversely affect our strategic and customer relationships, financial condition or results of operations and impede our ability to execute our growth strategies.

- 7) ***The land on which our resort at Munnar is located, is subject to legal proceedings.***

One of our flagship resorts is located at Munnar. The land on which such resort is located is subject to legal proceedings. The Sub-Collector, District of Devikulam had issued an order on July 3, 2007 cancelling the assignment of the land underlying the Munnar property to our Company and directing the Tahsildar to re-possess the land on the basis that such land is agricultural land. We filed an appeal before the Commissioner of Land Revenue, Trivandrum against the order of the Sub-Collector, however such appeal has been dismissed by the Commissioner of Land Revenue through an order dated November 22, 2007. We have filed a writ petition before the Kerala High Court on December 11, 2007 praying for, inter alia, quashing of the orders of the Commissioner of Land Revenue and Sub-Collector, District of Devikulam, and for an interim stay of all proceedings pursuant to the order of the Commissioner of Land Revenue. The Kerala High Court has admitted our writ petition and stayed the orders passed by the Commissioner of Land Revenue and Sub-Collector, District of Devikulam on December 13, 2007. The revenue from our resort at Munnar, as a percentage of our total revenues is stated below:

	Fiscal Year 2009	Fiscal Year 2008
Income from Munnar (Rs. In Crores)	9.60	8.63
Total Income (Rs. in Crores)	442.12	377.19
Percentage of Total Income	2.17%	2.29%

In the event of an adverse final order being passed against us, we may lose ownership of our Munnar resort, which will have an adverse effect on our business and results of operations.

- 8) ***There are income tax proceedings pending against us, which, if finally determined against us, will have an adverse effect on our business.***

The vacation ownership industry in India does not have a commonly acceptable revenue recognition policy. Under our revenue recognition policy, a portion of the proceeds from the sale of vacation ownership is recognized in the fiscal period it is received, the balance is recognized equally over the usage period. We are involved in ten proceedings in relation to income taxation matters regarding our revenue recognition policy wherein the Income Tax Department has asserted that the entire membership fees be considered as taxable income for the relevant assessment year. The legal proceedings relate to the assessment years 1998-1999 to 2006-2007. The total liability, including interest, in relation to such cases is Rs. 77.95 crores, as provided in our restated consolidated financial statements as of March 31, 2009. We can give no assurance that these legal proceedings will be decided in our favour. In the event that any or all of these legal proceedings are ruled against us it would have an adverse affect on the cash flows. In addition, we may be required to pay the aforesaid amount to the Income Tax Department along with other applicable penalties and levies, which would have an adverse effect on our results of operations. For more information regarding litigation, see section titled "Outstanding Litigation and Material Developments" on page 257.

- 9) ***There are consumer complaints pending against our Company, which if decided against us would affect our financial condition and results of operations.***

As of the date of this Red Herring Prospectus, there are 105 consumer cases filed against our Company. The total claims made against the Company in these consumer cases aggregates Rs. 2.40 crores. In most of these cases, the petitioners seek refund of membership fees on account of cancellation of membership alleging deficiency and negligence in the services provided by our Company. In certain cases, the petitioners have also claimed compensation for negligence, mental distress, physical agony and legal costs. We cannot assure you that these legal proceedings will be decided in our favour. Further, we cannot assure you that the provisions we have made for litigation will be sufficient or that new litigation will not be brought against us in the future. Our failure to successfully defend these claims, or if our current provisions prove to be adequate, our financial condition and results of operations will adversely be affected.

- 10) ***There are luxury tax proceedings pending against our Company, which if decided against us would affect our financial condition and results of operations.***

As of the date of this Red Herring Prospectus, there are 11 legal proceedings and two legal notices pending against our Company in relation to luxury tax cases aggregates Rs. 0.96 crore. We cannot assure you that these legal proceedings will be decided in our favour. Further, we cannot assure you that the provisions we have made for litigation will be sufficient or that new litigation will not be brought against us in the future. Our failure to successfully defend these claims, or if our current provisions prove to be inadequate, our financial condition and results of operations will adversely be affected.

For further details, refer to section titled “Outstanding Litigation and Material Developments” on page 257.

- 11) ***We need to adhere to our standard operating procedures and service level agreements and have effective quality control systems without which our business, reputation, results of operations or financial condition could be adversely affected.***

The performance and quality of our services at our resorts are critical to the success of our business. These factors depend significantly on the effectiveness of our quality control systems and standard operating procedures or the service level agreements for the leased resorts, which in turn, depend on the skills and experience of the hospitality personnel, the quality training program, and our ability to ensure that such personnel adhere to our policies and guidelines. Any failure or deterioration of our quality control systems could have an adverse effect on our business, reputation, results of operations or financial condition.

- 12) ***We may undertake acquisitions, investments, divestitures or strategic relationships in the future which may pose management and other challenges.***

We may undertake acquisitions, investments, divestitures or strategic relationships in the future as part of our growth strategy in India and overseas. We may be unable to identify acquisition targets that complement our business, and even if we are able to identify suitable acquisition targets, we may not be able to complete acquisitions of such targets on commercially reasonable terms, or at all. In addition, these acquisitions, investments, divestitures or strategic relationships, may not necessarily contribute to our profitability, may divert the attention of our management or require us to assume high levels of debt or contingent liabilities, as part of such transactions. Additionally, we could experience difficulty in combining operations and cultures, and may not realize the anticipated synergies or efficiencies from such transactions. Our ability to successfully integrate acquisitions will depend on a number of factors, including our ability to market and sell vacations at the acquired resorts and our ability to manage acquired resorts in a manner that results in customer satisfaction. There is no assurance that we will be successful with respect to any of these factors. These

difficulties could disrupt our ongoing business, distract our management and employees and increase our expenses.

**13) *Our inability to manage our growth strategy could disrupt our business and reduce our profitability.***

We have experienced high growth in recent years and expect our business to continue to grow significantly, including internationally. Although we plan to continue to expand our scale of operations through organic growth and investments in other entities, we may not grow at a rate comparable to our growth rate in the past, either in terms of income or profit. We expect our future growth to place significant demands on our management and operations, and require us to continuously evolve and improve our financial, operation and other internal controls across the organization. In particular, continued expansion increases the risks discussed in this section as well as other risks.

As part of our growth strategy, we have in the past diversified and intend to continue to diversify the portfolio of services offered by us. We intend to develop and operate hospitality management schools and offer fractional homes. However, such new business initiatives may not be successful. This could hamper our growth prospects and may also damage our reputation.

The success of our business will depend greatly on our ability to implement our business and strategies effectively. See “Our Business” on page 88. Even if we have successfully executed our business strategies in the past, there can be no assurance that we will be able to execute our strategies on time and within the estimated budget, or that we will meet the expectations of our targeted clients. Our inability to manage our business and strategies could have an adverse effect on our business, financial condition and profitability.

**14) *We have no operating history as a provider of homestay holidays.***

In July 2008, we launched Mahindra Homestays, which markets homestays to overseas and Indian travellers wishing to experience the real India by lodging with a host family in India. We have no operating experience in arranging and marketing homestays in the domestic or international market. Predicting financial performance in this sector is difficult, as we have no other direct competitors in India and there is little industry data available. As a result, there is no historical financial or operating information available to help you evaluate our past performance or predict our future performance in this segment. Further, in the event that a homestay family fails to adhere to the quality standards as set out in the agreement between us and the homestay family, our reputation may be harmed.

**15) *Our Club Mahindra Holidays and Club Mahindra Fundays members could be dissatisfied and our future sales for such service offerings could be affected if our Resorts do not qualify for participation in an exchange network or if we lose our affiliation with RCI.***

The attractiveness of vacation ownership interest is enhanced by the availability of exchange networks that allow our Club Mahindra Holiday and Club Mahindra Fundays members to exchange their occupancy rights for occupancy rights in a participating network resort. RCI provides broad-based exchange services and our existing seven resorts are currently qualified for participation in the RCI exchange network. Under our agreements with RCI, we are required to maintain certain standards at our RCI affiliated resorts and our inability to maintain such standards would result in the affiliation being withdrawn by RCI. We cannot be certain that we will be able to continue to qualify our Resorts or any future resorts for participation in the RCI network or any other exchange network. If such exchange networks cease to function effectively, or if our Resorts are not accepted as exchanges for other desirable resorts, or if RCI withdraws their affiliation with us, our members could be dissatisfied and the sales of vacation ownership interests could decline, which may adversely affect our business and results of operations.

**16) *Inability to procure land at our desired locations on acceptable terms may impact our revenues and operations.***

As part of our growth strategy we intend to purchase land and develop our own resorts. Our future growth plans are dependent on our ability to procure land at our desired locations and on acceptable terms for our future resorts. We may be unable to purchase land if the owners are not ready to sell their land at all or on acceptable terms. In addition, while we may have undertaken the required due diligence on the land prior to purchasing it, there can be no assurance that we may not have inherited a defective title to the land. Any such factors or other factors affecting our ability to acquire desired land, will affect our business and our ability to expand our existing resorts and develop new resorts, resulting in an adverse effect on our revenues and results of operations.

**17) *We face uncertainty of title to lands on which our Resorts are located.***

We face uncertainty of title to lands on which our Resorts are located. The difficulty of obtaining title guarantees in India means that title records provide only for presumptive rather than guaranteed title. Some of these lands may have irregularities of title, such as non-execution or non-registration of conveyance deeds and inadequate stamping and may be subject to encumbrances of which we may not be aware. Legal disputes in respect of land title can take several years and considerable expense to resolve if they become the subject of court proceedings and their outcome can be uncertain. The failure to obtain good title to a particular plot of land may materially prejudice the success of a development for which that plot is a critical part and may require us to write off expenditures in respect of the development and, as a result, could adversely impact our business and prospects.

**18) *Our resort operations are subject to hazards such as theft and other risks, and could expose us to liabilities, loss in income and increased expenses.***

Our resort operations are subject to hazards inherent in our services, such as risks of theft, vandalism, work accidents, fire or explosion, including hazards that may cause injury and loss of life, at our resorts, severe loss and damage to and destruction of property and environment. Some of such incidents which may or may not be caused as a result of negligence or fault of ours could also result in imposition of civil or criminal penalties on us. In addition, such events could affect our business, reputation, financial condition or results of operations.

**19) *Our Promoter will continue to exercise significant influence over us and their interests in our business may be different to those of other shareholders.***

Prior to the completion of this Issue, 93.64% of our issued and outstanding shares are owned by Mahindra & Mahindra Limited, our Promoter. Subsequent to the completion of this Issue, 83.09% of our issued and outstanding shares will be held by Mahindra & Mahindra Limited. Our Promoter has, and will continue to have, considerable influence over our business and may take actions that do not reflect the will or best interests of the other shareholders, or our best interests. This concentration of ownership also may delay, defer or prevent a merger, acquisition or change in control and may make some transactions more difficult or impossible to complete. We cannot assure you that the interests of our Promoter will not conflict with our interests or with the interests of other shareholders.

**20) *We may be subject to industrial unrest or slow-downs by our employees.***

India has stringent labour legislations that protect the interests of workers, including a legislation that sets forth detailed procedures for the establishment of unions, dispute resolution, and employee removal and a legislation that imposes certain financial obligations on employers upon retirement of employees. To the extent that we are subject to industrial unrest, slow-down or increased wage costs due to our employees, either individually or collectively, in one resort or across more than one

resort, it may become difficult for us to maintain flexible labour policies, and our business may be adversely affected.

**21) *The potential liability for any failure to comply with environmental laws or for any currently unknown environmental problems could be significant.***

Under various applicable environmental laws and regulations, we, as the owner or operator of real property may be liable for failing to maintain air and water pollution within prescribed levels, or for failing to comply with various environmental regulations while constructing and operating our resorts. We are not aware of any environmental liability that could have a material adverse effect on our business, assets or results of operations, nor have we been notified by any governmental authority or any third party, and we are not otherwise aware, of any material non-compliance or other claim relating to hazardous or toxic substances in connection with any of our present or former properties. We cannot, however, assure you that we will remain in compliance with all environmental laws and regulations, or that the requirements of such laws and regulations will not change.

**22) *Losses from hurricanes, earthquakes or other disasters in excess of insured limits, as well as uninsured losses, could be significant and could affect our business and results of operations.***

Three of our resorts are located in areas that are subject to hurricanes and tropical storms. Additionally, resorts may be subject to damage resulting from earthquakes and other natural disasters. We carry public liability insurance at all of our owned and leased resorts, and fire and special perils insurances with coverage for fires, floods, windstorms and earthquakes at some of our resorts and offices. In addition, we have also obtained public liability non-industrial risk policy for certain homes covered as part of Mahindra Homestays. However, there are certain types of losses, such as losses arising from acts of war, civil unrest and terrorism that are not generally insured because they are either uninsurable or not economically insurable. Should an uninsured loss or a loss in excess of insured limits occur, we could lose our capital invested in a resort, as well as the anticipated future revenues from the resort, and would continue to be obligated on any mortgage indebtedness or other obligations related to the property. Any such loss could have an adverse effect on our business and results of operations.

**23) *We are subject to risks relating to competition that may adversely affect our performance.***

The issues affecting companies in our industry primarily include competition from a broad range of lodging, hospitality and entertainment companies. Our competitors may offer more favourable terms than the terms that we currently offer under our existing terms of sale. The terms of our sales may be influenced by the terms that our competitors are offering at the time we enter into such contracts. In addition, our business faces other competitive risks, and if such risks materialize, the performance of our business may be adversely affected.

**24) *The infringement or the inability to register our intellectual property rights could adversely affect our business.***

We own three trademarks for 'Club Mahindra International', five trademarks for 'Club Mahindra Festival', both of which are registered until June 5, 2013, one trademark for 'Club Mahindra Holidays Unlimited', which is registered until March 4, 2018 and four trademarks for 'Zest', which are registered until June 9, 2016. In addition, we have made 18 trademark/service mark applications before the Registrar of Trademarks, Chennai for trademarks for our service offerings in various combinations and classes, of which two trademark applications have been opposed, one each for 'Hello' and 'Zest'. We have also applied for the registration of our logo. The infringement or the inability to register our trademarks, copyrights, logo and other intellectual property rights could adversely affect our business. Our intellectual property rights are fundamental to our brand and we believe the strength of our brand gives us a competitive advantage. We use our intellectual property rights to protect the goodwill of our brand, promote our brand name recognition, enhance our

competitiveness and otherwise support our business goals and objectives. We cannot assure you that the steps we take to obtain, maintain and protect our intellectual property rights will be adequate.

**25) *We do not own the Mahindra trademark.***

There is significant goodwill in the Mahindra name and trademark. The use of the Mahindra trademark has been licensed to us by Mahindra & Mahindra Limited, a Promoter, with effect from September 20, 1996. If the Mahindra trademark becomes unavailable to us in the event of a breach or termination of the agreement, or in the event of a failure by Mahindra & Mahindra Limited to protect its intellectual property in the Mahindra name and trademark or if the terms under which we have licensed the said name, trademark and logo from Mahindra & Mahindra Limited are altered, our business, financial condition and results of operations could be adversely affected.

**26) *Our Registered Office is sub-leased and is terminable by the lessor, Mahindra & Mahindra Limited, by giving one month's notice.***

Our Registered Office has been sub-leased by us from Mahindra & Mahindra Limited, a Promoter. Such lease is terminable by us as well as our lessor on the provision of one month's notice. In the event the lessor terminates the lease, does not renew the lease agreement on terms acceptable to us, or at all, or if we are unable to enter into an agreement with other lessors, we may lose our Registered Office. This may limit our growth prospects and adversely affect our business.

**27) *Some of our resorts are leased on a short term basis and are terminable by the lessor without assigning any reason.***

In addition to our Resorts, to provide additional choice to our members, we have leased from third parties 72 apartments and cottages across five resorts as of May 31, 2009, on a short term basis (terms less than two years). Such leases are terminable not only by us but also by the lessor without assigning any reason. If the lessors of these resorts terminate their leases, do not renew their lease agreements with us on terms acceptable to us, or at all, or if we are unable to enter into agreements with other lessors of resorts, additional choice to our members would be limited, which this may result in member dissatisfaction, affecting our growth prospects and our business. The 72 apartments and cottages on short term lease constitute 5.71% of the total 1,261 apartments and cottages across the 27 Resorts of the Company.

**28) *We have entered into an agreement to develop a hotel and serviced apartments and expect to commence construction of the hotel by September 2009.***

Pursuant to a lease deed dated March 28, 2007 and co-developer agreement dated December 12, 2006, with Mahindra World City Developers Limited, we were obligated to commence construction of a hotel in the special economic zone of Mahindra World City, Chennai by March 28, 2008 and to commence operations of the hotel not later than 24 months, from date of the lease deed. Our obligation to commence construction has been extended to September, 2009. If we are not able to fulfill our obligation to commence construction and operations on time, we will be in default under the abovementioned lease deed and co-developer agreement. Further, we have no operating experience in developing hotels. As a result, there is no historical financial or operating information available to help you evaluate our past performance or predict our future performance in this segment.

**29) *Certain resorts are leased and not managed by us. If standard operating procedures and service level agreements are not adhered to, our members may be dissatisfied, which would affect our operations.***

Currently, out of 1,261 apartments and cottages, 157 apartments and cottages are leased and are not under our management and control. Such resorts are managed and operated by third parties from whom we have leased such properties and their management and operations are not under our

control. In the event the management of such resorts are not in compliance with standard operating procedures and service level agreements, our members maybe dissatisfied with the services provided by such resorts and this could affect our business and results of operations.

- 30) *As of March 31, 2009, 25.11% of our receivables are securitized with Yes Bank, HDFC Bank, HDFC Limited and MMFSL. In the event of a default in payment by the members underlying such receivables, such banks will have recourse to us for the shortfall which could affect our results of operations.***

As of March 31, 2009, 25.11% of our receivables are securitized with Yes Bank, HDFC Bank, HDFC Limited and MMFSL as security for the financing obtained by us from such banks. In the event of a rescission or cancellation of membership by members whose memberships are securitized with the banks, the banks will have recourse to us for providing substitute new or existing members, which could affect our revenues and results of operations. In addition, if the number of rescissions and cancellations is significant, our securitization ratings could be adversely affected.

- 31) *Disruptions and other impairment of our information technologies and systems could adversely affect our business.***

Any disruption or other impairment in our information technology capabilities could harm our business. Our business depends upon the use of sophisticated information technologies and systems for reservation systems, property management, communications, procurement, member record databases, call centers and administrative systems. We cannot assure you that we will be able to continue to operate effectively and maintain such information technologies and systems.

In addition, our information technologies and systems are vulnerable to damage or interruption from various causes, including power losses, computer systems failures, Internet and telecommunications or data network failures, computer viruses, hacking and similar events. We maintain certain disaster recovery capabilities for critical functions in our business. However, we cannot assure you that these capabilities will successfully prevent a disruption to or an adverse effect on our business or operations in the event of a disaster or other business interruption. Any extended interruption in our technologies or systems could significantly curtail our ability to conduct our business and generate revenue.

- 32) *Demand seasonality may cause fluctuations in the income and net profit generated from our room rentals from non-members.***

We experience seasonal fluctuations in our income and net profit from our non-member room rentals. Such rental income constituted 3.96% of our total income for the fiscal year 2009.

In addition, our results of operations may be affected by the potential impact of weather or other conditions in the regions where we operate. As we expand into new markets and geographical locations, we may experience increased or different seasonality dynamics that create fluctuations in operating results different from the fluctuations we have experienced in the past.

- 33) *Disruptions or lack of basic infrastructure such as our electricity, water supply and transport could adversely affect our operations.***

The industry in which we operate is a service industry. Any disruption in basic infrastructure such as supply of electricity, water and transportation could affect the operations of our resorts, the services to our guests and increase our operating costs, and, as a result, could have an adverse effect on our business, results of operations and financial condition.

**34) *We require regulatory approvals in the ordinary course of our business, and the failure to obtain them in a timely manner or at all may adversely affect our operations.***

We require regulatory approvals, sanctions, licenses, registrations and permissions for operating our business, most of which expire in due course from time to time. We generally apply for renewals of such regulatory approvals, sanctions, licenses, registrations and permissions, prior to or upon their expiry. Further, we have recently acquired certain resorts, which would require that the existing approvals, licenses, registrations and permissions in the name of the vendor should be transferred to the Company. In addition, we rely upon the owners of some of our leased resorts to obtain and maintain all regulatory approvals, sanctions, licenses, registrations and permissions for operating those resorts. However, we cannot assure you that we or such owners will obtain all regulatory approvals, sanctions, licenses, registrations and permissions that we may require in the future, or receive renewals or transfers of existing or future approvals, sanctions licenses, registrations and permissions in the time frames required for our operations or at all, which could adversely affect our business. Please refer to page 284 of this Red Herring Prospectus for details of applications of approvals currently pending.

**35) *We undertake construction risks in the development of our resorts.***

We contract with third-party contractors to construct our resorts, and, accordingly their compliance with our construction schedules and budgets is not fully under our control. In addition, claims may be asserted against us for construction defects and may give rise to liabilities. In addition, state and local laws may impose liability on property developers with respect to construction defects discovered or repairs required to be made by future owners of a property. Our construction activities are also subject to risks relating to:

- the inability to obtain, or delays in obtaining, all necessary zoning, land-use, building, occupancy, sales and other required governmental and local regulatory permits and authorizations;
- construction costs or delays at a property may exceed original estimates which could make the development uneconomical or unprofitable;
- the possibility of fines and penalties being imposed on us due to non-compliance with statutory requirements by the contractor; and
- the ability to obtain adequate financing to complete the acquisition, construction or renovation work at resorts.

We received a notice for demolition dated January 15, 2009 from the Office of the Village Panchayat, Varca, Salcete, Goa under the Goa Panchayat Raj Act, 1994 for our resort at Varca, Goa, directing us to demolish an alleged illegal construction of a swimming pool and pucca structures. The notice has been quashed pursuant to an appeal filed by us and the matter has been remanded back to the village panchayat to survey the illegal structures in the area and give a personal hearing to us. Any adverse final order or notices being issued against us in relation to the same may have an adverse effect on our business and results of operations.

Any of the above risks, should they occur, could have an adverse effect on our business, results of operation and financial condition.

**36) *We are subject to operating or other risks generally applicable to the leisure hospitality industry.***

Our business is subject to the following operating or other risks generally applicable to the leisure hospitality industry:

- changes in preferences of our members;
- increases in costs due to inflation that may not be fully offset by price and fee increases in our business;

- competition for desirable sites for the development of resorts; and
- liability under state and local laws with respect to any construction defects in the resorts we develop.

**37) *Our funding requirements and deployment of the Net Proceeds is based on management estimates and have not been independently appraised.***

Our funding requirements and the deployment of the Net Proceeds is based on management estimates and have not been appraised by any bank or financial institution. In view of the competitive nature of the industry in which we operate, we may have to revise our management estimates from time to time and, consequently, our funding requirements may also change. This may result in the rescheduling of our expenditure programs and an increase or decrease in our proposed expenditure for a particular matter. Further, the Net Proceeds are to be deployed at the sole discretion of our Board of Directors and are not subject to monitoring by any independent agency.

**38) *Our inability to maintain our relationships with our franchisee sales agents and ensure adherence to standard operating procedures by our franchisee sales agents may affect our sales operations.***

We conduct our sales through various channels, including through franchisee sales agents which constituted 26.73% of our total sales for the fiscal year 2009. If our franchisee sales agents terminate or do not renew their agreements with us, our franchisee network may be reduced, which may affect our sales operations. In addition, while we have certain minimum standards required to be maintained by our franchisee sales agents, absence of adequate monitoring of these sales agents by us or our inability to maintain effective relationships may also affect our sales operations and results of operations.

**39) *The vacation ownership industry has suffered from lack of consumer confidence in the past and our inability to gain the confidence of prospective members may impact our future growth.***

The vacation ownership industry in India has suffered from loss of consumer confidence by virtue of inappropriate business practices by certain companies resulting in a general disgruntlement against the vacation ownership industry. We have faced and continue to face the challenge of building consumer confidence in our industry and our inability to generate the required faith and confidence in prospective members will impact our future growth, revenues and results of operation.

**40) *We are exposed to credit risk if our members default on their mortgages or payment of subscription fees.***

We currently securitize (with recourse) a large part of our mortgage receivables in order to fund capital expenditure. In the event that a member defaults on payment of a mortgage, we substitute such defaulting member on the securitized mortgage portfolio with either a new member or a member from our non-securitized portfolio of receivables. The vacation ownership interest of the defaulting member is then added to our existing inventory, which we sell at market rates. An increase in default rates could affect our securitization rating on our mortgage portfolio, thereby affecting future capital expenditure. We are also subject to default risk on annual subscription fees.

**41) *Under the agreement with Yes Bank which sanctions our overdraft facilities, Yes Bank has the right to enforce the security in the event our management ceases to enjoy the confidence of Yes Bank.***

We have been sanctioned a Rs. 60 crore cash credit facility by Yes Bank. Under the terms of the facility agreement, Yes Bank has the right to call for all payments due and enforce the securities in the event the bank loses confidence in the management of our Company. We can give you no assurance on whether or not our management will continue to enjoy the confidence of Yes Bank and their failure to do so may impact our financial condition.

- 42) *There are legal proceedings and inquiries pending against us, which, if finally determined against us, will have an adverse effect on our business.*

We are involved in legal proceedings and claims in relation to the following category of cases:

Type of Cases	Number of Cases	Amounts claimed (In Rs. Crore)
Property cases	7	0.04
Civil cases	6	0.02
Direct tax related litigation	10	86.12*
Indirect tax related litigation	11	0.96+
Consumer cases	105	2.40
Miscellaneous cases	2	0.04
Potential litigations	5	0.07
Past penalties	1	0.002

\* As of March 31, 2009

+ Additional penalty and interest may be levied and it is not included in this amount.

These legal proceedings are pending at different levels of adjudication before various courts and tribunals. For more information regarding litigation, see section titled “Outstanding Litigation and Material Developments” beginning on page 257. We cannot assure you that these legal proceedings will be decided in our favour. Further, we cannot assure you that the provisions we have made for litigation will be sufficient or that new litigation will not be brought against us in the future. If we fail to successfully defend these or other claims, or if our current provisions prove to be inadequate, our business, financial condition and results of operations could be adversely affected.

- 43) *There are legal proceedings and inquiries pending against our Promoter, which, if finally determined against them, could have an adverse effect on our business and reputation.*

Our Promoter is involved in legal proceedings and claims in relation to the following category of cases:

	Number of Cases	Amounts claimed (In Rs. Crore)
<b>Mahindra and Mahindra Limited</b>		
<b>(As on May 31, 2009)</b>		
Civil cases	57	17.53
Criminal cases	4	-
Employee related cases	278	13.27
Property related litigation	6	1.23
Consumer cases	1,304	17.05
Workmen related cases	933	32.43
Income tax related matters	66	226.88
Sales tax related matters	5	194.26
Excise related matters	59	773.17
Pending litigation	36	23.34
Past penalties	1	0.25

These legal proceedings are pending at different levels of adjudication before various courts and tribunals. For more information regarding litigation against our Promoter, see section titled “Outstanding Litigation and Material Developments” beginning on page 257. We cannot assure you that these legal proceedings will be decided in the favour of our Promoter. Further, we cannot assure you that the provisions they have made for litigation will be sufficient or that new litigation will not be brought against them in the future. If they fail to successfully defend these or other claims, or if their current provisions prove to be inadequate, our business and reputation could be adversely affected.

- 44) *We have not entered into any definitive agreements to use the Net Proceeds.*

The Net Proceeds are expected to be used as set forth under “Objects of the Issue” beginning on page 59. The use of the Net Proceeds is at our sole discretion. We have not entered into any definitive agreements to utilise a substantial portion of the Net Proceeds. We have not identified or approved of any investments in assets or otherwise, or any acquisition targets to utilise the Net Proceeds. There can be no assurance that we will be able to enter into such agreements on terms favourable to us or at all. Accordingly, investors in this Issue will need to rely upon the judgment of our management, who will have considerable discretion, with respect to the use of proceeds. However, we confirm that the use of the Net Proceeds will be at our discretion subject to the Issue proceeds being utilized for the purposes disclosed in the objects of the Issue.

**45) *We require government approvals and sanctions for the construction of resorts listed as part of the “Objects of the Issue”.***

We intend to expand, renovate and construct resorts at various locations as specified in the “Objects of the Issue”. The construction of these resorts will require approval for the acquisition and use of land in certain case, approvals in relation to construction of the resorts and other approvals from other governmental authorities for the operation of the resorts. For example, for our resorts at Tungi and Theog, we have applied for certain approvals, which are expected to be granted in ordinary course. We shall apply for other approvals for the resorts listed as part of the “Objects of the Issue” at an appropriate time. Please refer to page 59 of the Red Herring Prospectus for further details. In the event that we do not receive these approvals in a timely manner or at all or subject to conditions, it may affect the proposed development of the resorts and consequently the deployment of the Net Proceeds may be delayed or alerted.

**46) *Our intended use of proceeds from the Issue has not been appraised by any bank or financial institution.***

The Net Proceeds are expected to be used as set forth under “Objects of the Issue” beginning on page 59. The proposed activities for which the proceeds are being raised have not been appraised by any bank or financial institution and the proceeds requirements are based primarily on management estimates. Accordingly, investors in this Issue will need to rely upon the judgment of our management with respect to the use of proceeds.

**47) *Some of the group companies of our Promoter have negative net worth and some of the group companies of our Promoter are under liquidation.***

Some of our Promoter Group companies have negative net worth. The following is a list of companies in the Promoter Group which have negative net worth as on March 31, 2009:

Mahindra Renault Private Limited	Mahindra Gujarat Tractor Limited
Stokes Group Limited	Tech Mahindra (Beijing) IT Services Limited.
Mahindra Areospace Private Limited	Mahindra Technologies Incorporated
Mahindra Bebanco Developers Limited	

For further details of such negative net worth companies, refer to section titled “Our Promoter” on page 137.

Further, some of the companies in the promoter group of our Company are under liquidation and financial data in relation to Montreal Engineering International Limited which went under liquidation in 1979 is not available. For further details of companies under liquidation, refer to section titled “Our Promoter” on pages 146 and 168.

**48) *Certain of our Promoter Group Companies have incurred losses in recent years.***

Some of our Promoter Group companies have incurred losses. The following is a list of companies in the Promoter Group which have incurred losses as on March 31, 2009:

Venturbay Consultants Pvt. Limited	Bristlecone Limited
Mahindra Hotels and Residences India Limited	Mahindra First Choice Services Ltd.
Mahindra World City (Maharashtra) Limited.	Bristlecone UK Ltd.
Mahindra Industrial Township limited.	Mahindra Automotive Limited
CanvasM (Americas) Ltd.	Jeco-Jellinghaus GmbH
Heritage Bird (M) Sdn Bhd	Mahindra Navistar Engines Private Limited
Mahindra Gears International Limited	Gesenkschmiede Schneider GmbH
Mahindra Forgings Global Limited	Falkenroth Umformtechnik GmbH
Iven International Gear Mauritius Limited	Mahindra metal Castello SPA
IDEE S.r.l.	Mahindra Ugine Steel Co.Ltd.
Mahindra Technology Park Ltd.	Mahindra (China) Tractor Company Limited
Plexion Technologies GmbH	Mahindra First Choice Wheels Limited
Plexion Technologies Inc	Mahindra Two Wheelers Pvt Ltd.
NBS International Ltd.	Mahindra And Mahindra South Africa Pty Ltd.
Mahindra Aerospace Private Limited	Mahindra Retail Pvt Ltd.
Bristlecone Inc	Mahindra Navistar Automotives Limited
Mahindra Bebanco Developers Ltd.	Mahindra USA Inc
EEF Engineering.	Mahindra Forgings Ltd.
Mahindra Residential Developers Limited	Mahindra Hinoday Industries Ltd.
Mahindra Shubhlabh Services Limited	Stokes Group Ltd.
Kalbarri Trading Limited	Mahindra Renault Private Limited
Mahindra Rural Housing Finance Limited	Mahindra Overseas Investment Company (Mauritius)
Mahindra Holding Ltd.	Mahindra Automotive Australia Pty Ltd.
Bristlecone (Singapore) Pte. Limited	Mahindra Forgings International Limited
Mahindra Gujarat Tractor Ltd.	Schoneweiss and Co. GmbH
Tech Mahindra (Beijing) IT Services Limited	Mahindra Yueda (yancheng) Tractor Co Ltd.
Engines Engineering S.r.l.	Mahindra Holidays And Resorts USA Inc.
Mahindra Graphic Research Design srl	

## Risks Related to this Issue

### 49) *Substantial future sales of our Equity Shares in the public market could cause our Equity Share price to fall.*

Upon completion of this Issue we will have outstanding 8,42,29,772 Equity Shares. Of these shares, 92,65,275 Equity Shares offered hereby will be freely tradable without restriction in the public market, unless purchased by our affiliates. Upon completion of this Issue, our Promoter will, directly or beneficially, own 6,99,85,642 Equity Shares, which will represent approximately 83.09% of our issued and outstanding Equity Shares. The holders of approximately 57,058,615 Equity Shares will be entitled to dispose of their shares following the expiration of a one-year Indian statutory 'lock-in' period. In addition certain directors and Key Managerial Personnel (who are exempt from the one year Indian statutory lock-in period) may sell their Equity Shares immediately upon listing of our Company. Sales of a large number of our Equity Shares by our shareholders, especially our Promoter, could adversely affect the market price of our Equity Shares. Additionally, any future equity issue by us, including issuances of stock options, or any perception by investors that such issuances might occur, may lead to the dilution of investor shareholding in our company or affect the market price of the Equity Shares and could impact our ability to raise capital through an Issue of our securities.

### 50) *There is no existing market for our Equity Shares and we cannot assure you that such a market will develop. The stock price may be volatile, and you may be unable to resell your shares at or above the Issue price or at all.*

Prior to this Issue, there has been no public market for our Equity Shares, and an active trading market may not develop or be sustained upon the completion of this Issue. The initial public offering

price of the Equity Shares offered hereby was determined through our negotiations with the GCBRLM and the BRLMs and may not be indicative of the market price of the Equity Shares after this Issue. The market price of our Equity Shares after this Issue will be subject to significant fluctuations in response to, among other factors:

- variations in our operating results and the performance of our business;
- adverse media reports about us or the travel or vacation ownership industry;
- regulatory developments in our target markets affecting us, our clients or our competitors;
- changes in financial estimates by securities research analysts;
- addition or loss of executive officers or key employees;
- loss of one or more significant clients;
- the performance of the Indian and global economy;
- significant developments in India's economic liberalization and deregulation policies, and the fiscal regime; and
- volatility in the Indian and global securities markets.

Many of these factors are beyond our control. There has been recent volatility in the Indian stock markets and our share price could fluctuate significantly as a result of such volatility in the future.

**51) *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, Equity Shares at a particular point in time.***

Subsequent to listing, we will be subject to a daily circuit breaker imposed on listed companies by all stock exchanges in India which does not allow transactions beyond certain volatility in the price of the Equity Shares. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by 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 are not required to inform us of the percentage limit of the circuit breaker from time to time, and may change it without our knowledge. This circuit breaker would effectively limit the upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, there can be no assurance regarding the ability of shareholders to sell the Equity Shares or the price at which shareholders may be able to sell their Equity Shares.

**52) *Conditions in the Indian securities market may affect the price or liquidity of the Equity Shares.***

The Indian securities markets are smaller than securities markets in more developed economies. Indian stock exchanges have in the past experienced substantial fluctuations in the prices of listed securities. The Indian stock exchanges have also experienced problems that have affected the market price and liquidity of the securities of Indian companies, such as temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian stock exchanges have from time to time restricted securities from trading, limited price movements and restricted margin requirements. Further, disputes have occurred on occasion between listed companies and the Indian stock exchanges, and other regulatory bodies that, in some cases, have had a negative effect on market sentiment. If similar problems occur in the future, the market price and liquidity of the Equity Shares could be adversely affected.

**53) *You will not be able to sell immediately on an Indian stock exchange any of the Equity Shares you purchase in the Issue until the Issue receives the appropriate trading approvals.***

Our Equity Shares will be listed on the NSE and the BSE. Pursuant to Indian regulations, certain actions must be completed before the Equity Shares can be listed and trading may commence. Investors' book entry, or "demat", accounts with depository participants in India are expected to be credited within two working days of the date on which the basis of allotment is approved by NSE

and the BSE. Thereafter, upon receipt of final approval from the NSE and the BSE, trading in the Equity Shares is expected to commence within seven working days of the date on which the basis of allotment is approved by the Designated Stock Exchange. We cannot assure you that the Equity Shares will be credited to investors' demat accounts, or that trading in the Equity Shares will commence, within the time periods specified above. Any delay in obtaining the approvals would restrict your ability to dispose of your Equity Shares.

## **External Risk Factors**

**54) *Compliance with, and changes in, environmental, health and safety laws and regulations may adversely affect our financial condition and results of operations.***

We are subject to environmental, health and safety regulations. See "Regulations and Policies" on page 109. Governments may take steps towards the adoption of more stringent environmental, health and safety regulations, and we cannot assure you that we will be at all times in full compliance with these regulatory requirements. For example, these regulations can often require us to purchase and install expensive pollution control equipment or make changes to our existing operations to limit any adverse impact or potential adverse impact on the environment or the health and safety of our employees, and any violation of these regulations, whether or not accidental, may result in substantial fines, criminal sanctions, revocations of operating permits or a shutdown of our facilities. Due to the possibility of unanticipated regulatory developments, the amount and timing of future expenditures to comply with regulatory requirements may vary substantially from those currently anticipated. If there is any unanticipated change in the environmental, health and safety regulations we are subject to, we may need to incur substantial capital expenditures to comply with such new regulations. Our costs of complying with current and future environmental, health and safety laws and our liabilities arising from failure to comply with applicable regulatory requirements may adversely affect our business, financial condition and results of operations.

**55) *Taxes and other levies imposed by the Central or State Governments, as well as other financial policies and regulations, may have an adverse effect on our business, financial condition and results of operations.***

We are subject to taxes and other levies imposed by the Central or State Governments in India, including customs duties, excise duties, central sales tax, state sales tax, fringe benefit tax, service tax, income tax, value added tax and other taxes, duties or surcharges introduced on a permanent or temporary basis from time to time. The central and state tax scheme in India is extensive and subject to change from time to time. Any adverse changes in any of the taxes levied by the Central or State Governments may adversely affect our competitive position and profitability. For example, the Central Government has recently introduced a fringe benefit tax payable in connection with certain expenditures incurred by us which has increased our tax liability. We cannot assure you that such tax incentives will continue to be available in the future. Changes in or elimination of such tax incentives could adversely affect our financial condition and results of operations.

**56) *Central and State Governments of India have introduced various schemes to boost tourism. Any withdrawal of such schemes may affect our working.***

There are certain incentives and concessions granted or provided by the Government of India or the applicable state governments that are currently being enjoyed by the tourism industry. There is no guarantee that such incentives or concessions will continue or will not be withdrawn by the Government of India or the applicable state governments in the future.

**57) *Our revenues are highly dependent on the travel industry and declines in or disruptions to the travel industry, such as those caused by terrorism, acts of God, war, financial instability or a downturn in economic growth, may adversely affect our financial condition and results of operation.***

Declines in or disruptions to the travel industry may adversely affect our financial condition and results of operations. Our revenues and profits, and in turn our financial condition, may be adversely affected by exogenous events that generally adversely affect the travel industry. Such events include terrorist incidents and threats (and heightened travel security measures instituted in response to such incidents and threats), acts of God (such as earthquakes, hurricanes, fires, floods and other natural disasters), war, bird flu and other pandemics, the financial instability of many of the air carriers, airline job actions and strikes, increases in gas and other fuel prices and a downturn in economic growth. The occurrence or worsening of any of these types of events could result in a decrease in overall travel and consequently in a decrease in travel by non-local visitors to our resorts.

**58) *An outbreak of an infectious disease or any other serious public health concerns in Asia or elsewhere could have an adverse effect on our business and results of operations.***

The outbreak of an infectious disease in Asia or elsewhere or any other serious public health concerns could have a negative impact on the economies, financial markets and business activities in the countries in which our end markets are located, which could have an adverse effect on our business. The outbreak in 2003 of Severe Acute Respiratory Syndrome in Asia and the outbreak of avian influenza, or bird flu, across Asia and Europe, have adversely affected a number of countries and companies. Although we have not been adversely impacted by these outbreaks, we can give no assurance that a future outbreak of an infectious disease among humans or animals or any other serious public health concerns will not have an adverse effect on our business.

**59) *Terrorist attacks, civil disturbances and regional conflicts in India and the rest of the world may have an adverse effect on our business and on the market for securities in India.***

Certain events that are beyond our control, including terrorist attacks and other acts of violence or war, including those involving India, the United States, the United Kingdom or other countries, may adversely affect worldwide financial markets and could potentially lead to economic recession, which could adversely affect our business, results of operations and financial condition, and more generally, any of these events could lower confidence in India as an investment destination. Southern Asia has, from time to time, experienced instances of civil unrest and hostilities among neighbouring countries. Furthermore, if India were to become engaged in armed hostilities, particularly hostilities that were protracted or involved the threat or use of nuclear weapons, we might not be able to continue to operate. India has witnessed communal clashes in the past. Although such clashes in India have, in the recent past, been sporadic and have been contained within reasonably short periods of time, any such civil disturbance in the future could result in disruptions in transportation or communication networks, as well as have adverse implications for general economic conditions in India. Such events could have an adverse effect on our business, on the value of our Equity Shares and on your investment in our Equity Shares.

**60) *Political instability or changes in the Government or its policies could impact the liberalization of the Indian economy and adversely affect economic conditions in India generally.***

We are incorporated in India and a substantial majority of our facilities and assets are located in India. We derive a major portion of our income from our business in India. Consequently, our performance, the market price and liquidity of the Equity Shares may be affected by changes in exchange rates and controls, interest rates, government policies, taxation, social and ethnic instability and other political and economic developments in and affecting India.

In the early 1990s, India experienced significant inflation, low growth in gross domestic product and shortages of foreign currency reserves. Since 1991, the Indian government has pursued policies of economic liberalization, including providing significant tax incentives and relaxing certain regulatory restrictions, in order to encourage foreign investment in specific industries. We cannot assure you that liberalization policies will continue. Furthermore, the rate of economic liberalization could change, and specific laws and policies affecting technology companies, foreign investment, currency exchange rates and other matters affecting investment in our Equity Shares could also

change. Since 1996, the government of India has changed six times and the current Indian government is a coalition of many parties, some of which do not want to continue India's current economic policies. Various factors, including a collapse of the present coalition government could trigger significant changes in India's economic liberalization and deregulation policies, disrupt business and economic conditions in India generally and our business in particular.

Significant inflation, adverse events relating to the travel and leisure industry and local and national economic conditions and factors could hurt our operations and therefore affect our results.

The most recent parliamentary elections were completed in May 2009. The present Government is a coalition led by the Indian National Congress. In the event that the Government introduces significant changes to its economic liberalisation and deregulation policies or the implementation of policies already in effect, it could adversely affect business and economic conditions in India and could also adversely affect the our business and future financial performance.

**61) *Government regulation of foreign ownership of Indian securities may have an adverse effect on the price of the Equity Shares.***

Foreign ownership of Indian securities is subject to Government regulation. Under foreign exchange regulations currently in effect in India, the RBI must approve the sale of the Equity Shares from a non-resident of India to a resident of India if the sale does not meet the requirements of a RBI Circular dated October 4, 2004. The RBI must approve the conversion of the Rupee proceeds from any such sale into foreign currency and repatriation of that foreign currency from India unless the sale is made on a stock exchange in India through a stock broker at the market price. As provided in the foreign exchange controls currently in effect in India, the RBI will approve the price at which the Equity Shares are transferred based on a specified formula, and a higher price per share may not be permitted. The approval from the RBI or any other government agency may not be obtained on terms favourable to a non-resident investor in a timely manner or at all. Because of possible delays in obtaining requisite approvals, investors in the Equity Shares may be prevented from realizing gains during periods of price increases or limiting losses during periods of price declines.

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

India has experienced natural calamities, such as earthquakes, tsunamis, floods and drought in the past few years, which have had an adverse impact on the Indian economy. For example, as a result of drought conditions in the country during 2003, the agricultural sector recorded a negative growth of 5.2%. The erratic progress of the monsoon in 2004 also adversely affected sowing operations for certain crops. The occurrence of any such natural calamities in the future could have a negative impact on the Indian economy, adversely affecting our business and the price of our Equity Shares.

**63) *Any downgrading of India's debt rating by an international rating agency could have a negative impact on our business.***

Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely impact our ability to obtain financing, and the interest rates and other commercial terms at which such financing is available. Such revisions could have an adverse effect on our business and financial condition, our ability to obtain financing for working capital and capital expenditures and the price of our Equity Shares.

## **Notes to Risk Factors**

1. Public issue of 92,65,275 Equity Shares for cash at a price of Rs. [●] per Equity Share including a share premium of Rs. [●] per Equity Share aggregating Rs. [●] crore. The Issue comprises a Fresh Issue of 58,96,084 Equity Shares by our Company and an Offer for Sale of 33,69,191 Equity Shares

by the Selling Shareholder. The Issue would constitute 11% of the post Issue paid-up capital of our Company.

2. In terms of Rule 19(2)(b) of the SCRR, this being an Issue for less than 25% of the post-Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Issue will be allocated on a proportionate basis to Qualified Institutional Buyers, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remaining QIB Portion shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.
3. The net worth of our Company was Rs. 195.80 crores and Rs. 143.03 crores as of March 31, 2009 and March 31, 2008 respectively, as per our restated consolidated financial statements included in this Red Herring Prospectus.
4. The net asset value per Equity Share of Rs. 10 each was Rs. 24.99 as of March 31, 2009 and Rs. 18.71 as of March 31, 2008, as per our restated consolidated financial statements included in this Red Herring Prospectus. All numbers presented have been adjusted on post-bonus basis.
5. The average cost of acquisition of our Equity Shares by our Promoter is Rs. 4.12 per Equity Share. The average cost of acquisition of Equity Shares by our Promoter has been calculated by taking the average of the amount paid by them to acquire the Equity Shares issued by us, including bonus shares.
6. For details of our related party transactions, refer to the section titled “Related Party Transactions” on page 172.
7. Our Promoter and certain of our Directors are interested in our Company by virtue of their shareholding and to the extent of options granted to them under our ESOS 2006, if any, in our Company. See “Capital Structure” and “Our Management” on page 49 and page 123, respectively.
8. Trading in Equity Shares of our Company for all investors shall be in dematerialised form only.
9. Any clarification or information relating to the Issue shall be made available by the GCBRLM, the BRLMs and our Company to the investors at large and no selective or additional information would be available for a section of investors in any manner whatsoever. Investors may contact the GCBRLM, the BRLMs and the Syndicate Members for any complaints pertaining to the Issue.
10. Investors may note that in case of over-subscription in the Issue, allotment to Qualified Institutional Bidders, Non-Institutional Bidders, and Retail Bidders shall be on a proportionate basis. For more information, refer to the section titled “Issue Procedure” on page 323.
11. Investors are advised to refer to the section titled “Basis for Issue Price” on page 67.
12. We were incorporated as a private limited company called ‘Mahindra Holidays & Resorts India Private Limited’ on September 20, 1996. The status of our Company was changed to a public limited company by a special resolution of the members passed at the annual general meeting held on January 29, 1998. The fresh certificate of incorporation consequent upon conversion was issued to our Company on April 17, 1998, by the Registrar of Companies, Tamil Nadu at Chennai.

## **SECTION III – INTRODUCTION**

### **SUMMARY OF OUR BUSINESS, STRENGTHS AND STRATEGY**

#### **Overview**

We are one of the leading leisure hospitality providers in India, offering quality family holidays with a range of services designed to meet the diverse holiday needs and interests of a family. We provide family holidays primarily through vacation ownership memberships. Our members can choose to stay and holiday at resorts in a range of holiday destinations for a pre-determined number of days in a year for a fixed number of years. Our resorts offer the use of furnished accommodation, such as apartments and cottages, and an experience through resort specific amenities and facilities, such as restaurants, ayurvedic spas, kids clubs and a variety of holiday activities.

We seek to be the preferred partner to the urban family for family holidays and holiday services in India. It is our vision to be the number one family holiday provider in our target markets by consistently delivering attractive resort destinations, innovative offerings and service excellence, not only during the holiday but also throughout the membership period.

Club Mahindra Holidays is our flagship service offering. As part of our growth strategy, we have also diversified our portfolio by introducing new vacation ownership offerings, Zest and Club Mahindra Fundays, Mahindra Homestays and travel and holiday related services through clubmahindra.travel.

Club Mahindra Holiday membership currently entitles members the choice of holidaying at any of our 23 resorts, for seven days each year, in a season and apartment type of their choice, for 25 years. Our members also have the option of choosing to holiday outside their season and apartment of their entitlement by using our exchange program. There is further flexibility accorded to our members in being able to bring or carry forward their annual entitlement, subject to certain limits. In addition, our members can choose to access a range of resorts globally through our RCI affiliation. As of May 31, 2009, we have 91,997 Club Mahindra Holiday vacation ownership members.

We launched Zest in November 2006, which targets young urban families for short break holidays. Zest membership currently entitles members the choice of holidaying at any of our five Zest resorts, for six days each year, in a season of their choice, for 10 years. Club Mahindra Fundays was launched in October 2006 and targets corporate houses. The membership currently entitles corporates for a period of 10 years to offer family holidays to their employees. We launched clubmahindra.travel in April 2007 to provide a one-stop shop for travel and holiday related services. We launched Mahindra Homestays in July 2008, which markets homestays to overseas and Indian travellers wishing to experience the real India by lodging with a host family in India.

Our memberships provide members the right to use our resorts over the period of their membership and are not a property or deeded sale. This type of a membership, where the member has the flexibility to choose a different resort and the time to holiday every year (with certain seasonal limitations) is known as a “floating week – floating resort” model. We also provide our members with a fixed price structure, which we believe is consumer friendly. In addition, we also provide easy financing options for the membership price to our prospective members.

We believe we have a key differentiator in the form of an integrated business model that includes member acquisition (marketing and sales), member servicing, resort creation and resort operation, resulting in the delivery of a complete holiday experience. Each component of our integrated business model is critical to our value delivery chain.

Our Company was selected as a Business Superbrand 2008 by The Brand Council in India, subsequently, our flagship brand Club Mahindra Holidays has been selected as a Superbrand 2009. Our resorts at Goa, Coorg, Binsar, Munnar, Dharamshala, Manali and Kumbhalgarh (provisional) are recipients of the RCI Gold Crown Award for the year 2008-2009. Our Resort at Munnar has also been recognized for having

received the RCI Gold Crown Award for ten years in a row. The RCI Gold Crown Award annually recognizes resorts across the world for superior resort facilities, services and hospitality based on user feedback. Apart from the RCI Gold Crown Award, our Resorts at Goa and Coorg have also been accredited with a 5 Star Rating by the Department of Tourism Government of India. We have applied for renewal of 5 Star rating for our Munnar resort. Our member relations department has been ISO 9001:2000 certified by Indian Registered Quality Systems in July 2007.

Our fees include a membership fee which is paid at or around the time of enrolment as a member (depending upon the payment plan selected by the member) as well as an annual subscription fee which is payable annually throughout the membership period for the annual servicing and the maintenance of the resorts. The member also pays for use of various facilities and services at the resort, including food and beverages, spa facilities and services and certain holiday activities.

For the year ended March 31, 2009, we had total income of Rs. 442.12 crores and net profit of Rs. 79.80 crores, as compared to total income of Rs. 377.19 crores and net profit of Rs. 84.04 crores for the year ended March 31, 2008.

## **Our Strengths**

### ***Industry leading position***

We are one of the leading leisure hospitality providers in India. As of May 31, 2009 and March 31, 2009, we had 91,997 and 88,998 Club Mahindra vacation ownership members, respectively. Our membership enrolments have increased at a CAGR of 32% over the last three fiscal years. Over the same period, our average sales price for a Club Mahindra membership also increased at a CAGR of 13.18%. We accounted for 72% of the total active members across the vacation ownership industry in India with RCI up to May 31, 2009. Club Mahindra started enrolling vacation ownership members from 1997. Within a decade, we have successfully become a provider of quality family holidays having coverage in India, and Thailand with a total of 27 resorts and 19 branch offices, 45 direct and 16 franchisee retail sales outlets. In addition, as of May 31, 2009, we have 149 direct-to-home franchised operations, six on-site sales operations at our resorts, a service office in Dubai and a franchisee in Kuwait. In the fiscal year 2007, we have successfully launched two new service offerings, Zest and Club Mahindra Fundays, in the fiscal year 2008, we launched clubmahindra.travel and in fiscal year 2009 we launched Mahindra Homestays. We believe that the above factors demonstrate our industry leading position in the vacation ownership industry which helps us to attract potential members and grow our revenues.

### ***Delivery of quality family holiday experience***

We believe that we have a deep understanding of the needs and preferences of our customers. While we have a total of 96,067 members as of May 31, 2009, the aggregate of their families constitute our customer base as we serve the needs of the entire family while on holiday. Our consumer understanding is based on an elaborate multiple point feedback mechanism, such as touch screen kiosks or holiday exchange profiler (“HEP”) at resorts which provide real-time feedback, SMS feedback, other customer contact programs and structured market research. Our customised CRM solution enables us to track preferences of the entire family, anticipate the needs of our customers and create appropriate service offerings for different segments, such as families, young urban customers and corporate customers. Our resort operations teams provide holiday experiences for the family at our resorts through resort specific amenities and facilities such as restaurants, bars, swimming pools, “Svaastha” ayurvedic spas, kids clubs and holiday activity centers with a diverse range of activities, conducted by a team of animators (our own holiday activity staff) called “Champs”. Our resorts are also connected to our central data network, allowing us to further leverage our CRM capabilities. According to a survey commissioned by us in April 2007 and conducted by CSMM, a specialist customer satisfaction measurement agency of Indian Market Research Bureau and part of Walker Information Inc., approximately 71% of our customers have rated their holiday experience at our resorts as excellent or very good. Moreover, 35.18% of our vacation ownerships sold in the fiscal year 2009 are attributable to member referrals. In addition, we have had our membership plans evaluated by third party agencies, Karvy Investor Services Ltd. and KPMG Advisory Services Ltd., who have estimated the

payback period for the purchase of a Club Mahindra membership to range between five to seven years, and seven to eight years, respectively.

#### ***Integrated and mixed - use business model***

We manage all aspects of our operations through one entity – this integration brings together our management competence of member acquisition (marketing and sales of lifestyle offerings), servicing of and contact with members, identifying land and developing resorts, acquiring resort properties, resort operations (delivering family holiday experiences) and providing value-added services. We believe our integrated business model reduces our cost of operations, allows us to implement changes across the entire value chain, and helps us to continually tailor and improve our services in response to customer feedback and changing trends.

Additionally, we utilize a mixed-use model of being a vacation ownership company and also providing non-members access to our unutilized apartments on a per-night-tariff basis. This enables us to enhance our revenues through optimum occupancy and sales from our restaurants and other services. We believe that this mixed-use model is also a catalyst for our growth by creating an interest in our membership program for non-members.

#### ***Our prestigious parentage***

Our Company is a part of the Mahindra group of companies, which is one of the leading and one of the largest business groups in India. The Mahindra Group is among the top 10 industrial houses in India. Forbes has ranked the Mahindra Group in its Top 200 list of the World's Most Reputable Companies and in the Top 10 list of Most Reputable Indian companies. The Mahindra Group's activities have spread over various areas such as automotive, farm equipments, engineering, forging, steel, infrastructure development, leisure hospitality, information technology, systems and technology, consultancy and software services, general retailing, trade and financial services. We believe that our association with the Mahindra Group has enabled us to absorb its corporate values and principles and adhere to the established corporate governance practices. We further believe that our association with the Mahindra Group lends strength to the trust and reliability reposed in us, and enables us to attract and retain fresh talent and in member acquisitions. We further believe that sharing goals and objectives with the Mahindra Group enables us to utilize various synergies which aid in our business and operations.

#### ***Club Mahindra brand recognition***

At the time of establishing our operations in 1996, we leveraged our business on the Mahindra brand, which is a well established brand name in India. Over the last decade, we have continued to invest resources to build the brand 'Club Mahindra'. Our Company was selected as a Business Superbrand 2008 by The Brand Council in India, subsequently, our flagship brand Club Mahindra Holidays has been selected as a Superbrand 2009. AC Nielsen through their market research report based on their proprietary "Winning Brands" Model, commissioned by us in July 2007, has assessed that Club Mahindra has the highest brand equity amongst timeshare companies in India and is amongst the top 23 percentile of strong brands as per the Winning Brands Model normative database. Amongst those aware of the concept of timeshare, Club Mahindra has the highest total recall of 83% across time share companies in India. This established brand name also accords us the opportunity to successfully launch new service offerings, such as Club Mahindra Fundays, clubmahindra.travel and Mahindra Homestays.

#### ***Strong marketing channels***

We employ a variety of marketing and sales channels to enrol members. Our marketing channels include advertisements in print media, television, direct mail, e-commerce and on-ground market promotions backed by outbound telemarketing. We have won many significant awards for our marketing initiatives from the Mumbai Ad Club for media, creative and campaign effectiveness. We have been following a "permission marketing" approach. We believe we have the skills and a wide distribution coverage, necessary to sell vacation ownership memberships to our target customers. We conduct sales presentations

at homes of the prospective customer through direct and franchisee sales teams. In addition, we make presentations at direct and franchisee retail centres called Club Mahindra Holidayworld located at shopping malls and at our resort locations. Our multi-channel sales operations have a pan-India presence covering eight metropolitan and tier II cities. We believe that through our marketing and sales approach we have the ability to identify and access our prospective members and sell our service offerings.

### ***Strong management team***

Our strong management team effectively plans and executes our growth strategies. Most of our Key Managerial Personnel have substantial experience in the hotel operations, vacation ownership and the hospitality industry, in and outside India. Our senior management also brings experience from diverse industries such as the retail, consumer products, real estate and telecommunications. We believe that having a strong management team with extensive experience enables us to respond to changing market conditions and evolving preferences of our customers and is essential to our overall success and our future growth.

### **Our Strategies**

We intend to pursue the following principal strategies to leverage our competitive strengths and grow our business:

#### ***Intensify our service offerings by increasing our distribution network and growing the number of resorts across India***

We seek to be the preferred partner to the urban family for holidays and holiday services in India. Our focus is to enhance our member growth, service excellence, innovative offerings, brand value and the variety of resorts. We believe that we can accelerate our member acquisition process by increasing our distribution network in cities under coverage and add to the number of cities being covered. Currently, we have a total of 27 resorts across India and Thailand, of which we own 11 properties. Our Resorts (resorts owned by us or on long term lease with us) contribute an aggregate of 1,189 apartments and cottages of a total of 1,261 apartments and cottages owned or leased by us. We intend to increase the number of our Resorts in India and overseas, particularly through development or acquisition. For example, we recently completed the acquisition of a property in Thekaddy, Kerala. In addition, we intend to increase the number of apartments and cottages at some of our existing Resorts and focus on developing Resorts at new destinations. We may also from time to time selectively lease hospitality properties to add to the choice of destinations for our members. Increasing our membership base and the number of Resorts would enable us to increase our total income from vacation ownership.

#### ***Diversification into new offerings and different segments and into new businesses related to our main business***

To increase our customer base, we have recently launched Club Mahindra Fundays to address the corporate membership segment. We have also recently launched Zest, which is targeted at young urban consumers. We launched clubmahindra.travel to augment our service offerings and to enable our members greater convenience in fulfilling their leisure travel needs. In addition, in July 2008, we launched Mahindra Homestays, which is currently targeted at travellers from the United Kingdom and India. We believe that these service offerings targeting new segments are not only changing the way India holidays but will directly increase our revenues, but will also result in Zest members and Club Mahindra Fundays users becoming Club Mahindra Holidays members in the future. We intend to diversify our business by providing new offerings related to our main business and competences like a mass market vacation ownership membership targeted at the mid-income segment. We are also exploring options to launch offerings as extensions to the existing business targeted at new segments like teenagers and senior citizens. We intend to offer fractional homes to discerning affluent families at attractive locations. In light of the high demand for skilled hospitality personnel in India, we intend to develop and operate hospitality management colleges in India. We believe these colleges will enable us to source skilled and trained personnel.

***Continue to build the desirability of our resort experience***

Our resorts shall continue to be full service resorts at attractive locations, delivering complete holiday experiences through a wide range of holiday activities, restaurants, amenities and destination-specific experiences. In addition we intend to enhance holiday experiences through resort design, adding innovative activities, and non-conventional accommodation such as log huts, floating cottages and tents.

***Leverage on our existing brands and build new brands***

Within the last decade, we have established Club Mahindra as one of the leading brands in the leisure hospitality segment. Our Company was selected as a Business Superbrand 2008 by The Brand Council in India, consequently, our flagship brand Club Mahindra Holidays has been selected as a Superbrand 2009. AC Nielsen through their market research report based on their proprietary “Winning Brands” Model, commissioned by us in July 2007, has assessed Club Mahindra as amongst the top 23 percentile of strong brands as per the Winning Brands Model normative database. We believe this has contributed significantly to our growth and our ability to improve our average unit realisations. We will continue to leverage on our demonstrated ability to build brands. We intend to invest resources in strengthening Club Mahindra Holidays further and also establish our new brands, Zest, Club Mahindra Fundays, clubmahindra.travel and Mahindra Homestays as strong brands in their respective categories.

***Expand our operations into new international markets***

We intend to expand our operations into international markets to sell the family holidays vacation ownership concept, acquire or develop resort properties and increase our member base. We are in the process of evaluating markets such as South Africa and China, and we have investment approval from our Board of Directors for Austria. We believe that this will increase our member base and resort inventory thus resulting in increased revenues.

## SUMMARY FINANCIAL INFORMATION

The following tables set forth summary financial information derived from our restated consolidated financial statements as of and for the years ended March 31, 2005, 2006, 2007, 2008 and 2009. These financial statements have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI Guidelines and are presented in the section titled “Financial Statements” beginning on page 176. The summary financial information presented below should be read in conjunction with our restated consolidated financial statements, the notes thereto and the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on page 233. Indian GAAP differs in certain significant respects from US GAAP and IFRS.

### Annexure 1: Summary Statement of Profit and Loss as restated

(INR in Crores)

	Years ended March 31,				
	2009	2008	2007	2006	2005
<b>Income</b>					
Income from sale of Vacation Ownership and other services	393.19	352.73	232.31	152.72	101.70
Other Income	48.93	24.46	8.98	4.01	4.45
Sub-Total	<b>442.12</b>	<b>377.19</b>	<b>241.29</b>	<b>156.73</b>	<b>106.15</b>
<b>Expenditure</b>					
Employee Cost	60.84	47.38	28.31	19.45	14.29
Other Expenses	229.20	185.82	133.71	92.72	64.57
Sub-Total	<b>290.04</b>	<b>233.20</b>	<b>162.02</b>	<b>112.17</b>	<b>78.86</b>
<b>Profit Before Interest, Depreciation and Tax</b>	152.08	143.99	79.27	44.56	27.29
Interest and financial charges	7.03	3.30	3.60	3.32	4.31
<b>Profit Before Depreciation and Tax</b>	<b>145.05</b>	<b>140.69</b>	<b>75.67</b>	<b>41.24</b>	<b>22.98</b>
Depreciation	16.83	11.30	8.87	7.75	6.48
Profit before tax and before restatement	128.22	129.39	66.80	33.49	16.50
<b>Adjustments on account of restatement (Refer Annexure 4(B))</b>					
Depreciation	-	-	-	(0.09)	0.18
Others	(0.14)	(0.20)	(0.29)	0.77	1.07
Profit before tax and after restatement	128.36	129.59	67.09	32.81	15.25
Provision for taxation					
Current tax	39.05	39.81	13.15	-	1.30
Overseas tax	0.02	0.01	-	-	-
Deferred tax	5.89	3.74	9.86	11.31	5.98
Fringe benefit tax	3.55	1.92	1.72	1.37	-
Effect on tax due to restatement (Refer Annexure 4(B))	0.05	0.08	(0.16)	0.09	(0.32)
Total provision for tax after restatement	48.56	45.56	24.57	12.77	6.96
Profit after tax and after restatement (A)	<b>79.80</b>	<b>84.03</b>	<b>42.52</b>	<b>20.04</b>	<b>8.29</b>
Minority share of profit / (loss) (B)	-	(0.01)	(0.01)	-	-
<b>Net Profit as restated (A)+(B)</b>	<b>79.80</b>	<b>84.04</b>	<b>42.53</b>	<b>20.04</b>	<b>8.29</b>
Balance brought forward from previous year as restated (Refer Annexure 18)	57.56	43.08	14.89	(5.15)	(13.44)
Profit available for appropriation as restated	137.36	127.12	57.42	14.89	(5.15)
Appropriations					
Proposed Dividend	23.50	13.97	8.68	-	-
Tax on Proposed Dividend	3.99	2.37	1.48	-	-
Transfer to General Reserve	8.34	8.05	4.18	-	-
	<b>35.83</b>	<b>24.39</b>	<b>14.34</b>	<b>-</b>	<b>-</b>
<b>Balance Carried forward as restated</b>	<b>101.53</b>	<b>102.73</b>	<b>43.08</b>	<b>14.89</b>	<b>(5.15)</b>

**Annexure 2: Summary Statement of Assets and Liabilities as restated**
*(INR in Crores)*

		As at March 31,				
		2009	2008	2007	2006	2005
<b>A</b>	<b>Fixed Assets</b>					
	<b>Gross Block</b>	429.29	273.38	225.74	191.71	149.26
	Less: Depreciation	64.12	47.89	38.31	30.67	23.52
	<b>Net Block</b>	<b>365.17</b>	<b>225.49</b>	<b>187.43</b>	<b>161.04</b>	<b>125.74</b>
	Capital Work in Progress	42.79	38.98	9.78	1.38	1.44
	Expenditure Pending Allocation	8.51	6.02	2.93	0.82	0.32
	<b>Total</b>	<b>416.47</b>	<b>270.49</b>	<b>200.14</b>	<b>163.24</b>	<b>127.50</b>
<b>B</b>	<b>Investments</b>	0.03	0.03	5.90	0.03	4.53
<b>C</b>	<b>Deferred Tax Asset (Net)</b>	-	-	-	-	<b>2.21</b>
<b>D</b>	<b>Current Assets, Loans and Advances</b>					
	Inventories	5.26	3.46	1.78	0.87	0.62
	Sundry Debtors	482.57	403.42	218.73	145.73	78.24
	Cash and Bank Balances	32.77	7.63	9.36	7.74	3.91
	Loans and Advances	66.51	62.10	41.94	26.20	18.81
	<b>Total</b>	<b>587.11</b>	<b>476.61</b>	<b>271.81</b>	<b>180.54</b>	<b>101.58</b>
<b>E</b>	<b>Liabilities and Provisions</b>					
	Loan Funds					
	Secured Loans	24.69	20.06	5.96	26.81	22.03
	Unsecured Loans	-	-	-	-	1.25
	Advance towards members' facilities	640.99	482.46	324.22	226.29	164.00
	Deferred Tax Liability Net)	29.48	23.59	20.16	9.19	-
	<b>Current Liabilities and Provisions</b>					
	Current Liabilities	82.06	60.90	40.56	37.97	25.10
	Provisions	30.55	17.06	11.24	0.25	0.18
	<b>Total Liabilities and Provisions</b>	<b>807.77</b>	<b>604.07</b>	<b>402.14</b>	<b>300.51</b>	<b>212.56</b>
<b>F</b>	<b>Minority Interest</b>	0.04	0.03	0.04	-	-
<b>G</b>	<b>Net Worth (A+B+C+D-E-F)</b>	<b>195.80</b>	<b>143.03</b>	<b>75.67</b>	<b>43.30</b>	<b>23.26</b>
	<b>Represented By</b>					
	Share Capital	76.97	76.42	28.40	28.40	28.40
	Employee stock options outstanding	-	0.04	-	-	-
	Reserves and Surplus	118.83	66.57	47.27	14.90	0.01
	<b>Sub-total</b>	<b>195.80</b>	<b>143.03</b>	<b>75.67</b>	<b>43.30</b>	<b>28.41</b>
	Less: Profit and Loss Account Debit Balance	-	-	-	-	5.15
	<b>Total</b>	<b>195.80</b>	<b>143.03</b>	<b>75.67</b>	<b>43.30</b>	<b>23.26</b>

**Annexure 3 : Summary Statement of Cash Flows, as restated**
*(INR in Crores)*

<b>MAHINDRA HOLIDAYS &amp; RESORTS INDIA LIMITED-Consolidated</b>						
		<b>Years ended March 31,</b>				
		<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>A.</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES :</b>					
	Profit before tax and after restatement	128.36	129.59	67.09	32.81	15.25
	Adjustments for :					
	Depreciation	16.83	11.30	8.87	7.66	6.66
	Employee compensation expenses on account of ESOS	(0.04)	-	-	-	-
	Interest and financial charges	7.03	3.30	3.60	3.32	4.31
	Interest income	(1.08)	(1.01)	(0.04)	(0.01)	-
	Interest on instalment sales	(37.15)	(19.68)	(7.32)	(3.39)	(2.84)
	Income from securitisation	(9.96)	(1.21)	(0.72)	(0.45)	(1.57)
	Loss on fixed assets sold/ scrapped(net)	0.33	0.04	1.31	0.33	0.04
	Unrealised Exchange (Gain)/Loss	0.95	(1.52)	(0.65)	-	-
	Operating profit before working capital changes	<b>105.27</b>	<b>120.81</b>	<b>72.14</b>	<b>40.27</b>	<b>21.85</b>
	Changes in :					
	Deferred income - Advance towards members' facilities	158.53	158.24	97.93	62.29	40.57
	Trade and other receivables	(65.65)	(190.09)	(91.20)	(66.74)	(31.76)
	Inventories	(1.80)	(1.67)	(0.91)	(0.25)	(0.20)
	Trade and other payables	1.54	3.24	0.84	7.86	7.84
		<b>92.62</b>	<b>(30.28)</b>	<b>6.66</b>	<b>3.16</b>	<b>16.45</b>
	Income Taxes paid	(39.53)	(43.96)	(9.75)	(4.43)	(1.37)
	<b>NET CASH (USED IN) FROM OPERATING ACTIVITIES</b>	<b>158.36</b>	<b>46.56</b>	<b>69.05</b>	<b>39.00</b>	<b>36.93</b>
<b>B</b>	<b>CASH FLOW FROM INVESTING ACTIVITIES :</b>					
	Purchase of fixed assets	(163.33)	(73.19)	(47.29)	(43.90)	(22.02)
	Proceeds from sale of fixed assets	0.27	2.06	0.22	0.17	0.10
	(Purchase) / Sale of investments	-	-	(5.88)	4.50	-
	Interest on deposits received	1.05	1.01	0.04	0.01	-
	Interest on instalment sales received	37.15	<b>19.68</b>	7.32	3.39	2.84
	Income from securitisation received	9.96	1.21	0.72	0.45	1.57
	<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(114.90)</b>	<b>(49.23)</b>	<b>(44.87)</b>	<b>(35.38)</b>	<b>(17.51)</b>
<b>C .</b>	<b>CASH FLOW FROM FINANCING ACTIVITIES :</b>					
	Proceeds from issue of share capital	0.42	-	0.04	-	-
	Proceeds from Issue of shares to ESOP trust	-	0.29	1.85	-	-
	Proceeds from borrowings	103.63	14.11	-	3.53	-
	Repayment of borrowings	(99.00)	-	(20.85)	-	(15.99)
	Dividends paid	(13.97)	(8.68)	-	-	-
	Dividend distribution tax paid	(2.37)	(1.48)	-	-	-
	Interest and financial charges paid	(7.03)	(3.30)	(3.60)	(3.32)	(4.31)
	<b>NET CASH (USED IN) / FROM FINANCING ACTIVITIES</b>	<b>(18.32)</b>	<b>0.94</b>	<b>(22.56)</b>	<b>0.21</b>	<b>(20.30)</b>
	<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS(A+B+C)</b>	<b>25.14</b>	<b>(1.73)</b>	<b>1.62</b>	<b>3.83</b>	<b>(0.88)</b>
	<b>CASH AND CASH EQUIVALENTS :</b>					
	Opening Balance	7.63	9.35	7.74	3.91	4.79
	Cash and bank balance acquired on acquisition of subsidiary	-	0.01	-	-	-
	Total	7.63	9.36	7.74	3.91	4.79
	Closing Balance	32.77	7.63	9.36	7.74	3.91
	Unrealised (loss)/gain on foreign currency	-	-	-	-	-
	<b>Total</b>	<b>32.77</b>	<b>7.63</b>	<b>9.36</b>	<b>7.74</b>	<b>3.91</b>

## THE ISSUE

<b>Equity Shares offered by</b>	
Issue	92,65,275 Equity Shares
Of which	
I) Fresh Issue by our Company	58,96,084 Equity Shares
II) Offer for Sale by the Selling Shareholder	33,69,191 Equity Shares
Of which:	
A) Qualified Institutional Buyers (QIB) portion <sup>1</sup>	At least 55,59,165 Equity Shares <i>(Allocation on a proportionate basis)</i>
Of which	
Mutual Funds Portion	2,77,958 Equity Shares <i>(Allocation on a proportionate basis)</i>
Balance for all QIBs excluding Mutual Funds	52,81,207 Equity Shares <i>(Allocation on a proportionate basis)</i>
B) Non-Institutional Portion <sup>2</sup>	Not less than 9,26,527 Equity Shares <i>(Allocation on a proportionate basis)</i>
C) Retail Portion <sup>2</sup>	Not less than 27,79,582 Equity Shares <i>(Allocation on a proportionate basis)</i>
Equity Shares outstanding prior to the Issue	7,83,33,688 Equity Shares
Equity Shares outstanding after the Issue	8,42,29,772 Equity Shares
Use of Net Proceeds	See the section titled “Objects of the Issue” on page 59. Our Company will not receive any proceeds from the Offer for Sale.

- (1) Allocation to QIBs is proportionate as per the terms of this Draft Red Herring Prospectus. 5% of the QIB Portion shall be available for allocation to Mutual Funds. Mutual Funds participating in the 5% reservation in the QIB Portion will also be eligible for allocation in the remaining QIB Portion.
- (2) Subject to valid bids being received at or above the Issue Price, under-subscription, if any, in the Non-Institutional Bidder and Retail Individual Bidder categories, would be allowed to be met with spill-over from other categories or a combination of categories, at the discretion of the Company and the Selling Shareholder, in consultation with the GCBRLM and the BRLMs.

## GENERAL INFORMATION

Our Company was incorporated on September 20, 1996 in Chennai as Mahindra Holidays & Resorts India Private Limited. The status of our Company was changed to a public limited company by a special resolution of the members passed at the annual general meeting held on January 29, 1998. The fresh certificate of incorporation consequent on conversion was issued to our Company on April 17, 1998 by the RoC.

### Registered Office

#### ***Mahindra Holidays & Resorts India Limited***

Mahindra Towers, 2<sup>nd</sup> Floor,  
No. 17/18, Patullos Road,  
Chennai – 600 002,  
Tamil Nadu.  
CIN: U55101TN1996PLC036595  
Tel: (91 44) 39881000  
Fax: (91 44) 30277778  
Website: www.clubmahindra.com

### Address of Registrar of Companies

#### ***The Registrar of Companies, Tamil Nadu***

Block No.6 “B” Wing,  
2<sup>nd</sup> Floor, Shastri Bhavan,  
No. 26, Haddows Road,  
Nungambakkam,  
Chennai - 600 034,  
Tamil Nadu.

### Board of Directors of the Issuer

Name, Designation, Occupation	DIN No.	Age	Address
<b><i>Mr. Arun Kumar Nanda</i></b>  Executive Director Service	00010029	60	3, St. Helen's Court, Dr. Gopalrao Deshmukh Marg, Mumbai – 400 026
<b><i>Mr. Uday Y. Phadke</i></b>  Non-Executive Director Service	00030191	58	Flat No. 13, “Neel Tarang”, 208/210, Veer Savarkar Marg, Mahim, Mumbai – 400 016
<b><i>Mr. Cyrus J. Guzder</i></b>  Independent Director Business	00080358	63	D-11, Sea Face Park, 50 Bhulabhai Desai Road, Mumbai – 400 026
<b><i>Mr. Vineet Nayyar</i></b>  Non-Executive Director Service	00018243	71	5 A, Friends Colony (West), Mathura Road, New Delhi – 110 065
<b><i>Mr. Rohit Khattar</i></b>  Independent Director Business	00244040	46	60/2, New Friends Colony (East), New Delhi – 110 060

<b>Name, Designation, Occupation</b>	<b>DIN No.</b>	<b>Age</b>	<b>Address</b>
<b>Mrs. Rama Bijapurkar</b>  Independent Director Consultant	00001835	52	8, C-D, Mona Apartments, 46F, Bhulabhai Desai Road, Mumbai - 400 026
<b>Mr. Sridar Iyengar</b>  Independent Director Service	00278512	61	85, Fair Oaks Lane, Atherton, CA 94027, U.S.A
<b>Mr. Ramesh Ramanathan</b>  Managing Director Service	00174550	54	Door No. 9C, 14 <sup>th</sup> Cross Street, Shastri Nagar, Adyar, Chennai - 600 020

For further details of our Directors, see the section titled “Our Management” on page 123.

### **Company Secretary and Compliance Officer**

**Mr. Rajiv Balakrishnan,**  
Mahindra Towers, 2<sup>nd</sup> Floor,  
No. 17/18, Patullos Road,  
Chennai – 600 002,  
Tamil Nadu,  
India.  
Tel: (91 44) 3988 1000  
Fax: (91 44) 3027 7778  
Email: investors@clubmahindra.com

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

### **Global Co-ordinator and Book Running Lead Manager (GCBRLM)**

#### ***Kotak Mahindra Capital Company Limited***

3rd Floor, Bakhtawar  
229, Nariman Point  
Mumbai 400 021  
India.  
Tel: (91 22) 6634 1100  
Fax: (91 22) 2283 7517  
Email: mhril.ipo@kotak.com  
Website: www.kotak.com  
Contact Person: Mr. Chandrakant Bhole  
SEBI Registration No. INM000008704

### **Book Running Lead Managers (BRLMs)**

#### ***HSBC Securities and Capital Markets (India) Private Limited***

52/60 Mahatma Gandhi Road, Fort  
Mumbai 400 001, India  
Tel: (91 22) 2268 1086  
Fax: (91 22) 2263 1984  
Email: [mhrilipo@hsbc.co.in](mailto:mhrilipo@hsbc.co.in)  
Website: www.hsbc.co.in  
Contact Person: Mr. Amit Gupta  
SEBI Registration No. INM000010353

#### ***SBI Capital Markets Limited***

202, Maker Towers ‘E’  
Cuffe Parade  
Mumbai 400 005, India  
Tel: (91 22) 2218 8527  
Fax: (91 22) 2218 8332  
Email: mhril.ipo@sbicaps.com  
Website: www.sbicaps.com  
Contact Person: Mr. Rajnish Roy  
SEBI Registration No. INM000003531

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**Syndicate Members**

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***Kotak Securities Limited***

1st Floor, Bakhtawar  
229, Nariman Point  
Mumbai 400 021, India  
Tel: (91 22) 6634 1100  
Fax: (91 22) 6630 3927  
Email: umesh.gupta@kotak.com  
Website: www.kotak.com  
Contact Person: Mr. Umesh Gupta  
NSE Registration No.: INB 230808130 /INF230808130  
BSE NSE Registration No.: INB 010808153/INF  
011133230  
OTC NSE Registration No:INB200808136

***SBICAP Securities Limited***

191, Maker Tower F, Cuffe Parade,  
Mumbai 400 005, India  
Tel: (91 22) 2218 8527  
Fax: (91 22) 2218 8332  
Website: www.sbicaps.com  
Contact Person: Mr. Rajnish Roy

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**Domestic Legal Counsel to the Company**

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***Khaitan & Co.***

Meher Chambers  
R.K.Marg  
Ballard Estate  
Mumbai 400 038  
Tel: (91 22) 6636 5000  
Fax: (91 22) 6636 5050

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**Domestic Legal Counsel to the GCBRLM and the BRLMs**

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***Amarchand & Mangaldas & Suresh A. Shroff & Co.***

201, Midford House  
Midford Garden (Off M. G. Road)  
Bangalore 560 001  
Tel: (91 80) 2558 4870  
Fax: (91 80) 2558 4266

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

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**International Legal Counsel to the GCBRLM and the BRLMs**

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***Jones Day***

29th Floor, Edinburgh Tower  
The Landmark  
15, Queen's Road Central  
Hong Kong  
Tel: (852) 2526 6895  
Fax: (852) 2868 5871

30, Cecil Street  
# 29-01 Prudential Tower  
Singapore 049712  
Tel : (65) 6538 3939  
Fax: (65) 6536 3939

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**Bankers to the Company**

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***Yes Bank Limited***

143/1, Ground Floor, Uthamar Gandhi Salai  
Nungambakkam  
Chennai 600 034  
India  
Contact Person: Mr. Sudarshan V. Athreya  
Tel: (91 44) 2831 9000  
Fax: (91 44) 28319001  
Email: sudarshan.athreya@yesbank.in  
Website: [www.yesbank.in](http://www.yesbank.in)

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**Registrar to the Issue*****Karvy Computershare Private Limited***

Plot No. 17 to 24  
Vithalrao Nagar  
Madhapur  
Hyderabad 500 081  
India  
Tel: (91 40) 2342 0815-20  
Fax: (91 40) 2342 0814  
Email: einward.ris@karvy.com  
Website: www.karvy.com  
Contact Person: Mr. M. Murali Krishna  
SEBI Registration No.: INR000000221

**Bankers to the Issue and Escrow Collection Banks****HDFC Bank Limited**

BTI Ops Department  
Maneckji Wadia Bldg, 3rd Floor  
Nanik Motwani Marg  
Fort, Mumbai - 400 001  
Tel: +91 22 6657 3748  
Fax: +91 22 2270 0024  
Email: uday.dixit@hdfcbank.com  
Website: www.hdfcbank.com  
Contact Person: Mr. Uday Dixit  
SEBI Registration No.: INBI000000063

**Kotak Mahindra Bank Limited**

36-38A, Nariman Bhavan  
227, Nariman Point  
Mumbai 400 021  
Tel: +91 22 6605 6825  
Fax: +91 22 6646 6907  
Email: ibrahim.sharief@kotak.com  
Website: www.kotak.com  
Contact Person: Mr. Ibrahim Sharief  
SEBI Registration No.: INBI000000927

**HongKong and Shanghai Banking Corporation Limited**

2<sup>nd</sup> Floor, "Shiv", Plot No. 139-140B  
Western Express Highway, Sahar Road Junction  
Vile Parle E, Mumbai 400 057  
Maharashtra, India  
Tel: +91 22 4035 7458  
Fax: +91 22 4035 7657  
Email: swapnilpavale@hsbc.co.in  
Website: www.hsbc.co.in  
Contact Person: Mr. Swapnil Pavale  
SEBI Registration No.: INBI000000027

**State Bank of India**

Capital Market Branch  
Mumbai Samachar Marg  
Fort, Mumbai 400 001  
Tel: +91 22 2267 2133  
Fax: +91 22 2267 0745  
Email: rajeevkumar@sbi.co.in  
Website: www.sbi.com  
Contact Person: Mr. Rajeev Kumar  
SEBI Registration No.: INBI000000038

**Yes Bank Limited**

2<sup>nd</sup> Floor, Tiecicon House,  
Dr. E Moses Road, Mahalaxmi,  
Mumbai 400 011, India  
Contact Person: Mr. Mahesh Shirali  
Tel: +91 22 6622 9000  
Fax: +91 22 2497 4875  
Email: dlbtiservices@yesbank.in  
Website: [www.yesbank.in](http://www.yesbank.in)

## Refund Bankers

### HDFC Bank Limited

BTI Ops Department  
Maneckji Wadia Bldg, 3rd Floor  
Nanik Motwani Marg  
Fort, Mumbai - 400 001  
Tel: +91 22 6657 3748  
Fax: +91 22 2270 0024  
Email: uday.dixit@hdfcbank.com  
Website: www.hdfcbank.com  
Contact Person: Mr. Uday Dixit  
SEBI Registration No.: INBI00000063

### Kotak Mahindra Bank Limited

36-38A, Nariman Bhavan  
227, Nariman Point  
Mumbai 400 021  
Tel: +91 22 6605 6825  
Fax: +91 22 6646 6907  
Email: ibrahim.sharief@kotak.com  
Website: www.kotak.com  
Contact Person: Mr. Ibrahim Sharief  
SEBI Registration No.: INBI00000927

## Auditors

M/s. Deloitte Haskins & Sells  
ASV N Ramana Tower,  
No.52, Venkatanarayana Road,  
T.Nagar,  
Chennai- 600017, India  
Tel: (91 44) 6688 5000  
Fax: (91 44) 6688 5050

## Monitoring Agency

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

## Interse Responsibilities of the GCBRLM and the BRLMS

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

No.	Activities	Responsibility	Coordinating Responsibility
1.	Capital structuring with relative components and formalities etc.	Kotak, HSBC	Kotak
2.	Due diligence of Company's operations/ management/ business plans/ legal etc. Drafting and design of Draft Red Herring Prospectus and of statutory advertisement including memorandum containing salient features of the Prospectus. The GCBRLM and 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 including co-ordination with Auditors for preparation of financials and drafting and approving all statutory advertisements.	Kotak, HSBC	Kotak
3.	Drafting and approval of all publicity material other than statutory advertisement including corporate advertisement, brochure etc.	Kotak, HSBC	HSBC
4.	Appointment of other intermediaries viz., Registrar(s), Printers, Advertising Agency and Bankers to the Issue, Registrar(s), Monitoring Agency	Kotak, HSBC	Kotak
5.	Preparation of roadshow presentation and FAQs	Kotak, HSBC	Kotak
6.	Institutional marketing strategy: – Domestic institutional	Kotak, HSBC	HSBC
7.	Institutional marketing strategy: – International institutional	Kotak, HSBC	Kotak
8.	Retail / HNI marketing strategy	Kotak, HSBC,	Kotak

No.	Activities	Responsibility	Coordinating Responsibility
	<ul style="list-style-type: none"> <li>Finalise centers for holding conference for brokers etc.</li> <li>Finalise media, marketing &amp; PR Strategy</li> <li>Follow up on distribution of publicity and issue materials including form, prospectus and deciding on the quantum of the Issue material</li> <li>Finalise bidding centers</li> </ul>	SBI Caps	
9.	Pricing, managing the book and coordination with Stock-Exchanges	Kotak, HSBC	Kotak
10.	The post bidding activities including management of escrow accounts, co-ordinate non-institutional and institutional allocation, intimation of allocation and dispatch of refunds to bidders etc	Kotak, HSBC	HSBC
11.	The Post Issue activities for the Issue will involve essential follow up steps, which include the finalisation of basis of allotment, dispatch of refunds, demat of delivery of shares, finalisation of listing and trading of instruments with the various agencies connected with the work such as the Registrar(s) to the Issue and Bankers to the Issue. (The merchant banker shall be responsible for ensuring that these agencies fulfil their functions and enable it to discharge this responsibility through suitable agreements with the Company)	Kotak, HSBC	HSBC

### Credit Rating

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

### IPO Grading

This Issue has been graded by Fitch Ratings India Private Limited as 4/5, pursuant to clauses 2.5A, 5.6B and 6.17.3A of the SEBI Guidelines indicating that the fundamentals of Issue are above average relative to other listed securities in India. The IPO Grading is assigned on a five-point scale from 5, with an IPO Grade of 5/5 indicating strong fundamentals and 1/5 indicating poor fundamentals.

### Trustees

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

### Project Appraisal

There is no project being appraised.

### 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. The Issue Price is finalized after the Bid/ Issue Closing Date. The principal parties involved in the Book Building Process are:

1. The Company and the Selling Shareholder;
2. The GCBRLM and the BRLMs;
3. Syndicate Members who are intermediaries registered with SEBI or registered as brokers with BSE/NSE and eligible to act as Underwriters. The Syndicate Members are appointed by the GCBRLM and the BRLMs; and
4. Registrar to the Issue.

In terms of Rule 19 (2)(b) of the SCRR this being an Issue for less than 25% of the post-Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Issue will be

allocated on a proportionate basis to QIBs, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. If at least 60% of the Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

QIBs are not allowed to withdraw their Bids after the Bid/Issue Closing Date. In addition, QIBs are required to pay 10% Margin Amount upon submission of their Bid and allocation to QIBs will be on a proportionate basis. For further details on the terms of the Issue see “Terms of the Issue” on page 317.

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

**While the process of Book Building under the SEBI Guidelines is not new, 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)*

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

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

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired number of shares is the price at which the book cuts off, i.e., Rs. 22 in the above example. The Issuer and the Selling Shareholder, in consultation with the GCBRLM and BRLMs 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 section titled “Issue Procedure - Who Can Bid” on page 323);
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 (see the section titled “Issue Procedure – Permanent Account Number or PAN” on page 337); and
4. Ensure that the Bid cum Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid cum Application Form.

## Withdrawal of the Issue

Our Company and the Selling Shareholder, in consultation with the GCBRLM and the BRLMs, reserve the right not to proceed with the Issue at anytime including after the Bid/ Issue Closing Date, without assigning any reason thereof. Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which our Company shall apply for within 7 working days of finalisation of basis of Allotment, and (ii) the final RoC approval of the Prospectus after it is filed with the RoC. Under the SEBI Guidelines, QIBs are not allowed to withdraw their Bids after the Bid/Issue Closing Date.

## Bid/Issue Programme

### *Bidding Period/Issue Period*

<b>BID/ISSUE OPENS ON</b>	<b>JUNE 23, 2009</b>
<b>BID/ISSUE CLOSES ON</b>	<b>JUNE 26, 2009</b>

Bids and any revision in Bids shall be accepted **only between 10.00 a.m and 3.00 p.m.** (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centers mentioned on the Bid cum Application Form **except that on the Bid/Issue Closing Date, Bids shall be accepted only between 10.00 a.m and 3.00 p.m (Indian Standard Time)** and uploaded till (i) 5.00 p.m. in case of Bids by QIB Bidders and Non-Institutional Bidders where the Bid Amount is in excess of Rs. 100,000 and (ii) till such time as permitted by the NSE and the BSE, in case of Bids by Retail Individual Bidders, where the Bid Amount is up to Rs. 100,000. Due to limitation of time available for uploading the Bids on the Bid/Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/Issue Closing Date and, in any case, no later than 3.00 p.m (Indian Standard Time) on the Bid/Issue Closing Date. Bidders are cautioned that due to clustering of last day applications, as is typically experienced in public offerings, some Bids may not be uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation under the Issue. If such Bids are not uploaded, the Company, the Selling Shareholder, the GCBRLM, the BRLMs and the Syndicate Members shall not be responsible. Bids will only be accepted on working 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 Bidders after taking into account the total number of Bids received upto the closure of timings for acceptance of Bid-cum-Application Forms as stated herein and reported by the GCBRLM and the BRLMs to the Stock Exchange within half an hour of such closure.

Our Company and the Selling Shareholder reserves the right to revise the Price Band during the Bidding Period in accordance with the SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band.

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

## Underwriting Agreement

After the determination of the Issue Price and allocation of our Equity Shares but prior to the filing of the Prospectus with the RoC, our Company and Selling Shareholder will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through the Issue, except for ASBA Bids. It is proposed that pursuant to the terms of the Underwriting Agreement, the GCBRLM and the BRLMs shall be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfill their underwriting obligations, save and except for underwriting obligations resulting from

ASBA Bids. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters are subject to certain conditions to closing, as specified therein. The Underwriting Agreement is dated [●] and has been approved by our Company's Board of Directors.

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)*

<b>Name and Address of the Underwriters</b>	<b>Indicated Number of Equity Shares to be Underwritten</b>	<b>Amount Underwritten (In Rs. Crore)</b>
<b>Kotak Mahindra Capital Company Limited</b> 3rd Floor, Bakhtawar 229, Nariman Point Mumbai 400 021, India	[●]	[●]
<b>HSBC Securities and Capital Markets (India) Private Limited</b> 52/60, Mahatma Gandhi Road Fort, Mumbai 400 001, India	[●]	[●]
<b>SBI Capital Markets Limited</b> 202, Maker Towers 'E' Cuffe Parade Mumbai 400 005, India	[●]	[●]
<b>Kotak Securities Limited</b> 1st Floor, Bakhtawar 229, Nariman Point Mumbai 400 021, India	[●]	[●]
<b>SBICAP Securities Limited</b> 191, Maker Tower F, Cuffe Parade, Mumbai 400 005, India	[●]	[●]

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

In the opinion of our Board of Directors (based on a certificate given by the Underwriters), the resources of the above mentioned Underwriters are sufficient to enable it to discharge its respective underwriting obligations in full. The above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act. The Selling Shareholder at its meeting held on [●] and our Board 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 GCBRLM, the BRLMs 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 Underwriters, in addition to other obligations defined in the underwriting agreement, will also be required to procure/subscribe to equity shares to the extent of the defaulted amount.

## CAPITAL STRUCTURE

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

(in Rs. Crores, except share data)			
		Aggregate Value at nominal value	Aggregate Value at Issue Price
A)	<b>AUTHORISED SHARE CAPITAL</b>		
	100,000,000 Equity Shares of Rs. 10 each	1,00.0	
B)	<b>ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL</b>		
	7,83,33,688 fully paid up Equity Shares of Rs. 10 each	78.3	
C)	<b>PRESENT ISSUE IN TERMS OF THIS RED HERRING PROSPECTUS*</b>		
	92,65,275 Equity Shares of Rs. 10 each	9.2	[•]
	Out of the above:		
	<b>a) Fresh Issue<sup>1</sup></b>		
	58,96,084 Equity Shares of Rs. 10 each	5.9	
	<b>b) Offer for Sale<sup>2</sup></b>		
	33,69,191 Equity Shares of Rs. 10 each	3.3	
D)	<b>EQUITY CAPITAL AFTER THE ISSUE</b>		
	8,42,29,772 Equity Shares of Rs. 10 each	84.2	[•]
E)	<b>SECURITIES PREMIUM ACCOUNT</b>		
	Before the Issue*	0.35	
	After the Issue		[•]

\* As on March 31, 2009.

1. The Fresh Issue has been authorized by a circular resolution of our Board dated September 27, 2008 and by special resolution passed pursuant to S. 81(1A) of the Companies Act, at the extraordinary general meeting of the shareholders of our Company held on September 29, 2008.
2. The Offer for Sale has been authorized by the Selling Shareholder by a circular resolution of its Board dated September 17, 2008. The Equity Shares being offered by the Promoter for the Offer for Sale are eligible in accordance with the SEBI (Disclosure and Investor Protection) Guidelines, 2000.

### Changes in the Authorised Share Capital of our Company since Incorporation:

- a) The authorized capital of Rs. 1,00,00,000 (Rupees One Crore) was increased to Rs. 25,00,00,000 (Rupees Twenty Five Crore) consisting of 2,50,00,000 Equity Shares pursuant to a resolution of the shareholders dated March 25, 1997.
- b) The authorized capital of Rs. 25,00,00,000 (Rupees Twenty Five Crore) consisting of 2,50,00,000 Equity Shares was increased to Rs. 35,00,00,000 (Rupees Thirty Five Crore) consisting of 2,50,00,000 Equity Shares and 1,00,00,000 Preference Shares pursuant to a resolution of the shareholders dated June 12, 2000.
- c) The authorized capital of Rs. 35,00,00,000 (Rupees Thirty Five Crore) comprising of 2,50,00,000 Equity Shares and 1,00,00,000 Preference Shares was increased to Rs. 60,00,00,000 (Rupees Sixty Crore) consisting of 5,00,00,000 Equity Shares and 1,00,00,000 Preference Shares pursuant to shareholders resolution dated March 18, 2006.
- (d) The authorized capital of Rs. 60,00,00,000 (Rupees Sixty Crore) comprising of 5,00,00,000 Equity Shares and 1,00,00,000 Preference Shares was reclassified to Rs. 60,00,00,000 (Rupees Sixty Crore) consisting of 6,00,00,000 Equity Shares wherein 1,00,00,000 Preference Shares were diminished pursuant to shareholders resolution dated October 8, 2007.
- (e) The authorized capital of Rs. 60,00,00,000 (Rupees Sixty Crore) consisting of 6,00,00,000 Equity Shares was increased to 100,00,00,000 (Rupees Hundred Crore) consisting of 10,00,00,000 Equity Shares pursuant to shareholders resolution dated October 8, 2007.

## Notes to the Capital Structure:

### 1. Equity Share Capital History:

Date of allotment of the Equity Shares	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Payment	Reasons for allotment	Cumulative number of Equity Shares	Cumulative Issued Capital (Rs.)	Cumulative Securities Premium (Rs.)
September 20, 1996	2	10	10	Cash	Subscription to the Memorandum <sup>1</sup>	2	20	-
April 15, 1997	198	10	10	Cash	Preferential Allotment <sup>2</sup>	200	2,000	-
March 31, 1998	2,000,000	10	10	Cash	Preferential Allotment <sup>3</sup>	20,00,200	2,00,02,000	-
December 24, 1999	6,400,000	10	10	Cash	Preferential Allotment <sup>4</sup>	84,00,200	8,40,02,000	-
March 28, 2000	10,000,000	10	10	Cash	Preferential Allotment <sup>5</sup>	1,84,00,200	18,40,02,000	-
March 27, 2006	10,000,000	10	10	Cash	Conversion of Preference Shares held by MHFL	2,84,00,200	28,40,02,000	-
July 12, 2006	759,325	10	16	Cash	Allotment to ESOS Trust	2,91,59,525	29,15,95,250*	45,55,950*
March 27, 2007	122,235	10	52	Cash	Allotment to ESOS Trust	2,92,81,760	29,28,17,600*	96,89,820*
October 10, 2007	56,700	10	52	Cash	Allotment to ESOS Trust	2,93,38,460	29,33,84,600*	1,20,71,220*
November 24, 2007	48,995,228	10	-	Bonus <sup>6</sup>	Bonus Issue in the ratio of 1.67:1	7,83,33,688	78,33,36,880*	1,20,71,220*

<sup>1</sup> Shares subscribed by Mr. Arun Kumar Nanda and Mr. Ramesh Ramanathan.

<sup>2</sup> Preferential Allotment of 49 Equity Shares each to Ridge Investment Company Private Limited, Port Investment Company Private Limited, Andromeda Investment and Finance Private Limited and Kamet Investment Company Limited and 2 Equity Shares to Elation Investments Private Limited.

<sup>3</sup> Preferential Allotment of 2,30,000 Equity Shares to Elation Investments Private Limited, 1,20,000 Equity Shares to Nimosa Investments Private Limited, 50,000 Equity Shares to Port Investment Company Private Limited, 6,00,000 Equity Shares to Mahindra Holdings & Finance Limited, 5,00,000 Equity Shares to Corbel Estate and Investments Private Limited and 5,00,000 Equity Shares to Mahindra Realty and Infrastructure Developers Limited.

<sup>4</sup> Preferential Allotment of 6,40,00,000 equity shares to Mahindra Holdings & Finance Limited.

<sup>5</sup> Preferential Allotment of 1,00,00,000 equity shares to Mahindra Holdings & Finance Limited. The Board had decided to issue 1,20,00,000 equity shares on a rights basis in its resolution dated December 24, 1999. However, only 1,00,00,000 equity shares were issued and 20,00,000 equity shares remaining unsubscribed were cancelled.

<sup>6</sup> Since the total number of equity shares to be issued for the bonus issue were coming to a fraction of 4,89,95,228.2, the fractional entitlement of 0.2 was reduced from MHFL pursuant to shareholders resolution dated November 19, 2007.

\* Please note that in accordance with the guidance note on accounting of employee share-based payments issued by the ICAI in 2005, the shares allotted to the ESOS Trust have been reduced from the issued share capital and the securities premium account of our Company in its financial statements. Please refer to Annexures 5 (Notes to Accounts) and Annexure 17 of the Restated Unconsolidated and Consolidated Financial Statements of our Company for the year ending March 31, 2009 on page 176 for further details.

Other than as mentioned in the table above, we have not made any issue of equity shares during the preceding one year.

### 2. Preference Share Capital History

Date of allotment of the Preference Shares	No. of Preference Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Payment	Reasons for allotment	Cumulative Issued Capital (Rs.)	Cumulative Securities Premium (Rs.)
July 13, 2000	1,00,00,000	10	10	Cash	Preferential Allotment <sup>1</sup>	-	-

<sup>1</sup> Preferential Allotment of 50,00,000 redeemable preference shares to Azrael Investments Limited, 40,00,000 to Ridge Business Centre Private Limited and 10,00,000 to Corbel Estate and Investments Private Limited.

1,00,00,000 preference shares of our Company held by MHFL were converted at par to equity shares of our Company on March 27, 2006. The conversion was approved by our Board in its meeting dated January 16, 2006 and shareholders in the Extraordinary General Meeting dated March 18, 2006.

### 3. Promoter's Contribution and Lock-in

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

#### a) Details of Promoter's Contribution locked in for three years:

Pursuant to the SEBI Guidelines, an aggregate of 20% of the post-Issue capital of our Company held by the Promoter, Mahindra & Mahindra Limited shall be locked-in for a period of three years from the date of Allotment in the Issue. The details of such lock-in are given below:

Name	Acquisition and when made fully paid-up	Nature of Allotment/Transfer	Nature of Consideration (Cash, bonus, kind, etc.)	No. of shares	Face Value (Rs.)	Issue Price/ Purchase Price (Rs.)	Percentage of Post-Issue paid-up capital	Lock-in Period
Mahindra & Mahindra Limited	Equity shares electronically credited to August 18, 2008	Pursuant to the Scheme of Amalgamation of MHFL with M&M (the "Scheme"), on the Scheme having been approved by the High Court of Judicature at Bombay on July 18, 2008, the effective date of which is August 11, 2008.	Pursuant to court-approved scheme of amalgamation with MHFL	1,68,45,954	10	-	20%	3 years
<b>Total</b>				<b>1,68,45,954</b>				

#### b) Details of historical build up of Promoter's shareholding:

Name of the Promoter	Date on which Equity Shares were acquired/ transferred	Nature of payment of consideration	Number of Equity Shares	Acquisition price/selling price per Equity Share
Mahindra & Mahindra Limited	August 18, 2008	Pursuant to court-approved scheme of amalgamation with MHFL	73,354,437	Pursuant to court-approved scheme of amalgamation with MHFL
Mahindra & Mahindra Limited	September 22, 2008	Pursuant to court-approved scheme of amalgamation with MHFL	396	Pursuant to court-approved scheme of amalgamation with MHFL

#### Details of share capital locked in for one year:

In terms of clause 4.14.1 of the SEBI Guidelines, in addition to 20% of post-Issue shareholding of our Company held by the Promoter and locked-in for three years, as specified above, and other than 33, 69,191 Equity Shares being offered by way of an Offer for Sale which are exempt from lock in, our pre-Issue equity share capital constituting 5,70,52,840 Equity Shares will be locked-in for a period of one year from the date of Allotment in this Issue. This excludes the Equity Shares that have arisen from the exercise of

options vested under our ESOS 2006 and Equity Shares that will arise from the exercise of options vested under our ESOS 2006 during the one-year period from the date of Allotment in this Issue, which will be exempt from lock in. For details in relation to the above refer to “Capital Structure – Employee Stock Option Plan”. Such exemption from lock in will apply to transfers of Equity Shares to our employees from the ESOS Trust upon the exercise of their vested options and onward transfers to employees of Equity Shares received from such exercise.

In terms of Clause 4.16.1(a) of the SEBI Guidelines, the Equity Shares held by persons other than the Promoter prior to the Issue may be transferred to any other person holding the Equity Shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

Further, in terms of clause 4.16.1(b) of the SEBI Guidelines, Equity Shares held by the Promoter may be transferred to and among the companies forming part of promoter group or to a new promoter or persons in control of our Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997, as applicable.

Locked-in securities held by the Promoter may be pledged only with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided that the pledge of the Equity Shares is one of the terms of the sanction of the loan and further that the loan has been granted by such banks or financial institutions for the purposes of financing one or more of the Objects of the Issue.

#### 4. Our shareholding pattern

The table below presents our shareholding pattern before and after the proposed Issue:

	Pre-Issue		Post-Issue	
	No. of shares	%	No. of shares	%
<b>Promoter</b>				
Mahindra & Mahindra Limited	7,33,54,833	93.64	6,99,85,642	83.09
<b>Others</b>				
ESOS Trust <sup>1</sup>	13,19,409	1.69	13,19,409	1.57
State Bank of India	16,49,130	2.11	16,49,130	1.96
Nylim Jacob Ballas India Fund III, LLC	8,24,565	1.05	8,24,565	0.98
Employees and Directors <sup>2</sup>	10,65,705	1.36	10,65,705	1.26
Others	120,046	0.15	120,046	0.14
Public	-	-	92,65,275	11.00
<b>Total</b>	<b>7,83,33,688</b>	<b>100.00</b>	<b>8,42,29,772</b>	<b>100.00</b>

<sup>1</sup> Includes 22 Equity Shares held by ESOS Trust. These Equity Shares represent consolidated fractional entitlements to bonus shares held by 40 shareholders. Under the resolution passed by our shareholders at their meeting held on November 19, 2007, the said shares are to be sold by the ESOS Trust at a suitable time and proceeds from such sale are to be transferred to the employees holding fractional bonus entitlements.

<sup>2</sup> Includes employees and directors of group companies as well.

For further details on shares held by our Promoter and companies forming part of promoter group, please refer to note 1 of Notes to the Capital Structure. For details on the shareholding of our Directors, see the section titled “Our Management” on page 123 of this Red Herring Prospectus. The following directors of our Company and our Promoter hold Equity Shares:

S.No.	Name of the Shareholder	No. of Equity Shares	Pre-Issue Percentage Shareholding	Post-Issue Percentage Shareholding
<b>Directors of our Company</b>				
1.	Mr. Arun Kumar Nanda	2,78,446	0.36	0.33
2.	Mr. Ramesh Ramanathan	1,89,838	0.24	0.23
3.	Mr. U.Y. Phadke	19,469	0.02	0.02
4.	Mr. Cyrus Guzder	17,355	0.02	0.02
5.	Mr. Rohit Khattar	17,355	0.02	0.02
<b>Directors of our Promoter*</b>				
1.	Mr. Bharat Doshi	19,469	0.02	0.02

\* Mr. Arun Kumar Nanda is a director of our Promoter and our Company. Therefore, his shareholding has been disclosed under the heading above, Directors of our Company.

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

(a) Our top ten shareholders as on the date of filing of this Red Herring Prospectus are as follows:

S. No.	Shareholder	No. of Equity Shares Held	Percentage
1	Mahindra & Mahindra Limited	7,33,54,833	93.64
2	State Bank of India	16,49,130	2.11
3	ESOS Trust	13,19,409	1.68
4	Nylim Jacob Ballas India Fund III, LLC	8,24,565	1.05
5	Mr. Arun Kumar Nanda	2,78,446	0.36
6	Mr. Ramesh Ramanathan	1,89,838	0.24
7	Ms. Neerja Nanda	75,000	0.10
8	Mrs. Vimla Dorairaju	26,394	0.03
9.	Mr. Radhakrishna R.	26,032	0.03
10	Mr. Ravindera Khanna	25,594	0.03

(b) Our top ten shareholders ten days prior to filing of this Red Herring Prospectus are as follows:

S. No.	Shareholder	No. of Equity Shares Held	Percentage
1	Mahindra & Mahindra Limited	7,33,54,833	93.64
2	State Bank of India	16,49,130	2.11
3	ESOS Trust	13,19,409	1.68
4	Nylim Jacob Ballas India Fund III, LLC	8,24,565	1.05
5	Mr. Arun Kumar Nanda	2,78,446	0.36
6	Mr. Ramesh Ramanathan	1,89,838	0.24
7	Ms. Neerja Nanda	75,000	0.10
8	Mrs. Vimla Dorairaju	26,394	0.03
9.	Mr. Radhakrishna R.	26,032	0.03
10	Mr. Ravindera Khanna	25,594	0.03

(c) Our shareholders as of two years prior to filing this Red Herring Prospectus were as follows:

S. No.	Shareholder	No. of Equity Shares Held	Percentage
1	Mahindra Holdings & Finance Limited	2,84,00,049	96.99
2	ESOS Trust	881,560	3.01
3	Mahindra Holdings & Finance Limited jointly with Mr. K.V. Kasturi	49	0.00
4	Mahindra Holdings & Finance Limited jointly with Mr. S. Chandru	49	0.00
5	Mahindra Holdings & Finance Limited jointly with Mr. Vishnu Banka	49	0.00
6	Mahindra Holdings & Finance Limited jointly with Ms. Vimla Dorairaju	2	0.00
7	Mahindra Holdings & Finance Limited jointly with Mr. Paul Fernandez	1	0.00
8	Mr. Ramesh Ramanathan	1	0.00
<b>Total</b>		<b>29,281,760</b>	<b>100.00</b>

## **6. Employee stock option plans**

We have an employee stock option scheme, namely, Mahindra Holidays & Resorts India Limited Employees Stock Option Scheme in force, which is administered through a trust. For this purpose, our Company has constituted the Mahindra Holidays & Resorts India Limited Employees' Stock Option Trust pursuant to a trust deed dated May 22, 2006. The MHRIL ESOS is in compliance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

The objects of the ESOS Trust and the provisions of our Articles of Association enable execution of the Mahindra Holidays & Resorts India Limited Employee Stock Option Scheme and grant of options thereunder to eligible employees (as defined thereunder) as per the recommendations of the Remuneration Committee of our Board. Mr. Arun Kumar Nanda and Mr. Ramesh Ramanathan are the Chairman and Managing Trustee, respectively, of the ESOS Trust. In addition, Ms. Sumathi Mohan, Mr. P. Ravi Shankar, Mr. Narayan Shankar and Ms. Anita Arjundas are also the trustees of the ESOS Trust.

The ESOS 2006 was approved by our Board by its resolution dated April 22, 2006 and by our members at our annual general meeting dated May 17, 2006, wherein approval was granted for issue of upto 14,20,010 Equity Shares under the ESOS 2006. Pursuant to the ESOS 2006, the following Equity Shares were allotted to the ESOS Trust:

- (i) 7,59,325 Equity Shares at a premium of Rs. 6 on July 12, 2006;
- (ii) 1,22,235 Equity Shares at a premium of Rs. 42 on March 27, 2007;
- (iii) 56,700 Equity Shares at a premium of Rs. 42 on October 10, 2007.

The ESOS Trust holds these shares for issuing stock options to our employees against the above shares. With a view to achieve the objective of setting up the ESOS Trust, our Company has donated Rs. 10,000 to the ESOS Trust as its corpus.

Our Company has granted a loan of Rs. 1,35,97,420 without interest to ESOS Trust for the purchase of the Equity Shares to be transferred to our employees and executive directors under the ESOS 2006, of which Rs. 15,45,420 has been repaid by the ESOS Trust to the Company. Our Board by its resolution dated April 22, 2006 approved the grant of loan to the ESOS Trust for a sum not exceeding Rs. 5 crores.

***Mahindra Holidays & Resorts India Limited Employees Stock Option Scheme***

Particulars		Details
Options granted		10,90,796
Exercise price of options		

Particulars	Details										
	Grant dated November 1, 2007 with a vesting period of 4 years:										
	<table> <tr> <th>Time From Date Of Vesting</th><th>Percentage Of Shares Vesting (%)</th></tr> <tr> <td>12 months</td><td>25</td></tr> <tr> <td>24 months</td><td>25</td></tr> <tr> <td>36 months</td><td>25</td></tr> <tr> <td>48 months</td><td>25</td></tr> </table>	Time From Date Of Vesting	Percentage Of Shares Vesting (%)	12 months	25	24 months	25	36 months	25	48 months	25
Time From Date Of Vesting	Percentage Of Shares Vesting (%)										
12 months	25										
24 months	25										
36 months	25										
48 months	25										
	Grant dated November 1, 2008 with a vesting period of 4 years:										
	<table> <tr> <th>Time From Date Of Vesting</th><th>Percentage Of Shares Vesting (%)</th></tr> <tr> <td>12 months</td><td>25</td></tr> <tr> <td>24 months</td><td>25</td></tr> <tr> <td>36 months</td><td>25</td></tr> <tr> <td>48 months</td><td>25</td></tr> </table>	Time From Date Of Vesting	Percentage Of Shares Vesting (%)	12 months	25	24 months	25	36 months	25	48 months	25
Time From Date Of Vesting	Percentage Of Shares Vesting (%)										
12 months	25										
24 months	25										
36 months	25										
48 months	25										
Fully diluted EPS on a pre-issue basis (on a consolidated basis) as on March 31, 2009	10.19										
Lock-in	Nil										
Impact on profits and EPS of the fiscal year 2009	-0.02										

\* All details in the tables above exclude Equity Shares issued pursuant to the bonus issue on November 24, 2007 to the ESOS Trust.

Note 1: Details regarding options granted to our Directors and our key managerial personnel are set forth below:

Name of director/ key managerial personnel	No. of options granted	No. of options exercised	No. of options outstanding
Mr. Arun Kumar Nanda	2,20,010	1,32,777	87,633
Mr. U.Y. Phadke	16,670	7,292	9,378
Mr. Cyrus Guzder	10,000	6,500	3,500
Mr. Rohit Khattar	10,000	6,500	3,500
Mr. Ramesh Ramanathan	1,22,300	71,100	51,200
Mr. Vineet Nayyar	10,000	-	10,000
Ms. Rama Bijapurkar	15,000	-	15,000
Mr. R. Radhakrishna	24,910	9,750	15,160
Mr. Ravindera Khanna	18,400	9,586	8,814
Ms. Vimla Dorairaju	19,200	9,886	9,314
Mr. Anirudha Haldar	13,070	5,850	7,220
Mr. Ulrich Wolfram	12,670	4,100	8,570
Mr. Navarun Sen	11,375	4,938	6,437
Mr. Ajay Nambiar	8,010	-	8,010
Mrs. Sumathi Mohan	7,620	3,310	4,310
Mr. M. Harinath	12,860	6,967	5,893

Our directors and the key managerial personnel, who have been granted options and issued 667,667 Equity Shares on the exercise of the options pursuant to ESOS 2006 have confirmed to us that they do not intend to sell any shares arising from such options for three months after the date of listing of the Equity Shares in this Issue. Other employees of our Company holding 273,993 Equity Shares at the time of listing of Equity Shares on exercise of vested options may sell equity shares within the three month period after the listing of the Equity Shares. This disclosure is made in accordance with para 15.3 (b) and 15.3 (c) of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 2000.

7. Our Company, the Promoter, our individual promoters and companies forming part of our promoter group, the Directors, the GCBRLM and the BRLMs have not entered into any buy-back and/or standby arrangements for the purchase of Equity Shares from any person.
8. At least 60% of the Issue, that is 55,59,165 Equity Shares shall be available for allocation on a proportionate basis to QIBs, out of which 5% that is, 2,77,958 shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Not less than 10% of the Issue, i.e. 9,26,527 Equity Shares shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Issue, that is 27,79,582 Equity Shares shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.
9. Under-subscription, if any, in the Retail or Non Institutional Portion would be met with spill over from other categories or combination of categories, at the discretion of our Company and the Selling Shareholder, in consultation with the GCBRLM and the BRLMs.
10. Other than the exercise of options by our Directors pursuant to the ESOS 2006 and except the gift of 75,000 Shares from Mr. Arun Kumar Nanda to his wife, Mrs. Neerja Nanda, none of our Directors, our Promoter or companies forming part of promoter group have purchased or sold any securities of our Company, during a period of six months preceding the date of filing of this Red Herring Prospectus with SEBI.
11. An investor cannot make a Bid for more than the number of Equity Shares offered through the Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investors.
12. There will be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of the Red Herring Prospectus with SEBI until the Equity Shares to be issued pursuant to the Issue have been listed.
13. There shall be only one denomination of the Equity Shares. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
14. As on May 31, 2009, the total number of holders of Equity Shares is 71, excluding holders of options outstanding under ESOS 2006.
15. We have not raised any bridge loans against the Net Proceeds.
16. We have not issued any Equity Shares out of revaluation reserves. Further, we have not issued any Equity Shares for consideration other than cash except for the bonus Equity Shares issued out of free reserves.
17. Other than options granted under the ESOS 2006 as set forth in note 6 above, there are no outstanding warrants, options or rights to convert debentures, loans or other instruments into the Equity Shares.
18. The Equity Shares held by the Promoter are not subject to any pledge.
19. An oversubscription to the extent of 10% of the Issue can be retained for the purpose of rounding off while finalising the basis of Allotment.
20. Our Promoter and companies forming part of our promoter group will not participate in this Issue.

21. We presently do not intend or propose to alter our capital structure for a period of six months from the Bid/ Issue Opening Date, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise, except that we may grant stock options to the employees and Directors as per the prevailing stock option scheme and allot further Equity Shares to our employees pursuant to exercise of options granted earlier under our ESOS 2006. Additionally, if we enter into acquisitions or joint ventures, we may, subject to necessary approvals, consider using our Equity Shares as currency for acquisitions or participation in such joint ventures, we may enter into and/or we may raise additional capital to fund accelerated growth.

## OBJECTS OF THE ISSUE

The Issue consists of a Fresh Issue of 58,96,084 Equity Shares and an Offer for Sale of 33,69,191 Equity Shares by the Selling Shareholder. Our Company will not receive any proceeds from the Offer for Sale.

The objects of the Fresh Issue are (a) financing of expansion of some of our resorts and setting up of new projects and (b) for certain general corporate purposes. Our Company believes that listing will enhance our Company's brand name and create a public market for its Equity Shares in India.

The main objects clause of the Memorandum of Association and objects incidental to the main objects enable our Company to undertake its existing activities and the activities for which funds are being raised by our Company through the Fresh Issue.

Expenses related to the Issue, including underwriting and management fees, selling commissions and other expenses will be borne by our Company and the Selling Shareholder in proportion to the shares contributed to the Issue.

We intend to utilize the proceeds of the Fresh Issue, after deducting our Company's share of the underwriting and management fees, selling commissions and other expenses associated with the Issue ("Net Proceeds"), which is estimated at Rs. [●] in the manner set forth below:

(Rs. in crore)				
S. No.	Particulars	Total fund requirement	Amount deployed till May 31, 2009*	Estimated Amount to be utilized from the Net Proceeds
1.	Financing of expansion of our resorts and setting up of new projects	236.89	25.94	210.95
2.	General corporate purposes	[●]	[●]	[●]
	<b>Total</b>	<b>[●]</b>	<b>[●]</b>	<b>[●]</b>

\*Certified by way of certificate dated June 9, 2009 by Deloitte Haskins & Sells, Chartered Accountants.

The objects of the Issue are proposed to be financed entirely from the Net Proceeds. Therefore, we are not required to satisfy the requirement of firm tie-up of at least 75% through verifiable means of the Objects of the Issue other than the Net Proceeds.

The year wise break up of the proposed utilization of the Net Proceeds is as set forth below:

(Rs. in crores)					
S. No.	Project	Estimated Amount to be utilized from the Net Proceeds	Amount to be utilized in Fiscal 2010	Amount to be utilized in Fiscal 2011	Amount to be utilized in Fiscal 2012
1.	Financing of expansion of our resorts and setting up of new projects	210.95	111.77	93.42	5.76
2.	General corporate purposes	[●]	[●]	[●]	[●]
	<b>Total</b>	<b>[●]</b>	<b>[●]</b>	<b>[●]</b>	<b>[●]</b>

The fund requirement and deployment are based on internal management estimates and have not been appraised by any bank or financial institution. These are based on current conditions and are subject to change in light of changes in external circumstances or costs, other financial conditions, business or strategy, as discussed further below.

In case of variations in the actual utilization of funds allocated for the purposes set forth above, increased fund requirements for a particular purpose may be financed by surplus funds, if any, available in respect of the other purposes for which funds are being raised in this Issue. If surplus funds are unavailable, the required financing will be through our internal accruals and/or debt.

We operate in a competitive and dynamic market, and may have to revise our estimates from time to time on account of new projects, expansion of our resorts and opportunities that we may pursue, including any industry consolidation initiatives, such as potential acquisition opportunities. We may also reallocate expenditure to newer projects or those with earlier completion dates in the case of delays (including delays that may be caused in acquiring government, regulatory or local approvals and permits) in our projects. We may also engage in other new projects and/or further expand our existing projects in the future, at the discretion of the management of our Company. Consequently, our fund requirements may also change accordingly. Any such change in our plans may require rescheduling of our expenditure programs, starting projects that are not currently planned, discontinuing projects currently planned and an increase or decrease in the expenditure for a particular project or land acquisition in relation to current plans, at the discretion of the management of our Company. The same shall be subject to the Net Proceeds being utilized for the objects as disclosed in this Red Herring Prospectus. In case of any shortfall or cost overruns, we intend to meet our estimated expenditure from internal accruals and/or debt.

### Details of Use of Net Proceeds

Our Company's proposed investment under this head, which is intended to be funded from the Net Proceeds, has been provided below:

#### *Financing of expansion of some of our resorts and setting up of new projects*

A key factor in the growth of our business is our ability to increase our member base and number of resorts. In addition, we strive to enhance facilities and expand inventory of apartments at our resorts. Thus, it is important that we continuously expand the variety and choice of resort experiences and destinations for our members. As per our current business plan, we intend to expand inventory of apartments and enhance facilities at our Coorg (Phase IV in Karnataka), Ashtamudi (Phase II in Kerala), renovate our newly-acquired resort at Ooty (Tamil Nadu). Further, we intend to construct new resorts at Tungi and Theog. Subject to applicable laws and at the discretion of the management of our Company, we may also engage in projects and resorts on the land already purchased by our Company.

We intend to utilize part of the Net Proceeds for financing the expansion of our resorts and setting up of new projects as detailed below:

(Rs. in crores)				
S. No.	Location of resort	Total fund requirement	Amount deployed till May 31, 2009*	Estimated Amount to be utilized from the Net Proceeds
1.	Ashtamudi	36.80	3.61	33.19
2.	Coorg	16.31	-	16.31
3.	Ooty	12.17	3.90	8.27
4.	Tungi	96.96	16.44	80.52
5.	Theog	74.65	1.99	72.66
<b>Total</b>		<b>236.89</b>	<b>25.94</b>	<b>210.95</b>

\* Certified by way of certificate dated June 9, 2009 by Deloitte Haskins & Sells, Chartered Accountants.

The year wise break up of the proposed utilization of the Net Proceeds is as set forth below:

(Rs. in crores)				
S. No.	Project	Amount to be utilized in Fiscal 2010	Amount to be utilized in Fiscal 2011	Amount to be utilized in Fiscal 2012
1.	Ashtamudi	23.70	9.49	-
2.	Coorg	3.40	12.91	-
3.	Ooty	8.27	-	-
4.	Tungi	60.50	20.02	-
5.	Theog	15.90	51.00	5.76
<b>Total</b>		<b>111.77</b>	<b>93.42</b>	<b>5.76</b>

### ***Brief description of the resorts***

We propose to expand our existing resorts at Coorg, Ashtamudi, renovate our new resort at Ooty and construct a new resort at Tungi (Maharashtra) and Theog (Himachal Pradesh). The resorts we propose to construct are intended to be full service resorts with amenities such as restaurants, swimming pool, holiday activity centres, health club, bars, conference halls, beauty parlours etc. and some might also have fractional homes. In Tungi and Theog, we have acquired the land for the construction of the resorts, and for some of these resorts/projects, we have received approvals for the development of the projects, or are in the process of obtaining relevant approvals or are yet to apply for the approvals. For further details, refer to chapter titled 'Government Approvals' on page 284, and 'Risk Factors' on page xi.

**Coorg:** Club Mahindra Kodagu Valley, located at Coorg in the state of Karnataka has 188 rooms. The resort has a swimming pool, a spa, a multi-cuisine restaurant, a souvenir shop, as well as conference facilities. Apart from a host of indoor activities, outdoor activities at the resort include golf, trekking and fishing. We propose to expand the existing resort at Coorg, by constructing 34 additional apartments, another swimming pool and additional facilities for outdoor activities and the spa.

**Ashtamudi:** Our resort is located at Ashtamudi in the state of Kerala. The resort overlooks the Ashtamudi back water lake. We propose to construct 66 additional rooms along with a restaurant, a bar, a conference hall and a swimming pool.

**Tungi:** Our proposed resort at Tungi in the state of Maharashtra, is proposed to be constructed at an attitude of 2700 ft. The proposed resort is near Lonavla and will overlook the Pavna lake. We intend to construct a total of 158 rooms, a restaurant with a display kitchen, a Gazebo, a conference hall, a health club and a swimming pool.

**Ooty:** The newly acquired Ooty resort is a 3 hours drive from Coimbatore and is in the heart of Ooty town. The proposed work in the resort is mainly renovation work. It will have a total of 90 rooms, which include studio and 1 bed-room apartments. It shall also have two restaurants, marriage hall and a swimming pool.

**Theog:** Our proposed resort at Theog is 32 km from Shimla in Himachal Pradesh and is located at an altitude of approximately 2,300 m above sea level. It will have 150 rooms, which will include studio and 1 bed-room apartments. It shall also have a restaurant, bar, conference hall, health club and holiday activity room.

Below are the details of the cost of construction of the expansion of our resorts and setting up of new projects is estimated as follows:

### Cost of Construction:

(Rs. in crores)

Particulars	Building Cost <sup>(i)</sup>	Common Facilities <sup>(ii)</sup>	Interiors <sup>(iii)</sup>	Services <sup>(iv)</sup>	Operation related Items <sup>(v)</sup>	Infrastructure works <sup>(vi)</sup>	Consultancy Fees <sup>(vii)</sup>	Project Mgmt Fees <sup>(viii)</sup>	Contingency <sup>(ix)</sup>	Grand Total
Tungi	52.93	1.73	9.79	10.60	5.04	5.94	3.81	2.50	4.62	96.96
Ashtamudi	25.68	0.27	3.66	1.42	0.43	1.17	1.33	1.09	1.75	36.80
Coorg (Phase IV)	9.02	0.15	2.49	0.47	1.05	1.15	0.70	0.50	0.78	16.31
Ooty	5.45	1.10	1.72	0.55	0.90	0.55	1.10	0.22	0.58	12.17
Theog	42.94	2.14	9.37	0.21	4.23	3.99	4.36	3.86	3.55	74.65
<b>Total</b>	<b>136.02</b>	<b>5.39</b>	<b>27.03</b>	<b>13.25</b>	<b>11.65</b>	<b>12.80</b>	<b>11.30</b>	<b>8.17</b>	<b>11.28</b>	<b>236.89</b>
Amount utilized till May 31, 2009										25.94
Amount proposed to be used from Net Proceeds										<b>210.95</b>

- Building cost includes cost of civil works for structural works including plastering, roof tiling flooring, painting and polishing, false ceiling, water supply and sanitary (all plumbing), internal and external electrification and electrical fittings etc.
- Common facilities include sewage treatment plant, water treatment plant, underground sump, emergency power and street lighting etc.
- Interiors include upholstery, curtains, art works at rooms and public area and back office.
- Services include fire protection systems, telephone systems, audio and CCTV, laundry, hot water facilities, ventilation system, rain water protection etc.
- Operating related items includes kitchen equipments, housekeeping aids, conference aids, computers/data cabling, health club, holidays activities – indoor and outdoor, stores, office equipments, vehicles, LPG, signage, F&B equipments etc.
- Infrastructure works includes landscaping, pathways and walkways, pavilion works, storm water drain etc.
- Consultancy fees includes all fees pertaining to the design and architecture consultancy charges along with mechanical, electrical and plumbing consultancy fees. It also includes landscaping fees along with independent consultant fees, if any to review the architecture designs as a third party. In addition, we have taken estimates of 15% of out-of-pocket expenses for domestic consultants and 25% of out-of-pocket expenses for international consultants.
- Project Management fees includes the supervision consultant and local consultant, if any to work in tandem with our Company to facilitate smooth statutory and other necessary approvals. It also includes internal site overhead costs and day-to-day expenses at the sites, including stationary and office equipment expenses.
- Contingencies includes escalation in costs due to unforeseen circumstances and events, as our project construction cycle spreads between 10 to 16 months. We have estimated an amount of 5% on the total expenses for contingencies.

The details of all quotations for our proposed resorts at Tungi and Theog, and the expansion of our Ashtamudi resort are given below:

### Cost of Construction for the Tungi resort:

Particulars	Date of Quotation/Agreements (A)/Work Orders (W.O.)	Name of Supplier/Person from whom quotation received	Amount (In crores)
<b>Building cost</b>			
Civil and Structural Work	November 18, 2008 (W. O.)	B.J. Samson Constructions	20.75
Plumbing Sanitation and Fire Fighting Systems	April 7, 2009 (W. O.)	J K Infra-Utilities Private Limited	3.45
Internal and External Electrification	March 4, 2009 (W. O.)	Rohini Industrial Electrical Limited	3.81
Joinery work, internal floor finishes, internal wall finishes	May 30, 2009	Hi-Peak Interior Contractor	17.24
External Development work	April 8, 2009 (Letter of Intent)	S.B. Constructions	3.50
Glazing work	May 25, 2009	Om Enterprises	1.25
Joinery work	May 27, 2009	Indec Designers and Decorators P. Ltd.	1.77
Joinery work in administration area	May 27, 2009	Focusz Designs Pvt. Ltd.	1.16
		Sub total	<b>52.93</b>
<b>Common facilities</b>			
Sewage Treatment Plant	May 7, 2009	Enzotech Solutions Private Limited	0.73
Water Treatment Plant	April 28, 2009	Fontus Water Limited	0.18
Swimming Pool	June 3, 2009	Clearwater Pools	0.82
		Sub total	<b>1.73</b>
<b>Interiors</b>			
Interior Work (Units)	May 25, 2009	The Chisel Furniture and Interiors	9.79

Particulars	Date of Quotation/Agreements (A)/Work Orders (W.O.)	Name of Supplier/Person from whom quotation received	Amount (In crores)
		Sub total	<b>9.79</b>
<b>Services</b>			
Fan coil units, small ductable units and rooftop units,	May 11, 2009	Trane India Private Limited	6.95*
Exhaust air system	April 30, 2009	Blue Star Limited	1.1
Supply of 3 diesel generator	May 11, 2009	Powerica Limited	2.55
		Sub total	<b>10.60</b>
<b>Operation related items</b>			
Kitchen equipment, Computer data cabling	June 1, 2009	Air Control Equipments & Systems Private Limited	5.04
		Sub total	<b>5.04</b>
<b>Infrastructure works</b>			
External Development works	April 2, 2009 (Letter of Intent)	Tricon Buildcon Private Limited	2.75
Nursery Establishment and Plantation	April 16, 2009 (W. O.)	Greenpiece Landscape Private Limited	0.25
Supply and Delivery of Plants	April 16, 2009 (W. O.)	Greenpiece Landscape Private Limited	0.06
Construction of Check Dams	April 16, 2009 (W. O.)	Greenpiece Landscape Private Limited	0.04
Landscape Work	June 2, 2009	Greengrowth Developers Private Limited	2.84
		Sub total	<b>5.94</b>
<b>Consultancy fees</b>			
Facility Planning Services	October 16, 2008 (Agreement)	Universal Services	0.04
Landscape Architecture	October 15, 2008 (Agreement)	Burega Farnell Private Limited	0.54*
Interior Architect	November 3, 2008 (Agreement)	Fbeye International Private Limited	1.80*
Architectural Design	January 15, 2009 (Agreement)	I.M. Kadri Architects	1.43
		Sub total	<b>3.81</b>
<b>Project Management Fee</b>	June 6, 2009	Equinox	<b>2.50</b>
<b>Contingencies</b>			4.62
		<b>Grand Total</b>	<b>96.96</b>

\* We have used the following conversion rates: 1 USD = Rs. 47.32, 1 Singapore Dollar = Rs. 32.67 and 1 Euro = Rs. 66.84 as of June 6, 2009, source: [www.oanda.com/convert/classic](http://www.oanda.com/convert/classic).

*Cost of Construction for the Ashtamudi resort:*

Particulars	Date of Quotation/Agreements (A)/Work Orders (W.O.)	Name of Supplier/Person from whom quotation received	Amount (In crores)
<b>Building Cost</b>			
Civil & Structural work	May 29, 2009	KAP (India) Projects & Constructions Private Limited	12.48
External and Internal Plumbing	June 1, 2009	G R Tech Services Private Limited	0.64
Electrification	June 3, 2009	Henry and Farad Private Limited	2.37
Transportation, Installation, and Polishing of wooden log homes	June 4, 2009	Floatels India Private Limited	9.03
Supply for Design and Installation	December 15, 2008 (Letter of Intent)	Floatels Hospitalities Private Limited	1.05
Supply for Design and Installation	December 15, 2008 (Letter of Intent)	Praga Marine Private Limited	0.11
		Sub total	<b>25.68</b>
<b>Common facilities</b>			
Sewage Treatment Plant	June 5, 2009	Enzotech Solutions Private Limited	0.27
		Sub total	<b>0.27</b>
<b>Interiors</b>			
Furniture	May 29, 2009	The Chisel Furniture and Interiors	3.49
Floor tiles	May 27, 2009	Mancorp India	0.17
		Sub total	<b>3.66</b>
<b>Services</b>			
Chiller Plant	June 4, 2009	Trane India Limited	0.24*
Critical spears for chiller plant	June 4, 2009	Trane India Limited	0.02*
Air Conditioning work	June 1, 2009	Geo General Trading Private Limited	1.16

Particulars	Date of Quotation/Agreements (A)/Work Orders (W.O.)	Name of Supplier/Person from whom quotation received	Amount (In crores)
		Sub total	1.42
<b>Particulars</b>	<b>Date of Quotation/Agreements (A)/Work Orders (W.O.)</b>	<b>Name of Supplier/Person from whom quotation received</b>	<b>Amount (In crores)</b>
<b>Operation Related items</b>			
Provision of sofa, beds/mattress	May 5, 2009	Manu Décor International	0.30
Health and gymnasium equipments	May 19, 2009	Cardio Fitness	0.13*
		Sub total	0.43
<b>Infrastructure works</b>			
Swimming pool	May 29, 2009	Clearwater Pools	0.12
Slope retention work	June 3, 2009	Mccafferri Environmental Solutions Private Limited	1.05
		Sub total	1.17
<b>Consultancy fees</b>			
Architects	June 3, 2009	Iyer and Mahesh Architects	0.53
Interior Consultant	March 15, 2009 (Agreement)	Rajiv Saini & Associates	0.61
Landscape Consultant	March 15, 2009 (Agreement)	BuregaFarnell Pte. Limited	0.19*
		Sub total	1.33
<b>Project Management Fee</b>	June 2, 2009	Fusion Consulting	1.09
<b>Contingencies</b>			1.75
		<b>Grand Total</b>	<b>36.80</b>

\* We have used the following conversion rates: 1 USD = Rs. 47.32, 1 Singapore Dollar = Rs. 32.67 and 1 Euro = Rs. 66.84 as of June 6, 2009, source: [www.oanda.com/convert/classic](http://www.oanda.com/convert/classic).

*Cost of Construction for the Theog resort:*

Particulars	Date of Quotation/Agreements (A)/Work Orders (W.O.)	Name Of Supplier/Person From Whom Quotation Received	Amount (In Crores)
<b>Building Cost</b>			
Structural Work	May 16, 2009	Onix Holdings Pty Ltd	13.46
Civil and Structural work	June 3, 2009	D.N. Associates & Company	24.89
External and Internal Electrification	May 15, 2009	Rohini Industrial Electrical Limited	2.26
Plumbing and Sanitary work	May 10, 2009	Jay Dheep Techno Enterprisess Private Limited	2.33
		Sub-Total	42.94
<b>Common Facilities</b>			
Sewage Treatment Plant	May 27, 2009	Enzotech Solutions Private Limited	0.77
Water Treatment Plant	June 4, 2009	Fontus Water Limited	0.15
Diesel Generator	June 1, 2009	FG Wilson Generators India Private Limited	0.62
Transformer	June 5, 2009	Universal Power Transformer Private Limited	0.60
		Sub-Total	2.14
<b>Interiors</b>			
Furniture	May 25, 2009	Zubair Furnishing	9.37
		Sub-Total	9.37
<b>Services</b>			
Swimming Pool	May 15, 2009	Clearwater Pools	0.21
		Sub-Total	0.21
<b>Operation Related Items</b>			
Kitchen Equipment and food beverages	May 3, 209	Air Control Equipment & Systems	1.29
Health and gymnasium equipments	June 2, 2009	Cardio Fitness	0.29*
Sofa, beds/mattresses	May 5, 2009	ManuDecor International	0.63*
Housekeeping and Cleaning Equipments	May 3, 2009	Continental Equipment (India)Private Limited	2.02
		Sub-Total	4.23
<b>Infrastructure Works</b>			
Landscape	May 20, 2009	Green Growth Developers Private	3.40

Particulars	Date of Quotation/Agreements (A)/Work Orders (W.O.)	Name Of Supplier/Person From Whom Quotation Received	Amount (In Crores)
Geotechnical Investigation	June 20, 2008 (W.O.)	Limited Cengers Geotechnical Private Limited	0.04
Land Survey work	April 10, 2008 (W.O.)	Cengers Geotechnical Private Limited	0.02
Fencing work	January 27, 2009 (W.O.)	Alpha Infracon Private Limited	0.18
Site Development and temporary road work	April 13, 2009 (W.O.)	D.N. Associates & Company	0.35
		Sub-Total	<b>3.99</b>
<b>Consultancy Fees</b>			
Facility Planning	May 15, 2009	Universal Services	0.22
Landscape Consultancy	June 1, 2009	BuregaFarnell Pte Limited	0.54*
Interior Consultancy	November 3, 2008 (Agreement)	Fbeye International Pte Ltd	1.84*
Architect and Design Consultancy	September 19, 2008 (W.O.)	Somaya & Kalappa Consultants Private Limited	1.76
		Sub-Total	<b>4.36</b>
<b>Project Management Fee</b>			
Project Management	June 6, 2009	Fusion Consulting	3.86
		Sub-Total	<b>3.86</b>
<b>Contingencies</b>			
			3.55
		<b>Grand Total</b>	<b>74.65</b>

*\*We have used the following conversion rates: 1 USD = Rs. 47.32, 1 Singapore Dollar = Rs. 32.67 and 1 Euro = Rs. 66.84 as of June 6, 2009, source: [www.oanda.com/convert/classic](http://www.oanda.com/convert/classic).*

Our management has relied on estimates given by our architects for the expansion costs for our Ooty and Coorg resorts. The quotations/estimates received from architects/ planners/ are not more than two months old, from the date of filing of the Red Herring Prospectus.

References to apartments in “Objects of the Issue” includes a mix of apartments, cottages, villas, studios, one bedroom and two bedroom apartments. This mix of apartments may change on the basis of the regulatory and governmental approvals in relation to the use of the land and for the construction of our proposed projects, a change on demand of our consumers, and design modifications. Any such change may have an impact on the mix of apartments to be constructed.

### **General Corporate Purposes**

The amount of [●] crores out of the Net Proceeds, which is in excess of the amount required to fund long term capital expenditure of our resorts and the Issue expenses, will be utilised for general corporate purposes.

In accordance with the policies set up by our Board, we will have flexibility in applying the remaining Net Proceeds, for general corporate purposes including development of leisure hospitality properties, strategic initiatives and acquisitions, brand building exercises and the strengthening of our marketing and information technology capabilities.

Our management, in response to the dynamic nature of the industry, will have the discretion to revise its business plan from time to time and consequently our funding requirement and deployment of funds may also change. This may also include rescheduling the proposed utilization of Net Proceeds and increasing or decreasing expenditure for a particular object vis-à-vis the utilization of Net Proceeds. In case of a shortfall in the Net Proceeds of the Issue, our management may explore a range of options 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.

The discretion of our management in relation to the use of the Net Proceeds shall be subject to the Net Proceeds being utilized for the objects as disclosed in this Red Herring Prospectus.

### Issue Related Expenses\*

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

(Rs. In crores)	
Activity Expense	Expenses*
Lead management, underwriting and selling commissions	[•]
Fees of IPO Grading Agency	[•]
Advertising and marketing expenses.	[•]
Printing and stationary expenses	[•]
Others (Registrar fees, legal, listing fees etc.)	[•]
Total estimated Issue expenses	[•]

\* Will be incorporated after finalisation of the Issue Price

### Interim use of funds

We intend to deploy the Net Proceeds in the manner described herein, within three years of the listing of our Equity Shares. Pending utilization of the Net Proceeds, we intend to invest the funds in high quality interest bearing liquid instruments including money market mutual funds, deposits with banks, for the necessary duration or for reducing overdrafts. Our management, in accordance with the policies established by our Board of Directors from time to time, will deploy the Net Proceeds.

### Monitoring utilization of funds

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

No part of the Net Proceeds will be paid by our Company as consideration to our Promoter, our Directors, key management personnel or companies promoted by the Promoter, except as may be required in the usual course of business.

## BASIS FOR ISSUE PRICE

The Issue Price will be determined by us and the Selling Shareholder in consultation with the GCBRLM, and the BRLMs on the basis of demand from Investors for the Equity Shares through the Book Building Process. The face value of the Equity Shares is Rs. 10 and the Issue Price is [●] times the face value at the lower end of the Price Band and [●] times the face value at the higher end of the Price Band.

### Qualitative Factors

For some of the qualitative factors, which form the basis for computing the price refer to “Our Business” and “Risk Factors” on pages xi and xi respectively of this Red Herring Prospectus.

### Quantitative Factors

The information presented below relating to the Company is based on the restated consolidated financial statements of the Company for Fiscal 2007, 2008 and 2009 prepared in accordance with Indian GAAP. Some of the quantitative factors, which form the basis for computing the price, are as follows:

#### 1. Basic and Diluted Earnings per Share (EPS) as per Accounting Standard 20

- a. Diluted earnings per equity share (“EPS”) on a consolidated basis

Year ended	EPS (Rs.)	Weight
March 31, 2007	5.5	1
March 31, 2008	10.77	2
March 31, 2009	10.19	3
<b>Weighted Average</b>	<b>9.60</b>	

#### Note:

The earning per share has been computed by dividing net profit as restated, attributable to equity shareholders by restated weighted average number of equity shares outstanding during the year. Restated weighted average number of equity shares have been computed as per AS 20. The face value of each Equity Share is Rs. 10/-.

#### 2. Price Earning Ratio (P/E) in relation to the Issue Price of Rs. [●] per share of Rs. 10 each

- a. P/E ratio in relation to the Floor Price : [●] times  
b. P/E ratio in relation to the Cap Price : [●] times  
c. P/E based on EPS for the year ended March 31, 2009 : [●] times  
d. P/E based on Weighted average EPS : [●] times  
e. Industry P/E – There are no listed companies in India which are in the business of vacation ownership.

#### 3. Average Return on Net worth (RoNW)

Return on Net Worth (“RoNW”) as per restated consolidated financial statements

Year ended	RoNW (%)	Weight
March 31, 2007	56.21	1
March 31, 2008	58.77	2
March 31, 2009	40.78	3
<b>Weighted Average</b>	<b>49.35</b>	

Note: The RoNW has been computed by dividing net profit after tax as restated, by Net Worth as at the end of the year.

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

5. *Net Asset Value (NAV)*

Particulars	Amt. (Rs.)
Net Asset Value per Equity Share (consolidated) as of March 31, 2009	24.99
Net Asset Value per Equity Share after the Issue	[●]
Issue Price per equity share	[●]

NAV per equity share has been calculated as networth as divided by restated weighted average number of equity shares. Restated weighted average number of equity shares has been computed as per AS 20.

The Issue price of Rs. [●] per Equity Share has been determined on the basis of the demand from investors through the Book Building Process and is justified based on the above accounting ratios.

6. *Comparison with other listed companies*

We believe none of the listed companies in India are in the business of vacation ownership with similar business model as that of our own. Hence, comparative data for the peer group/industry is not available.

The issue price of Rs. [●] per Equity Share has been determined by us and the Selling Shareholder in consultation with the GCBRLM and the BRLMs, on the basis of the demand from investors for the Equity Shares through the Book building process and is justified based on the above accounting ratios. For further details see “Risk Factors” on page xi and the financials of the Company including profitability and return ratios, as set out in the “Financial Statements” on page 176 for a more informed view.

## STATEMENT OF TAX BENEFITS

The Board of Directors,  
Mahindra Holidays & Resorts India Limited  
Mahindra Towers, 2<sup>nd</sup> Floor  
17/18, Patullos Road  
Chennai – 600002

Dear Sirs,

We hereby report that the enclosed annexure states the possible direct tax benefits available to Mahindra Holidays & Resorts India Limited (the “Company”) and its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which is based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

The benefits discussed in the enclosed annexure 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 their own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

Unless otherwise specified, sections referred to below are sections of the Income-tax Act, 1961 (“the Act”). The income tax rates referred here are the existing tax rates and may change, based on the rates to be prescribed in the Finance Bill for the Financial Year 2009-10. All the provisions set out below are subject to conditions specified in the respective sections.

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

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

The contents of the enclosed annexure 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.

**For Deloitte Haskins & Sells**  
Chartered Accountants

B. Ramaratnam  
Partner  
(Membership No.21209)

Place: Chennai  
Date: June 9, 2009

**Statement of Possible Direct Tax Benefits available to Mahindra Holidays & Resorts Limited and its Shareholders**

**SPECIAL TAX BENEFITS TO THE COMPANY**

Nil

**GENERAL TAX BENEFITS TO THE COMPANY**

- I**
1. In accordance with section 10(34), dividend income (referred to in Section 115-O) declared, distributed or paid will be exempt from tax.
  2. The depreciation rates in respect of Plant and Machinery is 15%, Motor Cars 15% and furniture and fittings 10%.
  3. The amount of tax paid under Section 115JB by the company for any assessment year beginning on or after 1<sup>st</sup> April 2006 will be available as credit for seven years succeeding the Assessment Year in which MAT credit becomes allowable in accordance with the provisions of Section 115JAA.
  4. In case of loss under the head “Profit and Gains from Business or Profession”, it can be set-off with other income and the excess loss after set-off can be carried forward for set-off - against business income of the next eight Assessment Years.
  5. The unabsorbed depreciation, if any, can be adjusted against any other income and can be carried forward for set-off with the income of future years.
  6. If the company invests in the equity shares of another company, as per the provisions of Section 10(38), any income arising from the transfer of a long term capital asset being an equity share in a company is not includible in the total income, if the transaction is chargeable to securities transaction tax.
  7. Income received in respect of the units of mutual fund specified under clause 10(23D) or income received in respect of units from administrator of the specified undertakings or income received in respect of units from the specified company is exempt from tax in the hand of the Company, under section 10(35) of the IT Act.
  8. In accordance with section 112, the tax on capital gains on transfer of listed shares, where the transaction is not chargeable to securities transaction tax, held as long term capital assets will be the lower of:
    - (a) 20 per cent (plus applicable surcharge and additional surcharge called as ‘Education Cess’) of the capital gains as computed after indexation of the cost; or
    - (b) 10 per cent (plus applicable surcharge and additional surcharge called as ‘Education Cess’) of the capital gains as computed without indexation.
  9. In accordance with Section 111A capital gains arising from the transfer of a short term asset being an equity share in a company and such transaction is chargeable to securities transaction tax, the tax payable on the total income shall be the aggregate of (i) the amount of income-tax calculated on such short term capital gains at the rate of 15% (plus applicable surcharge and additional surcharge called as ‘Education Cess’) and (ii) the amount of income-tax payable on the balance amount of the total income as if such balance amount were the total income.

## **II. Section 115-O**

Tax on distributed profits of domestic companies.

The tax rate is 15%, the surcharge on Income tax is at 10% and the education cess is 3%.

Insertion of new sub-section 1A to Section 115O

The domestic company will be allowed to set-off the dividend received from its subsidiary company during the financial year against the dividend distributed by it, while computing the DDT if:

- the dividend is received from its subsidiary.
- the subsidiary has paid the DDT on the dividend distributed
- the domestic company is not a subsidiary of any other company

Provided that the same amount of dividend shall not be taken into account for reduction more than once.

For the purpose of this sub-section a company shall be a subsidiary of another company, if such other company holds more than half in nominal value of the equity share capital of the company.

## **III Tax Rates**

The tax rate is 30%. The surcharge on Income tax is 10%, only if the total income exceeds Rs.1 Crore. Education cess is 3%.

## **IV Fringe Benefit Tax**

The company will be liable to Fringe Benefit Tax in accordance with Chapter XII H of the Income Tax Act.

### SPECIAL TAX BENEFITS TO THE SHAREHOLDERS OF THE COMPANY

Nil

### GENERAL TAX BENEFITS TO THE SHAREHOLDERS OF THE COMPANY

#### **(I) Under the Income-tax Act**

##### *A. Residents*

1. In accordance with section 10(34), dividend income declared, distributed or paid by the Company (referred to in section 115-O) will be exempt from tax.
2. Shares of the company held as capital asset for a period of more than twelve months preceding the date of transfer will be treated as a long term capital asset.
3. In accordance with section 10(38), any income arising from the transfer of a long term capital asset being an equity share in a company is not includible in the total income, if the transaction is chargeable to securities transaction tax including equity shares Offered for Sale under this issue which is subject to securities transaction tax at the time of sale.
4. As per the provision of Section 71, if there is a loss under the head "Capital Gains", it cannot be set-off with the income under any other head. Section 74 provides that the short term capital loss can be set-off against both Short term and Long term capital gain. But Long term capital loss cannot be set-off against short term capital gain.

5. In accordance with section 112, the tax on capital gains on transfer of listed shares, where the transaction is not chargeable to securities transaction tax, held as long term capital assets will be the lower of:
  - (a) 20 per cent (plus applicable surcharge and additional surcharge called as 'Education Cess') of the capital gains as computed after indexation of the cost; or
  - (b) 10 per cent (plus applicable surcharge and additional surcharge called as 'Education Cess') of the capital gains as computed without indexation.
  
6. In accordance with Section 111A capital gains arising from the transfer of a short term asset being an equity share in a company and such transaction is chargeable to securities transaction tax, the tax payable on the total income shall be the aggregate of (i) the amount of income-tax calculated on such short term capital gains at the rate of 15% (plus applicable surcharge and additional surcharge called as 'Education Cess') and (ii) the amount of income-tax payable on the balance amount of the total income as if such balance amount were the total income.
  
7. In accordance with section 54EC, long-term capital gains arising on transfer of the shares of the Company and on which securities transaction tax is not payable, the tax payable on the capital gains shall be exempt from tax if the gains are invested within six months from the date of transfer in the purchase of a long-term specified asset. The long-term specified assets notified for the purpose of investment are bonds of Rural Electrification Corporation Ltd. (REC) and National Highways Authority of India (NHAI). Notification issued by Government of India specifies that no such bonds will be issued to a person exceeding Rs. 50 lakhs.
 

If only a part of the capital gain is so invested, the exemption would be limited to the amount of the capital gain so invested.

If the specified asset is transferred or converted into money at any time within a period of three years from the date of acquisition, the amount of capital gains on which tax was not charged earlier shall be deemed to be income chargeable under the head "Capital Gains" of the year in which the specified asset is transferred.
  
8. In accordance with section 54F, long-term capital gains arising on the transfer of the shares of the Company held by an individual or Hindu Undivided Family on which securities transaction tax is not payable, shall be exempt from capital gains 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 new residential house, or for construction of a residential house within three years. Such benefit will not be available, if the individual or Hindu Undivided Family-
  - owns more than one residential house, other than the new residential house, on the date of transfer of the shares; or
  - purchases another residential house within a period of one year after the date of transfer of the shares; or
  - constructs another residential house within a period of three years after the date of transfer of the shares; and
  - the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head "Income from house property".

If only a part of the net consideration is so invested, so much of the capital gains as bears to the whole of the capital gain the same proportion as the cost of the new residential house bears to the net consideration shall be exempt.

If the new residential house is transferred within a period of three years from the date of purchase or construction, the amount of capital gains on which tax was not charged earlier, shall be deemed to be income chargeable under the head “Capital Gains” of the year in which the residential house is transferred.

**Tax Rates:**

**1. *Individuals, HUFs, BOI and Association of Persons:***

- (i) The current year Income tax exemption limit is Rs.1,50,000/-
- (ii) Women residents of India and below the age of 65 years:

The current year Income tax exemption limit is Rs.1,80,000/-  
Surcharge at 10% will be payable only in respect of total income exceeding Rs.10,00,000/-  
Education cess is 3%

**2. *Senior Citizens***

Individual residents of India and above the age of 65 years:  
The current year Income tax exemption limit is Rs.2,25,000/-  
Surcharge at 10% will be payable only in respect of total income exceeding Rs.10,00,000/-  
Education cess is 3%

**B) 1. *Non-Residents***

- 1. In accordance with section 10(34), dividend income declared, distributed or paid by the company (referred to in section 115-O) will be exempt from tax.
- 2. In accordance with section 10(38), any income arising from the transfer of a long term capital asset being an equity share in a company is not includible in the total income, if the transaction is chargeable to securities transaction tax.
- 3. In accordance with section 48, capital gains arising out of transfer of capital assets being shares in the company shall be computed by converting the cost of acquisition, expenditure in connection with such transfer and the full value of the consideration received or accruing as a result of the transfer into the same foreign currency as was initially utilised in the purchase of the shares and the capital gains computed in such foreign currency shall be reconverted into Indian currency, such that the aforesaid manner of computation of capital gains shall be applicable in respect of capital gains accruing/arising from every reinvestment thereafter and sale of shares or debentures of an Indian company including the Company.
- 4. As per the provisions of Section 90 of the Income Tax Act, 1961, the provisions of Income Tax Act would prevail over the provisions of the Tax Treaty to the extent they are more beneficial.
- 5. In accordance with section 112, the tax on capital gains on transfer of listed shares, where the transaction is not chargeable to securities transaction tax, held as long term capital assets will be at the rate of 20% (plus applicable surcharge and additional surcharge called as ‘Education Cess’).

A non-resident will not be eligible for adopting the indexed cost of acquisition and the indexed cost of improvement for the purpose of computation of long-term capital gain on sale of shares.

6. In accordance with Section 111A capital gains arising from the transfer of a short term asset being an equity share in a company and such transaction is chargeable to securities transaction tax, the tax payable on the total income shall be the aggregate of (i) the amount of income-tax calculated on such short term capital gains at the rate of 15% (plus applicable surcharge and additional surcharge called as 'Education Cess') and (ii) the amount of income-tax payable on the balance amount of the total income as if such balance amount were the total income.
7. In accordance with section 54EC, long-term capital gains arising on transfer of the shares of the Company and on which securities transaction tax is not payable, the tax payable on the capital gains shall be exempt from tax if the gains are invested within six months from the date of transfer in the purchase of a long-term specified asset. The long-term specified assets notified for the purpose of investment are bonds of Rural Electrification Corporation Ltd. (REC) and National Highways Authority of India (NHAI). Notification issued by Government of India specifies that no such bonds will be issued to a person exceeding Rs. 50 lakhs.

If only a part of the capital gain is so invested, the exemption would be limited to the amount of the capital gain so invested.

If the specified asset is transferred or converted into money at any time within a period of three years from the date of acquisition, the amount of capital gains on which tax was not charged earlier shall be deemed to be income chargeable under the head "Capital Gains" of the year in which the specified asset is transferred.

8. In accordance with section 54F, long-term capital gains arising on the transfer of the shares of the Company held by an individual or Hindu Undivided Family, and on which securities transaction tax is not payable, shall be exempt from capital gains 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 new residential house, or for construction of a residential house within three years. Such benefit will not be available if the individual or Hindu Undivided Family-
  - a. owns more than one residential house, other than the new residential house, on the date of transfer of the shares; or
  - b. purchases another residential house within a period of one year after the date of transfer of the shares; or
  - c. constructs another residential house within a period of three years after the date of transfer of the shares; *and*
  - d. the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head "Income from house property".

If only a part of the net consideration is so invested, so much of the capital gains as bears to the whole of the capital gain the same proportion as the cost of the new residential house bears to the net consideration shall be exempt.

If the new residential house is transferred within a period of three years from the date of purchase or construction, the amount of capital gains on which tax was not charged earlier, shall be deemed to be income chargeable under the head "Capital Gains" of the year in which the residential house is transferred.

*B) 2. Non-Resident Indians*

Further, a Non-Resident Indian has the option to be governed by the provisions of Chapter XII-A of the Income-tax Act, which reads as under:

1. 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% (plus applicable surcharge and additional surcharge called "Education Cess"). 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% (plus applicable surcharge and additional surcharge called "Education Cess").
2. In accordance with section 115F, subject to the conditions and to the extent specified therein, long-term capital gains 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.
3. 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.
4. In accordance with section 115-I, where a Non-Resident Indian opts not to be governed by the provisions 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.
5. As per the provisions of Section 90, the NRI shareholder has an option to be governed by the provisions of the tax treaty, if they are more beneficial than the domestic law wherever India has entered into Double Taxation Avoidance Agreement (DTAA) with the relevant country for avoidance of double taxation of income.
6. In accordance with section 10(38), any income arising from the transfer of a long term capital asset being an equity share in a company is not includible in the total income, if the transaction is chargeable to securities transaction tax.
7. In accordance with section 10(34), dividend income declared, distributed or paid by the Company (referred to in section 115-O) will be exempt from tax.
8. In accordance with Section 111A capital gains arising from the transfer of a short term asset being an equity share in a company and such transaction is chargeable to securities transaction tax, the tax payable on the total income shall be the aggregate of (i) the amount of income-tax calculated on such short term capital gains at the rate of 15% (plus applicable surcharge and additional surcharge called as 'Education Cess') and (ii) the amount of income-tax payable on the balance amount of the total income as if such balance amount were the total income.
9. In accordance with section 54EC, long-term capital gains arising on transfer of the shares of the Company on which securities transaction tax is not payable, shall be exempt from tax if the gains are invested within six months from the date of transfer in the purchase of a long-term specified asset. The long-term specified assets notified for the purpose of investment are bonds of Rural Electrification Corporation Ltd. (REC) and

National Highways Authority of India (NHAI). Notification issued by Government of India specifies that no such bonds will be issued to a person exceeding Rs.50 lakhs.

If only a part of the capital gain is so invested, the exemption would be limited to the amount of the capital gain so invested.

If the specified asset is transferred or converted into money at any time within a period of three years from the date of acquisition, the amount of capital gains on which tax was not charged earlier shall be deemed to be income chargeable under the head “Capital Gains” of the year in which the specified asset is transferred.

10. In accordance with section 54F, long-term capital gains arising on the transfer of the shares of the Company held by an individual or Hindu Undivided Family on which securities transaction tax is not payable, shall be exempt from capital gains 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 new residential house, or for construction of a residential house within three years. Such benefit will not be available if the individual or Hindu Undivided Family-

- owns more than one residential house, other than the new residential house, on the date of transfer of the shares; or
- purchases another residential house within a period of one year after the date of transfer of the shares; or
- constructs another residential house within a period of three years after the date of transfer of the shares; and
- the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head “Income from house property”.

If only a part of the net consideration is so invested, so much of the capital gains as bears to the whole of the capital gain the same proportion as the cost of the new residential house bears to the net consideration shall be exempt.

If the new residential house is transferred within a period of three years from the date of purchase or construction, the amount of capital gains on which tax was not charged earlier, shall be deemed to be income chargeable under the head “Capital Gains” of the year in which the residential house is transferred.

#### *C) Foreign Institutional Investors (FIIs)*

1. In accordance with section 10(34), dividend income declared, distributed or paid by the Company (referred to in section 115-O) will be exempt from tax in the hands of Foreign Institutional Investors (FIIs).
2. In accordance with section 115AD, FIIs will be taxed at 10% (plus applicable surcharge and additional surcharge called as ‘Education Cess’) on long-term capital gains, if securities transaction tax is not payable on the transfer of the shares and at 15% (plus applicable surcharge and additional surcharge called as ‘Education Cess’) on short-term capital gains arising on the sale of the shares of the Company which is subject to securities transaction tax.
3. As per the provision of Section 90 of the Income Tax Act, 1961, the provision of Income Tax Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the Non-Resident.

4. In accordance with section 10(38), any income arising from the transfer of a long term capital asset being an equity share in a company is not includible in the total income, if the transaction is chargeable to securities transaction tax.
5. Under section 196D(2) of the Act, no deduction of tax at source will be made in respect of income by way of capital gain arising from the transfer of securities referred to in section 115AD.
6. In accordance with section 54EC, long-term capital gains arising on transfer of the shares of the Company on which securities transaction tax is not payable, shall be exempt from tax if the gains are invested within six months from the date of transfer in the purchase of a long-term specified asset. The long-term specified assets notified for the purpose of investment are bonds of Rural Electrification Corporation Ltd. (REC) and National Highways Authority of India (NHAI). Notification issued by Government of India specifies that no such bonds will be issued to a person exceeding Rs.50 lakhs.

If only a part of the capital gain is so invested, the exemption would be limited to the amount of the capital gain so invested.

If the specified asset is transferred or converted into money at any time within a period of three years from the date of acquisition, the amount of capital gains on which tax was not charged earlier shall be deemed to be income chargeable under the head "Capital Gains" of the year in which the specified asset is transferred.

7. In accordance with Section 111A capital gains arising from the transfer of a short term asset being an equity share in a company and such transaction is chargeable to securities transaction tax, the tax payable on the total income shall be the aggregate of (i) the amount of income-tax calculated on such short term capital gains at the rate of 15% (plus applicable surcharge and additional surcharge called as 'Education Cess') and (ii) the amount of income-tax payable on the balance amount of the total income as if such balance amount were the total income.

*D) Persons carrying on business or profession in shares and securities.*

In accordance with the insertion of new Section 36(1)(xv) in the Finance Act 2008, securities transaction tax paid in respect of taxable securities transaction entered during the course of business will be available as deduction while computing the taxable business income.

*E) Mutual Funds*

In accordance with section 10(23D), any income of:

- (i) a Mutual Fund registered under the Securities and Exchange Board of India Act 1992 or regulations made there under;
- (ii) such other Mutual Fund set up by a public sector bank or a public financial institution or authorised by the Reserve Bank of India subject to such conditions as the Central Government may, by notification in the Official Gazette, specify in this behalf,

- will be exempt from income-tax.

**(II) Under the Wealth Tax and Gift Tax Acts**

- 1) 'Asset' as defined under section 2(ea) of the Wealth-tax Act, 1957 does not include shares in companies and hence, these are not liable to wealth-tax.
- 2) Gift tax is not leviable in respect of any gifts made on or after October 1, 1998. Therefore, any gift of shares will not attract gift-tax.

## SECTION IV: ABOUT THE COMPANY

### OUR INDUSTRY

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

*In particular, we have relied on a report by AC Nielsen called “AC Nielsen – Club Mahindra: Brand Track-Dip 5” (the “AC Nielsen Report”). This AC Nielsen Report was commissioned by us in July 2007. Neither we nor any other person connected with the Issue has verified the information sourced from this AC Nielsen Report. Prospective investors are advised not to unduly rely on the information sourced from this report when making their investment decision.*

*The vacation ownership industry is also referred as the timeshare industry and the terms have been used interchangeably.*

#### **Overview of the Indian Economy**

India, the world’s largest democracy in terms of population had a GDP on a purchasing power parity basis of approximately U.S. \$3,267 billion in 2008. This makes it the fourth largest economy in the world after the United States of America, China and Japan (*Source: CIA World Factbook*). The general health of the leisure hospitality industry is affected by the performance of the Indian economy.

In 1991, the Government initiated a series of comprehensive macroeconomic and structural reforms to promote economic stability and growth. Consequent to the reform’s program, India’s economy registered robust growth with an average real GDP growth of approximately 8.4% over the period fiscal 2006 to fiscal 2008 (*Source: CIA World Factbook*).

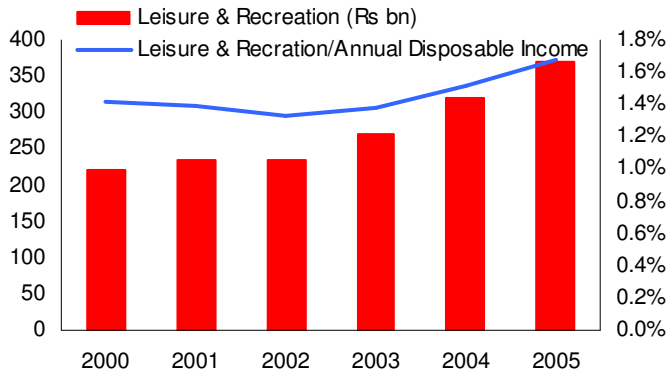
The economy has grown by 6.6% for the fiscal year 2008 (*Source: CIA World Factbook*). The growth rate has been spurred by the manufacturing sector, which has logged an 11.3% rise in Q1 2006-2007, according to the GDP data released by the Central Statistical Organisation of India. India’s services share is relatively high for an emerging market at approximately 53.7% of GDP in 2008 (*Source: CIA World Factbook*). Services will continue to be the main driver of GDP growth over the next two decades. (*Source: McKinsey & Co.: “The ‘Bird Of Gold’: The Rise Of India’s Consumer Market”*)

#### **Changing Demographics in India**

If India continues on its current high growth path, over the next two decades the Indian market will undergo a major transformation. Income levels will almost triple and India will climb from its position to the 5<sup>th</sup> largest consumer market by 2025. As Indian incomes rise, the shape of the country’s income pyramid will also change dramatically. Over 291 million people will move from desperate poverty to a more sustainable life, and India’s middle class will swell by over ten times from its current size of 50 million to 583 million people. However, in order for India to achieve these positive results, the country must continue to reform and modernize its economy, as well as address significant shortfalls in its infrastructure and education system. (*Source: McKinsey & Co.: “The ‘Bird Of Gold’: The Rise Of India’s Consumer Market”*)

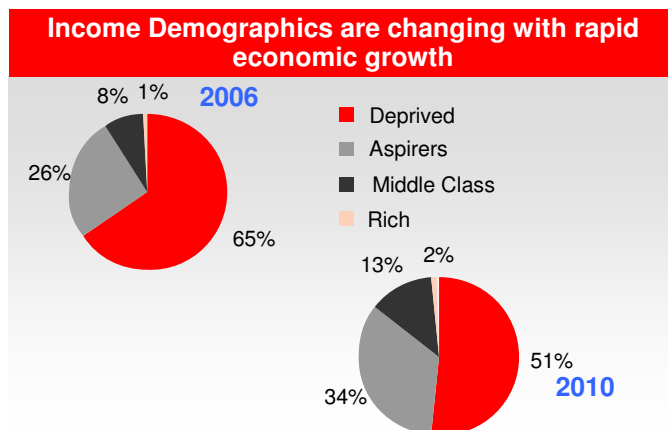
India’s share-of-wallet is shifting from basic necessities to discretionary items and is expected to grow from 52% as of 2005 to 70% by 2025. India’s aggregate consumption by middle and upper income households will grow nearly 13 times by 2025. Urban consumption will grow very rapidly over the next two decades. (*Source: McKinsey & Co.: “The ‘Bird Of Gold’: The Rise Of India’s Consumer Market”*)

Travel and tourism in India is expected to give a very dynamic performance over the forecast period driven by strong economic growth, an expected increase in its share of GDP to over 8% and increased traveller confidence. (Source: *Travel and Tourism – India: Euromonitor International: Country Market Insight, November 2008*) India has seen an increase in expenditure on leisure and recreation to Rs. 370 billion in 2005 from Rs. 270 billion in 2003.



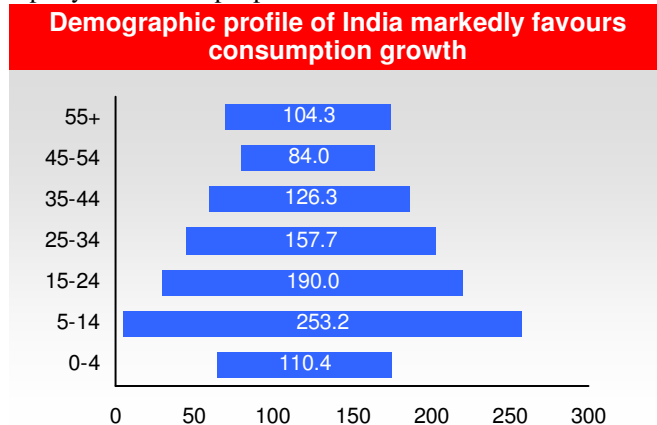
Source: *Travel and Tourism – India: Euromonitor International : Country Market Insight, September 2006*

The income demographics of the various income groups within India have been changing with the rapid economic growth which India has witnessed.



Source: NCAER "The Great Indian Market" August 9 2005

Rising per capita income and increased consumerism is driving tourism. Large middle class is growing rapidly. 58 million people in households with annual incomes above US\$ 4,400.



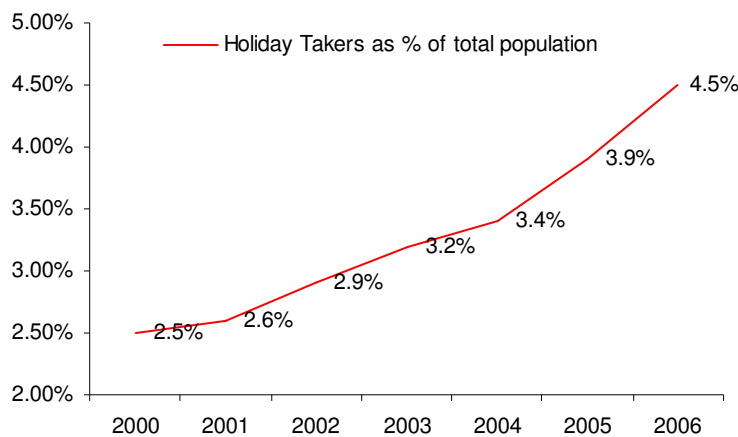
Source: Govt of India Census Survey 2001

## Tourism in India

Tourism in India has registered significant growth in recent decades. The upward trend is expected to continue in coming years. Tourism is one of India's largest net earners of foreign exchange and also one of the sectors which employs the largest manpower. The World Travel and Tourism Council has identified India as one of its growth centers in the world in the coming decade. Focused marketing of tourism products and branding of India as a high value destination, together with policies targeted at strengthening of tourism infrastructure by the Ministry of Tourism have been responsible for a healthy growth in domestic and foreign tourist arrivals in India. According to Conde Nast, India has been ranked as the fourth 'must see' destination in the world.

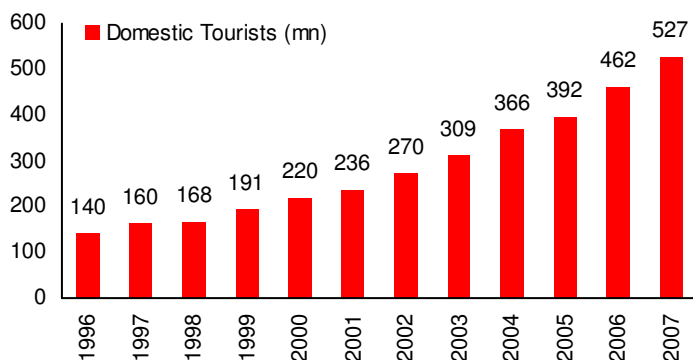
According to the World Travel and Tourism Council, tourism expenditure is expected to potentially increase to over Rs 3,000 billion by 2020. (*Source: Travel and Tourism – India: Euromonitor International: Country Market Insight, November 2008*)

The percentage of holiday-takers has increased from 2.5% in 2000 to 4.5% in 2006.



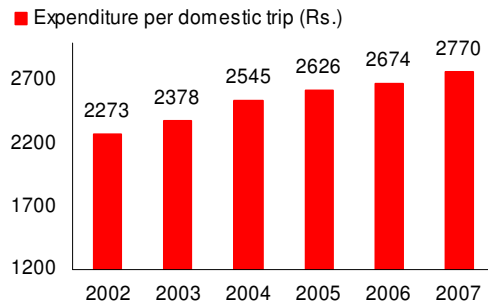
*Source: Travel and Tourism – India: Euromonitor International : Country Market Insight, November, 2008*

There has been a steady growth in domestic tourists in India and the year 2007 saw an increase to 527 million domestic tourists from 140 million domestic tourists in 1996.



*Source: Ministry of Tourism, Government of India;*

Expenditure per domestic trip spend grew from Rs. 2,273 in 2002 to 2,770 in 2007.



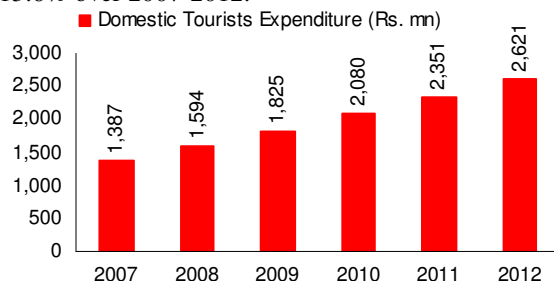
Source: Travel and Tourism – India: Euromonitor International: Country Market Insight, November, 2008

The Government has also recognized the importance of the hospitality industry and, over the past two to three years, has enacted or announced several initiatives to give further impetus to the industry:

- The “Incredible India” campaign was the first major public/private global campaign from India and was very well received, helping to showcase India as a leading tourist destination globally;
- Announcement of an open-skies policy for the peak travel season;
- Planned upgrade of Mumbai and Delhi airports and the construction of new airports at Chennai and Bangalore; Has also approved plans for the development or upgrading of 35 more airports in resort destinations and in emerging locations such as Goa, Pune, Navi Mumbai, Ludhiana and other Tier II cities, such as Lucknow;
- Announcement of the establishment of international convention centers in Delhi, Mumbai, Goa and Jaipur in an effort to attract more business travellers to India;
- Reduction in travel costs by removing domestic and foreign air travel tax, and reducing excise duty on aviation turbine fuel from 16% to 8%;
- Reduction of taxes on the hotel industry (including the expenditure tax, service tax on food and beverage and room revenues);
- Extension of infrastructure status to the hospitality industry;
- Liberalisation of policy with regard to air transportation whereby airlines in India which have been in operation on domestic routes for over five years are permitted to fly on all international routes benefitting carriers such as Kingfisher Red. Other low cost carriers also expected to benefit; and
- In order to boost inbound travel the government is expected to grant visa-on-arrival permission to tourists from 18 countries;

### Future Outlook on Domestic Tourism

The expanding middle class in India and rising disposable incomes are expected to have a positive effect on domestic tourism leading to more number of people being able to afford holidays and vacations in the next few years. The Ministry of Tourism, along with the State Tourism Boards, is also aggressively promoting domestic tourism within the country offering discounts and other incentives. The domestic trips are expected to grow at a CAGR of c.11.7% over 2007-2012, to reach approximately 871 million trips in 2012. By 2012, the domestic tourism expenditure is expected to rise to Rs 2,621.1 billion, growing at a CAGR of c.13.6% over 2007-2012.



Source: Travel and Tourism – India: Euromonitor International : Country Market Insight, November, 2008

## Vacation Ownership Industry at a Glance

Vacation ownership is essentially where the ownership and/or usage of a hospitality asset is sold for a predetermined duration or perpetuity. The range of products generally are :

**Deeded Ownership** - A purchaser acquires ownership interest in an immovable property. Time-share ownership, undivided interests, co-operatives and fractional interests are some of the forms of deeded ownership in common use.

**Right to use Products** – Allows user to avail accommodation during a specified week, season or time interval for a specified number of years. Club memberships and holiday licences are some of the formats that are available.

There are other variations that are available such as fixed period, floating period, rotating week and split weeks. In addition, the points format is a recent addition.

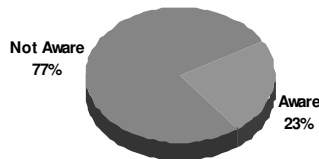
The majority of vacation ownership resorts offer apartments with full or partial kitchenettes and limited services. They have strong self help features and most add-ons such as linen change and house-keeping are additional paid-for services.

## Timeshare Industry in India

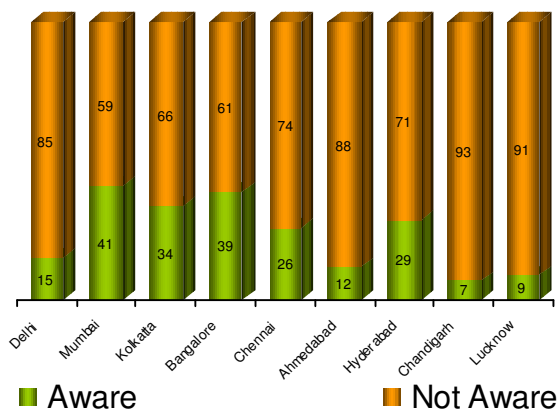
As per AIRDA, there are over 45 timeshare companies, 80 resorts, 250,000 timeshare memberships, 5,000 units, total investments of US\$ 250 million and a growth rate of +15% CAGR since 1998. The vacation ownership industry provides dedicated products and services to leverage the vast, unexplored domestic tourism potential. (Source: AIRDA Estimates).

### Timeshare Awareness

Of 1,271 prospects surveyed in the AC Nielsen Report, awareness of the concept of “timeshare” was claimed by only 23% of them.

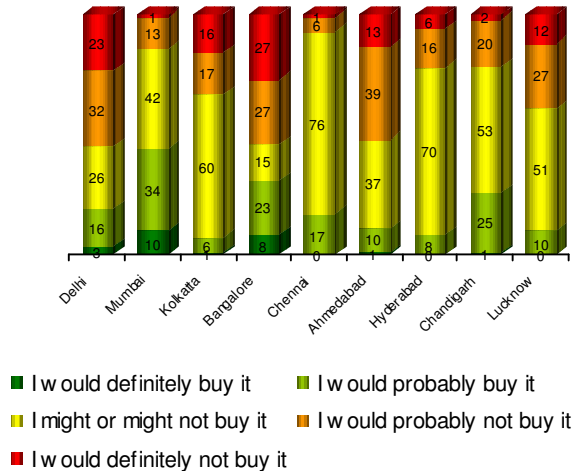


Timeshare awareness (claimed) was high among three of the four main metros, i.e. Mumbai, Kolkata and Chennai, with an awareness of 41%, 34% and 26% respectively, but comparatively lower in the fourth, i.e. Delhi, with an awareness of only 15%.



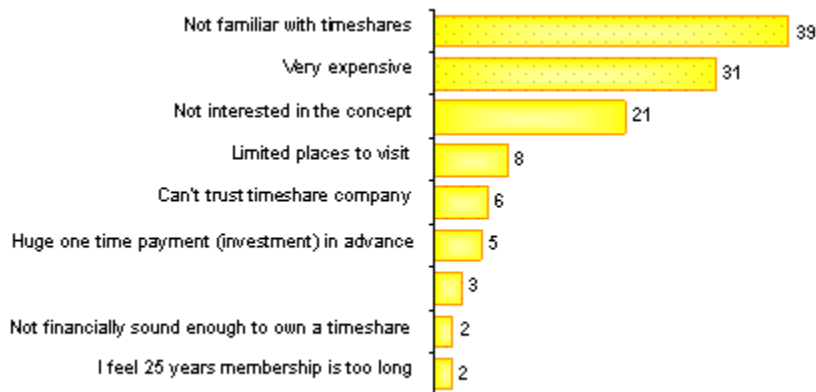
### Concept Acceptance

According to the AC Nielsen Report, acceptance of the concept of “timeshare” (post exposure to the concept of time share) is high in Mumbai and Bangalore, as compared to other cities, with the percentage of prospects opining that they would “definitely” or “probably” buy it at 44% in Mumbai, and 31% in Bangalore.



### Reasons for Non-Trial of Timeshares

Of the prospects surveyed in the AC Nielsen Report amongst those who have not tried, 39% ascribed their never having tried timeshares to non-familiarity with the concept. 31% believed that timeshares were too expensive.



(Base: 1179)

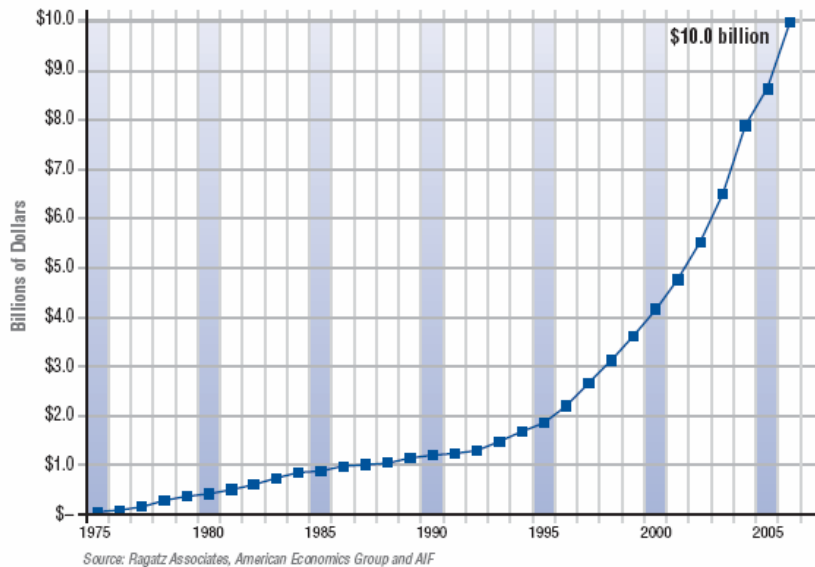
### Global Timeshare Industry

The US\$ 13 billion global timeshare industry, which is also referred to as the vacation ownership industry, is the fastest growing segment of the tourism industry. The industry now comprises of 5,500 resorts in 90 countries, with a total of 7 million owners, holding 11 million timeshare weeks. The industry has a presence in more than 270 countries. During the period 1990-2003, the ownership of timeshare increased at a rate of 12% CAGR (*Source: ARDA Reports and Estimates*).

As per the study prepared by Ernst & Young of the state of the vacation timeshare industry, the 2006 sales totalled US\$ 10.0 billion in the United States, growing 16% over 2005.

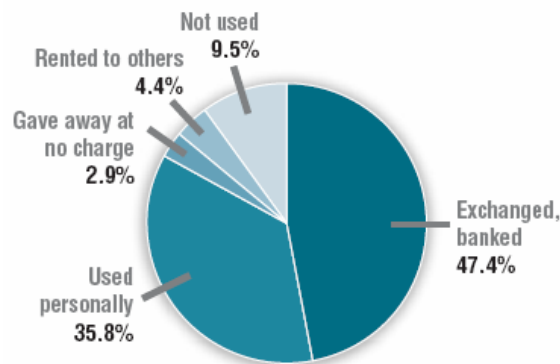
There were nearly 538,000 timeshare intervals sold for an average price of US\$ 18,502. This cost is 14% higher than the price of an interval in 2005. The average cost for weekly intervals was US\$ 18,329, while for points-equivalents it was US\$ 18,570. Average occupancy was 80.9% in 2006. This amount includes over 67% who were either owners or exchange guests and more than 13% who were renters and/or marketing guests.

The following chart depicts the increase in timeshare sales in the United States since 1975.



According to ARDA, timeshare owners are committed travellers. By attracting a steady stream of repeat visitors who stay longer and spend more than the average traveller, timeshare resorts accrue a host of economic benefits to the surrounding region. The average timeshare visitor spends 8.6 nights per vacation in the resort area where their timeshare is located. The average timeshare visitor spends US\$ 1,334 per timeshare vacation. (Source: ARDA)

#### How Owners Utilize Their Time, All Owners



According to ARDA, the inherent flexibility of timeshare, including the ability to exchange to other resorts, offers consumers the opportunity to meet their lifestyle and vacation aspirations. Consistently high satisfaction rates among owners, along with repeat sales to existing owners and owner referrals of potential buyers account for the strong, steady growth of the vacation ownership industry. Located in popular resort

destinations, timeshare resorts offer a wide range of vacation experiences. According to a survey conducted by ARDA, the most attractive characteristics of a resort area are the following.

<b>Most Attractive Characteristics of Resort Area</b>	<b>Recent Buyers</b>
Attractions, entertainment	61.0%
Ocean beach	50.3%
Mountains	36.2%
Lake	24.2%
History, culture	23.8%
Golf	22.1%
Tropics	20.1%
Gaming, gambling	14.8%
City, urban	13.2%
Snow skiing	11.9%
Desert	9.5%

#### ***Reasons for Purchasing Vacation Ownership Interests***

According to the information compiled by the ARDA, the four primary reasons consumers cite for purchasing vacation ownership interests are:

- flexibility with respect to different locations, unit sizes and times of year; the certainty of quality accommodations;
- credibility of the timeshare company; and
- the opportunity to exchange into other resort locations.

#### ***Considerations When Making Timeshare Purchase***

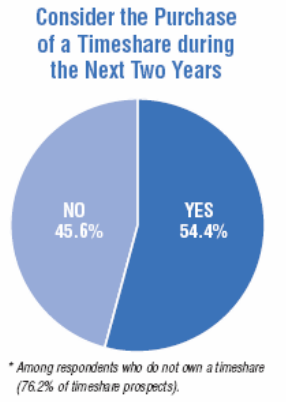
When prospects think about purchasing a timeshare, the most important considerations are: the annual maintenance fee (84.0%), the ability to exchange vacation time at other resorts (83.4%), and whether or not their purchase will appreciate in value (79.3%). Thus, the maintenance fee and the exchangeability of the timeshare are crucial to prospective timeshare owners when determining whether or not to purchase a timeshare (*Source: AIF Report on "Perspectives On Timesharing: The Consumer View"*).

<b>Important Considerations When Making Timeshare Purchase*</b>	<b>Timeshare Prospects</b>
The amount of the annual maintenance fee	84.0%
You can exchange your vacation time for vacation time at other resorts	83.4%
It may appreciate in value	79.3%
The fact that I can take a vacation each year	74.3%
It may depreciate in value	71.8%
You get to stay in larger accommodations so you can bring family/friends	71.8%
I can probably earn some rental income if I don't use it	69.2%
Being offered an attractive purchase incentive to purchase right away	53.5%
Makes me proud/gives me a sense of personal accomplishment because I am an owner	31.1%
Other	39.4%

\* Top two box score – percentages are based on respondents who rated their interest as "extremely important" or "very important".

***Consideration of purchase of a timeshare during the next two years among non-timeshare owners***

More than one-half (54.4%) of timeshare prospects who currently do not own vacation time (76.2% of timeshare prospects) would consider purchasing vacation time during the next two years. Among those timeshare prospects who are not interested in purchasing vacation time, price is once again noted as the primary obstacle to purchase (49.1%) (*Source: AIF Report on "Perspectives On Timesharing: The Consumer View"*).



## OUR BUSINESS

### Overview

We are one of the leading leisure hospitality providers in India, offering quality family holidays with a range of services designed to meet the diverse holiday needs and interests of a family. We provide family holidays primarily through vacation ownership memberships. Our members can choose to stay and holiday at resorts in a range of holiday destinations for a pre-determined number of days in a year for a fixed number of years. Our resorts offer the use of furnished accommodation, such as apartments and cottages, and an experience through resort specific amenities and facilities, such as restaurants, ayurvedic spas, kids clubs and a variety of holiday activities.

We seek to be the preferred partner to the urban family for family holidays and holiday services in India. It is our vision to be the number one family holiday provider in our target markets by consistently delivering attractive resort destinations, innovative offerings and service excellence, not only during the holiday but also throughout the membership period.

Club Mahindra Holidays is our flagship service offering. As part of our growth strategy, we have also diversified our portfolio by introducing new vacation ownership offerings, Zest and Club Mahindra Fundays, Mahindra Homestays and travel and holiday related services through [clubmahindra.travel](http://clubmahindra.travel).

Club Mahindra Holiday membership currently entitles members the choice of holidaying at any of our 23 resorts, for seven days each year, in a season and apartment type of their choice, for 25 years. Our members also have the option of choosing to holiday outside their season and apartment of their entitlement by using our exchange program. There is further flexibility accorded to our members in being able to bring or carry forward their annual entitlement, subject to certain limits. In addition, our members can choose to access a range of resorts globally through our RCI affiliation. As of May 31, 2009, we have 91,997 Club Mahindra Holiday vacation ownership members.

We launched Zest in November 2006, which targets young urban families for short break holidays. Zest membership currently entitles members the choice of holidaying at any of our five Zest resorts, for six days each year, in a season of their choice, for 10 years. Club Mahindra Fundays was launched in October 2006 and targets corporate houses. The membership currently entitles corporates for a period of 10 years to offer family holidays to their employees. We launched [clubmahindra.travel](http://clubmahindra.travel) in April 2007 to provide a one-stop shop for travel and holiday related services. We launched Mahindra Homestays in July 2008, which markets homestays to overseas and Indian travellers wishing to experience the real India by lodging with a host family in India.

Our memberships provide members the right to use our resorts over the period of their membership and are not a property or deeded sale. This type of a membership, where the member has the flexibility to choose a different resort and the time to holiday every year (with certain seasonal limitations) is known as a “floating week – floating resort” model. We also provide our members with a fixed price structure, which we believe is consumer friendly. In addition, we also provide easy financing options for the membership price to our prospective members.

We believe we have a key differentiator in the form of an integrated business model that includes member acquisition (marketing and sales), member servicing, resort creation and resort operation, resulting in the delivery of a complete holiday experience. Each component of our integrated business model is critical to our value delivery chain.

Our Company was selected as a Business Superbrand 2008 by The Brand Council in India, subsequently, our flagship brand Club Mahindra Holidays has been selected as a Superbrand 2009. Our resorts at Goa, Coorg, Binsar, Munnar, Dharamshala, Manali and Kumbhalgarh (provisional) are recipients of the RCI Gold Crown Award for the year 2008-2009. Our Resort at Munnar has also been recognized for having received the RCI Gold Crown Award for ten years in a row. The RCI Gold Crown Award annually recognizes resorts across the world for superior resort facilities, services and hospitality based on user

feedback. Apart from the RCI Gold Crown Award, our Resorts at Goa and Coorg have also been accredited with a 5 Star Rating by the Department of Tourism Government of India. We have applied for renewal of 5 Star rating for our Munnar resort. Our member relations department has been ISO 9001:2000 certified by Indian Registered Quality Systems in July 2007.

Our fees include a membership fee which is paid at or around the time of enrolment as a member (depending upon the payment plan selected by the member) as well as an annual subscription fee which is payable annually throughout the membership period for the annual servicing and the maintenance of the resorts. The member also pays for use of various facilities and services at the resort, including food and beverages, spa facilities and services and certain holiday activities.

For the year ended March 31, 2009, we had total income of Rs. 442.12 crores and net profit of Rs. 79.80 crores, as compared to total income of Rs. 377.19 crores and net profit of Rs. 84.04 crores for the year ended March 31, 2008.

## **Our Strengths**

### ***Industry leading position***

We are one of the leading leisure hospitality providers in India. As of May 31, 2009 and March 31, 2009, we had 91,997 and 88,998 Club Mahindra vacation ownership members, respectively. Our membership enrolments have increased at a CAGR of 32% over the last three fiscal years. Over the same period, our average sales price for a Club Mahindra membership also increased at a CAGR of 13.18%. We accounted for 72% of the total active members across the vacation ownership industry in India with RCI up to May 31, 2009. Club Mahindra started enrolling vacation ownership members from 1997. Within a decade, we have successfully become a provider of quality family holidays having coverage in India, and Thailand with a total of 27 resorts and 19 branch offices, 45 direct and 16 franchisee retail sales outlets. In addition, as of May 31, 2009, we have 149 direct-to-home franchised operations, six on-site sales operations at our resorts, a service office in Dubai and a franchisee in Kuwait. In the fiscal year 2007, we have successfully launched two new service offerings, Zest and Club Mahindra Fundays, in the fiscal year 2008, we launched clubmahindra.travel and in fiscal year 2009 we launched Mahindra Homestays. We believe that the above factors demonstrate our industry leading position in the vacation ownership industry which helps us to attract potential members and grow our revenues.

### ***Delivery of quality family holiday experience***

We believe that we have a deep understanding of the needs and preferences of our customers. While we have a total of 96,067 members as of May 31, 2009, the aggregate of their families constitute our customer base as we serve the needs of the entire family while on holiday. Our consumer understanding is based on an elaborate multiple point feedback mechanism, such as touch screen kiosks or holiday exchange profiler (“HEP”) at resorts which provide real-time feedback, SMS feedback, other customer contact programs and structured market research. Our customised CRM solution enables us to track preferences of the entire family, anticipate the needs of our customers and create appropriate service offerings for different segments, such as families, young urban customers and corporate customers. Our resort operations teams provide holiday experiences for the family at our resorts through resort specific amenities and facilities such as restaurants, bars, swimming pools, “Svaastha” ayurvedic spas, kids clubs and holiday activity centers with a diverse range of activities, conducted by a team of animators (our own holiday activity staff) called “Champs”. Our resorts are also connected to our central data network, allowing us to further leverage our CRM capabilities. According to a survey commissioned by us in April 2007 and conducted by CSMM, a specialist customer satisfaction measurement agency of Indian Market Research Bureau and part of Walker Information Inc., approximately 71% of our customers have rated their holiday experience at our resorts as excellent or very good. Moreover, 35.18% of our vacation ownerships sold in the fiscal year 2009 are attributable to member referrals. In addition, we have had our membership plans evaluated by third party agencies, Karvy Investor Services Ltd. and KPMG Advisory Services Ltd., who have estimated the payback period for the purchase of a Club Mahindra membership to range between five to seven years, and seven to eight years, respectively.

### ***Integrated and mixed - use business model***

We manage all aspects of our operations through one entity – this integration brings together our management competence of member acquisition (marketing and sales of lifestyle offerings), servicing of and contact with members, identifying land and developing resorts, acquiring resort properties, resort operations (delivering family holiday experiences) and providing value-added services. We believe our integrated business model reduces our cost of operations, allows us to implement changes across the entire value chain, and helps us to continually tailor and improve our services in response to customer feedback and changing trends.

Additionally, we utilize a mixed-use model of being a vacation ownership company and also providing non-members access to our unutilized apartments on a per-night-tariff basis. This enables us to enhance our revenues through optimum occupancy and sales from our restaurants and other services. We believe that this mixed-use model is also a catalyst for our growth by creating an interest in our membership program for non-members.

### ***Our prestigious parentage***

Our Company is a part of the Mahindra group of companies, which is one of the leading and one of the largest business groups in India. The Mahindra Group is among the top 10 industrial houses in India. Forbes has ranked the Mahindra Group in its Top 200 list of the World's Most Reputable Companies and in the Top 10 list of Most Reputable Indian companies. The Mahindra Group's activities have spread over various areas such as automotive, farm equipments, engineering, forging, steel, infrastructure development, leisure hospitality, information technology, systems and technology, consultancy and software services, general retailing, trade and financial services. We believe that our association with the Mahindra Group has enabled us to absorb its corporate values and principles and adhere to the established corporate governance practices. We further believe that our association with the Mahindra Group lends strength to the trust and reliability reposed in us, and enables us to attract and retain fresh talent and in member acquisitions. We further believe that sharing goals and objectives with the Mahindra Group enables us to utilize various synergies which aid in our business and operations.

### ***Club Mahindra brand recognition***

At the time of establishing our operations in 1996, we leveraged our business on the Mahindra brand, which is a well established brand name in India. Over the last decade, we have continued to invest resources to build the brand 'Club Mahindra'. Our Company was selected as a Business Superbrand 2008 by The Brand Council in India, consequently, our flagship brand Club Mahindra Holidays has been selected as a Superbrand 2009. AC Nielsen through their market research report based on their proprietary "Winning Brands" Model, commissioned by us in July 2007, has assessed that Club Mahindra has the highest brand equity amongst timeshare companies in India and is amongst the top 23 percentile of strong brands as per the Winning Brands Model normative database. Amongst those aware of the concept of timeshare, Club Mahindra has the highest total recall of 83% across time share companies in India. This established brand name also accords us the opportunity to successfully launch new service offerings, such as Club Mahindra Fundays, clubmahindra.travel and Mahindra Homestays.

### ***Strong marketing channels***

We employ a variety of marketing and sales channels to enrol members. Our marketing channels include advertisements in print media, television, direct mail, e-commerce and on-ground market promotions backed by outbound telemarketing. We have won many significant awards for our marketing initiatives from the Mumbai Ad Club for media, creative and campaign effectiveness. We have been following a "permission marketing" approach. We believe we have the skills and a wide distribution coverage, necessary to sell vacation ownership memberships to our target customers. We conduct sales presentations at homes of the prospective customer through direct and franchisee sales teams. In addition, we make presentations at direct and franchisee retail centres called Club Mahindra Holidayworld located at shopping

malls and at our resort locations. Our multi-channel sales operations have a pan-India presence covering eight metropolitan and tier II cities. We believe that through our marketing and sales approach we have the ability to identify and access our prospective members and sell our service offerings.

### ***Strong management team***

Our strong management team effectively plans and executes our growth strategies. Most of our Key Managerial Personnel have substantial experience in the hotel operations, vacation ownership and the hospitality industry, in and outside India. Our senior management also brings experience from diverse industries such as the retail, consumer products, real estate and telecommunications. We believe that having a strong management team with extensive experience enables us to respond to changing market conditions and evolving preferences of our customers and is essential to our overall success and our future growth.

### **Our Strategies**

We intend to pursue the following principal strategies to leverage our competitive strengths and grow our business:

#### ***Intensify our service offerings by increasing our distribution network and growing the number of resorts across India***

We seek to be the preferred partner to the urban family for holidays and holiday services in India. Our focus is to enhance our member growth, service excellence, innovative offerings, brand value and the variety of resorts. We believe that we can accelerate our member acquisition process by increasing our distribution network in cities under coverage and add to the number of cities being covered. Currently, we have a total of 27 resorts across India and Thailand, of which we own 11 properties. Our Resorts (resorts owned by us or on long term lease with us) contribute an aggregate of 1,189 apartments and cottages of a total of 1,261 apartments and cottages owned or leased by us. We intend to increase the number of our Resorts in India and overseas, particularly through development or acquisition. For example, we recently completed the acquisition of a property in Thekaddy, Kerala. In addition, we intend to increase the number of apartments and cottages at some of our existing Resorts and focus on developing Resorts at new destinations. We may also from time to time selectively lease hospitality properties to add to the choice of destinations for our members. Increasing our membership base and the number of Resorts would enable us to increase our total income from vacation ownership.

#### ***Diversification into new offerings and different segments and into new businesses related to our main business***

To increase our customer base, we have recently launched Club Mahindra Fundays to address the corporate membership segment. We have also recently launched Zest, which is targeted at young urban consumers. We launched clubmandindra.travel to augment our service offerings and to enable our members greater convenience in fulfilling their leisure travel needs. In addition, in July 2008, we launched Mahindra Homestays, which is currently targeted at travellers from the United Kingdom and India. We believe that these service offerings targeting new segments are not only changing the way India holidays but will directly increase our revenues, but will also result in Zest members and Club Mahindra Fundays users becoming Club Mahindra Holidays members in the future. We intend to diversify our business by providing new offerings related to our main business and competences like a mass market vacation ownership membership targeted at the mid-income segment. We are also exploring options to launch offerings as extensions to the existing business targeted at new segments like teenagers and senior citizens. We intend to offer fractional homes to discerning affluent families at attractive locations. In light of the high demand for skilled hospitality personnel in India, we intend to develop and operate hospitality management colleges in India. We believe these colleges will enable us to source skilled and trained personnel.

### ***Continue to build the desirability of our resort experience***

Our resorts shall continue to be full service resorts at attractive locations, delivering complete holiday experiences through a wide range of holiday activities, restaurants, amenities and destination-specific experiences. In addition we intend to enhance holiday experiences through resort design, adding innovative activities, and non-conventional accommodation such as log huts, floating cottages and tents.

### ***Leverage on our existing brands and build new brands***

Within the last decade, we have established Club Mahindra as one of the leading brands in the leisure hospitality segment. Our Company was selected as a Business Superbrand 2008 by The Brand Council in India, consequently, our flagship brand Club Mahindra Holidays has been selected as a Superbrand 2009. AC Nielsen through their market research report based on their proprietary “Winning Brands” Model, commissioned by us in July 2007, has assessed Club Mahindra as amongst the top 23 percentile of strong brands as per the Winning Brands Model normative database. We believe this has contributed significantly to our growth and our ability to improve our average unit realisations. We will continue to leverage on our demonstrated ability to build brands. We intend to invest resources in strengthening Club Mahindra Holidays further and also establish our new brands, Zest, Club Mahindra Fundays, clubmahindra.travel and Mahindra Homestays as strong brands in their respective categories.

### ***Expand our operations into new international markets***

We intend to expand our operations into international markets to sell the family holidays vacation ownership concept, acquire or develop resort properties and increase our member base. We are in the process of evaluating markets such as South Africa and China, and we have investment approval from our Board of Directors for Austria. We believe that this will increase our member base and resort inventory thus resulting in increased revenues.

## **Our Business**

We are one of the leading leisure hospitality providers in India, offering quality family holidays with a range of services designed to meet the diverse needs and interests of a family. Our members are entitled to stay and holiday at a range of holiday resort destinations every year for a fixed number of years. Our Resorts offer the use of spacious furnished accommodation, such as apartments and cottages, and experience through a variety of holiday activities and resort specific amenities and facilities, such as restaurants, ayurvedic spas and kids clubs.

The membership provides our members with a cost effective method of taking holidays for a pre-determined number of years. The member pays an upfront membership fee that entitles him accommodation, subject to availability, for a pre-determined number of days, every year, across the resorts offered, for a pre-determined number of years, i.e., the membership period. In addition, we also provide convenient financing options, up to a term of 60 months, for the purchase of membership to our prospective members and also have an in-house dedicated team for collections.

Our holiday seasons are generally divided into three or four seasons, based on the demand for a particular resort in a particular season. Each of our Resorts has a unique week classification for the different seasons offered by us. Our Resorts have one to three types of apartments of varying sizes to suit different family sizes. The member chooses the season and the apartment type, which determines the membership fee payable by the member. The membership fee payable by our members comprises of a non-refundable admission fee towards enrolment and an entitlements fee towards provision of entitlements through the membership period. In the event of termination or cancellation of a membership, the member is refunded his entitlement fee on a pro-rata basis depending on the remaining number of years of the membership. We also provide our members with a rescission period, allowing them the option to cancel their membership application within 10 days from the date of application, with full refund.

Each service offering has a number of flexible membership features such as the ability to split, accumulate, advance, gift, transfer or exchange their vacation entitlements, subject to certain terms and conditions.

### ***Club Mahindra Holidays***

Our flagship service offering, Club Mahindra Holidays, was launched in 1997. Club Mahindra Holidays is our service offering targeted at the Indian family. We have, as of May 31, 2009, sold 91,997 Club Mahindra Holiday vacation ownership memberships.

Club Mahindra Holidays, currently entitles our members to stay and holiday at any of our 23 resorts, for seven days each year, in a season of their choice, for 25 years. Club Mahindra members enrolled prior to January 2002 were entitled to vacation for 33 years and as of May 31, 2009, we have 11,002 such members. In addition, our members can choose to access a range of RCI resorts globally.

### ***Resorts under Club Mahindra Holidays***

Our Club Mahindra Holiday resorts include 23 resorts, of which our owned resorts are located at Munnar, Coorg, Goa, Binsar (two resorts), Manali, Kumbalgarh, Ooty, Thekaddy and Ashtamudi.

### ***Holiday Seasons***

For each resort destination, the year is divided into four seasons: Purple, Red, White and Blue, based on demand for such resort during the year. The season classification may vary from year to year for any resort, and varies from resort to resort.

*Purple:* The season with the highest tourist traffic to the particular destination. For example, in Goa, weeks around Christmas and New Year and the Carnival.

*Red:* This season would typically encompass school holidays, such as the summer and winter vacations, and other festival vacations.

*White:* This season may be a good time to visit the destination but may not necessarily coincide with school vacations.

*Blue:* This is the season with lower tourist traffic for the destination, appealing only to a limited target group of young families without children, for example, the monsoon season in Goa.

### ***Apartment Types***

To address the diverse needs of our members, we offer three types of apartments based on the number of people proposing to occupy the apartment. In addition, some of our apartments are equipped with cooking facilities. The table below sets out the different apartment types offered by us under our Club Mahindra Holidays membership:

<b>Category</b>	<b>Characteristics*</b>	<b>Occupancy**</b>
Two Bedroom Apartment	Two separate bedrooms with a living and dining area	Six adults
One Bedroom Apartment	A single bedroom with a living and dining area	Four adults
Studio Apartment	A bedroom/living room and dining area	Three adults; or two adults and two children under 12 years

\* In our Resorts, some apartments also provide either wet or dry kitchenette facilities.

\*\* In our Resorts two children below the age of 12 are considered equivalent to one adult. Children above the age of 12 are considered as adults for the purpose of room occupancy.

## *Fees*

Our members are required to pay a membership fee to us at the time of enrolment and an annual subscription fee each year thereafter. The membership fee and the annual subscription fee depend on the type of season and apartment chosen by the member.

### *Membership Fees*

The membership fee payable by our members comprises a non-refundable admission fee towards enrolment and an entitlements fee towards the provision of entitlements through the membership period. The membership fee is based on the season and type of apartment chosen by the member. We provide convenient financing options, up to a term of 60 months, for the purchase of membership to our prospective members.

### *Annual Subscription Fee*

Other than the membership fee referred to above, currently our members are required to pay to us an annual subscription fee, which is used to fund maintenance of our Resorts and providing club services to our customers including holiday planning, reservations and administration of the membership.

The annual subscription fee is revised from time to time based on the Urban Consumer Price Index as published by the Reserve Bank of India.

### *Holiday Entitlement*

Holiday entitlements of a member commence as per the payment plan selected by a member and ranges from three months to 18 months from the end of the month after admission as a member, depending on the financing plan chosen by the member.

*Split:* A member can split his holiday entitlement into smaller periods and take more holiday breaks, each for a shorter duration. However, the shortest holiday permitted is a minimum of two nights during the white and blue seasons and a minimum of three nights during the red and purple seasons.

*Accumulate:* In the event a member does not use the whole or part of his or her entitlement in a given year, the unused portion of the entitlement accumulates to the next year. However, a member is not permitted to accumulate more than 14 nights at any point in time.

*Advance:* A member can bring forward the next year's holiday to take a longer holiday or multiple holidays.

*Gift:* A member can gift or rent his holiday, subject to certain terms and conditions.

*Transfer / Bequeath:* A member can transfer or bequeath his membership, subject to certain terms and conditions.

*Exchange:* Our flexible holiday feature is based on the following classification for the purposes of a change in season by a member:

Purple Season Member	Holiday at any time of the year
Red Season Member	Could also holiday in Purple*, White and Blue Seasons
White Season Member	Could also holiday in Red* and Blue Seasons
Blue Season	Could also Holiday in White* and Blue Seasons

\* If the holiday is taken in such season, the booking must be done only 15 days prior to the contemplated holiday and is subject to availability at the resort. A member will get more or less number of days of holidays depending on whether he is going to a season of higher or lower demand and/or to a larger or smaller apartment. This is based on a ratio prevailing at the time of request for the exchange.

### *Amenities, Facilities, Activities and Privileges at the Resorts*

We provide our members with a range of family holiday activities and privileges at our Resorts. Some of these are available on a pay-per-use basis and our members are entitled to a 25% discount, as compared to non-members. Currently, some of the activities that we offer our Club Mahindra Holiday members are:

*Fun Dining* – Club Mahindra Holidays resorts have multi-cuisine restaurants that provide members with a wide range of cuisines to cater to the needs of members from all parts of India. “Fun Dining” is a special privilege for our members who can avail of a buffet or take-away food for breakfast, lunch and dinner at a nominal cost. In addition, we allow discounts if the entire family uses Fun Dining and other discounts where the member takes breakfast and one other meal per day.

*A la Carte Dining* - We often offer a la carte dining options along with theme-oriented menus, region-specific menus and have special kids’ menus, taking care of the needs of every member of the family. In some resorts, we also offer specialty cuisine restaurants.

*Bar* – We offer alcoholic beverages at certain resorts through our bars.

*Spa* – We have recently launched our brand of ayurvedic spas at certain of our Resorts called “Svaastha”, promoting harmony of mind, body and spirit.

*Kids club* – We introduced ‘Kids Club’. Children are enrolled into this club when they check into the resort, after which they have access to club activities specifically designed for them. We have also introduced a club for teenagers.

*Champs* – At all our Resorts, we have a set of animators dedicated to take care of holiday activities and the entertainment of our members during their stay. Some of our other employees are also trained to perform and entertain our guests by singing, playing musical instruments, telling stories to children and performing magic tricks.

*FunZones* – We provide our members with various options to keep adults, teens and kids entertained during their holiday at the resort. These activities include outdoor activities such as rappelling, river crossing, rope bridges, camping, hikes, water sports and indoor activities ranging from craft, pottery and dance classes to pool tables, table tennis and board games. In addition, we also organize and facilitate activities outside the resort which are destination specific, such as picnics, sight-seeing trips, heritage visits, game spotting and bird watching.

*Conferences and Outbound Trainings* – Our Club Mahindra Holidays resorts are equipped to cater to conferences and outbound training programs. These facilities are provided on a limited basis to a select targeted clientele to ensure capacity utilization and as an opportunity for non-members to avail themselves of a Club Mahindra experience.

### ***Zest***

Zest is a new offering, introduced in November 2006, and targeted at young urban families and based on the concept of short breaks. The Zest member is entitled to six days of holidays every year within the allotted season at any Zest resort, for a membership period of 10 years. These resorts are located within drive-to distances. We have, as of May 31, 2009, sold 4,070 Zest vacation ownership memberships.

### *Resorts under Zest*

Our Resorts under Zest are located at Puducherry, Ooty, Masinagudi, Yercaud and Kodaikanal.

### *Season Classification*

Zest is a short break service offering. The entire calendar year has been divided into three seasons: Verve, Buzz and Pep. The season classification can vary from year to year and from resort to resort.

*Verve:* includes the most sought after time of the year, such as the summer and winter vacations.

*Buzz:* includes the high seasons to visit the resort.

*Pep:* includes times which are the lower seasons for the resort.

### *Apartment Types*

Zest offers only one type of apartment, which is a furnished accommodation that accommodates two adults and two children below the age of 12. (Children above 12 years of age are considered as adults for the purpose of room occupancy).

### *Fees*

Our member is required to pay a Zest membership fee to us at the time of enrolment and an annual subscription fee each year thereafter. The membership fee and the annual subscription fee depend on the type of season chosen by the member.

### *Membership Fees*

The membership fee payable by our members comprises a non-refundable admission fee towards enrolment and an entitlements fee towards provision of entitlements through the membership period. The membership fee is based on the season chosen by the member. We provide convenient financing options, up to a term of 36 months, for the purchase of membership to our prospective members.

### *Annual Subscription Fee*

Other than the membership fee referred to above, our members are required to pay an annual subscription fee every year, which is towards utilities, upgrade and maintenance of our Zest resorts and other services provided by us in connection with the membership.

### *Holiday Entitlement*

Holiday entitlements of a member commence as per the payment plan selected by a member and ranges from 15 days to one month depending on the instalment payment plan chosen by the member.

*Split:* A member can split his holiday entitlement into smaller portions and take more holiday breaks, each of a shorter duration. However, the shortest holiday permitted is a minimum of two nights. The member can take only one weekend holiday in a year, which is defined as a holiday on a Friday night, Saturday night or both.

*Accumulate:* In the event a member does not use his or her entitlement in a given year, the unused (wholly or partly) portion of the entitlement accumulates to the next year. However, a member is not permitted to accumulate more than 12 nights at any point in time.

*Advance:* A member can bring forward the next year's holiday to take multiple holidays subject to a maximum of 12 nights in a year, including two weekend holidays.

*Gift:* A member can gift or rent his holiday, subject to certain terms and conditions.

*Transfer:* A member can transfer his membership, subject to certain terms and conditions.

*Exchange:* Our members can exchange into a lower season based on the holiday needs of the member. Currently, weekday exchanges are as follows:

Verve Members	Holiday at any time of the year
Buzz Members	Could also holiday in Buzz and Pep Seasons
Pep Members	Could also holiday in Pep Season

#### *Amenities, Facilities, Activities and Privileges at the Resorts*

We provide our members with a range of family holiday activities and privileges at our Resorts. Some of these are available on a pay-per-use basis and our members are entitled to a 25% discount as compared to non-members. Currently, some of the activities that we offer our Zest members are:

*A la Carte Dining* – We often offer a la carte dining options along with theme-oriented menus, region-specific menus and have special kids’ menus, taking care of the needs of every member of the family. In some resorts, we also offer specialty cuisine restaurants.

*Champs* – At all our Resorts, we have a set of animators dedicated to take care of holiday activities and the entertainment of our members during their stay at the resort. Some of our other employees are also trained to perform and entertain our guests by singing, playing musical instruments, telling stories to children and performing magic tricks.

*FunZones* – We provide our members with various options to keep adults, teens and kids entertained during their holiday at our Resort. These activities include outdoor activities such as paint-ball, down-hill cycling on tandem bikes, hikes in deep woods, bonfire parties and night trails.

*Conferences and Outbound Trainings* – In addition, our Zest resorts are equipped to cater to conferences and outbound training programs. These facilities are provided on a limited basis to a select targeted clientele to ensure capacity utilization and as an opportunity for non-members to avail themselves of a Zest experience.

#### ***Club Mahindra Fundays***

Club Mahindra Fundays is a service offering introduced in October 2006, targeted at corporate customers.

Club Mahindra Fundays is based on a points system, where different season-apartment combinations are valued at points per day, as specified from time to time. A corporate customer purchases a specific number of points that are credited to their account every year for the 10 year term of membership. A corporate member may offer family holidays to their employees. This system is flexible to use and suitable for corporate members’ constantly changing requirements. We have, as of May 31, 2009, sold 20,16,018 Club Mahindra Funday points.

#### *Resorts under Club Mahindra Fundays*

Our Club Mahindra Fundays resorts include all Club Mahindra Holiday resorts and Zest resorts.

#### *Holiday Seasons and Apartment Types*

Club Mahindra Fundays have the same holiday season classifications and apartment types as Club Mahindra Holidays and Zest for their respective resorts.

#### *Fees*

Our member is required to pay a membership fee to us at the time of enrolment and an annual subscription fee each year thereafter.

### *Membership Fees*

A Club Mahindra Fundays member has to purchase a minimum number of points. Currently, the minimum number of points that can be purchased is 10,000 points and additional points can be purchased in multiples of 1,000 points.

67% of the points purchased by a member are termed as “Premium points” and can be used in all four seasons – Purple, Red, White and Blue, in Club Mahindra Holidays resorts and all three seasons – Verve, Buzz and Pep, in Zest resorts. 33% of the points purchased by the member are termed as “Classic points” and can be used only in the White and Blue seasons in Club Mahindra Holidays resorts and only in the Pep season in Zest resorts.

The membership fee payable by our members comprises of a non-refundable admission fee towards enrolment and an entitlements fee towards provision of entitlements through the membership period.

### *Annual Maintenance Fee*

Other than the membership fee referred to above, our members are required to pay an annual maintenance fee every year, which is towards utilities, upkeep, upgrade and maintenance of our resorts and other services provided by us in connection with the membership.

### *Holiday Entitlement*

The Club Mahindra Fundays member can start taking holidays after one month from the date of purchase of the membership.

*Accumulate:* Unutilized points will be accumulated to the next year. However, a member is not permitted to accumulate more than twice the number of points purchased by it.

*Advance:* A member can bring forward the next year’s points subject to a maximum of 50% of the points purchased by it, and shall comprise an equal number of Premium and Classic Points.

*Transfer:* A member can transfer the membership, subject to certain terms and conditions.

*Top-ups:* A member can purchase additional points subsequent to the initial purchase, at the purchase price and terms and conditions prevailing at that point of time.

*Exchange:* A Club Mahindra Fundays is based on a points system and hence gives flexibility to use the product in any season or apartment type, by using the appropriate number of points as assigned to the specific season-apartment combination.

### *Activities and Privileges at the Resorts*

A Club Mahindra Fundays member is eligible for all the activities and privileges that the Club Mahindra Holidays member gets at Club Mahindra Holidays Resorts and the Zest member gets at the Zest resorts.

### *Our Travel Business*

With the launch of the [www.clubmahindra.travel](http://www.clubmahindra.travel), we are among the few .travel (dot travel) websites. Clubmahindra.travel was certified by IATA in June 2008 and became a TAAI member in May 2009. This service offering is targeted primarily at our members to provide a one-stop shop for all travel-related services which includes holiday planning, ticketing and other related services. We have a dedicated call centre and strategic alliances with key partners, such as Thailand Pathfinders Travel Pvt. Ltd., Akqua Sun Holidays India Pvt. Ltd., ICICI Lombard General Insurance.

We have entered into an agreement dated July 7, 2008 with Heritage Bird (M) Sdn Bhd whereby Heritage Bird (M) Sdn Bhd has sold 3,640 timeshare weeks to our Company for sale over a period of five years at the serviced apartments in Kuala Lumpur, Malaysia, at an agreed price.

### ***Our Homestays Business***

In July 2008, we launched Mahindra Homestays to market Indian Homestays to overseas travelers wishing to experience the real India by lodging with a host family in India. In April 2009, Mahindra Homestays began promoting homestays to Indian customers. A homestay is accommodation provided in a private home, with no more than eight rooms available for guests, run by the homeowner. Mahindra Homestays has established a pan-India network of homes in cities and tourist destinations that combine the comfort of a boutique hotel with the personal hospitality, informality and local knowledge enjoyed when staying with a local family. We believe homestays offer insight into the culture, traditions, history and everyday life of an Indian family.

Mahindra Homestays was launched with approximately 26 homestays spread across Rajasthan in the west, which is known for its palaces, forts and traditional dress and lifestyle; Delhi, the capital of India known for its historical monuments; and Kerala in the south, which is known for its backwaters and hill stations. As of May 31, 2009, we have approximately 71 homestays affiliated with Mahindra Homestays spread throughout the following territories: Kerala, Rajasthan, Tamilnadu, Sikkim, Himachal Pradesh, Delhi, Karnataka and Goa. The Company plans to work with various state governments to assist in promoting the homestays concept. For example, Mahindra Homestays has entered into an MOU with the government of Kerala in September 2008.

We work with the each host family to ensure that each homestay meets our quality standards and is registered with the local government homestay scheme, if required. Our agreements with the hosts, which are renewable after 11 months, provide that such hosts comply with specific quality standards. Some of our rural homestays are operated by NGOs, with whom Mahindra Homestays enters into an agreement.

### **Our Resorts**

We currently have 23 resorts across India and Thailand which are either owned by us or leased by us on a long term basis which amount to an aggregate of 1,189 apartments and cottages. As of March 31, 2009, 2008, 2007 and 2006, we owned or leased (long term) an aggregate of 1,105, 667, 608 and 585 apartments and cottages, respectively. The table below presents our Resorts and the number of apartments or cottages in each such resort:

<b>Location</b>	<b>Number of Apartments or Cottages</b>	<b>Owned/Leased (long term)</b>
Ashtamudi, Kerala	26	Owned
Goa, Goa	205	Owned
Binsar, Uttaranchal	36	Owned
Coorg, Karnataka	188	Owned
Manali, Himachal Pradesh	33	Owned
Munnar, Kerala	112	Owned
Kumbalgarh, Rajasthan	68	Owned
Puducherry, Puducherry	125	Owned
Manipur Villa, Binsar, Uttaranchal	22	Owned
Ooty, Tamil Nadu**	90**	Owned
Thekaddy, Kerala	32	Owned
Auli, Himachal Pradesh	10	Leased
Bangkok, Thailand	6	Leased
Corbett, Uttaranchal*	4	Leased
Dharamshala***, Himachal Pradesh	23	Leased
Kodaikanal, Tamil Nadu	11	Leased
Mussoorie, Uttaranchal	19	Leased
Pattaya, Thailand	6	Leased

Location	Number of Apartments or Cottages	Owned/Leased (long term)
Ooty, Tamil Nadu	15	Leased
Masinagudi, Tamil Nadu (Casa Deep Wood Resorts)	20	Leased
Yercaud	40	Leased
Naukutchiataal	31	Leased
Shimla	67	Leased

\* These resorts also have apartments leased on a short term basis.

\*\* This resort is under renovation.

\*\*\* The resort offers rooms only. No kitchenettes are provided at this resort.

### Our Short Term Leased Resorts

We have leased from third parties 72 apartments and cottages across five resorts as of May 31, 2009, on a short term basis (terms less than two years). The 72 apartments and cottages on short term lease constitute 5.71% of the total 1,261 apartments and cottages across the 27 Resorts of the Company. The table below presents our short term leased resorts and the number of apartments or cottages in each such resort:

Location	Number of Apartments or Cottages
Poovar, Kerala	20
Panchgini, Maharashtra	20
Mahabaleshwar, Maharashtra	10
Kodai Hill Country, Tamil Nadu	16
Corbett, Uttaranchal	6

### Our Proposed Resorts

We are expanding our resorts at Coorg, Binsar and Ashtamudi. We are currently developing a new resort on the 41.64 acres of land at Tungi near Lonavala (Maharashtra) and the 9.27 acres of land at Theog near Shimla (Himachal Pradesh), both of which have been purchased by us. In addition, we have purchased 25.02 acres of land at Kadapakkam near Chennai (Tamil Nadu), 0.14 acres at Ashtamudi (Kerala), 20.8 acres at Hyderabad (Andhra Pradesh), 36.4 acres at Coorg (Karnataka), 100.32 acres at Kas (Maharashtra) and 20.42 acres at Varwade (Maharashtra). We are in the process of purchasing additional land at Kas in Satara (Maharashtra) and in Varwade near Ratnagiri (Maharashtra).

In addition, we have entered into a memorandum of understanding with Leisure Hotels Limited, under which it is developing a resort based on our specifications at Ramnagar near Corbett (Uttaranchal). We have agreed to enter into a 30 year lease with Leisure Hotels Limited to use and operate this resort upon completion of the resort. The resort is to be completed by June 30, 2009.

We are evaluating options to purchase or lease certain additional properties in Andhra Pradesh, Kerala, Rajasthan, Himachal Pradesh and Tamil Nadu. In this regard, our Board has set up an Inventory Approval Committee, which has the powers to undertake a maximum outlay of Rs. 30 crores without specific Board approval.

### Our Process Overview

We are an integrated company providing acquisition and lease of properties, development of resorts, resort operations and value-added services and sales and servicing of members. We believe that our integrated approach from development of a resort to the holiday experience at our resorts is a differentiating factor which helps create member loyalty and growth.

#### Resort Creation

We have a team of professionals who are entrusted with the task of identifying land for resort development and properties for the purposes of either acquisition or lease of a resort. In undertaking our acquisitions, we conduct an independent assessment of the identified land and thereafter negotiate the purchase of the land.

Subsequent to the acquisition of the land, we develop our resort with the assistance of third party contractors, architects and landscapers. We also lease properties on a long term and short term basis. Currently, 11 resorts are owned by us and 16 resorts have been leased by us. Of the total 1,261 apartments and cottages offered by us, 937 are owned by us, 252 are on long term leases and 72 are on short term leases.

### *Marketing and Sales*

Our marketing initiatives are present across all key mediums of print media, television, direct mail, e-commerce and out of home advertising. From time to time, we have joint marketing promotions with well known brands in India as well as on ground promotions supported by telemarketing. Our interested target customers are requested for an appointment. The sales team meets the sales opportunities generated and enrolls members through a consultative, technology enabled, interactive sales presentation. Our member acquisition process is conducted through a pan-India multi-channel presence through our direct and franchisee sales teams.

Our sales and marketing is conducted through the following channels:

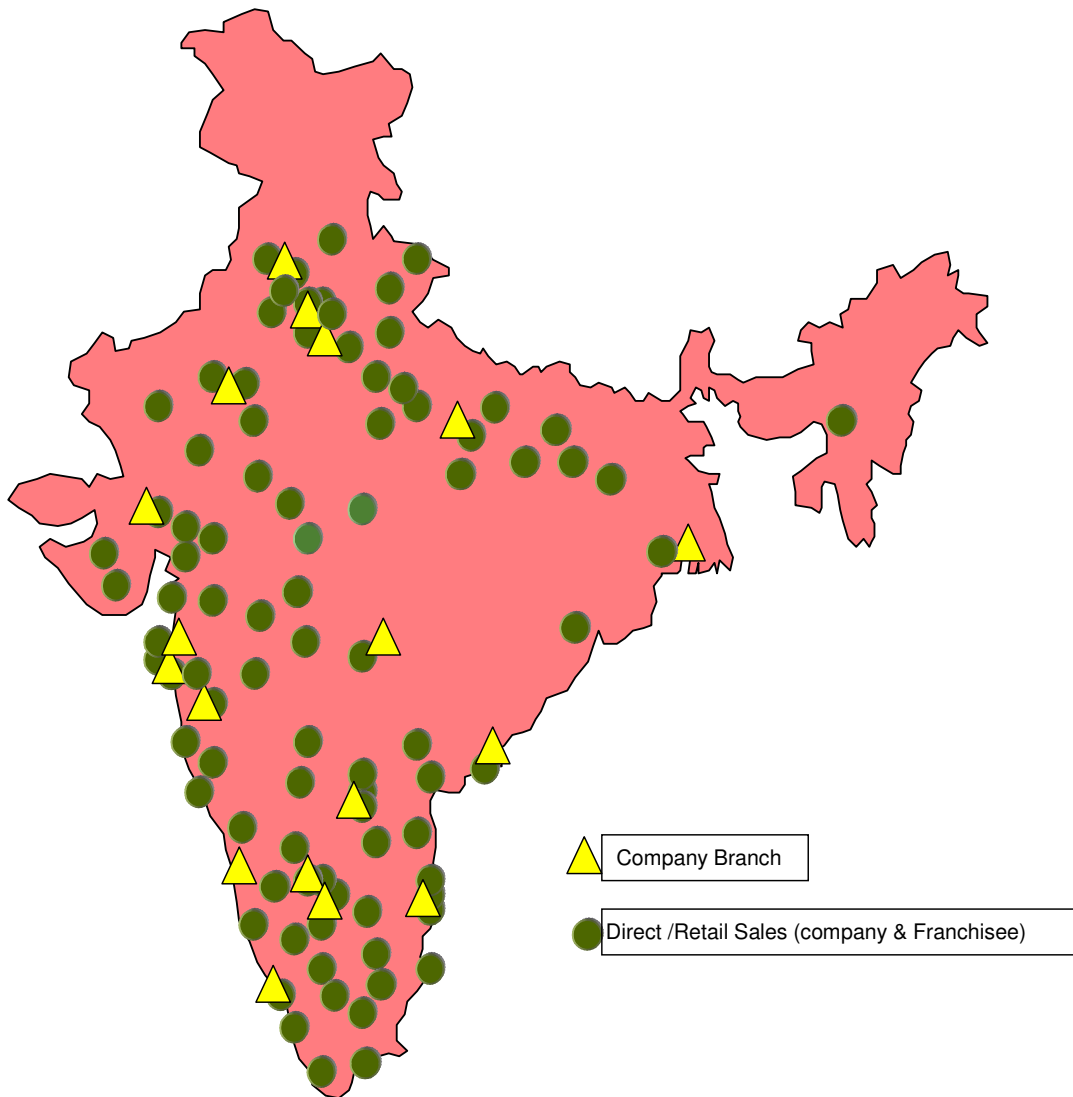
**Retail Outlets:** We have set up Club Mahindra Holidayworlds, our retail outlets, at a range of locations spread over India in malls and shopping complexes.

**Direct to Home:** We meet target members, by prior appointment, at their homes, preferably with the entire family.

**Franchisee Operations:** We have 165 franchisee sales agents, who enrol prospective members by means of retail outlets or direct to home marketing across India, who are appointed by us on a non-exclusive basis, typically for periods of two years. Franchisees are paid a commission, subject to certain terms and conditions.

**Onsite:** We have Club Mahindra Holidayworlds at some of our Resorts. Our sales teams are present to upgrade memberships of existing members as well as enrol new members.

As of May 31, 2009, we have 19 branches and 61 retail outlets across India of which 45 are owned and 16 are franchised. We have 149 direct-to-home operations, which are franchised by us. Also, as of such date, we also have six on-site operations at some of our Resorts. In addition, we have a service office in Dubai and a franchisee in Kuwait. Our sales and marketing centres as well as our franchisee sales agents are spread across India at the locations shown below:



#### *Member Relationship Management*

We have a network to service our members, which comprises of a dedicated team spread across 19 branch locations, a 100-seat call centre backed-up by our customized CRM solution and reservation management system which operates on an all-India virtual private network. Depending upon the terms of our contract with our members, we service our members for a period of 10 years, 25 years or 33 years. Our member services department has been assessed and approved as ISO 9001:2000 compliant. We aim to track customer preferences and provide personalized services through our customized CRM software technology solution. We have a centralized reservation center which not only responds to the customers needs on a day-to-day basis but also provides value added services such as holiday planning for our members. We seek to obtain continuous feedback from our members through HEP located at our Resorts.

#### *Resort Experience*

We provide our members with a wide range of amenities and facilities, which has resulted in our Resorts at Goa, and Coorg being accredited with a 5 Star rating by the Department of Tourism Government of India. We have applied for renewal of 5 Star Rating for our Munnar resort. Similarly, we have an extensive range of services and activities specially designed for the holiday needs of the family. Some of our distinguishing

services include animators, FunDining, Kids Clubs and Funzones. Our resorts at Goa, Coorg, Binsar, Munnar, Dharamshala, Manali and Kumbalgarh (provisional) are recipients of the RCI Gold Crown Award for the year 2008-2009, for superior resort facilities, services and hospitality based on user feedback. Our Resort at Munnar has also been recognized for having received the RCI Gold Crown Award for ten years in a row. In keeping with our focus on service quality, all of our owned Resorts are certified by Food Cert B.V. of Netherlands for complying with the hygiene code for food safety systems. In addition, we were also the first hospitality player in the world to have achieved a people capability maturity model (or PCMM) level 3 assessment at our Goa Resort. All of our owned Resorts follow eco-friendly practices and have water and waste management systems.

### ***Our RCI Affiliation***

RCI is the world's largest holiday exchange network. Our affiliation with RCI enables our members to access the RCI exchange network, which includes 5,087 resorts across the world. We offer our Club Mahindra members at the time of enrolment a two year complimentary membership with RCI. Subsequent to the expiry of the initial three years, our members have the option to renew their RCI membership.

### ***Our Mixed-Use Operations of Resorts***

We follow a mixed-use model by providing non-members access to a limited number of apartments and cottages on a per night room tariff. We have our own dedicated team selling unutilized apartments to non-members. While such non-members have access to the resort's facilities and amenities, they are generally charged a higher price for these services as compared to our members.

### ***Insurance***

We have obtained public liability insurance for all of our owned and leased resorts. In addition, we have also obtained public liability non-industrial risk policy for certain homes covered as part of Mahindra Homestays. We have also obtained standard fire and special perils insurance for some of our offices and our resorts. In addition, we maintain insurance against burglary, house breaking, contingencies, breakdown of electronic equipment and machinery, and loss of money for some of our resorts and offices. We also maintain group personnel accident policies for our permanent employees.

### ***Employees***

We believe that a skilled and motivated employee base is essential for our competitive advantage. As such and also to ensure that our employees have the training and tools needed to be successful in today's competitive environment, we are committed to building teams and invest resources in the development of the expertise and know-how of our employees as well as employee satisfaction. To access talent we operate a management trainee program for resort operations and other functional areas. The hospitality management school that we intend to set up will also provide us access to trained manpower. We believe that we provide ample opportunities for our high potential employees to grow into taking on increased responsibilities within the organization.

We believe that we have a qualified and experienced employee base. As of May 31, 2009, we had 638 permanent employees at our offices and 944 permanent employees at our resorts. Our permanent employees include personnel engaged in our management, administration, marketing, finance, sales, projects, customer care and legal functions at our offices. The permanent employees at our resorts include personnel engaged in food and beverages operations, engineering, house-keeping, front office and other functions.

We provide retirement benefits to our employees by way of provident fund, gratuity and superannuation in compliance with statutory requirements. We provide our employees with group mediclaim policies. In addition, we have formulated policies to allow our employees to buy Club Mahindra Holiday memberships at a discounted price and also policies for grant of car and housing loans to certain employees. Since 2006, we provide stock options to employees eligible to receive options pursuant to our employee stock option

scheme. Except at our Munnar resort, our employees are not represented by trade unions and they do not have any collective bargaining agreements. We believe that we have good relations with our employees.

### ***Health Safety and Environment***

We have always been conscious of our responsibility to the environment in which we create our resorts. We follow environmental friendly construction in line with the 'green' building concept. The green building concept entails construction by using material such as PPC cement, water-based paints, steel framing and recycled materials and design elements such that the building itself provides protection from sun glare. In terms of conservation, we start with water conservation through low-flow toilets, showers and faucets and hot water recirculation pumps and energy conservation, which includes ceiling fans, ceiling insulations with specific R values, CFL light fittings and motion sensors, energy savers for lighting, VFD (Variable frequency device – pumps) and photo voltaic sensors for garden lighting. Treatment plants, such as sewage treatment plants and water treatment plants, for recycling of water are part of our owned resort's infrastructure. We use eco-friendly items such as herbal products, toiletries, cloth towels, organic food and locally grown products at our resorts. We follow the principles of reduce, recycle and reuse in resort construction and operation.

To ensure the effective implementation of our practices, we seek to identify at every resort hazards at the beginning of our work on a resort, evaluate the associated risks and institute and monitor appropriate controls and methods. We comply with applicable health, safety and environmental legislations and other requirements in our operations. We are not currently party to any environmental proceedings which, if adversely determined, would reasonably be expected to have a material adverse effect on our financial condition or results of operations.

### ***Corporate Social Responsibility***

We have an institutionalized employee social options plan which works in the areas of health, education, environment and entertainment. In keeping with the Mahindra group policy, we have committed to spend 1% of our profit after tax annually towards our corporate social responsibility initiatives. Our Company and our employees have conducted initiatives in each dimension. For example, for health, we have conducted a free medical camp for government school children in Manali. In education, we have distributed books and also conducted repair and painting work for a government school at Ashtamudi. For the environment, we have conducted tree plantation drives across all resorts and branch offices. Additionally, we have taken entertainment programs to old age homes, leprosy homes and the CSI rehabilitation center. Apart from all this we have also supported an underprivileged child through the Nanhi Kalhi program of the K C Mahindra Trust.

### ***Real Property***

Our registered and corporate office is located at Mahindra Towers, 2<sup>nd</sup> Floor, 17/18, Patullos Road, Chennai 600 002, Tamil Nadu. This property has been leased by Mahindra & Mahindra Limited from Mr. M.K. Krithivasan, Mrs. K. Mangalam, Mrs. Geetha Ravikumar, Mr. Krishna Kumar and Ms. M.R. Bhavani, pursuant to a lease agreement dated August 10, 2005 for a period of 10 years commencing from October 1, 2005. This property has been sub-leased to our Company by Mahindra & Mahindra Limited with effect from October 1, 2005 for a monthly rent of Rs. 0.05 crore pursuant to a letter dated November 29, 2006. The sub-lease can be terminated by either party by giving one month's notice.

We have 19 branch offices located in various locations in Chennai, Bangalore (three), New Delhi (two), Kolkata, Ahmedabad, Pune, Mumbai (two), Cochin (two), Hyderabad, Lucknow, Jaipur, Nagpur, Vishakhapatnam, Chandigarh. All of these offices are leased by us. Also, we have a service office in Dubai. In addition to our offices, the following are the details of the resorts operated and leased by us:

*Resorts owned by us:*

Location	Area (in lakh square feet)	Date of Purchase
Timber Trail, Manali	3.8	November 20, 2006
Munnar	2.3	Scheme effective from April 1, 1998
Coorg, Kodagu Valley	0.8	May 3, 2005
	11.4	December 10, 2002
	1.3	December 2, 2002
Binsar*	1.0	November 7, 2000
Manipur Villa, Binsar*	0.8	November 6, 2000
Goa	6.3	February 13, 1997
Ashtamudi	3.0	August 27, 2006
Puducherry	1.0	November 23, 2005 and March 28, 2007
Kumbalgarh	1.4	July 7, 2006
Ooty, Tamil Nadu	2.22	-
Thekaddy, Kerala	1.39	September 20, 2008

\* Our Company has leased an area of 0.4 lakh sq. ft for a period of 99 years since November 6, 2000, which connects the said resorts.

*Resorts leased by us:*

Location	Area/ Details	Date of Lease Deed/Agreement	Date of Expiry	Lease Rent (Per Annum)	Termination and Certain Other Terms
<i>Leased from Mahindra and Mahindra Limited</i>					
Sheddon Lodge, Ooty	4,200 sq ft	May 16, 2002	May 4, 2027	Rs. 0.02 crore	Lease is non-terminable by both parties for a period of seven years from the date of the lease deed. Lease is terminable by the lessor if there is a change in management/ shareholding pattern of the lessee. The lessor has given their no-objection to change in shareholding pattern of the lessee pursuant to their letter dated November 28, 2007.
Holiday Home, Kodaikanal	9,000 sq ft	July 18, 2003	March 31, 2028	Rs. 0.02 crore	Our Company must provide a minimum of 120 room nights every year to the lessor for providing accommodation to its executives.  Lease is non-terminable by both parties for a period of seven years from the date of the lease deed. Lease is terminable by the lessor if there's a change in management/ shareholding pattern of the lessee. The lessor has given their no-objection to change in shareholding pattern of the lessee pursuant to their letter dated November 28, 2007.

Location	Area/ Details	Date of Lease Deed/Agreement	Date of Expiry	Lease Rent (Per Annum)	Termination and Certain Other Terms
<i>Leased from third parties</i>					
Pattaya Hill Resort, Thailand	312 timeshare weeks in six one-bedroom units	March 10, 2005	June 30, 2029	US\$ 42,000 (Rs. 0.17 crore), plus additional fees including an annual management fee of \$110 (Rs. 4,402.20) per week and a trustee administration fee of £10 (Rs. 794) a week, plus out of pocket charges	90 days prior notice period
The Elegance Court, Bangkok Thailand	153 timeshare weeks in three one-bedroom units	April 30, 2003, as amended on October 17, 2003	April 29, 2033	US\$ 60,000 (Rs. 0.24 crore), plus additional fees including an annual maintenance fee of US\$ 10,192 (Rs. 0.04 crore) per unit	Our Company can also rent an additional 78 weeks at such resort on a pay per use basis.
Avalon Resorts, Mussoorie	500 weeks	Inventory Acquisition Agreement dated November 28, 2001	August 31, 2028	Rs. 0.07 crore, plus maintenance and utility charges	
	500 weeks	Additional Inventory Acquisition Agreement dated October 16, 2002	September 30, 2028	Rs. 0.08 crore, plus maintenance and utility charges	
Poovar Island, Thiruvanthampuram	16 cottages and 4 floating cottages during the non-season period and 8 rooms and 4 floating cottages during the season period	Agreement dated March 16, 2009 between the Company, Floatels India Private Limited and Aitken Spence Hotels Managements Asia (Private) Limited	March 31, 2011	Consideration of Rs. 800 per cottage from April 1, 2009 to March 31, 2010 and Rs 875 per cottage from April 1, 2010 till March 31, 2011	
The Claridges, Corbett Hideaway	Four, one bedroom apartments	December 21, 2003 and January 10, 2005	March 9, 2029	Rs. 0.03 crore, plus maintenance and utility charges	
The Claridges, Corbett Hideaway	Six cottages	Letter dated December 7, 2005 renewed pursuant to a letter from our Company dated October 16, 2006 and acknowledged by the lessor on October 17, 2006 and letter dated September 21, 2007, from the lessor and acknowledged by	Valid up to completion and handover of the resort being built by Leisure Hotels Limited pursuant to a memorandum of understanding dated September 25, 2006 and subsequent	Rs. 0.18 crore	

Location	Area/ Details	Date of Lease Deed/Agreement our Company	Date of Expiry extensions thereof.	Lease Rent (Per Annum)	Termination and Certain Other Terms
Hotel Palace Heights, Dharamshala	Hotel including 21 rooms and three suites	February 14, 2006 with effect from April 1, 2006	March 31, 2016	Rs. 0.25 crore	No termination by either party for first three years. Lock-in period 3 years. Notice period is 180 days.
Clifftop Club, Auli	10 rooms	September 8, 2007 with effect from October 1, 2007	September 30, 2022	Rs. 0.31 crore	The lessee can terminate the lease with three months written notice. The lessor can terminate the lease with six months written notice.
Yercaud	25 rooms	September 1, 2008	August 31, 2018	Rs. 0.82 crore	The lessee can terminate the lease with 12 months written notice. The lessor can terminate the lease with six-twelve months written notice.
	15 rooms	December 26, 2008	December 31, 2018	Rs. 0.49 crore	The lessee can terminate the lease with 12 months written notice. The lessor can terminate the lease with six-twelve months written notice.
Naukuchiyatal, Nainital	31 rooms. An additional 21 rooms will be constructed by the lessor and handed over to the Company within 24 months of lease deed	September 18, 2008	September 17, 2032	Rs. 1.30 crore	In case the lessor wants to sell the property, the Company would have the first right of refusal.
Casa Deep Wood Resorts, Masinagudi	20 rooms	September 24, 2008.* The lease will take effect from October 1, 2008.	September 30, 2020	Rs. 0.44 crores	Either party can terminate upon mutual consent. In the event of a breach of the terms of the agreement by either party, the other party can terminate the lease by giving notice of 12 months.  In the event that the lessor wants to sell the property, the Company would have the first right of refusal for 90 days of receipt of lessor's price.
Blue Country Resort, Panchgini	20 rooms	Agreement dated March 15, 2005 and renewed by letters dated January 24, 2007, April 8, 2008 and March 30, 2009 issued by our	March 31, 2010	Rs. 0.68 crore	Either party can terminate upon 90 days prior notice.

Location	Area/ Details	Date of Lease Deed/Agreement	Date of Expiry	Lease Rent (Per Annum)	Termination and Certain Other Terms
		Company to the lessor and acknowledged by the lessor			
Whispering Pines, Mashobra	67 rooms	Leave and License agreement between Gables India Private Ltd and our Company dated April 13, 2009	April 12, 2019	Rs. 1. 75 crore each year for a period of 3 years	In case of sale of the said property, the first offer is to be made to our Company
Hotel Shreyas, Mahabaleshwar	10 rooms	Renewal letter dated March 18, 2009 renewing the agreement dated January 24, 2007	March 31, 2010	Rs. 0.28 crore	Either party can terminate upon 90 days prior notice.  Our Company can also terminate if Shreyas provides inferior rooms or gives rooms earmarked for our Company

*\* The lease deed is pending registration.*

Other than the above, our Company has purchased 832 quick share certificates for a fee of 0.53 crores from Hill Country Resorts, Kodaikanal pursuant to a letter dated May 8, 2008 and acknowledged by our Company. Our Company would be entitled to 16 apartments at the resort at the average rate of Rs. 894 per room. This agreement is valid until April 30, 2010, pursuant to renewal agreement dated May 1, 2009. As per our arrangement with Hill Country Resorts, the bearer of the quick share certificate is entitled to seven nights accommodation at Hill Country Resorts.

A co-developer agreement dated December 12, 2006 has been executed between MWCDL and our Company (“**Co-Developer Agreement**”), pursuant to which our Company will co-develop property measuring 3 acres for the purpose of a business hotel together with relevant amenities and facilities. The Co-Developer Agreement set out certain time-limits for our Company to commence construction and operation of the hotel not later than November 2008. Subsequently, it has been agreed with MWCDL that we are required to commence construction by September 2009. Also, we have executed an agreement for services and a supplemental agreement dated March 29, 2007, pursuant to which MWCDL shall provide certain operation and maintenance services, water, electricity and telecommunication services to our Company. We have also entered into a lease agreement with MWCDL dated March 28, 2007 for lease of 3 acres of land in Chennai for a period of 99 years, which states that construction of buildings in the property would commence within 12 months of signing the lease deed and commence hotel operations within a period of 24 months from the date of the lease deed.

### **Intellectual Property**

We have a worldwide royalty-free, non-exclusive right to use the trademark ‘Mahindra’ pursuant to a name license agreement with our promoter, Mahindra & Mahindra Limited with effect from September 20, 1996.

We own three trademarks for ‘Club Mahindra International’, five trademarks for ‘Club Mahindra Festival’, both of which are registered until June 5, 2013, one trademark for ‘Club Mahindra Holidays Unlimited’, which is registered until March 4, 2018 and four trademarks for ‘Zest’, which are registered until June 9, 2016. In addition, we have made 18 trademark/service mark applications before the Registrar of Trademarks, Chennai for trademarks for our service offerings in various combinations and classes, of which two trademark applications have been opposed, one each for ‘Hello’ and ‘Zest’.

## REGULATIONS AND POLICIES

### *National Tourism Policy, 2002*

With the aim of providing standardized world-class services to the tourists, the Department of Tourism, Government of India has a voluntary scheme for classification of fully operational time share resorts in the 5 Star, 4 Star and 3 Star categories. The Ministry of Tourism has issued the Guidelines for Project Approval and Classification of Time Share Resorts ("**Time Share Guidelines**") in 2005.

In accordance with the Time Share Guidelines, the Hotel and Restaurant Approval and Classification Committee ("HRACC") inspects and assesses the time share resorts based on facilities and services offered. Project approvals are also given in all the above-mentioned star categories at the project implementation stage. Classified time share resorts /approved projects are eligible for various concessions and facilities that are announced by the Government from time to time. Our resorts in Goa, Munnar and Coorg have received 5 Star classifications.

The Time Share Guidelines state that the time share resort will be used as vacation ownership and in no circumstances will apartments in the time share resorts be sold individually for residential or any other purpose. Also, the Guidelines permit time share resorts to be used as hotels. However, if a time share resort intends to be used as a hotel, it must provide all facilities and amenities as required for the specified star category of hotel.

The Ministry of Tourism, Government of India reserves the right to modify the Time Share Guidelines from time to time.

### *Labour Legislations*

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

In the event that any aspect of the activities of the Company is outsourced and carried on by labourers hired on contractual basis, then compliance with the Contract Labour (Regulation and Abolition) Act, 1970 ("**CLRA**") becomes necessary. The CLRA regulates the employment of contract labour in establishments in which twenty or more workmen are employed or were employed on any day of the preceding 12 months as contract labour. It governs their conditions and terms of service and provides for abolition of contract labour in certain circumstances.

The CLRA requires the principal employer of the concerned establishment to make an application to the registered officer for registration of the establishment, failing which, contract labour cannot be employed in the establishment. Likewise, every contractor to whom the CLRA applies is required to obtain a license and not to undertake or execute any work through contract labour, except under and in accordance with such license. Further, the CLRA ensures the health and welfare of the contract labourers, by imposing certain obligations on the contractor in relation to establishment of canteens, restrooms, drinking water, washing facilities, first aid, other facilities and payment of wages. However, in the event the contractor fails to provide these amenities, the principal employer is under an obligation to provide these facilities within a prescribed time period. Penalties, including both fines and imprisonment, may be levied for contravention of the provisions of the CLRA.

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

The Payment of Gratuity Act, 1972 ("**PGA**") provides for payment of gratuity, to an employee, at the time of termination of his services. Gratuity is payable to an employee on the termination of his employment after he has rendered continuous service for not less than 5 years: (a) on his/her superannuation; (b) on his/her retirement or resignation; (c) on his/her death or disablement due to accident or disease (in this case the minimum requirement of five years does not apply).

The PGA establishes a scheme for the payment of gratuity to employees engaged in establishments in which 10 or more persons are employed or were employed on any day of the preceding twelve months; and in such other establishments in which 10 or more persons are employed or were employed on any day of the preceding twelve months, as the central government may, by notification, specify. Our Company provides for payment of gratuity and superannuation to all our permanent employees.

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

The Payment of Bonus Act, 1965 ("PBA") provides for payment of bonus on the basis of profit or productivity to people employed in factories and establishments employing twenty or more persons on any day during an accounting year. The PBA ensures that a minimum annual bonus is payable to every employee regardless of whether the employer has made a profit or a loss in the accounting year in which the bonus is payable. Under the PBA every employer is bound to pay to every employee, in respect of the accounting year, a minimum bonus which is 8.33% of the salary or wage earned by the employee during the accounting year or Rs.100, whichever is higher.

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

The Employees' Provident Funds and Miscellaneous Provisions Act, 1952 ("EPFA") aims to institute provident funds and pension funds for the benefit of employees in establishments which employ more than twenty persons and factories specified in Schedule I of the EPFA. Our Company has a provident fund for all our permanent employees.

#### *The Public Liability Insurance Act, 1991*

An Act to provide for public liability insurance for the purpose of providing immediate relief to the persons affected by accident occurring while handling any hazardous substance and for matters connected therewith or incidental thereto. The Act indemnifies the insured for his legal liability to pay compensation including claimant's cost and fees, in respect of death/injury to third party or damage to property belonging to third party, arising out of the business of the Insured.

#### *Environmental Legislations*

Our resorts require approvals under the following environmental legislations. This is because the operation/construction of some of our resorts might have an impact on the environment where they are situated in. Our resorts in Coorg and Goa are instances where we required approvals which were received under the Air (Prevention and Control of Pollution) Act, 1981, and Water (Prevention and Control of Pollution) Act, 1974, for effective operation of our resorts. Our proposed resort in Puducherry (formerly Pondicherry) is located in the CRZ area and requires the requisite clearance under the Environment Protection Act for operation and management of the resort.

#### *Air (Prevention and Control of Pollution) Act, 1981*

The Air (Prevention and Control of Pollution) Act, 1981 ("**Air Act**") mandates that no person can, without the previous consent of the State Board, establish or operate any industrial plant in an air pollution control area. The Central and State Boards constituted under the Water Pollution Act are also to perform functions as per the Air Pollution Act for the prevention and control of air pollution.

#### *Water (Prevention and Control of Pollution) Act, 1974*

The Water (Prevention and Control of Pollution) Act 1974 ("**Water Act**") provides for the constitution of a Central Pollution Control Board ("**Central Board**") and State Pollution Control Boards ("**State Boards**"). The Water Act debars any person from establishing any industry, operation or process or any treatment and disposal system, which is likely to discharge trade effluent into a stream, well or sewer without taking prior consent of the State and Central Boards.

### *Environment Protection Act, 1986*

The Environment Protection Act, 1986 ("EPA") has been enacted for the protection and improvement of the environment. The EPA empowers the Central Government to take measures to protect and improve the environment such as by laying down standards for emission or discharge of pollutants, providing for restrictions regarding areas where industries may operate and so on. The Central Government may make rules for regulating environmental pollution.

Under Sections 3(1) and 3(2)(v) of the EPA, the Coastal Regulation Zone Notification 1991, was formulated, declaring Coastal Stretches as Coastal Regulation Zone ("CRZ") and Regulating Activities in the CRZ. Clauses 2(xi) and 2(xii) of the aforesaid notification impose prohibitions on construction activities in ecologically sensitive areas as specified in Annexure-I and any construction activity in the prescribed coastal area, except facilities for carrying treated effluents and waste water discharges into the sea, facilities for carrying sea water for cooling purposes, oil, gas and similar pipelines and facilities essential for activities permitted under the aforesaid notification.

In addition, the Ministry of Environment and Forests ("MOEF") conducts an Environment Impact Assessment ("EIA"). The MOEF receives proposals for expansion, modernization and setting up of projects and the impact which such projects would have on the environment is assessed by the MOEF before granting clearances for the proposed projects. The issue of management, storage and disposal of hazardous waste is regulated by the Hazardous Waste Management Rules, 1989 made under the Environment Protection Act. Under these rules, the PCBs are empowered to grant authorization for collection, treatment, storage and disposal of hazardous waste, either to the occupier or the operator of the facility.

### *Miscellaneous Acts*

#### *The Central Excise Act, 1944*

The Central Excise Act, 1944 provides that a person who is engaged in production or any process of production of any specified goods shall get himself registered with the proper officer as per the procedure / documentation laid down. The Central Excise Act applies to some of our resorts such as Binsar, Coorg, Goa, Manali, Munnar and Ooty, which undertake to provide services of cab-operators, health and fitness centre, convention hall, internet café, beauty parlour, mandap keeper's services etc., on their premises.

#### *The Shops and Establishments Legislations*

Under the provisions of local shops and establishments legislations applicable in the states in which establishments are set up, establishments are required to be registered. Such legislations regulate the working and employment conditions of the workers employed in shops and establishments including commercial establishments and provide for fixation of working hours, rest intervals, overtime, holidays, leave, termination of service, maintenance of shops and establishments and other rights and obligations of the employers and employees. Our branch offices in Mumbai, Ahmedabad, Chennai, Kochi, Pune, Lucknow, Bangalore etc have to be registered under the Shops and Establishments legislations of the state where they are located.

#### *The Luxury Tax Legislations*

Under the provisions of the state luxury tax legislations, luxury tax is applicable to service providers of luxury goods. The timeshare industry falls within the ambit of luxury tax in certain states. Luxury tax levied by the state government forms part of the "room charges" as the customer is required to pay these taxes to the hotel. State luxury tax legislations provide for registration of the service provider under its provisions, and require monthly returns to be filed for such tax. They also regulate the computation of taxes due to the state, the mechanism of collection of taxes and penalties for not paying the luxury tax on time.

#### *The Prevention of Food Adulteration Act, 1954*

The Prevention of Food Adulteration Act is a central legislation and provides provisions for the prevention of adulteration of food. The State Governments have adopted the Central Act which requires any person/entity manufacturing / storing / selling food articles to be registered under the provisions of the Act.

#### *The Copyright Act, 1957*

Copyright laws protect literary and dramatic works, musical works, artistic works including maps and technical drawings, etc., photographs and audiovisual works (cinematograph films, video etc.). The rights recognized by Copyright include the right to copy or otherwise reproduce a work; the right to perform it; the right to make a film or sound recording of the work; the right to communicate it to the public by broadcasting it or other means; the right to translate it and the right to make adaptations of it. There are also “moral rights” of the author to claim authorship of his work and to seek relief against the distortion or mutilation of it, even if he has parted with his economic rights in the work. Moral rights are protected under Section 57 of the Copyright Act, as author’s special rights. Our resorts have public performance licenses for sound recordings which are provided under the Act.

#### *The Standard of Weights and Measures Act, 1976*

The Standard of Weights and Measures Act, 1976 aims at introducing standards in relation to weights and measures used in trade and commerce. The purpose of this Act is to provide better protection to consumers by ensuring accuracy in weights and measures as well as regulating inter-state trade or commerce in weights, measures and other goods, which are sold or distributed by weights, measures or numbers. Though the Act is a central legislation, it is enforced by the State Governments. For enforcement, a new Act was enacted the Standards of Weights and Measures (Enforcement) Act, 1985. Our resorts which use weights and measures have had such weights and measures verified under the provisions of this Act.

#### *Foreign Investment Regime*

Foreign investment in India is governed primarily by the provisions of the Foreign Exchange Management Act (“**FEMA**”), and the rules, regulations and notifications thereunder, as issued by the RBI from time to time, and the policy prescribed by the Department of Industrial Policy and Promotion, which provides for whether or not approval of the Foreign Investment Promotion Board (“**FIPB**”) is required for activities to be carried out by foreigners in India.

The RBI, in exercise of its power under the FEMA, has notified the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 (“**FEMA Regulations**”) to prohibit, restrict or regulate, transfer by or issue security to a person resident outside India. As laid down by the FEMA Regulations, no prior consents and approvals is required from the RBI, for FDI under the “automatic route” within the specified sectoral caps. In respect of all industries not specified as FDI under the automatic route, and in respect of investment in excess of the specified sectoral limits under the automatic route, approval may be required from the FIPB and/or the RBI. The sectoral cap for the hotel and tourism industry is 100%.

#### *The Telecom Unsolicited Commercial Communication Regulations, 2007*

The Telecom Regulatory Authority of India has specified in the regulations that if subscribers to telecom operators’ services do not wish to receive unsolicited commercial communication on their telephone, it will be the operators’ responsibility to register its subscribers’ numbers with the National Do Not Call (“**NDNC**”) registry. Subscribers who are registered with the NDNC registry can select to either bar all or select classes of unsolicited commercial communication. Telemarketers can call only those numbers that are cleared by the NDNC registry. The regulations provide for registration of the telecom service providers with the Department of Telecom, the registration of subscribers with the NDNC registry, and the mechanisms on which it would operate.

## HISTORY AND CERTAIN CORPORATE MATTERS

Our Company was incorporated in September, 1996 in Chennai as Mahindra Holidays & Resorts India Private Limited. The status of our Company was changed to a public limited company by a special resolution of the members passed at a shareholders' meeting held on January 29, 1998. The fresh certificate of incorporation consequent on change of name was granted to our Company on April 17, 1998 by the RoC.

An agreement dated August 27, 2006, was executed between our Company and Ashtamudi Resorts Private Limited wherein the entire share capital of Ashtamudi Resorts Private Limited was purchased by our Company. Our Board of Directors gave approval to amalgamate Ashtamudi Resorts Private Limited, our wholly-owned subsidiary with our Company. The High Courts of Madras and Kerala approved the amalgamation of Ashtamudi Resorts Private Limited with our Company with effect from July 1, 2007, by orders dated February 19, 2008 and February 7, 2008, respectively.

### Change of Registered Office

Following are the details regarding the change of our Registered Office:

From	To	Date of Board Resolution	Reason for change
Dhun Building, 2 <sup>nd</sup> Floor, No. 827, Anna Salai, Chennai – 600 002 Tamil Nadu, India	Mahindra Towers, 2 <sup>nd</sup> Floor, No. 17/18, Patullos Road, Chennai – 600 002 Tamil Nadu, India	January 16, 2006	The registered office of the Company was shifted to meet the needs of the growing employee base at the corporate and Registered Office, enable better servicing of members and for locational advantage. This was also to enable some of the group companies of Mahindra & Mahindra Limited to operate out of the same building.

### Key Events and Milestones

Date	Event
May, 2009	Club Mahindra.travel was approved as an “ACTIVE” Member of Travel Agents Association of India for the year 2009-10
April, 2009	Club Mahindra Whispering Pines, Mashobra taken on lease
March, 2009	Number of vacation ownership members was 92,825
October, 2008	Club Mahindra Dancing Waters, Naukuchiyatal taken on lease
September, 2008	Acquisition of Club Mahindra Tusker Trails, Thekkady
September, 2008	MHRIL and the Kerala Government entered into a strategic alliance for a period of 5 years to develop, promote and market homestays overseas and in India
July, 2008	Mahindra Homestays Launched
July, 2008	Zest @ Casa Deep Woods, Masinagudi taken on lease
June, 2008	Club Mahindra.travel received International Air Transport Association accreditation
May, 2008	Launched Zest @ Big Beach, Puduchery, first signature resort for Zest
October, 2007	Entered into long-term lease for a resort at Auli
May, 2007	Opening of Club Mahindra Backwater Retreat at Ashtamudi
March, 2007	Number of vacation ownership members was 53,101
January, 2007	Launched clubmahindra.travel, our travel related services
November, 2006	Launched “Zest”, a product to cater to short break holiday needs
November, 2006	Acquired a resort in Manali
October, 2006	Launched “Club Mahindra Fundays”
August, 2006	Invested in Ashtamudi Resorts Private Limited

Date	Event
December, 2005	Acquired land in Lonavala
March, 2006	Number of vacation ownership members was 38,691
November, 2005	Acquired land in Puducherry (formerly Pondicherry)
March, 2005	Club Mahindra Kodagu Valley resort was opened in Coorg, Karnataka
March, 2005	Number of vacation ownership members was 28,491
March, 2005	Entered into long-term lease for an international resort in Pattaya, Thailand
March, 2004	Number of vacation ownership members was 20,536
January 2003	First Club Mahindra Holiday World opened in Chennai
December, 2002	Acquired land in Coorg
May 2001	Corbett resort opened
April, 2001	Mahindra Sega Entertainment Corporation Ltd was amalgamated into our Company with effect from April 1, 2001 pursuant to Madras High Court order dated April 30, 2002
April, 2001	Opened resort at Manali
November, 2000	Acquired land in Binsar
December, 1999	Second resort opened at Goa
April, 1998	First resort opened at Munnar
April, 1998	MMJ Resorts and Holidays Private Limited was amalgamated into our Company with effect from April 1, 1998 pursuant to Madras High Court order dated April 23, 1999
February, 1997	Launched our first individual product "Club Mahindra Holidays Unlimited"
February, 1997	Acquired land at Varca Village, Goa
September, 1996	Incorporation of Mahindra Holidays & Resorts India Limited

### Awards and Accreditations

Year	Award/Accreditation
2009	Club Mahindra Holidays selected as Superbrands 2009-10 by Brand Council of India
2009	Our Munnar resort won the RCI Gold Crown Award for the 10th consecutive year
2008	CNBC-AWAAZ Travel Awards 2008 for 'Best Resort For Health And Rejuvenation' for our Munnar Resort
2008	Resorts at Goa, Coorg, Binsar, Munnar, Dharamshala, Manali and Kumbhalgarh (provisional) were awarded the RCI Gold Crown Award.
2007	Our Company was awarded Avaya GlobalConnect Customer Responsiveness Award, 2007 for being India's Most Customer Responsive Travel & Tourism Company
2007	Resort at Ooty received Hygiene Code Certification for Hotel and Catering Industry from FoodCert B.V. of Netherlands.
2007	Resort at Coorg received Hygiene Code Certification for Hotel and Catering Industry from FoodCert B.V. of Netherlands.
2007	Resort at Munnar received Hygiene Code Certification for Hotel and Catering Industry from FoodCert B.V. of Netherlands.
2007	Resort at Manali received Hygiene Code Certification for Hotel and Catering Industry from FoodCert B.V. of Netherlands.
2007	Resort at Binsar received Hygiene Code Certification for Hotel and Catering Industry from FoodCert B.V. of Netherlands.
2007	Resort at Goa received Hygiene Code Certification for Hotel and Catering Industry from FoodCert B.V. of Netherlands.
2007	Resort at Dharamshala received Hygiene Code Certification for Hotel and Catering Industry from FoodCert B.V. of Netherlands.
2007	ISO: 9001 certification awarded to the member relations department of our Company.
2007	Resorts at Goa, Munnar, Binsar, Manali and Coorg were awarded RCI Gold Crown Award.
2007	Resorts at Munnar and Coorg received Food Hygiene Certification of International Standard from BHC of Netherlands.
2007	Mahindra Holidays and Resorts India Limited received Business Superbrands 2008 status from Superbrands India Private Limited
2006	Resorts at Goa, Munnar, Binsar and Coorg were awarded RCI Gold Crown Award.
2006	Resort at Kodaikanal received Hygiene Code Certification for Hotel and Catering Industry from FoodCert B.V. of Netherlands.
2006	Resorts at Goa, Ooty and Kodaikanal received Food Hygiene Certification of International Standard from BHC of Netherlands.

Year	Award/Accreditation
2005	Club Mahindra Beachview Resort, Goa was successfully assessed for PCMM (People Capability Maturity Model) Level – 3.
2005	Resorts at Goa, Munnar, Binsar and Coorg were awarded RCI Gold Crown Award.
2005	Mahindra Holidays & Resorts India Limited was awarded Spark Bronze – Occasional by Advertising Club Madras.
2004	Mahindra Holidays & Resorts India Limited was awarded Spark Gold – Direct Response Package by Advertising Club Madras.
2004	Club Mahindra Lakeview Resort, Munnar awarded ISO: 9001 certification.
2004	Club Mahindra Lakeview Resort, Munnar was awarded RCI Gold Crown Award.
2004	Club Mahindra Kodagu Valley Resort, Coorg was awarded RCI Gold Crown Award.
2004	Club Mahindra Valley Resort, Binsar was awarded RCI Gold Crown Award.
2004	Club Mahindra Beachview Resort, Goa was awarded RCI Gold Crown Award.
2003	Club Mahindra Lakeview Resort, Munnar was awarded RCI Gold Crown Award.
2003	Club Mahindra Beachview Resort, Goa was awarded RCI Gold Crown Award.
2003	Club Mahindra Valley Resort, Binsar was awarded RCI Gold Crown Award.
2002	Club Mahindra Lakeview Resort, Munnar was awarded RCI Gold Crown Award.
2002	Club Mahindra Beachview Resort, Goa was awarded RCI Gold Crown Award.
2001	Club Mahindra Lakeview Resort, Munnar was awarded RCI Gold Crown Award.
2001	Club Mahindra Beachview Resort, Goa was awarded RCI Gold Crown Award.
2000	Club Mahindra Lakeview Resort, Munnar was awarded RCI Gold Crown Award.

## Our Main Objects

Our main objects enable us to carry on our current business and also the business proposed to be carried on by us.

Our main objects as contained in our Memorandum are as follows:

1. To carry on the business of hotel, guest house, lodging house, restaurant, conference centre, motel, holiday camp, leisure centre, centre for water sports, adventure sports, amusement parks and golf courses, theme parks, exhibition centres, movie theatres, discotheques, caravan site and apartment-house proprietors; to equip and furnish any such property for the purpose of letting it to visitors or guests or giving it on time sharing or property sharing basis by days, weeks, months, points and any undivided shares with our without holiday exchange basis both in India and outside India (including outright sale thereof) whether in single rooms, suits, chalets, villas, caravans, movable structures, cottages or otherwise and to buy, sell, import, produce, manufacture and deal in food and food products, meat, fish, groceries, fruit, confectionery, wine, spirits, beer and other beverages whether alcoholic or not.
2. To manage and to provide consultancy services and other services and facilities of every kind and sort for the management of hotels, lodging houses, resorts, motels and dwelling units, restaurants, cafes, refreshment rooms, clubs, gymnasiums, casinos, kitchen, canteens and for the sale of food and beverages of every kind and to manage and to provide consultancy services for all manners of entertainment, amusement and recreation and leisure sports of every description for the public in India and any part of the world.
3. To carry on the business of or to manage or provide consultancy services in connection with services related to and ordinarily provided by a hotel, motel, lodging house, resort, dwelling unit of every kind and sort including but not restricted to business centres, medical and health services, laundry, sports facilities and conference facilities and to carry on and engage in the business of providing consultative and technical services relating to the business of the company by way of market survey, preparing feasibility and project reports and to enter into any arrangements of licensing, chartering, brokerage, technical business or financial collaboration with any other party or concern, for singular or mutual benefit of intake or outflow of know-how, whether existing or newly developed techniques, including any rights or special methods and trade secrets.

4. To carry on the business of or manage or provide consultancy services in connection with hospitality management schools, catering schools, hotel management schools, and other training institutions, professional colleges and training and educational institutions relating to the business of the company with or without any affiliation from Indian or foreign governments, universities or any other professional bodies, or individuals in India or abroad and to impart academic, professional or technical education to provide knowledge in the field of hospitality management or other related field.
5. To purchase, sell, develop, take in exchange, or on lease, hire or otherwise acquire, whether for investment or sale, or working the same, any real estate including lands, business, building, houses, cottages, shops, houses, flats, row houses, residential and commercial buildings, sheds, concessions, privileges, license, easement or interest in or with respect to any property whatsoever for the purposes or in relation to the holiday resort business of the company in consideration for a gross sum or rent or for any other consideration and to rent, lease or sell or let out otherwise apartments, flats and other residential units therein and to provide for the conveniences commonly provided in flats, sites and residential and business quarters relating to the holiday resort business of the Company.

#### **Amendments to the Memorandum of Association**

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

<b>Date of Shareholders' Approval</b>	<b>Amendment</b>
October 8, 2007	The authorized capital of Rs. 60,00,00,000 (Rupees Sixty Crores) consisting of 5,00,00,000 Equity Shares and 1,00,00,000 Preference Shares was altered by cancelling 1,00,00,000 Preference Shares and issue of 1,00,00,000 Equity Shares.
October 8, 2007	The authorized capital of Rs. 60,00,00,000 (Rupees Sixty Crores) consisting of 6,00,00,000 Equity Shares was increased to 100,00,00,000 (Rupees Hundred Crores) consisting of 10,00,00,000 Equity Shares.
October 8, 2007	<p>The Objects clause of the Memorandum was amended by inserting a new clause III (B)(61):</p> <p>To enter into any type of scheme of arrangement/reconstruction including scheme of amalgamation, merger, demerger, reconstruction (internal and/or external), reorganisation of capital etc. as the board of directors of the Company may deem fit and/or to acquire any undertaking and/or divisions, including its business along with its assets including goodwill and liabilities either whole or any part of the business and assets and liabilities of any person, firm or any company/body corporate whether private limited or public limited and carrying on business/operations which this Company is authorised to carry on and as part of the consideration for such acquisition to undertake all or any of the liabilities of such person, firm or company or to acquire an interest in and to give/issue/allot any type of securities including equity shares, debentures, debenture-stock, or to make any other appropriate consideration that may be agreed upon and to do all other acts, deeds and things that may be necessary to give effect any of the aforesaid scheme of arrangement by the Company and to sign all required documents, papers etc. therefor.</p>
December 4, 2006	<p>The Objects clause of the Memorandum was amended as follows:</p> <ol style="list-style-type: none"> <li>(i) The words "Centre for water sports, adventure sports, amusement parks and golf courses, theme parks, exhibition centres, movie theatres, discotheques" were added after the word leisure centre and the word "villas" was added after the word Chalets in Clause 1.</li> <li>(ii) The word "gymnasiums" were added after the word clubs and the words "and leisure sports of every description" were added after the word recreation in Clause 2.</li> <li>(iii) The following Clauses 4 and 5 were added after the existing Clause 3 of the Main Objects of the Memorandum of Association:</li> </ol>

Date of Shareholders' Approval	Amendment
	<p><b>Clause 4</b></p> <p>To carry on the business of or manage or provide consultancy services in connection with hospitality management schools, catering schools, hotel management schools, and other training institutions, professional colleges and training and educational institutions relating to the business of the company with or without any affiliation from Indian or foreign governments, universities or any other professional bodies, or individuals in India or abroad and to impart academic, professional or technical education to provide knowledge in the field of hospitality management or other related field.</p> <p><b>Clause 5</b></p> <p>To purchase, sell, develop, take in exchange, or on lease, hire or otherwise acquire, whether for investment or sale, or working the same, any real estate including lands, business, building, houses, cottages, shops, houses, flats, row houses, residential and commercial buildings, sheds, concessions, privileges, license, easement or interest in or with respect to any property whatsoever for the purposes or in relation to the holiday resort business of the company in consideration for a gross sum or rent or for any other consideration and to rent, lease or sell or let out otherwise apartments, flats and other residential units therein and to provide for the conveniences commonly provided in flats, sites and residential and business quarters relating to the holiday resort business of the Company.</p>
March 18, 2006	The authorized capital of Rs. 35,00,00,000 (Rupees Thirty Five Crores) consisting of 2,50,00,000 Equity Shares and 1,00,00,000 Preference Shares was increased to Rs. 60,00,00,000 (Rupees Sixty Crore) consisting of 5,00,00,000 Equity Shares and 1,00,00,000 Preference Shares.
June 12, 2000	The authorized capital of Rs. 25,00,00,000 (Rupees Twenty Five Crores) consisting of 2,50,00,000 Equity Shares was increased to Rs. 35,00,00,000 (Rupees Thirty Five Crores) consisting of 25,00,000 Equity Shares and 10,00,000 Preference Shares.
March 25, 1997	The authorized capital of Rs. 1,00,00,000 (Rupees One Crore) was increased to Rs. 25,00,00,000 (Rupees Twenty Five Crores) consisting of 2,50,00,000 Equity Shares.

### Details of past performance

For details in relation to our financial performance in the previous five financial years, including details of non-recurring items of income, refer to “Financial Statements” on page 176.

### Details of our Subsidiaries

#### *Mahindra Holidays and Resorts USA Inc.*

Mahindra Holidays and Resorts USA Inc. was incorporated on October 24, 2003 as a privately held corporation under the laws of the State of Delaware, USA. It has its registered office at 2711 Centerville Rd, Wilmington and headquarters at c/o Goldstein & Walman, 233, Broadway, New York City, New York 10279, USA.

Mahindra Holidays and Resorts USA Inc. was incorporated as a wholly-owned subsidiary of our Company pursuant to the resolution passed by our Board dated September 10, 2003.

The primary object of Mahindra Holidays and Resorts USA Inc. is to carry on the business of building, renting, managing and promoting resorts, hotels, vacation facilities, leisure activities and engaging in the business of sales, rentals, transfers, exchanges and sharing those facilities.

### Shareholders

The shareholding pattern of equity shares of Mahindra Holidays and Resorts USA Inc. is as follows

Sl.No	Shareholder	Number of shares	Percentage
1.	Mahindra Holidays & Resorts India Limited	100	100
	<b>TOTAL</b>	<b>100</b>	<b>100</b>

### Directors

The Board of Directors of Mahindra Holidays and Resorts USA Inc. comprises of Mr. Arun Kumar Nanda, Mr. Ramesh Ramanathan and Mr. Aniruddha Haldar.

### Financial Information

(In U.S. Dollars except share data)

	Financial year ended March 31, 2009	Financial year ended March 31, 2008	Financial year ended March 31, 2007
Sales and other income	-671,045	1,110,805	182,758
Profit/(Loss) after tax	-918,547	845,233	107,903
Reserves and Surplus	30,797	949,344	104,111
Equity capital (par value \$ 0.10)	10	10	10
Earnings per share	-9,185.47	8,452.33	1,079.03
Book value per share	308.07	9,493.54	1,041.21

The amounts have been converted into Indian Rupees on the basis of the exchange rate as of March 31, of each of the mentioned fiscals:

(in Rs. Crores except share data)

	Financial year ended March 31, 2009	Financial year ended March 31, 2008	Financial year ended March 31, 2007
Sales and other income	-3.50	4.33	0.79
Profit/Loss after tax	-4.79	3.30	0.47
Reserves and Surplus	0.16	3.70	0.45
Equity capital	0.00	0.00	0.00
Earnings per share (Rs.)	-479,743	329,641	46,874
Book value per share (Rs.)	16,073	370,248	45,231

### MHR Hotel Management GmbH

MHR Hotel Management GmbH was incorporated on February 16, 2007 under the laws of Austria and became our subsidiary company on March 12, 2007. It has its registered office at Müllerstraße 3, 6020 Innsbruck, Austria.

MHR Hotel Management GmbH is in the business of managing hotels. MHRL Hotel Management GmbH has entered into a hotel management agreement dated March 12, 2007 with BAH Hotelanlagen GmbH to manage a hotel in Austria, namely Hotel Bon Alpina located in Iglis, Innsbruck. Under the agreement, MHR Hotel Management GmbH will have the exclusive right and duty to direct, supervise, manage and operate the aforesaid hotel.

### Shareholders

The shareholding pattern of equity shares of MHR Hotel Management GmbH is as follows:

Sl.No	Shareholder	Number of shares	Percentage
1.	Mahindra Resorts and Holidays India Limited	26,250	75
2.	Klaus Stiebleichinger Immobiliengesellschaft m.b.H	8,750	25
	<b>Total</b>	<b>35,000</b>	<b>100</b>

### *Directors*

The Board of Directors of MHR Hotel Management GmbH comprises of Mr. Arun Kumar Nanda, Mr. Ramesh Ramanathan, Mr. Klaus Stiebleichinger, Mr. Ulrich Wolfram and Mr. Rainer Dorn.

### *Financial Information*

Since this company was incorporated on February 16, 2007, its first financial year completed on March 31, 2008.

	(in Euros except share data)	
	Financial year ended March 31, 2009	Financial year ended March 31, 2008
Sales and other income	88,924	85,156
Profit/Loss after tax	1,730	-6,690
Reserves and Surplus	-14,557	-16,287
Equity capital	35000	35000
Earnings per share	0.05	-0.19
Book value per share	0.58	0.53

The amounts have been converted into Indian Rupees on the basis of the exchange rate as of March 31, for each of the mentioned Fiscals:

	(in Rs. Crores except share data)	
	Financial year ended March 31, 2009	Financial year ended March 31, 2008
Sales and other income	0.61	0.54
Profit/Loss after tax	0.01	-0.04
Reserves and Surplus	-0.10	-0.10
Equity capital	0.24	0.22
Earnings per share (Rs.)	3.41	-12.05
Book value per share (Rs.)	40.25	33.71

### *Mahindra Hotels & Residences India Limited*

Mahindra Hotels & Residences India Limited was incorporated on April 26, 2007 as a public limited company and received its certificate of commencement of business on August 8, 2007. It has its registered office at "Mahindra Towers", 2<sup>nd</sup> Floor, No. 17/18, Patullos Road, Chennai 600 002.

Mahindra Hotels & Residences India Limited was incorporated as a subsidiary of our Company pursuant to the resolution passed by our Board dated January 23, 2007.

### *Main Objects of Mahindra Hotels & Residences India Limited*

The main objects of Mahindra Hotels & Residences India Limited are provided below:

- i. To carry on the business of hoteliers, restaurant, café, tavern with facilities such as beer house, refreshment room, licensed victuallers, lodging house keepers, motels, auto courts, holiday camps, travel agents, recognized dealers of foreign exchange and to carry on the business as proprietors and managers of coaches, carriages and motor car and other vehicles, house keepers, bakers, chocolate manufacturers confectioners, milk sellers, dairymen, grocers, butchers, livery-stable keepers, garage keepers, poulterers, job masters, farmers, farm produce of all description, ice merchants and ice cream makers and to buy, sell, import and produce, store and manufacture or otherwise deal in food and food products, distillers, dealers and manufacturers of aerated, mineral, artificial waters and other drinks, wine, spirit, beer and other alcoholic beverages, tobacco, cigars, cigarettes, meat, groceries, fruits, biscuits, breads, flour, confectionery, purveyors and caterers for public.
- ii. To build, make, construct, purchase, equip, maintain and improve, alter, lease, sell and work concert halls, ball rooms, music halls, swimming pools, cinema theatres, row houses, flats, shops, residential and commercial buildings, real estate including lands, lodging, restaurant houses,

chattels, cottages, service apartments, short stay, warehouses, garage, sheds and stores of all commodities, reconstructing, improving, decorating offices, flats, houses, hotels, restaurant, shops, factories, wharves, boarding and lodging residences whether furnished or not and with provision of any kitchenettes, fittings, utensils, bed linen, furniture and furnishings, refrigerator, geysers, television, radio, gramophone, telephone and other amusements of all kinds.

- iii. To carry on the business of agents for railway, shipping and airway companies and carriers, theatrical and opera box office, chemists, proprietors of clubs with facilities such as perfumers, libraries, hair dressing and beauty saloons, laundry, night clubs, exhibition halls, cinemas, department stores, boating, repair shops, petrol pumps, gymnasiums, car parks, hangers, skating halls, newspaper room, indoor and outdoor grounds, shopping plazas, golf courses, recreation, sports, gears equipments, activities and accessories of all kinds.

### *Shareholders*

The shareholding pattern of equity shares of Mahindra Hotels & Residences India Limited is as follows:

Sl.No	Shareholder	Number of shares	Percentage
1.	Mahindra Holidays & Resorts India Limited	49,994	100
2.	Ms Vimla Dorairaju	1	0
3.	Mr. Ravindera Khanna	1	0
4.	Mr. R. Radhakrishna	1	0
5.	Ms. Sumathi Mohan*	1	0
6.	Mr. Arun Kumar Nanda	1	0
7.	Mr. Ramesh Ramanathan	1	0
	<b>Total</b>	<b>50,000</b>	<b>100</b>

\* Jointly held with Mahindra Holidays & Resorts India Limited.

### *Directors*

The Board of Directors of Mahindra Hotels & Residences India Limited comprises of Mr. Ramesh Ramanathan, Ms. Vimla Dorairaju and Mr. R. Radhakrishna.

### *Financial Information*

Since this company was incorporated on April 26, 2007, its first financial year completed on March 31, 2008.

	(in Rs. Crores except share data)	
	Financial year ended March 31, 2009	Financial year ended March 31, 2008
Sales and other income	0	0
Profit/Loss after tax	-0.01	-0.01
Reserves and Surplus	-0.01	- 0.01
Equity capital	0.05	0.05
Earnings per share (Rs.)	-2.57	- 1.43
Book value per share (Rs.)	7.43	8.57

### *Heritage Bird (M) Sdn Bhd*

Heritage Bird (M) Sdn Bhd was incorporated on July 7, 2007 under the laws of Malaysia. It has its registered office at 312, 3<sup>rd</sup> Floor, Block C, Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor, Malaysia.

Heritage Bird (M) Sdn Bhd has become a subsidiary of our Company, pursuant to purchase of its share capital amounting to two shares aggregating two MYR on March 3, 2008 by our Company. The resolution passed by our Board dated July 25, 2007 authorized the transaction. Our Company has also subscribed to an additional 3,00,000 equity shares which was authorised by circular resolution dated May 26, 2008 passed

by the board of directors of Heritage Bird (M) Sdn Bhd..Our Company has provided a loan of MYR 5,00,000 to Heritage Bird (M) Sdn Bhd under an agreement dated April 22, 2008, pursuant to which our Company has agreed to lend a total sum of MYR 47,00,000 to Heritage Bird (M) Sdn Bhd. On mutual consent, our Company may, at any time prior to the maturity, convert the principal amount of the loan and interest to the date of conversion or any part thereof to common stock of Heritage Bird (M) Sdn Bhd for the authorised and unissued share of stock of Heritage Bird (M) Sdn Bhd.

We have entered into an agreement dated July 7, 2008 with Heritage Bird (M) Sdn Bhd whereby Heritage Bird (M) Sdn Bhd has sold 3,640 timeshare weeks to our Company for sale over a period of five years at the serviced apartments in Kuala Lumpur, Malaysia, at an agreed price.

#### *Main Objects of Heritage Bird (M) Sdn Bhd*

The main objects of Heritage Bird (M) Sdn Bhd are provided below:

- i. To carry on, all or any, in Malaysia or in any part of the world, the business of general merchants, traders, suppliers, importers, exporters, storers, storekeepers, brokers, distributors, manufacturers, manufacturers' representatives, commission, managing and general agents, franchisers, and or in any other capacity, and dealers in, and to buy, prepare, manufacture, render marketable, sell, barter, exchange, pledge, charge, make advances on and otherwise deal in or with or turn to account by wholesale or retail goods, general merchandise and other commodities of all kinds and description.
- ii. To carry on, in all or any of their respective branches, all or any of the business of general contractors, contractors, general construction contractors, engineering contractors, consultants, adviser, civil, electrical, and mechanical contractors, builders, masonry, plumbers, hauliers, surveyors and planners, developers and property developers.
- iii. To acquire and hold for investment, land, houses, dwelling places, and buildings, of any kind and description, shares, stock, debentures, debenture stocks, bonds, obligations and securities issued or guaranteed by any company, private undertaking, syndicate or persons constituted to be carrying on business in Malaysia or elsewhere.

#### *Shareholders*

The shareholding pattern of equity shares of Heritage Bird (M) Sdn Bhd is as follows:

Sl.No	Shareholder	Number of shares	Percentage
1	Mahindra Holidays & Resorts India Limited	3,00,002	100
	<b>Total</b>	<b>3,00,002</b>	<b>100</b>

#### *Directors*

The Board of Directors of Heritage Bird (M) Sdn Bhd comprises of Mr. Ramesh Ramanathan, Mr. Ravindera Khanna, Ms. Vimla Dorairaju, Mr. Koh Yeow York and Mr. Philip Koh Tong Ngee.

#### *Financial Information*

Since this company was incorporated on July 7, 2007, its first financial year completed on March 31, 2008:

	(In Ringets)	
	Financial year ended March 31, 2009	Financial year ended March 31, 2008
Sales and other income	585,000	0
Profit/Loss after tax	-77,813	0
Reserves and Surplus	-77,813	0
Equity capital (Ringets)	300,002	2
Earnings per share	-0.26	-
Book value per share	0.74	1.00

The amounts have been converted into Indian Rupees on the basis of the exchange rate as of March 31, of each of the mentioned fiscals:

	(In Rs. Crores except share data)	
	Financial year ended March 31, 2009	Financial year ended March 31, 2008
Sales and other income	0.84	-
Profit/Loss after tax	-0.11	-
Reserves and Surplus	-0.11	-
Equity capital	0.43	0.00
Earnings per share (Rs.)	-3.71	-
Book value per share (Rs.)	10.60	12.65

### **Certain Material Agreements**

#### ***Share Purchase Agreement between MHFL, our Company and State Bank of India***

On January 8, 2008, a share purchase agreement was entered into between MHFL, our Company and State Bank of India (“SBI”) for subscription of 16,49,130 Equity Shares (“**Sale Shares**”), held by MHFL for a consideration of Rs. 78.99 Crores at the rate of Rs. 479 per Sale Share. The Company was a confirming party to the aforesaid share purchase agreement.

#### ***Share Purchase Agreement between MHFL, our Company and Nylin Jacob Ballas India Fund III, LLC***

On January 16, 2008, a share purchase agreement was entered into between MHFL, our Company and Nylin Jacob Ballas India Fund III, LLC, for subscription of 8,24,565 Equity Shares (“**Sale Shares**”) for a consideration of Rs. 39.50 Crores at the rate of Rs. 479 per Sale Share. The Company was a confirming party to the aforesaid share purchase agreement.

## OUR MANAGEMENT

### Board of Directors

Under our Articles of Association we are required to have not less than 3 directors and not more than 12 directors, subject to Sections 252 and 259 of the Companies Act, 1956. We currently have eight directors on our Board.

The following table sets forth details regarding our Board of Directors as on the date of this Red Herring Prospectus other than Directorship in our Company:

Name, Father's/Husband's Name, Address, Designation, Occupation and Term	Nationality	DIN No.	Age	Other Directorships
<b>Mr. Arun Kumar Nanda</b>	Indian	00010029	60	<b>Indian Companies</b>
S/o Mr. Tilak Raj Nanda				a) Mahindra & Mahindra Ltd.
3, St. Helen's Court,				b) Mahindra Construction Company Limited
Dr. Gopalrao Deshmukh Marg,				c) Mahindra Consulting Engineers Ltd.
Mumbai – 400 026				d) Mahindra Lifespace Developers Ltd.
Chairman, Non-Executive Director				e) Mahindra Infrastructure Developers Limited
<i>Service</i>				f) Mahindra Water Utilities Limited
Liable to retire by rotation				g) Mahindra World City (Jaipur) Limited
				h) Mahindra World City (Maharashtra) Limited
				i) Mahindra World City Developers Limited
				j) Owens Corning (India) Limited
				k) Mahindra Knowledge City Limited
				l) Mahindra Holdings Limited
				m) Mumbai Mantra Media Limited
				<b>Foreign Companies</b>
				a) Mahindra Holidays and Resorts USA Inc.
				b) MHR Hotel Management GmbH
				c) Mahindra (China) Tractor Co. Ltd.
				<b>Trusts</b>
				a) Mahindra and Mahindra Employee Stock Option Trust
				b) M&M Superannuation Scheme
				c) Mahindra World School Educational Trust, Chennai
				d) Mahindra Consulting Engineers Employees Welfare Trust
				e) MHRIL ESOS Trust
				f) M&M Benefit Trust
				g) M&M Fractional Entitlements Trust
				<b>Others</b>
				a) Barco N.V. (Member, Advisory Board – Asia Pacific)
				b) Bombay First (Member, Governing Board)
				c) Council of EU Chambers of Commerce in India (Member, Governing Board)
				d) Indo-French Chamber of Commerce and Industry (Chairman Emeritus)
				e) Confederation of Indian Industry (Western Region)

Name, Father's/Husband's Name, Address, Designation, Occupation and Term	Nationality	DIN No.	Age	Other Directorships
<b>Mr. Uday Y. Phadke</b> S/o Mr. Yeshwant Nilkanth Phadke  Flat No. 13, "Neel Tarang", 208/210, Veer Savarkar Marg, Mahim, Mumbai – 400 016  Non-Executive Director  <i>Service</i>  Liable to retire by rotation	Indian	00030191	58	<b>Indian Companies</b>  a) Mahindra & Mahindra Financial Services Limited b) Mahindra Lifespace Developers Ltd. c) Mahindra Gujarat Tractor Limited d) Mahindra Rural Housing Finance Limited e) Mahindra Renault Private Limited f) Mahindra World City (Jaipur) Limited g) Mahindra World City (Maharashtra) Limited h) Mahindra World City Developers Limited i) Mahindra Holdings Limited j) Indian Association of Corporate CFOs and Treasurers (InACT) k) Mahindra Insurance Brokers Ltd.  <b>Foreign Companies</b>  a) Bristlecone Limited  <b>Others</b>  Nil
<b>Mr. Cyrus J. Guzder</b> S/o Mr. Jamshed Nusserwanji Guzder  D-11, Sea Face Park, 50 Bhulabhai Desai Road, Mumbai – 400 026  Independent Director  <i>Business</i>  Liable to retire by rotation	Indian	00080358	63	<b>Indian Companies</b>  a) AFL DACHSER Private Limited b) AFL Private Limited c) BP India Limited d) Erangal Investments Pvt. Ltd. e) Indglobal Network Support Pvt. Ltd. f) Mazda Jaygee Electronics (Gandevi) Pvt. Ltd. g) N.S. Guzder & Company Ltd. h) Seejay Investments Pvt. Ltd. i) The Great Eastern Shipping Company Limited j) Unifreight India Pvt. Ltd. k) Zeenia Realtors Limited l) BDS Coatings Pvt. Ltd. m) Nukote Coating Systems India Pvt. Ltd. n) Quikjet Cargo Airlines Pvt. Ltd. o) CWT India Private Limited  <b>Foreign Companies</b>  Nil  <b>Others</b>  a) The Banking Codes and Standards Board of India (Member, Governing Council) b) Governor, Board, Indian Institute of Information Technology and Management c) Director, Indian Institute of Human Settlements

Name, Father's/Husband's Name, Address, Designation, Occupation and Term	Nationality	DIN No.	Age	Other Directorships
<b>Mr. Vineet Nayyar</b> S/o Late Mr. S.L. Nayyar  5 A, Friends Colony (West), Mathura Road, New Delhi 110065  Non-Executive Director  <i>Service</i>  Liable to retire by rotation	Indian	00018243	71	<b>Indian Companies</b> <ul style="list-style-type: none"> <li>a) CanvasM Technologies Ltd.</li> <li>b) Great Eastern Shipping Company Ltd.</li> <li>c) Kotak Mahindra Old Mutual Life Insurance Ltd.</li> <li>d) Tech Mahindra Ltd.</li> <li>e) Vidya Investments Pvt. Ltd.</li> <li>f) Vidya Education Investment Pvt. Ltd.</li> <li>g) Maurya Education Company Pvt. Ltd.</li> <li>h) Venturbay Consultants Private Limited</li> <li>i) Mahindra Logisoft Business Solutions Limited</li> <li>j) Satyam Computer Services Limited</li> </ul> <b>Foreign Companies</b> <ul style="list-style-type: none"> <li>a) Tech Mahindra (Americas) Inc.</li> <li>b) Tech Mahindra GmbH</li> <li>c) Tech Mahindra (Beijing) IT Services Limited</li> <li>d) Tech Mahindra (Thailand) Ltd</li> </ul> <b>Others</b> <ul style="list-style-type: none"> <li>a) The Mahindra United World College of India (Governor and Director)</li> <li>b) Tech Mahindra Foundation Limited</li> <li>c) Vidya Education Foundation</li> <li>d) HPS Social Welfare Foundation</li> <li>e) Cathedral Vidya Trust</li> <li>f) Mahindra Education Foundation</li> </ul>
<b>Mr. Rohit Khattar</b> S/o Late Mr. Ramesh Khattar  60/2, New Friends Colony (East), New Delhi 110060  Independent Director  <i>Service</i>  Liable to retire by rotation	Indian	00244040	46	<b>Indian Companies</b> <ul style="list-style-type: none"> <li>a) Old World Exports Pvt. Ltd.</li> <li>b) Old World Hospitality Pvt. Ltd.</li> <li>c) ILC Hospitality Ltd.</li> <li>d) I.E. Marketing Pvt. Ltd.</li> <li>e) M.A.R.K. Hotels Pvt. Ltd.</li> <li>f) Whitex Exports Pvt. Ltd.</li> <li>g) Mumbai Mantra Media Limited</li> </ul> <b>Foreign Companies</b> <ul style="list-style-type: none"> <li>a) Old World Hospitality International Ltd (U.K.)</li> <li>b) India's Restaurants Limited</li> <li>c) Tamarai Limited</li> <li>d) K.S.J. Limited</li> <li>e) The Restaurant Entertainment Arts Team Ltd (U.K.)</li> </ul> <b>Partnerships</b> <ul style="list-style-type: none"> <li>a) Broadway and company</li> <li>b) Ideas</li> </ul> <b>Trusts</b> <ul style="list-style-type: none"> <li>a) Old World Culture (Trustee)</li> <li>b) Tirath Ram Satya Devi Charitable Trust</li> </ul> <b>Others</b> <p>Nil</p>
<b>Mrs. Rama Bijapurkar</b>	Indian	00001835	52	<b>Indian Companies</b>

Name, Father's/Husband's Name, Address, Designation, Occupation and Term	Nationality	DIN No.	Age	Other Directorships
D/o B. S. Nagendra Rao  8, C-D, Mona Apartments, 46F, Bhulabhai Desai Road, Mumbai 400 026  Independent Director  <i>Consultant</i>  Liable to retire by rotation				a) Axis Bank Ltd. b) CRISIL Risk & Infrastructure Solutions Limited c) CRISIL Limited d) Give Foundation e) Godrej Consumer Products Ltd. f) Infosys Technologies Ltd. g) Ambit Holdings Pvt. Ltd. h) ICICI Prudential Life Insurance Company Ltd. i) Mahindra & Mahindra Financial Services Ltd. j) Bharat Petroleum Corporation Ltd. k) Janalakshmi Financial Services Private Ltd.  <b>Foreign Companies</b> Nil  <b>Others</b> Nil
<b>Mr. Sridar Iyengar</b> S/o Mr. Krishnaswamy Iyengar  85, Fair Oaks Lane, Atherton, CA 94027, U.S.A.  Independent Director  <i>Service</i>  Liable to retire by rotation	Indian	00278512	61	<b>Indian Companies</b> a) Infosys Technologies Ltd. b) Infosys BPO Ltd. c) ICICI Bank Ltd. d) Rediff.com India Ltd. e) Career Launcher India Limited f) Onmobile Global Limited  <b>Foreign Companies</b> a) Kovair Software Inc. b) Rediff Holdings, Inc. c) Aver Q Inc.  <b>Others</b> a) Foundation for Democratic Reforms in India Inc. b) American Indian Foundation  <b>Partnerships</b> a) Aicon India Art Fund 1 b) Aicon India Art Fund 2 c) Mirador Capital Partners Fund d) Silicon Valley Bank India Fund
<b>Mr. Ramesh Ramanathan</b> S/o Late Mr. D. Ramanathan  Door No. 9C, 14 <sup>th</sup> Cross Street, Shastri Nagar, Adyar, Chennai 600 020  Managing Director  <i>Service</i>  Not liable to retire by rotation	Indian	00174550	54	<b>Indian Companies</b> a) Mahindra Hotels and Residences India Limited b) RGR Finance & Investments Private Limited c) Mahindra Integrated Township Limited d) Mahindra Retail Private Limited e) Mahindra Residential Developers Limited  <b>Foreign Companies</b> a) Mahindra Europe - Srl b) Mahindra Holidays and Resorts USA Inc. c) MHR Hotel Management GmbH d) Heritage Bird (M) Sdn Bhd  <b>Trusts</b>

Name, Father's/Husband's Name, Address, Designation, Occupation and Term	Nationality	DIN No.	Age	Other Directorships
				a) MHRIL ESOS Trust
				Others
				Nil

### Brief Biographies of our Directors

**Mr. Arun Kumar Nanda**, is the non-executive chairman of our Board. He holds a degree in law from the University of Calcutta and is a fellow member of Institute of Chartered Accountants of India (FCA) and a fellow member of the Institute of Company Secretaries of India (FCS). He has also participated in a Senior Executive Programme at the London Business School. He is the Executive Director and President, Infrastructure Development Sector, Mahindra & Mahindra Limited. He has over 35 years of experience in finance and more than 10 years of experience in industries such as infrastructure, leisure and holiday resorts. He is also on the Board of various Mahindra Group companies. In addition, he is also the Chairman Emeritus of the Indo-French Chamber of Commerce, a member of the Governing Board of the Council of EU Chambers of Commerce in India and a member of the Governing Board of Bombay First. He has recently been conferred the award of the 'Chevalier de la Legion d'Honneur' by the French government. He was also the Chairman of "CII National Committee on Water" for 2006-07. He has been associated with our Company since inception.

**Mr. Uday Y. Phadke** is a non executive director of our Board. He is also a member of the Institute of Chartered Accountants of India and Institute of Company Secretaries of India and has a bachelor's degree in Commerce and Law from the Mumbai University. Mr. Phadke joined Mahindra and Mahindra Limited (M&M) in the year 1973. He is the member of the Mahindra Group Management Board since April 1999. He heads the Finance, Accounts, Investor Relations and Legal Affairs of M&M and is currently designated as President – Finance, Legal and Financial Services Sector and member of the Group Management Board. He is also a member and the convener of the Corporate Governance Cell in M&M. he is on the Board of Directors of various companies of the Mahindra Group. Mr. Phadke has been the chairman of the Direct Taxes Committee of the Bombay Chambers of Commerce and Industry. Currently, he is a member on the 'National Committee on Accounting Standards' of CII. He is a special invitee to National Advisory Committee on Accounting Standards. He is also a member of the Working Group on "Employee Benefits" constituted by the International Accounting Standards Board.

**Mr. Cyrus Guzder** is an independent director on our Board. He graduated with a M.A. (Hons) degree in Economics and Oriental Studies Tripos from Trinity College, Cambridge University in 1967. He has over 30 years of experience in the travel, logistics, freight and banking industry. He is the Chairman and Managing Director – AFL Private Limited and Chairman of Indtravel Pvt. Ltd., AFL Dachser Pvt Ltd and Quikjet Cargo Airlines Pvt. Ltd. He has been associated with our Company since 2004 and is a member of our remuneration committee.

**Mr. Vineet Nayyar** is a non-executive director on our Board. He graduated with a Master's degree in Development Economics from Williams College, Massachusetts and started his career with the Indian Administrative Service. While in the Government, he held numerous positions, including that of a District Magistrate, Secretary Agriculture & Rural development for the Government of Haryana and Director, Department of Economic Affairs, Government of India. Mr. Nayyar worked with the World Bank for over 10 years in various positions including energy, infrastructure and finance divisions for East Asia and Pacific. He was also the founding Chairman and Managing Director of the Gas Authority of India Limited, the Managing Director of HCL Corporation, the Vice Chairman of HCL Technologies and the founder and CEO of HCL Perot Systems. He is the Managing Director and Chief Executive Officer of Tech Mahindra Limited. He was appointed as an additional director on our Board in its meeting on January 23, 2007.

**Mr. Rohit Khattar** is an independent director on our Board. He graduated in 1985 from the School of Hotel, Restaurant and Institutional Management, Michigan State University, East Lansing, Michigan, U.S.A. On graduating, he ran two restaurants in Washington D.C. for W.R. Grace Inc. Upon his return to

India, he founded the Old World Hospitality Pvt. Ltd. (O.W.H.). O.W.H. currently operates two hotels (Broadway and the Manor), two Cultural and Convention Centres (Habitat World, I.H.C., New Delhi and Epicentre, Gurgaon), three restaurants in London, 17 in the N.C.R. (with over 10 more under development). He has over 20 years of experience in the hotel industry. He has been associated with our Company since 2004.

**Ms. Rama Bijapurkar** is an independent director on our Board. She holds a B.Sc (Hons) degree in Physics from Miranda House, Delhi University and a Post Graduate Diploma in Management from Indian Institute of Management, Ahmedabad. She is an independent market strategy consultant and also a visiting faculty and member, Board of Governors of the Indian Institute of Management, Ahmedabad. She has over 30 years of experience in industries such as advertising, marketing and consultancy industries. She has previous work experience with McKinsey & Company, MARG (now AC Nielsen India), and been a full time consultant with Hindustan Lever Ltd. (now Hindustan Unilever Ltd.). She writes extensively on emerging market and consumer related issues and is the author of the bestseller book titled “We are like that only – Understanding the Logic of Consumer India”. She was appointed as a director on our Board in the annual general meeting of our Company held on June 19, 2008.

**Mr. Sridar Iyengar** is an independent director on our Board. He holds a Bachelor’s Degree in Commerce (Honours) from the University of Calcutta and is a Fellow Member of the Institute of Chartered Accountants in England and Wales. He is the President of The Indus Entrepreneurs, Mumbai Chapter and a board member of America India Foundation, ICICI Bank, Infosys Technologies Limited and Rediff.com. Previously, he was the Partner in charge of KPMG’s Emerging Business Practice. He has held a number of leadership roles within KPMG’s global organisation particularly in setting up and growing new practices. He has the distinction of having worked as a partner in all three of KPMG’s regions – Europe, America and Asia Pacific – as well as four of KPMG’s disciplines – assurance, tax consulting and financial advisory services. He has served as chairman and chief executive officer of KPMG’s operations in India between 1997 and 2000 and during that period was a member of the Executive Board of KPMG’s Asia Pacific practice. Prior to that, he headed the International Services practice in the West Coast. On his return from India in 2000, he was asked to lead KPMG’s effort on delivering audit and advisory services to early stage companies. He served as a member of the Audit Strategy group of KPMG LLP. He was with KPMG from 1968 until his retirement in March 2002. He was appointed as a director on our Board by the shareholders of our Company on June 19, 2008.

**Mr. Ramesh Ramanathan** is our Managing Director. A graduate in Economics and a rank holder from Madras University, he also has a management degree from Indian Institute of Management, Kolkata. He has over 30 years of experience in a range of industries such as paint, consumer durable, hospitality, internet, tyres and organized retail. He is one of the founder members of the All India Resort Developers Association (AIRDA), a self governing body, and is currently the Vice Chairman. He is also a member on the National Committee of Tourism, CII and the Bombay Chamber of Commerce and Industry. He is responsible for the overall administration of our Company, subject to the superintendence and guidance from the Board. He was appointed by our Board as Managing Director by resolution dated April 30, 2007 for a period of five years from June 9, 2007 and approved by our shareholders on July 25, 2007.

### **Borrowing powers of the Board**

Our Articles, subject to the provisions of the Act authorise our Board, to raise or borrow or secure the payment of any sum or sums of money for the purposes of the Company. Our Members, have pursuant to a resolution passed at the extraordinary general meeting dated September 25, 2007 authorised our Board to borrow monies together with monies already borrowed by us upto a continuous limit of Rs. 500 crores, even though it may exceed the aggregate of the paid up capital of the Company and its free reserves.

### **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 us immediately upon the listing of our Equity Shares with the Stock Exchanges. We have complied with the requirements of Corporate Governance contained in the

Listing Agreement, particularly those relating to composition of Board of Directors, constitution of committees such as Audit Committee, Shareholder / Investor Grievance Committee, etc. Our Board has also adopted a Corporate Governance Code for our directors and senior management in its Board meeting dated April 30, 2007. Our Company undertakes to take all necessary steps to comply with all the requirements of Clause 49 of the Listing Agreement to be entered into with the Stock Exchanges.

Currently our board has eight Directors, of which the Chairman of the Board is a non-executive Director, and in compliance with the requirements of Clause 49 of the Listing Agreement, we have one executive Director, three non-executive Directors and four independent Directors on our Board.

#### ***Audit Committee***

The Audit Committee was constituted by our Directors at their Board meeting held on February 10, 2001 and reconstituted by the meeting of our Board on October 1, 2007. The audit committee consists of Mr. Cyrus Guzder (Chairman), Mr. U.Y. Phadke and Ms. Rama Bijapurkar.

The terms of reference of the Audit Committee are as follows:

- (i) Authority to investigate into any matter or activity within the terms of reference and in relation to items specified under Section 292(a) or referred by the Board from time to time;
- (ii) Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- (iii) Recommending to the Board, the appointment, re-appointment and if required, the replacement or removal of the statutory auditor and the fixation of the audit fees;
- (iv) Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- (v) 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.
- (vi) Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
- (vii) Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
- (viii) 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.
- (ix) Discussion with internal auditors any significant findings and follow up there on.
- (x) 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.
- (xi) 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.
- (xii) 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.
- (xiii) Carrying out any other function as is mentioned in the terms of reference of the Audit Committee in the listing agreement to be entered into between the Company and Stock Exchanges in future.

- (xiv) 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 making appropriate recommendations to the Board to take up steps in this matter.

The Audit Committee shall have powers, which should include the following:

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 Audit Committee shall mandatorily review the following information:

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

#### ***Remuneration Committee***

The Remuneration Committee was constituted by our Directors at their Board meeting held on February 7, 2003 and thereafter, reconstituted on April 22, 2006 and October 1, 2007. The Remuneration Committee comprises of Mr. Rama Bijapurkar (Chairperson), Mr. Arun Kumar Nanda, Mr. Cyrus Guzder, Mr. Rohit Khattar, Mr. Vineet Nayyar. This Remuneration Committee is responsible for dealing with:

- (i) To recommend to the Board about the Company's policy on remuneration package for Executive Directors;
- (ii) To advise Board in framing remuneration policy for key managerial persons of the Company from time to time;
- (iii) administration of the ESOS Scheme;
- (iv) To attend to any other responsibility as may be entrusted by the Board within the terms of reference.

#### ***Share Allotment/ Transfer cum Investor Grievances Committee***

The Share Allotment Committee was constituted by our Directors at the Board meeting held on April 22, 2006 and comprises of Mr. Arun Kumar Nanda, Mr. U.Y. Phadke and Mr. Ramesh Ramanathan. In its Board meeting held on October 1, 2007, the Board of Directors renamed the committee to 'Share Allotment/Transfer cum Investor Grievance Committee'.

The terms of reference of the Share Allotment/Transfer cum Investor Grievance Committee are as follows:

- To approve and register, transfer and/or transmission of all classes of shares;
- To sub-divide, consolidate and issue duplicate share certificates on behalf of the Company;
- To affix and authorize fixation of the common seal of the Company to the share certificates of the Company;
- To look into the redressal of shareholder and investor complaints; review of cases for refusal of transfer/transmission of shares/debentures
- Allotment and listing of the Company's shares in future and reference to statutory and regulatory authorities; and

- To do all such acts, things or deeds as may be necessary or incidental to the exercise of the above powers.

#### Shareholding of our Directors in the Company

S.No.	Name of the Shareholder	No. of Equity Shares	Pre-Issue Percentage Shareholding	Post-Issue Percentage Shareholding
1.	Mr. Arun Kumar Nanda	2,78,446	0.36	0.33
2.	Mr. Ramesh Ramanathan	1,89,838	0.24	0.23
3.	Mr. U.Y. Phadke	19,469	0.02	0.02
4.	Mr. Cyrus Guzder	17,355	0.02	0.02
5.	Mr. Rohit Khattar	17,355	0.02	0.02
<b>Total</b>		<b>5,22,463</b>	<b>0.66</b>	<b>0.60</b>

#### Interests of Directors

Our Directors may be deemed to be interested to the extent of their remuneration and/or reimbursement of expenses payable to them, if any under our Articles of Association. Our independent directors may be deemed to be interested to the extent of fees payable to them for attending meetings of the Board or a committee thereof, which is currently Rs. 5,000. In the annual general meeting on June 19, 2008, our shareholders approved the payment of a commission of upto 1% of the net profits of our Company commencing from April 1, 2008 to such non-executive directors of our Company, as decided by the Board from time to time, subject to a limit of one quarter percent of net profits of the financial year for each such director.

Our Directors may also be regarded as interested in the Equity Shares and options, if any, held by them or their relatives or that may be subscribed by or allotted to the companies, firms, trusts, in which they are interested as directors, members, partners, trustees and promoters, pursuant to this Issue. All of our 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. Mr. Ramesh Ramanathan is entitled to receive remuneration from us.

Except as stated in the section titled “Related Party Transactions” on page 172, and to the extent of shareholding in our Company, our Directors do not have any other interest in our business.

Our Directors and Promoter have no interest in any property acquired by our Company within two years of the date of this Red Herring Prospectus.

#### Remuneration of our Directors

##### *Mr. Ramesh Ramanathan*

Mr. Ramanathan was re-appointed as Managing Director of our Company for a period of 5 years with effect from June 9, 2007 pursuant to a resolution of our shareholders dated July 25, 2007. His remuneration was revised in the Remuneration Committee meeting dated October 1, 2007 which was approved by the Board of Directors in its meeting dated October 1, 2007 and our shareholders in the meeting dated October 8, 2007. His remuneration was again revised pursuant to Board meeting dated October 23, 2008 and an extra-ordinary general meeting of our shareholders on December 8, 2008. The terms of employment and remuneration include the following:

Particulars	Remuneration
Basic Salary	Rs. 2,50,000 per month
Other Allowances	Personal Pay of Rs. 25,31,889 per annum Performance Pay as may be determined by the Remuneration Committee but not to exceed Rs. 45,00,000 per annum.
Accommodation	House Rent Allowance not exceeding 60% of the basic salary
Perquisites	1. Medical Reimbursement: Expenses incurred for self and family as per Company's rules.

Particulars	Remuneration
2.	Personal Accident Insurance as per the Company's rules.
3.	Contribution to provident fund, superannuation fund and gratuity in accordance with the approved scheme of the company in force from time to time.
4.	Encashment of leave not availed off by the end of tenure, as per Company's rules.
5.	Provision of telephone at residence of the Managing Director as per Company's rules.
6.	Provision of two cars (including cost of fuel, insurance and maintenance) with driver for one car, the value of which will be evaluated as per the Income Tax Rules, 1962.
7.	Leave travel allowance not exceeding Rs. 2,50,000 per annum.
8.	Such other allowances, benefits, amenities and facilities as per the Company's rules.

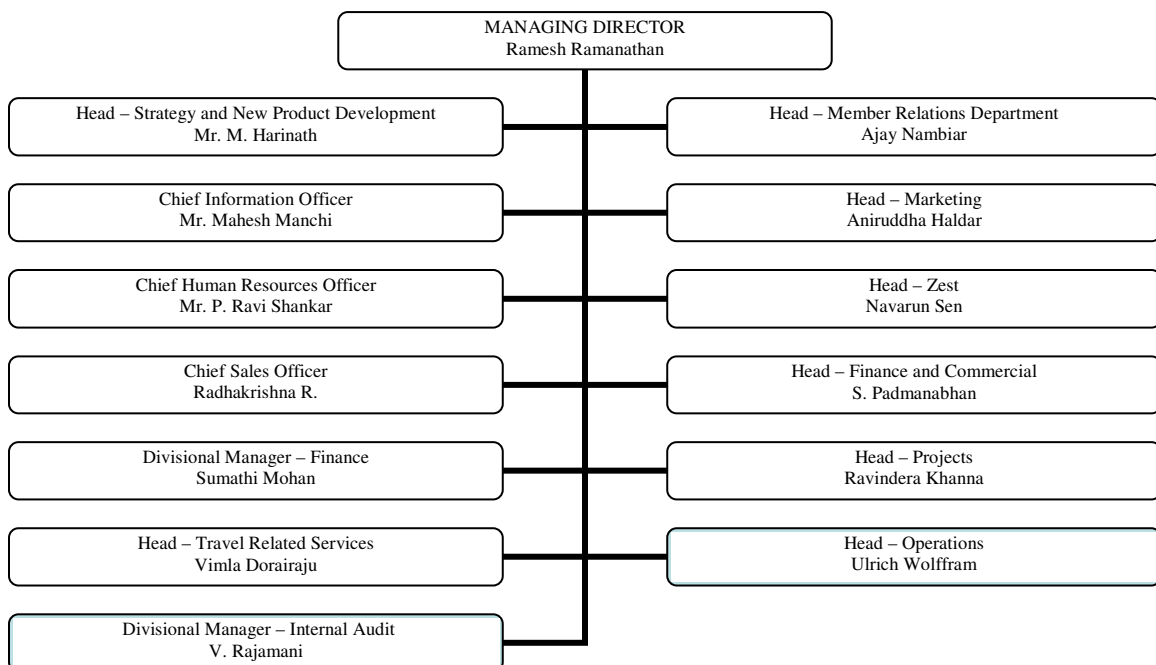
The above said remuneration and perquisites shall be subject to the ceiling laid down in Section 198, 309, Schedule XIII of the Companies Act, 1956 and all other applicable provisions of the said Act as maybe amended from time to time.

During the above tenure of our Managing Director, if the Company does not make any profits or the profits are inadequate, the salary and perquisites as specified above may be payable to our Managing Director, as minimum remuneration for a period not exceeding three years by way of salary, perquisites and other allowances and benefits as specified aboce subject to receipt of the requisite approvals, if any.

### Changes in our Board of Directors during the last three years

Name	Date Of Appointment	Date of Cessation	Reason
Mr. Vineet Nayyar	January 23, 2007	-	Appointed as an additional director
Mr. Keki Mistry	-	March 26, 2007	Resignation
Ms. Rama Bijapurkar	July 25, 2007	-	Appointed as an additional director
Mr. Sridar Iyengar	April 30, 2008	-	Appointed as an additional director

### Managerial Organizational Structure



## Key Managerial Personnel

The details regarding our key managerial personnel are as follows:

**Mr. Ajay Nambiar**, 41 years, Head – Member Relations, is a Customer Service Manager by profession. He is a graduate from the Welcomgroup School of Hotel Administration with additional qualifications of a Post Graduate Diploma in Hotel Management and an MBA from CSM – IGS, Canada in 1997. He joined our Company on August 10, 2007. Prior to joining our Company he was Head of Content, Yahoo Web Services India Pvt Ltd. He has an overall experience of 18 years in Hospitality and Service, and his current responsibilities in our Company include heading member relations, managing member experiences, handling queries and reservations, holiday planning. The remuneration (cost to company) paid to him for the fiscal year 2009 was approximately Rs. 0.41 crore.

**Mr. Aniruddha Haldar**, 33 years, Head – Marketing is a marketing professional. He majored in marketing and strategy at Indian Institute of Management, Kolkata where he also won the B. C. Dua memorial award. He is an Economics (hons) graduate from Delhi University. He joined our Company on September 14, 2001. He has experience across FMCG and apparels. His past assignments have been with Gillette India Ltd. and Arvind Mills Limited. Prior to his current role, he has held various positions within the organisation, across marketing and sales. He has conceptualised and implemented many effective award winning campaigns. He has been instrumental in launching the Holidayworld channels and Club Mahindra Fundays. As Head of Marketing, he is responsible for all aspects of marketing. The remuneration (cost to company) paid to him for the fiscal year 2009 was approximately Rs. 0.36 crore.

**Mr. M. Harinath**, 42 years, Head – Strategy & New Product Development, is a Graduate in Electronics and Telecommunication Engineering from Regional Engineering College, Bhopal (Maulana Azad College of Technology, Barkatullah University) and an MBA from the Indian Institute of Management (IIM), Bangalore in 1992. He joined our Company in November 18, 1999 and has held various positions in sales and marketing in our Company. Prior to joining our Company, he was associated with Wipro Limited, Mumbai in the Consumer Products Division, as a Product Manager for their ‘hair-care’ products. His current responsibilities in our Company include the development of our Company’s long term strategy, as well as to identify and develop new product & services opportunities for our Company in line with the envisioned strategy. The remuneration (cost to company) paid to him for the fiscal year 2009 was approximately Rs. 0.30 crore.

**Mr. Mahesh Manchi**, 39 years, Chief Information Officer, is an Information Technology Manager by profession. He holds a Master degree in Computer Applications from Indira Gandhi National Open University. He joined our Company on November 27, 2008. Prior joining to our Company, he was the Chief Systems officer of Zenta Knowledge Services. He has overall 18 years of diversified experience in delivering diverse technology solutions for various clients in a global and multicultural environment. He has experience in application development, application maintenance, and infrastructure and program management working with diversified technologies and geographically dispersed teams. His current responsibilities in our Company include Information Technology Management, encompassing Information Technology Infrastructure, Application Development and Maintenance, Information Security, Program and Vendor Management. The remuneration (cost to company) paid to him for the fiscal year 2009 was approximately Rs. 0.31 crore.

**Mr. Navarun Sen**, 42 years, Business Head – Zest, is a management professional. He is an engineering graduate from KREC, Surathkal, with an additional qualification of a PGDM degree from IIM – Lucknow, completed in 1990. He joined our Company on January 17, 2006. Prior to joining our Company, he was Assistant Vice President and Retail Practice Head, Satyam Computers Ltd. He has an overall experience of 16 years in front line sales, sales and distribution management, channel and franchisee operations, brand management. His current responsibilities in our Company include Business Development – Zest. The remuneration (cost to company) paid to him for the fiscal year 2009 was approximately Rs. 0.40 crore.

**Mr. P. Ravi Shankar**, 51 years, Chief Human Resources Officer, is an experienced human resource manager. He is an Economics graduate from Madras Christian College with an additional qualification of P.G.D.P.M, from XLRI, Jamshedpur. Prior to joining our Company, he worked at Crompton Greaves, Brooke Bond and Pepsi. He joined the CSS Group as Global Human Resource Head and became Chief Operating Officer of Synaptris Decisions Inc. He served as Chief Operating Officer at Bharti Comtel Ltd., and, as President - Human Resources at Jubilant Organosys Ltd. He has an over 28 years of experience in human resources and business. He joined our Company on May 8, 2008. The remuneration (cost to company) paid to him for the fiscal year 2009 was approximately Rs. 0.47 crore.

**Mr. Radhakrishna R.**, 56 years, Chief Sales Officer, is an experienced sales professional. He is an Economics graduate from Osmania University. He joined our Company on February 5, 2001. He has an overall experience of 32 years in business development in FMCG, Lifestyle Products and Concept Selling. Prior to joining our Company, he was General Manager – Sales & Marketing, Arvind Mills, He has been responsible for opening the Club Mahindra Franchisee sales channels. As the Chief Sales Officer his responsibilities apart from managing a multi channel sales organisation also includes business development in national and international markets. The remuneration (cost to company) paid to him for the fiscal year 2009 was approximately Rs. 0.60 crore.

**Mr. Ravindera Khanna**, 47 years, is the Head – Projects, is a Project Manager by profession. He graduated with a degree in commerce from Delhi University in the year 1983. He joined our Company on December 1, 1997. Prior to joining our Company, he was Corporate Manager – Projects & Development, Guestline Hospitality Management and Development Services Ltd. He has an overall experience of 21 years in the Hospitality Industry. His current responsibilities in our Company include creation of inventory. The remuneration (cost to company) paid to him for the fiscal year 2009 was approximately Rs. 0.38 crore.

**Ms. Sumathi Mohan**, 38 years, Divisional Manager – Finance. She graduated from Madras Christian College with a B.com degree and is a Chartered Accountant by profession. She has over 13 years of work experience and has worked in companies such as Philips India Ltd, Cadbury India Ltd and Bharti Cellular Ltd.. She joined the Company on April 20, 2005 and has handled various functions like Treasury, Taxation, Projects Accounting, Mergers and Acquisitions and new businesses. She is responsible for the finance department. The remuneration (cost to company) paid to him for the fiscal year 2009 was approximately Rs. 0.27 crore.

**Mr. S. Padmanabhan**, 41 years, Head, Finance & Commercial, is a Chartered Accountant and also a member of Institute of Company Secretaries of India. He joined our Company on September 19, 2008. Prior joining to our Company, he was associated with ISG Novasoft Technologies Limited as Vice President – Finance. He has also worked with the MAC Group, Citizen Watches and Reliance Web World. He has an over all experience of 18 years. At our Company, he is responsible for Club Mahindra and Zest accounts and focusses on budgeting & MIS, Branch and Resorts accounting, Projects accounting, Payables accounting in addition to consolidation and presentation of accounts. The remuneration (cost to company) paid to him on a pro-rate basis from his date of joining for the fiscal year 2009 was approximately Rs. 0.43 crore.

**Mr. Ulrich Wolfram**, 61 years, Head of Operations, is a seasoned hotelier. He is a graduate from Hotel Management School in Bad Hofgastein and is a Certified Hotel Administrator (American Hotel & Motel Association). He joined our Company on January 10, 2006. Prior to joining our Company, he has worked with the Hilton International Group for nineteen years in senior management positions in Germany, Australia, Sudan and Canada. He then worked with various other leading companies in Cyprus, Germany and China. In his capacity as Head – Operations, Mr Wolfram is in charge of the management of resorts as well as the opening of new resorts, both in India and abroad. The remuneration (cost to company) paid to him for the fiscal year 2009 was approximately Rs. 0.93 crore.

**Mr. V. Rajamani**, 44 years, Divisional Manager – Internal Audit, is a Chartered Accountant by profession. He holds a Bachelor Degree of Science in Mathematics from University of Madras. He joined our Company in June 18, 2008. Prior joining to our Company, he was with Bharti Airtel Limited as Senior Manager Finance. He has in depth exposure to enhancing internal control and creating compliance environments, assessment and review of business risks and follow up on mitigation plans, promoting better corporate governance and process improvements. The remuneration (cost to company) paid to him for the fiscal year 2009 was approximately Rs. 0.18 crore.

**Ms. Vimla Dorairaju**, 49 years, Head – Travel Services, is a management professional. She is an Economics (Hons.) graduate from Lady Shriram College, New Delhi with an additional qualification of P.G.D.B.A from Loyola Institute of Business Administration. Vimla has been with our Company since its inception in 1996. Prior to taking on her current assignment in Travel Services, Vimla headed up the Member Relations Department of our Company. She has an overall experience of 26 years in sales, marketing and customer service. Her current responsibilities in our Company include heading travel services. The remuneration (cost to company) paid to him for the fiscal year 2009 was approximately Rs. 0.41 crore.

All our key managerial personnel are permanent employees of our Company and none of our Directors and our key managerial personnel are related to each other.

#### Shareholding of the Key Managerial Personnel

S.No.	Name of the Shareholder	No. of Equity Shares	Pre-Issue Percentage Shareholding	Post-Issue Percentage Shareholding
1.	Ms. Vimla Dorairaju	26,394	0.03	0.03
2.	Mr. R. Radhakrishna	26,032	0.03	0.03
3.	Mr. Ravindera Khanna	25,594	0.03	0.03
4.	Mr. M. Harinath	18,600	0.02	0.02
5.	Mr. Anirudha Haldar	15,619	0.02	0.02
6.	Mr. Navarun Sen	13,183	0.02	0.02
7.	Mr. Ulrich Wolfram	10,946	0.01	0.01
8.	Ms. Sumathi Mohan	8,836	0.01	0.01
<b>Total</b>		<b>145,204</b>	<b>0.17</b>	<b>0.17</b>

#### Bonus or profit sharing plan of the Key Managerial Personnel

There is no bonus or profit sharing plan for our key managerial personnel.

#### Interest of Key Managerial Personnel

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 and to the extent of Equity Shares held by them in our Company.

Except as disclosed in this Red Herring Prospectus, none of our key managerial personnel have been paid any consideration of any nature from our Company, other than their remuneration.

#### Changes in the Key Managerial Personnel

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

Name of key managerial personnel	Date Of Joining	Date of Leaving	Reason
Mr. Amar Korde	August 26, 2001	October 27, 2007	Transfer to our group company
Mr. Zameer Syed G	April 17, 2004	February 28, 2007	Resignation
Mr. Santosh Nair	March 1, 2005	March 15, 2007	Resignation

Name of key managerial personnel	Date Of Joining	Date of Leaving	Reason
Ms. Usha Pillai	November 14, 2005	August 16, 2007	Resignation
Mr. Ulrich Wolfram	January 10, 2006	-	-
Mr. Navarun Sen	January 17, 2006	-	-
Mr. M.V. Chandrashekhar	April 4, 2006	February 8, 2008	Resignation
Mr. Amol Vidwans	November 27, 2006	February 28, 2009	Resignation
Mr. A. Sridhar	April 21, 2007	June 30, 2008	Resignation
Mr. Ajay Nambiar	August 10, 2007	-	-
Mr. P. Ravi Shankar	May 8, 2008	-	-
Mr. Sugato Majumdar	December 11, 2000	January 31, 2009	Resignation
Mr. Mahesh Manchi	November 27, 2008	-	-
Mr. V. Rajamani	June 18, 2008	-	-
Mr. S. Padmanabhan	November 15, 2008	-	-

Other than the above changes, there have been no changes to the key managerial personnel of our Company that are not in the normal course of employment.

### Employee Stock Option Scheme

For details of our ESOS Scheme, see “Capital Structure” on page 49.

### Payment or benefit to directors/ officers of our Company

No amount or benefit has been paid or given within the two preceding years or is intended to be paid or given to any of our officers except the normal remuneration for services rendered as Directors, officers or employees except the following:

- (i) The following employees were given loans in the last 2 years under our Housing Loan Scheme for Senior Managerial Employees:
  - (a) A sum of Rs. 0.32 crore was given to our Managing Director, Mr. Ramesh Ramanathan as a housing loan at an interest rate of 3% for the first 0.2 crore and 4% for the balance. The loan is payable in equated instalments over a period of 150 months from January 31, 2007.
  - (b) A sum of Rs. 0.2 crore was given to our Chief Sales Officer, Mr. Radhakrishna R. as a housing loan at an interest rate of 3%. The loan is payable in equated instalments over a period of 43 months from April 30, 2007.
- (ii) Certain of our employees have bought Club Mahindra Holidays vacation ownership in the last two years under our Club Mahindra Timeshare Purchase Scheme for our employees.

## OUR PROMOTER

### **The Mahindra Group**

We are part of the diversified Mahindra Group which is one of the leading and one of the largest business groups in India.

The Mahindra Group is among the top 10 industrial houses in India. Forbes has ranked the Mahindra Group in its Top 200 list of the World's most reputable companies and in the Top 10 list of most reputable Indian companies.

The Mahindra Group is largely based in India and has various group companies in foreign countries, thus expanding its reach globally. The Mahindra Group's activities have spread over various areas such as automotive, including two-wheelers, farm equipments, engineering, forging, steel, infrastructure development, leisure hospitality, information technology, auto components, consultancy and software services, general retailing, trade and financial services and boat manufacturing.

Our Promoter is Mahindra & Mahindra Limited.

### **Mahindra & Mahindra Limited (M&M)**

M&M was incorporated on October 2, 1945 as a private limited company under the Companies Act, 1913 and converted into a public limited company on June 15, 1955.

M&M's shares were first listed on the BSE in 1956. The equity shares of the company are presently listed on the BSE and NSE. The Global Depository Receipts of the company are listed on the Luxembourg Stock Exchange and are also admitted for trading on the International Order Book (IOB) of London Stock Exchange. The Foreign Currency Convertible Bonds are listed on the Singapore Exchange Securities Trading Limited.

M&M's main business is the manufacture and sale of utility vehicles, three-wheelers and tractors. It is the market leader by sales of utility vehicles and tractors in India. In the year ended March 31, 2007, M&M sold 1,67,679 vehicles and 1,02,531 tractors through its extensive dealer network in India and through exports. M&M has recently acquired Punjab Tractors Limited. M&M has two main operating divisions:

- The Automotive Division, which designs, manufactures and sells UVs, and three-wheelers and their spare parts and accessories.
- The Tractor Division, makes and sells agricultural tractors. The Tractor Division also sells tractor spare parts through its dealer and spare parts stockist network. This division has also ventured into the industrial engines business in order to leverage its design and manufacturing expertise.

M&M employs around 13,433 people and has nine manufacturing facilities spread over 8,76,778 square meters in area. It has also set up two satellite plants for assembly of tractors. It has 48 sales offices that are supported by a network of over 930 dealers across the country. This network is connected to its sales departments by an extensive IT infrastructure.

M&M is the only manufacturing organization to have received the Japan Quality Medal and the Deming Prize. In October 2007, in recognition of its global competitiveness in terms of cost and quality, M&M received the Japan Quality Medal awarded by the Japanese Union of Scientists & Engineers. Earlier, in November 2003, M&M had received the Deming Prize awarded by the Japanese Union of Scientists & Engineers.

M&M is expanding its reach globally. It has set up a 100% subsidiary in USA to assemble tractors and has a joint venture with French auto manufacturer Renault to manufacture Logan in India. M&M also has a tie-up with USA-based International Truck & Engine Corporation to manufacture trucks in India. Besides the

USA, M&M exports its products to several countries in Africa, Asia, Europe and Latin America. It acquired a majority stake in Jiangling Tractor Company, China in December 2004 and in Jiangsu Yueda Yancheng Tractor Manufacturing Co. Ltd. (Yancheng Tractor) in August 2008. It has acquired 98.6% stake in U.K. based Stokes Group Limited, the largest auto forging company in the U.K. It has also acquired 2 German forging companies viz. JECO GmbH and Schoneweiss GmbH, who are leading forgings companies in Germany, servicing passenger car and truck manufacturers.

The Board of Directors of M&M and Punjab Tractors Limited have given their approvals for amalgamation pursuant to section 391 of the Companies Act, 1956 of PTL with M&M and have approved the scheme of amalgamation at their respective meetings held on July 30, 2008. The applications for convening class meeting had been filed with the High Courts of Mumbai and High Court of Punjab and Haryana respectively. Pursuant thereto the respective courts have passed orders dated September 19, 2008 and September 18, 2008 directing convening of the class meeting of the respective companies.

For Fiscal 2007, on a consolidated basis, the total income (net of excise duty on sales) of M&M was Rs. 17868.93 crores and the net profit after minority interest report was Rs. 1497.15 crores. As on March 31, 2007, on a consolidated basis, the total assets of the company were Rs. 14662.77 crores and its total share capital and reserves and surplus were Rs. 4854.75 crores.

Mr. Keshub Mahindra and Mr. Anand Mahindra are the promoters of M&M.



**Mr. Keshub Mahindra**, 84, Chairman of M&M, is a graduate from Wharton, University of Pennsylvania. Mr. Mahindra joined M&M in 1947 and has been its Chairman since 1963. Mr. Mahindra is also Chairman of the Board of Governors of Mahindra United World College of India, Chairman of Mahindra Holdings Ltd., Tech Mahindra Foundation, Vice-Chairman of Housing Development Finance Corporation Limited and a Director of several Companies including United World Colleges (International) Ltd, U.K., Bombay, Burmah Trading Corporation Limited and Bombay Dyeing and Manufacturing Company Limited.

Mr. Mahindra is also associated with several committees. He is a Member of the Apex Advisory Council of Assocham, Chairman and Founder Trustee of Bombay City Policy Research Foundation, Member of the Governing Body of Bombay First, Member of the Governing Council of United Way of Mumbai, President of the Governing Council of University of Pennsylvania Institute for the Advanced Study of India New Delhi; Member of International Advisory Board of University of Pennsylvania Centre for the Advanced Study of India, Philadelphia; and President Emeritus of the Employers' Federation of India among others.

Mr. Mahindra was the President of the Bombay Chamber of Commerce and Industry, Assocham and the Indo-American Society. He was also Chairman of the Governing Council of the Indian Institute of Management, Ahmedabad, and was appointed by the Government to serve on a number of high level Committees, including the Sachar Commission on Company Law and Monopolies and Restrictive Trade Practices Act, 1969 and the Central Advisory Council of Industries.

Mr. Mahindra has received several national and international awards for his contributions to public life and industry, including the Chevalier De La Legion D'honneur, "Businessman of the Year" Award from Business India, Sir Jehangir Ghandy Medal for Industrial Peace from XLRI, Jamshedpur, IMC Diamond Jubilee Endowment Trust Award, Dadabhai Naoroji International Award for Excellence and Lifetime Achievement, All India Management Association Lifetime Achievement Award for Management; Ernst & Young Entrepreneur of the Year Lifetime Achievement Award 2008; Society of Indian Automobile Manufacturers (SIAM) Award for "Lifetime Contribution to the Automotive Industry".

His passport number is Z1561744.

His voters id is MT/04/024/201598.

His driving license number is 56055.

His PAN number is AAFPM0662H.



**Mr. Anand Mahindra**, 53, Vice Chairman & Managing Director of M&M is a graduate from Harvard College and received an MBA degree from the Harvard Business School. He joined M&M in 1991 and has been its Managing Director since 1997 and Vice Chairman since 2001. He began his career with Mahindra Ugin Steel Company Limited (MUSCO) as Executive Assistant to the Finance Director and in 1989, he was appointed as President and Deputy Managing Director of MUSCO.

Mr. Anand Mahindra continues to be involved with Harvard and is a co-founder of the Harvard Business School Association of India, a member of the Board of Dean's Advisors and of the Asia Pacific Advisory Board of the Harvard Business School. He also serves on the Advisory Committee of the Harvard University Asia Centre. He is the Co-Chairman of the International Council of the Asia Society, New York. He is also the Founder Chairman of the Mumbai Festival, which was launched in January 2005.

Mr. Anand Mahindra is a Past President of the Confederation of Indian Industry and of the Automotive Research Association of India.

Anand Mahindra has received several awards, including the 'Knight of the Order of Merit' by the President of the French Republic, 2005 Leadership Award from the American India Foundation, Person of the Year 2005 from Auto Monitor, CNBC Asia Business Leader Award for the year 2006, The Most Inspiring Corporate Leader of the year 2007 from NDTV Profit and Business Man of the Year 2007 from Business India.

His passport number is G0200162.

His driving license number is 479916.

His PAN number is AAKPM5652Q.

We confirm that the Permanent Account Number, Bank Account numbers and the Corporate Identification Number of the Promoter has been submitted to the BSE and NSE at the time of filing of the Red Herring Prospectus with the Stock Exchanges.

### **Shareholding Pattern**

The shareholding pattern of M&M as of May 31, 2009 is as below:

Category Code	Category of shareholder	No. of shareholders	Total numbers of shares	Number of shares held in dematerialised form	Total shareholding as a percentage of total number of shares		Shares pledged or otherwise encumbered	
					As a percentage of (A+B)	As a percentage of (A+B+C)	Number of shares	As a Percentage (IX) = (VIII)/(IV)* 100
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)
(A)	Shareholding of Promoter and Promoter Group							
<b>1)</b>	<b>Indian</b>							
(a)	Individuals/Hindu Undivided Family	25	2160335	2156999	0.83	0.77	0	0.00
(b)	Central Government/State Government(s)	0	0	0	0.00	0.00	0	0.00
(c)	Bodies Corporate	28	33765726	33582018	12.92	12.11	17199750	50.94
(d)	Financial Institutions/Banks	0	0	0	0.00	0.00	0	0.00
(e)	Any other (Specify) ESOP Trust	1	6384528	6384528	2.44	2.29	0	0.00
	Employee Welfare Trust	4	1048330	937710	0.40	0.38	0	0.00
	M&M Benefit Trust	1	25917607	25917607	9.92	9.29	0	0.00

Category Code	Category of shareholder	No. of shareholders	Total numbers of shares	Number of shares held in dematerialised form	Total shareholding as a percentage of total number of shares		Shares pledged or otherwise encumbered	
					As a percentage of (A+B)	As a percentage of (A+B+C)	Number of shares	As a Percentage (IX) = (VIII)/(IV)* 100
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	
	<b>SUB TOTAL (A)(1)</b>	<b>59</b>	<b>69276526</b>	<b>68978862</b>	<b>26.51</b>	<b>24.84</b>	<b>17199750</b>	<b>24.83</b>
<b>2)</b>	<b>Foreign</b>							
(a)	Individuals (Non-Resident Individuals/Foreign Individuals)	1	375386	375386	0.14	0.14	0	0.00
(b)	Bodies Corporate	0	0	0	0.00	0.00	0	0.00
(c)	Institutions/FII	1	11750000	11750000	4.50	4.21	0	0.00
(d)	Any other (Specify)	0	0	0	0.00	0.00	0	0.00
	<b>SUB TOTAL (A)(2)</b>	<b>2</b>	<b>12125386</b>	<b>12125386</b>	<b>4.64</b>	<b>4.35</b>	<b>0</b>	<b>0.00</b>
	<b>Total Shareholding of Promoter and Promoter Group (A)=(A)(1)+(A)(2)</b>	<b>61</b>	<b>81401912</b>	<b>81104248</b>	<b>31.15</b>	<b>29.19</b>	<b>17199750</b>	<b>21.13</b>
<b>(B)</b>	<b>Public shareholding</b>						N.A	N.A
<b>1)</b>	<b>Institutions</b>						N.A	N.A
(a)	Mutual Funds/UTI	108	7116885	7116375	2.72	2.55		
(b)	Financial Institutions/Banks	103	1214737	1190989	0.47	0.44		
(c)	Central Government/State Government(s)	2	235376	14310	0.09	0.09		
(d)	Venture Capital Fund	0	0	0	0.00	0.00		
(e)	Insurance Companies	21	62396299	62393337	23.88	22.38		
(f)	Foreign Institutional Investors	324	68403202	68399334	26.17	24.53		
(g)	Foreign Venture Capital Investors	0	0	0	0.00	0.00		
(h)	Any other (Specify)	0	0	0	0.00	0.00		
	<b>SUB TOTAL (B) (1)</b>	<b>558</b>	<b>139366499</b>	<b>139114345</b>	<b>53.33</b>	<b>49.99</b>		
<b>2)</b>	<b>Non-Institutions</b>						N.A	N.A
(a)	Bodies Corporate	1917	12417645	12368588	4.75	4.46		
(b)	Individuals -							
	i) Individual shareholders holding nominal share Capital up to Rs.1 lakh	142961	21015705	17177171	8.04	7.54		
	ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	141	4568200	4426806	1.75	1.64		
(c)	Any other (Specify)							
	Individual (Non-Resident individuals )	4149	952965	734462	0.37	0.34		
	Foreign National	1	200	200	0.00	0.00		
	OCB	3	903814	903694	0.35	0.32		
	Foreign Bodies	1	62938	62938	0.02	0.02		
	Trust	35	36369	36369	0.01	0.01		
	Clearing Members	262	606440	606440	0.23	0.22		
	NSDL in transit	1	544	544	0.00	0.00		
	M&M Fractional Entitlements Trust	1	6505	6505	0.00	0.00		
	<b>SUB TOTAL (B) (2)</b>	<b>149472</b>	<b>40571325</b>	<b>36323717</b>	<b>15.52</b>	<b>14.55</b>		
	<b>Total Public Shareholding (B)=(B)(1)+(B)(2)</b>	<b>150030</b>	<b>179937824</b>	<b>175438062</b>	<b>68.85</b>	<b>64.54</b>		
	<b>TOTAL (A)+(B)</b>	<b>150091</b>	<b>261339736</b>	<b>256542310</b>	<b>100.00</b>	<b>93.73</b>	<b>N.A</b>	<b>N.A</b>
<b>(C)</b>	<b>Shares held by Custodians and against which Depository Receipts have been issued</b>							
		3	17481529	17480913	xxx	6.27		
	<b>GRAND TOTAL (A)+(B)+(C)</b>	<b>150094</b>	<b>278821265</b>	<b>274023223</b>	<b>xxx</b>	<b>100.00</b>	<b>17199750</b>	<b>6.17</b>

**(I)(b) Statement showing shareholding of persons belonging to the category "Promoter and Promoter Group"**

Sr. No.	Name of the Shareholder	Total shares held			Shares pledged or otherwise encumbered		
		Sub Total	Total Number	As a % of grand total (A)+(B)+(C)	Number	As per percentage (VI)=(V)/(III)* 100	As a % of grand total (A)+(B)+(C) of sub-clause (I)(a)
(I)	(II)		(III)	(IV)	(V)		(VII)
1	Keshub Mahindra	166822					
2	Keshub Mahindra	34326	201148	0.07	0	0.00	0.00
3	Anand Gopal Mahindra		4000	0.00	0	0.00	0.00
4	Anjali Kumari Mehra		79302	0.03	0	0.00	0.00
5	Anuja P Sharma		32561	0.01	0	0.00	0.00
6	Anuradha Mahindra		296000	0.11	0	0.00	0.00
7	Girish Y Varde	5262			0		0.00
8	Girish Y Varde	6442	11704	0.00	0	0.00	0.00
9	Indira H Mahindra	333502			0		0.00
10	Indira H Mahindra	8336			0		0.00
11	Indira H Mahindra	8336	350174	0.13	0	0.00	0.00
12	Leena S Labroo	201300			0		0.00
13	Leena S Labroo	201296	402596	0.14	0	0.00	0.00
14	Radhika Nath	11732			0		0.00
15	Radhika Nath	3290			0		0.00
16	Radhika Nath	46	15068	0.01	0	0.00	0.00
17	Sanjay Labroo		360	0.00	0	0.00	0.00
18	Sudha K Mahindra	86896			0		0.00
19	Sudha K Mahindra	80000			0		0.00
20	Sudha K Mahindra	58864			0		0.00
21	Sudha K Mahindra	35582			0		0.00
22	Sudha Keshub Ahindra	106666	368008	0.13	0	0.00	0.00
23	Uma R Malhotra	133142			0		0.00
24	Uma R Malhotra	133136			0		0.00
25	Uma R Malhotra	133136	399414	0.14	0	0.00	0.00
26	Andromeda Investment And Finance Pvt Ltd	544022			0		0.00
27	Andromeda Investment And Finance Pvt Ltd	102393	646415	0.23	0	0.00	0.00
28	Azrael Investments Limited	5678094			0		0.00
29	Azrael Investments Limited	1980000	7658094	2.75	5455000	71.23	1.96
30	Azrael Investments Private Ltd		1110000	0.40	0	0.00	0.00
31	Corbel Estate & Investments Private Limited	5453974			0		0.00
32	Corbel Estate & Investments Private Limited	1167840			0		0.00
33	Corbel Estate & Investments Private Limited	2747312	9369126	3.36	7671312	81.88	2.75
34	Elation Investments Private Limited	1424100			0		0.00
35	Elation Investments Private Limited	1116998			0		0.00
36	Elation Investments Private Limited	759480	3300578	1.18	1409480	42.70	0.51
37	Glorious Realty Private Limited		74960	0.03	0	0.00	0.00
38	Gravity Realty Private Limited		140054	0.05	0	0.00	0.00

Sr. No.	Name of the Shareholder	Total shares held			Shares pledged or otherwise encumbered		
		Sub Total	Total Number	As a % of grand total (A)+(B)+(C)	Number	As per percentage (VI)=(V)/(III)* 100	As a % of grand total (A)+(B)+(C) of sub-clause (I)(a)
(I)	(II)		(III)	(IV)	(V)	(VI)	(VII)
39	Kamet Investment Company Private Limited		2094804	0.75	1650000	78.77	0.59
40	Kema Services International Pvt Ltd	140210			0		0.00
41	Kema Services International Pvt Ltd	42656			0		0.00
42	Kema Services International Pvt Ltd	842	183708	0.07	0	0.00	0.00
43	Naman Estates Private Limited		67578	0.02	0	0.00	0.00
44	Pentagram Investments (India) Pvt Ltd		200615	0.07	0	0.00	0.00
45	Port Investment Company Private Limited	691734			0		0.00
46	Port Investment Company Private Limited	540005	1231739	0.44	0	0.00	0.00
47	Prudential management and Services Pvt Ltd		10	0.00	0	0.00	0.00
48	Ridge Business Centre Private Limited	4713958			0		0.00
49	Ridge Business Centre Private Limited	1791798	6505756	2.33	1013958	15.59	0.36
50	Sawrajya Realty Private Ltd		138700	0.05	0	0.00	0.00
51	Spatial Investments And Finance Ltd		60048	0.02	0	0.00	0.00
52	Sibyl finvest pvt. Ltd.		895883	0.32	0	0.00	0.00
53	Vastumangal Realty Private Limited		87658	0.03	0	0.00	0.00
54	Anand Mahindra, Bharat Doshi, A.K. Nanda - trustees, Mahindra And Mahindra Employees Stock Option Trust		6384528	2.29	0	0.00	0.00
55	A M Choksey, M A Nazareth - Trustees - M And M Employees Welfare Fund	608278			0		0.00
56	A M Choksey, M A Nazareth - Trustees- M And M Farm Equipment Sector Employees Welfare Fund	329432	937710	0.34	0	0.00	0.00
57	Balkrishna Hiralal Wani , B M Kataria - Trustees- M S P Employees Welfare Fund		68220	0.02	0	0.00	0.00
58	P A Narvekar, Amar Banerjee - Trustees - Msl Employees Welfare Fund		42400	0.02	0	0.00	0.00
59	Bharat N Doshi, A.K. nanda – trustees - M&M Benefit Trust		25917607	9.30	0	0.00	0.00
60	Yuthica Keshub Mahindra		375386	0.14	0	0.00	0.00
61	Aranda Investments (Mauritius) Pte. Ltd.		11750000	4.21	0	0.00	0.00
	<b>TOTAL</b>		<b>81401912</b>	<b>29.19</b>	<b>17199750</b>	<b>21.13</b>	<b>6.17</b>

**(I) (c) Statement showing shareholding of persons belonging to the category "Public" and holding more than 1% of the total number of shares**

Sr. No.	Name of the shareholder	No. of shares	Shares as a percentage of total no. of shares {i.e. Grand Total (A)+(B)+(C) indicated in statement at para(I)(a) above}
1	Life Insurance Corporation of India	48242607	17.30
2	The Royal Bank of Scotland Plc as Depository of First State Asia Pacific Leaders Fund A Sub Fund of First State Invest ICVC	6972180	2.50
3	HSBC Global Investment Fund A/C HSBC Global Investment Funds Mauritius Limited	5426741	1.95
4	ICICI Prudential Life Insurance Co. Ltd.	6099396	2.19
5	General Insurance Corporation of India	5058983	1.81
6	The New India Assurance Co. Ltd	4656852	1.67
7	FID Funds (Mauritius) Ltd.	3566296	1.28
	<b>TOTAL</b>	<b>80023055</b>	<b>28.70</b>

**(1) (d) Statement showing details of locked in shares**

Sr. No.	Name of shareholder	Category of Shareholders (Promoters/ Public)	No. of locked-in shares	Locked-in shares as percentage of total no. of shares {i.e. Grand Total (A)+(B)+(C) indicated in statement at para(I)(a) above}
1	Bharat N Doshi, A K Nanda, Trustees - M&M Benefit Trust	Promoter & Promoter Group	3206888	1.15
	<b>TOTAL</b>		<b>3206888</b>	<b>1.15</b>

**(II)(a) Statement showing holding of Depository Receipts (DRs) where underlying shares are in excess of 1% of the total no. of shares**

Sr. No.	Type of outstanding DR (ADRs, GDRs, SDRs, etc)	No. of outstanding DRs	No. of shares underlying outstanding DRs	Shares underlying outstanding DRs as a percentage of total Number of shares (i.e. Grand Total (A)+(B)+(C) indicated in the statement at para(I)(a) above)
1	GDR	17481529	17481529	6.27
	<b>TOTAL</b>	<b>17481529</b>	<b>17481529</b>	<b>6.27</b>

**(II) (b) Statement showing holding of Depository Receipts (DRs) where underlying shares are in excess of 1% of the total no. of shares**

Sr. No.	Name of the DR Holder	Type of outstanding DR(ADRs, GDRs, SDRs, etc.)	No. of shares underlying outstanding DRs.	Shares underlying outstanding DRs as a percentage of total Number of shares (i.e. Grand Total (A)+(B)+(C) indicated in the statement at para(I)(a) above)
1	The Bank of New York	GDRs	17481529	6.27
	<b>TOTAL</b>		<b>17481529</b>	<b>6.27</b>

**Note:** M&M has issued Unsecured Fully & Compulsorily Convertible Debentures (FCDs) on preferential allotment basis in July, 2008.

### **Board of Directors**

<b>Name</b>	<b>Nature of directorship/designation</b>
Mr. Keshub Mahindra	Chairman
Mr. Anand G. Mahindra	Vice Chairman and Managing Director
Mr. Deepak S. Parekh	Director
Mr. Nadir B. Godrej	Director
Mr. M. M. Murugappan	Director
Mr. Narayanan Vaghul	Director
Dr. A.S. Ganguly	Director
Mr. R.K. Kulkarni	Director
Mr. Anupam Puri	Director
Mr. Bharat N. Doshi	Executive Director
Mr. A.K. Nanda	Executive Director
Mr. Arun Kanti Dasgupta	Director (Nominee of LIC)

### **Financial Performance**

*In Rs crores (Except per share data)*

	<b>For the Year ending March 31, 2009</b>	<b>For the year ending March 31, 2008</b>	<b>For the year ending March 31, 2007</b>
Equity capital	272.62	239.07	238.03
Reserves (excluding revaluation reserves)	6757.75	5913.24	4603.86
Total Sales	28991.99	26600.11	19417.45
Profit after tax (after minority interest)	1405.41	1571.12	1497.15
EPS (Rs)	51.57	65.84	63.28
NAV per share (Rs)	257.27	256.75	202.61

Total Sales = Gross Sales + Income from Operations & Other Income.

NAV per share is calculated after reducing Miscellaneous Expenditure not written off and Revaluation Reserve from Networth.

\* NAV per share is after giving effect to a 1:1 bonus issue in September 2005.

\*\* *EPS not annualised*

### **Information about Share Price**

The Equity Shares of M&M are listed on BSE and NSE. Monthly high and low of the market price of the shares on BSE for the last six months are as follows:

<b>Months</b>	<b>BSE</b>		<b>NSE</b>	
	<b>High (Rs.)</b>	<b>Low (Rs.)</b>	<b>High (Rs.)</b>	<b>Low (Rs.)</b>
December, 2008	346.90	235.50	347.00	235.00
January, 2009	330.00	258.80	330.00	258.60
February, 2009	333.00	264.80	333.55	264.00
March, 2009	394.50	297.30	397.70	290.05
April, 2009	503.00	377.50	504.55	377.5
May, 2009	700.00	486.75	698.00	484.60

Source: [www.bseindia.com](http://www.bseindia.com) and [www.nseindia.com](http://www.nseindia.com)

### **Details of the last public/ rights issue made**

M&M has not made a public issue or rights issue in India in the last three years. M&M issued Zero Coupon Foreign Currency Convertible Bonds in Fiscal 2005 and in Fiscal 2007, which were convertible into Global Depository Receipts and/or equity shares. The Zero Coupon Foreign Currency Convertible Bonds issued in Fiscal 2005 have been fully converted in Global Depository Receipts/Equity Shares.

### ***Promise v/s Performance***

No promises/ projections were made during the issuance of M&M's Foreign Currency Convertible Bonds.

### ***Mechanism of Redressal of Investor Grievance***

M&M has share transfer and shareholders/ investors grievance committee which meets as and when required, to deal inter alia with matters relating to transfer of shares and monitors redressal of complaints from shareholders relating to transfers, non receipt of balance sheet, non receipt of dividend declared, etc. typically the investor grievances are dealt within a fortnight of receipt of the complaint from the investor.

The exact status of the redressal of investor grievances as on May 15, 2009 in terms of number of investor complaints received, resolved and pending for the period January 1, 2005 to May 15, 2009 is as under:

<b>Received</b>	<b>Resolved</b>	<b>Pending</b>
209	209	NIL

### **Promoter Group**

The following are the companies that constitute our Promoter Group under the SEBI Guidelines:

<b>LISTED SUBSIDIARIES OF M&amp;M</b>	
Mahindra & Mahindra Financial Services Limited	Mahindra Lifespace Developers Limited
Mahindra Ugine Steel Company Limited	Tech Mahindra Limited
Mahindra Forgings Limited	
<b>LISTED GROUP COMPANIES OF M&amp;M</b>	
Swaraj Automotives Limited	Mahindra Composites Limited
Swaraj Engines Limited	
<b>UNLISTED DIRECT SUBSIDIARIES OF M&amp;M</b>	
Mahindra Renault Private Limited	Mahindra Shubhlabh Services Limited
Mahindra & Mahindra South Africa (Proprietary) Limited	Mahindra Automotive Australia Pty. Ltd.
Mahindra Navistar Automotives Limited (earlier known as Mahindra International Limited Name changed w.e.f. 06/06/2008)	Mahindra Intertrade Limited
Mahindra Castings Private Limited	Mahindra Steel Service Centre Limited
Mahindra Gears & Transmissions Private Limited (earlier known as Mahindra SAR Transmission Private Limited)	Mahindra Engineering & Chemical Products Limited
Mahindra Engineering Services Limited (earlier known as Mahindra Engineering Design & Development Company Ltd Name changed w.e.f. 16/06/2008)	Mahindra Overseas Investment Company (Mauritius) Limited
Mahindra Gujarat Tractor Limited	Mahindra FirstChoice Wheels Limited
Mahindra Gears International Limited	Mahindra Vehicle Manufacturers Limited (earlier known as Mahindra Automotive Limited)
Bristlecone Limited	Mahindra Logistics Limited
Mahindra USA Inc.	Mahindra Aerospace Private Limited
Mahindra Navistar Engines Private Limited	Mahindra First Choice Services Limited
NBS International Limited	Mahindra Consulting Engineers Limited
Mahindra Holdings Limited	Mahindra Two Wheelers Limited
Mahindra Defence Land Systems Private Limited	

**UNLISTED COMPANIES FORMING PART OF M&M DUE TO BEING AN INDIRECT SUBSIDIARY UNDER SECTION 4© OF THE ACT.**

Mahindra Europe Srl	Mahindra Insurance Brokers Limited
Mahindra (China) Tractor Company Limited	Mahindra Middle East Electrical Steel Service Centre (FZC)
Mahindra-BT Investment Company (Mauritius) Limited	Mahindra World City (Maharashtra) Limited
Schoneweiss & Co. GmbH	Mahindra Hotels & Residences India Limited
Bristlecone India Limited	Mahindra Forgings International Limited
Bristlecone GmbH	Mahindra Holidays and Resorts USA
Bristlecone (Malaysia) SDN. BHD	MHR Hotel Management GmbH
Bristlecone (Singapore) Pte. Limited	Mahindra Engineering Services (Europe) Limited (earlier known as Plexion Technologies U.K. Ltd.)
Jensand Limited	Mahindra Technologies Inc. (earlier known as Plexion Technologies Inc)
Stokes Forgings Limited	Mahindra Engineering GmbH (earlier known as Plexion Technologies GmbH)
Bristlecone Inc	Mahindra Forgings Global Limited
Bristlecone (UK) Limited	Mahindra World City Developers Limited
Tech Mahindra (Malaysia) SDN. BHD	Tech Mahindra (Singapore) Pte. Limited
Tech Mahindra GmbH	Mahindra Hinoday Industries Limited
Mahindra Rural Housing Finance Limited	JECO-Jellinghaus GmbH
Tech Mahindra (Thailand) Limited	CanvasM Technologies Limited
PT Tech Mahindra Indonesia	Mahindra World City (Jaipur) Limited
Gesenkschmiede Schneider GmbH	Stokes Forgings Dudley Limited
Falkenroth Umformtechnik GmbH	Mahindra Integrated Township Limited
Tech Mahindra Foundation,	Mahindra Yueda (Yancheng) Tractor Company Limited
Tech Mahindra (Americas) Inc	Mahindra Forgings Europe AG
Mahindra Infrastructure Developers Limited	Mahindra Graphic Research Design s.r.l
CanvasM (Americas) Inc.	Mahindra Residential Developers Limited
Stokes Group Limited	Venturbay Consultants Private Limited
Tech Mahindra (Beijing) IT Services Limited	Industrial Township (Maharashtra) Ltd (earlier known as Mahindra Industrial Township Limited)
Heritage Bird (M) Sdn Bhd	Metalcastello S.p.A
Mahindra Gears Global Limited (earlier known as Iven International Gear Mauritius Limited)	Engines Engineering S.r.l.
Mahindra Gears Cyprus Limited (earlier known as Kalbarri Trading Limited)	Eff Engineering S.r.l.
Mahindra Metal Castello SPA	Knowledge Township Ltd (earlier known as Mahindra Knowledge City Limited)
Mahindra Bebanco Developers Limited	
ID-EE S.r.l.	Mahindra Logisoft Business Solutions Limited
Mahindra IT Consulting Private Limited	Mahindra United Football Club Private Limited
Crest Geartech Private Limited	

**UNLISTED GROUP COMPANIES OF M&M**

Mahindra & Mahindra Contech Limited	Officemartindia.com Limited
Indian NGOs.com Private Limited	Mahindra Construction Company Limited
Mahindra Sona Limited	PSL Erickson Limited
Owens Corning (India) Limited	

**COMPANIES UNDER LIQUIDATION**

Machinery Manufacturers Corporation Limited	Triton Overwater Transport Agency Limited
Montreal Engineering International Limited	Roplas (India) Limited

Other than as disclosed in the Related Party Transaction section in this Red Herring Prospectus, there are no transactions between our Company and these companies.

## Our Promoter Group

The following are the details of top five listed companies within the Promoter Group (chosen on the basis of market capitalization one month before the date of filing of this Red Herring Prospectus) as under:

### 1. Mahindra & Mahindra Financial Services Limited (“MMFSL”)

Mahindra & Mahindra Financial Services Limited was incorporated on January 1, 1991 as Maxi Motors Financial Services Limited. The name was changed to Mahindra & Mahindra Financial Services Limited on November 3, 1992. Its registered office is located at Gateway Building, Apollo Bunder, Mumbai 400 001. It is a registered Non- Banking Financial Company and is engaged in the business of providing finance for utility vehicles, tractors and passenger cars.

### Shareholding Pattern

The following is the shareholding of Mahindra & Mahindra Financial Services Limited as on May 31, 2009.

Category Code	Category of shareholder	No. of shareholders	Total numbers of shares	Number of shares held in dematerialised form	Total shareholding as a percentage of total number of shares		Shares pledged or otherwise encumbered	
					As a percentage of (A+B)	As a percentage of (A+B+C)	Number of shares	As a Percentage
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX) =(VIII)/(IV)* 100
(A)	Shareholding of Promoter and Promoter Group							
1)	<b>Indian</b>							
(a)	Individuals/Hindu Undivided Family	0	0	0	0.00	0.00		
(b)	Central Government/State Government(s)	0	0	0	0.00	0.00		
(c)	Bodies Corporate	1	58241532	58241532	60.10	60.10		
(d)	Financial Institutions/Banks	0	0	0	0.00	0.00		
(e)	Any other (ESOP TRUST)	1	1156531	1156531	1.19	1.19		
	<b>SUB TOTAL (A)(1)</b>	<b>2</b>	<b>59398063</b>	<b>59398063</b>	<b>61.29</b>	<b>61.29</b>		
2)	<b>Foreign</b>							
(a)	Individuals (Non-Resident Individuals/Foreign Individuals)	0	0	0	0.00	0.00	0	0.00
(b)	Bodies Corporate	0	0	0	0.00	0.00	0	0.00
(c)	Institutions/FII	0	0	0	0.00	0.00	0	0.00
(d)	Any other	0	0	0	0.00	0.00	0	0.00
	<b>SUB TOTAL (A)(2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>	<b>0</b>	<b>0.00</b>
	<b>Total Shareholding of Promoter and Promoter Group (A)=(A)(1)+(A)(2)</b>	<b>2</b>	<b>59398063</b>	<b>59398063</b>	<b>61.29</b>	<b>61.29</b>	<b>0</b>	<b>0.00</b>
(B)	<b>Public shareholding</b>						N.A	N.A
1)	<b>Institutions</b>						N.A	N.A
(a)	Mutual Funds/UTI	5	1034208	1034208	1.07	1.07		
(b)	Financial Institutions/Banks	0	0	0	0.00	0.00		
(c)	Central Government/State Government(s)	0	0	0	0.00	0.00		

Category Code	Category of shareholder	No. of shareholders	Total numbers of shares	Number of shares held in dematerialised form	Total shareholding as a percentage of total number of shares		Shares pledged or otherwise encumbered	
					As a percentage of (A+B)	As a percentage of (A+B+C)	Number of shares	As a Percentage (IX) = (VIII)/(IV)* 100
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	
(d)	Venture Capital Fund	0	0	0	0.00	0.00		
(e)	Insurance Companies	0	0	0	0.00	0.00		
(f)	Foreign Institutional Investors	26	22705178	22705178	23.43	23.43		
(g)	Foreign Venture Capital Investors	0	0	0	0.00	0.00		
(h)	Any other (Specify)	0	0	0	0.00	0.00		
	<b>SUB TOTAL (B) (1)</b>	<b>31</b>	<b>23739386</b>	<b>23739386</b>	<b>24.50</b>	<b>24.50</b>		
<b>2)</b>	<b>Non-Institutions</b>						N.A	N.A
(a)	Bodies Corporate	282	236623	152125	0.25	0.25		
(b)	Individuals -							
	i) Individual shareholders holding nominal share Capital up to Rs.1 lakh	28753	2356534	2131696	2.43	2.43		
	ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	17	645589	338039	0.67	0.67		
(c)	Any other (Specify)	0	0	0	0.00	0.00		
	Clearing Member	111	57319	57319	0.06	0.06		
	Non Resident Indians	234	25848	25848	0.03	0.03		
	Trusts	5	1163	1163	0.00	0.00		
	Foreign Bodies	2	10440000	10440000	10.77	10.77		
	<b>SUB TOTAL (B) (2)</b>	<b>29404</b>	<b>13763076</b>	<b>13146190</b>	<b>14.21</b>	<b>14.21</b>		
	<b>Total Public Shareholding (B)=(B)(1)+(B)(2)</b>	<b>29435</b>	<b>37502462</b>	<b>36885576</b>	<b>38.71</b>	<b>38.71</b>		
	<b>TOTAL (A)+(B)</b>	<b>29437</b>	<b>96900525</b>	<b>96283639</b>	<b>100.00</b>	<b>100.00</b>	N.A	N.A
(C)	Shares held by Custodians and against which Depository Receipts have been issued	0	0	0	0.00	0.00	N.A	N.A
	<b>GRAND TOTAL (A)+(B)+(C)</b>	<b>29437</b>	<b>96900525</b>	<b>96283639</b>	<b>100.00</b>	<b>100.00</b>		

(I)(b) Statement showing shareholding of persons belonging to the category "Promoter and Promoter Group"

Sr. No.	Name of the Shareholder	Total shares held			Shares pledged or otherwise encumbered		
		Sub Total	Total Number	As a % of grand total (A)+(B)+(C)	Number	As per percentage (VI)=(V)/(III)* 100	As a % of grand total (A)+(B)+(C) of sub-clause (I)(a)
(I)	(II)		(III)	(IV)	(V)	(VI)	(VII)
1	Mahindra And Mahindra Ltd.		58241532	60.10	0	0.00	0.00
2	Mahindra And Mahindra Financial Services Limited Employees Stock Option Trust		1156531	1.19	0	0.00	0.00
	<b>TOTAL</b>		<b>59398063</b>	<b>61.29</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>

(I) (c) Statement showing shareholding of persons belonging to the category "Public" and holding more than 1% of the total number of shares

Sr. No.	Name of the shareholder	No. of shares	Shares as a percentage of total no. of shares {i.e. Grand Total (A)+(B)+(C) indicated in statement at para(I)(a) above}
1	TPG-Axon (Mauritius) II Ltd	7000000	7.22
2	Standard Chartered Private Equity (Mauritius) Ltd	5351523	5.52
3	Copa Cabana	4714985	4.87
4	HSBC Global Investment Funds A/C HSBC Global Investment Funds Mauritius Ltd	4503630	4.65
5	Standard Chartered Private Equity (Mauritius) Ltd	3900000	4.02
6	Dali Ltd	3440000	3.55
7	Vontobel Funds Inc. A/C Vontobel Fund Far East Equity Fund	998267	1.03
<b>TOTAL</b>		<b>29908405</b>	<b>30.86</b>

(1) (d) Statement showing details of locked in shares

Sr. No.	Name of shareholder	Category of Shareholders (Promoters/ Public)	No. of locked-in shares	Locked-in shares as percentage of total no. of shares {i.e. Grand Total (A)+(B)+(C) indicated in statement at para(I)(a) above}
1	<b>NIL</b>			
<b>TOTAL</b>				

(II)(a) Statement showing holding of Depository Receipts (DRs) where underlying shares are in excess of 1% of the total no. of shares

Sr. No.	Type of outstanding DR (ADRs, GDRs, SDRs, etc)	No. of outstanding DRs	No. of shares underlying outstanding DRs	Shares underlying outstanding DRs as a percentage of total Number of shares (i.e. Grand Total (A)+(B)+(C) indicated in the statement at para(I)(a) above)
1	Global Depository Receipts (GDRs)	0	0	0.00
<b>TOTAL</b>		<b>0</b>	<b>0</b>	<b>0.00</b>

(II) (b) Statement showing holding of Depository Receipts (DRs) where underlying shares are in excess of 1% of the total no. of shares

Sr. No.	Name of the DR Holder	Type of outstanding DR(ADRs, GDRs, SDRs, etc.)	No. of shares underlying outstanding DRs.	Shares underlying outstanding DRs as a percentage of total Number of shares (i.e. Grand Total (A)+(B)+(C) indicated in the statement at para (I)(a) above)
1	<b>NIL</b>			
<b>TOTAL</b>		<b>0</b>	<b>0</b>	<b>0</b>

### *Board of Directors*

Name	Nature of directorship/ designation
Mr. Bharat N. Doshi	Chairman
Mr. Uday Y. Phadke	Vice Chairman
Mr. Ramesh G. Iyer	Managing Director
Mr. Anjanikumar Choudhari	Director
Mr. Dhananjay Mungale	Director
Mr. Manohar G. Bhide	Director
Mr. Piyush Mankad	Director
Ms. Rama Bijapurkar	Director

## Financial Performance

	In Rs crores (Except per share data)		
	For the Year ending March 31, 2009	For the year ending March 31, 2008	For the Year ending March 31, 2007
Equity Capital	95.71	95.29	84.02
Employee Stock Options Outstanding	1.29	1.35	1.29
Reserves and Surplus (excluding revaluation reserves)	1372.16	1,217.62	692.93
Total Revenue	1384.66	1,226.8	841.84
Profit After Tax	214.52	177.02	132.88
EPS * (Rs)	22.46	20.81	15.81
NAV per share (Rs)	153.50	137.93	92.62

\* EPS for the interim period is not annualised

## Information about Share Price

The Equity Shares of MMFSL are listed on BSE and NSE. Monthly high and low of the market price of the shares on BSE and NSE for the last six months are as follows:

Month	BSE		NSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
December, 2008	258.00	174.15	258.00	174.10
January, 2009	255.00	189.10	255.00	185.70
February, 2009	215.00	181.10	212.00	178.50
March, 2009	230.00	175.00	227.00	176.15
April, 2009	258.75	200.10	269.00	198.00
May, 2009	265.00	198.00	270.00	197.00

Source: [www.bseindia.com](http://www.bseindia.com)  
[www.nseindia.com](http://www.nseindia.com)

## Details of public issue/ rights issue

MMFSL has made a public issue of 2,00,00,000 equity shares by prospectus dated February 28, 2006 at the issue price of Rs. 200 per share comprising a Fresh Issue of 1,00,00,000 Equity Shares of Rs. 10 each and an offer for sale of 1,00,00,000 Equity Shares of Rs.10 each by Mahindra & Mahindra Limited and certain other shareholders of the company.

MMFSL has made a preferential allotment to Copa Cabana of 31,57,895 equity shares on January 5, 2006 at the issue price of Rs. 190 per share.

MMFSL has made a preferential allotment to Mahindra & Mahindra Financial Services Limited Employees' Stock Option Trust of 26,86,550 equity shares on December 6, 2005 at the issue price of Rs. 51 per share.

MMFSL has made a preferential allotment to TPG-Axon (Mauritius) II Limited of 70,00,000 equity shares and Standard Chartered Private Equity (Mauritius) Limited of 39,00,000 equity shares, respectively, on February 28, 2008 at the issue price of Rs. 380 per share.

## Promise v/s Performance

MMFSL has duly utilised all the funds raised from its Initial Public Offer, amounting to Rs.200 Crores for the purposes stated as under:

## IPO Proceeds & Utilization thereof

Objects of the Issue	Fund Requirement	(Rs. In crores ) Utilization of funds
Augment our capital base to meet our future capital requirements arising out of growth in our business and for other general corporate purposes	187.8	187.29
Estimated Issue expenses	12.2	12.71
<b>Total</b>	<b>200.00</b>	<b>200.00</b>

### *Mechanism for redressal of investor grievance*

The Board of Directors of MMFSL has constituted a Share Transfer and Shareholders /Investors Grievance Committee to inter alia look into the complaints pertaining to transfers/ transmission of shares, non-receipt of dividend / interest, and any other related matters. Karvy Computershare Private Limited, Registrar & Share Transfer Agent redress the Investor Complaints received directly by them.

The company has also designated “investorhelpline\_mmfsi@mahindra.com” as an email id for the purpose of registering complaints by investors and displayed the same on the company’s website. Typically the routine investor grievances are redressed within two weeks of the receipt of the complaint.

The exact status of the redressal of investor grievances as on May 31 2009 in terms of number of investor complaints received, resolved and pending for the period April 1, 2006 to May 31, 2009 is as under:

Received	Resolved	Pending
1868	1868	NIL

## 2. Tech Mahindra Limited

Tech Mahindra Limited (*formerly known as Mahindra-British Telecom Limited*), was incorporated on October 24, 1986 as a joint venture between Mahindra & Mahindra Limited and British Telecommunications plc. It commenced operations on May 8, 1987. The company changed its name to Tech Mahindra Limited with effect from February 3, 2006. The company is engaged in the development and marketing of software for the telecom industry. With the initial public offering in August 2006, the company is now listed on the National Stock Exchange and the Bombay Stock Exchange. Its registered office is located at Gateway Building, Apollo Bunder, Mumbai - 400 001, India.

The following is the shareholding of Tech Mahindra Limited as on May 31, 2009:

Category Code	Category of shareholder	No. of shareholders	Total numbers of shares	Number of shares held in dematerialised form	Total shareholding as a percentage of total number of shares		Shares pledged or otherwise encumbered	
					As a percentage of (A+B)	As a percentage of (A+B+C)	Number of shares	As a Percentage (IX) = (VIII)/(IV)* 100
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)
(A)	Shareholding of Promoter and Promoter Group							
<b>1)</b>	<b>Indian</b>							
(a)	Individuals/Hindu Undivided Family	0	0	0	0.00	0.00	0	0.00
(b)	Central Government/State Government(s)	0	0	0	0.00	0.00	0	0.00
(c)	Bodies Corporate	1	53776252	53776252	44.1580	44.1580	0	0.00
(d)	Financial Institutions/Banks	0	0	0	0.00	0.00	0	0.00

Category Code	Category of shareholder	No. of shareholders	Total numbers of shares	Number of shares held in dematerialised form	Total shareholding as a percentage of total number of shares		Shares pledged or otherwise encumbered	
					As a percentage of (A+B)	As a percentage of (A+B+C)	Number of shares	As a Percentage (IX) =(VIII)/(IV)* 100
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	
(e)	Any other (Specify)	0	0	0	0.00	0.00	0	0.00
	<b>SUB TOTAL (A)(1)</b>	<b>1</b>	<b>53776252</b>	<b>53776252</b>	<b>44.1580</b>	<b>44.1580</b>	<b>0</b>	<b>0.00</b>
<b>2)</b>	<b>Foreign</b>							
(a)	Individuals (Non-Resident Individuals/Foreign Individuals)	0	0	0	0.00	0.00	0	0.00
(b)	Bodies Corporate	2	47648561	37716923	39.1263	39.1263	0	0.00
(c)	Institutions/FII	0	0	0	0.00	0.00	0	0.00
(d)	Any other (Specify)	0	0	0	0.00	0.00	0	0.00
	<b>SUB TOTAL (A)(2)</b>	<b>2</b>	<b>47648561</b>	<b>37716923</b>	<b>39.1263</b>	<b>39.1263</b>	<b>0</b>	<b>0.00</b>
	<b>Total Shareholding of Promoter and Promoter Group (A)=(A)(1)+(A)(2)</b>	<b>3</b>	<b>101424813</b>	<b>91493175</b>	<b>83.2844</b>	<b>83.2844</b>	<b>0</b>	<b>0.00</b>
<b>(B)</b>	<b>Public shareholding</b>						N.A	N.A
<b>1)</b>	<b>Institutions</b>						N.A	N.A
(a)	Mutual Funds/UTI	29	2330677	2330677	1.9138	1.9138		
(b)	Financial Institutions/Banks	18	493271	493271	0.4050	0.4050		
(c)	Central Government/State Government(s)	3	1982036	1982036	1.6275	1.6275		
(d)	Venture Capital Fund	0	0	0	0.00	0.00		
(e)	Insurance Companies	0	0	0	0.00	0.00		
(f)	Foreign Institutional Investors	31	1557107	1557107	1.2786	1.2786		
(g)	Foreign Venture Capital Investors	0	0	0	0.00	0.00		
(h)	Any other (Specify)	0	0	0	0.00	0.00		
	<b>SUB TOTAL (B) (1)</b>	<b>81</b>	<b>6363091</b>	<b>6363091</b>	<b>5.2250</b>	<b>5.2250</b>		
<b>2)</b>	<b>Non-Institutions</b>						N.A	N.A
(a)	Bodies Corporate	1547	2262259	2262259	1.8576	1.8576		
(b)	Individuals -							
	i) Individual shareholders holding nominal share Capital up to Rs.1 lakh	151030	8906991	8777091	7.3139	7.3139		
	ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	32	1890655	1875305	1.5525	1.5525		
(c)	Any other (Specify)							
	Clearing Member	337	322937	322937	0.2652	0.2652		
	Foreign National	4	192565	192340	0.1581	0.1581		
	Market Maker	108	34418	34418	0.0283	0.0283		
	NRI (Repatriate)	1205	230377	193467	0.1892	0.1892		
	NRI (Non - Repatriate)	337	80044	79524	0.0657	0.0657		
	HUF	1314	71637	71637	0.0588	0.0588		
	Trust	5	1547	1547	0.0013	0.0013		
	<b>SUB TOTAL (B) (2)</b>	<b>155919</b>	<b>13993430</b>	<b>13810525</b>	<b>11.4906</b>	<b>11.4906</b>		
	<b>Total Public Shareholding (B)=(B)(1)+(B)(2)</b>	<b>156000</b>	<b>20356521</b>	<b>20173616</b>	<b>16.7156</b>	<b>16.7156</b>		
	<b>TOTAL (A)+(B)</b>						N.A	N.A
<b>(C)</b>	<b>Shares held by Custodians and against which Depository Receipts have been issued</b>							
	<b>GRAND TOTAL (A)+(B)+(C)</b>	<b>156003</b>	<b>121781334</b>	<b>111666791</b>	<b>100</b>	<b>100.00</b>		<b>0.00</b>

**(I)(b) Statement showing shareholding of persons belonging to the category "Promoter and Promoter Group"**

Sr. No.	Name of the Shareholder	Total shares held			Shares pledged or otherwise encumbered		
		Sub Total	Total Number	As a % of grand total (A)+(B)+(C)	Number	As per percentage (VI)=(V)/(III)* 100	As a % of grand total (A)+(B)+(C) of sub-clause (I)(a)
(I)	(II)		(III)	(IV)	(V)		(VII)
1	Mahindra & Mahindra Limited		53776252	44.1580	0	0.00	0.00
2	British Telecommunications Plc		37716 923	30.9710	0	0.00	0.00
3	Mahindra BT Investment (Mauritius) Company		9931638	8.1553	0	0.00	0.00
	<b>TOTAL</b>		<b>101424813</b>	<b>83.2844</b>	0	0.00	0.00

**(I) (c) Statement showing shareholding of persons belonging to the category "Public" and holding more than 1% of the total number of shares**

Sr. No.	Name of the shareholder	Sr. No.	Name of the shareholder
1	NIL		
	<b>TOTAL</b>		<b>TOTAL</b>

**(I) (d) Statement showing details of locked in shares**

Sr. No.	Name of shareholder	Category of Shareholders (Promoters/ Public)	No. of locked-in shares	Locked-in shares as percentage of total no. of shares {i.e. Grand Total (A)+(B)+(C) indicated in statement at para(I)(a) above}
1	Mahindra & Mahindra Limited	Promoter & Promoter Group	23677381	19.4425
	<b>TOTAL</b>		23677381	19.4425

**(II)(a) Statement showing holding of Depository Receipts (DRs) where underlying shares are in excess of 1% of the total no. of shares**

Sr. No.	Type of outstanding DR (ADRs, GDRs, SDRs, etc)	No. of outstanding DRs	No. of shares underlying outstanding DRs	Shares underlying outstanding DRs as a percentage of total Number of shares (i.e. Grand Total (A)+(B)+ (C ) indicated in the statement at para(I)(a) above)
1	NIL			
	<b>TOTAL</b>			

**(II) (b) Statement showing holding of Depository Receipts (DRs) where underlying shares are in excess of 1% of the total no. of shares**

Sr. No.	Name of the DR Holder	Type of outstanding DR(ADRs, GDRs, SDRs, etc.)	No. of shares underlying outstanding DRs.	Shares underlying outstanding DRs as a percentage of total Number of shares (i.e. Grand Total (A)+(B)+ (C ) indicated in the statement at para(I)(a)
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				above)
1	NIL			
	TOTAL			

### Board of Directors

Name	Nature of directorship/ designation
Mr. Anand G. Mahindra	Chairman
Mr. Vineet Nayyar	Vice Chairman Managing Director & CEO
Mr. Bharat N. Doshi	Director
Mr. Ulhas N. Yargop	Director
Mr. Al-Noor Ramji	Director
Mr. Arun Seth	Director
Hon. Akash Paul	Director
Dr. Raj Reddy	Director
Mr. Anupam Pradip Puri	Director
Mr. Clive Goodwin	Director
Mr. Paul Zuckerman	Director
Mr. Paul Ringham	Alternate Director to Mr. Clive Goodwin
Mr. M. Damodaran	Additional Director
Mr. Ravindra Kulkarni	Additional Director
Mr. B. H. Wani	Additional Director

### Financial Performance

	In Rs crores (Except per share data)		
	For the year ending March 31, 2009	For the year ending March 31, 2008	For the year ending March 31, 2007
Equity Capital	121.8 <sup>##</sup>	121.4 <sup>#</sup>	121.3 <sup>*</sup>
Capital Reserve	-	-	-
Retained Earnings <sup>**</sup>	1759.2	1107	756.8 <sup>**</sup>
Net Worth	1881.0	1,228.4	878.1 <sup>****</sup>
Total Revenue <sup>*****</sup>	4315.3	3,702.3	2,758.6
Net Profit/ (Loss) [Before exceptional items]	986.6	765.8	590.2
Net Profit/ (Loss)[After exceptional items]	986.6	342.2	99.1
EPS (Basic)	81.12	28.21	8.62
EPS (Diluted) <sup>*****</sup>	76.66	26.17	7.60
NAV <sup>***</sup> (Book value per share)	154.52	101.22	72.44

<sup>##</sup> Including Share application money of INR 0.10 crores

<sup>#</sup> Including Share application money of INR 0.33 crores received during the year.

<sup>\*</sup> Including Share application money of INR 0.14 crores received during the year.

<sup>\*\*</sup> Including Securities Premium Account

<sup>\*\*\*</sup> Networth/ No of Shares outstanding as on period end

<sup>\*\*\*\*</sup> EPS is based on PAT after exceptional items

<sup>\*\*\*\*\*</sup> Revenue includes operational & other income

### Information about Share Price

The Equity Shares of Tech Mahindra Limited are listed on BSE and NSE. Monthly high and low of the market price of the shares on BSE and NSE for the last six months are as follows:

Month	BSE		NSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
December, 2008	289.80	219.60	289.80	220.00
January, 2009	325.00	203.70	340.00	205.00
February, 2009	290.10	223.00	288.00	215.25
March, 2009	294.80	240.50	294.60	240.40
April, 2009	400.00	265.50	410.00	266.00
May, 2009	502.90	326.00	503.00	321.30

Source: [www.bseindia.com](http://www.bseindia.com)  
[www.nseindia.com](http://www.nseindia.com)

### Details of public issue/ rights issue

The company had its initial public offering in August 2006. The issue comprised of 12,746,000 equity shares of Rs. 10 each at a price of Rs. 365 per share (including a share premium of Rs. 355 per equity share), consisting of a fresh issue of 3,186,480 equity shares and an offer for sale of 9,559,520 equity shares by Mahindra & Mahindra Limited and British Telecommunications Plc. aggregating to Rs.465.229 crores.

### Promise v/s Performance

TML has raised the net proceeds of Rs. 111.1 crores from its Initial Public Offer for the purposes stated as under:

IPO proceeds and utilization thereof as on April 30, 2009

Objects of the Issue	Fund Requirement	(Rs. In crores)
		Utilization of funds
Enhance the infrastructure through which we deliver IT services and solutions to our clients	110.42	111.10
Achieve the benefits of stock exchange listing;	Fund requirement not mentioned in the prospectus as it is qualitative in nature. The intended objective was to enhance our brand image, provide liquidity to our existing shareholders and create a public market for our equity shares in India.	Not applicable
Estimated Issue expenses	5.88	5.20
<b>Total</b>	<b>116.30</b>	<b>116.30</b>

### Mechanism for redressal of investor grievance

The Board of Directors of Tech Mahindra Limited has constituted an Investor Grievances-cum-Share Transfer Committee to inter alia look into the complaints pertaining to transfers/ transmission of shares, non-receipt of dividend / interest, and any other related matters. Intime Spectrum Registry Limited, Registrar & Share Transfer Agent redress the Investor Complaints received directly by them.

The company has also designated “investor.relation@techmahindra.com” as an email id for the purpose of registering complaints by investors and displayed the same on the company’s website.

The exact status of the redressal of investor grievances as on March 31, 2009 in terms of number of investor complaints received, resolved and pending for the period August 28, 2006 to March 31, 2009 is as under:

Received	Resolved	Pending
2683	2682	1

### Recent Developments

Recently, Tech Mahindra decided to participate in the bidding process for acquisition of a controlling stake in Satyam Computer Services Limited (“Satyam”) through its wholly owned subsidiary, Venturbay Consultants Private Limited (“Venturbay”), pursuant to an Expression of Interest invited by the Board of Directors of Satyam on March 13, 2009, from prospective Investors. Venturbay was declared as the highest bidder on April 13, 2009 and as the winning bidder post the CLB approval on April 16, 2009.

On May 5, 2009, the Board of Directors of Satyam allotted 302,764,327 shares of Satyam to Venturbay, representing 31% of its share capital, for a sum of Rs. 17,560 million. On May 6, 2009 Venturbay as the 'Acquirer' and Tech Mahindra, as the 'Person Acting in Concert' filed the draft Letter of Offer with SEBI for acquiring upto 20% of the expanded share capital of Satyam, under the SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 1997 for which an amount of Rs. 11,546 million has been deposited in an escrow account. On May 27, 2009 the Board of Directors of Satyam appointed four nominee directors of Venturbay, Mr. Vineet Nayyar, Mr. C. P. Gurnani, Mr. Sanjay Kalra and Mr. Ulhas N. Yargop (collectively, the "Venturbay Directors"), on the Board of Directors of Satyam in addition to the six directors appointed in January by the Central Government pursuant to the orders of the Hon'ble Company Law Board. Mr. Vineet Nayyar has been designated as Whole-time Director of Satyam, effective June 1, 2009. The dispatch of the letter of offer to the shareholders of Satyam was completed on June 9, 2009.

### 3. Mahindra Lifespace Developers Limited ("MLDL") (formerly known as Mahindra Gesco Developers Limited)

Mahindra Lifespace Developers Limited was incorporated on March 16, 1999 as Gesco Corporation Private Limited. The name was changed to Gesco Corporation Limited on August 25, 1999 and to Mahindra Gesco Developers Limited on December 24, 2002 and then to Mahindra Lifespace Developers Limited on October 25, 2007. Initially its registered office was located at 8th Floor, World Trade Centre, Cuff Parade, Mumbai – 400 001. On January 1, 2003 it was shifted to Mahindra Towers, 5th Floor, Worli, Mumbai – 400 018. The company is directly engaged in the business of development of real estate, residential facilities, commercial complexes, and through its subsidiary companies is involved in various infrastructure projects including development of Special Economic Zones.

#### Shareholding Pattern

The following is the shareholding of MLDL as on May 31, 2009:

Category Code	Category of shareholder	No. of shareholders	Total No. of shares	No. of shares held in dematerialised form	Total shareholding as a percentage of total no. of shares		Shares Pledged or otherwise encumbered	
					As a percentage of (A+B)	As a percentage of (A+B+C)	Number of shares	As a percentage
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)=(VIII)/(IV)*100
(A)	Shareholding of Promoter and Promoter and Group 2							
1)	Indian							
(a)	Individuals/Hindu Undivided Family	-	-	-	-	-		
(b)	Central Government/State Government(s)				-	-		
(c)	Bodies Corporate	1	20,846,126	20,846,126	51.08	51.0820	0	0
(d)	Financial Institutions/Banks				-	-		
(e)	Any Other (Specify) (Trust)	-	-	-	-	-		
	<b>SUB TOTAL (A)(1)</b>	<b>1</b>	<b>20,846,126</b>	<b>20,846,126</b>	<b>51.08</b>	<b>51.08</b>	Nil	Nil
2)	Foreign				-	-		
(a)	Individuals (Non-Resident Individuals/Foreign Individuals)				-	-		
(b)	Bodies Corporate				-	-		
(c)	Institutions/FII				-	-		
(d)	Any other (Specify)				-	-		
	<b>SUB TOTAL (A)(2)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		

Category Code	Category of shareholder	No. of shareholders	Total No. of shares	No. of shares held in dematerialised form	Total shareholding as a percentage of total no. of shares		Shares Pledged or otherwise encumbered	
					As a percentage of (A+B)	As a percentage of (A+B+C)	Number of shares	As a percentage
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)=(VIII)/(IV)*100
	<b>Total Shareholding of Promoter and Promoter Group (A)=(A)(1)+(A)(2)</b>	<b>1</b>	<b>20,846,126</b>	<b>20,846,126</b>	<b>51.08</b>	<b>51.08</b>		
<b>(B)</b>	<b>Public shareholding<sup>3</sup></b>				-	-		
1)	Institutions				-	-		
(a)	Mutual Funds / UTI	31	3,078,212	3,076,244	7.54	7.54		
(b)	Financial Institutions/Banks	118	72,465	66,959	0.18	0.18		
(c)	Central Government/State Government(s)	-	-	-	-	-		
(d)	Venture Capital Fund	-	-	-	-	-		
(e)	Insurance Companies	7	376,065	376,009	0.92	0.92		
(f)	Foreign Institutional Investors	75	9,894,169	9,891,402	24.24	24.24		
(g)	Foreign Venture Capital Investors		-	-	-	-		
[h]	Any Other							
	<b>Sub-Total(B) (1)</b>	<b>231</b>	<b>13,420,911</b>	<b>13,410,614</b>	<b>32.89</b>	<b>32.89</b>		
<b>2)</b>	<b>Non-Institutions</b>				-	-		
(a)	Bodies Corporate	1,541	1,016,222	1,003,857	2.49	2.49		
(b)	Individuals				-	-		
	i) Individual shareholders holding nominal share Capital up to Rs.1 lakh	85,172	4,420,232	3,596,268	10.83	10.83		
	ii) Individual shareholders holding nominal share capital in excess of Rs.1lakh	12	737,555	737,555	1.81	1.81		
(c)	Non-Resident Indians	785	246,337	240,424	0.60	0.60		
(c)	Overseas Corporate Bodies	12	389	103	0.00	0.00		
(c)	Trust	10	3,008	3,008	0.01	0.01		
	<b>Sub-Total(B) (2)</b>	<b>87,532</b>	<b>6,423,743</b>	<b>5,581,215</b>	<b>15.74</b>	<b>15.74</b>		
	<b>Total Public Shareholding (B)=(B)(1)+(B)(2)</b>	<b>87,763</b>	<b>19,844,654</b>	<b>18,991,829</b>	<b>48.63</b>	<b>48.63</b>		
	<b>Total (A)+(B)</b>	<b>87,764</b>	<b>40,690,780</b>	<b>39,837,955</b>	<b>99.86</b>	<b>99.71</b>		
<b>C)</b>	<b>Shares held by Custodians and against which Depository Receipts have been issued</b>	<b>2</b>	<b>118,370</b>	<b>118,090</b>		<b>0.29</b>		
	<b>GRAND TOTAL (A)+(B)+(C)</b>	<b>87,766</b>	<b>40,809,150</b>	<b>39,956,045</b>	<b>99.86</b>	<b>100.00</b>		

**(1) (b) Statement showing shareholding of persons belonging to the category "Promoter and Promoter Group"**

Sr. No.	Name of the shareholder	Total shares held		Shares pledged or otherwise encumbered		
		Number	As a % of	Number	As a percentage	As a % of

			grand total (A)+(B)+©			grand total (A)+(B)+© of sub- clause (I)(a) (VII)
(I)	(II)	(III)	(IV)	(V)	(VI)=(V)/(III)*100	(VII)
1	MAHINDRA & MAHINDRA LTD	20846126	51.08	Nil	Nil	Nil
<b>TOTAL</b>		<b>20846126</b>	<b>51.08</b>			

(1) c) Statement showing shareholding of persons belonging to the category "Public" and holding more than 1% of the total number of shares

Sr. No.	Name of the shareholder	No. of shares	Shares as percentage of total no. of shares {i.e. Grand Total(A)+(B)+C} indicated in statement at para(1)(a) above}
1	HSBC GLOBAL INVESTMENT FUNDS A/C HSBC	2027834	4.97
2	SWISS FINANCE CORPORATION (MAURITIUS) LIMITED	1720117	4.22
4	FID FUNDS (MAURITIUS) LIMITED	1290045	3.16
3	CLSA (MAURITIUS) LIMITED	1156342	2.83
5	COPTHALL MAURITIUS INVESTMENT LTD	1034784	2.54
6	DSP BLACKROCK INDIA T.I.G.E.R. FUND	900289	2.21
7	CAAM FUNDS INDIA	800000	1.96
9	SBIMG-SBI INFRASTRUCTURE FUND - SERIES I	554845	1.36
10	VERITABLE L.P. A/C VEMF - A.L.P.	416412	1.02
<b>TOTAL</b>		<b>9900668</b>	<b>24.26</b>

(1) (d) Statement showing details of locked in shares

Sr. No.	Name of shareholder	No. of locked-in shares	Locked-in shares as percentage of total no. of shares {i.e. Grand Total(A)+(B)+C} indicated in statement at para(1)(a) above}
1	MAHINDRA & MAHINDRA LTD	3780000	9.26 Lock-in release date August 4, 2009
<b>TOTAL</b>		<b>3780000</b>	<b>9.26</b> Lock-in release date August 4, 2009

(II) (a) Statement showing details of Depository Receipts (DRS)

Sr. No.	Type of outstanding Dr (ADRs, GDRs, SDRs, etc)	No. of shares	No. of shares underlying outstanding DRs	Shares underlying outstanding DRs as a percentage of total no. of shares {I.e. Grand Total (A)+(B)+C} indicated in Statement at para (1)(a)above}
1	THE BANK OF NEW YORK (GDR's)	23674	118370	0.06
<b>TOTAL</b>		<b>23674</b>	<b>118370</b>	<b>0.06</b>

(II) (b) Statement showing holding of Depository Receipts (DRs) where underlying shares are in excess of 1% of the total no. of shares

Sr. No.	Name of the DR Holder	Type of outstanding DR(ADRs, GDRs,	No. of shares underlying outstanding DRs.	Shares underlying outstanding DRs as a percentage of total no. of shares {I.e. Grand Total (A)+(B)+C} indicated in Statement at para (1)(a)above}
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	SDRs, etc.)			
NA	NA	NA	NA	NA
<b>TOTAL</b>				

In addition, MLDL has issued 0.1 crores preference shares to Mahindra Holdings and Finance Limited (“MHFL”). Pursuant to the amalgamation of MHFL with M&M, the said preference shares held by MHFL are transferred to M&M.

### **Board of Directors**

<b>Name</b>	<b>Nature of directorship/ designation</b>
Mr. Anand G. Mahindra	Chairman
Mr. Arun K Nanda	Vice-Chairman
Mr. Pawan Kumar Malhotra	Managing Director
Mr. Uday Y. Phadke	Director
Mr. Sanjiv Kapoor	Director
Mr. Shailesh Haribhakti	Director
Mr. Anil Harish	Director
Dr. Prakash Hebalkar	Director

### **Financial Performance**

*In Rs crores (Except per share data)*

	<b>For the Year ending March 31, 2009</b>	<b>For the year ending March 31, 2008</b>	<b>For the year ending March 31, 2007</b>
Equity capital	40.85	40.85	39.95
Reserves and surplus (excluding revaluation reserves)	846.14	812.94	716.29
Total revenue	197.94	219.96	163.25
Profit after tax	46.36	65.39	14.17
EPS (Rs)	11.06	16.0	3.6
NAV per share (Rs)	220.49	211.7	41.2

### **Information about Share Price**

The securities of MLDL are listed on BSE and NSE. Monthly high and low of the market price of the shares on BSE and NSE for the last six months are as follows:

<b>Months</b>	<b>BSE</b>		<b>NSE</b>	
	<b>High (Rs.)</b>	<b>Low (Rs.)</b>	<b>High (Rs.)</b>	<b>Low (Rs.)</b>
December, 2008	194.85	152.45	194.85	152.10
January, 2009	191.00	127.00	191.00	125.00
February, 2009	169.00	94.50	168.00	93.60
March, 2009	143.00	83.40	143.00	83.25
April, 2009	218.00	131.00	218.50	130.00
May, 2009	299.00	171.05	298.55	171.60

Source: [www.bseindia.com](http://www.bseindia.com) and [www.nseindia.com](http://www.nseindia.com)

### **Details of public issue/ rights issue**

- a. There have been no public issues or rights issue made by MLDL as the shares were issued and listed subsequent to the following Schemes of Arrangement:
  1. Scheme of Arrangement between GESCO Corporation Limited and The Great Eastern Shipping Co. Limited approved by the High Court, Mumbai, by order dated August 26, 1999 effective April 1, 1999.
  2. Scheme of Arrangement between GESCO Corporation Limited and Mahindra Realty and Infrastructure Developers Limited approved by the High Court, Mumbai, by order dated October 24, 2001 as amended on December 5, 2001 effective April 1, 2001.

- b. On October 5, 2006 MLDL issued 6,000,000 equity shares under Qualified Institutional Placement pursuant to Chapter XIII-A of the SEBI (DIP) Guidelines.
- c. On August 4, 2006, MLDL allotted 3,780,000 warrants under Chapter XIII of the SEBI (DIP) Guidelines to its Promoters, convertible at the option of the Promoters within 18 months into equal numbers of equity shares. On March 30, 2007 the promoters exercised their option to convert 2,919,000 warrants into equity shares and on January 31, 2008, balance 861,000 warrants were converted into equal number of equity shares at a conversion price of Rs. 526 per warrant.

#### ***Promise v/s Performance***

As there has been no public issue, no promises had been made.

#### ***Mechanism for redressal of investor grievance***

The Registrar & Transfer Agents (RTA) of the company, M/s. Sharepro Services (I) Private Limited attend to correspondence with the shareholders/ investors. RTA submits its periodical report on the complaints received, resolved and pending to the company secretary & compliance officer of the company. At every Board meeting, the Board reviews the status of Investor's complaints, if any. The Board has constituted a shareholder's and investor's grievance committee to look into the complaints pertaining to transfers/ transmission of shares, non-receipt of dividend / interest, and any other related matters. Typically the investor grievances are dealt within 14 days of filing the complaint.

The exact status of the redressal of investor grievances as on May 31, 2009 in terms of number of investor complaints received, resolved and pending for the period January 1, 2005 to May 31, 2009 is as under:

Received	Resolved	Pending
69	69	Nil

#### **4. Mahindra Forgings Limited**

Mahindra Forgings Limited ("MFL") was originally incorporated in the name of Mahindra Automotive Steels Limited and commenced business on August 13, 1999. Its name was changed from Mahindra Automotive Steels Private Limited to Mahindra Automotive Steels Limited on April 4, 2006. Further the name of MFL was changed from 'Mahindra Automotive Steels Limited' to 'Mahindra Forgings Limited' on September 26, 2006. Its registered office is located at Mahindra Towers, P.K. Kurne Chowk, Worli, Mumbai – 400 018.

MFL is currently carrying on the business of manufacture of forging components such as Crank Shaft, Steering Knuckles etc.

#### ***Shareholding Pattern***

The following is the shareholding of Mahindra Forgings Limited as on May 31, 2009:

Category Code	Category of shareholder	No. of shareholders	Total numbers of shares	Number of shares held in dematerialised form	Total shareholding as a percentage of total number of shares		Shares pledged or otherwise encumbered	
					As a percentage of (A+B)	As a percentage of (A+B+C)	Number of shares	As a Percentage (IX) = (VIII)/(IV)* 100
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	
(A)	Shareholding of Promoter and Promoter Group							
1)	Indian							

Category Code	Category of shareholder	No. of shareholders	Total numbers of shares	Number of shares held in dematerialised form	Total shareholding as a percentage of total number of shares		Shares pledged or otherwise encumbered	
					As a percentage of (A+B)	As a percentage of (A+B+C)	Number of shares	As a Percentage (IX) = (VIII)/(IV)* 100
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	
(a)	Individuals/Hindu Undivided Family	0	0	0	0.00	0.00	0	0.00
(b)	Central Government/State Government(s)	0	0	0	0.00	0.00	0	0.00
(c)	Bodies Corporate	1	41526339	41526329	60.56	60.56	0	0.00
(d)	Financial Institutions/Banks	0	0	0	0.00	0.00	0	0.00
(e)	Any other (Specify)	0	0	0	0.00	0.00	0	0.00
	<b>SUB TOTAL (A)(1)</b>	<b>1</b>	<b>41526339</b>	<b>41526329</b>	<b>60.56</b>	<b>60.56</b>	<b>0</b>	<b>0.00</b>
<b>2)</b>	<b>Foreign</b>							
(a)	Individuals (Non-Resident Individuals/Foreign Individuals)	0	0	0	0.00	0.00	0	0.00
(b)	Bodies Corporate	0	0	0	0.00	0.00	0	0.00
(c)	Institutions/FII	0	0	0	0.00	0.00	0	0.00
(d)	Any other (Specify)	0	0	0	0.00	0.00	0	0.00
	<b>SUB TOTAL (A)(2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>	<b>0</b>	<b>0.00</b>
	<b>Total Shareholding of Promoter and Promoter Group (A)=(A)(1)+(A)(2)</b>	<b>1</b>	<b>41526339</b>	<b>41526329</b>	<b>60.56</b>	<b>60.56</b>	<b>0</b>	<b>0.00</b>
<b>(B)</b>	<b>Public shareholding</b>						N.A	N.A
<b>1)</b>	<b>Institutions</b>						N.A	N.A
(a)	Mutual Funds/UTI	7	4480	240	0.01	0.01		
(b)	Financial Institutions/Banks	3	90	65	0.00	0.00		
(c)	Central Government/State Government(s)	0	0	0	0.00	0.00		
(d)	Venture Capital Fund	0	0	0	0.00	0.00		
(e)	Insurance Companies	2	24855	24855	0.04	0.04		
(f)	Foreign Institutional Investors	2	1135748	1135748	1.66	1.66		
(g)	Foreign Venture Capital Investors	0	0	0	0.00	0.00		
(h)	Any other (Specify)	0	0	0	0.00	0.00		
	<b>SUB TOTAL (B) (1)</b>	<b>14</b>	<b>1165173</b>	<b>1160908</b>	<b>1.70</b>	<b>1.70</b>		
<b>2)</b>	<b>Non-Institutions</b>						N.A	N.A
(a)	Bodies Corporate	380	7487417	7465374	10.92	10.92		
(b)	Individuals -							
	i) Individual shareholders holding nominal share Capital up to Rs.1 lakh	18029	2005348	1582642	2.92	2.92		
	ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	46	3125582	3042982	4.56	4.56		
(c)	Any other (Specify)							
	Clearing Member	141	1459976	1459976	2.13	2.13		
	Foreign Companies	3	11691916	8257959	17.05	17.05		
	NRI (Repatriate)	382	105985	72280	0.15	0.15		
	<b>SUB TOTAL (B) (2)</b>	<b>18981</b>	<b>25876224</b>	<b>21881213</b>	<b>37.74</b>	<b>37.73</b>		
	<b>Total Public Shareholding (B)=(B)(1)+(B)(2)</b>	<b>18995</b>	<b>27041397</b>	<b>23042121</b>	<b>39.44</b>	<b>39.43</b>	<b>NA</b>	<b>NA</b>
	<b>TOTAL (A)+(B)</b>	<b>18996</b>	<b>68567736</b>	<b>64568450</b>	<b>100.00</b>	<b>100.00</b>		
<b>(C)</b>	<b>Shares held by Custodians and against which Depository Receipts have been issued</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>NA</b>		<b>NA</b>	<b>NA</b>

Category Code	Category of shareholder	No. of shareholders	Total numbers of shares	Number of shares held in dematerialised form	Total shareholding as a percentage of total number of shares		Shares pledged or otherwise encumbered	
					As a percentage of (A+B)	As a percentage of (A+B+C)	Number of shares	As a Percentage (IX) = (VIII)/(IV)* 100
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)
	GRAND TOTAL (A)+(B)+(C)	18996	68567736	64568450	NA	100.00		

**(I)(b) Statement showing shareholding of persons belonging to the category "Promoter and Promoter Group"**

Sr. No.	Name of the Shareholder	Total shares held			Shares pledged or otherwise encumbered		
		Sub Total	Total Number	As a % of grand total (A)+(B)+(C)	Number	As per percentage (VI)=(V)/(III)* 100	As a % of grand total (A)+(B)+(C) of sub-clause (I)(a)
(I)	(II)		(III)	(IV)	(V)	(VI)	(VII)
1	Mahindra & Mahindra Limited	41526339	60.56	0	0.00	0.00	0.00
	<b>TOTAL</b>	<b>41526339</b>	<b>60.56</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

**(I) (c) Statement showing shareholding of persons belonging to the category "Public" and holding more than 1 % of the total number of shares**

Sr. No.	Name of the shareholder	No. of shares	Shares as a percentage of total no. of shares {i.e. Grand Total (A)+(B)+(C) indicated in statement at para(I)(a) above}
1	Scholz AG	8257959	12.04
2	Viniyog Investment and Trading Co P Ltd	2934700	4.28
3	Promethean I Limited	2258447	3.29
4	Nainesh Invest & Trading Co Pvt Ltd	2208211	3.22
5	Puneet Makar	1830802	2.67
6	Thomas Korner GMBH	1175510	1.71
7	HSBC Bank (Mauritius) Limited	1035748	1.51
	<b>TOTAL</b>	<b>19701377</b>	<b>28.73</b>

**(1) (d) Statement showing details of locked in shares**

Sr. No.	Name of shareholder	Category of Shareholders (Promoters/ Public)	No. of locked-in shares	Locked-in shares as percentage of total no. of shares {i.e. Grand Total (A)+(B)+(C) indicated in statement at para(I)(a) above}
1	Mahindra & Mahindra Limited	Promoter & Promoter Group	23337158	34.04
	<b>TOTAL</b>		<b>23337158</b>	<b>34.04</b>

**(II)(a) Statement showing holding of Depository Receipts (DRs) where underlying shares are in excess of 1 % of the total no. of shares**

Sr. No.	Type of outstanding DR (ADRs, GDRs, SDRs, etc)	No. of outstanding DRs	No. of shares underlying outstanding	Shares underlying outstanding DRs as a percentage of total Number of shares (i.e. Grand Total (A)+(B)+
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			DRs	(C ) indicated in the statement at para(I)(a) above)
NIL				

**(II) (b) Statement showing holding of Depository Receipts (DRs) where underlying shares are in excess of 1% of the total no. of shares**

Sr. No.	Name of the DR Holder	Type of outstanding DR (ADRs, GDRs, SDRs, etc.)	No. of shares underlying outstanding DRs.	Shares underlying outstanding DRs as a percentage of total Number of shares (i.e. Grand Total (A)+(B)+(C) indicated in the statement at para(I)(a) above)
NIL				

**Board of Directors**

Name	Nature of directorship/ designation
Mr. Anand G. Mahindra	Chairman
Mr. Hemant Luthra	Director
Mr. Deepak Dheer	Managing Director
Mr. Zhooben Bhiwandiwalla	Director
Mr. Nikhilesh Panchal	Director
Mr. V. K. Chanana	Director
Mr. Fali P. Mama	Director
Mr. Mohit Burman	Director
Mr. Harald Korte	Director
Mr. Oliver Scholz	Director
Mr. Piyush Mankad	Director
Mr. Daljit Mirchandani	Director

**Financial Performance**

	In Rs crores (except per share data)		
	For the year ending March 31, 2009	For the year ending March 31, 2008	For the year ending March 31, 2007
Equity capital	68.57	68.57	28.02
Reserves and surplus (excluding revaluation reserves)	632.45	695.44	116.39
Total revenue	242.46	220.95	217.00
Profit after tax	(41.40)	(14.17)	(12.53)
EPS (Rs.)	(6.04)	(2.07)	(4.97)
NAV per share (Rs.)	97.87	103.85	17.27

**Information about Share Price**

The equity shares of MFL are listed on the BSE and the NSE. Monthly high and low of the market price of the equity shares of MFL on BSE and NSE in the last six months are as follows:

Months	BSE		NSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
December, 2008	61.00	47.35	62.00	47.10
January, 2009	57.75	41.35	59.50	40.30
February, 2009	54.75	40.00	56.00	41.45
March, 2009	51.25	35.35	52.30	36.40
April, 2009	52.00	36.75	51.90	37.00
May, 2009	69.40	42.35	69.00	41.10

Source: [www.bseindia.com](http://www.bseindia.com) and [www.nseindia.com](http://www.nseindia.com)

**Details of the last public/ rights issue made**

MFL has made no issue of its shares in the last three years, saved as described below:

1. MFL had issued 82,11,866 equity shares of Rs 10 each for cash at par to M&M on July 1, 2005;
2. MFL has issued 1,48,20,206 equity shares of Rs. 10 each and 1,48,20,206 preference shares of Rs. 31 each for cash at par to existing shareholders of Amforge Industries Ltd. pursuant to Bombay High Court Order approving the Scheme of Arrangement on May 22, 2006;
3. MFL has issued 49,78,444 equity shares of Rs. 10 each for cash at premium of Rs. 87.42 to existing shareholders of Amforge Industries Ltd. pursuant to order of the Bombay High Court approving the Scheme of Arrangement on May 23, 2006.

***Promise v/s performance:***

The rights issue mentioned above was made by MFL to M&M when MFL was a private Limited company. Such shares were not issued to public.

The issue of shares by MFL to shareholders of Amforge Industries Limited (Amforge) as mentioned above were made pursuant to the Scheme of Arrangement and no promises were made for such issues.

***Mechanism for redressal of investor grievance***

For redressal of investor grievances, MFL has nominated its Company Secretary & GM – Legal as the compliance officer. The compliance officer is responsible for attending to investor queries and complaints. Detailed status of investor complaints and complaints from regulatory authorities received during a quarter and the action taken thereon, is presented before the Board of Directors on a quarterly basis for their review and comments/ suggestions.

Generally, investors' queries are attended promptly and the complaints are resolved promptly. MFL confirms that its name has not appeared in the list of SEBI with the highest number of outstanding investor complaints.

The exact status of the redressal of investor grievances as on May 31, 2009 in terms of number of investor complaints received, resolved and pending for the period April 1, 2006 to May 31, 2009 is as under:

Received	Resolved	Pending
2	2	Nil

**5. Mahindra Ugine Steel Company Limited (“MUSCO”)**

Mahindra Ugine Steel Company Limited was incorporated on December 19, 1962 as a public company and received its certificate of commencement of business on May 16, 1963. Its registered office is located at 74, Ganesh Apartment, Opp. Sitaladevi Temple, L.J. Road, Mahim (W), Mumbai- 400 016. It is involved in manufacture of alloy steel for both automotive and non-automotive applications, while its stamping division serves the automotive industry.

***Shareholding Pattern***

The following is the shareholding of Mahindra Ugine Steel Company Limited as on May 31, 2009:

Category Code	Category of Shareholders	Number of Shareholders	Total No. of shares	Number of shares held in demated form	Total shareholding as a percentage of total number of shares As a percentage of (A+B)1	Shares pledged or Otherwise encumbered		
						Number of Shares (A+B+C)		As a %
(A)	Shareholding of Promoter and Promoter Group2							
(I)	Indian							
(a)	Individuals/H.U.F	7	20040	15953	0.06	0.06	0	
(b)	Cental/State Government(s)	0	0	0	0.00	0.00	0	0
(c)	Bodies Corporate	4	18016789	17512789	55.47	55.47		

					Total shareholding as a percentage of total number of shares As a percentage of	Shares pledged or Otherwise encumbered		
						Number of Shares	As a %	
(d)	Financial Institutions/Banks							
(e)	Any Other (specify)							
	Sub-Total (A)(1)	11	18036829	17528742	55.53	55.53	0	0
<b>(2)</b>	<b>Foreign</b>							
(a)	Non Resident Individuals/ Foreign Nationals	0	0	0	0.00	0	0	0
(b)	Bodies Corporate	1	1000	0	0.00	0.00		0.00
(c)	Institutions							0.00
(d)	Any Other (specify)							0.00
	Sub-Total (A)(2)	1	1000	0	0.00	0.00	0.00	0.00
	Total holding of Promoter and Promoter Group (A)=(A)(1)+(A)(2)	12	18037829	17528742	55.53	55.53	0.00	0.00
<b>(B)</b>	<b>Public shareholding</b>							
<b>(1)</b>	<b>Institutions</b>							
(a)	Mutual Funds/UTI	10	196990	187324	0.61	0.61		
(b)	Financial Institutions/Banks	8	944	944	0.00	0.00		
(c)	Central Government/State Government(s)	0	0	0	0.00	0.00		
(d)	Venture Capital Fund							
(e)	Insurance Companies	7	2183270	2182670	6.72	6.72		
(f)	Foreign Institutional Investors	7	1234320	1229370	3.80	3.80		
(g)	Foreign Venture Capital Investors							
	<b>SUB TOTAL (B) (1)</b>	<b>32</b>	<b>3615524</b>	<b>3600308</b>	<b>11.13</b>	<b>11.13</b>	<b>N . A.</b>	<b>N .A.</b>
<b>2)</b>	<b>Non-Institutions</b>							
(a)	Bodies Corporate	723	2180258	2147223	6.71	6.71		
(b)	Individuals -							
	i) Individual shareholders holding nominal share Capital up to Rs.1 lakh	23661	5898828	5209588	18.16	18.16		
	ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	40	2568132	2568132	7.91	7.91		
(c)	Any other (Specify)							
	OCBs							
	NRI	290	181679	175457	0.56	0.56		
	Any others (Specify)	3	279	279	0.00	0.00		
	<b>SUB TOTAL (B) (2)</b>	<b>24717</b>	<b>10829176</b>	<b>10100679</b>	<b>33.34</b>	<b>33.34</b>	<b>N . A.</b>	<b>N. A.</b>
	<b>Total Public Shareholding (B)=(B)(1)+(B)(2)</b>	<b>24749</b>	<b>14444700</b>	<b>13700987</b>	<b>44.47</b>	<b>44.47</b>		
	<b>TOTAL (A)+(B)</b>	<b>24761</b>	<b>32482529</b>	<b>31229729</b>	<b>100.00</b>	<b>100.00</b>	<b>N . A.</b>	<b>N. A.</b>
<b>(C)</b>	<b>Shares held by Custodians and against which Depository Receipts have been issued</b>				0.00	0.00	<b>N . A.</b>	<b>N. A.</b>
	<b>GRAND TOTAL (A)+(B)+(C)</b>	<b>24761</b>	<b>32482529</b>	<b>31229729</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>0.00</b>

**(I) (b) Statement showing Shareholding of persons belonging to the category Promoter and Promoter Group**

Sr.No.	Name of the shareholder	Number of shares	Shares as a percentage of total number of shares (i.e. Grand total of (A)+(b)+( C ) indicated in statement at para (I)(a) above)	Shares pledged or Otherwise encumbered		As a % of grand total A+B+C of sub-clause ( I )( a )
				Number of Shares	As a %	
1	Mahindra & Mahindra Limited	16466789	50.6943			
2	SIBYL Finvest Private Limited	523000	1.6101			
3	Veekam Finvest Private Limited	523000	1.6101			
4	Port investment co. Pvt. Limited	504000	1.5516			
5	Indira H Mahindra	13617	0.0419			
6	Veerajan Nath	4050	0.0125			
7	Keshub Mahindra	1231	0.0038			
8	Nouvelle Compagnie Financiere Pour	1000	0.0031			
9	Divya Mahindra	650	0.0020			

10	Indira H Mahindra	402	0.0012				
11	Indira H Mahindra	53	0.0002				
12	Radhika Nath	37	0.0001				
<b>Total</b>		<b>18037829</b>	<b>55.53</b>		0.00	0.00	0

**(1) c) Statement showing shareholding of persons belonging to the category "Public" and holding more than 1% of the total number of shares**

Sr. No.	Name of the shareholder	No. of shares	Shares as percentage of total no. of shares {i.e.Grand Total(A)+(B)+C} indicated in statement at para(1)(a) above}
1	Life Insurance Corporation of India	1538559	4.74
2	Girdharilal Agrawal	1354741	4.17
3	Hsbc Global Inv.Funds A/C.HSBC	1203470	3.70
<b>Total</b>		<b>4096770</b>	<b>12.61</b>

**(1) (d) Statement showing details of locked in shares**

Sr. No.	Name of shareholder		No. of locked-in shares	Locked-in shares as percentage of total no. of shares {i.e.Grand Total(A)+(B)+C} indicated in statement at para(1)(a) above}
1	Sibyl Finvest Pvt. Ltd.	Promoter	130750	0.40
2	Veekam Finvest Pvt. Ltd.	Promoter	130750	0.40
3	Port Investment Co. Pvt. Ltd.	Promoter	126000	0.39
4	Birbali D Prasad Verma	Public	105	0.00
5	R M Narker	Public	105	0.00
<b>TOTAL</b>			<b>387710</b>	<b>1.19</b>

**(II) (a) Statement showing details of Depository Receipts (DRs)**

Sr.No.	Type of outstanding DR (ADRs, GDRs, SDRs. Etc.)	Number of outstanding DRs	Number of shares underlying outstanding DRs	Shares underlying outstanding DRs as a percentage of total number of shares {i.e.Grand Total of (A)+(B)+( C) indicated in Statement at para (I)(a) above
<b>N I L</b>				

**(II) (a) Statement showing holding of Depository Receipts (DRs) here underlying shares are in excess of 1% of the total number of shares**

Sr.No.	Name of the DR holder.	Type of outstanding DR (ADRs, GDRs, SDRs. etc.)	Number of shares underlying outstanding DRs	Shares underlying outstanding DRs as a percentage of total number of shares {i.e.Grand Total of (A)+(B)+( C) indicated in Statement at para (I)(a) above
<b>N I L</b>				

**Board of Directors**

Name	Nature of directorship/ designation
Mr. Keshub Mahindra	Chairman
Mr. Anand G. Mahindra	Vice Chairman
Mr. K.V. Ramarathnam	Managing Director
Mr. Hemant Luthra	Director
Dr. H. N. Sethna	Director

Mr. M. R. Ramachandran	Director
Mr. K.B. Saha	(Nominee Director-LIC)
Mr. R. R. Krishnan	Director
Mr. S. Ravi	Director
Mr. Arun Maira	Director
Mr. Manoj Kumar Maheshwari	Director
Mr. Harsh Kumar	Director

### Financial Performance:

*In Rs crores (except per share data)*

	For the year ending March 31, 2009	For the year ending March 31, 2008	For the year ending March 31, 2007
Equity capital	32.48	32.48	32.48
Reserves and surplus (excluding revaluation reserves)	136.56	155.39	137.30
Total revenue	1075.18	924.94	718.91
Profit after tax	(18.83)	29.49	44.90
EPS (Rs.)	(5.80)	9.08	13.75
NAV per share (Rs.)	52.44	58.18	52.39

### Information about Share Price

The securities of Mahindra UGINE Steel Co. Limited are listed on BSE, NSE and Calcutta Stock Exchange Association Limited. Monthly high and low of the market price of the shares on BSE for the last six months are as follows:

Months	BSE		NSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
December, 2008	26.50	19.85	27.00	20.45
January, 2009	26.85	19.00	27.00	19.00
February, 2009	21.80	17.90	21.45	17.85
March, 2009	23.00	17.15	22.85	17.00
April, 2009	30.70	20.50	31.70	20.70
May, 2009	39.50	24.00	39.45	23.60

Source: [www.bseindia.com](http://www.bseindia.com); [www.nseindia.com](http://www.nseindia.com)

### Details of the last public/ rights issue made

Mahindra UGINE Steel Co. Limited has not made any public or rights issue in the last three years.

### Promise v/s performance

As there has been no public issue, no promises had been made.

### Mechanism for redressal of investor grievance

Mahindra UGINE Steel Co. Limited has an Investors' Grievance Committee which meets periodically to deal with matters relating to transfer/ transmission of shares (through Share Transfer sub Committee), issue of duplicate shares and monitors redressal of complaints from shareholders. Typically the investor grievances are dealt within 12 days of filing the complaint.

The exact status of the redressal of investor grievances as on May 31, 2009 in terms of number of investor complaints received, resolved and pending for the period from January 1, 2006 to May 31, 2009 is as under:

Received	Resolved	Pending
17	17	0

### Interest of our Promoter

Our Promoter is interested in our Company to the extent that it has promoted our Company and its shareholding in our Company. Further, there is a current account balance of Rs. 0.154 crores receivable from our Company in the books of Mahindra and Mahindra Limited as on November 30, 2007.

### Sick Company

Except Mahindra Gujarat Tractor Limited which has been declared as a sick company by BIFR, none of our other companies forming part of our Promoter Group have been declared sick in the past.

### Promoter Group companies under liquidation:

Financial details of the Promoter Group companies under liquidation are as below:

- 1) Machinery Manufacturers Corporation Limited

Machinery Manufacturers Corporation Limited has been directed for winding up vide order dated April 26, 1989 by the High Court of Judicature at Bombay. All records of the company had been handed over to the liquidator appointed by the High Court. The last available financial information of the company is as below:

### Financial information

<i>In Rs crores (except per share data)</i>	
	<b>For the year ending September 30, 1987</b>
Equity Capital	3.56
Reserves and Surplus (excluding revaluation reserves)	-30.35
Total revenue	15.77
Profit (Loss) after Tax	(13.32)
EPS (Rs.)	(42.13)
NAV per share (Rs.)	-77.96

- 2) Montreal Engineering International Limited is under Members' Voluntary winding up since December 14, 1979 and all the records have been handed over to the liquidator. The financial information is thus not available.
- 3) Triton Overwater Transport Agency Limited was in the business of providing ferry water hovercraft services and its operations were rendered unviable due to a variety of reasons including the lack of adequate infrastructure at landing points, suspension of services during monsoons and high operational costs. The company is under liquidation. All records of the company had been handed over to the liquidator appointed by the High Court. The last available financial information of the company is as below:

### Financial information

*In Rs crores (except per share data)*

	For the year ending March 31, 2003
Equity Capital	2.65
Reserves and Surplus (excluding revaluation reserves)	-18.63
Total revenue	Nil
Profit (Loss) after Tax	(1.99)
EPS (Rs.)	(8.29)
NAV per share (Rs.)	-66.66

4) Roplas (India) Limited

The High Court of Judicature, Bombay passed a winding up order dated January 23, 2003 for winding up of Roplas (India) Limited. All records of the company had been handed over to the liquidator appointed by the High Court. The last available financial information of the company is as below:

**Financial information**

	<i>In Rs crores (except per share data)</i> For the year ending March 31, 2001
Equity Capital	0.48
Reserves and Surplus (excluding revaluation reserves)	(9.55)
Total revenue	7.04
Profit (Loss) after Tax	(8.87)
EPS (Rs.)	-184.76
NAV per share (Rs.)	-188.90

**Promoter Group companies with negative net worth**

Financial details of the Promoter Group companies which have negative net worth as on March 31, 2009 are as below:

1) Mahindra Renault Private Limited

	<i>(Rs. in crores) (except per share data)</i>		
	For the year ending March 31, 2009	For the year ending March 31, 2008	For the year ending March 31, 2007
Equity capital	199.26	199.26	170.55
Reserves and surplus (excluding revaluation reserves)	(478.13)	12.08	34.67
Total revenue	741.17	1252.48	1.96
Profit after tax	(490.21)	(42.64)	(36.05)
EPS (Rs)	-ve	-2.29	-3.27
NAV per share (Rs)	-ve	10.61	12.03

2) Mahindra Gujarat Tractor Limited

	<i>(Rs. in crores) (except per share data)</i>		
	For the year ending March 31, 2009	For the year ending March 31, 2008	For the year ending March 31, 2007
Equity capital	20.30	20.30	20.30
Reserves and surplus (excluding revaluation reserves)	(42.67)	41.28	42.51
Total revenue	74.38	80.11	80.35
Profit after tax	(1.39)	1.23	0.18
EPS (Rs)	-ve	0.48	-0.2

NAV per share (Rs)	-ve	-ve	-ve
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3) Stokes Group Limited

(Rs. in crores) (except per share data)

	For the year ending March 31, 2009	For the year ending March 31, 2008	For the year ending March 31, 2007
Equity capital	4.00	4.35	2.11
Reserves and surplus (excluding revaluation reserves)	(23.74)	22.09	21.57
Total revenue	218.79	-	-
Profit after tax	(54.84)	-	-
EPS (Rs)	-ve	-	-
NAV per share (Rs)	-ve	-	-

4) Tech Mahindra (Beijing) IT Services Limited

(Rs. in crores) (except per share data)

	For the year ending March 31, 2009	For the year ending March 31, 2008
Equity capital	1.06	0.27
Reserves and surplus (excluding revaluation reserves)	(1.97)	(0.03)
Total revenue	-	-
Profit after tax	(1.47)	(0.25)
EPS (Rs)	-ve	-ve
NAV per share (Rs)	-ve	-ve

(Note: being recently incorporated, the financial information of Tech Mahindra (Beijing) IT Services Limited is available for the fiscal 2008 and 2009 only).

5) Mahindra Areospace Private Limited

(Rs. in crores) (except per share data)

	For the year ending March 31, 2009	For the year ending March 31, 2008
Equity capital	0.05	0.05
Reserves and surplus (excluding revaluation reserves)	(0.38)	-
Total revenue	-	-
Profit after tax	(0.26)	-
EPS (Rs)	-ve	-
NAV per share (Rs)	-ve	-

(Note: being recently incorporated, the financial information of Mahindra Aerospace Limited is available for the fiscal 2008 and 2009 only).

6) Mahindra Technologies Incorporated

(Rs. in crores) (except per share data)

	For the year ending March 31, 2009
Equity capital	0.01
Reserves and surplus (excluding revaluation reserves)	(0.00)
Total revenue	-
Profit after tax	(0.00)
EPS (Rs)	-ve
NAV per share (Rs)	-ve

*(Note: being recently incorporated, the financial information of Mahindra Babanco Developers Limited is available for the fiscal 2009 only).*

7) Mahindra Bebanco Developers Limited

*(Rs. in crores) (except per share data)*

	<b>For the year ending March 31, 2009</b>
Equity capital	0.05
Reserves and surplus (excluding revaluation reserves)	(0.32)
Total revenue	0.00
Profit after tax	(0.32)
EPS (Rs)	-ve
NAV per share (Rs)	-ve

*(Note: being recently incorporated, the financial information of Mahindra Babanco Developers Limited is available for the fiscal 2009 only).*

**Details of disassociation of ventures by M&M during the last three years**

- a. Fairfield Atlas Limited
- b. Mahindra Ashtech Limited

In keeping with the M&M Group strategy to concentrate on its core business, shareholding in the above companies, have been diluted/divested by the M&M.

Pursuant to this decision:

- a. The shares of Fairfield Atlas were tendered in the Open Offer on July, 2007.
- b. On January 4, 2008 M&M sold its entire shareholding in Mahindra Ashtech Limited to Fusion Fittings India Limited.

**Other Confirmations**

Our Promoter has confirmed that it has not been declared as willful defaulter by the Reserve Bank of India or any other Governmental authority and there are no violations of securities laws committed by it in the past or are pending against it.

## RELATED PARTY TRANSACTIONS

### (i) Names of related parties and nature of relationship where control exists:

A.	Holding Company	Mahindra & Mahindra Limited (w.e.f August 11,2008)
		Mahindra Holdings & Finance Limited (upto August 10, 2008)
B.	Fellow Subsidiaries with whom the company has transactions during the year	Mahindra Logisoft Business Solutions Limited
		Mahindra Intertrade Limited
		Mahindra Consulting Engineers Limited
		Mahindra & Mahindra Financial Services Limited
		Mahindra Lifespace Developers Limited
		Mahindra World City (Jaipur) Limited
		Mahindra World City Developers Limited
		Mahindra Logistics Limited
		Mahindra Water Utility Ltd
		Mahindra Renault Private Limited
C.	Key Management Personnel	Ramesh Ramanathan (Managing Director)

(INR in Crores)

		(IN IN Crores)				
(ii)	The related party transactions are as under:	Years ended March 31,				
		2009	2008	2007	2006	2005
<b>Holding company</b>						
Sales:						
	Income from services rendered	0.29	-	2.00	0.07	-
Purchases:						
	Fixed assets	-	-	-	-	0.05
	Dividend paid	12.79	8.52	-	-	-
Other transactions:						
	Reimbursements received	-	-	0.23	-	-
	Reimbursements made	1.79	1.22	1.07	0.20	0.18
Outstandings:						
	Payable	0.24	0.11	0.59	0.16	-
	Receivable	-	-	0.01	-	-
<b>Fellow subsidiaries</b>						
Finance:						
	Interest on intercorporate deposit	-	-	-	-	0.02
	Redemption of preference Shares	-	-	-	4.50	-
	Deposits paid	-	-	0.03	-	-
	Intercorporate deposit repaid	75.00	-	-	-	3.40
	Intercorporate deposit received	75.00	-	-	-	3.40
	Debtors Securitized	100.00	-	-	-	-
Sales						
	Income from services rendered	0.05	-	-	-	-
Purchases:						

(ii)	The related party transactions are as under:	Years ended March 31,				
		2009	2008	2007	2006	2005
	Fixed assets	-	-	2.55	-	-
	Software	-	-	-	-	-
	Services	2.20	1.99	1.82	1.35	0.96
	Other transactions					
	Interest Expense	3.83	-	-	-	-
	Other transactions					
	Reimbursement received	-	0.15	0.03	0.64	0.53
	Reimbursement paid	0.02	0.02	0.02	-	-
	Outstanding:					
	Payable	-	-	-	-	0.02
	Receivable	0.17	0.13	0.11	0.18	0.03
	Key Managerial Personnel					
	Managerial remuneration	1.27	1.06	0.84	0.85	0.62
	Advance to Key Managerial Personnel	0.27	0.29	0.31	-	-
	Payment to relative of KMP – Rent deposit	-	-	-	-	0.05
	Payment to relative of KMP – Rent	-	-	-	-	0.05
	Receipts from relative of KMP	-	-	-	0.05	-
	Rent Deposit					

Out of the above items, transactions with fellow subsidiary companies and Key Management Personnel in excess of 10% of the total related party transactions are as under:

	Years ended March 31,				
	2009	2008	2007	2006	2005
<b>Fellow subsidiaries</b>					
Finance:					
Redemption of preference shares:					
Mahindra Logisoft Business Solutions Ltd	-	-	-	4.50	-
Advances made					
Mahindra Intertrade Ltd	-	0.02	-	-	-
Deposit paid					
Mahindra World City Developers Ltd	-	-	0.03	-	-
Inter corporate deposit repaid					
Mahindra World City Developers Ltd	-	-	-	-	3.40
Mahindra Lifespace Developers Ltd	75.00	-	-	-	-
Inter corporate deposit received					
Mahindra Lifespace Developers Ltd	75.00	-	-	-	-
Mahindra World City Developers Ltd	-	-	-	-	3.40
Debtors Securitized					
Mahindra & Mahindra Financial Services Limited	100.00	-	-	-	-
Sales:					
Services					
Mahindra Renault Private Limited	0.05	-	-	-	-
Purchases:					
Fixed assets					
Mahindra World City Developers Ltd	-	-	2.55	-	-
Services					
Mahindra Logisoft Business Solutions Ltd	2.20	1.99	1.82	1.35	0.96

	Years ended March 31,				
	2009	2008	2007	2006	2005
Interest Expense					
MahindraLifespaceDevelopersLtd	3.84	-	-	-	-
Reimbursement received					
MahindraWorldCityDevelopersLtd	-	0.15	-	0.64	0.53
Reimbursement paid					
MahindraWorldCityDevelopersLtd	0.02	0.02	0.02	-	-
Outstandings:					
Payable					
MahindraEngineering&ChemicalProductsLtd	-	-	-	-	0.02
Receivable					
MahindraWorldCityDevelopersLtd	0.03	0.03	0.03	0.18	-
MahindraLifespaceDevelopersLtd	0.05	0.05	0.05	-	0.03
MahindraConsultingEngineersLtd	0.03	0.03	0.03	-	-
MahindraLogisticsLimited	0.06	-	-	-	-
MahindraIntertradeLtd	-	0.02	-	-	-
<b>Key Managerial personnel</b>					
Managerial remuneration					
RSanthanam	-	-	-	-	0.24
RameshRamanathan	1.27	1.06	0.84	0.85	0.38
AdvancetoKeyManagerialPersonnel	0.27	0.29	0.31	-	-
PaymenttorelativeofKMP– RameshRamanathan	-	-	-	-	0.05
Rent deposit					
PaymenttorelativeofKMP– RameshRamanathan	-	-	-	-	0.05
Rent					
Receipts from relative of KMP – RameshRamanathan	-	-	-	0.05	-

## DIVIDEND POLICY

The declaration and payment of dividends will be recommended by our Board of Directors and approved by our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial condition. The Board may also from time to time pay interim dividends. All dividend payments are made in cash/cheque/demand draft to the shareholders of our Company. The dividends declared by our Company during the last five fiscal years have been presented below:

	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006	Year ended March 31, 2007	Year ended March 31, 2008
Face Value of Equity Share (per share)	10	10	10	10	10
Interim Dividend on Equity Shares (Rs.)	-	-	-	-	-
Final Dividend on each Equity Share (Rs.)	-	-	-	3	3
Dividend Rate for equity shares (%)	-	-	-	30%	30%

Our Board of Directors have proposed a dividend of 30% to be declared on the Equity Shares, subject to approval of our shareholders in the ensuing annual general meeting to be held on June 29, 2009.

The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future.

**SECTION V: FINANCIAL STATEMENTS**  
**CONSOLIDATED FINANCIAL STATEMENTS**

**Examination Report**

The Board of Directors,  
Mahindra Holidays & Resorts India Limited  
Mahindra Towers, 2<sup>nd</sup> Floor  
17/18, Patullos Road  
Chennai – 600002

Dear Sirs,

**Re: Public issue of equity shares of Mahindra Holidays & Resorts India Limited**

We have examined the financial information of Mahindra Holidays & Resorts India Limited ('the Company') and its subsidiaries (collectively, "the Group") annexed to this report and initialled by us for identification. The financial information has been prepared in accordance with the requirements of Part II of Schedule II to the Companies Act, 1956 ('the Act'), the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ('the Guidelines') and related clarifications thereto issued by the Securities and Exchange Board of India (SEBI) under Section 11 of Securities Exchange Board of India Act, 1992 as amended from time to time.

The financial information is based on the financial statements of the Company for the years ended March 31, 2008, 2007, 2006, and 2005 audited by A.F.Ferguson & Co, the statutory auditors of the Company during those years and accordingly reliance has been placed on those financial statements .

The financial information is prepared to be included in the Offer Document of the Company in connection with the public issue of its equity shares.

**Financial Information**

1. The following information referred to above, relating to profits and losses, assets and liabilities and cash flows of the Group is contained in the following Annexures to this report:
  - a. Annexure 1 containing the Summary statement of consolidated profit and loss, as restated for the years ended March 31, 2009, 2008, 2007, 2006, and 2005.
  - b. Annexure 2 containing the Summary statement of consolidated assets and liabilities, as restated as at March 31, 2009, 2008, 2007, 2006 and 2005.
  - c. Annexure 3 contains the Summary statement of consolidated cash flows, as restated for the years ended March 31, 2009, 2008, 2007, 2006 and 2005.
  - d. Annexure 4 contains the Notes on adjustments made in the consolidated Summary Statements.
  - e. Annexure 5 contains the Summary of Significant accounting policies and significant Notes on Accounts.

## Other Financial Information

2. Other financial information relating to the Group prepared by the Company is attached in Annexure 6 to 21 to this report:
  - a. Annexure 6 - Details of Income from Sale of Vacation Ownership & other services
  - b. Annexure 7 - Details of Other income
  - c. Annexure 8 - Details of Employee cost
  - d. Annexure 9 - Details of Other expenses
  - e. Annexure 10 - Details of Interest and financial charges
  - f. Annexure 11 - Details of Fixed assets
  - g. Annexure 12 - Details of Investments
  - h. Annexure 13 - Details of Current Assets, Loans and Advances
  - i. Annexure 14 - Details of Secured loans
  - j. Annexure 15 - Details of Unsecured Loans
  - k. Annexure 16 - Details of Current liabilities and provisions
  - l. Annexure 17 - Details of Share capital
  - m. Annexure 18 - Details of Reserves and surplus
  - n. Annexure 19 - Accounting ratios
  - o. Annexure 20 - Details of Dividends
  - p. Annexure 21 - Capitalisation Statement
3. We have examined, as appropriate, the financial information contained in the aforesaid Annexures and state that:
  - a. The consolidated financial information, prepared by the Company, is based on the financial statements of the Company for the years ended March 31, 2008, 2007, 2006 and 2005 audited by A.F.Ferguson & Co. and approved by the Board of Directors and the audited financial statements of the subsidiaries for those periods;
  - b. The consolidated financial information, prepared by the Company for the year ended March 31, 2009 is based on the financial statements of the Company audited by us and approved by the Board of Directors and the audited financial statements of the subsidiaries for the above period.
  - c. The financial information is arrived at after making such adjustments as, in our opinion, are appropriate in the year to which they relate as detailed in Annexure 4 to this report.
  - d. We did not audit the financial statements of subsidiaries. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and, in our opinion, in so far as they related to the amount included in respect of these subsidiaries are based solely on the basis of these reports.
4. Based on the examination of the Restated Consolidated Summary Statements, we confirm that:
  - a. The impact arising on account of changes in accounting policies adopted by the Group as at and for the year ended March 31, 2009 have been adjusted with retrospective effect in the attached Restated Consolidated Summary Statements except for the following:

During the year ended March 31, 2007, the company has accounted for its gratuity liability based on the actuarial valuation determined by Life Insurance Corporation of India based on the Projected Unit Credit method consequent to early adoption of AS 15 on Employee Benefits (revised 2005). However necessary adjustments and disclosures for periods prior to March 31, 2007 have not been done for reasons stated in Note E of Annexure 4.
  - b. The prior period items have been adjusted in the Restated Consolidated Summary Statements in the years to which they relate;

- c. There are no extraordinary items which need to be disclosed separately in the Restated Consolidated Summary Statements; and
  - d. There are no qualifications in the auditors' reports, which require any adjustments to the Restated Consolidated Summary Statements.
- 5. In our opinion, the financial information of the Group as attached to this report, read with the significant accounting policies and notes on accounts and other notes contained in the aforesaid Annexure, has been prepared in accordance with Part II of Schedule II of the Act and the Guidelines issued by SEBI.
  - 6. This report is intended solely for your information and for inclusion in the Letter of Offer in connection with the Public issue of equity shares of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.
  - 7. This report should not, in any way, be construed as a re-issuance or re-dating of any of the previous audit reports nor should this be construed as a new opinion on any of the financial statements referred to herein.

For Deloitte Haskins & Sells  
Chartered Accountants

B.Ramaratnam  
Partner  
(Membership Number 21209)

Place: Mumbai  
Date: April 22, 2009

**MAHINDRA HOLIDAYS & RESORTS INDIA LIMITED - Consolidated**

**Annexure 1: Summary Statement of Profit and Loss as restated**

(INR in Crores)

	Years ended March 31,				
	2009	2008	2007	2006	2005
<b>Income</b>					
Income from sale of Vacation Ownership and other services	393.19	352.73	232.31	152.72	101.70
Other Income	48.93	24.46	8.98	4.01	4.45
<b>Sub-Total</b>	<b>442.12</b>	<b>377.19</b>	<b>241.29</b>	<b>156.73</b>	<b>106.15</b>
<b>Expenditure</b>					
Employee Cost	60.84	47.38	28.31	19.45	14.29
Other Expenses	229.20	185.82	133.71	92.72	64.57
<b>Sub-Total</b>	<b>290.04</b>	<b>233.20</b>	<b>162.02</b>	<b>112.17</b>	<b>78.86</b>
<b>Profit Before Interest, Depreciation and Tax</b>	152.08	143.99	79.27	44.56	27.29
Interest and financial charges	7.03	3.30	3.60	3.32	4.31
<b>Profit Before Depreciation and Tax</b>	<b>145.05</b>	<b>140.69</b>	<b>75.67</b>	<b>41.24</b>	<b>22.98</b>
Depreciation	16.83	11.30	8.87	7.75	6.48
<b>Profit before tax and before restatement</b>	<b>128.22</b>	<b>129.39</b>	<b>66.80</b>	<b>33.49</b>	<b>16.50</b>
<b>Adjustments on account of restatement(Refer Annexure 4(B))</b>					
Depreciation	-	-	-	(0.09)	0.18
Others	(0.14)	(0.20)	(0.29)	0.77	1.07
<b>Profit before tax and after restatement</b>	<b>128.36</b>	<b>129.59</b>	<b>67.09</b>	<b>32.81</b>	<b>15.25</b>
<b>Provision for taxation</b>					
Current tax	39.05	39.81	13.15	-	1.30
Overseas tax	0.02	0.01	-	-	-
Deferred tax	5.89	3.74	9.86	11.31	5.98
Fringe benefit tax	3.55	1.92	1.72	1.37	-
Effect on tax due to restatement (Refer Annexure 4(B))	0.05	0.08	(0.16)	0.09	(0.32)
<b>Total provision for tax after restatement</b>	<b>48.56</b>	<b>45.56</b>	<b>24.57</b>	<b>12.77</b>	<b>6.96</b>
<b>Profit after tax and after restatement (A)</b>	<b>79.80</b>	<b>84.03</b>	<b>42.52</b>	<b>20.04</b>	<b>8.29</b>
Minority share of profit / (loss) (B)	-	(0.01)	(0.01)	-	-
<b>Net Profit as restated (A)+(B)</b>	<b>79.80</b>	<b>84.04</b>	<b>42.53</b>	<b>20.04</b>	<b>8.29</b>
Balance brought forward from previous year as restated (Refer Annexure 18)	57.56	43.08	14.89	(5.15)	(13.44)
<b>Profit available for appropriation as restated</b>	<b>137.36</b>	<b>127.12</b>	<b>57.42</b>	<b>14.89</b>	<b>(5.15)</b>
<b>Appropriations</b>					
Proposed Dividend	23.50	13.97	8.68	-	-
Tax on Proposed Dividend	3.99	2.37	1.48	-	-
Transfer to General Reserve	8.34	8.05	4.18	-	-
	<b>35.83</b>	<b>24.39</b>	<b>14.34</b>	<b>-</b>	<b>-</b>
<b>Balance Carried forward as restated</b>	<b>101.53</b>	<b>102.73</b>	<b>43.08</b>	<b>14.89</b>	<b>(5.15)</b>

**Annexure 2: Summary Statement of Assets and Liabilities as restated**
**INR in Crores**

		As at March 31,				
		2009	2008	2007	2006	2005
<b>A</b>	<b>Fixed Assets</b>					
	<b>Gross Block</b>	429.29	273.38	225.74	191.71	149.26
	Less: Depreciation	64.12	47.89	38.31	30.67	23.52
	<b>Net Block</b>	<b>365.17</b>	<b>225.49</b>	<b>187.43</b>	<b>161.04</b>	<b>125.74</b>
	Capital Work in Progress	42.79	38.98	9.78	1.38	1.44
	Expenditure Pending Allocation	8.51	6.02	2.93	0.82	0.32
	<b>Total</b>	<b>416.47</b>	<b>270.49</b>	<b>200.14</b>	<b>163.24</b>	<b>127.50</b>
<b>B</b>	<b>Investments</b>	0.03	0.03	5.90	0.03	4.53
<b>C</b>	<b>Deferred Tax Asset (Net)</b>	-	-	-	-	<b>2.21</b>
<b>D</b>	<b>Current Assets, Loans and Advances</b>					
	Inventories	5.26	3.46	1.78	0.87	0.62
	Sundry Debtors	482.57	403.42	218.73	145.73	78.24
	Cash and Bank Balances	32.77	7.63	9.36	7.74	3.91
	Loans and Advances	66.51	62.10	41.94	26.20	18.81
	<b>Total</b>	<b>587.11</b>	<b>476.61</b>	<b>271.81</b>	<b>180.54</b>	<b>101.58</b>
<b>E</b>	<b>Liabilities and Provisions</b>					
	Loan Funds					
	Secured Loans	24.69	20.06	5.96	26.81	22.03
	Unsecured Loans	-	-	-	-	1.25
	Advance towards members' facilities	640.99	482.46	324.22	226.29	164.00
	Deferred Tax Liability (Net)	29.48	23.59	20.16	9.19	-
	<b>Current Liabilities and Provisions</b>					
	Current Liabilities	82.06	60.90	40.56	37.97	25.10
	Provisions	30.55	17.06	11.24	0.25	0.18
	<b>Total Liabilities and Provisions</b>	<b>807.77</b>	<b>604.07</b>	<b>402.14</b>	<b>300.51</b>	<b>212.56</b>
<b>F</b>	<b>Minority Interest</b>	0.04	0.03	0.04	-	-
<b>G</b>	<b>Net Worth (A+B+C+D-E-F)</b>	<b>195.80</b>	<b>143.03</b>	<b>75.67</b>	<b>43.30</b>	<b>23.26</b>
	<b>Represented By</b>					
	Share Capital	76.97	76.42	28.40	28.40	28.40
	Employee stock options outstanding	-	0.04	-	-	-
	Reserves and Surplus	118.83	66.57	47.27	14.90	0.01
	<b>Sub-total</b>	<b>195.80</b>	<b>143.03</b>	<b>75.67</b>	<b>43.30</b>	<b>28.41</b>
	Less: Profit and Loss Account Debit Balance	-	-	-	-	5.15
	<b>Total</b>	<b>195.80</b>	<b>143.03</b>	<b>75.67</b>	<b>43.30</b>	<b>23.26</b>

**Annexure 3 : Summary Statement of Cash Flows, as restated**
**(INR in Crores)**

MAHINDRA HOLIDAYS & RESORTS INDIA LIMITED-Consolidated						
		Years ended March 31,				
		2009	2008	2007	2006	2005
<b>A.</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES :</b>					
	Profit before tax and after restatement	128.36	129.59	67.09	32.81	15.25
	Adjustments for :					
	Depreciation	16.83	11.30	8.87	7.66	6.66
	Employee compensation expenses on account of ESOS	(0.04)	-	-	-	-
	Interest and financial charges	7.03	3.30	3.60	3.32	4.31
	Interest income	(1.08)	(1.01)	(0.04)	(0.01)	-
	Interest on instalment sales	(37.15)	(19.68)	(7.32)	(3.39)	(2.84)
	Income from securitisation	(9.96)	(1.21)	(0.72)	(0.45)	(1.57)
	Loss on fixed assets sold/ scrapped(net)	0.33	0.04	1.31	0.33	0.04
	Unrealised Exchange (Gain)/Loss	0.95	(1.52)	(0.65)	-	-

MAHINDRA HOLIDAYS & RESORTS INDIA LIMITED-Consolidated						
		Years ended March 31,				
		2009	2008	2007	2006	2005
	Operating profit before working capital changes	105.27	120.81	72.14	40.27	21.85
	Changes in :					
	Deferred income - Advance towards members' facilities	158.53	158.24	97.93	62.29	40.57
	Trade and other receivables	(65.65)	(190.09)	(91.20)	(66.74)	(31.76)
	Inventories	(1.80)	(1.67)	(0.91)	(0.25)	(0.20)
	Trade and other payables	1.54	3.24	0.84	7.86	7.84
		92.62	(30.28)	6.66	3.16	16.45
	Income Taxes paid	(39.53)	(43.96)	(9.75)	(4.43)	(1.37)
	NET CASH (USED IN) FROM OPERATING ACTIVITIES	158.36	46.56	69.05	39.00	36.93
B	CASH FLOW FROM INVESTING ACTIVITIES :					
	Purchase of fixed assets	(163.33)	(73.19)	(47.29)	(43.90)	(22.02)
	Proceeds from sale of fixed assets	0.27	2.06	0.22	0.17	0.10
	(Purchase) / Sale of investments	-	-	(5.88)	4.50	-
	Interest on deposits received	1.05	1.01	0.04	0.01	-
	Interest on instalment sales received	37.15	19.68	7.32	3.39	2.84
	Income from securitisation received	9.96	1.21	0.72	0.45	1.57
	NET CASH USED IN INVESTING ACTIVITIES	(114.90)	(49.23)	(44.87)	(35.38)	(17.51)
C.	CASH FLOW FROM FINANCING ACTIVITIES :					
	Proceeds from issue of share capital	0.42	-	0.04	-	-
	Proceeds from Issue of shares to ESOP trust	-	0.29	1.85	-	-
	Proceeds from borrowings	103.63	14.11	-	3.53	-
	Repayment of borrowings	(99.00)	-	(20.85)	-	(15.99)
	Dividends paid	(13.97)	(8.68)	-	-	-
	Dividend distribution tax paid	(2.37)	(1.48)	-	-	-
	Interest and financial charges paid	(7.03)	(3.30)	(3.60)	(3.32)	(4.31)
	NET CASH (USED IN) / FROM FINANCING ACTIVITIES	(18.32)	0.94	(22.56)	0.21	(20.30)
	NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS(A+B+C)	25.14	(1.73)	1.62	3.83	(0.88)
	CASH AND CASH EQUIVALENTS :					
	Opening Balance	7.63	9.35	7.74	3.91	4.79
	Cash and bank balance acquired on acquisition of subsidiary	-	0.01	-	-	-
	Total	7.63	9.36	7.74	3.91	4.79
	Closing Balance	32.77	7.63	9.36	7.74	3.91
	Unrealised (loss)/gain on foreign currency	-	-	-	-	-
	Total	32.77	7.63	9.36	7.74	3.91

#### Annexure 4: Notes on adjustments made in the Summary Statements

##### A.. Balance in profit and loss account as at April 1, 2004 – Restated

	INR in crores
Balance in profit and loss account as at April 1, 2004, as per audited financial statements	(12.31)
Increase/ (decrease) in the accumulated profit as at April 1, 2004 as a result of:	
- Depreciation	(0.45)
- Leave salary	0.22
- Operating supplies	(0.10)
- Specialised software	0.39
- Deferred tax	0.98
- RCI fees	(2.17)
Balance in profit and loss account as at April 1 2004, as restated	(13.44)
The above information should be read alongwith significant accounting policies appearing in Annexure 5, together with notes on adjustments, as appearing in Annexure 4D	

##### B. Notes to the summary statement of profits and losses - Restated

	INR in Crores				
	Years ended March 31,				
	2009	2008	2007	2006	2005
<b>Adjustments - (income)/expense in statement of profit and loss on account of:</b>					
<b>i) Change in accounting policies / estimates</b>					
Depreciation	-	-	-	(0.09)	0.18
Others					
- Leave salary	-	-	-	0.25	(0.04)
- Miscellaneous expenditure					
Operating supplies	-	-	-	-	(0.09)
Specialised software	-	-	-	-	(0.16)
- RCI fees	(0.14)	(0.20)	(0.29)	0.52	1.36
<b>Sub-total</b>	<b>(0.14)</b>	<b>(0.20)</b>	<b>(0.29)</b>	<b>0.77</b>	<b>1.07</b>
<b>ii) Tax Adjustments</b>					
- Current tax	0.05	0.08	(1.27)	-	(0.10)
- Deferred tax	-	-	1.11	0.09	(0.22)
<b>Sub-total</b>	<b>0.05</b>	<b>0.08</b>	<b>(0.16)</b>	<b>0.09</b>	<b>(0.32)</b>
<b>Total</b>	<b>(0.09)</b>	<b>(0.12)</b>	<b>(0.45)</b>	<b>0.77</b>	<b>0.93</b>

##### C. Notes to the summary statement of assets & liabilities - Restated

	As at March 31,				
	2009	2008	2007	2006	2005
<b>Adjustments - increase/(decrease) in statement of assets and liabilities on account of:</b>					
<b>i) Reserves &amp; Surplus</b>					
- Profit and loss	0.09	0.12	0.45	(0.77)	(0.93)
<b>ii) Miscellaneous expenditure</b>	-	-	-	-	-
<b>iii) Accumulated Depreciation</b>	(0.95)	(0.95)	(0.95)	(0.95)	(1.04)
<b>iv) Loans and advances</b>					
- Payments towards Income tax (net of provision)	-	(0.08)	-	-	0.10
<b>v) Deferred tax asset/ (liability)</b>					
- Deferred tax of earlier years	-	-	-	1.11	1.20
<b>vi) Current liabilities and provisions</b>					
- Provision for taxation (net of payments)	(0.05)	-	(1.27)	-	-
- Provision for leave salary	-	-	-	-	0.25
<b>vii) Advance towards members facilities</b>	(0.14)	0.20	0.29	0.52	1.36

## **Annexure 4**

### **D. Notes on Adjustments**

#### **a) Depreciation**

During the year ended March 31, 2004, the company revised the estimated useful life of Motor vehicles provided to employees from 10 years to 4 years. The effect of change in the estimated useful life of these assets has resulted in an additional depreciation charge in the respective years.

During the year ended March 31, 2005, the company revised the depreciation rates of assets at employees' residence from the rates as per Schedule XIV of the Companies Act, 1956 to 20%. The effect of the change in the estimated useful life of these assets has resulted in an additional depreciation charge in the respective years.

The effect of revision in the estimated useful life of the above assets has been adjusted to the concerned prior years so as to recompute the profits and losses of those years considering the uniform estimated useful life of Motor cars and assets at employees' residence for each of these years. Further, the opening balance of profit and loss account as at April 1, 2003 has been appropriately adjusted to reflect the impact of changes pertaining to prior years.

#### **2. Deferred Tax**

Accounting Standard 22 - Accounting for taxes on income, became mandatory w.e.f April 1, 2001. The Company did not recognise deferred tax asset until the year ended March 31, 2003, giving due consideration to the principle of prudence as required by the said AS 22. As the condition laid down in the said AS 22 for recognition of deferred tax asset were fulfilled in the year ended March, 31, 2004, the company recognised the same in that year

To have a uniform accounting policy from the year ended March 31, 2003, deferred tax asset / liability has been computed for the year ended on that date. The deferred tax asset / liability relating to periods prior to April 1, 2003 have been appropriately adjusted to the opening balance of profit and loss account as at April 1, 2003. Further, consequent to the adjustments made in respect of items referred to in this Annexure, the impact of deferred tax has been adjusted in the respective years.

#### **3. Intangible Assets**

Accounting Standard – 26 Accounting for Intangible Assets, became mandatory w.e.f April 1, 2003. The company adopted AS 26 for the first time during the year ended March 31, 2004.

##### **(a) Specialized Software expenses**

Software expenses upto year ended March 31, 2003 was treated as deferred revenue expenditure and written off over a period of 3 years. Subsequent software expenses were capitalized in line with AS 26. To have a uniform accounting policy, the company has capitalized the balance of Software expenses as at April 1, 2003 and subsequent additions for the year ended March 31, 2004 under intangible assets and amortized the same over a period of 3 years. Due to the above change there is no impact on the profit and loss account.

##### **(b) Operating Supplies**

Operating supplies purchased upto year ended March 31, 2003 was treated as deferred revenue expenditure and written off over a period of 3 years. Subsequent purchases have been charged off to revenue in line with AS 26. To have a uniform accounting policy, the company has adjusted the balance of operating supplies as at April 1, 2003 against opening balance of profit and loss account and the additions in subsequent years have been charged off to revenue.

#### **4. RCI fees**

Upto September 30, 2005 fees payable to RCI was reduced from membership fees and the balance recognized as Income from Vacation Ownership. With effect from October 1, 2005 the fees payable to RCI in respect of new members has been charged off to revenue. To have a uniform accounting policy the fees payable to RCI in respect of new members enrolled from April 1, 2002 has been charged off in the respective years.

#### **5. Leave Salary**

Until March 31, 2004, provision for leave salary was made on an arithmetical basis and thereafter on an actuarial basis.

To have a uniform accounting policy for all the years, an actuarial valuation has been made for leave salary using the Projected Unit Credit method and adjustments made to the respective years. The additional liability upto 31 March, 2003 has been adjusted against the opening balance of Profit and Loss account.

#### **E. Notes on Non Adjustments**

##### **Gratuity**

During the year ended March 31, 2007, the Company had accounted for its Gratuity liability based on an actuarial valuation determined by Life Insurance Corporation of India on the Projected Unit Credit method, consequent to early adoption of AS 15 on Employee Benefits (revised 2005). However, necessary adjustments and disclosures for other prior periods have not been made due to non availability of relevant data for those periods.

#### **Annexure 5**

##### **Summary of significant policies and notes on consolidated financial statements**

#### **1. Significant Accounting Policies**

##### **1.1 Basis for Preparation of Accounts**

The accompanying Consolidated Financial Statements of Mahindra Holidays & Resorts India Limited (MHRIL) ('the Company') and its subsidiaries are prepared under the historical cost convention in accordance with generally accepted accounting principles applicable in India (Indian GAAP), the provisions of the Companies Act, 1956 and comply with the mandatory Accounting Standards notified by the Central Government of India under The Companies (Accounting Standards) Rules, 2006.

The consolidated financial statements present the consolidated accounts, which consist of accounts of the Company and that of the following subsidiaries.

<b>Name of the company</b>	<b>Country of incorporation</b>	<b>Extent of Holding as on March 31, 2009</b>	<b>Subsidiary since</b>
Mahindra Holidays & Resorts USA Inc	USA	100%	November 4, 2003
MHR Hotel Management GmbH	Austria	75%	February 16, 2007
Mahindra Hotels & Residences India Limited	India	100%	April 26, 2007
Heritage Bird (M) Sdn Bhd	Malaysia	100%	March 3, 2008

The financial statements of the subsidiaries used in the consolidation are drawn up to the same reporting date as that of the holding company.

## **1.2 Principles of Consolidation**

The financial statements of the holding company and its subsidiaries have been consolidated on a line by line basis by adding together the book value of like items of assets, liabilities, income, expenses, after eliminating intra-group transactions and any unrealised gains or losses on the balances remaining within the group in accordance with Accounting Standard - 21 (AS 21) on “Consolidated Financial Statements”.

The difference between the cost of investment in the subsidiaries over the Company’s portion of equity of the subsidiary is recognised in the financial statements as Goodwill or Capital Reserve.

The financial statements of the holding company and its subsidiaries have been consolidated using uniform accounting policies for like transactions and other events in similar circumstances.

Minority interest in the net assets of the consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders at the date on which investment was made in the subsidiary company and further movement in their share of equity, subsequent to the date of investment.

## **1.3 Accounting Policies**

(i) Use of estimates:

The preparation of Consolidated Financial Statements, in conformity with the generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reported period. Differences between the actual results and estimates are recognised in the period in which the results are known/ materialised.

(ii) Fixed assets:

Fixed assets are stated at cost less depreciation. Cost comprises of purchase price and other directly attributable costs of bringing the asset to its working condition for its intended use and includes interest on moneys borrowed for construction/acquisition of fixed assets up to the period the assets are ready for use. Depreciation is calculated on straight line method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956 except for the following:

(a) Leasehold land and buildings are amortised over the period of lease;

- i. Intangible assets representing ‘Vacation Ownership’ acquired is amortised over a period of ten years;
- ii. Furniture and Fixtures in ‘Club Mahindra Holiday World’ are amortised over a period of 36 months from the date of capitalization;
- iii. Motor vehicles provided to employees are depreciated over a period of 48 months. Other assets provided to employees are depreciated over a period of 60 months;
- iv. Expenditure incurred towards software is amortised over 36 months;
- v. Expenditure on product design and development & web portal is amortised over the estimated useful life of the asset i.e 3/4 years; and
- vi. Non compete fee is amortised over a period of 5 years.

(iii) Assets taken on lease and Hire Purchase:

Assets taken on Lease and Hire Purchase arrangements, where in the Company has an option to acquire the assets are accounted for as fixed assets in accordance with Accounting Standard 19 on Leases.

(iv) Inventories:

Inventories are stated at cost or net realisable value, whichever is lower. The cost is arrived at on first in first out method.

(v) Investments:

Long term investments are stated at acquisition cost less provision, if any, for diminution in value other than temporary

(vi) Revenue Recognition:

- (a) The company's business is to sell Vacation Ownership and provide holiday facilities to members for a specified period each year, over a number of years, for which membership fee is collected either in full up front, or on a deferred payment basis. Upto September 30, 2005, out of the total membership fee, relevant portion reasonably attributable towards direct cost required to market Vacation Ownership, which is assessed and revised periodically, is recognised as Income from sale of Vacation Ownership in the year in which the purchaser of Vacation Ownership becomes a member and the balance representing 'Advance towards members' facilities' is being recognised as Income from sale of Vacation Ownership equally over a period for which holiday facilities are provided commencing from the year in which the member is entitled to benefits of membership under the scheme.

With effect from October 1, 2005, in accordance with the new membership rules, admission fee, which is non refundable, is recognised as income on admission of a member. Entitlement fee (disclosed under Advance towards Members facilities), which entitles the member for the holiday facilities over the membership usage period, is recognized as income equally over the usage period. The effect of the said changes has no impact on the reserves of the company for the respective years.

- (b) Annual subscription fees due from members are recognised as income on an accrual basis.
- (c) Interest on instalment sales is recognised as income on an accrual basis.
- (d) Income from room rentals, food and beverages, etc., is recognised when services are rendered.
- (e) Securitised assets are derecognised as the contractual rights therein are transferred to the third party. On derecognition, the difference between book value of the securitised asset and consideration received is recognised as gain or loss arising on securitisation
- (f) Income from travel services includes commission on tickets/hotel booking, service charges from customers, etc. and is recognised when services are rendered.
- (g) Income from homestays is recognized when services are rendered.

(vii) Foreign exchange transactions:

Foreign exchange transactions are recorded at exchange rates prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency (including those related to integral foreign

operations) are translated at exchange rates prevailing on the date of settlement or as at the Balance sheet date as applicable, and gain or loss arising out of such translation is adjusted to the profit and loss account.

(viii) Employee benefits:

Short term employee benefit plans

All short term employee benefit plans such as salaries, wages, bonus, special awards and, medical benefits which fall due within 12 months of the period in which the employee renders the related services which entitles him to avail such benefits are recognized on an undiscounted basis and charged to the profit and loss account.

Defined Contribution Plan

Contributions to the provident and pension funds are made monthly at a predetermined rate to the Regional Provident Fund Commissioner and debited to the profit and loss account on an accrual basis. Contributions to the superannuation fund are determined and accounted on the same basis and is made to Life Insurance Corporation of India (LIC)

Defined Benefit Plan

The company has an arrangement with the Life Insurance Corporation of India (LIC) to administer its gratuity scheme. The contribution paid/payable is debited to the profit and loss account on an accrual basis. Liability towards gratuity is provided on the basis of an actuarial valuation as at balance sheet date using the Projected Unit Credit method and debited to the profit and loss account on an accrual basis. Actuarial gains and losses arising during the year are recognized in the profit and loss account. Long term compensated absences is similarly valued on an actuarial basis and is unfunded.

(ix) Taxes on income:

Income taxes are accounted for in accordance with Accounting Standard 22 on Accounting for Taxes on Income (AS 22). Tax expense comprises both current and deferred tax. Current tax is determined as the amount of tax payable in respect of taxable income for the period using the applicable tax rates and tax laws. Deferred tax assets and liabilities are recognised, subject to consideration of prudence, on timing differences, being the difference between taxable income and accounting income, that originate in one period and are capable of reversal in one or more subsequent periods and are measured using tax rates enacted or substantively enacted as at the Balance Sheet date. The carrying amount of deferred tax assets and liabilities are reviewed at each Balance Sheet date. Fringe Benefits tax is recognised in accordance with the relevant provisions of the Income-tax Act, 1961

(x) Share issue expenses:

Expenses incurred in connection with issue of share capital is adjusted against securities premium account.

(xi) Borrowing Cost:

Borrowing cost that are attributable to the acquisition, construction or production or qualifying asset are capitalized as part of cost of such asset till such time as the asset is ready for its intended use or sale. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognized as expenses in the period in which they are incurred.

(xii) Provision & contingencies:

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which reliable estimate can be made. Provisions are not discounted to present value and are determined based on the best

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 best estimates. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statements.

## 2. Employees' Stock Option Scheme:

Under the Employee Stock Option Scheme equity shares are allotted to the Mahindra Holidays and Resorts India Limited Employees' Stock Option Trust (the trust) set up by the company. The trust holds these shares for the benefit of the eligible employees/Directors as defined under the scheme and issues the shares to them as per the recommendation of the remuneration committee.

### 2.1 The details of the Employees' Stock Option Schemes are as under:

Type of Arrangement	Equity settled option plan administered through Employee Stock Option Trust			
Method of Settlement	By issue of shares at Exercise Price			
Grant (Date of Grant)	Grant I July 15, 2006	Grant II March 30, 2007	Grant III November 1, 2007	Grant V November 1, 2008
Exercise Price	Rs.16	Rs.52	Rs.52	Rs.52
Average Exercise Price(after bonus issue)	Rs.6.00	Rs.19.50	Rs.19.50	Rs.52.00
Vesting Period	5 Years	4 Years	4 Years	4 Years
Number of Options Granted	759,325	122,235	56,700	261,590
Contractual life	6 years from the date of grant.		5 years from the date of each vesting.	
Vesting Conditions	35%,30%,15%,10% and 10% on expiry of 12,24,36,48 and 60 months from the date of grant respectively.		25% each on expiry of 12, 24, 36 and 48 months from the date of grant.	
No. of options exercisable in each tranche	Minimum of 25 and a maximum of all options vested till that date.			

### 2.2 Summary of Stock options (including bonus shares)

Particulars	Grant I (July 15, 2006)	Grant II (March 30, 2007)	Grant III ( November 1, 2007)	Grant IV (February 4, 2008)	Grant V ** (November 1, 2008)	Total
Options outstanding as on 1.4.2008 including bonus shares allotted and net of options lapsed of 235,622 shares	1,256,207	272,553	151,389	152,536	-	1,832,685
Options granted	-	-	-	-	261,590	261,590
Options vested	510,243	60,401	37,831	-	-	608,475
Options exercised	(495,064)	(46,499)	(19,030)	-	-	(560,593)
Options lapsed	(24,379)	(30,665)	-	(34,405)	(19,340)	(108,789)
Options surrendered	-	-	-	(118,131)	-	(118,131)
Options outstanding as on 31.03.2009	736,764	195,389	132,359	-	242,250	1,306,762
Options vested but not exercised	36,628	74,553	18,801	-	-	129,982

\*\* *Issued out of lapsed options*

In accordance with the Guidance Note issued by the Institute of Chartered Accountants of India, the shares allotted to the trust including bonus shares have been reduced from the share capital by Rs. 1.36 crores and securities premium account reduced by Rs. 0.86 crores. The said shares will be added to the issued share capital as and when the trust issues the shares to the concerned persons on their exercising the option and till such shares are issued the amount received from the trust is disclosed under current liabilities.

The General Reserve has been reduced by Rs. 0.35 crores for bonus shares issued on exercise of stock options.

The company has adopted the intrinsic value method in accounting for employee cost on account of ESOS. The intrinsic value of the shares based on the valuations obtained from an independent valuer is Rs. 16 per equity share as on March 31, 2006, Rs.52 per equity share as on January 1, 2007, August 31, 2008 and November 1, 2008 based on the Discounted Cash Flow Method. As the difference between the intrinsic value and the exercise price per share is Rs. nil no employee compensation cost has been charged.

The fair value of options based on the valuation of the independent valuer as of the respective dates of grant i.e. July 15, 2006, March 30, 2007, November 1, 2007 and November 1, 2008 is Rs. 4.28, Rs. 16.36, Rs.16.55 and Rs.16.04 respectively.

Consequent to cancellation of Grant IV due to surrender by the allottees the employee compensation cost of Rs.0.04 crores, charged to revenue has been reversed.

Had the company adopted the fair value method in respect of options granted, the total amount that would have been amortised over the vesting period is Rs. 1.03 crores and the impact on the financial statements would be

(INR in Crores)		
	Year ended March 31, 2009	Year ended March 31, 2008
Increase in employee compensation cost	0.16	0.20
Decrease in profit after tax	0.16	0.20
Decrease in basic & diluted earning per share	(0.02)	(0.03)

The fair value has been calculated using the Black Scholes Options Pricing Model and the significant assumptions made in this regard are as follows:

	Grant dated July 15, 2006	Grant dated March 30, 2007	Grant dated November 1, 2007	Grant dated November 1, 2008
Risk free interest rate	7.82%	7.92%	7.72%	7.34%
Expected life	4.50	5.00	5.00	5.00
Expected volatility	Nil	Nil	Nil	Nil
Expected dividend yield	Nil	Nil	Nil	Nil

- Pursuant to a Business Transfer Agreement dated August 22, 2008, the Company has acquired a property at Ooty for a consideration of Rs 33 crores including a non-compete fee of Rs. 2 Crores. The company has also acquired a property at Thekady at Kerala vide a Business Transfer Agreement dated September 20, 2008 for a consideration of Rs. 14.1 crores. The assets have been taken over at values determined by independent valuers and the excess of such values over the consideration paid amounting to Rs 0.09 crores is shown under Capital reserve. Both the properties have been converted to resorts.

#### 4. Secured Loans:

Loans and advances from a bank are secured by an exclusive charge on receivables. Deferred payment under hire purchase is secured by hypothecation of assets financed

#### 5. Securitisation:

The company has been securitising amounts receivable including future interest receivable thereon. The excess of consideration received over the principal amounts of receivable from members (net of reversals in respect of cancelled members) is recognised as income from Securitisation.

(INR in Crores)					
	Years ended March 31,				
	2009	2008	2007	2006	2005
Value of Accounts receivable	182.40	58.20	61.23	15.66	26.88
Less: Future interest receivable	42.49	9.52	7.89	1.85	4.44
Principal amount of receivables	139.91	48.68	53.34	13.81	22.44
Consideration received	150.00	50.00	54.23	14.50	24.50
Profit on securitisation	10.09	1.32	0.89	0.69	2.06
Less: Reversals in respect of cancelled members	0.13	0.11	0.17	0.24	0.49
Income from securitisation	9.96	1.21	0.72	0.45	1.57

#### 6. Contingent Liabilities:

(INR in Crores)					
	As at March 31,				
	2009	2008	2007	2006	2005
(a) <b>Receivables securitised, with recourse.</b>	162.31	71.39	61.36	26.22	31.89
Certain specified Receivables have been securitised with a bank for availing finance. In case a member defaults in payment to the bank, the bank would have recourse to the company. In such cases the company has recourse to the customer					
(b) Guarantee given to financial institution for Vacation Ownership financing.	-	-	-	1.02	3.42
(c) Claims against the company not acknowledged as debts	0.97	0.96	0.18	0.18	0.18
(d) Income tax matters :					
i) Issues relating to revenue recognition	77.95	43.48	29.14	20.06	11.60
ii) Disallowance of expenditure during construction / Software expenses.	3.13	1.01	0.42	-	-
The above are exclusive of consequential effect of similar matter in respect of the assessments remaining to be completed.					
However, even if these liabilities crystallise, there would be future tax benefits available on account of timing differences, except for interest and income tax rate differences. Cash outflows would depend on the outcome of the appeals.					
iii) Others	5.04	-	-	-	-

#### (d) Other matters under appeal

The Government of Kerala issued an Order dated July 3, 2007 cancelling the assignment of land underlying the Munnar resort and directed repossession of land on the grounds that it is agricultural land and cannot be used for commercial purposes. The company has filed an appeal before the Commissioner of Land Revenue against the Order stating that the patta issued does not specify that the land should be used only for agricultural purpose and also obtained a Stay Order from the Kerala High Court against eviction from the property.

The Commissioner of Land Revenue, Trivandrum vide his Order dated November 22, 2007 dismissed the appeal filed by the Company against the Order of the Sub-Collector, District of Devikulam dated July 3,

2007 cancelling the assignment of land underlying the Munnar Resort and directing repossession of land on the grounds that it is agricultural land and cannot be used for commercial purposes. The Company filed a writ petition before the Kerala High Court against the said Order and on December 13, 2007, the Court granted an interim stay of all further proceedings.

#### 7. Amalgamation of Ashtamudi Resorts Private Limited with the Company during FY 2007-08:

- 1) Pursuant to the scheme of Amalgamation of the erstwhile Ashtamudi Resorts Private Limited (a wholly owned subsidiary of the company) with the Company as approved by the shareholders in the court – convened meeting held on January 25, 2008, and subsequently sanctioned by the Hon'ble High Court of Madras on February 19, 2008, the assets and liabilities of the erstwhile Ashtamudi Resorts Private Limited were transferred to and vested with the Company with retrospective effect from July 1, 2007. The Scheme has, accordingly, been given effect to in these financial statements.
- 2) The amalgamation has been accounted for under the “Purchase Method” as prescribed by the Accounting Standard (AS-14) – Accounting for Amalgamation. However, pursuant to the Madras High Court Order, the accumulated losses of Rs. 0.81 crores of Ashtamudi Resorts Private Limited have been adjusted to the General Reserve of the Company. The assets and liabilities of the erstwhile Ashtamudi Resorts Private Limited as at July 1, 2007 have been taken over resulting in a Capital Reserve of Rs. 0.05 crores. Had AS-14 been followed, the accumulated losses would not have been adjusted to the General Reserve as per the scheme, which would have resulted in a Goodwill of Rs. 0.76 crores and the Reserves and Surplus would have been higher to that extent.
- 3) There was no allotment of shares to the amalgamating Company's equity shareholders since the amalgamating company was a wholly owned subsidiary of the Company.
- 4) Ashtamudi Resorts Private Limited has been in the hotel business.
- 5) The value at which the assets and liabilities have been transferred to the Company are itemized below:

<i>(INR in Crores)</i>	
<b>Assets</b>	<b>Transfer value Considered</b>
Fixed Assets (as revalued)	5.69
Capital work in progress	4.89
Deferred tax asset	0.30
Accumulated losses (adjusted against general reserve)	0.81
<b>Total</b>	<b>11.69</b>
Less:	
Net current liabilities	0.21
Advance made by the company to Ashtamudi Resorts Private Limited adjusted	8.44
Net Assets	3.04
Investments made by the company in Ashtamudi Resorts Private Limited adjusted	2.99
Balance transferred to Capital Reserve	0.05

#### 8. Capital Commitments:

<i>(INR in Crores)</i>					
	<b>As at March, 31</b>				
	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Estimated value of contracts remaining to be executed on capital account and not provided for (net of advances)	31.38	22.63	8.36	5.42	2.47

**9. In respect of hire purchase transactions, the details of instalments payable are as follows:**

	<i>(INR in Crores)</i>				
	As at March 31,				
	2009	2008	2007	2006	2005
Minimum instalment payable not later than 1 year	0.07	0.16	0.21	0.31	0.32
Present value of instalments payable not later than 1 year	0.06	0.15	0.20	0.26	0.28
Minimum instalment payable later than 1 year but not later than 5 years	Nil	0.07	0.28	0.49	0.38
Present value of instalments payable later than 1 year but not later than 5 years	Nil	0.07	0.26	0.46	0.35

**10. Deferred Tax:**

	<i>(INR in Crores)</i>				
	As at March 31,				
	2009	2008	2007	2006	2005
Deferred Tax Asset					
Provision for doubtful debts	0.01	0.01	0.01	0.05	0.18
Provision for leave salary	0.52	0.24	0.11	0.09	0.06
Others	0.08	0.01	-	8.84	19.58
Total	0.61	0.26	0.12	8.98	19.82
Deferred Tax Liability					
Difference between book and tax depreciation	(30.09)	(23.85)	(20.28)	(18.17)	(17.61)
Deferred Tax Asset/(Liability) (net)	<b>(29.48)</b>	<b>(23.59)</b>	<b>(20.16)</b>	<b>(9.19)</b>	<b>2.21</b>

**Note:** Deferred Tax Liability as at March 31, 2008 includes deferred tax asset of INR 0.31 crores adjusted on amalgamation of subsidiary.

**11. Segment Reporting:**

The Company has a single reportable segment namely sale of Vacation Ownership and other services for the purpose of Accounting Standard 17 on Segment Reporting. Business segment is considered as the primary segment

Secondary segment information:

	<i>(INR in Crores)</i>				
	Years ended March 31,				
	2009	2008	2007	2006	2005
Revenue					
Within India	386.29	346.38	225.85	146.17	94.01
Outside India	6.90	6.35	6.46	6.55	7.70
Total	393.19	352.73	232.31	152.72	101.71
Total assets					
Within India	999.98	737.13	468.05	341.80	226.86
Outside India	3.60	9.97	3.90	1.98	2.22
Total	1,003.58	747.10	471.95	343.78	229.08
Additions to fixed assets					
Within India	163.41	73.19	36.17	42.58	22.02
Outside India	-	-	11.12	1.32	-
Total	163.41	73.19	47.29	43.90	22.02

- 12.** As approved at the Extraordinary General Meeting held on March 18, 2006, 10,000,000 9% cumulative redeemable preference shares of Rs.10 each were converted into 10,000,000 fully paid equity shares of Rs. 10 each and issued to the holding company on March 27, 2006. Preference dividend upto the date of allotment of equity shares amounting to Rs. 5.13 crores has been waived by the then holding company.

13. The company has incurred expenses amounting to Rs.4.58 towards its proposed Initial Public Offer, which has been included in Advances recoverable in cash or in kind or for value to be received {Schedule 13(B)}. These expenses would be adjusted against the securities premium account on completion of the Initial Public Offer.

**14. Related Party Transactions:**

**(i) Names of related parties and nature of relationship where control exists:**

A.	Holding Company	Mahindra & Mahindra Limited (w.e.f August 11,2008) Mahindra Holdings & Finance Limited (upto August 10, 2008)
B.	Fellow Subsidiaries with whom the company has transactions during the year	Mahindra Logisoft Business Solutions Limited Mahindra Intertrade Limited Mahindra Consulting Engineers Limited Mahindra & Mahindra Financial Services Limited Mahindra Lifespace Developers Limited Mahindra World City (Jaipur) Limited Mahindra World City Developers Limited Mahindra Logistics Limited Mahindra Water Utility Ltd Mahindra Renault Private Limited
C.	Key Management Personnel	Ramesh Ramanathan (Managing Director)

**(ii) The related party transactions are as under:**

*(INR in Crores)*

		Years ended March 31,				
		2009	2008	2007	2006	2005
Holding company						
Sales:						
	Income from services rendered	0.29	-	2.00	0.07	-
Purchases:						
	Fixed assets	-	-	-	-	0.05
Dividend paid		12.79	8.52	-	-	-
Other transactions:						
	Reimbursements received	-	-	0.23	-	-
	Reimbursements made	1.79	1.22	1.07	0.20	0.18
Outstandings:						
	Payable	0.24	0.11	0.59	0.16	-
	Receivable	-	-	0.01	-	-
Fellow subsidiaries						
Finance:						
	Interest on intercorporate deposit	-	-	-	-	0.02
	Redemption of preference Shares	-	-	-	4.50	-
	Deposits paid	-	-	0.03	-	-
	Intercorporate deposit repaid	75.00	-	-	-	3.40
	Intercorporate deposit received	75.00	-	-	-	3.40
	Debtors Securitized	100.00	-	-	-	-
Sales						
	Income from services rendered	0.05	-	-	-	-
Purchases:						
	Fixed assets	-	-	2.55	-	-
	Software	-	-	-	-	-
	Services	2.20	1.99	1.82	1.35	0.96
Other transactions						
	Interest Expense	3.83	-	-	-	-
Other transactions						

(INR in Crores)

		Years ended March 31,				
		2009	2008	2007	2006	2005
	Reimbursementreceived	-	0.15	0.03	0.64	0.53
	Reimbursementpaid	0.02	0.02	0.02	-	-
Outstanding:						
	Payable	-	-	-	-	0.02
	Receivable	0.17	0.13	0.11	0.18	0.03
Key Managerial Personnel						
	Managerialremuneration	1.27	1.06	0.84	0.85	0.62
	AdvancetoKeyManagerialPersonnel	0.27	0.29	0.31	-	-
	PaymenttorelativeofKMP–Rentdeposit	-	-	-	-	0.05
	PaymenttorelativeofKMP–Rent	-	-	-	-	0.05
	ReceiptsfromrelativeofKMP	-	-	-	0.05	-
	RentDeposit	-	-	-	-	-

Out of the above items, transactions with fellow subsidiary companies and Key Management Personnel in excess of 10% of the total related party transactions are as under:

		Years ended March 31,				
		2009	2008	2007	2006	2005
Fellow subsidiaries						
Finance:						
Redemption of preference shares:						
	Mahindra Logisoft Business Solutions Ltd	-	-	-	4.50	-
Advances made						
	Mahindra Intertrade Ltd	-	0.02	-	-	-
Deposit paid						
	Mahindra World City Developers Ltd	-	-	0.03	-	-
Inter corporate deposit repaid						
	Mahindra World City Developers Ltd	-	-	-	-	3.40
	Mahindra Lifespace Developers Ltd	75.00	-	-	-	-
Inter corporate deposit received						
	Mahindra Lifespace Developers Ltd	75.00	-	-	-	-
	Mahindra World City Developers Ltd	-	-	-	-	3.40
Debtors Securitized						
	Mahindra & Mahindra Financial Services Limited	100.00	-	-	-	-
Sales:						
Services						
	Mahindra Renault Private Limited	0.05	-	-	-	-
Purchases:						
Fixed assets						
	Mahindra World City Developers Ltd	-	-	2.55	-	-
Services						
	Mahindra Logisoft Business Solutions Ltd	2.20	1.99	1.82	1.35	0.96
Interest Expense						
	Mahindra Lifespace Developers Ltd	3.84	-	-	-	-
Reimbursement received						
	Mahindra World City Developers Ltd	-	0.15	-	0.64	0.53
Reimbursement paid						
	Mahindra World City Developers Ltd	0.02	0.02	0.02	-	-
Outstandings:						
Payable						
	Mahindra Engineering & Chemical Products Ltd	-	-	-	-	0.02
Receivable						
	Mahindra World City Developers Ltd	0.03	0.03	0.03	0.18	-
	Mahindra Lifespace Developers Ltd	0.05	0.05	0.05	-	0.03
	Mahindra Consulting Engineers Ltd	0.03	0.03	0.03	-	-
	Mahindra Logistics Limited	0.06	-	-	-	-
	Mahindra Intertrade Ltd	-	0.02	-	-	-

		Years ended March 31,				
		2009	2008	2007	2006	2005
Key Managerial personnel						
Managerial remuneration						
	RSanthanam	-	-	-	-	0.24
	RameshRamanathan	1.27	1.06	0.84	0.85	0.38
	AdvancetoKeyManagerialPersonnel	0.27	0.29	0.31	-	-
	PaymenttorelativeofKMP–RameshRamanathan	-	-	-	-	0.05
Rent deposit						
	PaymenttorelativeofKMP–RameshRamanathan	-	-	-	-	0.05
Rent						
Receipts from relative of KMP –						
	RameshRamanathan	-	-	-	0.05	-

# 15. EMPLOYEE BENEFITS:

(INR in Crores)

a.	Net Asset/ ( Liability) recognized in the balance sheet	Gratuity	
		As at March 31, 2009	As at March 31, 2008
	Present value of funded obligation	1.00	0.72
	Fair value of plan assets	1.00	0.77
	( Deficit) / surplus	-	0.05
	Net asset	-	0.05
b.	Expense recognized in the Profit & Loss account		
	Current service cost	0.23	0.15
	Interest cost	0.05	0.04
	Expected return on plan assets	(0.07)	(0.05)
	Actuarial (gains) / losses	0.03	0.08
	Total expense	0.25	0.22
c.	Change in present value of obligation		
	Present value of defined benefit obligation as at the beginning of the year	0.72	0.57
	Current service cost	0.23	0.15
	Interest cost	0.05	0.04
	Actuarial (gains) /losses	0.04	0.08
	Benefits paid	(0.04)	(0.12)
	Present value of defined benefit obligation as at the end of the year	1.00	0.72
d.	Change in fair value of plan assets		
	Plan assets at the beginning of the year	0.77	0.57
	Expected return on plan assets	0.07	0.05
	Actuarial gains /(losses)	-	-
	Contributions by employer	0.20	0.26
	Benefits paid	(0.04)	(0.11)
	Plan assets at the end of the year	1.00	0.77
e.	Principal actuarial assumptions		
1	Discount rate	8.0%	8.0%
2	Expected return on plan assets	8.0 %	8.0 %
3	Mortality table	LIC (94-96) Ultimate Mortality	LIC (94-96) Ultimate Mortality
f.	Basis used to determine expected rate of return The information on major categories of plan assets and expected return on each class of plan assets are not readily available. However LIC has confirmed that the average rate of return on plan assets is	8.0%	8.0%
g.	Estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotions, increments and other relevant factors such as supply and demand in the employment market.		

Note: In the absence of relevant data, figures for the other years have not been disclosed

**Annexure 6: Details of Income from sale of Vacation Ownership and other services***(INR in Crores)*

	Years ended March 31,				
	2009	2008	2007	2006	2005
Income from sale of Vacation Ownership	297.33	283.54	181.11	113.49	73.94
Annual subscription fee	45.56	32.28	22.77	19.94	12.73
Income from travel services & homestays	1.21	0.08	-	-	-
Income from resorts					
- Room rentals	17.53	14.12	10.52	6.37	5.06
- Food and beverages	23.12	16.22	13.52	9.32	7.31
- Wine and liquor	0.86	1.15	0.41	0.39	0.35
- Others	7.58	5.34	3.98	3.21	2.31
<b>Total Income from Resorts</b>	<b>49.09</b>	<b>36.83</b>	<b>28.43</b>	<b>19.29</b>	<b>15.03</b>
<b>Total</b>	<b>393.19</b>	<b>352.73</b>	<b>232.31</b>	<b>152.72</b>	<b>101.70</b>

**Annexure 7: Details of Other Income***(INR in Crores)*

	Years ended March 31,				
	2009	2008	2007	2006	2005
Other Income	48.93	24.46	8.98	4.01	4.45
Net Profit before tax ,restated	<b>128.36</b>	<b>129.59</b>	<b>67.09</b>	<b>32.81</b>	<b>15.25</b>
Percentage	<b>38%</b>	<b>19%</b>	<b>13%</b>	<b>12%</b>	<b>29%</b>
Interest					
On instalment sales	37.15	19.68	7.32	3.39	2.84
Others - gross	1.08	1.01	0.04	0.01	-
Income from securitization (refer note 5)	9.96	1.21	0.72	0.45	1.57
Gain on exchange fluctuation	-	1.52	-	-	-
Miscellaneous income	0.74	1.04	0.90	0.16	0.04
<b>Total</b>	<b>48.93</b>	<b>24.46</b>	<b>8.98</b>	<b>4.01</b>	<b>4.45</b>

**Annexure 8: Details of Employee Cost***(INR in Crores)*

	Years ended March 31,				
	2009	2008	2007	2006	2005
Salaries, wages and bonus	55.73	43.30	25.33	17.59	13.26
Contribution to provident and other funds	2.30	1.74	1.23	0.77	0.47
Staff welfare expenses	2.81	2.30	1.75	1.09	0.56
Employee compensation expenses on account of ESOS	-	0.04	-	-	-
<b>Total</b>	<b>60.84</b>	<b>47.38</b>	<b>28.31</b>	<b>19.45</b>	<b>14.29</b>

**Annexure 9: Details of Other Expenses***(INR in Crores)*

	Years ended March 31,				
	2009	2008	2007	2006	2005
Food, beverages and smokes consumed	7.34	5.25	4.33	2.90	2.40
Operating supplies	4.01	2.94	2.32	1.74	1.25
Advertisement	19.68	27.41	14.45	9.81	4.91
Sales promotion expenses	73.61	49.41	30.83	20.33	12.06
Sales commission	32.14	35.06	22.17	14.75	9.72
Discount	5.97	3.67	2.49	1.68	1.40
Power and fuel	9.62	7.44	5.93	4.99	3.69
Rent (including lease rent)	19.88	12.90	7.23	5.70	3.94
Rates and taxes	1.28	1.10	0.75	0.67	0.59
Director's fees	0.03	0.01	0.01	0.01	-
Repairs and maintenance					
Buildings	0.56	0.50	0.56	0.24	0.15
Resort renovations	3.80	3.30	3.78	2.70	1.69

	Years ended March 31,				
	2009	2008	2007	2006	2005
Office equipment	0.02	0.22	0.23	0.10	0.05
Others	5.11	2.98	2.58	1.93	1.51
Travelling	10.30	8.16	6.84	4.43	3.64
Communication	6.23	4.92	3.35	2.55	2.32
Insurance	0.58	0.80	0.72	0.40	0.41
Consultancy charges	5.81	4.36	6.79	4.64	4.93
Miscellaneous	12.64	8.95	7.01	5.81	4.66
Service charges	9.27	6.38	8.32	7.01	4.96
Bad debts written off	0.01	0.02	1.71	-	-
Loss on fixed assets sold/scrapped(net)	0.33	0.04	1.31	0.33	0.04
Miscellaneous expenditure written off	-	-	-	-	0.25
Loss on exchange fluctuation	0.98	-	-	-	-
<b>Total</b>	<b>229.20</b>	<b>185.82</b>	<b>133.71</b>	<b>92.72</b>	<b>64.57</b>

#### Annexure 10: Details of Interest and financial charges

(INR in Crores)

	2009	2008	2007	2006	2005
Interest	4.28	0.89	1.36	1.92	3.18
Bank charges	2.75	2.41	2.24	1.40	1.13
<b>Total</b>	<b>7.03</b>	<b>3.30</b>	<b>3.60</b>	<b>3.32</b>	<b>4.31</b>

#### Annexure 11 Details of Fixed Assets

(INR in Crores)

		As at March 31,				
		2009	2008	2007	2006	2005
<b>(A) Tangible assets</b>	-					
<b>(i) Assets on lease / hire purchase</b>						
	Leasehold land	2.74	2.64	2.64	0.09	0.09
	Leasehold buildings	2.88	2.06	4.20	4.20	2.87
	Plant and Machinery	-	-	-	-	-
	Vehicles	0.45	0.51	0.63	0.72	1.14
		6.07	5.21	7.47	5.01	4.10
<b>(ii) Owned assets</b>						
	Freehold land	70.69	31.37	20.29	16.10	9.29
	Buildings	200.65	130.95	112.22	100.07	81.77
	Plant and machinery	78.78	58.93	44.43	36.95	28.06
	Furniture and fixtures	58.56	38.10	32.62	27.61	22.89
	Vehicles	3.52	3.03	2.40	1.79	1.06
		412.20	262.38	211.96	182.52	143.07
<b>(B) Intangible assets</b>	-					
	Goodwill on consolidation	-	-	-	-	-
	Vacation Ownership weeks	0.62	0.62	0.62	0.62	0.62
	Product design and development	3.65	0.86	0.85	-	-
	Software	4.75	4.31	4.84	3.56	1.47
	Non Compete Fees	2.00	-	-	-	-
		11.02	5.79	6.31	4.18	2.09
	<b>Gross Block</b>	<b>429.29</b>	<b>273.38</b>	<b>225.74</b>	<b>191.71</b>	<b>149.26</b>
	Less: Accumulated depreciation	64.12	47.89	38.31	30.67	23.52
	<b>Net Block</b>	<b>365.17</b>	<b>225.49</b>	<b>187.43</b>	<b>161.04</b>	<b>125.74</b>
	<b>Add:</b>					
	Capital Work in Progress	42.79	38.98	9.78	1.38	1.44
	Expenditure pending allocation	8.51	6.02	2.93	0.82	0.32
	<b>Total</b>	<b>416.47</b>	<b>270.49</b>	<b>200.14</b>	<b>163.24</b>	<b>127.50</b>

**Annexure 12: Details of Investments**
*(INR in Crores)*

	As at March 31,				
	2009	2008	2007	2006	2005
Investments:Long term					
<b>Unquoted (at cost)</b>					
<b>Others : Non-trade</b>					
Guestline Hospitality Management and Development Services Limited					
25,000 7% non-cumulative redeemable participating optionally convertible preference shares of Rs. 10 each fully paid up.	0.03	0.03	0.03	0.03	0.03
Mahindra Logisoft Business Solutions Limited					
45,00,000 5% redeemable cumulative preference shares of Rs. 10 each fully paid up.	-	-	-	-	4.50
Mahindra World City Developers Ltd					
1 equity share of Rs.10 each fully paid up.	-	-	-	-	-
Advance against investment in equity shares of Ashtamudi Resorts Pvt Ltd.	-	-	5.87	-	-
	<b>0.03</b>	<b>0.03</b>	<b>5.90</b>	<b>0.03</b>	<b>4.53</b>
Aggregate book value of unquoted investments	<b>0.03</b>	<b>0.03</b>	<b>5.90</b>	<b>0.03</b>	<b>4.53</b>

**Note :**

- The preference shares of Guestline Hospitality Management and Development Services Limited will be redeemed at par at the option of the investee at any time after five years but before twenty years from the date of allotment viz 14.01.2003.
- The preference shares of Guestline Hospitality Management and Development Services Limited shall at the option of the holder be convertible into fully paid equity shares of the face value of Rs.10 each anytime after thirty six months from the date of allotment.

**Annexure 13: Details of Current Assets, Loans and Advances**
*(INR in Crores)*

	Years ended March 31,				
	2009	2008	2007	2006	2005
<b>(A) Current assets :</b>					
<b>Inventories</b>					
Food, beverages and smokes	0.15	0.13	0.15	0.09	0.13
Operating supplies	5.11	3.33	1.63	0.78	0.49
	<b>5.26</b>	<b>3.46</b>	<b>1.78</b>	<b>0.87</b>	<b>0.62</b>
<b>Sundry debtors</b>					
(Unsecured)					
Outstanding over six months					
: considered good	31.17	27.35	10.11	10.91	6.12
: considered doubtful	0.02	0.02	0.03	0.15	0.48
	31.19	27.37	10.14	11.06	6.60
Other debts, considered good	545.42	442.73	234.07	146.66	76.28
	576.61	470.10	244.21	157.72	82.88
Less : provision for doubtful debts	0.02	0.02	0.03	0.15	0.48
	576.59	470.08	244.18	157.57	82.40
Less : unmatured finance charges	94.02	66.66	25.45	11.84	4.16
	<b>482.57</b>	<b>403.42</b>	<b>218.73</b>	<b>145.73</b>	<b>78.24</b>
<b>Cash and bank balances</b>					
Cash on hand	0.04	0.08	0.02	0.05	0.08

Balances with scheduled banks :					
in current accounts	6.74	6.57	8.37	6.63	3.24
in deposit accounts	25.99	0.98	0.97	1.06	0.59
	<b>32.77</b>	<b>7.63</b>	<b>9.36</b>	<b>7.74</b>	<b>3.91</b>
<b>(B) Loans and advances :</b>					
(Unsecured, considered good )					
Advances recoverable in cash or in kind or for value to be received	46.43	43.72	28.42	4.20	4.16
Deposits	20.07	16.72	13.52	18.89	14.41
Payments towards income-tax (net of provisions)	0.01	1.61	-	0.29	0.24
MAT credit entitlement	-	-	-	2.82	-
Gratuity	-	0.05	-	-	-
	<b>66.51</b>	<b>62.10</b>	<b>41.94</b>	<b>26.20</b>	<b>18.81</b>
<b>The above includes the following loans and advances to the promoter group:</b>					
Advances recoverable in cash or in kind or for value to be received					
Mahindra & Mahindra Limited	-	-	0.01	-	-
Mahindra Lifespace Developers Limited	0.05	0.05	0.05	-	0.03
Mahindra Intertrade Limited	-	0.02	-	-	-
Mahindra Consulting Engineers Limited	0.03	0.03	0.03	-	-
Mahindra World City Developers Limited	-	-	-	0.18	-
Mahindra Logistics Limited	0.06	-	-	-	-
Security/Other Deposits					
Mahindra World City Developers Limited	-	0.03	0.03	-	-

#### Annexure 14 Details of Secured Loans

(INR in Crores)

	Years ended March 31,				
	2009	2008	2007	2006	2005
Loans and advances from a bank					
- Term loan	-	-	-	-	-
- Cash credit (refer note 4)	24.63	19.84	5.50	13.59	4.40
Other loans and advances					
- Term loan	-	-	-	12.50	17.00
Deferred payment under hire purchase	0.06	0.23	0.49	0.80	0.70
Less: Future interest	-	0.01	0.03	0.08	0.07
	0.06	0.22	0.46	0.72	0.63
<b>Total</b>	<b>24.69</b>	<b>20.06</b>	<b>5.96</b>	<b>26.81</b>	<b>22.03</b>

#### DETAILS OF SECURED LOANS OUTSTANDING AS ON MARCH 31, 2009

(INR in Crores)

Particulars	Institution/ Bank	Sanctioned Amount	Amount Outstanding	Rate of Interest p.a(%)	Repayment Terms	Securities Offered
Cash Credit	YES BANK LTD	60.00	24.63	PLR-4.5%	-	Exclusive Charge on Receivables
Hire Purchase Loan	ICICI Bank Ltd	0.24	0.06	1	1	Hypothecation of Vehicle
Hire Purchase Loan	HDFC Bank Ltd	0.49	0.01	1	1	Hypothecation of Vehicle

<sup>1</sup> Varies for each loan

**Annexure 15 Details of Unsecured Loans***(INR in Crores)*

	Years ended March 31,				
	2009	2008	2007	2006	2005
Short term loans and advances from bank	-	-	-	-	1.25
	-	-	-	-	<b>1.25</b>

**Annexure 16: Details of Current Liabilities and Provisions***(INR in Crores)*

	As at March 31,				
	2009	2008	2007	2006	2005
<b>Sundry Creditors:</b>					
Dues to micro and small enterprises	-	-	-	-	-
Others	80.69	59.11	38.71	37.97	25.10
Interest accrued but not due on loans	-	-	-	-	-
Amount received from ESOP trust	1.37	1.79	1.85	-	-
	<b>82.06</b>	<b>60.90</b>	<b>40.56</b>	<b>37.97</b>	<b>25.10</b>
<b>Provisions:</b>					
Proposed dividend	23.50	13.97	8.69	-	-
Tax on proposed dividend	3.99	2.37	1.48	-	-
Taxation (net of payments)	1.53	-	0.74	-	-
Leave salary	1.53	0.72	0.33	0.25	0.18
Gratuity	-	-	-	-	-
	<b>30.55</b>	<b>17.06</b>	<b>11.24</b>	<b>0.25</b>	<b>0.18</b>

**Annexure 17: Details of Share Capital***(INR in Crores)*

	As at March 31,				
	2009	2008	2007	2006	2005
Authorised :					
50,000,000 equity shares of Rs.10 each	100.00	100.00	50.00	50.00	25.00
10,000,000 preference shares of Rs. 10 each	10.00	10.00	10.00	10.00	10.00
	<b>110.00</b>	<b>110.00</b>	<b>60.00</b>	<b>60.00</b>	<b>35.00</b>
Issued :					
78,333,688 equity shares of Rs.10 each	78.33	78.33	35.00	35.00	25.00
10,000,000 preference shares of Rs. 10 each (refer note 12)	-	-	-	-	10.00
	<b>78.33</b>	<b>78.33</b>	<b>35.00</b>	<b>35.00</b>	<b>35.00</b>
Subscribed and paid-up :					
78,333,688 equity shares of Rs. 10 each fully paid (of the above 73,354,833 equity shares are held by the holding company, Mahindra & Mahindra Limited)	78.33	78.33	29.28	28.40	18.40
Less: 1,355,178 shares of Rs 10 each fully paid up issued to Mahindra Holidays & Resorts India Limited Employees' Stock Option Trust but not allotted to employees (refer note 2)	1.36	1.91	0.88	-	-
10,000,000 9% cumulative redeemable preference shares of Rs. 10 each fully paid (refer Note 12)	-	-	-	-	10.00
	<b>76.97</b>	<b>76.42</b>	<b>28.40</b>	<b>28.40</b>	<b>28.40</b>

**Annexure 18: Details of Reserves and Surplus**
*(INR in Crores)*

	As at March 31,				
	2009	2008	2007	2006	2005
Capital reserve					
As per last balance sheet	0.06	0.01	0.01	0.01	0.01
Additions during the period (refer note 3)	0.09	0.05	-	-	-
	0.15	0.06	0.01	0.01	0.01
General Reserve					
As per last balance sheet	8.80	4.18	-	-	-
Less: Capitalised on issue of Bonus Shares	-	3.82	-	-	-
Less: Transfer on Amalgamation (Refer Note No.7)	-	0.81	-	-	-
Add: Bonus shares issued to ESOP trust but not allotted to employees (Refer Note No.2)	-	1.20	-	-	-
Add : Transfer from Profit and Loss Account	8.34	8.05	4.18	-	-
Less: Bonus shares issued on exercise of stock options	0.35	-	-	-	-
	16.79	8.80	4.18	-	-
Balance in Profit and loss account	101.53	102.73	43.08	14.89	-
Less: Capitalised on issue of Bonus Shares	-	45.17	-	-	-
	101.53	57.56	43.08	14.89	-
Securities Premium Account					
Premium on shares issued to Mahindra Holidays and Resorts India Limited Employees' Stock Option Trust	1.21	1.21	0.97	-	-
Less: Premium on shares issued to Mahindra Holidays and Resorts India Limited Employees' Stock Option Trust but not allotted to employees (refer note 2)	0.86	1.07	0.97	-	-
	0.35	0.14	-	-	-
Foreign exchange fluctuation reserve	0.01	0.01	-	-	-
	<b>118.83</b>	<b>66.57</b>	<b>47.27</b>	<b>14.90</b>	<b>0.01</b>

**Annexure 19: Accounting Ratios**

	Years ended March 31,				
	2009	2008	2007	2006	2005
Earnings per share (INR)					
- Basic	10.37	11.01	5.61	4.05	1.69
- Diluted	10.19	10.77	5.50	4.05	1.69
Net Asset Value per share (INR)	24.99	18.71	26.65	15.25	12.64
Return on Networth (%)	40.78%	58.77%	56.21%	46.29%	35.67%
Weighted average number of equity shares outstanding during the period used in computing basic earnings per share	76,941,144	76,291,122	75,828,530	49,494,287	49,128,534
Weighted average number of equity shares outstanding during the period used in computing diluted earnings per share	78,296,322	78,044,961	77,293,838	49,494,287	49,128,534
Number of Equity shares outstanding at the end of the period	78,333,688	76,417,917	28,400,200	28,400,200	18,400,200

**Notes:**

- The above ratios have been computed as under:

$$\text{Basic and diluted earnings per share (INR)} = \frac{\text{Net Profit after tax – restated}}{\text{Weighted average number of equity shares outstanding during the period}}$$

$$\text{Net Assets value per share (INR)} = \frac{\text{Net worth – restated, at the end of the period}}{\text{Total number of equity shares outstanding at the end of the period}}$$

$$\text{Return on Net Worth (\%)} = \frac{\text{Net Profit after tax - restated}}{\text{Net worth restated, at the end of the period}}$$

2. Net profit - restated as appearing in the “Summary Statement of Profits and Losses-Restated” has been considered for the purpose of computing the above ratios. As preference dividend has been waived during 2006 (refer note 12) Earnings per share has been restated for the years ended 2004 to 2005 without considering preference dividend.
3. Earnings per share calculations are done in accordance with Accounting Standard 20 on Earnings Per Share and Guidance note on Accounting for Employee share based payments issued by the Institute of Chartered Accountants of India.
4. Net worth means Equity Share Capital + Preference Share Capital + Reserves and Surplus- Miscellaneous expenditure (to the extent not written off or adjusted) - Debit balance in Profit & Loss Account as appearing in “Summary Statement of Assets and Liabilities - Restated”.

#### Annexure 20: DIVIDENDS

	Class of shares	Year ended March 31, 2009	Year ended March 31, 2008
1	Equity Shares of Rs. 10 each fully paid up	783,336,880	783,336,880
2	Dividend rate (%)	30	30
3	Dividend (INR)	235,001,064	139,732,580
4	Tax on dividend (INR)	39,938,431	23,747,550
Note: Dividend declared for the year ended March 31, 2008 was on pro-rata basis on the bonus shares issued on November 24, 2007.			

#### Annexure 21: Capitalisation Statement

(INR in Crores)

Particulars	Pre - issue as at March 31, 2009	Post – issue
<b>Borrowings</b>		
Short Term Debt	24.69	<b>Refer Note 2</b>
Long Term Debt	-	
<b>Total Debts</b>	<b>24.69</b>	
<b>Shareholders' funds</b>		
Equity Share Capital	76.97	
Employees stock options outstanding	-	
Reserves and surplus	118.83	
<b>Total Shareholder's funds</b>	<b>195.80</b>	
Long Term Debt / Equity Ratio		

Notes:

- 1 - The above has been computed based on restated accounts.
- 2 - Short term debts are debts due within next one year
- 3 - Statement for the post issue period will be made on the conclusion of the book building process.

## UNCONSOLIDATED FINANCIAL STATEMENTS

### Examination Report

The Board of Directors,  
Mahindra Holidays & Resorts India Limited  
Mahindra Towers, 2<sup>nd</sup> Floor  
17/18, Patullos Road  
Chennai – 600002

Dear Sirs,

#### **Re: Public issue of equity shares of Mahindra Holidays & Resorts India Limited**

We have examined the financial information of Mahindra Holidays & Resorts India Limited ('the Company') annexed to this report and initialled by us for identification. The financial information has been prepared in accordance with the requirements of Part II of Schedule II to the Companies Act, 1956 ('the Act'), the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ('the Guidelines') and related clarifications thereto issued by the Securities and Exchange Board of India (SEBI) under Section 11 of Securities Exchange Board of India Act, 1992 as amended from time to time.

The financial information is based on the financial statements of the Company for the years ended March 31, 2008, 2007, 2006 and 2005 audited by A.F.Ferguson & Co, the statutory auditors of the Company during those years and accordingly reliance has been placed on those financial statements.

The financial information is prepared to be included in the Offer Document of the Company in connection with the public issue of its equity shares.

#### **Financial Information**

1. The following information referred to above, relating to profits and losses, assets and liabilities and cash flows of the Company is contained in the following Annexures to this report:
  - a. Annexure 1 containing the Summary statement of unconsolidated profit and loss, as restated for the years ended March 31, 2009, 2008, 2007, 2006 and 2005.
  - b. Annexure 2 containing the Summary statement of unconsolidated assets and liabilities, as restated as at March 31, 2009, 2008, 2007, 2006 and 2005.
  - c.
  - d. Annexure 3 contains the Summary statement of unconsolidated cash flows, as restated for the years ended March 31, 2009, 2008, 2007, 2006 and 2005.
  - e. Annexure 4 contains the Notes on adjustments made in the unconsolidated Summary Statements.
  - f. Annexure 5 contains the Summary of Significant accounting policies and significant Notes on Accounts

#### **Other Financial Information**

2. Other financial information relating to the Company is attached in Annexure 6 to 22 to this report:
  - a. Annexure 6 - Details of Income from Sale of Vacation Ownership & other services
  - b. Annexure 7 - Details of Other income

- c. Annexure 8 - Details of Employee cost
  - d. Annexure 9 - Details of Other expenses
  - e. Annexure 10 - Details of Interest and financial charges
  - f. Annexure 11 - Details of Fixed assets
  - g. Annexure 12 - Details of Investments
  - h. Annexure 13 - Details of Current Assets, Loans and Advances
  - i. Annexure 14 - Details of Secured loans
  - j. Annexure 15 - Details of Unsecured Loans
  - k. Annexure 16 - Details of Current liabilities and provisions
  - l. Annexure 17 - Details of Share capital
  - m. Annexure 18 - Details of Reserves and surplus
  - n. Annexure 19 - Accounting ratios
  - o. Annexure 20 - Details of Dividends
  - p. Annexure 21 - Capitalisation Statement
  - q. Annexure 22 - Tax Shelter Statement
3. We have examined, as appropriate, the financial information contained in the aforesaid Annexures and state that:
- a. The unconsolidated financial information, prepared by the Company, is based on the financial statements of the Company for the years ended March 31, 2008, 2007, 2006 and 2005 audited by A.F.Ferguson & Co. and adopted by the Board of Directors in those periods.
  - b. The unconsolidated financial information, prepared by the Company for the year ended March 31, 2009 is based on the financial statements of the Company audited by us and approved by the Board of Directors.
  - c. The financial information is arrived at after making such adjustments as, in our opinion, are appropriate in the year to which they relate as detailed in Annexure 4 to this report.
4. Based on the examination of the Restated Unconsolidated Summary Statements, we confirm that:
- a. The impact arising on account of changes in accounting policies adopted by the Company as at and for the year ended March 31, 2009 have been adjusted with retrospective effect in the attached Restated Unconsolidated Summary Statements except for the following\*;  
  
During the year ended March 31, 2007, the Company had accounted for its Gratuity liability based on the actuarial valuation determined by Life Insurance Corporation of India based on Projected Unit Credit Method consequent to early adoption of AS 15 on Employee Benefits (revised 2005). However, necessary adjustments and disclosures for the periods prior to March 31, 2007 have not been done for the reasons stated in Note E to Annexure 4.
  - b. The prior period items have been adjusted in the Restated Unconsolidated Summary Statements in the years to which they relate;
  - c. There are no extraordinary items which need to be disclosed separately in the Restated Unconsolidated Summary Statements; and
  - d. There are no qualifications in the auditors' reports, which require any adjustments to the Restated Unconsolidated Summary Statements.
5. In our opinion, the financial information of the Company as attached to this report, read with the significant accounting policies and notes on accounts and other notes contained in the aforesaid

Annexure, has been prepared in accordance with Part II of Schedule II of the Act and the Guidelines issued by SEBI.

6. This report is intended solely for your information and for inclusion in the Letter of Offer in connection with the Public issue of equity shares of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.
7. This report should not, in any way, be construed as a re-issuance or re-dating of any of the previous audit reports nor should this be construed as a new opinion on any of the financial statements referred to herein.

For Deloitte Haskins & Sells  
Chartered Accountants

B.Ramaratnam  
Partner  
(Membership Number 21209)

Place: Mumbai  
Date: April 22, 2009

**Annexure 1: Summary Statement of Profits and Losses, as restated**
*(INR in Crores)*

	Years ended March 31,				
	2009	2008	2007	2006	2005
<b><u>Income</u></b>					
Income from sale of Vacation Ownership and other services	393.06	352.73	232.31	152.72	101.71
Other Income	51.25	22.31	8.34	4.01	4.44
Sub-Total	<b>444.31</b>	<b>375.04</b>	<b>240.65</b>	<b>156.73</b>	<b>106.15</b>
<b><u>Expenditure</u></b>					
Employee Cost	60.84	47.38	28.31	19.45	14.29
Other Expenses	227.85	187.07	133.39	92.70	64.57
Sub-Total	<b>288.69</b>	<b>234.45</b>	<b>161.70</b>	<b>112.15</b>	<b>78.86</b>
<b>Profit before Interest, Depreciation and Tax</b>	155.62	140.59	78.95	44.58	27.29
Interest and financial charges	7.03	3.30	3.60	3.32	4.31
<b>Profit before Depreciation and Tax</b>	148.59	137.29	75.35	41.26	22.98
Depreciation	16.69	11.30	8.87	7.75	6.48
Profit before tax and before restatement	131.90	125.99	66.48	33.51	16.50
<b><u>Adjustments on account of restatement (Refer Annexure 4(B))</u></b>					
Depreciation	-	-	-	(0.09)	0.18
Others	(0.14)	(0.20)	(0.29)	0.77	1.07
Profit before tax and after restatement	132.04	126.19	66.77	32.83	15.25
Provision for taxation					
Current tax	39.05	39.81	13.15	-	1.30
Deferred tax	5.89	3.74	9.86	11.31	5.98
Fringe benefit tax	3.55	1.92	1.72	1.37	-
Effect on tax due to restatement (Refer Annexure 4(B))	0.05	0.08	(0.16)	0.09	(0.32)
Total provision for tax after restatement	48.54	45.55	24.57	12.77	6.96
Profit after tax & after restatement	83.50	80.64	42.20	20.06	8.29
Balance brought forward from previous year as restated (Refer Annexure 18)	53.85	42.77	14.91	(5.15)	(13.44)
Profit available for appropriation as restated	<b>137.35</b>	<b>123.41</b>	<b>57.11</b>	<b>14.91</b>	<b>(5.15)</b>
<b><u>Appropriations</u></b>					
Proposed Dividend	23.50	13.97	8.68	-	-
Tax on Proposed Dividend	3.99	2.37	1.48	-	-
Transfer to General Reserve	8.34	8.05	4.18	-	-
	<b>35.83</b>	<b>24.39</b>	<b>14.34</b>	<b>-</b>	<b>-</b>
<b>Balance carried forward as restated</b>	<b>101.52</b>	<b>99.02</b>	<b>42.77</b>	<b>14.91</b>	<b>(5.15)</b>

**Annexure 2 : Summary Statement of Assets and Liabilities as restated**
*(INR in Crores)*

		As at March 31,				
		2009	2008	2007	2006	2005
A	Fixed Assets					
	<b>Gross Block</b>	422.15	273.38	225.74	191.71	149.26
	Less:Depreciation	63.97	47.89	38.31	30.67	23.52
	<b>Net Block</b>	<b>358.18</b>	<b>225.49</b>	<b>187.43</b>	<b>161.04</b>	<b>125.74</b>
	Capital Work in Progress	42.71	38.98	9.78	1.38	1.44
	Expenditure Pending Allocation	8.51	6.02	2.93	0.82	0.32
	<b>Total</b>	<b>409.40</b>	<b>270.49</b>	<b>200.14</b>	<b>163.24</b>	<b>127.50</b>
B	<b>Investments</b>	<b>0.64</b>	<b>0.24</b>	<b>6.06</b>	<b>0.03</b>	<b>4.53</b>
C	<b>Deferred Tax Asset(Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2.21</b>
D	<b>Current Assets,Loans and Advances</b>					
	Inventories	5.24	3.46	1.78	0.87	0.62
	Sundry Debtors	484.17	403.42	218.73	145.73	78.24
	Cash and Bank Balances	31.97	6.79	8.41	7.74	3.91
	Loans and Advances	73.53	58.92	42.14	26.20	18.81
	<b>Total</b>	<b>594.91</b>	<b>472.59</b>	<b>271.06</b>	<b>180.54</b>	<b>101.58</b>
E	<b>Liabilities and Provisions</b>					
	<b><u>Loan Funds</u></b>					
	Secured Loans	24.69	20.06	5.96	26.81	22.03
	Unsecured Loans	-	-	-	-	1.25
	Advance towards members' facilities	640.26	482.46	324.22	226.29	164.00
	Deferred Tax Liability(Net)	29.48	23.59	20.16	9.19	-
	<b><u>Current Liabilities and Provisions</u></b>					
	Current Liabilities	84.21	60.84	40.32	37.95	25.10
	Provisions	30.53	17.06	11.24	0.25	0.18
	<b>Total Liabilities and Provisions</b>	<b>809.17</b>	<b>604.01</b>	<b>401.90</b>	<b>300.49</b>	<b>212.56</b>
F	<b>Net Worth (A+B+C+D-E)</b>	<b>195.78</b>	<b>139.31</b>	<b>75.36</b>	<b>43.32</b>	<b>23.26</b>
	<b><u>Represented By</u></b>					
	Share Capital	76.97	76.42	28.40	28.40	28.40
	Employee stock options outstanding	-	0.04	-	-	-
	Reserves and Surplus	118.81	62.85	46.96	14.92	0.01
	<b>Sub-total</b>	<b>195.78</b>	<b>139.31</b>	<b>75.36</b>	<b>43.32</b>	<b>28.41</b>
	Less: Profit and Loss Account Debit Balance	-	-	-	-	5.15
	<b>Total</b>	<b>195.78</b>	<b>139.31</b>	<b>75.36</b>	<b>43.32</b>	<b>23.26</b>

**Annexure 3 : Summary Statement of Cash Flows, as restated**
*(INR in Crores)*

		Years ended March 31,				
		2009	2008	2007	2006	2005
<b>A .</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES :</b>					
	Profit before tax and after restatement	132.04	126.19	66.77	32.83	15.25
	Adjustments for :					
	Depreciation	16.69	11.30	8.87	7.66	6.66
	Employee compensation expenses on account of ESOS	(0.04)	0.04	-	-	-
	Interest and financial charges	7.03	3.30	3.60	3.32	4.31
	Interest income	(1.48)	(0.87)	(0.04)	(0.01)	-
	Interest on instalment sales	(37.15)	(19.68)	(7.32)	(3.39)	(2.84)
	Income from securitisation	(9.96)	(1.21)	(0.72)	(0.45)	(1.57)
	Loss on fixed assets sold/ scrapped (net)	0.33	0.04	1.31	0.33	0.04
	Unrealised exchange (gain)/loss	(2.50)	1.97	(0.05)	-	-
	Operating profit before working capital changes	<b>104.96</b>	<b>121.08</b>	<b>72.42</b>	<b>40.29</b>	<b>21.85</b>
	Changes in :					
	Deferred income - Advance towards members' facilities	157.80	158.24	97.93	62.29	40.57
	Trade and other receivables	(93.88)	(207.54)	(92.00)	(66.74)	(31.76)
	Inventories	(1.78)	(1.67)	(0.91)	(0.25)	(0.20)
	Trade and other payables	24.17	20.70	0.60	7.84	7.84
		<b>86.31</b>	<b>(30.27)</b>	<b>5.62</b>	<b>3.14</b>	<b>16.45</b>
	Income Taxes paid	(39.51)	(43.96)	(9.75)	(4.43)	(1.37)
	<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>151.76</b>	<b>46.85</b>	<b>68.29</b>	<b>39.00</b>	<b>36.93</b>
<b>B</b>	<b>CASH FLOW FROM INVESTING ACTIVITIES :</b>					
	Purchase of fixed assets	(156.11)	(73.19)	(47.29)	(43.90)	(22.02)
	Proceeds from sale of fixed assets	0.26	2.06	0.22	0.17	0.10
	(Purchase) / Sale of investments	(0.40)	(0.05)	(6.03)	4.50	-
	Interest received	0.88	0.87	0.04	0.01	-
	Interest on instalment sales received	37.15	19.68	7.32	3.39	2.84
	Income from securitisation received	9.96	1.21	0.72	0.45	1.57
	<b>NET CASH (USED IN) INVESTING ACTIVITIES</b>	<b>(108.26)</b>	<b>(49.42)</b>	<b>(45.02)</b>	<b>(35.38)</b>	<b>(17.51)</b>
<b>C .</b>	<b>CASH FLOW FROM FINANCING ACTIVITIES :</b>					
	Proceeds from issue of equity shares	0.42	0.29	1.85	-	-
	Proceeds from borrowings	103.63	14.11	-	3.53	-
	Repayments of borrowings	(99.00)	-	(20.85)	-	(15.99)
	Dividends paid	(13.97)	(8.68)	-	-	-
	Dividend distribution tax paid	(2.37)	(1.48)	-	-	-
	Interest and financial charges paid	(7.03)	(3.30)	(3.60)	(3.32)	(4.31)
	<b>NET CASH (USED IN) / FROM FINANCING ACTIVITIES</b>	<b>(18.32)</b>	<b>0.94</b>	<b>(22.60)</b>	<b>0.21</b>	<b>(20.30)</b>
	<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>25.18</b>	<b>(1.63)</b>	<b>0.67</b>	<b>3.83</b>	<b>(0.88)</b>
	<b>CASH AND CASH EQUIVALENTS :</b>					
	Opening Balance	6.79	8.41	7.74	3.91	4.79
	Cash and bank balance acquired on amalgamation		0.01	-	-	-
	Total	6.79	8.42	7.74	3.91	4.79
	Closing Balance	31.97	6.79	8.41	7.74	3.91
	<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>25.18</b>	<b>(1.63)</b>	<b>0.67</b>	<b>3.83</b>	<b>(0.88)</b>

#### Annexure 4: Notes on adjustments made in the Summary Statements

##### A. Balance in profit and loss account as at April 1, 2004 – Restated

(INR in Crores)

Balance in profit and loss account as at April 1, 2004, as per audited financial statements	(12.31)
Increase/ (decrease) in the accumulated profit as at April 1, 2004 as a result of:	
- Depreciation	(0.45)
- Leave salary	0.22
- Operating supplies	(0.10)
- Specialised software	0.39
- Deferred tax	0.98
- RCI fees	(2.17)
Balance in profit and loss account as at April 1, 2004, as restated	(13.44)
The above information should be read alongwith significant accounting policies appearing in Annexure 5, together with notes on adjustments, as appearing in Annexure 4D	

##### B. Notes to the summary statement of profits and losses - Restated

(INR in Crores)

	Years ended March 31,				
	2009	2008	2007	2006	2005
<b>Adjustments - (income)/expense in statement of profit and loss on account of:</b>					
<b>i) Change in accounting policies / estimates</b>					
<b>Depreciation</b>	-	-	-	(0.09)	0.18
<b>Others</b>					
- Leave salary	-	-	-	0.25	(0.04)
- Miscellaneous expenditure					
Operating supplies	-	-	-	-	(0.09)
Specialised software	-	-	-	-	(0.16)
- RCI fees	(0.14)	(0.20)	(0.29)	0.52	1.36
<b>Sub-total</b>	<b>(0.14)</b>	<b>(0.20)</b>	<b>(0.29)</b>	<b>0.77</b>	<b>1.07</b>
<b>ii) Tax Adjustments</b>					
- Current tax	0.05	0.08	(1.27)	-	(0.10)
- Deferred tax	-	-	1.11	0.09	(0.22)
<b>Sub-total</b>	<b>0.05</b>	<b>0.08</b>	<b>(0.16)</b>	<b>0.09</b>	<b>(0.32)</b>
<b>Total</b>	<b>(0.09)</b>	<b>(0.12)</b>	<b>(0.45)</b>	<b>0.77</b>	<b>0.93</b>

##### C. Notes to the summary statement of assets & liabilities - Restated

	As at March 31,				
	2009	2008	2007	2006	2005
<b>Adjustments - increase/(decrease) in statement of assets and liabilities on account of:</b>					
<b>i) Reserves &amp; Surplus</b>					
- Profit and loss	0.09	0.12	0.45	(0.77)	(0.93)
<b>ii) Miscellaneous expenditure</b>					
-	-	-	-	-	-
<b>iii) Accumulated Depreciation</b>	<b>(0.95)</b>	<b>(0.95)</b>	<b>(0.95)</b>	<b>(0.95)</b>	<b>(1.04)</b>
<b>iv) Loans and advances</b>					
- Payments towards Income tax(net of provision)	-	(0.08)	-	-	0.10
<b>v) Deferred tax asset/ (liability)</b>					
- Deferred tax of earlier years	-	-	-	(1.11)	1.20
<b>vi) Current liabilities and provisions</b>					
- Provision for taxation (net of payments)	0.05	-	(1.27)	-	-
- Provision for leave salary	-	-	-	-	(0.25)
<b>vii) Advance towards members facilities</b>	<b>(0.14)</b>	<b>(0.20)</b>	<b>(0.29)</b>	<b>0.52</b>	<b>1.36</b>

#### ***D. Notes on Adjustments***

##### **1. Depreciation**

During the year ended March 31, 2004, the company revised the estimated useful life of Motor vehicles provided to employees from 10 years to 4 years. The effect of change in the estimated useful life of these assets has resulted in an additional depreciation charge in the respective years.

During the year ended March 31, 2005, the company revised the depreciation rates of assets at employees' residence from the rates as per Schedule XIV of the Companies Act, 1956 to 20%. The effect of the change in the estimated useful life of these assets has resulted in an additional depreciation charge in the respective years.

The effect of revision in the estimated useful life of the above assets has been adjusted to the concerned prior years so as to recompute the profits and losses of those years considering the uniform estimated useful life of Motor cars and assets at employees' residence for each of these years. Further, the opening balance of profit and loss account as at April 1, 2003 has been appropriately adjusted to reflect the impact of changes pertaining to prior years.

##### **2. Deferred Tax**

Accounting Standard 22 - Accounting for taxes on income, became mandatory w.e.f April 1, 2001. The Company did not recognise deferred tax asset until the year ended March 31, 2003, giving due consideration to the principle of prudence as required by the said AS 22. As the condition laid down in the said AS 22 for recognition of deferred tax asset were fulfilled in the year ended March, 31, 2004, the company recognised the same in that year

To have a uniform accounting policy from the year ended March 31, 2003, deferred tax asset / liability has been computed for the year ended on that date. The deferred tax asset / liability relating to periods prior to April 1, 2003 have been appropriately adjusted to the opening balance of profit and loss account as at April 1, 2003. Further, consequent to the adjustments made in respect of items referred to in this Annexure, the impact of deferred tax has been adjusted in the respective years.

##### **3. Intangible Assets**

Accounting Standard – 26 Accounting for Intangible Assets, became mandatory w.e.f April 1, 2003. The company adopted AS 26 for the first time during the year ended March 31, 2004.

###### **(a) Specialized Software expenses**

Software expenses upto year ended March 31, 2003 was treated as deferred revenue expenditure and written off over a period of 3 years. Subsequent software expenses were capitalized in line with AS 26. To have a uniform accounting policy, the company has capitalized the balance of Software expenses as at April 1, 2003 and subsequent additions for the year ended March 31, 2004 under intangible assets and amortized the same over a period of 3 years. Due to the above change there is no impact on the profit and loss account.

###### **(b) Operating Supplies**

Operating supplies purchased upto year ended March 31, 2003 was treated as deferred revenue expenditure and written off over a period of 3 years. Subsequent purchases have been charged off to revenue in line with AS 26. To have a uniform accounting policy, the company has adjusted the balance of operating supplies as at April 1, 2003 against opening balance of profit and loss account and the additions in subsequent years have been charged off to revenue.

#### **4. RCI fees**

Upto September 30, 2005 fees payable to RCI was reduced from membership fees and the balance recognized as Income from Vacation Ownership. With effect from October 1, 2005 the fees payable to RCI in respect of new members has been charged off to revenue. To have a uniform accounting policy the fees payable to RCI in respect of new members enrolled from April 1, 2002 has been charged off in the respective years.

#### **5. Leave Salary**

Until March 31, 2004, provision for leave salary was made on an arithmetical basis and thereafter on an actuarial basis.

To have a uniform accounting policy for all the years, an actuarial valuation has been made for leave salary using the Projected Unit Credit method and adjustments made to the respective years. The additional liability upto 31 March, 2003 has been adjusted against the opening balance of Profit and Loss account.

#### **E. Notes on Non Adjustments**

##### **Gratuity**

During the year ended March 31, 2007, the Company had accounted for its Gratuity liability based on an actuarial valuation determined by Life Insurance Corporation of India on the Projected Unit Credit method, consequent to early adoption of AS 15 on Employee Benefits (revised 2005). However, necessary adjustments and disclosures for other prior periods have not been made due to non availability of relevant data for those periods.

#### **Annexure 5**

##### **Summary of significant policies and notes on accounts**

##### **1. Accounting Policies**

- (i) The financial statements have been prepared under the historical cost convention in accordance with the accounting principles generally accepted in India and comply with the mandatory Accounting Standards notified by the Central Government of India under The Companies (Accounting Standards) Rules, 2006 and with the relevant provisions of the Companies Act, 1956.

- (ii) Use of estimates:

The preparation of the Financial Statements, in conformity with the generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reported period. Differences between the actual results and estimates are recognised in the period in which the results are known/ materialised.

- (iii) Fixed assets:

Fixed assets are stated at cost less depreciation. Cost comprises of purchase price and other directly attributable costs of bringing the asset to its working condition for its intended use and includes interest on moneys borrowed for construction/acquisition of fixed assets up to the period the assets are ready for use. Depreciation is calculated on straight line method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956 except for the following:

- a. Leasehold land and buildings are amortised over the period of lease.

- b. Intangible assets representing 'Vacation Ownership' acquired is amortised over a period of ten years.
- c. Furniture and Fixtures in 'Club Mahindra Holiday World' are amortised over a period of 36 months from the date of capitalisation.
- d. Motor vehicles provided to employees are depreciated over a period of 48 months. Other assets provided to employees are depreciated over a period of 60 months.
- e. Expenditure incurred towards software is amortised over 36 months.
- f. Expenditure on product design and development & web portal is amortised over the estimated useful life of the asset i.e 3/4 years.
- g. Non compete fee is amortised over a period of 5 years.

(iv) Assets taken on lease and Hire Purchase:

Assets taken on Lease and Hire Purchase arrangements, wherein the Company has an option to acquire the assets are accounted for as fixed assets in accordance with Accounting Standard 19 on Leases.

(v) Inventories:

Inventories are stated at cost or net realisable value, whichever is lower. The cost is arrived at on first in first out method.

(vi) Investments:

Long term investments are stated at acquisition cost less provision, if any, for diminution in value other than temporary

(vii) Revenue Recognition:

- (a) The company's business is to sell Vacation Ownership and provide holiday facilities to members for a specified period each year, over a number of years, for which membership fee is collected either in full up front, or on a deferred payment basis. Up to 30<sup>th</sup> September, 2005, out of the total membership fee, relevant portion reasonably attributable towards direct cost required to market Vacation Ownership, which is assessed and revised periodically, is recognised as Income from sale of Vacation Ownership in the year in which the purchaser of Vacation Ownership becomes a member and the balance representing 'Advance towards members' facilities' is being recognised as Income from sale of Vacation Ownership equally over a period for which holiday facilities are provided commencing from the year in which the member is entitled to benefits of membership under the scheme.

With effect from 1<sup>st</sup> October 2005, in accordance with the new membership rules, admission fee, which is non refundable, is recognised as income on admission of a member. Entitlement fee (disclosed under Advance towards Members facilities), which entitles the member for the holiday facilities over the membership usage period, is recognized as income equally over the usage period. The effect of the said changes has no impact on the reserves of the company for the respective years.

- (b) Annual subscription fees due from members are recognised as income on an accrual basis.
- (c) Interest on instalment sales is recognised as income on an accrual basis.

- (d) Income from room rentals, food and beverages, etc., is recognised when services are rendered.
- (e) Securitised assets are derecognised as the contractual rights therein are transferred to the third party. On derecognition, the difference between book value of the securitised asset and consideration received is recognised as gain or loss arising on securitisation.
- (f) Income from travel services includes commission on tickets/hotel booking, service charges from customers, etc. and is recognised when services are rendered.
- (g) Income from homestays is recognized when services are rendered.

(viii) Foreign exchange transactions:

Foreign exchange transactions are recorded at exchange rates prevailing on the date of the transactions. The exchange gain / loss arising on settlement of such transactions is adjusted to the profit and loss account.

Monetary assets and liabilities denominated in foreign currency are translated at exchange rates prevailing at the Balance sheet date and gain or loss arising out of such translation is adjusted to the profit and loss account.

(ix) Employee benefits:

Short term employee benefit plans

All short term employee benefit plans such as salaries, wages, bonus, special awards and, medical benefits which fall due within 12 months of the period in which the employee renders the related services which entitles him to avail such benefits are recognized on an undiscounted basis and charged to the profit and loss account.

Defined Contribution Plan

Contributions to the provident and pension funds are made monthly at a predetermined rate to the Regional Provident Fund Commissioner and debited to the profit and loss account on an accrual basis. Contributions to the superannuation fund are determined and accounted on the same basis and is made to Life Insurance Corporation of India (LIC)

Defined Benefit Plan

The company has an arrangement with the Life Insurance Corporation of India (LIC) to administer its gratuity scheme. The contribution paid/payable is debited to the profit and loss account on an accrual basis. Liability towards gratuity is provided on the basis of an actuarial valuation as at balance sheet date using the Projected Unit Credit method and debited to the profit and loss account on an accrual basis. Actuarial gains and losses arising during the year are recognized in the profit and loss account. Long term compensated absences is similarly valued on an actuarial basis and is unfunded.

(x) Taxes on income:

Income taxes are accounted for in accordance with Accounting Standard 22 on Accounting for Taxes on Income (AS 22). Tax expense comprises both current and deferred tax. Current tax is determined as the amount of tax payable in respect of taxable income for the period using the applicable tax rates and tax laws. Deferred tax assets and liabilities are recognised, subject to consideration of prudence, on timing differences, being the difference between taxable income and accounting income, that originate in one period and are capable of reversal in one or more subsequent periods and are measured using tax rates enacted or substantively enacted as at the

Balance Sheet date. The carrying amount of deferred tax assets and liabilities are reviewed at each Balance Sheet date. Fringe Benefits tax is recognised in accordance with the relevant provisions of the Income-tax Act, 1961

(xi) Share issue expenses:

Expenses incurred in connection with issue of share capital is adjusted against securities premium account.

(xii) Borrowing Cost:

Borrowing cost that are attributable to the acquisition, construction or production or qualifying asset are capitalized as part of cost of such asset till such time as the asset is ready for its intended use or sale. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognized as expenses in the period in which they are incurred.

(xiii) Provision & contingencies:

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which reliable estimate can be made. Provisions are not discounted to present value and are determined based on the best 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 best estimates. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statements.

## 2. Employees' Stock Option Scheme:

Under the Employee Stock Option Scheme equity shares are allotted to the Mahindra Holidays and Resorts India Limited Employees' Stock Option Trust (the trust) set up by the company. The trust holds these shares for the benefit of the eligible employees/Directors as defined under the scheme and issues the shares to them as per the recommendation of the remuneration committee.

1. The details of the Employees' Stock Option Schemes are as under:

Type of Arrangement	Equity settled option plan administered through Employee Stock Option Trust			
Method of Settlement	By issue of shares at Exercise Price			
Grant (Date of Grant)	Grant I (15/07/2006)	Grant II ( 30/03/2007)	Grant III ( 01/11/2007)	Grant V ( 01/11/2008)
Exercise Price	Rs.16	Rs.52	Rs.52	Rs.52
Average Exercise Price(after bonus issue)	Rs.6.00	Rs.19.50	Rs.19.50	Rs.52.00
Vesting Period	5 Years	4 Years	4 Years	4 Years
Number of Options Granted	759,325	122,235	56,700	261,590
Contractual life	6 years from the date of grant.	5 years from the date of each vesting.		
Vesting Conditions	35%,30%,15%,10% and 10% on expiry of 12,24,36,48 and 60 months from the date of grant respectively.	25% each on expiry of 12, 24, 36 and 48 months from the date of grant.		
No. of options exercisable in each	Minimum of 25 and a maximum of all options vested till that date.			

tranche

## 2. Summary of Stock options (including bonus shares)

Particulars	Grant I (15/07/2006)	Grant II (30/03/2007)	Grant III (1/11/2007)	Grant IV (4/2/2008)	Grant V ** (1/11/2008)	Total
Options outstanding as on 1.4.2008 including bonus shares allotted and net of options lapsed of 235,622 shares	1,256,207	272,553	151,389	152,536	-	1,832,685
Options granted	-	-	-	-	261,590	261,590
Options vested	510,243	60,401	37,831	-	-	608,475
Options exercised	(495,064)	(46,499)	(19,030)	-	-	(560,593)
Options lapsed	(24,379)	(30,665)	-	(34,405)	(19,340)	(108,789)
Options surrendered	-	-	-	(118,131)	-	(118,131)
Options outstanding as on 31.03.2009	736,764	195,389	132,359	-	242,250	1,306,762
Options vested but not exercised	36,628	74,553	18,801	-	-	129,982

\*\* Issued out of lapsed options

In accordance with the Guidance Note issued by the Institute of Chartered Accountants of India, the shares allotted to the trust including bonus shares have been reduced from the share capital by Rs. 1.36 crores and securities premium account reduced by Rs. 0.86 crores. The said shares will be added to the issued share capital as and when the trust issues the shares to the concerned persons on their exercising the option and till such shares are issued the amount received from the trust is disclosed under current liabilities.

The General Reserve has been reduced by Rs. 0.35 crores for bonus shares issued on exercise of stock options.

The company has adopted the intrinsic value method in accounting for employee cost on account of ESOS. The intrinsic value of the shares based on the valuations obtained from an independent valuer is Rs. 16 per equity share as on 31st March, 2006, Rs.52 per equity share as on 1st January, 2007, 31<sup>st</sup> August 2008 and 01<sup>st</sup> November 2008 based on the Discounted Cash Flow Method. As the difference between the intrinsic value and the exercise price per share is Rs. Nil no employee compensation cost has been charged.

The fair value of options based on the valuation of the independent valuer as of the respective dates of grant i.e. 15th July 2006, 30th March 2007, 1st November 2007 and 1st November 2008 is Rs. 4.28, Rs. 16.36, Rs.16.55 and Rs.16.04 respectively.

Consequent to cancellation of Grant IV due to surrender by the allottees the employee compensation cost of Rs.0.04 crores, charged to revenue has been reversed.

Had the company adopted the fair value method in respect of options granted, the total amount that would have been amortised over the vesting period is Rs. 1.03 crores and the impact on the financial statements would be :

	(INR in Crores)	
	Year ended March 31, 2009	Year ended March 31, 2008
Increase in employee compensation cost	0.16	0.20
Decrease in profit after tax	0.16	0.20
Decrease in basic & diluted earning per share	(0.02)	(0.03)

The fair value has been calculated using the Black Scholes Options Pricing Model and the significant assumptions made in this regard are as follows:

	Grant dated 15 <sup>th</sup> July, 2006	Grant dated 30 <sup>th</sup> March, 2007	Grant dated 1 <sup>st</sup> November, 2007	Grant dated 1 <sup>st</sup> November, 2008
Risk free interest rate	7.82%	7.92%	7.72%	7.34%
Expected life	4.50	5.00	5.00	5.00
Expected volatility	Nil	Nil	Nil	Nil
Expected dividend yield	Nil	Nil	Nil	Nil

- Pursuant to a Business Transfer Agreement dated August 22, 2008, the Company has acquired a property at Ooty for a consideration of Rs 33 crores including a non-compete fee of Rs. 2 Crores. The company has also acquired a property at Thekady at Kerala vide a Business Transfer Agreement dated September 20, 2008 for a consideration of Rs. 14.1 crores. The assets have been taken over at values determined by independent valuers and the excess of such values over the consideration paid amounting to Rs 0.09 crores is shown under Capital reserve. Both the properties have been converted to resorts.

#### 4. Secured Loans:

Loans and advances from a bank are secured by an exclusive charge on receivables. Deferred payment under hire purchase is secured by hypothecation of assets financed

#### 5. Securitisation:

The company has been securitising amounts receivable including future interest receivable thereon. The excess of consideration received over the principal amounts of receivable from members (net of reversals in respect of cancelled members) is recognised as income from Securitisation.

(INR in Crores )

	Year ended March 31,				
	2009	2008	2007	2006	2005
Value of Accounts receivable	182.40	58.20	61.23	15.66	26.88
Less: Future interest receivable	42.49	9.52	7.89	1.85	4.44
Principal amount of receivables	139.91	48.68	53.34	13.81	22.44
Consideration received	150.00	50.00	54.23	14.50	24.50
Profit on securitisation	10.09	1.32	0.89	0.69	2.06
Less: Reversals in respect of cancelled members	0.13	0.11	0.17	0.24	0.49
Income from securitisation	9.96	1.21	0.72	0.45	1.57

## 6. Contingent Liabilities:

(INR in Crores )

	As at March 31,				
	2009	2008	2007	2006	2005
(a) Receivables securitised, with recourse. Certain specified Receivables have been securitised with a bank for availing finance. In case a member defaults in payment to the bank, the bank would have recourse to the company. In such case the company has recourse to the customer	162.31	71.39	61.36	26.22	31.89
(b) Guarantee given to financial institution for Vacation Ownership financing.	-	-			
(c) Claims against the company not acknowledged as debts	0.96	0.96	0.18	1.02	3.42
(d) Income tax matters :					
i) Issues relating to revenue recognition	77.95	43.48	29.14	0.18	0.18
ii) Disallowance of expenditure during construction / Software expenses.	3.13	1.01	0.42	20.06	11.60
The above are exclusive of consequential effect of similar matter in respect of the assessments remaining to be completed.				-	-
However, even if these liabilities crystallise, there would be future tax benefits available on account of timing differences, except for interest and income tax rate differences. Cash outflows would depend on the outcome of the appeals.					
iii) Others	5.03	-		-	

### (d) Other matters under appeal

The Government of Kerala issued an Order dated 3<sup>rd</sup> July 2007 cancelling the assignment of land underlying the Munnar resort and directed repossession of land on the grounds that it is agricultural land and cannot be used for commercial purposes. The company has filed an appeal before the Commissioner of Land Revenue against the Order stating that the patta issued does not specify that the land should be used only for agricultural purpose and also obtained a Stay Order from the Kerala High Court against eviction from the property.

The Commissioner of Land Revenue, Trivandrum vide his Order dated November 22, 2007 dismissed the appeal filed by the Company against the Order of the Sub-Collector, District of Devikulam dated 3<sup>rd</sup> July 2007 cancelling the assignment of land underlying the Munnar Resort and directing repossession of land on the grounds that it is agricultural land and cannot be used for commercial purposes. The Company filed a writ petition before the Kerala High Court against the said Order and on December 13, 2007, the Court granted an interim stay of all further proceedings.

## 7. Amalgamation of Ashtamudi Resorts Private Limited with the Company during FY 2007-08:

- Pursuant to the scheme of Amalgamation of the erstwhile Ashtamudi Resorts Private Limited (a wholly owned subsidiary of the company) with the Company as approved by the shareholders in the court – convened meeting held on 25<sup>th</sup> January 2008, and subsequently sanctioned by the Hon'ble High Court of Madras on 19th February 2008, the assets and liabilities of the erstwhile Ashtamudi Resorts Private Limited were transferred to and vested with the Company with retrospective effect from 1<sup>st</sup> July, 2007. The Scheme has, accordingly, been given effect to in these financial statements.
- The amalgamation has been accounted for under the "Purchase Method" as prescribed by the Accounting Standard (AS-14) – Accounting for Amalgamation. However, pursuant to the Madras High Court Order, the accumulated losses of Rs. 0.81 crores of Ashtamudi Resorts

Private Limited have been adjusted to the General Reserve of the Company. The assets and liabilities of the erstwhile Ashtamudi Resorts Private Limited as at 1<sup>st</sup> July, 2007 have been taken over resulting in a Capital Reserve of Rs. 0.05 crores. Had AS-14 been followed, the accumulated losses would not have been adjusted to the General Reserve as per the scheme, which would have resulted in a Goodwill of Rs. 0.76 crores and the Reserves and Surplus would have been higher to that extent.

- 3) There was no allotment of shares to the amalgamating Company's equity shareholders since the amalgamating company was a wholly owned subsidiary of the Company.
- 4) Ashtamudi Resorts Private Limited has been in the hotel business.
- 5) The value at which the assets and liabilities have been transferred to the Company are itemized below:

<i>(INR in Crores )</i>	
<b>Assets</b>	<b>Transfer value Considered</b>
Fixed Assets (as revalued)	5.69
Capital work in progress	4.89
Deferred tax asset	0.30
Accumulated losses (adjusted against general reserve)	0.81
<b>Total</b>	<b>11.69</b>
<b>Less:</b>	
Net current liabilities	0.21
Advance made by the company to Ashtamudi Resorts Private Limited adjusted	8.44
<b>Net Assets</b>	<b>3.04</b>
Investments made by the company in Ashtamudi Resorts Private Limited adjusted	2.99
<b>Balance transferred to Capital Reserve</b>	<b>0.05</b>

#### 8. Capital Commitments:

<i>(INR in Crores )</i>					
	<b>As at March 31,</b>				
	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Estimated value of contracts remaining to be executed on capital account and not provided for (net of advances)	31.38	22.63	8.36	5.42	2.47

#### 9. In respect of hire purchase transactions, the details of instalments payable are as follows:

<i>(INR in Crores )</i>					
	<b>As at March 31,</b>				
	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Minimum instalment payable not later than 1 year	0.07	0.16	0.21	0.31	0.32
Present value of instalments payable not later than 1 year	0.06	0.15	0.20	0.26	0.28
Minimum instalment payable later than 1 year but not later than 5 years	Nil	0.07	0.28	0.49	0.38
Present value of instalments payable later than 1 year but not later than 5 years	Nil	0.07	0.26	0.46	0.35

**10. Deferred Tax:***(INR in Crores )*

	As at March 31,				
	2009	2008	2007	2006	2005
Deferred Tax Asset					
Provision for doubtful debts	0.01	0.01	0.01	0.05	0.18
Provision for leave salary	0.52	0.24	0.11	0.09	0.06
Others	0.08	0.01	-	8.84	19.58
Total	0.61	0.26	0.12	8.98	19.82
Deferred Tax Liability					
Difference between book and tax depreciation	(30.09)	(23.85)	(20.28)	(18.17)	(17.61)
Deferred Tax Asset/(Liability) (net)	(29.48)	(23.59)	(20.16)	(9.19)	2.21

**Note:** Deferred Tax Liability as at March 31, 2008 includes deferred tax asset of INR 0.31 crores adjusted on amalgamation of subsidiary.

**11. Segment Reporting:**

The Company has a single reportable segment namely sale of Vacation Ownership and other services for the purpose of Accounting Standard 17 on Segment Reporting. Business segment is considered as the primary segment

Secondary segment information:

*(INR in Crores )*

	Years ended March 31,				
	2009	2008	2007	2006	2005
Revenue					
Within India	386.28	346.38	225.85	146.17	94.01
Outside India	6.78	6.35	6.46	6.55	7.70
Total	393.06	352.73	232.31	152.72	101.71
Total assets					
Within India	1,000.71	733.11	467.30	341.79	226.86
Outside India	3.60	9.97	3.90	1.99	2.22
Total	1,004.31	743.08	471.20	343.78	229.08
Additions to fixed assets					
Within India	156.19	73.19	46.67	42.58	22.02
Outside India	-	-	0.62	1.32	-
Total	156.19	73.19	47.29	43.90	22.02

**12. Related Party Transactions:**

(i) Names of related parties and nature of relationship where control exists:	
A. Holding Company	Mahindra & Mahindra Limited (w.e.f August 11,2008)
	Mahindra Holdings & Finance Limited (upto August 10, 2008)
B. Subsidiary Company	Mahindra Holidays & Resorts U.S.A Inc.
	Mahindra Hotels & Residences India Limited
	MHR Hotel Management GmbH
	Heritage Bird (M) Sdn Bhd.
C. Fellow Subsidiaries with whom the company has transactions during the year	Mahindra Logisoft Business Solutions Limited
	Mahindra Intertrade Limited
	Mahindra Consulting Engineers Limited
	Mahindra & Mahindra Financial Services Limited
	Mahindra Lifespace Developers Limited
	Mahindra World City (Jaipur) Limited
	Mahindra World City Developers Limited
	Mahindra Logistics Limited

	Mahindra Water Utility Ltd
	Mahindra Renault Private Limited
D. Key Management Personnel	Ramesh Ramanathan (Managing Director)

(INR in Crores )

(ii) The related party transactions are as under:					
Year ended March 31,					
	2009	2008	2007	2006	2005
<b><u>Holding company</u></b>					
Sales:					
Income from services rendered	0.29	-	2.00	0.07	-
Purchases:					
Fixed assets	-	-	-	-	0.05
Dividend paid	12.79	8.52	-	-	-
Other transactions:					
Reimbursements received	-	-	0.23	-	-
Reimbursements made	1.79	1.22	1.07	0.20	0.18
Outstandings:					
Payable	0.24	0.11	0.59	0.16	-
Receivable	-	-	0.01	-	-
<b><u>Fellow subsidiaries</u></b>					
Finance:					
Interest on intercorporate deposit	-	-	-	-	0.02
Redemption of Preference Shares	-	-	-	4.50	-
Deposit paid	-	-	0.03	-	-
Intercorporate deposit repaid	75.00	-	-	-	3.40
Intercorporate deposit received	75.00	-	-	-	3.40
Debtors Securitised	100.00	-	-	-	-
Sales:					
Income from services rendered	0.05	-	-	-	-
Purchases:					
Fixed assets	-	-	2.55	-	-
Services	2.20	1.99	1.82	1.35	0.96
Interest Expense	3.83	-	-	-	-
Other transactions:					
Reimbursement received	-	0.15	0.03	0.64	0.53
Reimbursement paid	0.02	0.02	0.02	-	-
Outstanding:					
Payable	-	-	-	-	0.02
Receivable	0.17	0.13	0.11	0.18	0.03
<b><u>Key Managerial Personnel</u></b>					
Managerial remuneration	1.27	1.06	0.84	0.85	0.62
Advance to key managerial personnel	0.27	0.29	0.31	-	-
Payment to relative of KMP – Rent deposit	-	-	-	-	0.05
Payment to relative of KMP – Rent	-	-	-	-	0.05
Receipts from relative of KMP	-	-	-	0.05	-
Rent Deposit					
Out of the above items, transactions with fellow subsidiary companies and Key Management Personnel in excess of 10% of the total related party transactions are as under:					
<b><u>Subsidiary companies</u></b>					
Finance:					
Investment:					
MHR Hotel Management Gmbh	0.16	0.16	0.16	-	-
Mahindra Hotels & Residences India Ltd	0.05	0.05	-	-	-
Mahindra Holidays & Resorts USA Inc	-	-	-	-	-
Heritage Bird (M) Sdn. Bhd	0.40	-	-	-	-

(ii) The related party transactions are as under:		Year ended March 31,				
		2009	2008	2007	2006	2005
Loans/Advances given :						
	MahindraHolidays&ResortsUSAInc	24.78	18.73	20.79	-	-
	MahindraHotels&ResidencesIndiaLtd	0.09	-	-	-	-
	HeritageBird(M)Sdn.Bhd	6.16	-	-	-	-
Purchases:						
	Services					
	HeritageBird(M)Sdn.Bhd	0.71	-	-	-	-
	TimeshareWeeks					
	HeritageBird(M)Sdn.Bhd.	0.82	-	-	-	-
Interest Income						
	MahindraHolidays&ResortsUSAInc	1.03	0.85	0.19	-	-
	HeritageBird(M)Sdn.Bhd	0.42	-	-	-	-
Outstandings:						
Payable						
	HeritageBird(M)Sdn.Bhd	0.71	-	-	-	-
Receivable						
	MahindraHolidays&ResortsUSAInc	25.25	19.35	21.08	-	-
	HeritageBird(M)Sdn.Bhd	6.59	-	-	-	-
	MahindraHotels&ResidencesIndiaLtd	0.09	-	-	-	-
<b>Fellow subsidiaries</b>						
Finance:						
Redemption of preference shares:						
	MahindraLogisoftBusinessSolutionsLtd	-	-	-	4.50	-
Advances made						
	MahindraIntertradeLtd	-	0.02	-	-	-
Deposit paid						
	MahindraWorldCityDevelopersLtd	-	-	0.03	-	-
Inter corporate deposit repaid						
	MahindraWorldCityDevelopersLtd	-	-	-	-	3.40
	MahindraLifespaceDevelopersLtd	75.00	-	-	-	-
Inter corporate deposit received						
	MahindraLifespaceDevelopersLtd	75.00	-	-	-	-
	MahindraWorldCityDevelopersLtd	-	-	-	-	3.40
Debtors Securitised						
	Mahindra&MahindraFinancialServicesLimited	100.00	-	-	-	-
Sales:						
Services						
	MahindraRenaultPrivateLimited	0.04	-	-	-	-
Purchases:						
Fixed assets						
	MahindraWorldCityDevelopersLtd	-	-	2.55	-	-
Services						
	MahindraLogisoftBusinessSolutionsLtd	2.20	1.99	1.82	1.35	0.96
Interest Expense						
	MahindraLifespaceDevelopersLtd	3.84	-	-	-	-
Reimbursement received						
	MahindraWorldCityDevelopersLtd	-	0.15	-	0.64	0.53
	MahindraWaterUtilityLtd	-	-	-	-	-
Reimbursement paid						
	MahindraWorldCityDevelopersLtd	0.02	0.02	0.02	-	-
	MahindraLogisoftBusinessSolutionsLtd	-	-	-	-	-
Outstandings:						
Payable						
	MahindraEngineering&ChemicalProductsLtd	-	-	-	-	0.02
Receivable						

(ii)	The related party transactions are as under:	Year ended March 31,				
		2009	2008	2007	2006	2005
	MahindraLogisticsLimited	0.06	-	-	-	-
	MahindraWorldCityDevelopersLtd	0.03	0.03	0.03	-	-
	MahindraLifespaceDevelopersLtd	0.05	0.05	0.05	-	0.03
	MahindraConsultingEngineersLtd	0.03	0.03	0.03	-	-
	MahindraIntertradeLtd	-	0.02	-	-	-
<b><u>Key Managerial personnel</u></b>						
Managerial remuneration						
	RSanthanam	-	-	-	-	0.24
	RameshRamanathan	1.27	1.06	0.84	0.85	0.38
	AdvancetoKeyManagerialPersonnel	0.27	0.29	0.31	-	-
	PaymenttorelativeofKMP–RameshRamanathan	-	-	-	-	0.05
Rent deposit						
	PaymenttorelativeofKMP–RameshRamanathan	-	-	-	-	0.05
Rent						
Receipts from relative of KMP –						
	RameshRamanathan	-	-	-	0.05	-

### 13. EMPLOYEE BENEFITS:

(INR in Crores )

		Gratuity	
		As at March 31, 2009	As at March 31, 2008
a.	<b>Net Asset/ ( Liability) recognized in the balance sheet</b>		
	Present value of funded obligation	1.00	0.72
	Fair value of plan assets	1.00	0.77
	( Deficit) / surplus	-	0.05
	Net asset	-	0.05
b.	<b>Expense recognized in the Profit &amp; Loss account</b>		
	Current service cost	0.23	0.15
	Interest cost	0.05	0.04
	Expected return on plan assets	(0.07)	(0.05)
	Actuarial (gains) / losses	0.03	0.08
	Total expense	0.25	0.22
c.	<b>Change in present value of obligation</b>		
	Present value of defined benefit obligation as at the beginning of the year	0.72	0.57
	Current service cost	0.23	0.15
	Interest cost	0.05	0.04
	Actuarial (gains) /losses	0.04	0.08
	Benefits paid	(0.04)	(0.12)
	Present value of defined benefit obligation as at the end of the year	1.00	0.72
d.	<b>Change in fair value of plan assets</b>		
	Plan assets at the beginning of the year	0.77	0.57
	Expected return on plan assets	0.07	0.05
	Actuarial gains /(losses)	-	-
	Contributions by employer	0.20	0.26
	Benefits paid	(0.04)	(0.11)
	Plan assets at the end of the year	1.00	0.77
e.	<b>Principal actuarial assumptions</b>		
1	Discount rate	8.0%	8.0%
2	Expected return on plan assets	8.0 %	8.0 %
3	Mortality table	LIC (94-96) Ultimate Mortality	LIC (94-96) Ultimate Mortality
f.	Basis used to determine expected rate of return The information on major categories of plan assets and expected return on each class of plan assets are not readily available. However LIC has confirmed that the average rate of return on plan assets is	8.0%	8.0%
g.	Estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotions, increments and other relevant factors such as supply and demand in the employment market.		

Note: In the absence of relevant data, figures for the other years have not been disclosed

14. As approved at the Extraordinary General Meeting held on 18<sup>th</sup> March, 2006, 10,000,000 9% cumulative redeemable preference shares of Rs.10 each were converted into 10,000,000 fully paid equity shares of Rs. 10 each and issued to the holding company on 27<sup>th</sup> March, 2006. Preference dividend upto the date of allotment of equity shares amounting to Rs. 5.14 crores has been waived by the holding company

**Annexure 6: Details of Income from sale of Vacation Ownership and other services***(INR in Crores)*

	Years ended March 31,				
	2009	2008	2007	2006	2005
Income from sale of Vacation Ownership	297.21	283.54	181.11	113.49	73.95
Annual subscription fee	45.56	32.28	22.77	19.94	12.73
Income from travel services & homestays	1.21	0.08	-	-	-
Income from resorts					
- Room rentals	17.53	14.12	10.52	6.37	5.06
- Food and beverages	23.12	16.22	13.52	9.32	7.31
- Wine and liquor	0.86	1.15	0.41	0.39	0.35
- Others	7.57	5.34	3.98	3.21	2.31
<b>Total Income from Resorts</b>	<b>49.08</b>	<b>36.83</b>	<b>28.43</b>	<b>19.29</b>	<b>15.03</b>
<b>Total</b>	<b>393.06</b>	<b>352.73</b>	<b>232.31</b>	<b>152.72</b>	<b>101.71</b>

**Annexure 7: Details of Other Income***(INR in Crores)*

	Years ended March 31,				
	2009	2008	2007	2006	2005
Other Income	51.25	22.31	8.34	4.01	4.44
Net Profit before tax ,restated	<b>132.04</b>	<b>126.19</b>	<b>66.77</b>	<b>32.83</b>	<b>15.25</b>
Percentage	<b>39%</b>	<b>18%</b>	<b>12%</b>	<b>12%</b>	<b>29%</b>
Interest					
On instalment sales	37.15	19.68	7.32	3.39	2.84
Others - gross	1.48	0.87	0.04	0.01	-
Income from securitization (refer note 5)	9.96	1.21	0.72	0.45	1.57
Gain on fixed assets sold(net)	-	-	-	-	-
Gain on exchange fluctuation	2.50	-			
Miscellaneous income	0.16	0.55	0.26	0.16	0.03
<b>Total</b>	<b>51.25</b>	<b>22.31</b>	<b>8.34</b>	<b>4.01</b>	<b>4.44</b>

**Annexure 8: Details of Employee Cost***(INR in Crores)*

	Years ended March 31,				
	2009	2008	2007	2006	2005
Salaries, wages and bonus	55.73	43.30	25.33	17.59	13.26
Contribution to provident and other funds	2.30	1.74	1.23	0.77	0.47
Staff welfare expenses	2.81	2.30	1.75	1.09	0.56
Employee compensation expenses on account of ESOS	-	0.04	-	-	-
<b>Total</b>	<b>60.84</b>	<b>47.38</b>	<b>28.31</b>	<b>19.45</b>	<b>14.29</b>

**Annexure 9: Details of Other Expenses***(INR in Crores)*

	Years ended March 31,				
	2009	2008	2007	2006	2005
Food, beverages and smokes consumed	7.10	5.25	4.33	2.90	2.40
Operating supplies	4.01	2.94	2.32	1.74	1.25
Advertisement	19.68	27.41	14.45	9.81	4.91
Sales promotion expenses	73.61	49.41	30.83	20.33	12.06
Sales commission	32.14	35.06	22.17	14.75	9.72
Discount	5.97	3.67	2.49	1.68	1.40
Power and fuel	9.62	7.44	5.93	4.99	3.69
Rent (including lease rent)	20.59	12.90	7.23	5.70	3.94
Rates and taxes	1.26	1.09	0.74	0.67	0.59
Director's fees	0.01	0.01	0.01	0.01	-
Repairs and maintenance					
Buildings	0.56	0.50	0.56	0.24	0.15

	Years ended March 31,				
	2009	2008	2007	2006	2005
Resort renovations	3.80	3.30	3.78	2.70	1.69
Office equipment	0.02	0.22	0.23	0.10	0.05
Others	5.08	2.98	2.58	1.93	1.51
Travelling	10.30	8.14	6.84	4.43	3.64
Communication	6.23	4.92	3.35	2.55	2.32
Insurance	0.58	0.80	0.72	0.40	0.41
Consultancy charges	5.17	3.84	6.65	4.62	4.93
Miscellaneous	12.51	8.78	6.84	5.81	4.66
Service charges	9.27	6.38	8.32	7.01	4.96
Bad debts written off	0.01	0.02	1.71	-	-
Loss on fixed assets sold/scrapped(net)	0.33	0.04	1.31	0.33	0.04
Miscellaneous expenditure written off	-	-	-	-	0.25
Loss on exchange fluctuation	-	1.97	-	-	-
<b>Total</b>	<b>227.85</b>	<b>187.07</b>	<b>133.39</b>	<b>92.70</b>	<b>64.57</b>

#### Annexure 10: Details of Interest and financial charges

(INR in Crores)

	Years ended March 31,				
	2009	2008	2007	2006	2005
Interest	4.28	0.89	1.36	1.92	3.18
Bank charges	2.75	2.41	2.24	1.40	1.13
<b>Total</b>	<b>7.03</b>	<b>3.30</b>	<b>3.60</b>	<b>3.32</b>	<b>4.31</b>

#### Annexure 11 Details of Fixed Assets

(INR in Crores)

		As at March 31,				
		2009	2008	2007	2006	2005
(A) Tangible assets						
(i)	Assets on lease / hire purchase					
	Leasehold land	2.74	2.64	2.64	0.09	0.09
	Leasehold buildings	2.88	2.06	4.20	4.20	2.87
	Vehicles	0.44	0.51	0.63	0.72	1.14
		6.06	5.21	7.47	5.01	4.10
(ii)	Owned assets					
	Freehold land	70.69	31.37	20.29	16.10	9.29
	Buildings	193.58	130.95	112.22	100.07	81.77
	Plant and machinery	78.78	58.93	44.43	36.95	28.06
	Furniture and fixtures	58.50	38.10	32.62	27.61	22.89
	Vehicles	3.52	3.03	2.40	1.79	1.06
		405.07	262.38	211.96	182.52	143.07
(B) Intangible assets						
	Vacation Ownership weeks	0.62	0.62	0.62	0.62	0.62
	Product design and development	3.65	0.86	0.85	-	-
	Software	4.75	4.31	4.84	3.56	1.47
	Non-Compete Fees	2.00	-	-	-	-
		11.02	5.79	6.31	4.18	2.09
	Gross Block	422.15	273.38	225.74	191.71	149.26
	Less: Accumulated depreciation	63.97	47.89	38.31	30.67	23.52
	Net Block	358.18	225.49	187.43	161.04	125.74
	Add:					
	Capital Work in Progress	42.71	38.98	9.78	1.38	1.44
	Expenditure pending allocation	8.51	6.02	2.93	0.82	0.32
	Total	409.40	270.49	200.14	163.24	127.50

**Annexure 12: Details of Investments**
*(INR in Crores)*

	As at March 31,				
	2009	2008	2007	2006	2005
<b>Investments:Long term</b>					
<b>Unquoted (at cost)</b>					
Subsidiary Company : Trade					
Mahindra Holidays and Resorts USA Inc					
100 equity shares of US\$ 0.10 each fully paid up.	-	-	-	-	-
MHR Hotel Management GmbH -(Shares equivalent in value to 26,250 Euros out of total share capital of Euro 35,000)	0.16	0.16	0.16	-	-
Heritage Bird (M) Sdn. Bhd.	0.40	-	-	-	-
300,002 shares of one Ringgit each					
Mahindra Hotels and Residences India Limited.,	0.05	0.05	-	-	-
49,994 equity shares of Rs. 10 each fully paid up					
Others : Non-trade					
Guestline Hospitality Management and Development Services Limited 25,000 7% non-cumulative redeemable participating optionally convertible preference shares of Rs. 10 each fully paid up.	0.03	0.03	0.03	0.03	0.03
Mahindra Logisoft Business Solutions Limited					
45,00,000 5% redeemable cumulative preference shares of Rs. 10 each fully paid up.	-	-	-	-	4.50
Mahindra World City Developers Limited					
1 equity share of Rs.10 each fully paid up.	-	-	-	-	-
Advance against investment in equity shares of Ashtamudi Resorts Private Limited.	-	-	5.87	-	-
(Refer Note - (c) below)					
	<b>0.64</b>	<b>0.24</b>	<b>6.06</b>	<b>0.03</b>	<b>4.53</b>
Aggregate value of unquoted investments	<b>0.64</b>	<b>0.24</b>	<b>6.06</b>	<b>0.03</b>	<b>4.53</b>

Note :

- The preference shares of Guestline Hospitality Management and Development Services Limited will be redeemed at par at the option of the investee at any time after five years but before twenty years from the date of allotment viz 14.01.2003
- The preference shares of Guestline Hospitality Management and Development Services Limited shall at the option of the holder be convertible into fully paid equity shares of the face value of Rs.10 each anytime after thirty six months from the date of allotment.
- Subsequently Amalgamated with the company vide Court Order dated 19.02.2008 with retrospective effect from 01.07.2007.

**Annexure 13: Details of Current Assets, Loans and Advances**
*(INR in Crores)*

	As at March 31,				
	2009	2008	2007	2006	2005
<b>(A) Current assets :</b>					
<b>Inventories</b>					
Food, beverages and smokes	0.15	0.13	0.15	0.09	0.13
Operating supplies	5.09	3.33	1.63	0.78	0.49
	<b>5.24</b>	<b>3.46</b>	<b>1.78</b>	<b>0.87</b>	<b>0.62</b>
<b>Sundry debtors</b>					
(Unsecured)					
Outstanding over six months					
: considered good	31.17	27.35	10.11	10.91	6.12
: considered doubtful	0.02	0.02	0.03	0.15	0.48
	31.19	27.37	10.14	11.06	6.60
Other debts, considered good	547.02	442.73	234.07	146.66	76.28
	578.21	470.10	244.21	157.72	82.88
Less : provision for doubtful debts	0.02	0.02	0.03	0.15	0.48
	578.19	470.08	244.18	157.57	82.40
Less : unmatured finance charges	94.02	66.66	25.45	11.84	4.16
	<b>484.17</b>	<b>403.42</b>	<b>218.73</b>	<b>145.73</b>	<b>78.24</b>
<b>Cash and bank balances</b>					
Cash on hand	0.05	0.08	0.02	0.05	0.08
Balances with scheduled banks :					
in current accounts	5.93	5.73	7.42	6.63	3.24
in deposit accounts	25.99	0.98	0.97	1.06	0.59
	<b>31.97</b>	<b>6.79</b>	<b>8.41</b>	<b>7.74</b>	<b>3.91</b>
<b>(B) Loans and advances :</b>					
(Unsecured, considered good )					
Advances recoverable in cash or in kind or for value to be received	21.60	21.19	7.83	4.20	4.16
Advances and loans to subsidiaries	31.93	19.35	20.79	-	-
Deposits	20.00	16.71	13.52	18.89	14.41
Payments towards income-tax (net of provisions)	-	1.62	-	0.29	0.24
Gratuity	-	0.05	-	-	-
MAT credit entitlement	-	-	-	2.82	-
	<b>73.53</b>	<b>58.92</b>	<b>42.14</b>	<b>26.20</b>	<b>18.81</b>
<b>The above includes the following loans and advances to the promoter group:</b>					
Advances recoverable in cash or in kind or for value to be received					
Mahindra & Mahindra Limited	-	-	0.01	-	-
Mahindra Lifespace Developers Limited	0.05	0.05	0.05	-	0.03
Mahindra Intertrade Limited		0.02	-	-	-
Mahindra Consulting Engineers Limited	0.03	0.03	0.03	-	-
Mahindra World City Developers Limited	-	-	-	0.18	-
Mahindra Logistics Limited	0.06	-	-	-	-
Security/Other Deposits					
Mahindra World City Developers Limited	-	0.03	0.03	-	-

**Annexure 14 Details of Secured Loans***(INR in Crores)*

	As at March 31,				
	2009	2008	2007	2006	2005
Loans and advances from a bank					
- Cash credit (refer note 4)	24.63	19.84	5.50	13.59	4.40
Other loans and advances					
- Term loan	-	-	-	12.50	17.00
Deferred payment under hire purchase	0.06	0.23	0.49	0.80	0.70
Less: Future interest	-	0.01	0.03	0.08	0.07
	0.06	0.22	0.46	0.72	0.63
Total	24.69	20.06	5.96	26.81	22.03

**DETAILS OF SECURED LOANS OUTSTANDING AS ON March 31, 2009***(INR in Crores)*

Particulars	Institution/Bank	Sanctioned Amount	Amount Outstanding	Rate of Interest p.a(%)	Repayment Terms	Securities Offered
Cash Credit	YES BANK LTD	60.00	24.63	PLR-4.5%	-	Exclusive Charge on Receivables
Hire Purchase Loan	ICICI Bank Ltd	0.24	0.06	1	1	Hypothecation of Vehicle
Hire Purchase Loan	HDFC Bank Ltd	0.49	0.01	1	1	Hypothecation of Vehicle

<sup>1</sup>Varies for each loan**Annexure 15 Details of Unsecured Loans***(INR in Crores)*

	As at March 31,				
	2009	2008	2007	2006	2005
Short term loan and advances from bank	-	-	-	-	1.25
	-	-	-	-	1.25

**Annexure 16: Details of Current Liabilities and Provisions***(INR in Crores)*

	As at March 31,				
	2009	2008	2007	2006	2005
<b>Sundry Creditors:</b>					
Dues to micro and small enterprises	-	-	-	-	-
Others	82.84	59.05	38.47	37.95	25.10
Amount received from ESOP Trust	1.37	1.79	1.85	-	-
	84.21	60.84	40.32	37.95	25.10
<b>Provisions:</b>					
Proposed dividend	23.50	13.97	8.69	-	-
Tax on proposed dividend	3.99	2.37	1.48	-	-
Taxation (net of payments)	1.51	-	0.74	-	-
Leave salary	1.53	0.72	0.33	0.25	0.18
	30.53	17.06	11.24	0.25	0.18

**Annexure 17: Details of Share Capital**
*(INR in Crores)*

	As at March 31,				
	2009	2008	2007	2006	2005
Authorised :					
100,000,000 equity shares of Rs.10 each	100.00	100.00	50.00	50.00	25.00
10,000,000 preference shares of Rs. 10 each	10.00	10.00	10.00	10.00	10.00
	110.00	110.00	60.00	60.00	35.00
Issued :					
78,333,688 equity shares of Rs.10 each	78.33	78.33	35.00	35.00	25.00
10,000,000 preference shares of Rs. 10 each (Refer note 14)	-	-	-	-	10.00
	78.33	78.33	35.00	35.00	35.00
Subscribed and paid-up :					
78,333,688 equity shares of Rs. 10 each fully paid (of the above 73,354,833 equity shares are held by the holding company, Mahindra & Mahindra Limited)	78.33	78.33	29.28	28.40	18.40
Less: 1,355,178 shares of Rs 10 each fully paid up issued to Mahindra Holidays & Resorts India Limited Employees' Stock Option Trust but not allotted to employees (Refer note 2)	1.36	1.91	0.88	-	-
10,000,000 9% cumulative redeemable preference shares of Rs. 10 each fully paid (Refer note 14)	-	-	-	-	10.00
	<b>76.97</b>	<b>76.42</b>	<b>28.40</b>	<b>28.40</b>	<b>28.40</b>

**Annexure 18: Details of Reserves and Surplus**
*(INR in Crores)*

	As at March 31,				
	2009	2008	2007	2006	2005
Capital Reserve					
As per last balance sheet	0.06	0.01	0.01	0.01	0.01
Additions during the period (refer note 3)	0.09	0.05	-	-	-
	<b>0.15</b>	<b>0.06</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>
General Reserve					
As per last balance sheet	8.80	4.18	-	-	-
Less: Capitalised on issue of Bonus Shares	-	3.82	-	-	-
Less : Transfer on Amalgamation (refer note 7)	-	0.81	-	-	-
Add: Bonus Shares issued to ESOP trust but not allotted to employees (refer note 2)	-	1.20	-	-	-
Add : Transfer from Profit and Loss Account	8.34	8.05	4.18	-	-
Less: Bonus shares issued on exercise of stock options	0.35	-	-	-	-
	<b>16.79</b>	<b>8.80</b>	<b>4.18</b>	<b>-</b>	<b>-</b>
Balance in Profit and loss account	101.52	99.02	42.77	14.91	-
Less: Capitalised on issue of Bonus Shares	-	45.17	-	-	-
	<b>101.52</b>	<b>53.85</b>	<b>42.77</b>	<b>14.91</b>	<b>-</b>
Securities Premium Account					
- Premium on shares issued to Mahindra Holidays and Resorts India Limited Employees' Stock Option Trust	1.21	1.21	0.97	-	-
Less: Premium on shares issued to Mahindra Holidays and Resorts India Limited Employees' Stock Option Trust but not allotted to employees (refer note 2)	0.86	1.07	0.97	-	-
	<b>0.35</b>	<b>0.14</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Annexure 19: Accounting Ratios

	Years ended March 31,				
	2009	2008	2007	2006	2005
Earnings per share (INR)					
- Basic	10.85	10.57	5.57	4.06	1.69
- Diluted	10.66	10.33	5.46	4.06	1.69
Net Asset Value per share (INR)	24.99	18.23	26.54	15.26	12.64
Return on Networth	42.65%	57.90%	55.99%	46.32%	35.67%
Weighted average number of equity shares outstanding during the period used for computing basic earnings per share	76,941,144	76,291,122	75,828,530	49,494,287	49,128,534
Weighted average number of equity shares outstanding during the period used for computing diluted earnings per share	78,296,322	78,044,961	77,293,838	49,494,287	49,128,534
Number of Equity shares outstanding at the end of the period	78,333,688	76,417,917	28,400,200	28,400,200	18,400,200

### Notes:

- The above ratios have been computed as under:

$$\text{Basic and diluted earnings per share (INR)} = \frac{\text{Net Profit after tax – restated}}{\text{Weighted average number of equity shares outstanding during the period}}$$

$$\text{Net Assets value per share (INR)} = \frac{\text{Net worth – restated, at the end of the period}}{\text{Total number of equity shares outstanding at the end of the period}}$$

$$\text{Return on Net Worth (\%)} = \frac{\text{Net Profit after tax - restated}}{\text{Net worth restated, at the end of the period}}$$

- Net profit - restated as appearing in the “Summary Statement of Profits and Losses-Restated” has been considered for the purpose of computing the above ratios. As preference dividend has been waived during 2006 (refer note 14) Earnings per share has been restated for the years ended 2004 to 2005 without considering preference dividend.
- Earnings per share calculations are done in accordance with Accounting Standard 20 on Earnings Per Share and Guidance note on Accounting for Employee share based payments issued by the Institute of Chartered Accountants of India.
- Net worth means Equity Share Capital + Preference Share Capital + Reserves and Surplus- Miscellaneous expenditure (to the extent not written off or adjusted) - Debit balance in Profit & Loss Account as appearing in “Summary Statement of Assets and Liabilities - Restated”.

**Annexure 20: DIVIDENDS**

	Class of shares	Year ended March 31, 2009	Year ended March 31, 2008
1	Equity Shares of Rs. 10 each fully paid up	783,336,880	783,336,880
2	Dividend rate (%)	30	30
3	Dividend (INR)	235,001,064	139,732,580
4	Tax on dividend (INR)	39,938,431	23,747,550

Note: Dividend declared for the year ended 31st March 2008 was on pro-rata basis on the bonus shares issued on 24th November 2007.

**Annexure 21: Capitalisation Statement***(INR in Crores)*

Particulars	Pre - issue as at 31/03/2009	Post - issue
<b>Borrowings</b>		
Short Term Debt	24.69	Refer Note 2
Long Term Debt	-	
<b>Total Debts</b>	<b>24.69</b>	
<b>Shareholders' funds</b>		
Equity Share Capital	76.97	
Reserves and surplus	118.81	
<b>Total Shareholder's funds</b>	<b>195.78</b>	
Long Term Debt / Equity Ratio	-	

Notes:

- 1 - The above has been computed based on restated accounts.
- 2 - Short term debts are debts due within next one year
- 3 - Statement for the post issue period will be made on the conclusion of the book building process.

**Annexure 22: Tax Shelter statement***(INR in Crores)*

		Years ended March 31,				
		2009	2008	2007	2006	2005
	Profit before current and deferred taxes, as restated	132.04	126.19	66.77	32.83	15.25
A	Income tax rate (including surcharge and education cess)	33.99%	33.99%	33.66%	33.66%	36.59%
	Minimum Alternate Tax (including surcharge and education cess)					-
<b>B</b>	<b>Tax at Income Tax rates</b>	<b>44.88</b>	<b>42.90</b>	<b>22.47</b>	<b>11.05</b>	<b>5.58</b>
	Adjustments					
	<b>a) Permanent differences</b>					
	(Profit) / Loss on fixed assets/sold/scrapped(net)	0.33	0.04	1.31	0.33	0.04
	Donations	0.02	0.15	0.19	0.09	-
	Wealth tax	0.02	0.01	0.01	0.02	-
	Expenditure during construction capitalised in books	(8.59)	(2.30)	(0.73)	(3.13)	(1.60)
	Others	-	0.03	(0.97)	0.35	0.16
<b>C</b>	<b>Total Permanent differences</b>	<b>(8.22)</b>	<b>(2.07)</b>	<b>(0.19)</b>	<b>(2.34)</b>	<b>(1.40)</b>
	<b>b) Timing differences</b>					
	Difference between book and tax depreciation	(9.14)	(6.87)	(5.77)	(3.35)	(3.94)
	Provision for doubtful debts	0.01	-	-	-	-
	Product design	(0.70)	-	-	-	-
	Preliminary expenditure	-	-	-	(0.01)	(0.01)
	Amalgamation	(0.01)	-	-	-	-
	Provision for leave salary	0.82	0.39	0.08	0.11	0.05
	Unabsorbed depreciation	-	(0.84)	(26.25)	(4.17)	-

		Years ended March 31,				
		2009	2008	2007	2006	2005
	Others	0.23	-	-	-	-
	Carry forward business loss	-	-	-	(23.07)	(9.95)
D	<b>Total timing differences</b>	<b>(8.79)</b>	<b>(7.32)</b>	<b>(31.94)</b>	<b>(30.49)</b>	<b>(13.85)</b>
E	Total adjustments (C+D)	(17.01)	(9.39)	(32.13)	(32.83)	(15.25)
F	Tax expense/ (tax savings) thereon ( E * A )	(5.78)	(3.20)	(10.81)	(11.05)	(5.58)
G	Total tax (Domestic) ( F+B )	39.10	39.70	11.66	-	-
H	Tax expense as per provisions of MAT	-	-	-	-	1.20
I	Interest under section 234B and 234C	-	0.19	0.22	-	-
J	<b>Total tax as per books of account (G+H +I)</b>	<b>39.10</b>	<b>39.89</b>	<b>11.88</b>	<b>-</b>	<b>1.20</b>
K	Deferred tax	5.89	3.74	10.97	11.40	5.76
L	Fringe benefit tax	3.55	1.92	1.72	1.37	-
M	<b>Total tax as per restated profit and loss ( J+K+L )</b>	<b>48.54</b>	<b>45.55</b>	<b>24.57</b>	<b>12.77</b>	<b>6.96</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis of our financial condition and results of operations is based upon, and should be read in conjunction with, our restated consolidated financial statements for the fiscal years 2009, 2008, 2007 and 2006, including the schedules, annexures and notes thereto and the reports thereon, beginning on page 176. These financial statements are based on our audited consolidated financial statements and are restated in accordance with paragraph B(1) of Part II of Schedule II of the Companies Act and the SEBI Guidelines. Our audited consolidated financial statements are prepared in accordance with Indian GAAP. Our fiscal year ends on March 31 of each year. Accordingly, all references to a particular fiscal year are to the twelve month period ended March 31 of that year.*

*The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding such risks and uncertainties, see Forward-Looking Statements and Risk Factors beginning on page x and page xi.*

### Overview

We are one of the leading leisure hospitality providers in India, offering quality family holidays with a range of services designed to meet the diverse holiday needs and interests of a family. We provide family holidays primarily through vacation ownership membership. Our members can choose to stay and holiday at resorts in a range of holiday destinations for a pre-determined number of days in a year for a fixed number of years. Our resorts offer the use of furnished accommodation, such as apartments and cottages, and an experience through resort specific amenities and facilities, such as restaurants, ayurvedic spas, kids clubs and a variety of holiday activities.

We seek to be the preferred partner to the urban family for family holidays and holiday services in India. It is our vision to be the number one family holiday provider in our target markets by consistently delivering attractive resort destinations, innovative offerings and service excellence, not only during the holiday but also throughout the membership period.

Club Mahindra Holidays is our flagship service offering. As part of our growth strategy, we have also diversified our portfolio by introducing new vacation ownership offerings, Zest and Club Mahindra Fundays, launching new travel and holiday related services, like Mahindra Homestays and [clubmahindra.travel](http://clubmahindra.travel).

Club Mahindra Holiday membership currently entitles members the choice of holidaying at any of our 23 resorts, for seven days each year, in a season and apartment type of their choice, for 25 years. Our members also have the option of choosing to holiday outside their season and apartment of their entitlement by using our exchange program. There is further flexibility accorded to our members in being able to bring or carry forward their annual entitlement, subject to certain limits. In addition, our members can choose to access a range of resorts globally through our RCI affiliation. As of May 31, 2009, we have 91,997 Club Mahindra Holiday vacation ownership members.

We launched Zest in November 2006, which targets young urban families for short break holidays. Zest membership currently entitles members the choice of holidaying at any of our five Zest resorts, for six days each year, in a season of their choice, for 10 years. As of May 31, 2009, we have 4,070 Zest vacation ownership members. Club Mahindra Fundays was launched in October 2006 and targets corporate houses. The membership currently entitles corporates for a period of 10 years to offer family holidays to their employees. We launched [clubmahindra.travel](http://clubmahindra.travel) in April 2007 to provide a one-stop shop for travel and holiday related services. We launched Mahindra Homestays in July 2008, which markets homestays to overseas and domestic travellers wishing to experience the real India by lodging with a host family in India.

Our memberships provide members the right to use our resorts over the period of their membership and are not a property or deeded sale. This type of a membership, where the member has the flexibility to choose a different resort and the time to holiday every year (with certain seasonal limitations) is known as a “floating

week – floating resort” model. We also provide our members with a fixed price structure, which we believe is consumer friendly. In addition, we also provide easy financing options for the membership price to our prospective members.

We believe we have a key differentiator in the form of an integrated business model that includes member acquisition (marketing and sales), member servicing, resort creation and resort operation, resulting in the delivery of a complete holiday experience. Each component of our integrated business model is critical to our value delivery chain.

Our Company was selected as a Business Superbrand 2008 by The Brand Council in India, subsequently, our flagship brand Club Mahindra Holidays has been selected as a Superbrand 2009 (consumer validated). Our Resorts at Goa, Coorg, Binsar, Munnar, Dharamshala, Manali and Kumbalgarh (provisional) are recipients of the RCI Gold Crown Award for the year 2007-2008. Our Resort at Munnar has also been recognized for having received the RCI Gold Crown Award for ten years in a row. The RCI Gold Crown Award annually recognizes resorts across the world for superior resort facilities, services and hospitality based on user feedback. Apart from the RCI Gold Crown Award, our Resorts at Goa and Coorg have also been accredited with a 5 Star Rating by the Department of Tourism Government of India. We have applied for renewal of 5 Star rating for our Munnar resort. Our member relations department has been ISO 9001:2000 certified by Indian Registered Quality Systems in July 2007.

Our fees includes a membership fee which is paid at or around the time of enrolment as a member (depending upon the payment plan selected by the member) as well as an annual subscription fee which is payable annually throughout the membership period for the annual servicing and the maintenance of the resorts. The member also pays for use of various facilities and services at the resort, including food and beverages, spa facilities and services and certain holiday activities.

### **Basis of Preparation of Accounts**

In accordance with Accounting Standard (“AS”) 21 – Consolidated Financial Statements, our restated consolidated financial statements for the fiscal year 2009 consolidate the financial results of our wholly-owned subsidiaries, Mahindra Holidays and Resorts USA Inc, Mahindra Hotels & Residences India Limited and Heritage Bird (M) Sdn Bhd and 75% held subsidiary, MHR Hotel Management GmbH. Ashtamudi Resorts Private Limited, our wholly-owned subsidiary has been amalgamated with our Company, with retrospective effect from July 1, 2007. The amalgamation has been accounted for under the purchase method as prescribed by the AS 14 – Accounting for Amalgamation. Our restated consolidated financial statements for the fiscal year 2008 consolidate the financial results of our subsidiaries, Mahindra Holidays and Resorts USA Inc., Mahindra Hotels & Residences India Ltd., Heritage Bird (M) Sdn Bhd and MHR Hotel Management GmbH. Our restated consolidated financial statements for the fiscal years 2007 consolidate the financial results of our subsidiaries, Mahindra Holidays and Resorts USA Inc. and MHR Hotel Management GmbH. Our restated consolidated financial statements for the fiscal year 2006 consolidate the financial results of the wholly-owned subsidiary, Mahindra Holidays and Resorts USA Inc.. As of the date of this Red Herring Prospectus, our subsidiaries, Mahindra Holidays and Resorts USA Inc., Heritage Bird (M) Sdn Bhd and Mahindra Hotels & Residences India Limited do not conduct any business. Our financial results are prepared and presented in one business segment, sale of vacation ownership and other services.

### **Factors Affecting Our Results of Operations**

Our results of operations and financial condition are affected by a number of factors, including the following, which are of particular importance:

#### *Increase in our member base*

Our financial results are directly affected by the number of vacation ownership memberships we can sell, resulting in an increase in our member base and the additional fees received by us from such new members.

In the fiscal years 2009, 2008, 2007 and 2006, we had 92,825, 73,533, 53,113 and 38,691 members, respectively, through our own and franchisee marketing and sales channels present across India.

#### *Success of our marketing and sales network and our brand prominence*

Our results of operations are also dependent upon the spread and service abilities of our marketing and sales network. As of May 31, 2009, we have 19 branches and 61 retail outlets across India of which 45 are owned and 16 are franchised. We have 149 direct to home operations which are franchised by us. Also, as of such date, we have six on-site operations at some of our Resorts. In addition, we have a service office in Dubai and a franchisee in Kuwait. In the fiscal year 2009, approximately 35.18% of our sales were through member referrals. Our membership enrolments have increased at a CAGR of 33.87% over the last three fiscal years. Over the same period, our average unit realisation for a Club Mahindra member also increased at a CAGR of 13.18%.

Our business is significantly dependent on the continued establishment and promotion of our brands through which we offer our service offerings, such as Club Mahindra Holidays, Fundays, Zest and Mahindra Homestays. Promoting and positioning these brands largely depends on the success of our marketing and merchandising efforts and our ability to provide a consistent, high-quality consumer experience.

#### *Ability to acquire and build our room and resort inventory*

Our revenues are also dependent on the number of rooms at our resorts and our resort network.. We have historically been able to create tourist destinations of lesser known places such as Munnar, Binsar, Coorg, Ashtamudi and Kumbalgarh. We believe that this ability helps us choose from a wider range of destinations which are lower cost alternatives. We either purchase land and construct our resorts, or acquire or take resorts on lease on a long term basis. We have 11 owned resorts and 16 resorts on lease, of which we operate and manage six resorts, which allows us to control the quality of the consumer experience.

#### *Operating Expenses*

Our results of operations are affected by our ability to control the cost of developing and operating resorts and leased rooms and the costs and margins of our food and beverage operations. Our results of operations are also affected by changes in employee costs and marketing and sales costs. Further, our resorts have to be renovated periodically to keep up with changing trends and consumer demands, and such renovation may involve significant development and maintenance costs. We expect that our operating expenses will increase proportionately as a result of the growth of our business and other factors.

#### *Changes in Economic and Market Conditions*

Our results of operations are affected by factors such as changes in global and domestic economies, changes in local market conditions, the cost and availability of financing and other similar factors. The growth in the Indian economy is expected to continue to be a strong driver for growth in the hospitality sector. In the past, increases in disposable incomes and change in spending habits, as well as in business opportunities, have stimulated leisure travel, leading to increased demand for our offerings and resorts. However, the current downturn in global economies has led to lack of consumer confidence, decreased market valuations and liquidity, increased market volatility and a widespread reduction of business activity generally.. The resulting economic pressure and lack of confidence in the financial markets adversely affected our business, our financial condition and our results of operations during the third quarter of fiscal 2009 when we experienced a reduction in the pace of acquisition of new members, as customers postponed purchase decisions. The pace of acquisition of new members has since returned to historical levels. Notwithstanding the current economic downturn, our room nights booked have continued to increase year on year from 212,694 in fiscal year 2009, 146,846 in fiscal year 2008 and 132,615 in fiscal year 2007 as a result of our existing base of members.

## **Significant Accounting Policies**

Our consolidated financial statements are prepared in accordance with Indian GAAP, the mandatory accounting standards notified by the Central Government of India under The Companies (Accounting Standards) Rules 2006 and with the relevant provisions of the Companies Act, and the accompanying notes thereto included in this Red Herring Prospectus. Our subsidiary, Mahindra Holidays and Resorts USA Inc, incorporated in the State of Delaware, USA prepares its accounts in accordance with US GAAP, our subsidiary, MHR Hotel Management GmbH, incorporated in Austria prepares its accounts in accordance with European GAAP and our subsidiary Heritage Bird (M) Sdn Bhd, incorporated in Malaysia prepares its accounts in accordance with Malaysian Accounting Standards. Certain key accounting policies that are relevant and specific to our business and operations have been described below. Our financial statements have been prepared based on historical cost convention on an accrual basis and in accordance with applicable accounting standards.

### *Principles of Consolidation*

The financial statements of our Company and its subsidiaries have been consolidated on a line by line basis by adding together the book value of like items of assets, liabilities, income, expenses in accordance with AS-21 –Consolidated Financial Statements. The difference in the cost of investment in the subsidiaries over our Company's portion of equity of the subsidiary is recognized in the financial statements as goodwill or capital reserve. The financial statements of our Company and its subsidiaries have been consolidated using uniform accounting policies for like transactions and other events in similar circumstances. Minority interest in the net assets of the consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders at the date on which investment was made in the subsidiary company and further movement in their share of equity, subsequent to the date of investment.

### *Revenue Recognition*

Our business is to sell vacation ownership and provide holiday facilities to members for a specified period each year, over a number of years, for which membership fee is collected either in full up front, or on a deferred payment basis. Up to September 30, 2005, out of the total membership fee, a portion reasonably attributable towards direct cost required to market vacation ownership, which was assessed and revised periodically, was recognized as income from sale of vacation ownership in the year in which the purchaser of the vacation ownership became a member and the balance represented as 'advance towards members' facilities was recognized as income from sale of vacation ownership equally over a period for which holiday facilities were provided commencing from the year in which the member was entitled to benefits of membership under the scheme.

With effect from October 1, 2005, in accordance with the new membership rules, admission fee, which is non-refundable is recognized as income on admission of a member. Entitlement fee, which entitles the vacation ownership member for the facilities over the membership usage period, is recognized as income equally over the usage period commencing from the year of entitlement.

Annual subscription fees due from members is recognized as income on an accrual basis. Interest on instalment sales is recognized as income on an accrual basis. Income from room rentals, holiday activity sales, and sale of food and beverages are recognized when services are rendered.

Securitized assets are derecognized in the books as the contractual rights therein are transferred to the third party and the difference between book value of the securitized asset and consideration received is recognized as gain or loss arising on securitization.

Income from travel services includes commission on tickets, hotel booking, service charges from customers and is recognized when services are rendered.

Income from Mahindra Homestays includes room revenue, affiliation fees, training and consultancy charges and is recognized when services are rendered.

### *Fixed Assets*

Fixed assets are stated at cost less depreciation. Cost comprises of purchase price and other directly attributable costs of bringing the asset to its working condition for its intended use. Depreciation is calculated on a straight line basis at the rate and in the manner prescribed in Schedule XIV of the Companies Act except for the following:

- Leasehold land and buildings are amortised over the period of lease;
- Intangible assets representing acquired vacation ownership are amortised over a period of ten years;
- Furniture and fixtures in Club Mahindra Holiday World are amortised over a period of 36 months from the date of capitalisation;
- Motor vehicles provided to employees are depreciated over a period of 48 months, other assets provided to employees are depreciated over a period of 60 months;
- Expenditure incurred towards software is amortised over 36 months; and
- Expenditure on product design and development and web portal is amortised over three/four years, the estimated useful life of the asset.

### *Inventories*

Inventories are stated at cost or net realizable value, whichever is lower. The cost is arrived at on first in first out method.

### *Investments*

Long term investments are stated at acquisition cost less provision, if any for diminution in value other than temporary.

### *Foreign Exchange Transactions*

Foreign exchange transactions are recorded at exchange rates prevailing on the date of the transaction. Foreign currency receivables/payables (including those related to integral foreign operations) are translated at exchange rates prevailing on the date of settlement or as at the year end, as applicable, and gain or loss arising out of such transaction is adjusted to the profit and loss account. Foreign currency liabilities incurred for acquisition of fixed assets from outside India are translated at exchange rates prevailing on the last day of the accounting year. The loss or gain arising out of the translation is adjusted to the carrying cost of the asset. To comply with AS-11 (revised) 2003, such loss or gain is adjusted to the profit and loss account with effect from April 1, 2007. The change in the policy has no impact on our results.

### *Taxes on Income*

Taxes on income are accounted for in accordance with AS-22 — Accounting for Taxes on Income. Tax expenses comprise both current and deferred tax. Current tax is determined as the amount of tax payable in respect of taxable income for the period using the applicable tax rates and tax laws. Deferred tax assets are recognized, subject to prudence, on timing differences, being the difference between taxable income and accounting income, that originate in one period and are capable of reversal in one or more subsequent periods and are measured using tax rates enacted or substantively enacted as at the balance sheet date. The carrying amount of deferred tax assets and liabilities are reviewed at each balance sheet date. Fringe benefit tax is recognized in accordance with the relevant provisions of the Income Tax Act, 1961.

## Results of Operations

The following table sets forth select financial data from our consolidated restated profit and loss accounts for the fiscal years 2009, 2008, 2007 and 2006, the components of which are also expressed as a percentage of total income for such periods.

	Fiscal Year		Fiscal Year		Fiscal Year		Fiscal Year	
	2009		2008		2007		2006	
	(Rs. in Crores)	% of Total Income	(Rs. in Crores)	% of Total Income	(Rs. in Crores)	% of Total Income	(Rs. in Crores)	% of Total Income
<b>Income:</b>								
<b>Income from Sale of Vacation Ownership and Other Services:</b>								
Income from Sale of Vacation Ownership and other services	393.19	88.93	352.73	93.52	232.31	96.28	152.72	97.44
Other Income	48.93	11.07	24.46	6.48	8.98	3.72	4.01	2.56
<b>Total Income</b>	<b>442.12</b>	<b>100.00</b>	<b>377.19</b>	<b>100.00</b>	<b>241.29</b>	<b>100.00</b>	<b>156.73</b>	<b>100.00</b>
<b>Expenditure:</b>								
Employee Cost	60.84	13.76	47.38	12.56	28.31	11.73	19.45	12.41
Other Expenses	229.20	51.84	185.82	49.26	133.71	55.41	92.72	59.16
<b>Total Expenditure</b>	<b>290.04</b>	<b>65.60</b>	<b>233.20</b>	<b>61.83</b>	<b>162.02</b>	<b>67.15</b>	<b>112.17</b>	<b>71.57</b>
<b>Profit Before Interest, Depreciation and Tax</b>	<b>152.08</b>	<b>34.40</b>	<b>143.99</b>	<b>38.17</b>	<b>79.27</b>	<b>32.85</b>	<b>44.56</b>	<b>28.43</b>
Interest and financial charges	7.03	1.59	3.30	0.87	3.60	1.49	3.32	2.12
<b>Profit Before Depreciation and Tax</b>	<b>145.05</b>	<b>32.81</b>	<b>140.69</b>	<b>37.30</b>	<b>75.67</b>	<b>31.36</b>	<b>41.24</b>	<b>26.31</b>
Depreciation	16.83	3.81	11.30	3.00	8.87	3.68	7.75	4.94
Profit before tax and before restatement	128.22	29.00	129.39	34.30	66.80	27.68	33.49	21.37
<b>Adjustments on account of restatement</b>								
Depreciation	0.00	0.00	0.00	0.00	0.00	0.00	(0.09)	(0.06)
Others	(0.14)	(0.03)	(0.20)	(0.05)	(0.29)	(0.12)	0.77	0.49
Profit before tax and after restatement	128.36	29.03	129.59	34.36	67.09	27.80	32.81	20.93
<b>Provision for taxation:</b>								
Current Tax	39.05	8.83	39.81	10.55	13.15	5.45	0.00	0.00
Overseas Tax	0.02	0.01	0.01	0.00	0.00	0.00	0.00	0.00
Deferred Tax	5.89	1.33	3.74	0.99	9.86	4.09	11.31	7.22
Fringe Benefit Tax	3.55	0.80	1.92	0.51	1.72	0.71	1.37	0.87
Effect on tax due to restatement	0.05	0.01	0.08	0.02	(0.16)	(0.07)	0.09	0.06
<b>Total provision for tax after restatement</b>	<b>48.56</b>	<b>10.98</b>	<b>45.56</b>	<b>12.08</b>	<b>24.57</b>	<b>10.18</b>	<b>12.77</b>	<b>8.15</b>
<b>Profit after tax and after restatement</b>	<b>79.80</b>	<b>18.05</b>	<b>84.03</b>	<b>22.28</b>	<b>42.52</b>	<b>17.62</b>	<b>20.04</b>	<b>12.79</b>
Minority Share of Profit/(Loss)	0.00	0.00	(0.01)	(0.00)	(0.01)	(0.00)	0.00	0.00
<b>Net Profit, As Restated</b>	<b>79.80</b>	<b>18.05</b>	<b>84.04</b>	<b>22.28</b>	<b>42.53</b>	<b>17.63</b>	<b>20.04</b>	<b>12.79</b>

### Income.

We are in the business of sale of vacation ownership. Our income primarily comprises income from sale of vacation ownership and other services. Our total income was Rs. 442.12 crores for the fiscal year 2009 as compared to Rs. 377.19 crores for the fiscal year 2008, Rs. 241.29 crores for the fiscal year 2007 and Rs. 156.73 crores for the fiscal year 2006, representing fiscal year over fiscal year increases of 17.21%, 56.32% and 53.95%, respectively. Our total income increased at a CAGR of 41.30% over the last three fiscal years. We attribute the growth in our total income during the fiscal year 2009 to sales of vacation ownership membership resulting in an increase in our customer base, increase in average unit rate and increase in income from sale of services at the resorts, particularly as a result of the use of our resorts by our existing membership base.

#### *Income from sale of vacation ownership and other services.*

Our income from sale of vacation ownership and other services includes income from sale of vacation ownership memberships, income received on account of cancellation or termination of memberships, the annual subscription fee received from our members and income from resort operations. Income from resort operations includes income from room rentals when our resort services are sold to non-members, sale of food and beverages, wine and liquor, laundry, health clubs and excursions. Our income from sale of vacation ownership and other services was Rs. 393.19 crores, or 88.93% of our total income for the fiscal year 2009, as compared to Rs. 352.73 crores, or 93.52% of our total income for the fiscal year 2008, as compared to Rs. 232.31 crores, or 96.28% of our total income for the fiscal year 2007, and Rs. 152.72 crores, or 97.44% of our total income for the fiscal year 2006. Our income from sale of vacation ownership and other services increased at a CAGR of 37.86% over the last three fiscal years.

#### *Other Income.*

Our other income primarily consists of income from interest earned on instalment sales, income from securitisation and other miscellaneous income, which constitutes income from re-alignment charges and guest fee charges. Our other income was Rs. 48.93 crores for the fiscal year 2009, as compared to Rs. 24.46 crores for the fiscal year 2008, Rs. 8.98 crores for the fiscal year 2007 and Rs. 4.01 crores for the fiscal year 2006. Our other income increased at a CAGR of 130.22% over the last three fiscal years. Our other income is generally recurring.

#### *Expenditure.*

Our total expenditure consists of expenses incurred on employees' remuneration and welfare expenses, interest and financial charges, depreciation and other expenses. Our total expenditure as a percentage of our total income was 65.60%, 61.83%, 67.15%, and 71.57% for the fiscal years 2009, 2008, 2007 and 2006, respectively. Which in turn in conjunction with the income growth has allowed to register PBDITA and PAT CAGRs of 50.56% and 58.50% over the last three fiscal years.

#### *Employee Cost.*

Employee cost consists of salaries, wages and bonus paid to our employees, contributions to provident and other funds for the benefit of our employees and other staff welfare expenses. Employee cost accounted for 13.76%, 12.56%, 11.73% and 12.41% of our total income for the fiscal years 2009, 2008, 2007, and 2006, respectively.

#### *Other Expenses.*

Our other expenses consist of expenses on food, beverages and other items consumed, operating supplies expenses, advertisement costs, sales promotion expenses, sales commissions, discounts, power and fuel costs, rent costs, rates and taxes, costs of repairs and maintenance of buildings, costs of resort renovations, office equipment and other costs, travelling costs, communication costs, insurance costs, consultancy charges, service charges, bad debts written-off, loss on fixed assets sold or scrapped, miscellaneous expenses and miscellaneous expenditure written off. Other expenses accounted for 51.84%, 49.26%, 55.41% and 59.16% of our total income for the fiscal years 2009, 2008, 2007 and 2006, respectively.

#### *Interest and Financial Charges.*

Interest and financial charges consist of interest paid on term loans and other loans, premium paid on optionally convertible debentures and bank charges which primarily consists of commission paid to banks on collection of fees from our members. Interest and financial charges accounted for 1.59%, 0.88%, 1.49% and 2.12% of our total income for the fiscal years 2009, 2008, 2007 and 2006, respectively. See “– Financial Condition, Liquidity and Capital Resources – Indebtedness” for a summary of our outstanding indebtedness.

### *Depreciation.*

The following table provides the depreciation rates for our tangible and intangible assets as of March 31, 2009:

<b>Assets</b>	<b>Annual Depreciation Rate</b>
Plants and Machinery	4.75%
Buildings	1.63%
Office Equipment	4.75%
Electrical Installations	4.75%
Motor Vehicles	9.50%
Interiors, Furniture and Fixtures:	
Office	6.33%
Resorts	9.50%
Holiday World	33.33%
Computers	16.21%
Asset with employees – Motor vehicles:-	25%
Asset with employees – Other than Motor vehicles	20%
Intangible Assets:	
Software	33.33%
Product Design and Development and Web Portal	33.33%/25%
Vacation Ownership Acquired	10%

### *Taxation.*

We provide for both current taxes, comprising of income tax, overseas tax and fringe benefit tax, and deferred taxes. Tax on income is determined on the basis of taxable income and tax credit, if any, and computed in accordance with the provisions of applicable law. Deferred tax arises mainly due to the timing differences between accounting income and the taxable income for the period and is quantified using the tax rates and laws enacted or substantially enacted as on the relevant balance sheet date. Our deferred tax liability is recognized net of deferred tax assets, if any.

Indian tax rates applicable to our Company (on an unconsolidated basis) for the year ended March 31, 2009 is as under:

Corporate Income Tax on Normal Income	30%
Surcharge on above	10%
Education Cess on above	3%

Effective tax rate applicable to us on a consolidated basis for the year ended March 31, 2009 was 30.48%. For a summary of tax benefits available to us, see “Statement of Tax Benefits” on page 69.

### *Minority Share of Profit/(Loss).*

The minority share of profit/loss represents 25% of share of profit/loss held by the minority shareholders in MHR Hotel Management GmbH. The minority share of profit was Rs. 0.003 crores for the fiscal year 2009. The minority share of loss was Rs. 0.01 crores for the fiscal year 2008 and Rs. 0.01 crores in the fiscal year 2007. There was no minority share in the previous years since we acquired MHR Hotel Management GmbH in the fiscal year 2007.

### *Adjustments*

The consolidated financial statements for the fiscal years 2009, 2008, 2007 and 2006 have been restated in compliance with the SEBI Guidelines. The effects of restatement are shown as a total effect rather than as restatement of individual line items in our profit and loss account.

The adjustments to our financial statements, including on account of changes in accounting policies and estimates, are described below:

	Fiscal Year			
	2009	2008	2007	2006
<b>Adjustments:</b>				
<b>Change in accounting policies/estimates</b>				
Depreciation	-	-	-	-0.09
Leave Salary	-	-	-	0.25
Expenditure on Operating Supplies	-	-	-	-
Expenditure on Specialized Software	-	-	-	-
RCI fees	-0.14	-0.20	-0.29	0.52
<b>Total Pre Tax Adjustments</b>	<b>-0.14</b>	<b>-0.20</b>	<b>-0.29</b>	<b>0.68</b>
<b>Tax Adjustments</b>				
Current Tax	0.05	0.08	-1.27	-
Deferred Tax	-	-	1.11	0.09
<b>Total Adjustments</b>	<b>-0.09</b>	<b>-0.12</b>	<b>-0.45</b>	<b>0.77</b>

- Depreciation: During the year ended March 31, 2004, our Company revised the estimated useful life of motor vehicles provided to employees from ten years to four years. The effect of change in the estimated useful life of these assets has resulted in an additional depreciation charge in the respective years. During the year ended March 31, 2005, our Company revised the depreciation rates of assets at employees' residence to 20% from the rates as per Schedule XIV of the Companies Act. The effect of the change in the estimated useful life of these assets has resulted in an additional depreciation charge in the respective years. The effect of revision in the estimated useful life of the above assets has been adjusted to the concerned prior years so as to re-compute the profits and losses of those years considering the uniform estimated useful life of motor cars and assets at employees' residence for each of these years. The opening balance of profit and loss account as at April 1, 2003 has been appropriately adjusted to reflect the impact of changes pertaining to prior years.
- Deferred Tax: AS-22 — Accounting for taxes on income became mandatory with effect from April 1, 2001. The Company did not recognise deferred tax asset until the fiscal year 2003, giving due consideration to the principle of prudence as required by AS-22. Since the conditions set out in AS-22 for recognition of deferred tax asset were fulfilled in the fiscal year 2004, our Company recognised deferred tax asset in that year. To have a uniform accounting policy from the year ended March 31, 2003, deferred tax asset/ liability has been computed for the year ended on that date. The deferred tax asset/liability relating to periods prior to April 1, 2003 have been appropriately adjusted to the opening balance of profit and loss account as at April 1, 2003. Further, consequent to the adjustments made in respect of items listed in the table above, the impact of deferred tax has been adjusted in the respective years.
- Intangible Assets: AS-26 – Accounting for Intangible Assets became mandatory with effect from April 1, 2003. Our Company adopted AS-26 for the first time during the year ended March 31, 2004.

(a) Specialized Software expenses

Software expenses up to the fiscal year 2003 was treated as deferred revenue expenditure and written off over a period of three years. Subsequent software expenses were capitalized in line with AS-26. To have a uniform accounting policy, our Company has capitalized the balance of software expenses as at April 1, 2003 and subsequent additions for the fiscal year March 31, 2004 under intangible assets and amortized the same over a period of three years. Due to the above change there is no impact on the profit and loss account.

(b) Operating Supplies

Operating supplies purchased up to the fiscal year 2003 was treated as deferred revenue expenditure and written off over a period of three years. Subsequent purchases have been charged to revenue in line with AS-26. To have a uniform accounting policy, our Company has adjusted the balance of operating supplies as at April 1, 2003 against opening balance of profit and loss account and the additions in subsequent years have been charged to revenue.

- RCI fees: Up to September 30, 2005, fees payable to RCI were reduced from membership fees and the balance recognized as income from vacation ownership. With effect from October 1, 2005, fees payable to RCI in respect of new members has been charged to revenue. To have a uniform accounting policy the fees payable to RCI in respect of new members enrolled from April 1, 2002 has been charged in the respective years.
- Leave Salary: Until March 31, 2004, provision for leave salary was made on an arithmetical basis and thereafter on an actuarial basis. To have a uniform accounting policy for all the years, an actuarial valuation has been made for leave salary using the projected unit credit method and adjustments made to the respective years. The additional liability up to March 31, 2003 has been adjusted against the opening balance of profit and loss account.

*Fiscal Year 2009 Compared to Fiscal Year 2008*

Our results of operations for the fiscal year 2009 were particularly affected by the following factors:

- sales of vacation ownership membership;
- increase in the price of our membership plans;
- increase in income from annual subscription fee;
- increase in income from interest and securitisation; and
- the current downturn in global economies, which led to dampened consumer confidence,

*Income.*

Our total income increased by 17.21% to Rs. 442.12 crores for the fiscal year 2009 from Rs. 377.19 crores for the fiscal year 2008, primarily due to income from securization and interest income from instalment sales, as well as the sales of vacation ownership membership, increase in the annual subscription fees as a result of an increase in the number of new members as well as an increase in subscription fees payable by existing members and income from sale of services at the resorts.

*Income from sale of vacation ownership and other services.*

Our income from sale of vacation ownership and other services increased by 11.47% to Rs. 393.19 crores for the fiscal year 2009 from Rs. 352.73 crores for the fiscal year 2008. Our income from sale of vacation ownership increased by 4.86% to Rs. 297.33 crores for the fiscal year 2009 from Rs. 283.54 crores for the fiscal year 2008. Our annual subscription fee increased by 41.14% to Rs. 45.56 crores for the fiscal year 2009 from Rs. 32.28 crores for the fiscal year 2008. Our income from sale of services at the resorts increased by 33.28% to Rs. 49.09 crores for the fiscal year 2009 from Rs. 36.83 crores for the fiscal year 2008. These increases were primarily due to the sales of vacation ownership membership, resulting in an increase in our customer base and consequent increase in income from sale of services at the resorts, as well as an increase in apartment and cottage inventory. We had 92,825 members in the fiscal year 2009, as compared to 73,533 members in fiscal 2008. In addition, we launched Mahindra Homestays in July 2008.

#### *Other Income.*

Our other income increased by 100.04% to Rs. 48.93 crores for the fiscal year 2009 from Rs. 24.46 crores for the fiscal year 2008, primarily due to an increase in income from interest on instalment sales (as a result of vacation ownership memberships sold on instalment plans and interest earned on such instalments), income from securitization and miscellaneous income.

#### *Expenditure.*

Our total expenditure increased by 24.37% to Rs. 290.04 crores for the fiscal year 2009 from Rs. 233.20 crores for the fiscal year 2008, primarily as a result of increase in employee costs and rent costs, including resort lease rentals, as a result of an increase in number of apartments and cottages, and sales promotion expenses .

#### *Employee Cost.*

Our employee cost increased by 28.41% to Rs. 60.84 crores for the fiscal year 2009 from Rs. 47.38 crores for the fiscal year 2008, primarily due to an increase in the number of employees to 1,472 from 1,172, and consequent salaries, wages and bonuses paid to our officers and employees as part of our growth and expansion.

#### *Other Expenses.*

Our other expenses increased by 23.35% to Rs. 229.20 crores for the fiscal year 2009 from Rs. 185.82 crores for the fiscal year 2008, primarily due to an increase in sales promotion expenses of Rs. 73.61 crores for the fiscal year 2009 from Rs. 49.41 crores for the fiscal year 2008, an increase in rent, including resort lease rentals, of Rs. 19.88 crores for the fiscal year 2009 from Rs. 12.90 crores for the fiscal year 2008 and an increase in service charges of Rs. 9.27 crores for the fiscal year 2009 from Rs. 6.38 crores for the fiscal year 2008.

#### *Interest and Financial Charges.*

Our interest and financial charges increased by 113.03% to Rs. 7.03 crores for the fiscal year 2009 from Rs. 3.30 crores for the fiscal year 2008, due to an increase in outstanding borrowings.

#### *Depreciation.*

Our depreciation charge increased by 48.94% to Rs. 16.83 crores for the fiscal year 2009 from Rs. 11.30 crores for the fiscal year 2008. The increase was generally attributable to acquisition of a new Resort at Thekaddy and an expansion of room inventory and other depreciable assets.

#### *Taxation.*

Our provision for taxes increased by 6.58% to Rs. 48.56 crores for the fiscal year 2009 from Rs. 45.56 crores for the fiscal year 2008. The effective tax rate of fiscal year 2009 is 30.48% as compared to 30.79 % for fiscal year 2008.

#### *Net Profit, As Restated.*

Our profit after tax, as restated, decreased by 5.05% to Rs. 79.80 crores for the fiscal year 2009 from Rs. 84.04 crores for the fiscal year 2008.

### ***Fiscal Year 2008 Compared to Fiscal Year 2007***

Our results of operations for the fiscal year 2008 were particularly affected by the following factors:

- increase in sales of vacation ownership membership;
- increase in the price of our membership plans; and
- introduction of our travel services business.

#### ***Income.***

Our total income increased by 56.32% to Rs. 377.19 crores for the fiscal year 2008 from Rs. 241.29 crores for the fiscal year 2007, primarily due to an increase in the sales of vacation ownership membership, increase in the annual subscription fees and income from sale of services at the resorts.

#### ***Income from sale of vacation ownership and other services.***

Our income from sale of vacation ownership and other services increased by 51.84% to Rs. 352.73 crores for the fiscal year 2008 from Rs. 232.31 crores for the fiscal year 2007. Our income from sale of vacation ownership increased by 56.56% to Rs. 283.54 crores for the fiscal year 2008 from Rs. 181.11 crores for the fiscal year 2007. Our annual subscription fee increased by 41.77% to Rs. 32.28 crores for the fiscal year 2008 from Rs. 22.77 crores for the fiscal year 2007. Our income from sale of services at the resorts increased by 29.55% to Rs. 36.83 crores for the fiscal year 2008 from Rs. 28.43 crores for the fiscal year 2007. These increases were primarily due to an increase in the sales of vacation ownership membership, resulting in an increase in our customer base and consequent increase in income from sale of services at the resorts. We sold 20,420 vacation ownership memberships in the fiscal year 2008 as compared to 14,410 vacation ownership memberships in the fiscal year 2007. In addition, we launched our travel services business in the fiscal year 2008 and our income from provisioning of this service was Rs. 0.08 crores for the fiscal year 2008.

#### ***Other Income.***

Our other income increased by 172.38% to Rs. 24.46 crores for the fiscal year 2008 from Rs. 8.98 crores for the fiscal year 2007, primarily due to an increase in income from interest on instalment sales (as a result of vacation ownership memberships sold on instalment plans and interest earned on such instalments), income from securitization and miscellaneous income.

#### ***Expenditure.***

Our total expenditure increased by 42.01% to Rs. 247.80 crores for the fiscal year 2008 from Rs. 174.49 crores for the fiscal year 2007, primarily as a result of increase in employee costs, sales promotion expenses, sales commission and rent costs.

#### ***Employee Cost.***

Our employee cost increased by 67.36% to Rs. 47.38 crores for the fiscal year 2008 from Rs. 28.31 crores for the fiscal year 2007, primarily due to an increase in the salaries, wages and bonuses paid to our officers and employees as part of our growth and expansion including an increase in the number of employees from 391 to 1,172 and staff welfare expenses. The number of employees increased due to (a) an increase in the number of resorts from 18 in the fiscal year 2007 to 23 in the fiscal year 2008; (b) the employees of Guestline Hospitality Management and Development Services Limited being brought under the rolls of our Company and (c) the launch of our travel business.

#### *Other Expenses.*

Our other expenses increased by 38.97% to Rs. 185.82 crores for the fiscal year 2008 from Rs. 133.71 crores for the fiscal year 2007, primarily due to an increase in advertisement expenses of Rs. 27.41 crores for the fiscal year 2008 from Rs. 14.45 crores for the fiscal year 2007, an increase in sales commission of Rs. 35.06 crores for the fiscal year 2008 from Rs. 22.17 crores for the fiscal year 2007, an increase in sales promotion expenses of Rs. 49.41 crores for the fiscal year 2008 from Rs. 30.83 crores for the fiscal year 2007 and an increase in rent of Rs. 12.90 crores for the fiscal year 2008 from Rs. 7.23 crores for the fiscal year 2007.

#### *Interest and Financial Charges.*

Our interest and financial charges decreased by 8.33% to Rs. 3.30 crores for the fiscal year 2008 from Rs. 3.60 crores for the fiscal year 2007, due to a reduction in outstanding borrowings.

#### *Depreciation.*

Our depreciation charge increased by 27.40% to Rs. 11.30 crores for the fiscal year 2008 from Rs. 8.87 crores for the fiscal year 2007. The increase was generally attributable to an increase in fixed assets due to the increase of our inventory as a result of addition of new resort at Kumbalgarh in the fiscal year 2008.

#### *Taxation.*

Our provision for taxes increased by 83.91% to Rs. 45.48 crores for the fiscal year 2008 from Rs. 24.73 crores for the fiscal year 2007. The effective tax rate of fiscal year 2008 is 30.79% as compared to 19.68% for fiscal year 2007. The lower effective tax rate in fiscal year 2007 was due to carried forward losses from the previous year which were adjusted during the fiscal year 2007.

#### *Net Profit, As Restated.*

Our profit after tax, as restated, increased by 97.60% to Rs. 84.04 crores for the fiscal year 2008 from Rs. 42.53 crores for the fiscal year 2007.

#### ***Fiscal Year 2007 Compared to Fiscal Year 2006***

Our results of operations for the fiscal year 2007 were particularly affected by the following factors:

- introduction of our new service offerings, Zest and Club Mahindra Fundays;
- increase in sales of vacation ownership membership; and
- increase in sale of services at our resorts.

#### *Income.*

Our total income increased by 53.95% to Rs. 241.29 crores for the fiscal year 2007 from Rs. 156.73 crores for the fiscal year 2006, primarily due to an increase in the sales of vacation ownership membership, increase in income from sale of services at the resorts and an increase in interest on instalment sales.

#### *Income from sale of vacation ownership and other services.*

Our income from sale of vacation ownership and other services increased by 52.11% to Rs. 232.31 crores for the fiscal year 2007 from Rs. 152.72 crores for the fiscal year 2006. Our income from sale of vacation ownership increased by 59.58% to Rs. 181.11 crores for the fiscal year 2007 from Rs. 113.49 crores for the fiscal year 2006. Our annual subscription fee increased by 14.19% to Rs. 22.77 crores for the fiscal year 2007 from Rs. 19.94 crores for the fiscal year 2006. Our income from sale of services at the resorts increased by 47.38% to Rs. 28.43 crores for the fiscal year 2007 from Rs. 19.29 crores for the fiscal year 2006. These increases were primarily due to an increase in the sales of vacation ownership membership,

resulting in an increase in our customer base and consequent increase in income from sale of services at the resorts. We sold 14,410 vacation ownership memberships in the fiscal year 2007 as compared to 10,200 vacation ownership memberships in the fiscal year 2006.

#### *Other Income.*

Our other income increased by 123.94% to Rs. 8.98 crores for the fiscal year 2007 from Rs. 4.01 crores for the fiscal year 2006, primarily due to an increase in income from interest on instalment sales and miscellaneous income.

#### *Expenditure.*

Our total expenditure increased by 41.59% to Rs. 174.49 crores for the fiscal year 2007 from Rs. 123.24 crores for the fiscal year 2006, primarily as a result of increase in employee costs, sales promotion expenses and an increase in bank charges.

#### *Employee Cost.*

Our employee cost increased by 45.55% to Rs. 28.31 crores for the fiscal year 2007 from Rs. 19.45 crores for the fiscal year 2006, primarily due to an increase in the number of employees from 287 to 391 as part of our growth and expansion and the setting up of our offering, 'Zest' which resulted in us hiring 14 employees for conducting the Zest operations, and an increase in the salaries, bonuses and ex-gratia paid to our officers and employees.

#### *Other Expenses.*

Our other expenses increased by 44.21% to Rs. 133.71 crores for the fiscal year 2007 from Rs. 92.72 crores for the fiscal year 2006, primarily due to an increase in advertisement and sales promotion expenses of Rs. 45.28 crores in the fiscal year 2007 from Rs. 30.14 crores for the fiscal year 2006 and an increase in expenses on repairs and maintenance of resorts, buildings and office equipments of Rs. 7.15 crores for the fiscal year 2007 from Rs. 4.97 crores for the fiscal year 2006.

#### *Interest and Financial Charges.*

Our interest and financial charges increased by 8.43% to Rs. 3.60 crores for the fiscal year 2007 from Rs. 3.32 crores for the fiscal year 2006, due to an increase in the bank charges of Rs. 2.24 crores for the fiscal year 2007 from Rs. 1.40 crores for the fiscal year 2006 partially offset by a decrease in interest charges of Rs. 1.36 crores for the fiscal year 2007 from Rs. 1.87 crores for the fiscal year 2006 as the term loan was repaid during that year.

#### *Depreciation.*

Our depreciation charge increased by 14.45% to Rs. 8.87 crores for the fiscal year 2007 from Rs. 7.75 crores for the fiscal year 2006. The increase was generally attributable to an increase in fixed assets at our Resorts, corporate offices and branches in the fiscal year 2007.

#### *Taxation.*

Our provision for taxes increased by 95.03% to Rs. 24.73 crores for the fiscal year 2007 from Rs. 12.68 crores for the fiscal year 2006. The primary component of this increase was an increase in our current tax liability to Rs. 13.15 crores in the fiscal year 2007. For the fiscal year 2006 we did not incur any current tax liability since we had carried forward losses from the previous year which were adjusted during such fiscal year. Our effective tax rate for the fiscal year 2007 was 19.68%.

### *Net Profit, As Restated.*

Our profit after tax, as restated, increased by 112.23% to Rs. 42.53 crores for the fiscal year 2007 from Rs. 20.04 crores for the fiscal year 2006.

### **Financial Condition, Liquidity and Capital Resources**

We broadly define liquidity as our ability to generate sufficient funds mainly from internal sources to meet our obligations and commitments. In addition, liquidity includes the ability to obtain appropriate equity and debt financing and loans and to convert into cash those assets that are no longer required to meet existing strategic and financial objectives. Therefore, liquidity cannot be considered separately from capital resources that consist of current or potentially available funds for use in achieving long-range business objectives and meeting debt service and other commitments.

We have been historically financing our capital requirements primarily through funds generated from our operations, financing from banks and other financial institutions in the form of term loans and securitisation of receivables. Our primary capital requirements have been towards purchase of land and development of our properties. We believe that we will have sufficient resources from our operations and Net Proceeds of this offering of equity shares to meet our capital requirements for at least the next 12 months. In the event we enter into strategic investments or acquisitions, we may need to obtain financing from banks, financial institutions or other lenders.

### **Cash Flows**

The table below summarizes our cash flows for the fiscal years 2009, 2008, 2007 and 2006:

	<b>(Rs. in Crores)</b>			
	<b>Fiscal Year</b>			
	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Net cash generated from / (used in) operating activities	158.36	46.56	69.05	39.00
Net cash generated from / (used in) investing activities	-114.90	-49.23	-44.87	-35.38
Net cash generated from / (used in) financing activities	-18.32	0.94	-22.56	0.21
Net Increase / (Decrease) in cash and cash equivalents	25.14	-1.73	1.62	3.83

Cash and cash equivalents increased to Rs. 32.77 crores as of March 31, 2009 against Rs. 7.63 crores as of March 31, 2008. Cash and cash equivalents include bank deposits, current account balances and cash on hand.

### *Operating Activities.*

Net cash generated from operating activities was Rs. 158.36 crores for the fiscal year 2009, and consisted of net profit before taxation of Rs. 128.36 crores, as adjusted for a number of non-cash items, primarily depreciation of Rs. 16.83 crores, and other items, primarily interest and financial charges of Rs. 7.03 crores, interest received on instalment sales of Rs. 37.15 crores and changes in working capital, such as changes in deferred income (advance towards members' facilities) of Rs. 158.53 crores, trade and other receivables of Rs. 65.65 crores and income taxes paid of Rs. 39.53 crores.

Net cash generated from operating activities was Rs. 46.56 crores for the fiscal year 2008, and consisted of net profit before taxation of Rs. 129.59 crores, as adjusted for a number of non-cash items, primarily depreciation of Rs. 11.30 crores, and other items, primarily interest and financial charges of Rs. 3.30 crores, interest received on instalment sales of Rs. 19.68 crores and changes in working capital, such as changes in deferred income (advance towards members' facilities) of Rs. 158.24 crores, trade and other receivables of Rs. 190.09 crores and income taxes paid of Rs. 43.96 crores.

Net cash generated from operating activities was Rs. 69.05 crores for the fiscal year 2007, and consisted of net profit before taxation of Rs. 67.09 crores, as adjusted for a number of non-cash items, primarily depreciation of Rs. 8.87 crores, and other items, primarily interest and financial charges of Rs. 3.60 crores,

interest received on instalment sales of Rs. 7.32 crores and changes in working capital, such as changes in deferred income (advance towards members' facilities) of Rs. 97.93 crores, trade and other receivables of Rs. 91.20 crores and trade and other payables of Rs. 0.84 crores.

Net cash generated from operating activities was Rs. 39.00 crores for the fiscal year 2006, and consisted of net profit before taxation of Rs. 32.81 crores, as adjusted for a number of non-cash items, primarily depreciation of Rs. 7.66 crores (giving effect to restatement), and other items, primarily interest and financial charges of Rs. 3.32 crores, interest received on instalment sales of Rs. 3.39 crores and changes in working capital, such as changes in deferred income (advance towards members' facilities) of Rs. 62.29 crores, trade and other receivables of Rs. 66.74 crores and trade and other payables of Rs. 7.86 crores.

#### *Investing Activities.*

Net cash used in investing activities was Rs. 114.90 crores for the fiscal year 2009, primarily due to additions of fixed assets comprising of building, plant and machinery, furniture and fixtures and leasehold land of Rs. 163.33 crores which was met from earnings from interest on instalment sales of Rs. 37.15 crores.

Net cash used in investing activities was Rs. 49.23 crores for the fiscal year 2008, primarily due to additions of fixed assets comprising of building, plant and machinery, furniture and fixtures and leasehold land of Rs. 73.19 crores which was met from earnings from interest on instalment sales of Rs. 19.68 crores.

Net cash used in investing activities was Rs. 44.87 crores for the fiscal year 2007, primarily as a result of purchases of fixed assets comprising of building, plant and machinery, furniture and fixtures and leasehold land of Rs. 47.29 crores and purchase of investments of Rs. 5.88 crores.

Net cash used in investing activities was Rs. 35.38 crores for the fiscal year 2006, primarily as a result of purchases of fixed assets comprising of building, plant and machinery and furniture and fixtures of Rs. 43.90 crores.

#### *Financing Activities.*

Net cash used in financing activities was Rs. 18.32 crores for the fiscal year 2009, primarily as a result of repayment of borrowings of Rs. 99.00 crores and interest and financial charges paid of Rs. 7.03 crores, which was offset by proceeds from borrowings of Rs. 103.63 crores during the fiscal year 2009.

Net cash from financing activities was Rs. 0.94 crores for the fiscal year 2008, primarily as a result of proceeds from borrowings of Rs. 14.11 crores partially offset by interest and financial charges of Rs. 3.30 crores and dividend payment of Rs. 8.68 crores during the fiscal year 2008.

Net cash used in financing activities was Rs. 22.56 crores for the fiscal year 2007, primarily as a result of repayment of borrowings of Rs. 20.85 crores and interest and financial charges paid of Rs. 3.60 crores.

Net cash from financing activities was Rs. 0.21 crores for the fiscal year 2006, primarily as a result of proceeds of borrowings of Rs. 3.53 crores partially offset by interest and financial charges of Rs. 3.32 crores.

#### **Fixed Assets**

Our fixed assets include gross block of assets, capital work in progress and expenditure pending allocation less depreciation. Gross block of fixed assets increased by Rs. 155.91 crores during the fiscal year 2009 as compared to the fiscal year 2008, on account of additions in the number of rooms at our Resorts at Coorg, Pondicherry, Thekkady, Kumbalgarh and Ooty. Gross block of fixed assets increased by Rs. 47.64 crores during the fiscal year 2008 as compared to the fiscal year 2007, on account of additions in the number of rooms at our Resorts at Kumbhalgarh, Ashtamudi and Munnar, at an aggregate cost of Rs. 31.62 crores. Further, there were additions to fixed assets at our corporate office and a number of branches at an

aggregate cost of Rs. 16.02 crores. Gross block of fixed assets increased by Rs. 34.03 crores during the fiscal year 2007 as compared to the fiscal year 2006, on account of additions in the number of rooms at our Resorts at Manali, Kumbhagarh, Goa, Ooty and Kodaikanal, at an aggregate cost of Rs. 21.14 crores, and land purchased at Mahindra World City and Puducherry, at a total cost of Rs. 3.03 crores. Further, there were additions to fixed assets at our corporate office and a number of branches on account computers, furniture and fixtures and other equipments of Rs. 9.86 crores.

Capital work in progress increased by Rs. 3.81 crores during the fiscal year 2009 as compared to the fiscal year 2008, primarily on account of expenses incurred for construction of Resorts at Binsar, Ashtamudi, Tungi and Ooty. Capital work in progress increased by Rs. 29.20 crores during the fiscal year 2008 as compared to the fiscal year 2007, primarily on account of expenses incurred for construction of Resorts at a number of locations aggregating Rs. 24.09 crores and advances made to a number of vendors aggregating Rs. 3.32 crores. Capital work in progress increased by Rs. 8.40 crores during the fiscal year 2007 as compared to the fiscal year 2006, primarily on account of expenses incurred for construction of the Resorts at a number of locations. Capital work in progress decreased by Rs. 0.06 crores during the fiscal year 2006 as compared to the fiscal year 2005, primarily on account of capitalization of a number of Resorts.

Expenditure pending allocation increased by Rs. 2.49 crores, Rs. 3.09 crores and Rs. 2.11 crores during the fiscal years 2009, 2008 and 2007, respectively, as compared to the previous fiscal years, primarily on account of unallocated expenses incurred for construction of Resorts at a number of locations.

#### **Current Assets, Loans and Advances**

Current assets, loans and advances includes inventories, sundry debtors, cash and bank balances and loans and advances. Inventories increased by Rs. 1.80 crores during the fiscal year 2009 as compared to the fiscal year 2008, primarily on account of operating supplies at various Resorts.

Inventories increased by Rs. 1.68 crores during the fiscal year 2008 as compared to the fiscal year 2007, primarily on account of purchases of gifts for our members of Rs. 0.70 crores and operating supplies at a number of Resorts of Rs. 0.98 crores. Inventories increased by Rs. 0.91 crores during the fiscal year 2007 as compared to the fiscal year 2006, primarily on account of purchases of gifts for our members of Rs. 0.20 crores and operating supplies at a number of Resorts of Rs. 0.71 crores.

Sundry debtors increased by Rs. 79.15 crores during the fiscal year 2009 as compared to the fiscal year 2008, on account of our membership payment plan (which extended upto 60 months) and a 17.21% increase in income during the fiscal year 2009 as compared to the fiscal year 2008. Sundry debtors increased by Rs. 184.69 crores during the fiscal year 2008 as compared to the fiscal year 2007, on account of our membership payment plan (which extended upto 60 months) and a 57% increase in income during the fiscal year 2008 as compared to the fiscal year 2007. Sundry debtors increased by Rs. 73.00 crores during the fiscal year 2007 as compared to the fiscal year 2006, on account of membership payment plan (which extended upto 60 months) and a 60% increase in income during the fiscal year 2007 as compared to the fiscal year 2006.

Cash and bank balances increased by Rs. 25.14 crores during the fiscal year 2009 as compared to the fiscal year 2008, primarily of an increase in bank balances at a number of branches and Resorts. Cash and bank balances decreased by Rs. 1.73 crores during the fiscal year 2008 as compared to the fiscal year 2007, primarily because of lesser bank balances at a number of branches. Cash and bank balances increased by Rs. 1.62 crores during the fiscal year 2007 as compared to the fiscal year 2006, primarily because of increase in bank balances at a number of branches and Resorts.

Loans and advances increased by 4.41 crores during the fiscal year 2009 as compared to the fiscal year 2008, primarily because of a loan given to a subsidiary company. Loans and advances increased by Rs. 20.11 crores during the fiscal year 2008 as compared to the fiscal year 2007, primarily because of advances made to a number of vendors aggregating Rs. 5.02 crores, balance in the service tax input credit of Rs. 3.28 crores, share issue expenses of Rs. 2.52 crores and increase in rental deposits of Rs. 3.20 crores. Loans and advances increased by Rs. 15.74 crores during the fiscal year 2007 as compared to the fiscal year 2006,

primarily because of loans given to subsidiaries aggregating Rs. 20.79 crores, advances paid of Rs. 3.64 crores, decrease in rental deposits of Rs. 5.69 crores and decrease in MAT credit entitlement and payment towards income tax (net of provisions) of Rs. 3.00 crores.

### **Current Liabilities**

Current liabilities includes current liabilities and provisions. Current liabilities increased by Rs. 21.16 crores during the fiscal year 2009 as compared to the fiscal year 2008, primarily because of an increase in the amount payable to vendors. Current liabilities increased by Rs. 20.34 crores during the fiscal year 2008 as compared to the fiscal year 2007, primarily because of increase in provision of expenses during the fiscal year 2008. Current liabilities increased by Rs. 2.59 crores during the fiscal year 2007 as compared to the fiscal year 2006, primarily because of increase in provision of expenses during the fiscal year 2007.

Provisions increased by 13.49 crores during the fiscal year 2009 as compared to the fiscal year 2008, primarily because of an increase in proposed dividend and tax thereon in the amount of Rs. 11.15 crores. Provisions increased by Rs. 5.77 crores during the fiscal year 2008 as compared to the fiscal year 2007, primarily because of proposed dividend and tax of Rs. 6.19 crores partially offset by a decrease in the provision of taxation of Rs. 2.12 crores. Provisions increased by Rs. 10.97 crores during the fiscal year 2007 as compared to the fiscal year 2006, primarily because of proposed dividend and tax thereon of Rs. 10.16 crores, the provision of taxation of Rs. 0.75 crores and the provision for leave salary of Rs. 0.07 crores.

### **Advances from Member Facilities**

The increase in advances from member facilities of 158.53 crores during the fiscal year 2009 as compared to the fiscal year 2008 was on account of a 17% increase in income. The increase in advances from member facilities of Rs. 158.24 crores during the fiscal year 2008 as compared to the fiscal year 2007 was on account of a 57% increase in income. The increase in advances from member facilities of Rs. 97.93 crores during the fiscal year 2007 as compared to the fiscal year 2006 was on account of a 54% increase in income.

### **Investments**

We hold 25,000 7% non-cumulative redeemable participating optionally convertible preference shares of Rs. 10 each full paid up in Guestline Hospitality Management and Development Services Limited and one equity share of Rs. 10 fully paid up in Mahindra World City Developers Limited. Our total investments were Rs. 0.03 crores, Rs. 0.03 crores, Rs. 5.90 crores (includes Rs. 5.87 crores as advance against equity) and Rs. 0.03 crores as at March 31, 2009, March 31, 2008, March 31, 2007 and March 31, 2006, respectively.

### **Indebtedness**

As of March 31, 2009, we have Rs. 24.63 crores of aggregate principal amount of indebtedness outstanding. This represents a cash credit facility from Yes Bank Limited for an amount of Rs. 60.00 crores at an interest rate of prime lending rate minus 4.5%. As security for the facility, Yes Bank has an exclusive charge over our receivables.

### **Contractual Obligations and Commercial Commitments**

Our contractual obligations and commercial commitments as of March 31, 2009 comprise of construction contracts and purchase orders of Rs. 31.38 crores, which are likely to impact our liquidity and cash flows for less than a year.

## Contingent Liabilities

The following table provides our contingent liabilities as of March 31, 2009:

Particulars	(Rs. in Crores)
Receivables securitised with recourse	162.31
Claims against the Company not acknowledged as debt	0.97
Income tax matters under appeal	86.12

We have securitized membership fee receivables including future interest with Yes Bank, HDFC Bank, HDFC Limited and MMFSL, with recourse.

## Related Party Transactions

We have engaged in the past, and may engage in the future transactions with related parties on an arm's lengths basis. Such transactions could be for provision of services, lease of assets or property, sale or purchase of equity shares or entail incurrence of indebtedness. For details of our related party transactions, see Note 11 of Annexure 5 of our restated consolidated financial statements beginning on page 176.

## Off Balance Sheet Commitments and Arrangements

We do not have any off-balance sheet arrangements, derivative instruments, swap transactions or relationships with unconsolidated entities or financial partnerships that would have been established for the purpose of facilitating off-balance sheet arrangements.

## Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk of loss related to adverse changes in market prices, including interest rate risk and commodities risk. We are exposed to commodity risk, interest rate risk and credit risk in the normal course of our business.

### *Risk Management Procedures*

The objective of market risk management is to avoid excessive exposure of our income and equity to loss. We generally manage our market risk through effective procurement processes.

### *Commodity Risk*

We are exposed to market risk with respect to the prices of materials used in construction of our resorts. These commodities primarily are steel and cement. The costs of these materials are subject to fluctuation based on commodity prices. The cost of materials sourced from outside manufacturers may also fluctuate based on their availability from suppliers. In the normal course of business, we purchase these materials either on a purchase order basis or pursuant to supply agreements. We currently do not have any hedging mechanism in place in respect of any of the materials we purchase.

### *Foreign Currency Exchange Rate Risk*

Changes in currency exchange rates do not materially influence our results of operations. We report our financial results in Indian rupees, while portions of our total income and expenses are denominated, generated or incurred in currencies other than Indian rupees, such as U.S. Dollars. To the extent that our income and expenditures are not denominated in Indian rupees, exchange rate fluctuations could affect the amount of income and expenditure we record.

### *Inflation Risk*

Although India has experienced fluctuation in inflation rates in recent years, inflation has not had a material impact on our business or results of operation.

**Known Trends or Uncertainties**

Other than as described in the section titled “Risk Factors” and “Management's Discussion and Analysis of Financial Conditions and Results of Operations” on pages xi and 233, to our knowledge there are no known trends or uncertainties that have or are expected to have a material adverse impact on our income from continuing operations.

**Future Relationship between Costs and Income**

Other than as described in the section entitled “Risk Factors” and “Management's Discussion and Analysis of Financial Conditions and Results of Operations” on pages xi and 233, to our knowledge there are no future relationship between costs and income that have or had or are expected to have a material adverse impact on our operations and finances.

**New Products or Business Segment**

Other than as described in this Red Herring Prospectus, we do not have any new products or business segments.

**Competitive Conditions**

We expect competition in hospitality sector from existing and potential competitors to intensify. For further details please refer to the discussions of our competitive conditions in the section entitled “Risk Factors” beginning on page xi of this Red Herring Prospectus.

**Significant Developments after March 31, 2009 that may affect our future Results of Operations**

To our knowledge and belief, no circumstances other than as those disclosed in this Red Herring Prospectus have arisen since the date of the last financial statements contained in the Red Herring Prospectus which materially affect or are likely to affect, the trading and profitability of the Company, or the value of our assets or our ability to pay material liabilities within the next 12 months.

## FINANCIAL INDEBTEDNESS

Our aggregate borrowings are as follows:

**1. Agreement for Overdraft dated April 27, 2006 and Supplemental Overdraft Agreement dated September 4, 2008 with Yes Bank Limited<sup>1</sup>**

We have availed short term facilities for overdraft arrangements and working capital requirements with Yes Bank Limited with a maximum drawing limit of Rs. 35 crores by sanction letter dated March 20, 2006 and an agreement for overdraft and deed of hypothecation dated April 27, 2006. We had also executed a demand promissory note for Rs. 35 crores, an undertaking-cum-indemnity and a letter of continuity for the demand promissory note dated April 27, 2006 in favour of Yes Bank Limited. This facility has been renewed upto October 16, 2008 by Yes Bank Limited pursuant to letters dated October 24, 2007 and September 11, 2008. We have entered into a supplemental overdraft agreement dated September 4, 2008, with Yes Bank, which has increased the sanctioned amount of the overdraft to Rs. 60 crores. Further, we have executed a supplemental hypothecation agreement, demand promissory note and letter of continuity for the demand promissory note dated September 4, 2008, in relation to the increased sanctioned amount.

(in Rs. Crores)

Sanctioned Amount	Amount Outstanding as on May 31, 2009	Repayment and Interest Rate
60.00	7.26	Interest rate at Yes Bank PLR minus 4.50%

**2. Agreement for Letters of Credit/issuance of Bank Guarantees dated April 27, 2006 with Yes Bank Limited<sup>1</sup>**

We have entered into arrangements for letters of credit /issuance of bank guarantees for the purpose of financing working capital requirements with Yes Bank Limited with maximum drawing limit of Rs.10 crores by sanction letter dated April 27, 2006 and an agreement for letters of credit/issuance of bank guarantees dated April 27, 2006. We have also executed a general undertaking/indemnity for commercial letters of credit dated April 27, 2006, a letter of set-off dated April 27, 2006 and a counter indemnity for the guarantee limited dated April 27, 2006 in favour of Yes Bank Limited.

(In Rs. Crores)

Sanctioned Amount	Amount Outstanding as on May 31, 2009	Repayment and Interest Rate
10.00	3.51	Interest rate at 1% per annum.

**3. Car loans with ICICI Bank Limited<sup>2</sup>**

The following are the details of our car loans with ICICI Bank Limited:

(In Rs. Crores)

Date of Disbursement Letter	Sanctioned Amount	Amount Outstanding as on May 31, 2009	Repayment and Interest Rate
April 15, 2006	0.08	0.01	<ul style="list-style-type: none"> <li>Repayment in 48 monthly instalments which commenced on May 10, 2006 in accordance with a repayment schedule.</li> <li>Interest rate at 9.25% per annum.</li> </ul>
February 13, 2006	0.07	0.02	<ul style="list-style-type: none"> <li>Repayment in 48 monthly instalments which commenced on March 10, 2006 in accordance with a repayment schedule.</li> <li>Interest rate at 7.75% per annum.</li> </ul>

#### 4. *Car loans with HDFC Bank Limited*<sup>2</sup>

The following are the details of our car loans with HDFC Bank Limited:

(In Rs. Crores)

Date of Disbursement Letter	Sanctioned Amount	Amount Outstanding as on May 31, 2009	Repayment and Interest Rate
October 6, 2005	0.07	0.00*	<ul style="list-style-type: none"> <li>Repayment in 48 monthly instalments which commenced on July 15, 2005 in accordance with a repayment schedule.</li> <li>Interest rate at 7.10% per annum.</li> </ul>
June 15, 2005	0.06	0.00*	<ul style="list-style-type: none"> <li>Repayment in 48 monthly instalments which commenced on May 25, 2005 in accordance with a repayment schedule.</li> <li>Interest rate at 6.50% per annum.</li> </ul>
March 26, 2005	0.05	0.00*	<ul style="list-style-type: none"> <li>Repayment in 48 monthly instalments which commenced on November 16, 2004 in accordance with a repayment schedule.</li> <li>Interest rate at 6.30% per annum.</li> </ul>
	0.05	0.00*	<ul style="list-style-type: none"> <li>Repayment in 48 monthly instalments which commenced on February 16, 2005 in accordance with a repayment schedule.</li> <li>Interest rate at 6.30% per annum.</li> </ul>
January 6, 2005	0.05	0.00*	<ul style="list-style-type: none"> <li>Repayment in 48 monthly instalments which commenced on December 14, 2004 in accordance with a repayment schedule.</li> <li>Interest rate at 6.30% per annum.</li> </ul>
October 16, 2004	0.07	0.00*	<ul style="list-style-type: none"> <li>Repayment in 48 monthly instalments which commenced on November 16, 2004 in accordance with a repayment schedule.</li> <li>Interest rate at 6.30% per annum.</li> </ul>

\* Amounts less than Rs. 1 lakh

#### 6. *Guarantees issued by our Company*

- Bank guarantee dated May 21, 2004 given by Canara Bank in favour of the President of India for an amount of Rs. 0.001 crore, towards import of items. This guarantee is valid till June 30, 2013.
- Bank guarantee dated August 21, 2003 given by Canara Bank in favour of the President of India for an amount of Rs. 0.16 crore, towards import of items. This guarantee is valid till August 31, 2012.
- Bank guarantee dated October 20, 2002 given by Canara Bank in favour of the President of India for an amount of Rs. 0.02 crore, towards import of items. This guarantee is valid till December 20, 2011.
- Bank guarantee dated April 8, 2005, given by UTI Bank Limited in favour of the President of India for an amount of Rs. 0.17 crore, towards deposit to the Goa Electricity Board. This guarantee is valid till April 7, 2010.
- Bank guarantee dated November 2, 2000, given by ICICI Bank in favour of the President of India for an amount of Rs. 0.03 crore, towards import of items. This guarantee is valid till November 15, 2009.
- Bank Guarantee dated May 15, 2008, given by Yes Bank in favour of the International Air Transport Association for an amount of Rs. 0.12 crore, towards appointment as its Passenger Sales agent. This guarantee is valid till March 31, 2010.
- Bank Guarantee dated July 4, 2008, given by Yes Bank in favour of the Governor of Tamil Nadu for an amount of Rs. 0.15 crore towards obtaining stay in relation to the litigation pertaining to payment of luxury tax to the Tamil Nadu revenue authorities for the fiscal

2006. The guarantee shall cease to have effect from the date of receipt of order passed in the writ petitions bearing no. 15277 before the High Court at Madras, in case the writ petitions are passed in favour of the Company, or on the expiry of six months from the date on which the order of writ petitions is received by the Company, in case the writ petitions are dismissed or partly allowed. The expiry date of the guarantee is July 3, 2009.

#### 7. *Details of Receivables securitised by our Company*<sup>3</sup>

(in Rs. Crores)

Date of Deed of Assignment of Debt with Underlying Securities	Bank	Total amount of receivables assigned	Amount securitised	Interest	Payment made by the Company as on May 31, 2009	Outstanding Balance to be paid as on May 31, 2009
August 22, 2007	Yes Bank Limited	35.21	25	12 % p.a. till date of realization	16.01	8.99
February 24, 2007	HDFC Limited	39.76	29.23	12.75 % p.a. till date of realization	25.89	3.34
November 27, 2006	Yes Bank Limited	13.26	10	9.50 % p.a. till date of realization	9.70	0.30
December 10, 2007	HDFC Bank Limited	33.81	25	HDFC PLR minus 4.75 % p.a.	14.03	10.97
June 18, 2008	Yes Bank Limited	21.53	20	11 % p.a. till date of realization	4.82	15.18
June 18, 2008	HDFC Bank Limited	41.69	30	HDFC PLR minus 4.75 % p.a.	8.33	21.67
March 23, 2009	Mahindra and Mahindra Financial Services Limited	122.17	100	11.50% p.a. till date of realization	5.83	94.17

#### References:

- Loan secured by an exclusive charge on receivables giving a cover of 1.5 times on the amount of facilities utilized. Some of the corporate actions for which we require the prior written consent of our lenders include the following:
  - The creation or allowance to exist any encumbrance or security over our assets.
  - The undertaking or permission of any reorganization, amalgamation, reconstruction, takeover or any other schemes of compromise or arrangement nor the amendment of any provision of our constitutive documents in a manner that would adversely affect the rights of the bank under the facilities.
  - The induction of a person who is a director on the Board of the Company which has been identified as a wilful defaulter.
  - The happening of any substantial change in the constitution or management of the Company.

Other critical conditions in our agreements with Yes Bank include:

- In the event our Company defaults, the bank and/or the Reserve Bank of India will have the right to publish/disclose our name as a defaulter in the media.

- The bank's dues become payable if there is a deterioration or impairment in the securities provided or any part thereof or any decline or depreciation in the value or market price thereof (whether actual or reasonably anticipated) which cases the securities in the judgment of the bank to become unsatisfactory as to character or value.
  - The bank's dues become payable if there is any attachment, distress, execution or other process against the Company or the securities is enforced or levied upon.
  - The bank's dues become payable on the death, insolvency, failure in business or commission of any act of bankruptcy by our Company.
  - The bank's dues become payable if the receiver is appointed in respect of the assets of the Company or if our Company goes into liquidation for the purpose of amalgamation or reconstruction.
  - The bank's dues become payable if an accountant certifies that the Company is carrying out business at a loss or that its liabilities exceed its assets.
  - The bank's dues become payable if there is a situation that jeopardizes, imperils any security given by the Company or if the Company ceases or threatens to cease or carry on its business.
  - The bank's dues become payable if there is a circumstance or event that adversely affects the capacity of the Company to repay the loan.
  - The bank's dues become payable in the event the Company makes any assignment for the benefit of creditors or takes advantage of insolvency law.
  - The bank's dues become payable if the bank believes that the Company will not be able to perform its obligations. This might be due to change in applicable laws which make it unlawful to continue its obligations.
  - The bank's dues become payable if the Company owes Rs. 1 crore to a creditor which has not been paid.
  - The bank's dues become payable if any event which the bank thinks is a material adverse change in the financial condition or prospects of the Company or the capacity of the Company for repayment of the debt.
  - The bank's dues become payable if all or substantial number of properties of the Company get seized, nationalized, expropriated or acquired by the Company.
  - The bank's dues become payable upon our Company's management ceasing to enjoy the confidence of the bank.
2. Car loans with ICICI Bank Limited and HDFC Bank Limited secured by hypothecation of the cars financed by these loans.
  3. Our Company offers various payment plans to our members for remittance of membership fees. Some of our members opt for a payment term, whereby they pay their membership fee in equated monthly instalments over a specified period of time. Our Company has assigned and securitized a portion of the receivables from these members along with the ownership rights i.e. title and interest of our Company in the receivables, to certain banks and financial institutions for consideration. Further, our Company is the receiving and paying agent, and is responsible for collection and receiving of the amount due from its members and making payments to the banks. All amounts due, installments, and other amounts received by the receiving and paying agent in connection with the securitized receivables are paid into a designated bank account called the Receivable Account ("**Receivable Account**"). In the event, the monies standing to the credit of the Receivable Account are not sufficient to make payments to the banks, our Company is obligated to fund the Receivable Account to the extent of the shortfall. The banks shall have recourse to our Company in case of default by a member under the application form for membership. Further, in the event a member cancels his membership, our Company is liable for the shortfall in the Receivable Account. However, the Company may replace such member who has opted for rescission/cancellation by another member acceptable to the banks.

## SECTION VI: LEGAL AND OTHER INFORMATION

### OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as described below and in the notes to the financial statements, there are no contingent liabilities not provided for, outstanding litigation, disputes, suits, criminal or civil prosecution, proceedings or tax liabilities against our Company, our Subsidiaries, our Directors, our Promoter and some of the companies forming part of promoter group and there are no defaults, non payment of statutory dues, over-dues to banks/financial institutions or small scale undertakings, defaults against banks/financial institutions/small scale undertakings, defaults in dues payable to holders of any debenture, bonds or fixed deposits or arrears on preference shares issued by the Company, our Directors, our Promoter, some of the companies forming part of promoter group and 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 (1) of Part 1 of Schedule XIII of the Companies Act) other than unclaimed liabilities of the Company, Directors, Promoter, companies forming part of promoter group and Subsidiaries and no disciplinary action has been taken by SEBI or any stock exchanges against the Company, its Subsidiaries, its Directors, its Promoter or some of the companies forming part of promoter group that would result in a material adverse effect on our consolidated business taken as a whole.

Our Company, our Subsidiaries, Promoter, individuals and companies forming part of the promoter group 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.

For details of contingent liabilities of our Company and our Subsidiaries, please refer to the financial statements of our Company and the Subsidiaries on page 176.

#### CASES FILED AGAINST OUR COMPANY:

##### *Consumer Cases*

1. A total of 104 consumer cases are currently pending against us in various consumer courts wherein an aggregate sum of approximately Rs. 2.40 crores has been claimed from our Company. The petitioners in these cases allege negligence and deficiencies in the services provided by our Company and have sought refund of membership fees due to cancellation of their membership and compensation for mental distress, physical agony and legal costs. These cases are at various stages of hearing and final decision.
2. We have been impleaded as second defendant in the matter of P. Jayaraman v. Cymbionic Marketing Private Limited, bearing O.C. number 196 of 2007 before the District Consumer Dispute Redressal Forum, Chennai. The case relates to a dispute between the petitioner and first defendant with regard to the benefits the petitioner was entitled to. The petitioner had subscribed to the first defendant's packages for membership on the basis of the benefits offered. One such benefit was a holiday at our Company's resorts which could be availed of by paying an extra fee. The petitioner has alleged that the payment of fee had not been disclosed at the time of becoming a member. Our Company has been alleged to have the knowledge and information of the first defendant's use of our Company's name in promoting and selling its packages to consumers. We have been informed that the matter has been dismissed.

##### *Civil Suits*

1. A civil suit bearing Special. Civil Suit number 74 of 2004 filed before the Court of Civil Judge (Senior Division), Gandhidham, by M/s Ashit Shipping Services Private Limited, and its director, Mr. Mayank Parekh, for refund of membership fees of Rs. 0.01 crore and an interest at 18% p.a. till date of realization, in relation to cancellation of the said membership. We have been informed

- that the case has been transferred to the Principal Judge and renumbered as 88/2006. The matter is pending hearing and final decision.
2. A civil suit bearing Civil Suit number 2372 of 2005 has been filed before the City Civil Court, Ahmedabad, by Mr. Shashi Kumar Mohata against, *inter alia*, our Company, for declaring the membership scheme of our Company as illegal and against public policy and has sought for refund of Rs. 0.01 crore with interest at the rate of 12% per annum. Our Company has filed a reply and the matter is pending hearing and final decision.
  3. Our Company has been impleaded as the third defendant in the matter of Dr. R. Arivudai Nambi v. Plaza Maintenance and Services Limited, bearing O.S number 2759 of 2006 before the City Civil Court, Chennai. The case relates to a dispute between the plaintiff and first and second defendants for sale and accrual of rent income for the property sold by the first defendant to the plaintiff. Since we were the tenants in the disputed property, we have been impleaded as a party. The matter has been dismissed for default and copy of the final order is awaited. .
  4. Our Company has received a notice for demolition dated January 15, 2009 bearing number VP/VAR/2008-2009/1992 from the Office of the Village Panchayat, Varca, Salcete, Goa under the Goa Panchayat Raj Act, 1994 pursuant to an earlier show cause notice dated May 30, 2008 from Village Panchayat, Varca, Salcete, Goa to us. The notice has directed us to demolish an alleged illegal construction of a swimming pool and pucca structures in survey number 176/1, Pedda Dumottem Varca, Salcete, Goa. Pursuant to the above notice, we filed an appeal before the Director of Panchayat, North Goa, Panaji to set aside the impugned notice. The appeal was allowed and the above notice was quashed by way of an order dated March 26, 2009 made by the Additional Director of Panchayats-I at Panaji, Goa. The matter has been remanded back to the village panchayat to survey the illegal structures and give a personal hearing to us.
  5. Mr. K.S. Radhakrishnan, a former employee of the Company has filed a civil suit bearing O.S. number 8822 of 2008 before the City Civil Court at Chennai claiming an amount of Rs. 47,800 towards performance pay together with interest at the rate of 18% per annum. The plaintiff had resigned from our Company with effect from March 30, 2007. We have filed the written statement in response. The matter is pending hearing and final decision.
  6. A civil suit bearing number 65/08 has been filed by Mr. Daulat Ram against Mr. Swaruram and us before the Civil Judge, Junior Division, Manali. The disputes relates to the sewage treatment plant installed as part of our 'Snow Peak Club Mahindra' resort. The plaintiff has claimed that the sewage treatment plant is installed in Khasra number 381, Mahal and Phati Prini Kothi Jagatsukh Tehsil Manali district Kullu which has been leased by the first defendant to us. Further, the plaintiff has alleged that the sewage treatment plant has been discharging pollutants and water sullage in the adjacent land belonging to the plaintiff. The plaintiff has prayed for a permanent injunction restraining the defendants from discharging the polluted water/sullage in the land belonging to the land belonging to the plaintiff. We are in the process of filing the written statement and the matter pending hearing and final decision.

#### ***Property Related Litigation***

1. Mr. Francisco Xavier Pereira has filed a suit bearing Special Civil Suit number 49/1999-III before the Court of the Civil Judge, Senior Division, Margao, alleging encroachment by our Company into the plaintiff's property and that during construction of the resort, there was excavation which led to erosion and sliding of the earth on the western and southern boundaries of the plaintiff's property. He has claimed that the acts of our Company has caused substantial damage to them and claimed damages for a sum of Rs. 0.02 crore from our Company. The matter is pending hearing and final decision.
2. Ms. Joanita Pereira has filed a suit bearing Special Civil Suit number 54 of 2000-I (Old) against our Company in the Court of the Fast Track-I at Margao on March 14, 2000, requesting a

- permanent injunction and damages of Rs. 0.02 crore in respect of alleged encroachment by the Company and other defendants i.e. the State of Goa, Land Acquisition Officer, Assistant Engineer, and the Sarpanch, for laying the approach road to out resort in Goa in Varca village. The Company had not filed a written statement and the matter, in relation to the Company, was proceeding ex-parte. The Company's application for filing written statement was allowed by the Court of the Fast Track-I at Margao on February 25, 2008. Ms. Joanita Pereira has filed a Writ Petition bearing W.P. number 177 of 2008, before the High Court of Bombay at Goa, against this order dated February 25, 2008 of the Court of the Fast Track-I.
3. We have been served with a notice dated June 6, 2007, in encroachment suit number 03/2006, issued by the Sub-Divisional Officer, Almora, under Section 4 of the U.P. Public Premises (Eviction of Unauthorised Occupants) Act, 1972, alleging that our Company was in possession of public property and to showcause why action should not be taken against it. The showcause notice is based upon the challan report dated April 1, 2007, submitted to the Sub-Divisional Officer by the Patwari, alleging encroachment of 28,847 sq.ft. of public property having market rate of Rs. 77,040 and profiting by Rs. 21,600. We have been informed that a reply has been filed to the showcause notice stating that the case was barred by *res judicata*. The case is pending hearing and final decision.
  4. We have been served with a notice dated May 5, 2007, issued by the Sub-divisional Magistrate, Almora, in complaint number 01/2006-07 to showcause for violations of Kumaon and Gharwal Rules, 1971, and the Motor Vehicles Act, 1988. It is alleged that the Company was illegally extracting water from canal for its commercial purpose. Mr. Nandan Singh Nagar Koti and Mr. Yograj Singh Negi filed an application dated June 8, 2007, to be impleaded in this case on the basis that they were the reporters of the complaint. The Sub-divisional Magistrate, passed an *ex parte* order dated July 26, 2007 against the Company and impleading Mr. Nandan Singh Nagar Koti and Mr. Yograj Singh in the case. We are in the process of filing a reply requesting that the *ex parte* order dated July 26, 2007, be stayed and that the Company be permitted to forward its objections to the litigation. The case is pending hearing and final decision.

#### ***Tax Related Litigation***

1. Our Company has appeals pending before the Income Tax Appellate Tribunal for the assessment years 1998-1999 to 2002-2003. The Assessing Officer brought to tax the entire membership fee of the time share during the year of sale. Our Company appealed for the above assessment years and the Commissioner of Income Tax (Appeals) by its order dated July 15, 2007, in ITA Nos. 105, 106, 87 to 89 /2005-06 decided the appeal in our favour. The Income Tax Department has filed appeals bearing nos. 2412/Mds/2005, 2413/Mds/2005, 2414/Mds/2005, 2415/Mds/2005 and, 2416/Mds/2005 before the Income Tax Appellate Tribunal, Chennai in relation to the assessment years 1998-99 to 2002-03, claiming Rs. 11.61 crore and interest thereon. We had filed a petition with the President, Income Tax Appellate Tribunal at New Delhi for a special bench to hear our case. We have been informed that a special bench before the Income Tax Appellate Tribunal, Chennai, has been appointed. The matter is pending hearing and final decision.
2. Our Company has appeals pending before the Income Tax Appellate Tribunal in relation to assessment of tax for the assessment year 2003-2004. The Assessing Officer brought to tax the entire amount of membership fees received from members which would result in additional tax on amount of Rs. 25.13 crores through the assessment order dated March 22, 2006. The Company had filed an appeal against the said assessment order before the Commissioner of Income Tax (Appeals), Chennai by way of an appeal bearing ITA number 157/06-07 dated April 27, 2006 pursuant to which an order dated May 29, 2008 was passed in our favour. Consequent to this, the Income Tax department has filed an appeal ITA/705/MDS/08 which is pending before the tribunal for adjudication. The Company has sought adjournment of the hearing till disposal of similar pending proceedings before the special bench of the Income Tax Appellate Tribunal for the AY 1998-1999 to 2002-2003.

For the assessment year 2003-2004, the Income Tax department by way of an assessment order dated December 22, 2008 has further disallowed expense pending allocation which may result in additional tax on amount of Rs. 1.21 crores. We have filed an appeal against the assessment order before the Commissioner of Income Tax (Appeals) in January 2009. The matter is pending for adjudication.

### **Proceedings initiated by our Company**

#### ***Property Related Litigation***

1. Our Company has filed a civil suit bearing O.S. number 184/2002 before the Munsiff Court at Devikulam against T.T. Jose and Chancellor Resorts for fixation of boundary, recovery of possession and for permanent prohibitory injunction on July 30, 2002. The suit relates to a dispute over 14 cents of land situated in Chinnakanal village bearing survey number 87/1/5, wherein our Company has alleged that the defendants have destroyed the boundary marks and trespassed to an extent of 1.5 cents of land. This claim has been denied by the defendants. A Commissioner has been appointed by the Court by order dated August 8, 2002, to measure the disputed land. We have been informed that the matter has been dismissed for default.
2. The Sub-Collector by way of an order bearing number A2-2782/07 dated July 3, 2007 had ordered the cancelling of the assignment of our property in Munnar bearing survey nos. 20/1/4, 20/1/5/1 and 20/1/6/1, measuring 5.23 acres from the registry and the patta on the grounds that it is not being utilized for agricultural purposes and has directed the Tahsildar to re-possess the land. We had filed an appeal bearing number J7/33823 of 2007 before the Commissioner of Land Revenue, Government of Kerala, Trivandrum, challenging the said order. However, the Commissioner of Land Revenue has dismissed our appeal vide order dated November 22, 2007. We had also filed a writ petition bearing number 21078 of 2007 before the High Court of Kerala, wherein the High Court had passed an order dated July 10, 2007 directing that our Company shall not be evicted from the property until seven days after the passing of the order by the Commissioner of Land Revenue, Trivandrum.

On December 11, 2007, we have filed a writ petition number 36643 of 2007 before the Kerala High Court for, *inter alia*, quashing of the orders of the Commissioner of Land Revenue and Sub-Collector, District of Devikulam and for an interim stay of all proceedings pursuant to the order of the Commissioner of Land Revenue. The Kerala High Court has admitted our writ petition and stayed the orders passed by the Commissioner of Land Revenue and Sub-Collector, District of Devikulam by its order dated December 13, 2007.

3. Our Company has filed a writ petition number 841 of 2007 (M/B) before the High Court of Uttarakhand, Nainital, against the State of Uttarakhand, challenging the order dated July 7, 2007, cancelling the lease on the property given to our Company for development, which is adjacent to our Binsar resort. The Director of Horticulture and Food Civil Supplies and Distribution ordered the cancellation on the ground that the property was not being used for horticultural purposes for which the lease had been granted. The matter is pending hearing and final decision.

#### ***Tax Related Litigation***

1. Our Company has filed appeals pending before the Commissioner of Income Tax (Appeals), Chennai, against the order of the Assessing Officer dated March 22, 2006 for the assessment year 2004-2005. The Assessing Officer had brought to tax the entire amount of membership fees received from members which would result in additional tax on amounts of Rs. 23.13 crore during the assessment year. Our Company has filed an appeal against this order and the matter is pending hearing before the Commissioner of Income Tax (Appeals).
2. Our Company has filed an appeal pending before the Commissioner of Income Tax (Appeals), Chennai, against the order of the Assessing Officer dated December 28, 2007 for the assessment

- year 2005-2006. The Assessing Officer had brought to tax the entire amount of membership fees received from members which would result in additional tax on amount of Rs. 39.20 crore during the assessment year. Our Company has filed an appeal against this order on January 14, 2008, and the matter is pending hearing before the Commissioner of Income Tax (Appeals).
3. Our Company has filed an appeal pending before the Commissioner of Income Tax (Appeals), Chennai, against the order of the Assessing Officer dated December 30, 2008 for the assessment year 2006-2007. The Assessing Officer had brought to tax the entire amount of membership fees received from members which would result in additional tax on amount of Rs. 61.78 crore during the assessment year. Our Company has filed an appeal against this order on January, 2009, and the matter is pending hearing before the Commissioner of Income Tax (Appeals).
  4. Our Company has filed a Writ Petition bearing C.W.P. number 296/2002 before the High Court of Himachal Pradesh, Shimla, challenging the levy of tax under the H.P. Tax on Luxuries (in Hotels and Lodging House) Act, 1979, on the grounds that the framing of assessments for the years 2000-2001 and 2001-02 were illegal and arbitrary since they provided ownership rights on a timeshare basis to our members for a specified period. We also contended that the amendment by which the Act purported to charge tax came into effect later and could not have retrospective effect in respect of timeshare occupancy. There was a claim of Rs. 0.18 crore against our Company, which we have paid under protest. The matter is pending hearing and final decision.
  5. Our Company has filed a Writ Petition bearing W.P. number 29869 of 2006 before the High Court of Madras, against the Commissioner of Service Tax, Chennai in relation to service tax on entrance fee for contracts with members entered into prior to June 16, 2005, which had been collected in instalments after June 16, 2005. We have contended that a person becomes the petitioner's members immediately on registration of membership irrespective of the payment plan, which can be full payment at the time of taking membership or in equated monthly instalments schemes offered by our Company from time to time. We have also disputed the charge of service tax at a rate of 12.24% for contracts entered between June 16, 2005 and April 18, 2006. We have obtained an interim stay order dated October 11, 2006, from the High Court against the Commissioner of Income Tax. The matter is pending further orders and final decision.
  6. Our Company has filed Writ Petitions bearing W.P. Nos. 12166, 12167 and 12168, before the High Court of Madras, against the revised assessment orders dated March 31, 2008, in TNLT/785149/2002-03, TNLT/785149/2003-2004 and TNLT/78149/2004-2005, passed by the Deputy Commercial Tax Officer, Ooty, challenging the jurisdiction of the Deputy Commercial Tax Officer in relation to luxury tax of Rs. 0.34 crore levied on our Ooty resort. Our Company has filed appeals on April 22, 2008, before the Appellate Assistant Commissioner to stay the aforesaid orders of the Deputy Commercial Tax Officer under the Tamil Nadu Luxury Tax Act, 1961, on the grounds that we are not providing residential accommodation, but a right to membership in the timeshare scheme and cancellation of the penalties. The High Court of Madras has passed an order dated May 13, 2008, staying the collection and recovery of luxury tax for the Fiscals 2003, 2004 and 2005 by the Deputy Commercial Tax Officer on the condition that our Company shall furnish bank guarantee for 50% of the demand amount within three weeks from the date of the order. The Company has furnished a bank guarantee dated May 30, 2008, for Rs. 0.17 crore.

Also, we have received notices issued by the Deputy Commercial Tax Officer bearing number TNLT/785149/05-06 and TNLT/785149/06-07 dated April 15, 2008, claiming payment of Rs. 0.11 crore and Rs. 0.10 crore as luxury tax for the Fiscals 2006 and 2007 respectively. The Deputy Commercial Officer passed a revised assessment order dated May 2, 2008 directing us to pay Rs. 0.30 crore as luxury tax and penalty for the Fiscal 2006. Our Company filed an appeal on May 26, 2008, before the Appellate Assistant Commissioner, against the order dated May 2, 2008 passed by the Deputy Commercial Tax Officer, for cancellation of the penalty. The appeal is pending hearing. Further, the Company filed writ petition number 15277 of 2008 before the High Court of Madras to challenge the order dated May 2, 2008, of the Deputy Commercial Officer. The High Court passed an order dated June 27, 2008, restraining the Deputy Commercial Tax Officer from

demanding luxury tax in respect of the Fiscal 2006 on the condition that the Company shall furnish a bank guarantee for 50% of the demand amount within three weeks from the date of the order. The Company furnished a bank guarantee dated July 4, 2008, for Rs. 0.15 crore.

7. Our Company has filed appeals dated February 28, 2008, before the Deputy Commissioner (Appeal) against the assessment orders dated January 24, 2008, bearing nos. LT-15/2002-03, LT-15/2003-04, LT-15/2004-05 and LT-15/2005-06 for the Fiscal years 2003, 2004, 2005 and 2006 respectively issued by the Commercial Tax Officer (WC&LT), claiming an amount aggregating Rs. 0.33 crore under the Kerala Tax on Luxuries Act, 1976 and applicable interest. We also filed for the stay of the proceedings against us. The appeals and the stay applications are pending hearing. Our Company filed writ petition number 16216 of 2008, before the High Court of Kerala on May 23, 2008, to grant a writ of certiorari against the Commercial Tax Officer (WC&LT), the Deputy Commissioner (Appeals) and the District Collector. The High Court of Kerala passed an order dated May 30, 2008, allowing our writ petition, imposing a stay on the proceedings initiated for recovery of luxury tax and directing the Deputy Commissioner to dispose of the stay petitions filed before him within three weeks of the receipt of the order. The Deputy Commissioner (Appeals) passed stay orders bearing nos. KTLA.152/08, KTLA.153/08, KTLA.199/08 and KTLA.200/08 on July 25, 2008, against the recovery of luxury tax for the Fiscal years 2003, 2004, 2005 and 2006 on the condition that our Company shall pay 50% of the amount due within three weeks of receipt of the order. We paid 50% of the demand amount for the Fiscal 2006 under the order bearing number KTLA.200/08. We have made an application to the Deputy Commissioner (Appeals) on August 26, 2008, for extension of stay for the Fiscal years 2003, 2004 and 2005 so that we could apply under the Amnesty Scheme Paragraph 155 of the budget speech of the finance minister in 2008/09 ("**Amnesty Scheme**"), which if allowed would reduce our liability to only the principal amount and 10% of the interest on the principal amount.

Previously, we had been served with a notice dated May 5, 2008 bearing number Pdl.1/R.R/08-09, and demand notice dated May 6, 2008 issued by the Inspecting Assistant Commissioner to recover the luxury tax arrears in relation to the Fiscal years 2005 and 2006 aggregating Rs. 0.27 crore, within 7 days of receipt of the demand notice, failing which recovery proceedings would be initiated against our Company under the Kerala Revenue Recovery Act, 1968.

On June 21, 2008, the Commercial Tax Officer (WC&LT) passed an assessment order bearing number LT. 15/2006-07, and issued demand notice in relation to Fiscal 2007, intimating the Company to pay luxury tax and interest for Fiscal 2007 amounting to Rs. 0.06 crore. We have made an appeal bearing number KVATA 451/08 dated July 31, 2008 before the Deputy Commissioner of (Appeals), Commercial Taxes, Kollam. Pursuant to the orders dated January 14, 2009, we made the payment of 50% of the demand amount for the Fiscal year 2007 and an interim stay was granted.

Further, we were served with a notice dated June 20, 2008 bearing number B2-13890/08 issued by the Deputy Tehsildar, Revenue Recovery, Taluk office of Karunagappally, to recover the luxury tax arrears in relation to the Fiscal years 2003 and 2004 aggregating Rs. 0.19 crore, within 7 days of receipt of the demand notice, failing which recovery proceedings would be initiated against our Company under the Kerala Revenue Recovery Act, 1968. Our Company filed writ petition number 19343 of 2008, before the High Court of Kerala on June 27, 2008, against the Commercial Tax Officer (WC&LT), the Deputy Commissioner (Appeals) and the Deputy Tehsildar, Karunagapally and the High Court passed an order on the same day disposing off our writ petition and imposing a stay on the proceedings initiated for recovery of luxury tax for a period of six weeks from date of order and directing the Deputy Commissioner to dispose of the stay petitions filed before him within four weeks of the receipt of the order. We filed applications on August 25, 2008, under the Amnesty Scheme for the Fiscals 2003, 2004 and on September 9, 2008 for the Fiscal 2005.

On August 16, 2008, the Department of Commercial Taxes has issued a notice for hearing of the applications issued under the amnesty scheme on September 18, 2008. The applications under the Amnesty Scheme were allowed pursuant to which the Company made the payment.

### **Miscellaneous Cases**

1. Our Company has instituted a suit against Mr. Panduranga Rao bearing C.C. number 33348 of 2002 in the Court of the Additional Metropolitan Magistrate, Bangalore, in relation to bouncing of a cheque for Rs. 0.03 crore issued by the defendant. We have been informed that the matter is dismissed and we are awaiting the final order.
2. Our Company instituted a case against Mr. Rajeev in the Munsiff Court, Devikulam bearing O.S. number 193 of 2002 for recovery of non-payment of bills for Rs. 0.01 crore and accrued interests and legal costs. The suit has been decreed by order dated April 8, 2003, in our favour with costs.

### **Notices sent by our Company**

1. We sent a notice dated March 16, 2009 to Encore Hotels Private Limited regarding use of the trademark/tradename “ZEST” by Encore Hotels Private Limited in identical business. Encore Hotels Private Limited replied by way of letter dated April 15, 2009 in which it has contested the claims made in the notice. Our Company has by way of a rejoinder notice dated May 5, 2009 and further challenged the use of the trademark “ZEST” by Encore Hotels Private Limited amounting to infringement of our trademark.
2. We have sent a notice dated March 12, 2009 to ITC Limited regarding use of the mark “ZEST LOUNGE” by ITC Limited in their magazine. We have requested ITC Limited to restrain from the use of the trademark “ZEST LOUNGE” to avoid confusion and maintain independent identity since both companies have overlapping fields of business activity.

### **Notices received by our Company**

1. We have received a notice dated August 24, 2005, claiming payment of luxury tax aggregating Rs. 0.07 crore under the H.P. Tax on Luxuries (in Hotels and Lodging House) Act, 1979, in relation to the financial years 2002-2004. We have filed a reply dated July 7, 2007, stating that our Company is not liable since our lease for the Manali Resort had not commenced until January 1, 2004.
2. We have been served with summons bearing number 7-2/2006-DTO (DMA) - 1147 dated November 7, 2007, to appear before the Himachal Pradesh District Tourism Development Officer, Kangra, at Mcleodganj (Dharamshala). We have been alleged to have violated the Himachal Pradesh Tourism Development and Registration Act, 2002, in relation to alleged irregularities in the operation of our resort at Dharamshala. We have filed a reply dated November 20, 2007, with the District Tourism Development Officer.
3. We have received a notice dated May 11, 2009 from the Registrar of Companies, Tamil Nadu informing us about an investor complaint made by Mr. Sandeep Kumar against the Company and the Directors in relation to the refund of money by the Company to the complainant. We replied by way of our letter dated May 14, 2009 and challenged the claim on the ground that the complainant is not a shareholder or an investor of the Company. We also requested the Registrar of Companies, Tamil Nadu to furnish us a copy of the said complaint which we received from the Registrar of Companies, Tamil Nadu by way of their letter dated June 3, 2009. We have replied to the Registrar of Companies, Tamil Nadu by our letter dated June 12, 2009 addressing the issues raised by the complainant.

### **CASES INVOLVING OUR SUBSIDIARIES:**

#### ***Mahindra Holidays and Resorts USA Inc.***

*Cases filed by or against Mahindra Holidays and Resorts USA Inc.*

Nil

*Contingent Liabilities as of May 31, 2009*

Nil

***MHR Hotel Management GmbH***

*Cases filed by or against MHR Hotel Management GmbH*

Nil

*Contingent Liabilities as of May 31, 2009*

Nil

***Mahindra Hotels and Residences India Limited***

*Cases filed by or against Mahindra Hotels and Residences India Limited*

Nil

*Contingent Liabilities as of May 31, 2009*

Nil

***Heritage Bird (M) Sdn Bhd***

*Cases filed by or against Heritage Bird (M) Sdn Bhd*

Nil

*Contingent Liabilities as of May 31, 2009:*

Nil

**CASES INVOLVING OUR PROMOTER:**

**Mahindra & Mahindra Limited**

**Contingent Liability (as on March 31, 2009)**

(a) Guarantees given by M&M:

	Amount of guarantees		Outstanding amounts against the guarantees	
	2009	2008	2009	2008
	Rupees (crores)	Rupees (crores)	Rupees (crores)	Rupees (crores)
For employees	1.05	1.05	*	*
For other companies	168.46	38.10	163.67	34.37

\* denotes amount less than Rs. 50,000/-

(b) Claims against M&M not acknowledged as debts comprise of:

- (i) Excise duty, sales tax and service tax claims disputed by M&M relating to issues of applicability and classification aggregating Rs. 381.39 crores (Net of Tax : Rs. 270.95 crores) [2008: Rs. 184.03 crores (Net of Tax : Rs. 127.24 crores)].

- (ii) Other matters (excluding claims where amounts are not ascertainable): Rs. 21.95 crores (Net of Tax: Rs. 15.16 crores ) [2008: Rs. 10.73 crores (Net of Tax : Rs. 7.61 crores)]
- (iii) Claims on capital account: Rs. 1.18 crores (2008: Rs. 1.18 crores)
- (c) Uncalled liability on equity shares partly paid Rs. 10.50 crores (2008: Rs. 10.50 crores)
- (d) Taxation matters:
  - (i) Demands against M&M not acknowledged as debts and not provided for, relating to issues of deductibility and taxability in respect of which M&M is in appeal and exclusive of the effect of similar matters in respect of assessments remaining to be completed:  
  
Income-tax: Rs. 168.25 crores (2008: Rs. 134.14 crores).
  - (ii) Items in respect of which M&M has succeeded in appeal, but the Income-tax Department is pursuing/likely to pursue in appeal/reference and exclusive of the effect of similar matters in respect of assessments remaining to be completed:  
  

Income-tax matters	:	Rs. 58.63 crores (2008: Rs. 37.96 crores)
Surtax matters	:	Rs. 0.13 crores (2008: Rs. 0.13 crores)
- (e) Bills discounted not matured Rs. 59.55 crores (2008: Rs. 61.22 crores)
- (f) Counter Guarantees to banks Rs. 0.64 crores (2008: Nil)

#### ***Litigations as on May 31, 2009***

##### ***Civil Cases***

M&M has 57 civil cases instituted against it. The aggregate amount claimed in these cases is approximately Rs.17.534 crores. Twelve of such cases have been filed against M&M by its dealers, of which:

1. Three cases have been filed by the dealer on the ground of breach of dealer contract and claiming damages and compensation of an amount of Rs. 4.416 crores.
2. Two cases have been filed by the dealer on the ground of wrongful termination of the dealership where no amount has been claimed.
3. Two writ petitions have been filed by two dealers against M&M against the order dismissing their suit.
4. Four cases have been filed by three respective dealers against M&M restraining M&M from invoking the bank guarantee.
5. One case has been filed by the dealer in Eranakulam Court on the ground of breach of contract and for permanent injunction for selling Diesel Sets to other dealers.

##### ***Miscellaneous Civil Cases:***

The other 45 miscellaneous cases pending against M&M are summarized below: The aggregate amount claimed under these cases is approximately Rs.13.118 crores.

1. M&M has appealed before the High Court at Mumbai against the order passed by the small causes court on the notice of Mumbai municipal corporation demanding octroi for a total sum of Rs. 0.613 crores towards import of software acquired by way of license, including further licenses for additional number of users of software. The appeal is pending for hearing.
2. M&M had filed a suit against Credential Finance Limited for recovery of sum of Rs.8.972 crores towards the redemption of non convertible debenture issued to M&M by Credential Finance Limited and the unpaid interest thereon at the rate of 21% p.a. Credential Finance Limited has also

- filed a suit for recovery of Rs. 6.867 crores before the High Court at Mumbai on the ground of excess payment made by it to M&M on the basis of accounts drawn up between it and M&M. Credential Finance Limited has also prayed for cancellation of the non convertible debenture amounting to Rs. 5.00 crores issued by it to M&M. The matter is pending for framing of issues and proceedings thereafter.
3. A counter claim for the amount of Rs.0.760 crores has been filed by Kirloskar AAF in summary suit no. 3074/2003 filed by M&M for recovery of Rs.1.068 crores. The matter is pending for filing written statement by M&M and proceedings thereafter.
  4. M&M has 17 civil legal actions filed against it on grounds such as non delivery of vehicles and compensation, replacement of defective vehicle, recovery of excess or advance amount. The sum involved in these cases is Rs. 1.404 crores.
  5. A suit has been filed against M&M in Ernakulam Court under order VII rule 1 of CPC for defect in Diesel Generator Set sold by M&M. The sum involved is Rs. 4,23,400. M&M has filed its written statement and the matter is pending for framing issues.
  6. Sarwan Singh Nijjar has filed a recovery suit against M&M before the Civil Judge, Sr. Division, Jalandhar. Sarwan Singh Nijjar was a transporter who was involved in transporting M&M tractors from Jalandhar to various places, including to the dealers of M&M. M&M not being satisfied with the work of the said transporter, terminated his agreement dated September 1, 1997. Sarwan Singh Nijjar has challenged the said termination of the agreement and is claiming Rs.0.173 crores alongwith interest at the rate of 12% per annum from April 1, 2003 upto the date amounting to Rs. 0.05 crores, which aggregates to Rs. 0.22 crores at the time of filing the suit. An affidavit of evidence has been filed by M&M and the matter is pending for cross examination.
  7. M&M has been added as a party or as a necessary and/or formal party to 17 legal actions, where no monetary claim has been made against M&M.

### ***Employees related Cases***

M&M has 278 cases filed by its workmen and officers against it before Labour Courts, Industrial Courts and Civil Courts which are summarised below:

1. 223 cases have been filed against M&M by its suspended employees, ex-employees, contract workmen alleging ground such as illegal termination, suspension and claiming permanency and/or for payment of back wages. The sum involved in these cases is Rs. 3.25 crores.
2. The union at one of the M&M factories has filed a case before the industrial tribunal against M&M claiming wages during the strike period i.e. between the period January 11, 2000 and February 9, 2000. The claim made in this case aggregates to Rs. 6.75 crores.
3. Six cases have been filed by M&M's ex-workmen and officers alleging either insufficient or non-payment of voluntary retirement scheme compensation. The amount involved in these cases is approximately Rs. 1.274 crores. The cases are pending for hearing.
4. M&M has challenged, by filing a writ petition before the High Court at Kolkata, three demand notices from employee state insurance authority claiming Rs. 0.132 crores, for the period covering from January 1968 to March 1989, along with the interest at the rate of 12% per annum, on the basis of wrongful consolidation of payment in relation to the contributions of non M&M employees and M&M employees by the department. The petition before the High Court at Kolkata is at the stage of final hearing.
5. There are 37 miscellaneous cases filed by employees against M&M, wherein the sum involved is Rs 0.204 crores.

6. Employee unions at the respective plants of M&M and officers associations have filed nine cases against M&M before the labour courts on the grounds, such as, wrongful termination of its member employee, seeking permanency for its member employees, stay on disciplinary actions, stay on termination of services of their member employees, stay on transfer of employees, violating long terms settlements and committing unfair labour practices, restraining the shifting of manufacturing activity. No monetary compensation has been claimed in these cases.
7. Eight officers of Roplas India Limited have filed a suit before Junior Division, Civil Judge, Pune, claiming monetary benefits under the Voluntary Retirement Scheme. M&M have also been made as a formal party in the suit. It is pending for hearing.

#### ***Property Related Cases***

M&M has six property related litigation pending against it. The sum involved in these legal actions is about Rs. 0.19 crores.

1. Four eviction suits have been filed against M&M seeking return of possession of certain premises occupied by M&M. The amount involved in these cases is Rs. 0.19 crores.
2. Chairperson of Thumkunta Vanasamrakshna Samiti filed a writ petition against the joint collector Medak district at Sangareddy and M&M on grounds that the local authorities had illegally allowed M&M to erect pillars in the Sangareddy property and that M&M had encroached into forest land. A stay order directing M&M to stop such construction was later vacated by the High Court at Kerela. The matter is pending for hearing.

#### ***Consumer Cases***

M&M has 1304 cases filed by its customers against M&M, before various consumer courts such as District Forum, State Forum and National Forum, alleging deficiency in service, defects in the vehicle/tractor, delay in delivery etc., and claiming replacement of the tractors and vehicles and/or compensation. The total claim involved in these cases amounts to Rs. 17.05 crores.

<b>Forum</b>	<b>Number of Cases</b>	<b>Amount Involved (in crores)</b>
District Forum	1017	13.4
State Commission	272	2.23
National Commission	15	1.42
<b>Total</b>	<b>1304</b>	<b>17.05</b>

#### ***Insurance related cases/ Workmen's compensation cases***

M&M is involved in 933 insurance /workmen's compensation related cases as summarized below, where various claims have been made against M&M and/or the insurance companies. All the insurance claims, by survivors or their heirs, relate to third party claims, personal injury, fatal accidents, occurring during the transit of the vehicles. The claims are usually filed before the Motor Accidents Claims Tribunal ("MACT") and occasionally before the commissioner of workmen's compensation:

- 1) 414 cases have been filed jointly against the various insurance companies and M&M before the MACT and or the Commissioner of Workmen's compensation on account of accidents occurring to M&M vehicles in transit and M&M has been joined only as necessary party. The aggregate claim made under cases amount to Rs. 186.23 million. There is no financial implication on M&M under these cases as the respective insurance companies would be liable for the same.
- 2) 66 cases are pending against M&M where insurance companies have declined liability under the terms of the insurance policy conditions. The aggregate amount of claims arising from these cases

is Rs. 61.98 million. All such claims are made in cases where the transporter has taken passenger en-route during transit.

- 3) 300 cases are pending against M&M and insurance companies where the insurance company has still not declined liability and proceeding of the cases have not been served on M&M. The amount involved in such cases is not ascertainable.
- 4) There are 42 cases where the insurance company has preferred an appeal against the order passed by the MACT, wherein M&M has been made formal party to the proceeding. The amount involved is Rs. 48.10 million.
- 5) There are 111 cases which have been settled totaling to value of Rs. 27.98 million from across various courts in India.

### ***Tax related litigation***

#### ***Income Tax Cases***

- 1) M&M has filed 30 appeals pending before various appellate authorities such as Commissioner of Income Tax (Appeals), Income Tax Appellate Tribunal, High Courts, etc. The amount claimed under the appeals aggregates to Rs. 161.071 crores.
- 2) In 33 cases M&M has filed and succeeded in appeals on various claims made by the Income Tax Department, but the Income Tax Department is pursuing or is likely to pursue in appeal/ reference in these cases (including surtax). The amount involved under the appeals aggregates to Rs. 65.81 crores.

#### ***Sales Tax***

1. M&M has 5 sales tax related matters pending against it. The aggregate amount involved in the matters is approximately Rs. 194.26 crores.

#### ***Excise related claims***

1. M&M has 57 excise related matters pending against it, the aggregate amount involved in the matters is Rs. 444.31 crores.
  - a. In one case, the Commissioner of Central Excise (Adjudication), Navi Mumbai, passed an order on March 30, 2005, confirming the demand made on the M&M for payment of differential excise duty (including penalty) of Rs. 304.11 crores in connection with the classification of M&M's Commander range of vehicles, during the years 1991-1996. Whilst M&M had classified the commander range of vehicles as 10-seater attracting a lower rate of excise duty, the Commissioner of Central Excise (Adjudication), Navi Mumbai, has held that these vehicles could not be classified as 10-seaters and as such attracted a higher rate of excise duty. M&M has filed an appeal against this order, along with stay application, before the CESTAT, which has also granted an unconditional stay vide its order dated October 9, 2007. The final hearing in the matter is awaited.

In earlier proceedings, the Collector of Central Excise, Mumbai had upheld the classification of these vehicles as 10-seaters. Similarly, certain statutory/expert bodies have also confirmed the concerned vehicles to be 10-seater vehicles and the CESTAT had also confirmed this classification. The Department has filed a statutory appeal against this order in the Supreme Court.

- b. In another case, the Commissioner of Central Excise, Nasik also confirmed a demand of Rs. 24.55 crores and imposed a penalty of Rs. 0.2 crores in respect of the company's Armada range of vehicles manufactured during the years 1992 – 1996, on the same grounds as adopted for

Commander range of vehicles, in terms of the order dated April 28, 2006. M&M has approached the CESTAT, who has granted an unconditional stay against this order. The final hearing in the matter is awaited.

### ***Criminal cases***

There are 4 criminal cases pending against M&M before various courts and authorities in India. The details of these cases are as follows:

1. The commissioner of excise and prohibition has filed a special leave petition before the Supreme Court of India against the order of the High Court of Andhra Pradesh releasing the confiscated vehicle of M&M. The Mahindra vehicle was being transported from Zaheerabad factory to the regional sales depot at Chennai on stock transfer through a transport agency when it was intercepted by the excise inspector. The matter is pending for hearing.
2. A dealer of M&M has filed a criminal complaint before Chief Judicial Magistrate, Karnal against M&M and its directors alleging six cheques deposited by M&M in the bank were stolen from his premises and were not issued by him. M&M has filed a petition to quash the proceeding before the Punjab and Haryana High Court. After the final hearing, the High Court has stayed the proceedings before the Magistrate till the disposal of Sec.138 case filed by M&M against the dealer in Mumbai.
3. The Labour Commissioner at Rudrapur has filed a criminal complaint at Magistrate Court, Rudrapur for violation of provisions under the Contract Labour (Regulation and Abolition) Act, 1970. A petition for quashing is filed before the High Court at Nainital. The Court has granted stay to the proceedings in the trial court.
4. One of the dealer of M&M has filed a criminal court at Khurja against M&M and its directors alleging that the cheques deposited in the Bank by M&M were not issued by the dealer. A petition for quashing of the complaint has been filed before the Uttaranchal High Court. The High Court has granted stay to the proceedings.

### ***Pending litigation filed by M&M***

1. M&M has 9 cases for claiming relief under section 138 of Negotiable Instruments Act, 1881 for cheques issued in favor of the company but were not honoured. The aggregate of claims in these proceedings is approximately Rs. 4.685 crores.
2. M&M has filed 18 recovery suits for claiming amounts due under various contractual arrangements such as dealer contracts; amounts due on discounted bills and amounts due on the debentures in which M&M had invested. The amount involved in these cases is Rs. 18.46 crores.
3. M&M has filed four cases involving immovable property. One suit is for specific performance of a contract for sale of land. The other case is an eviction suit asking the employee to vacate M&M's property as he is no longer entitled to the same, the decree has been issued in M&M's favour and M&M has applied for execution of the decree. The third suit is filed against an encroacher and claiming damages and loss suffered due to the caving in of the property. The fourth is a Writ Petition against the order to vacate the bungalow constructed by M&M. The amount claimed is Rs.0.2 crores. The matter is pending for hearing.
4. M&M has filed three trademark cases restraining Mahendra & Mahendra Paper Mills Limited, Mahendra & Mahendra Seeds Limited; Mahendra & Mahendra Electronic Limited from infringing and/or passing off the mark "Mahindra" and "Mahindra & Mahindra". The High Court at Mumbai granted an order in the notice of motion as well in the appeal in the notice of motion in favour of M&M. The Supreme Court has also confirmed the order passed by the High Court of Mumbai. The suits are pending for trial.

5. M&M has filed tenancy suit at Alipore for declaration against Port Trust of Calcutta that M&M has ceased to be a tenant and is not liable in any way or manner thereof to pay any rent or other charges in respect thereof. M&M has surrendered the lands situate at No.1 Circular Garden Reach Road, Sonai Yard, Calcutta admeasuring 22720.18 sq. meters and has sought an injunction restraining Port Trust of Calcutta from claiming or ascertaining that M&M is and continues to be a tenant in respect of said lands.
6. M&M has filed a revision petition in High Court, Mumbai against an order of the small causes court, Mumbai to vacate the suit premises. The same is pending for admission.

#### **Past cases**

1. M&M was required to pay a compounding fee of Rs. 0.25 crores to the RBI pursuant to the direction of FIPB to regularize the foreign direct investment received by the promoter after 1999.

#### **LITIGATION INVOLVING SOME OF OUR PROMOTERS GROUP COMPANIES:**

The following is the litigation against the top 5 listed companies in our Promoter Group as per market capitalization one month prior to the filing of this Red Herring Prospectus:

#### **Mahindra & Mahindra Financial Services Limited (“MMFSL”)**

##### **Contingent Liabilities**

Mahindra & Mahindra Financial Services Limited had contingent liabilities not provided for as of March 31, 2009 in relation to:

- i. Estimated amount of contracts remaining to be executed on capital account (net of advances) Rs. 0.94 crores.
- ii. Claims not acknowledged as debts in respect of income tax demands under appeal for the assessment years 2000-2001, 2002-2003, 2003-2004, 2004-2005, 2005-2006 and 2006-2007 aggregating to Rs. 44.78 crores, out of which demand of Rs. 20.70 crores were met part with payment and part by adjustment against refunds due to MMFSL.
- iii. Performance guarantee issued for Rs. 2.00 crores.
- iv. Corporate undertaking for securitisation/assignment of Rs. 458.20 crores.
- v. Contingent claims on account of legal suites filed in consumer forums, civil, motor accident claim tribunal and criminal courts for Rs. 14.84 crores.

#### **Litigation as of May 31, 2009**

##### **Civil Cases**

In civil cases against MMFSL, the plaintiff generally asks for injunctive orders against sale/ repossession of vehicle and/or for return of excess amount claimed from the borrower.

There are 512 civil cases involving MMFSL. The aggregate amount of claims in these cases is approximately Rs. 2.73 crores. In addition several claims in these cases are not quantifiable.

With regard to cases filed before the Motor Accident Claim Tribunal, such cases are filed primarily against the insurance company and MMFSL is a formal party in such cases. All the reliefs are claimed against the insurance company, hence, MMFSL is least exposed to the risk involved in these matters.

##### **Consumer Cases**

Consumer Cases are usually filed for deficiency in services such as excessive rate of interest and unlawful repossession/ sale of the vehicle/ manufacturing defect in the product etc. In addition to this complainant claims damages for mental agony and compensation.

MMFSL has 686 consumer cases pending against it. The aggregate amount of claims in these cases is approximately Rs. 12.57 crores.

Forum	Number of cases	Amount involved (in crores)
District Consumer Dispute Redressal Forum	613	12.13
State Consumer Dispute Redressal Forum	69	0.40
National Commission	04	0.03

### ***Tax Related Cases***

#### ***Income Tax Cases***

There are disputes relating to income tax assessments for the assessment years 2000-01, 2002-03, 2003-04, 2004-05, 2005-06 and 2006-07 and the aggregate of claim under dispute is approximately Rs. 44.78 crores.

1. The primary issue in the income tax cases is disallowance of depreciation on leased assets. The contention of the Assessing Officer is that the lease transactions are in the nature of pure finance (loan) transactions and hence he has disallowed depreciation on such leased assets.
2. The other income tax cases in the various financial years are as follows:
  - a) In the assessment year 2003-04: The Assessing Officer has imposed a liability of Rs. 6.09 crores on MMFSL by disallowing depreciation on the leased assets and bad debts. Out of this total amount of Rs. 4.68 crores has been paid and partly adjusted against refunds of other assessment years. The case is pending before the ITAT.
  - b) In the assessment year 2004-05: The Assessing Officer has imposed a liability of Rs. 3.703 crores on MMFSL by disallowing depreciation on the leased asset and bad debts. Out of this total amount, Rs. 1.85 crores has been paid. The case is pending before the ITAT.
  - c) In the assessment year 2002-03: The Assessing Officer, after reassessment, has imposed a liability of Rs. 1.5 crores on MMFSL by disallowing brokerage. The said demand has been paid to the extent of Rs. 0.75 crores. The case is pending before the ITAT.
  - d) In the assessment year 2005-06: The Assessing Officer has imposed a liability of Rs. 5.006 crores on MMFSL by disallowing depreciation on the leased asset, bad debts and commission & brokerage. Out of this total amount, Rs. 2.55 crores has been paid. The case is pending before the ITAT.
  - e) In the assessment year 2003-04: The Assessing Officer has imposed a penalty of Rs. 6.41 crores on MMFSL in relation to tax on income evaded. The said demand is not paid as yet. The case is pending before the Commissioner of Income Tax (Appeals) (CIT(A)).
  - f) In the assessment year 2004-05: The Assessing Officer has imposed a penalty of Rs. 5.50 crores on MMFSL in relation to tax on income evaded. The said demand is not paid as yet. The case is pending before the CIT(A).
  - g) In the assessment year 2006-07: The Assessing Officer has imposed a liability of Rs. 9.10 crores on MMFSL by disallowing depreciation on the leased asset, bad debts and

commission & brokerage. The said demand has not been paid. Rectification letter u/s. 154 has been filed for excess demand raised. The case is pending before the CIT(A).

### ***Criminal Cases***

A Borrower may file criminal complaints against MMFSL alleging theft, robbery, extortion, forgery etc. while repossessing the vehicle. The persons accused in such complaints are usually the repossession agents, recovery executives, officers and sometimes the Managing Director also. This is a pressure tactic adopted by the borrower to get himself relieved from his contractual obligation. Majority of these complaints are rejected on the ground of lack of sufficient evidence.

There are 169 criminal cases pending against MMFSL before various courts and authorities in India.

### ***Arbitration proceedings and proceedings under section 138***

MMFSL is involved in 2035 arbitration proceedings with its customers. In these cases, MMFSL had repossessed the vehicles where the amount due was not paid and then had resold them. The amount so realized had not been adequate to meet the amount due from the customers. The arbitration proceedings were initiated to claim such shortfall amount. The aggregate of claims in these proceedings is approximately Rs. 23.06 crores. In the proceeding under Section 138, MMFSL has filed 23408 cases against its customer. In these 13652 cases pertain to NPA, 1562 bad debts and 8194 disposal and amount involved is Rs. 285.01 crores.

### **Tech Mahindra Limited (“TML”)**

#### ***Contingent liabilities***

As on March 31, 2009 the contingent liabilities for Tech Mahindra Limited are as under:

- (i) Income tax demands of Rs. 26.30 crores (mainly on account of (a) disallowance of software maintenance activity u/s 80 HHE, (b) deduction u/s 10A and (c) adhoc disallowance of travelling and miscellaneous expenses for FBT).
- (ii) Bank guarantees outstanding for an amount of Rs. 96.70 crores.
- (iii) Claims from Statutory Authorities for TML is Rs. 0.2 Crores (Provident Fund) Based on letter received from Service Tax Authority for erstwhile TMR&D is Rs. 0.7 Crores towards service tax on marketing fees for the financial year 2006-2007. The above amount is paid by the Company “Under Protest”. The company is awaiting demand notice and would be filling an appeal against the same.
- (iv) Claims against the company not acknowledged as debts amounting to Rs. 13.00 Crores.
- (v) Based on the demand letter of Rs. 0.6 Crores received from the office of the assistant development commissioner of NSEZ for rent arrears on account of revision of rent of the SEZ premises the company has paid an amount of Rs. 0.3 Crores “Under Protest”.

### ***Litigation as of May 31, 2009***

#### ***Civil Cases***

1. Case no. 3202 of 2004 has been filed by Shabib Jehangir Kedri (Plaintiff) against TML before the City Civil Court, Ahmedabad claiming compensation for the revocation of his appointment order to the extent of Rs. 0.03 crores. TML has filed its reply and the case remains pending final hearing.

2. Case no. 141 of 2007 has been filed by Smt. Manju Mittal against TML and Mr. Vikrant Gandhe before the Dist. Consumer Disputes Redressal Forum – I, Agra claiming Rs.0.001 crores, alleging non - credit of application money in the account of the complainant due to non - allotment of equity shares. In this matter the allotment of equity shares to the complainant was not successful and application money was refunded to the complainant using the bank details given in the depository system. However, due to incorrect details given in the depository system, the application money was allegedly not credited in the account of the complainant. TML has filed its reply. The Complainant withdrew the matter with the permission of the Court. TML is yet to receive the orders of the Court confirming withdrawal.
3. Notice no. 8-2007-08 has been received on April 22, 2008 by TML from the Collector, Gautambudh Nagar, UP alleging evasion of payment of stamp duty on lease agreement executed by TML in respect of its office in Noida. TML has filed the written statement contending that TML being an IT/ITES unit is entitled for 100% exemption from stamp duty under UP IT policy 2004. TML has filed the written statement and the matter is pending for decision
4. Two notices have been received by TML from the Assistant Commissioner Stamps, Gautambudh Nagar, UP alleging evasion of payment of stamp duty on lease agreement executed by TML in respect of its office in Noida. TML has filed the written statement contending that TML being an IT/ITES unit is entitled for 100% exemption from stamp duty under UP IT policy 2004. TML has filed its reply
5. Asis Industries, landlord of TML terminated the leave and license agreement with TML in respect of its office premises in Mumbai, and issued the notice referring the disputes between the parties to arbitration. Asis Industries is seeking peaceful and vacant possession of the said office premises and damages in respect of the alleged illegal possession of the premises. The parties have constituted an Arbitral Tribunal. The claimant has filed the claim statement on 27<sup>th</sup> August, 2008. TML has filed the preliminary objections and Written Statement. Since TML no longer requires the office premises under dispute, it recently vacated the premises and handed over the vacant and peaceful possession of the office to claimant. Arbitral proceedings and all application therein would continue.
6. A customer i.e. TAS Networks in US, owes TML US\$ 84,407 towards outstanding payments for the period from June 2007 till August 2007, and has offered settlement by paying US\$ 35,000. A collection attorney has been engaged for recovery of entire amount.
7. A consumer complaints has been filed by Mr A S Kazi against TML before the District Consumer Disputes Redressal Forum, Surat, for non-receipt of application money of Rs. 5,840/- while applying for the IPO of the Company. Due to non-allotment, the entire application amount had been refunded by TML Mr A S Kazi, but is reported as not received by him. TML has filed a written statement and the hearing is pending.
8. Balwantrai Nandlal Sharma an ex-employee of TML filed a suit against TML before the High Court, Mumbai alleging illegal termination of his employment. Mr Sharma has sought monetary relief of Rs 15 Lacs and/or reinstatement with back wages. TML has received the 'notice of motion' from the Hon'ble High Court on April 27, 2009 and has appointed an advocate to contest the matter.
9. Accord Communication Limited filed a consumer case no. 335/2006 before the Consumer Dispute Redressal Forum, Meerut against Axes Technologies Pvt. Ltd. (*name of Axes was changed to Tech Mahindra (R&D Services) Limited, which has been amalgamated with TML*), Mr. S. Udaya Kumar and Mr. VRK SP Rao returning the equipment supplied by Axes and alleging the quality and functional shortcomings of the equipment. TML has filed its written statement. The matter is pending for decision.

10. TML filed Writ Petition before the High Court, Madras challenging the cancellation of allotment of land and repossession of the plot allotted to Axes Technologies Pvt. Ltd. (*name of Axes was changed to Tech Mahindra (R&D Services) Limited, which has been amalgamated with TML*) by the State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT). The Writ Petition has been admitted and SIPCOT has been restrained from interfering with Petitioner's possession and enjoyment of the land, or evicting or resuming the land during the pendency of the Writ Petition.
11. Bangalore Electricity Supply Company Limited ("BESCOM") filed a W. P. No. 13813/2007 (GM-Con) dated September 20 2007, against Tech Mahindra (R&D Services) Limited, (*which has been amalgamated with TML*) before the High Court of Karnataka, challenging the orders of Consumer Court in the complaint filed by TML, alleging that TML is not eligible for power concession under their prescribed tariff conditions which are available to IT Software Development industry. The matter is pending decision of the High Court.
12. Mr Ganesh Rai filed a case ID No. 2/08 against Tech Mahindra (R&D Services) Limited, (*which has been amalgamated with TML*) before the Addl Labour Court Bangalore for reinstatement in the services of the Company. The matter is pending for hearing and decision of the Court
13. State Bank of India has filed R.C. NO. 39 OF 2007 in Original Application No. 511 OF 1997 against M/s.Flistex Magnetics Ltd & Ors before the DRT, Delhi. The facts of the case are SBI has instituted recovery proceedings against judgment debtor Flistex. In the said recovery proceedings, iPolicy (which has now been amalgamated with TML) has participated in the auction bid conducted on the order of recovery officer Debt Recovery Tribunal, Delhi, to sell the movable and immovable assets of Flistex. The bid of iPolicy has been accepted. Flistex, owner of the auctioned properties, challenged the order of RO, DRT to auction the properties as well as the auction procedures by filing appeal before DRAT. During the pendency of the matter, the Appellant filed application for withdrawing appeal. The DRAT dismissed the Appeal as withdrawn simplicitor. To protect its interest; iPolicy filed application to implead itself as a party to the present recovery proceedings. The impleadment application is pending decision of the DRT.

### ***Criminal Cases***

1. Axes Technologies Pvt. Ltd. (*name of Axes was changed to Tech Mahindra (R&D Services) Limited, which has been amalgamated with TML*) filed a complaint no 8788/04 against Rakesh Singal Suman & Anr. before the Metropolitan Magistrates Court, Chennai in relation to dishonour of cheques issued for refund for rent for a sum of Rs. 0.4 million. Matter is pending for decision.

### ***Tax related cases***

#### ***Direct tax matters***

Following cases are filed by TML (formerly known as Mahindra British Telecom Limited ("MBT") & (formerly known as Tech Mahindra (R & D) Services Limited (TMR&D)), out of which first five cases are pending before Assessing Officer for verification, and remaining Six cases are pending before Commissioner of Income Tax (Appeals). All these cases are pending for verification and hearing and if decided in favour of TML, then TML will be entitled to a refund.

Case No.	Particulars
ITA 159 /M/2002 Assessing Officer	Appeal against the assessment order for the Fiscal 1997-98 relating to treatment of software expenses as capital expenditure and certain other deductions under section 80HHE. The principal amount involved in this appeal is Rs. 0.40 crores . Tribunal passed the order and directed to Assessing officer for verification and order giving effect.
ITA 5286 /M/02	Appeal against the assessment order for the Fiscal 1998-99. TML has appealed

Case No.	Particulars
Assessing Officer	against the decision of the CIT in confirming (i) disallowance under section 43B of belated contributions in respect of Employees State Insurance and family pension Fund; (ii) disallowance of corporate membership fees of clubs; (iii) disallowance of expenses on computer software by treating it as a capital expenditure; (iv) certain deductions under section 80 HHE of the Income tax Act. The principal amount involved in this appeal is Rs. 2.71 crores. Tribunal passed the order and directed to Assessing officer for verification and order giving effect.
ITA No. 1922 (Mum) 05 Assessing Officer	Appeal against the order of Commissioner of Income Tax (Appeals) - II dated December 13, 2004 for the fiscal 2000-01 relating to treatment of software expenses as capital expenditure and certain other deductions under section 80HHE. Tribunal passed the order and directed to Assessing officer for verification and order giving effect.
ITA no. 3584/MUM/2004 Assessing Officer	Appeal against the order of CIT(A) for the Fiscal 1999-00, dated February 27, 2004 which allowed (i) the company the payment of employers and employees contribution to provident fund account within the grace period of five days; (ii) the treatment of project specific expenditure as revenue expenditure. The principal amount involved in this appeal is Rs. 0.63 crores. Tribunal passed the order and directed to Assessing officer for verification and order giving effect.
Assessing Officer	Appeal against the Assessment Order dated March 16, 2006 for the Fiscal 2002-03. Expenditure incurred for telecommunication and other charges adjusted only from export turnover and not from total turnover. The principal amount involved in this appeal is Rs. 0.05 crores.
CIT (A)	Appeal against the order giving effect u/s. 143(3) of the IT Act, 1961 dated November 30, 2004 for the Fiscal 2001-02 relating to treatment of software expenses as capital expenditure and certain other deductions .
CIT (A)	Appeal against the Assessment Order dated December 26, 2006 for the Fiscal 2003-04 Expenditure incurred in foreign currency adjusted only from export turnover and not from total turnover. The principal amount involved in this appeal is Rs. 7.23 crores.
CIT (A)	Appeal against the Assessment Order dated December 12, 2008 for the Fiscal 2004-05 Expenditure incurred in foreign currency adjusted only from export turnover and not from total turnover. The principal amount involved in this appeal is Rs. 2.84 crores.
CIT (A)	Appeal against the Fringe Benefit Tax Assessment Order dated December 26, 2008 for the Fiscal 2005-06 Adhoc expenses disallowed towards AO not able to verify the same. The principal amount involved in this appeal is Rs. 1.56 crores.
CIT (A)	TMR&D Appeal against the Assessment Order dated December 22, 2008 for the Fiscal 2001-02 Expenditure incurred in foreign currency adjusted only from export turnover and not from total turnover. The principal amount involved in this appeal is Rs. 6.88 crores.
CIT (A)	TMR&D Appeal against the Assessment Order dated December 26, 2008 for the Fiscal 2004-05 Expenditure incurred in foreign currency adjusted only from export turnover and not from total turnover. The principal amount involved in this appeal is Rs. 3.95 crores.
59/2006	Pimpri Chinchwad Municipal Corporation Vs. Shri. Arun Shankar Kadu, Manager, Hewlet Packard India Sales P. Ltd., Manager, Tech Mahindra Ltd., Manager, AFL P. Ltd., Shri. Raju Hasan Shaikh, Representative, AFL P. Ltd. Proceedings initiated against supplier, carrier and the Company for alleged evasion of octroi duty.

**Mahindra Lifespace Developers Limited (“MLDL”) (formerly known as Mahindra Gesco Developers Limited which was formerly known as Mahindra Realty & Infrastructure Developers Limited)**

#### ***Contingent Liabilities***

MLDL has contingent liabilities not provided for as on March 31, 2009 in relation to:

1. Claims raised by a civil contractor in respect of a project at Mumbai of Rs. 0.797 crores.
2. The Income tax Department has sought to re-classify certain business income as income from house property, in respect of which the company has partially succeeded in appeal and would pursue the matter further. Amount involved is Rs. 12.43 crores.
3. Demand from local authorities for transfer fees on transfer of property, disputed by the Company of Rs. 1.24 crores.
4. Demand from a local authority for energy dues disputed by MLDL of Rs.21.64 crore.

### ***Litigations as on May 31, 2009***

#### ***Civil Cases***

1. MLDL has filed a suit (No. 1801 of 2007) in High Court of Mumbai for an order against some of the workers of GKW Limited and others in order not to obstruct construction activity at the MLDL's project namely, Mahindra Splendour at Mumbai. An ad interim order has been passed in favour of MLDL. The matter is pending for hearing.
2. Mahindra Garden Societies at Mumbai, namely Orchid, Daffodil and Tulip have filed a civil suit (6863 of 2002) against MLDL alleging issues about private garden, recreation garden, handing over of corpus fund and conveyance of the property in favour of the respective societies and other issues under Maharashtra Ownership Flat Act, 1963. The suit was dismissed by the City Civil Court. The societies have filed an appeal in the Mumbai High Court.
3. Ms. Ramila Kilachand has filed a case against Harsh Kilachand and several others (Case No. 1355 of 2004) claiming her right over certain property. MLDL has filed a written statement stating that the property in question has been sold by Kesar Enterprises Limited as the owner and such property should not be a subject matter of the family dispute and that it is not a necessary party to the suit. The matter is pending for hearing.
4. Yashomala Cooperative Housing Society has filed a civil suit bearing No. 192 of 2001 in Civil Judge Jr. Division against the Pimpri Chinchwad Municipal Corporation objecting sanction of plan for MLDL's project namely, Woods, at Wakad, near Pune, showing access from the land bearing survey no. 210/1 (actually owned by Government) to the property. Pursuant to the interim order of the court, the Pimpri Chinchwad Municipal Corporation has sanctioned the plan. The matter is pending for hearing.
5. Bennett Coleman & Co has filed a suit (No. 2165 of 2004) in High Court at Mumbai against Bite Advertising Private Limited and Mahindra Lifespace Developers Limited (formerly known as Mahindra Gesco Developers Limited) concerning insertion of pamphlets in daily newspaper without permission. MLDL has been impleaded as a party, however as per the work order Bite Advertising Private Limited is responsible for such act. The matter is pending for hearing.

#### ***Criminal Cases***

1. The Maharashtra Security Guard Board filed a criminal complaint (No. 183 of 98 New no. 600 S/03) before the Chief Metropolitan Magistrate, 38<sup>th</sup> Court at Ballard Estate, Mumbai against MLDL, Mr. Anand G. Mahindra and others alleging that the security guard employed by MLDL was not registered under the Security Guard Board and hence was in violation of the Maharashtra Private Security Guards (Regulation of Employment and Welfare) Act, 1981 and the Rules made there under. The Mumbai High Court has admitted the applications of Mr. Anand G. Mahindra and others challenging the issuance of process and rejection of revision application by the lower court. The case is pending for hearing.
2. MLDL has filed a complaint against Dhanish Construction Private Limited ("Dhanish") (Case No. 824/M/2001) and its directors alleging that Dhanish misappropriated Rs 1.46 crores paid to them for the purchase of land at Uran, Raigad. The lower court ordered a police investigation to be

carried out as per section 156(3) of the Code of Criminal Procedure, 1973 and the directors of Dhanish were arrested. The chargesheet is filed.

### ***Consumer Cases***

1. Mr. Yatin Sorap and others, flat owners of Mahindra Heights, Mumbai have filed a consumer complaint No. 322 of 2006 before the Consumer Court, Mumbai, for a claim of approximately Rs. 0.017 crores against MLDL and Mahindra Heights Co-Operative Society, Mumbai alleging that faulty jet spray had created water logging in their flats which led to damage to the lift. MLDL is in the process of filing its reply to the said complaint.
2. I,J,K Building at MLDL's project namely Mahindra Park, Mumbai have filed a consumer complaint against Mahindra Infrastructure Projects Limited and MLDL (No. 52, 53 & 57 of 2007) before the State Commission, regarding formation of society and other miscellaneous matters with respect to Mahindra Park project. The matter is pending for hearing.
3. Mr. Sunil Jasuja, Delhi has filed a consumer complaint against the Land Owner and MLDL (in the capacity of a Project Manager) before District Forum, Delhi regarding compensation for delay in handing over possession of flat, escalation of cost, extra registration charges etc. with respect to Central Park project at Delhi. The matter is pending.
4. The welfare Association of Aggrieved Residents of Central Park has filed an appeal against the order dated 20.09.2007 passed by the National Consumer Forum before Supreme Court, said appeal has been numbered as Appeal No. (Civil) 11 of 2008.

### ***Arbitration Proceedings***

1. P.G. Vora, the land owner of Le- Mirage project at Pune has preferred a claim before sole arbitrator Mr. E. P. Bharucha against MLDL claiming amounts in respect of drying balcony area, car parking space etc. MLDL has filed its written statement. The matter is pending.
2. MLDL has preferred an arbitration against New Great Eastern Spinning & Weaving Ltd. for specific performance of Composite Service Agreement in respect of property at Mumbai before sole arbitrator Retired Chief Justice of India Mr. Bharucha.

### ***Others Proceedings***

3. The Daffodil Mahindra Garden Cooperative Housing Society Limited, Mumbai has filed a case against the Brihanmumbai Municipal Corporation (Case No 1966 of 2002) stating that the property tax assessed by the corporation is not valid and excessive. Though MLDL is a party to the suit, there is no monetary claim against MLDL.
4. The New Great Eastern Spinning & Weaving Mills Limited has filed a reference (No. 58 of 90) under the Sick Industrial Companies Act, 1985 for rehabilitation with the Appellate Authority, BIFR, Delhi. MLDL has filed application under section 13(2) read with Section 18(5) of SICA for impleading MLDL as a necessary party and also to modify sanctioned scheme dated March 6, 1996 in terms of the order dated December 18, 2002 passed by the High Court of Mumbai. As per the request of MLDL, the scheme is amended. The matter is pending.
5. MLDL has filed a writ petition before the High Court at Mumbai (No. 1319 of 2004) seeking dismissal of the demand by the Collector of Mumbai for transfer charges in relation to the transfer of premises located at 8th floor, World Trade Centre, Mumbai from the Great Eastern Shipping Company Limited to MLDL. The petition has been admitted wherein the Court by its interim order dated July 14, 2004 has directed the respondents not to seal the premises in respect of which attachment is levied till the final disposal of petition. Great Eastern Shipping Company Limited has also joined as petitioners. The petition is still pending for hearing.

MLDL has filed a writ petition before the High Court at Mumbai for quashing the demand of local authority for energy dues disputed by MLDL of Rs.21.64 crore.

### **Mahindra Forgings Limited**

#### ***Contingent Liabilities***

The following are the contingent liabilities not provided for as on March 31, 2009:

<b>Sr. No.</b>	<b>Particulars</b>	<b>(Rs. in Crores )</b>
1.	Bank Guarantees outstanding in favour of the Government and other parties	4.93
2.	Letters of credit issued by banks on behalf of the company and outstanding	7.00
3. (a)	Towards excise duty demands in respect of which the company has preferred an appeal	-
3. (b)	Towards SCN issued by Excise Department	-
3. (c)	Towards interest on excise duty in respect of which is preferring an appeal	=
4.	Claims against the company not acknowledged as debts	-
5.	Income Tax Claim against which the Company has preferred an appeal –	
(a)	Non Deduction of TDS and interest thereon	0.30
(b)	Disallowance of certain expenses	0.72

In addition to the above, the Company has availed Bill Discounting Facilities under Bill Marketing Scheme during the year from its customers in the amount of Rs. 16.66 crores.

#### ***Litigations as on May 31, 2009***

##### ***Civil Cases***

1. The Company received a registered notice under Section 7A of the EPF Act from the Assistant Provident Fund Commissioner, Regional Office, Pune asking the Company to produce records and to give evidence for conducting an enquiry under the Employee Provident Fund Act in respect of non-enrolment of certain contract labourers by Amforge Industries Ltd. prior to its taking over the control of the Chakan Unit.

The Provident Fund authorities after hearing the Authorised Representative by an order dated May 31, 2007, determined the Provident Fund liability due from the Company at Rs. 0.33 Crores including interest payable under Section 7Q of the Employee Provident Fund Act and the Company has paid the same. We have also been informed that an interest liability of Rs. 0.2 crores under Sec. 14B of the Employee Provident Fund Act is likely to be levied on the Company. There has been no further communication from them.

##### ***Tax Related Cases***

1. The Commissioner of Central Excise by an order confirmed a liability of Rs.66,98,056 plus equal penalty and applicable interest thereon amounting to approx. Rs.156 Lakhs in respect of difference between in stock by 691.540 MTS. An appeal has been filed before CESTAT on December 11, 2006 and the matter was heard on February 7, 2007 before the Hon'ble Tribunal of CESTAT when the bench decided a pre-deposit of Rs. 6 Lakhs within 8 weeks. Accordingly the deposit Rs. 6 Lakhs was made and the matter has been stayed until further orders.
2. The Commissioner of Central Excise has filed an Appeal before CESTAT in respect of interest on supplementary invoices raised on account of price revision amounting to Rs. 4.79 lacs as interest and penalty under Section 11 AC of the Central Excise Act, 1944. The decision of the appeal is pending.

3. The Commissioner of Central Excise vide its order dated January 31, 2006 disallowed Cenvat Credit in respect of rejected goods not received back and MODVAT claimed for Rs. 58,35,078/- and interest thereon. The matter is before CESTAT and the same is pending.
4. The Company had received a Demand Notice and Order dated February 27, 2009 from the Office of the Asst. Director of Income Tax (International Taxation) – 1, Pune, demanding payment of Rs. 29,89,790/- towards non deduction of TDS from foreign parties for erection and commissioning of plant & machinery. The Company has made an appeal to Commissioner of Income Tax (A) – III, Pune.

### **Mahindra Ugine Steel Company Limited (“MUSCO”)**

#### ***Contingent Liabilities***

MUSCO had contingent liabilities not provided for as on March 31, 2009 in relation to:

- a) Bills discounted (customers' bills) but not matured Rs. 10.06 Crores.
- b) Excise duty:

Excise matters for which MUSCO is contingently liable amounting to Rs.9.53 Crores. This includes:

- (i) Rs. 0.62 Crores which relates to the method of valuation of customer processed finished goods for the purpose of discharge of excise duty, where the customer supplies raw material. This matter has been settled by the Customs, Excise and Service Tax Appellate Tribunal (CESTAT) in favour of MUSCO. The Department has gone in further appeal in the Supreme Court.
- (ii) Rs.2.77 Crores relating to inclusion of scrap credit in the assessable value for the purpose of payment of Excise Duty. The Supreme Court had remanded the case back to CESTAT who has decided against MUSCO. MUSCO has filed a writ petition in the High Court. The case was remanded back to CESTAT which in turn remanded it back to the Commissioner. The commissioner has raised a demand of Rs.1.38 Crores with an equal penalty amount. The Company is in process of filing appeal against the order with CESTAT.
- (iii) Rs. 2.19 Crores being other matters.

In respect of (b)(i) above and other valuation issues, the Department has continued to issue show cause cum demand notices for subsequent periods aggregating Rs. 3.95 Crores.

- c) Taxation demands against which MUSCO is in appeal is Rs. 17.41 Crores
- d) Other matter for which MUSCO is contingently liable is Rs. 11.67 Crores. This represents the dispute in the rate of water charges demanded by the Irrigation Department based on a unilateral increase in rates and the amount which the Company has been paying. The above amount includes an initial demand raised by the Irrigation Department of Rs.0.57 Crores upto 31<sup>st</sup> March, 1995 which was decided in favour of the Company in the Court of the Civil Judge, Senior Division Panel. The balance of Rs.11.10 Crores represents differential demands raised by the Irrigation Department for subsequent periods.
- e) Other claims against the Company not acknowledged as debts:
  - (i) Rs.8.75 Crores pertaining to show cause notice for payment of custom duty in respect of the Value Based Advance Licenses (VBAL) purchased by the Company and used for import of goods. As the export obligation against the above VBAL was already fulfilled by the seller of

the license, the Company appealed against the said notice with CESTAT who has granted a stay.

- (ii) Claim pertaining to material supply contract Rs.8.95 Crores.
- (iii) Claims relating to lease rentals Rs.0.59 Crore.

### ***Litigations as on May 31, 2009***

#### **Civil cases**

##### ***Excise Cases***

1. The method of valuation, adopted by MUSCO, of customer processed finished goods for the purpose of discharge of excise duty, where the customer supplies raw material was not accepted by the excise department. The excise department issued a show cause notice which was settled in MUSCO's favour by the CESTAT. The claim amount was Rs.0.62 Crores. The department has filed its appeal and the matter is pending hearing before the Supreme Court.
2. The inclusion of scrap credit in the assessable value, by the department, for the purpose of payment of excise duty was challenged by MUSCO. The amount involved is Rs. 2.77 Crores. The Supreme Court has remanded the case back to CESTAT who has decided against MUSCO. MUSCO has filed a writ petition in the High Court. The case was remanded back to CESTAT which in turn remanded it back to the Commissioner. The Commissioner has raised a demand of Rs.1.38 Crores with an equal penalty amount. The Company is in the process of filing appeal against the order with CESTAT.

Claims of Rs. 2.19 Crores on the same ground as above has also been made by the department against MUSCO for subsequent period of assessment year 2003- 2004.

##### ***Custom Cases***

A show cause notice was issued against MUSCO, in respect of value based advance licenses purchased and used for import of goods. The notice demanded payment of custom duty of Rs. 8.21 Crores. As the export obligation against the above was already fulfilled by the seller of the license, MUSCO appealed against the said notice with CESTAT who has granted a stay.

##### ***Tax Cases***

There was a taxation demand against which MUSCO is in appeal before various appellate authorities amounting to Rs. 17.41 Crores for the assessment year 2003-04, 2005-06 & 2006-07.

##### ***Other Proceedings***

1. MUSCO has filed a civil suit before the City Civil Court, Ahmedabad against Choksi Tube Company Limited, Ahmedabad, for a sum of Rs. 23.11 million towards recovery of direct and indirect sale of alloy steel and difference of sales tax and interest thereon payable to sales tax authorities for non-submission of sales tax declaration forms.
2. S.R.Sridhar and others have filed suits against the Company in the Court of additional District Judge, Tirupati for recovery of lease rentals amounting to Rs. 0.59 crores for the year 2002 -03 to 2007-08, with further interest thereon, regarding a property situate at Tirupati which was taken on lease by the Company in the year 1989. The said leased property was part of the hotel business of the Company. However, the Company in the year 1996 sold its Hotel business/division and as such the lease rights of the said property were also part of the said sale. The Company is suitably defending the said claim.

3. The dispute regarding material supply contract with Bombay Oxygen Corporation Ltd. The matter is pending before the Arbitrators. The claim amounting to Rs.8.95 Crores by the Bombay Oxygen Corporation Ltd against the Company. The Company is defending the case suitably.

#### **CASES INVOLVING DIRECTORS OF OUR COMPANY:**

##### *Mr. Uday Phadke*

1. A summons was received from the Special Metropolitan Magistrate, Municipal Bench Court, in the name of four directors of Mahindra Shubhlabh Services Limited including Mr. Uday Phadke, for the alleged violation of provision under Section 7 of the Shops and Establishment Act for non-renewal of their registrations certificate and non-display of the same at the established, as required under the Act. A petition for quashing of this complaint has been filed in the High Court of Mumbai, which has admitted the petition and has granted stay to the proceedings before the Magistrate Court.
2. A notice was received from Magistrate Court (First Class) at Kota, Rajasthan in the name of Mahindra Gujarat Tractor Limited and its directors including Mr. Uday Phadke for production of documents under Section 91 of the Criminal Procedure Code. This complaint was filed by one of the dealers of Mahindra Gujarat Tractor Limited, M/s. Sunder Motors, subsequent to filing of Section 138 case by Mahindra Gujarat Tractor Limited against Sunder Motors for dishonour of cheque. The Magistrate Court has not taken decision regarding the jurisdiction and has passed an order for issuance of notice only for production of documents. A petition for quashing of this complaint has been filed by Mahindra Gujarat tractor Limited in the High Court of Rajasthan, which has been admitted and the High Court has granted stay to the proceedings before the Magistrate Court.

##### *Mr. Arun K. Nanda*

The Registrar of Companies has filed a criminal complaint no 4354 (S) of 2000 before the Additional Chief Metropolitan Magistrate, Esplanade Court, Mumbai against the directors of Ramani Hotels (including Mr. Arun K. Nanda) alleging that it had published its balance sheet in figures near to lakhs and thereby contravened the provisions of the Section 211 of the Companies Act, 1956. The matter was compounded by the Company Law Board pursuant to an order dated March 18, 2009, which has been filed with the Registrar of Companies, Mumbai on March 20, 2009.

##### *Mr. Rohit Khattar*

A case has been filed by the Registrar of Companies, Bangalore against Guestline Hospitality Management & Development Services Limited and its directors, including Mr. Rohit Khattar for alleged violation of sections 146 and 628 of the Companies Act, 1956, in relation to the registered office of the company and penalty for false statements, respectively. The matter is pending before the magistrate in the economic offences court in Bangalore.

##### *Mr. Cyrus Guzder*

(as chairman and managing director of AFL Private Limited)

1. Case filed by BMC License Inspector in 2007, before the Magistrate Court, Pune, in connection with the non-compliance of some of the provisions under the Shops and Establishment Act. Through the Advocate, Mr. Guzder is trying to explore the possibility of closing the case by paying the fine as ordered by the Court.
2. Case filed by BMC before the Magistrate, Dadar, in connection with carrying on transportation of goods by logistics division without a license for the Sakinaka Premises. The License has been obtained and hence the matter will get closed shortly by paying the penalty.

3. Case filed by the Labour Inspector attached to the Municipal Corporation of Chennai in 2007 for carrying on transport business without a valid license and Mr. Guzder has already obtained a stay in the Chennai High Court. The stay continues and the advocate has been instructed to seek directions from the High Court for quashing the proceedings of the Magistrate Court.

*Mr. Sridar Iyengar*

1. Mr. R.Karuppan holds a savings bank account and demat account with the ICICI Bank Limited. He was sanctioned an overdraft limit of Rs 1.75 lacs against the pledge of shares and was issued a cheque book. Before the release of the overdraft limit, it was found from the report of CIBIL that he had an outstanding dues of about Rs.36,000 towards his credit card dues. Therefore the said overdraft limit was cancelled as he was not ready to pay the said dues. In the mean time he issued a cheque for Rs.1.5 lacs, which was dishonoured by the bank. He has filed a complaint on May 29, 2008 with the Commissioner of Police, Chennai against the Chairman, MD and CEO and all other directors of the bank and two other officials of the bank for alleged offences of criminal breach of trust and cheating. The case is registered under FIR No.356 of 2008 with the Additional Chief Metropolitan Magistrate, Saidapet, Chennai. The bank has cooperated for the police investigation, which is pending and it is learnt that the Police have concluded that the case is of civil nature. Mr. R.Karuppan has filed an application in CrI. OP No. 17853 of 2008 before HC, Madras for direction to arrest the Directors and officials of the bank and the same is yet to be taken up for final disposal. The CrI. OP is yet to be listed for final disposal.
2. Mr. Sylvia Fernandes filed a case before the District Consumer Dispute Redressal Forum, Bandra, against 16 working and non working directors of the ICICI Bank Limited. The complainant had availed a housing loan from the bank in March 2006. The complainant's flat was mortgaged with the ICICI Bank Limited by way of deposit of title deeds. It was stated by the complainant that they have purchased the said flat by way of an agreement dated March 27, 2006 from Mr Pradeep Panikar and Ms. Bindhu who had purchased the flat from Mr Conald Joseph by an agreement dated September 5, 2001. Mr Conald Joseph is the original purchaser of the flat from the builder by an agreement dated August 29, 1994. The agreement dated August 29, 1994 was duly stamped but was not registered with Sub- Registrar of Bandra, Mumbai. It was alleged by the complainant that the aforesaid unregistered original agreement was in possession with the bank. Complainant wants the said unregistered agreement to regularize by Amnesty scheme released by Government of Maharashtra for regularizing the unregistered documents. Complainant alleges that bank had denied in giving the original agreement dated August 29, 1994 to the complainant for regularizing the unregistered agreement. The complaint was filed alleging the deficiency of service in not giving the original agreement to the complainant. The complainant has prayed for return of original document, to execute the indemnity bond and total claim of Rs. 7,25,000/- including the legal cost and other compensation. The matter was filed in the month of December 2008 and on February 16, 2009, the notice was issued for filing of the written statement within 30 days of receipt of notice. When we received the notice, the matter was already adjourned by the Hon'ble forum for passing ex parte order on June 3, 2009. The matter is settled between the parties and complainant has filed a withdrawal application which taken on record. The complaint will be withdrawn on June 19, 2009.
3. Mr. R.Karuppan, Chennai is holding a savings bank account and demat account with ICICI Bank Limited. He was sanctioned an overdraft limit of Rs. 1.75 lacs against the pledge of shares and was issued a cheque book. Before the release of the overdraft, it was found from the report of CIBIL that he had an outstanding dues of about Rs.36,000/ towards his credit card dues. Therefore the said overdraft limit was cancelled as he was not ready to pay the said dues. In the mean time he issued a cheque for Rs.1.5 lacs, which was dishonoured by the Bank. He has filed a complaint on May 29, 2008 with the Commissioner of Police, Chennai against the Chairman, MD & CEO and all other Directors of the Bank and two other officials of the bank for alleged offences of criminal breach of trust and cheating. The case is registered under FIR No.356 of 2008 with the Additional Chief Metropolitan Magistrate, Saidapet, Chennai. The bank has fully cooperated for

the police investigation, which is pending and it is learnt that the Police have concluded that the case is of civil nature; the said court has not issued any notice to the directors of the bank. In the mean time he has filed a writ petition No.20816 of 2008 before the High Court, Madras filed on August 18, 2008 against RBI, Ministry of Finance and the said directors and officials of the Bank seeking direction to RBI to take appropriate action against the bank. He has also claimed compensation of Rs.1.5 crores in this regard. The payment of compensation is not maintainable under the extraordinary jurisdiction of High Court in respect of writ petitions. The bank filed its reply on behalf of its directors and its officials. The RBI has filed their counter. He has filed Miscellaneous Petition No.1 of 2008 seeking similar directions as of in the main writ petition. In the Miscellaneous Petition was taken up on November 28, 2008 wherein the bank was directed to provide new password to him and accordingly the miscellaneous petition was closed. We have provided new password to him on December 2, 2008 and complied the order. The main writ petition is yet to be listed for final disposal.

#### **Details of past penalties imposed on our Company or any of our Directors**

##### *Our Company*

Our Company has paid a penalty of an amount of Rs. 18,000 for compounding of an offence under Section 372A (3) of the Companies Act, 1956. We had inadvertently failed to charge interest for the amounts advanced to one of our erstwhile subsidiary, Ashtamudi Resorts Private Limited.

##### *Mr. Sridar Iyengar*

The following penalties have been imposed:

- (i) On April 10, 2007, the Eastern Magistrate's Court, Hong Kong, fined ICICI Bank a sum of HKD 40,000.
- (ii) During Fiscal 2006, the Reserve Bank of India ("RBI") had imposed a penalty of Rs. 0.05 crore on the ICICI Bank citing contravention of RBI instructions relating to opening of accounts, monitoring of transactions for adherence of Know your customer/anti money laundering norms and non-adherence to normal banking practices under Section 47 A1(b) of the Banking Regulation Act, 1949.

#### **Details of pending proceedings initiated for economic offences against our Company or any of our Directors**

Nil

#### **Amounts owed to Small Scale Undertakings (to whom we owe a sum exceeding Rs. one lakh and which is outstanding more than 30 days)**

Nil

#### **Material Developments**

There have been no material developments, since the date of the last balance sheet otherwise than as disclosed in the section 'Management's Discussion and Analysis of Financial Condition and Results of Operations' on page 233.

## GOVERNMENT APPROVALS

Our Company has obtained all necessary consents, licenses, permissions and approvals from the concerned Government authorities/private certification bodies, which are required in order to carry on the business of our Company in compliance with the laws in force. In view of the approvals listed below, we can undertake this Issue and our current business activities and no further major approvals from any governmental or regulatory authority or any other entity are required to undertake the Issue or continue our business activities except such as will be applied for by the Company in due course. Unless otherwise stated, these approvals are all valid as of the date of this Red Herring Prospectus.

We rely upon the owners of some of our leased resorts to obtain and maintain all necessary consents, licenses, permissions and approvals that are required to operate each of those resorts.

### *Approvals related to the Issue*

1. In-Principle Approval from the National Stock Exchange dated January 23, 2009.
2. In-Principle Approval from the Bombay Stock Exchange dated February 13, 2009.

### *Approvals for the Business*

#### *A. Approvals from the Reserve Bank of India and the Department of Industrial Policy and Promotion*

1. A letter of approval dated February 8, 2005, bearing no. MAWRN 20050024, issued by the Assistant General Manager, Overseas Investment Division, Foreign Exchange Department of the Reserve Bank of India allowing the remittance of money in relation to the lease of time share units with the Pattaya Hill Resort, Thailand.
2. A letter of approval dated February 11, 2003, bearing no. MAWRN 20030058, issued by the Assistant General Manager, Overseas Investment Division, Foreign Exchange Department of the Reserve Bank of India allowing the remittance of money in relation to our Company's lease of time share units with M/s. Resort of the Multiple Travel Club, Bangkok, Thailand and maintenance charges.
3. A letter of approval dated April 10, 2007, bearing no. MAJAZ 20070043, issued by the Assistant General Manager, Overseas Investment Division, Foreign Exchange Department of the Reserve Bank of India, allowing the setting up/acquiring a joint venture in Austria, under the Automatic Route for overseas direct investment, subject to the terms of notification dated July 7, 2006 and bearing no. FEMA/120/RB-2004.
4. A letter of approval dated January 31, 2007, bearing no. MAWAZ 20060582, issued by the Assistant General Manager, Overseas Investment Division, Foreign Exchange Department of the Reserve Bank of India, allowing the setting up/acquiring a WOS in USA, under the Automatic Route for overseas direct investment, subject to the terms of notification dated July 7, 2006 and bearing FEMA/120/RB-2004.

#### *B. Labour, Taxation and other Related Approvals*

1. A letter dated December 11, 2006, has been issued by the Department of Commercial Taxes stating TIN no as 33960620412.
2. A letter dated February 14, 2007 bearing no. F.2/5/2004-EPZ issued by the Department of Commerce (SEZ Section), Ministry of Commerce & Industry, Government of India granting our Company an approval to act as a co-developer in the sector specific Special Economic Zone of Mahindra World City, Chennai for a period of three years.

3. A certificate bearing no. IRQS/0710280 dated July 10, 2007, issued by the Indian Register Quality Systems, Department of Indian Register of Shipping, certifying the quality management systems of our Company's Member Relations Department as being approved in accordance with ISO 9001: 2000. This certificate is valid till July 8, 2010.
4. A letter dated February 24, 2006, has been issued by the department of Commercial Taxes, Government of Tamil Nadu, evidencing the TNGST number and TIN number of our Company.
5. A certificate of registration dated January 1, 2007, has been issued by the Commercial Tax Officer evidencing the VAT number of our Company under the Tamil Nadu Value Added Tax Act, 2006, with effect from January 1, 2007.
6. A letter bearing no. 51-51826-101 dated November 22, 1996, has been issued by the Regional Office (Tamil Nadu) Employees' State Insurance Corporation, evidencing the implementation of the Employees' State Insurance Act, 1948, to our Company.
7. A letter bearing no. D5/TN/MS/36400/Enf/Regl./96 dated November 28, 1996, has been issued by the office of the Regional Commissioner, Employees' Provident Funds, evidencing the applicability of the Employees' Provident Funds and Miscellaneous Provisions Act, 1962, and the schemes framed under the Act by our Company.
8. A certificate of registration dated December 19, 2006, issued by the office of the Commissioner of Service Tax, Service Tax Commissionerate, evidencing registration with the Central Excise department. This certificate is valid until cancelled.
9. A letter dated December 11, 2007, issued by the Assistant Commissioner of Labour for evidencing amendments to be made in the certificate of registration bearing reference number 63/2005-CNI dated September 28, 2005 under the Contract Labour (Regulation and Abolition) Act, 1970, for our Chennai office.
10. A letter bearing no. 46/109/2008-CL-III dated May 23, 2009 has been issued by the Under Secretary of India Ministry of Corporate Affairs evidencing modifications of the requirement of Part II of Schedule VI to the Companies Act, 1956. Section 211 (4) of the Companies Act, disclosure of quantitative details in compliance of Part II, Schedule VI to the Companies Act, 1956 shall not be applicable for the Company in respect of the financial years ending March 31, 2008, March 31, 2009 and March 31, 2010.

*C. Premises Specific Approvals*

1. A certificate of registration dated June 20, 2007, bearing no. N24Pgs/Bidhannagar (N)/P-II/1285 under the West Bengal Shops and Establishments Act, 1963 has been issued by the Registering Officer and is valid till June 20, 2010.
2. A certificate of registration dated March 16, 2007 bearing no. 78/VASAM/193/2002 under the Karnataka Shops and Commercial Establishments Act, 1961, has been issued by the Karnataka Labour department, and is valid till December 31, 2011.
3. A renewal certificate of registration dated May 29, 2005 bearing no. CH-IV/35/2007-08/394 under the Punjab Shops and Commercial Establishment Act, 1958, has been issued by the Inspector, Shops and Commercial Establishment and is renewed for the year 2009-10 .
4. A certificate of registration dated March 11, 2009 bearing no. CC 35-1011 has been issued by the Assistant Labour Officer under the Kerala Shops and Establishments Act, and is valid till December 31, 2009.

5. A certificate of registration dated January 1, 2009 bearing no. ACL/II/Hyd/154/08 has been issued by the Inspector under the Andhra Pradesh Shops and Establishment Act, 1988, and is valid till December 31, 2009.
6. A certificate of registration dated May 12, 2007 bearing no. 5/7478 has been issued by the Chief Officer under the Uttar Pradesh Shops and Commercial Establishments Act, 1962, and is valid till March 31, 2012.
7. A certificate of registration for the Mumbai (Andheri) branch office bearing no. 000804 has been issued by the Inspector under the Bombay Shops and Establishments Act, 1948, and is valid till December 16, 2009.
8. A certificate of registration under the Bombay Shops and Establishments Act, 1948, bearing no. BIL/EL/01/0002219 dated December 11, 2006, has been issued by the Deputy Municipal Commissioner, Ahmedabad Municipal Corporation, and is valid till December 11, 2016.
9. A certificate of registration for payment of professional tax dated April 10, 1997 bearing no. 2VI/PvD/PT/R-773/97-98 has been issued under the Tamil Nadu Tax on Professions, Trades, Callings and Employments Act, 1992 for the Chennai office and is valid till cancelled.
10. A certificate of registration for payment of professional tax dated May 28, 1997, for Mumbai branch office bearing no. K/E -11-8988 has been issued under the Bombay Shops and Establishments Act, 1948. This certificate is valid till December 31, 2009.
11. A certificate of enrolment for payment of professional tax dated February 11, 2002, bearing no. PJT/01/PT/ENT/No.1183/2001-2002, has been issued by the Commercial Tax Officer under the Andhra Pradesh State Tax on Professions, Trades, Calling and Employments Act, 1987.
12. A renewal certificate of registration for payment of professional tax for the Pune branch office under the Bombay Shops and Establishments Act, 1948, bearing no. 0151016 dated September 13, 2007, has been issued by the Officer, Government of Maharashtra. This certificate is valid till March 31, 2010.
13. A certificate of registration dated September 2, 2008 bearing no. ALO /IX/VSP/3301/2008, for the establishment at Vishakhapatnam issued by the Licensing Authority under the Andhra Pradesh Shops and Establishment Act, 1988. This certificate is valid till December 31, 2009.
14. A certificate for registration dated August 20, 2008 bearing no. EKN/BLR-3/78/VASAM-1401, for the establishment at Bangalore issued by the Licensing Authority under the Karnataka, Shops and Establishment Act, 1961. This certificate is valid till December 31, 2012.
15. A renewal certificate of registration originally dated May 13, 2008, bearing no. II-91-1076, for the Nagpur office under the Bombay Shops and Establishments Act, 1948, has been issued by the Officer, Government of Maharashtra, and is valid till December 31, 2009.
16. A letter dated June 30, 2008, bearing no. DI/Land/Permission/447/2007/C-2629 has been issued by the Directorate of Industries, evidencing permission to use only 106 out of the 225 acres of land applied for, for the purpose of industrial use as a tourism project at Satara in Maharashtra.

*D. Resort Specific Approvals*

(I) Resort in Binsar

1. A certificate of registration dated May 5, 2005, has been issued under S. 69 of the Finance Act, 1994, evidences that our resort has been registered with the Central Excise department for payment of service tax on facilities like the rent-a-cab, health club, convention hall and the mandap keeper's services.
2. A public performance license bearing no. CS/03/SR/96 dated February 15, 2009 has been issued to our resort by Phonographic Performance Limited for use of performance of sound recordings and is valid till February 14, 2010.
3. A certificate dated February 23, 2006, has been issued by the Regional Tourism Officer for the purpose of renewal of Sarai Act registration for our Company.
4. A license bearing no. 012-470/2003 dated January 12, 2003, has been issued by the Police Department for storage of fuel and is valid till cancelled.
5. A license bearing no. 11923A2005 under R. 7 of the Contract Labour (Regulation and Abolition) Act, 1970, has been issued to our Company permitting the employment of contract labour on the premises. The license is valid till cancelled.
6. A permit from the Gram Panchayat for expansion of the resort by 20 units.
7. A permit bearing no. 4238/Tees-Ajay/2001-2002 dated April 12, 2002, issued by the District Officer to utilise the generator and storage of 1000 litres of diesel.
8. A certificate dated May 19, 2001, has been issued by the Sales Tax Officer, evidencing the registration of our Company under the Uttar Pradesh Sales Tax Rules, 1948.
9. A license bearing no. 1012/NOC-470/2003 dated January 12, 2003, has been issued by the District Officer, Uttar Pradesh Pollution Control Board, registering our resort.
10. A no objection letter dated May 17, 2007, has been issued by the Zilla Parishad evidencing permission to operate and run the restaurant in the resort.
11. A letter bearing no. 561/SARAI/ACT/2007-09 dated November 16, 2007, has been issued by the Sarai Act Registration Officer, evidencing imposition of luxury tax on our resort.
12. A fire service license bearing no. NOC/FS/2008 dated April 23, 2009 has been granted to our Company. This license is valid until April 22, 2010.

(II) Resort in Coorg

1. A conversion order bearing no. 76: 02-03 dated November 20, 2002, issued by the Deputy Divisional Officer, Madikery sub-division, Madikery, Kodagu district, evidencing the conversion of agricultural land to non-agricultural land for purpose of commercial activity.

2. A no objection certificate dated October 28, 2002 has been issued by the Tourism department, Government of Karnataka, for sale of Indian Liquor on the premises. The license is valid till cancelled.
3. A certificate of registration dated December 12, 2006, has been issued under S. 69 of the Finance Act, 1994, evidences that our resort has been registered with the Central Excise Department for payment of service tax on facilities like the internet café, the input service distributor, the mandap keeper, beauty parlour, membership of the club/association, health club and fitness club and tour operator services. The validity extends till the purpose for which the certificate is taken is carried out by our Company.
4. A no objection certificate bearing no. GBC(1)42/2004 dated March 22, 2005 has been granted to our Company by the Karnataka State Fire and Emergency Services Act, 1985 for occupying the premises. The certificate is valid till cancelled.
5. A no objection certificate for safety bearing no. 05 dated April 7, 2005, has been issued by the office of Superintendent of Police, Karnataka Police and is valid till cancelled.
6. A license bearing no. P/SC/KA/15/1006(P121858) dated February 23, 2005, has been issued by the Deputy Controller of Explosives, Mangalore sub-circle office, under the Petroleum Rules, 2002, for the storage of petroleum. The license is valid till December 31, 2010.
7. A nomination of the kitchen executive which has been acknowledged by the Municipal Health Officer by its letter dated March 24, 2008. The nominated kitchen executive shall be responsible for commission of offence under the Prevention of Food Adulteration Act, 1954.
8. An approval dated October 5, 2005, from Senior Labour Inspector of the wage register and salary slip for maintaining legal records so that our Company could computerize records.
9. A certificate of registration bearing no. 325-L.T.47-2004-05 dated March 29, 2005, has been issued by the Assistant Commissioner of Luxury Tax, evidences that our resort is subject to luxury tax. This is valid until cancelled.
10. A value added tax registration certificate dated February 17, 2007 has been issued by the Commissioner of Commercial Taxes under the Karnataka Value Added Tax Act, 2003, registering the resort as a dealer under S. 22 of the rules.
11. A certificate of registration dated April 13, 2004 has been issued under the Central General Sales Tax Act, 1956, registering the resort as a dealer under the above Act.
12. A permit bearing no. KA/CC/663/STA dated February 24, 2005 has been issued by the Karnataka State Transport Authority permitting our resort to conduct contract carriage all throughout Karnataka for 33 persons, and is subject to certain conditions. This is valid until February 23, 2010.
13. A permit bearing no. KA/CC/1235/STA dated July 16, 2007 has been issued by the Karnataka State Transport Authority permitting our resort to conduct contract carriage all throughout Karnataka for 21 persons, and is subject to certain conditions. This is valid until July 15, 2012.

14. An approval for consent for discharge of emission/continuation of emission dated April 26, 2007, and a corrigendum dated April 25, 2008, has been renewed dated March 15, 2009 issued under S. 21 of the Air (Prevention & Control of Pollution) Act, 1981 by the Karnataka State Pollution Control Board. This is valid until June 30, 2008. The corrigendum extends the validity of the approval till December 31, 2009.
15. A membership certificate issued by the Kodagu District Chamber of Commerce and Economics certifying our resort to be a member of this Association and is entitled to all the privileges of membership.
16. A 5 star classification dated May 25, 2007 bearing no. 12-HRACC/(05)/06 has been issued by the Deputy Director General, Ministry of Tourism, Government of India and is valid till May 24, 2012.
17. A permit from the Member Secretary, Karnataka State Pollution Board, dated September 26, 2006, and bearing no. CPE/EIA-390/2006-2007 has been issued to our Company evidencing permission to expand the resorts by 84 units from 62 cottages to 180 cottages.
18. A memorandum bearing no. DLS/HSN/49/2007 dated May 4, 2007 has been issued by the Electrical Inspectorate, Government of Karnataka, evidencing commission of the D.G. set, as required by the Indian Electricity Rules, 1956.
19. A police clearance for fire on the premises bearing no. 42/2004 dated March 3, 2005, has been issued by the Karnataka Police department, renewed on November 2, 2006.
20. A license bearing no. EXE:IML:MDK: CL-6A: 1/2008-09 dated June 30, 2008, for the purpose of sale of Indian Liquor (other than Arrack) or Foreign Liquor, or both for drinking purposes in the premises along with meals and refreshments in the Hotel has been issued by the Deputy Commissioner of the Excise Department, Government of Karnataka, Kodagu District. This license is valid till June 30, 2009.
21. A certificate of musical works bearing no. GL: Kanai: 00001 dated April 1, 2009 for the authorization of public performance of all musical and literary works has been issued by the Indian Performing Right Society Limited under Section 33 (3) of the Copyright Act, 1957. This certificate is valid till March 31, 2010.
22. A certificate of verification dated March 11, 2009 bearing no. 839622 has been issued by the Government of Karnataka under the Standard of Weights and Measures (Enforcement) Act, 1985, verifying the weights and measures utilized at the resort. This certificate shall be valid till March 10, 2010.
23. A certificate of registration bearing no. 131:2004 granted under Section 7 (2) of the Contract Labour (Regulation and Abolition) Act, 1970 dated February 10, 2004 has been renewed dated February 2, 2009. The certificate is valid till January 31, 2010.
24. A no objection certificate bearing no. PH/NOC/21/09 dated May 20, 2009 issued by the Health Inspector, Kumily under Section 58 of the Travancore, Cochin PH Act, 1955 valid till May 19, 2010.

25. A license bearing no. 5/49/2008-09 dated June 30, 2008 issued by the Secretary, Kalaeri Nidyane Panchayat for renewal of the lodging certificate, the restaurant license, the bakery license and bar license for our Coorg resort.

(III) Resort in Dharamshala

1. A certificate of registration dated August 17, 2006 bearing no. KAN-CST-8445 (Central) has been issued under the Central General Sales Tax Act, 1956, registering the resort of our Company as a dealer under the above Act.
2. A certificate of registration dated August 17, 2006 bearing no. KAN-IV-10891 has been issued by the Assessing Authority under the Himachal Pradesh General Sales Tax Rules, 1968, registering the resort of our Company as a dealer under the above rules.
3. Certificate of registration under S. 69 of the Finance Act, 1994, has been issued by the Central Excise department for payment of service tax under the Service Tax Rules, 1994, evidences the payment of service tax on the health club and fitness centre in our resort.
4. A certificate of registration dated June 15, 2006 bearing no. 10/DSL/CLA/P/11/06 has been issued by the Labour department, Government of Himachal Pradesh under S. 7 of the Contract Labour (Regulation and Abolition) Act, 1970, has been granted to our Company.
5. A certificate of registration of tourism unit dated June 26, 2007 bearing no. DMA/HTL(Kgr)-9/2007-458, has been issued under the Himachal Pradesh Tourism Development & Registration Act, 2002, evidences our resort to be a tourism unit. This is valid till June 28, 2010.
6. A rate fixation order dated June 29, 2007 bearing no. 7-2/2006-DTO(DMA) has been issued by the District Tourism Development Officer, Tourism department, Government of Himachal Pradesh to our Company evidencing the bed capacity and rate of lodging in the resort.
7. A certificate of registration bearing no. KAN-LT-195 dated August 10, 2006, has been issued by the Excise and Taxation Officer-cum-Assessing Authority, Office of the Assistant Excise and Taxation Commissioner, evidences that our resort is subject to luxury tax under the Himachal Pradesh Tax on Luxuries (in Hotels and Lodging House) Act, 1979.
8. A letter dated September 21, 2006, has been issued from the Income Tax Department evidences the allotment of tax deduction account number to our resort.
9. An approval bearing no. HIMVINI/MahindraHolidays/2007-4973-76 dated July 23, 2007 has been issued from the Himachal Pradesh Electrical Inspectorate evidences the inspection and approval of electrical installations at our resort. This is valid until cancelled.
10. A certificate has been issued by the public health laboratory, Himachal Pradesh I & P.H. Department bearing lab.ref.no. E/PC-48/B-185 evidences that the water from the borewell in our resort is safe for drinking purposes. This is valid until cancelled.

11. A consent letter bearing no. HPSEP&PCB (293) Hotel Palace Heights–Dharamshala–Kangra/2007-5557-59 dated March 30, 2007, has been issued by the Himachal Pradesh State Environment Protection and Pollution Control Board for the purpose of and under provisions of the Water (Prevention and Control of Pollution) Act, 1981. This consent letter has been renewed till March 31, 2010.
12. A license bearing no. 971/07 dated August 22, 2007, has been issued by the Block Medical Officer under the Prevention of Food Adulteration Act, 1954. This license was renewed on June 6, 2009 and is valid till March 31, 2010.
13. A public performance license bearing no. 13/D/31192/2 has been issued to our resort by Phonographic Performance Limited for use of performance of sound recordings with effect from November 27, 2008 till November 26, 2009.
14. A certificate of verification dated June 1, 2007 bearing No. 79920 and renewed on May 27, 2009, by certificate bearing no. 00033164, has been issued by the Government of Himachal Pradesh under the Standard of Weights and Measures (Enforcement) Act, 1985, verifying the weights, measures belonging to our Company for our Dharamshala resort. This is valid till May 26, 2010.

(IV) Resort in Goa

1. A certificate of registration dated December 6, 1999, has been issued under S. 69 of the Finance Act, 1994, evidences that our resort has been registered with the Central Excise Department for payment of service tax on facilities like beauty parlour, business auxiliary service, internet café, tour operator service, health club and fitness centre and the mandap keeper's services. The certificate shall remain valid till the purpose for which the certificate is taken is being carried out.
2. A public performance license bearing no. 13/M/4984/3 has been issued to our resort by Phonographic Performance Limited for use of performance of sound recordings with effect from February 15, 2009 till February 13, 2010.
3. An occupancy certificate bearing no. VP/VAR/2003-2004/585 dated October 10, 2003 has been issued by the Secretary, Office of the Village Panchayat.
4. A license to import and store petroleum in installation bearing no. P/WC/GA/15/5(P36955) dated November 2, 1999, has been issued by the Chief Controller of Explosives, Petroleum and Explosives Safety Organisation, Ministry of Commerce and Industry, Government of India, and is valid till December 31, 2009.
5. A license bearing no. DFDA/PFAA/SAL/2451/Mfg/99 dated December 26, 2000, has been issued under Rule 5 of the Goa, Daman and Diu Prevention of Food Adulteration Rules, 1982, and is valid till December 31, 2010.
6. A registration certificate of establishment bearing no. S&E/III/MRG/Y2K/12 dated June 29, 2001, under Goa, Daman and Diu Shops and Establishment Rules, 1975, has been issued by the Labour Inspector and is valid till December 31, 2010.
7. A certificate of registration bearing no. DLC/SG/CL/(R-228)/2000 dated February 22, 2009, has been issued by the Deputy Labour Commissioner under

Rule 20 of the Contract Labour (Regulation and Abolition) Rules. This is valid until December 31, 2009.

8. A certificate of registration for a dealer having only one place of business in the state of Goa bearing No. M/8330 dated November 4, 1997, has been issued under S. 11 of the Goa Sales Tax Act, 1981, and is valid until cancelled.
9. A certificate of registration of users of Weights and Measures bearing no. SM/1246 dated February 13, 2009 has been issued by the Inspector, Legal Metrology under S. 17 of the Standards of Weights and Measures (Enforcement) Act, 1985, and is valid till February 12, 2010.
10. A certificate of registration bearing no. MRG/GTL/66 dated November 14, 1999, has been issued by Luxury Tax Office, under S. 9 of the Goa Tax on Luxuries (Hotels and Lodging Houses) Act, 1988. This is valid until cancelled.
11. A certificate of registration bearing no. GST-KUL-III-2739 dated October 4, 2004 has been issued under Rule 6 of the Central Sales Tax Act, 1956, by the Sales Tax Officer, evidences that our resort has been registered as a dealer under the above rules. This certificate is valid until cancelled.
12. A license for the public performance of musical works bearing license no. GL:GOA:00077 dated February 1, 2009 has been issued by the Indian Performing Right Society Limited, and is valid to January 31, 2010.
13. A fire certificate bearing no. DFS/FP/FC/08-09/1806 dated February 18, 2009, has been issued by Director, Fire and Emergency Services for fire safety precautions/arrangements and is valid till December 22, 2009.
14. A 5 star classification dated March 23, 2007 bearing no. 14-HRACC/(03)/06 has been issued by the Deputy Director General, Ministry of Tourism, Government of India and is valid till March 23, 2012.
15. A no objection certificate dated February 19, 2009, has been issued by Director, Fire & Emergency Services, for storage of LPG cylinders in the designated area, and is valid till December 22, 2009.
16. A construction license bearing no. VP/VAR/2000-2001/11 dated June 21, 2006, has been issued by the office of Village Panchayat, for construction of hotel-cum-resort on the designated area, and will expire on June 21, 2009.
17. A registration certificate for an employer bearing no. GOA/CCT/11/TDS/58 dated October 20, 2008, evidencing the TIN number of our Company and nature of works contract, issued by the Commercial Tax Officer, Government of Goa. The validity of registration certificate is from July 30, 2008 to March 31, 2011.
18. A sanad dated July 30, 1999 having no SDO/SAL/Conv-279/97/2807 issued by the Office of the Deputy Collector and Sub-Divisional Officer Quepem certifying permission to use the survey no. 176/1 at Varca, Goa by our Company.
19. A memorandum bearing no. 140/2/00-01/CEE/TECH/3483 dated February 5, 2002 has been issued by the Chief Electrical Engineer, Government of Goa, evidencing commission of the generating set, as required by the Indian Electricity Act, 1948.

20. A consent bearing no. 5/1121/97-PCB/2851 dated July 21, 2008 has been issued by the Member Secretary, Goa State Pollution Control Board under Section 25 of the Water (Prevention & Control of Pollution) Act, 1974, as amended. This consent is valid for the operation of the resort with 205 rooms till May 19, 2010.
22. A confirmation dated March 6, 2008 bearing no. 6/504/00-PCB/6381 from the Member Secretary, Goa State Pollution Control Board of inspection of the resort on March 18, 2008 for renewal of consent to operate. The consent is valid till May 19, 2010.
23. A challan confirming renewal of registration bearing no. 001661 dated May 29, 2009 under the Tourist Trade Act, 1982 for the year 2009-2010.
24. A challan bearing no. 1766 dated March 26, 2009 evidencing the payment of license fee for the financial year 2009-2010 for retail sale of Indian and foreign liquor.
25. A challan bearing no. 1768 dated March 26, 2009 evidencing the payment of license fee for the financial year 2009-2010 for license of our premises.

(V) Resort in Kodaikanal

1. A challan bearing no. 2998 dated February 25, 2007, evidencing the renewal of the lodging registration of our resort.
2. A no objection certificate dated January 19, 2004, evidencing the operation of the restaurant not being contrary to the Prevention of Food Adulteration Act, 1955.
3. A fire service license bearing no. 276/2009 dated March 26, 2009, has been issued by the Divisional Officer, Fire and Rescue Services, under the Tamil Nadu Fire Service Act, 1985. This license is valid until March 25, 2010.
4. A letter bearing no. IV/16/58/2004 STU dated May 12, 2005, has been issued by the Assistant Commissioner of Central Excise, evidencing the service tax code number of our Company.
5. A public performance license bearing no. 13/M/41029 dated November 22, 2008 has been issued by Phonographic Performance Limited, authorising performance of all sound recordings controlled by Phonographic Performance Limited. This license is till November 21, 2009.
6. A certificate of registration bearing no. IS 02/HFC/2005 dated April 25, 2005, evidencing our resort as being registered with the Central Excise department for payment of service tax on services of health club and fitness centre.
7. A challan dated August 7, 2007, evidencing the payment of VAT tax under the Tamil Nadu Value Added Tax Rules, 2007.
8. A certificate of registration dated January 1, 2007, has been issued by the Commercial Tax Officer evidencing the VAT number of our Company under the Tamil Nadu Value Added Tax Act, 2006, having effect from January 1, 2007.

(VI) Resort in Manali

1. An approval to purchase the Timber Trail Manali Resort by the Government of Himachal Pradesh by letter no. R.V.F. (10) – 32 / 2005 Part – II dated October 27, 2006. The approval specifies that property must be used only as a hotel and not for any other purpose.
2. A certificate of registration bearing no. GST-KUL-III-2739, has been issued under R. 6 of the Himachal Pradesh General Sales Tax Rules, 1968, evidences that our resort has been registered as a dealer under the above rules.
3. A certificate of registration dated August 3, 2005 bearing no. 2482 has been issued by the Assessing Authority, Kullu District, under the Central General Sales Tax Act, 1956, evidences the resort of our Company being registered as a dealer under the above Act. This is valid until cancelled.
4. A certificate of registration bearing no. LT-KUL-394 dated October 12, 2004, evidences that our resort is subject to luxury tax has been issued under the Himachal Pradesh Tax on Luxuries (in Hotels and Lodging House) Act, 1979. This is valid until cancelled.
6. A certificate of registration dated August 8, 2005, has been issued under S. 69 of the Finance Act, 1994, evidences that our resort has been registered with the Central Excise department for payment of service tax on facilities like the cab operators, health club and fitness centre, convention hall and the mandap keeper's services.
7. A public performance license bearing no. 13/M/4984/5 dated February 15, 2009 has been issued to our resort by Phonographic Performance Limited for use of performance of sound recordings with effect from February 15, 2009 and is valid till February 14, 2010.
8. A certificate of registration dated August 14, 2006 bearing no. L0/M2/CLA/PE/131/06 has been issued by the Labour department, Himachal Pradesh Government under S. 7 of the Contract Labour (Regulation and Abolition) Act, 1970.
9. A certificate of registration of tourism unit dated August 29, 2006 bearing No. 3-17/98-KLU-TD-1519, has been issued under the Himachal Pradesh Tourism Development & Registration Act, 2002, which evidences our resort to be a Tourism Unit. This is valid till August 28, 2009.
10. A challan evidencing payment of fees evidences our resort to be a member of the Manali Hoteliers Association for the year 2009-2010.
11. A permit from the Grameen Rajsyaadhikari dated September 1, 2007, for expansion of the resort by 18 units.
12. An order bearing no. 3-17/98-KLU-TD-1519 dated August 28, 2006, has been issued by the office for the District Tourism Development evidencing the change in registration of the resort from the previous owner to our Company and evidencing the change in name of the resort.

13. A license dated March 30, 2009, has been issued by the Himachal Pradesh State Environment Protection and Pollution Control Board, for renewal of license till 2012.
14. A license bearing no. 391 dated June 8, 2009 has been issued for the renewal of license bearing no. 855 dated March 13, 2008, has been issued by the Block Medical Officer for the manufacture for sale/wholesale retail sale of food at the resort under the Prevention of Food Adulteration Act, 1955. This license is valid until March 31, 2010.
15. A certificate of verification dated August 27, 2008 bearing no. 0020363 has been issued by the Government of Himanchal Pradesh under the Standard of Weights and Measures (Enforcement) Act, 1985, verifying the weights, measures belonging to the Manali resort. It is valid till August 26, 2009.
16. A license for the public performance of musical works bearing license no. CS/02/MW/ 96 has been issued by the Indian Performing Right Society Limited, and is valid till March 31, 2010.

(VII) Resort in Munnar

1. A license bearing no. IDK-25/07-08, for the sale of foreign liquor at our resort has been issued by the Assistant Excise Commissioner.
2. A certificate of registration dated April 4, 2006, has been issued under S. 69 of the Finance Act, 1994, evidences that our resort has been registered with the Central Excise Department for payment of service tax on facilities like the internet café, the mandap keeper, beauty parlour, health club and fitness club and tour operator services.
3. A fire and safety license bearing no. GO-9989/99 dated February 29, 2007 has been issued by the Commander General (Home Safeguard and Defense). This license is valid till cancelled.
4. A no objection certificate bearing no. GI-8600/05 dated July 7, 2005 has been granted to our Company by the Director (Technical) for Commandant General of the Fire and Rescue Services, Trivandrum, for occupying the premises.
5. A public performance license bearing no. CS/03/SR/96 has been issued by the Phonographic Performance Limited to our Company, with effect from February 14, 2009 and valid till February 14, 2010.
6. A license for the public performance of musical works bearing license no. GL:MUN:0002 has been issued by the Indian Performing Right Society Limited, and is valid till March 31, 2010.
7. A license to import and store petroleum in installation bearing no. P/SC/KL/15/1048(P36975) dated August 10, 1999 has been issued by the Deputy Chief Controller of Explosives, Department of Explosives, Ministry of Commerce and Industry, Government of India, and renewed on January 15, 2008. This license is valid till December 31, 2010.
8. A nomination of the senior manager of the resort to be responsible for the conduct of the business and be responsible for all offences relating to the Prevention of Food Adulteration Act, 1954, which has been accepted by the District Food Inspector by letter dated February 19, 2007.

9. A license to manufacture food for sale/stock, exhibit for sale and to sell/distribute food bearing no. 5/2009-10 dated April 6, 2009, issued by the Secretary, Chinnakanal Gram Panchayat. This license is subject to the provisions of the Prevention of Food Adulteration Act, 1954 and is valid till March 31, 2010.
10. A certificate for registration bearing no. KCL.R.1/99 dated December 15, 2008 has been issued by the District Labour Officer under S. 7 of the Contract Labour (Regulation and Abolition) Act, 1970, and renewed on December 14, 2007. This certificate is valid till December 31, 2009.
11. A certificate of registration dated May 24, 2007, has been issued under S. 16 of the Kerala Value Added Tax Act, 2003 by the Assistant Commissioner, Sales Tax Office.
12. A certificate of registration bearing no. 23035837/3.6.97 dated November 19, 1997, has been issued by the Assistant Commissioner, Sales Tax Office, under the Central Sales Tax (Registration and Turnover) Rules, 1957.
13. A no objection certificate dated March 21, 1998, has been issued by the Chinnakanal Gram Panchayat to establish a generator set and boiler.
14. A letter dated March 25, 1998, has been issued by the Chief Area Manager, evidencing the release of non-domestic LPG connection.
16. A no objection certificate bearing no. 5/2007-08 dated April 2, 2007, has been issued by the Chinnakanal Gram Panchayat to run a hotel, restaurant, lodging house, laundry service and bar.
17. A sanction order bearing no. B1-1916/98/EII dated May 26, 1999, has been issued by the Electrical Inspector, evidencing the sanction for energisation under the Indian Electricity Rules, 1956, for commissioning the equipment specified in the order.
18. A certificate bearing no. LTAD/I dated January 7, 2000, has been issued by the Commercial Tax Officer (WC & LT), evidencing the registration of our resort.
19. A license bearing no. CHHI/22/98 dated December 15, 2003, and renewed on December 10, 2008, has been issued under the Kerala Shops and Establishments Act and is valid till December 31, 2009.
20. A certificate dated August 21, 2008 issued by Director, Department of Tourism, Kerala certifying the award of Green Leaf classification and is valid till August 21, 2011.
21. A certificate of verification bearing no. TN 536 dated July 1, 2009 has been issued by the Government of Tamil Nadu under the Standard of Weights and Measures (Enforcement) Act, 1985, verifying the weights, measures belonging to our Company. This is valid till June 30, 2009.

(VIII) Resort in Ooty (Sheddon Lodge)

1. A certificate of registration bearing no. EI/NLG/211/20008 issued on February 13, 2008, by the Department of Electrical Inspectorate and Electricity Tax, Government of Tamil Nadu under R. 5 of Tamil Nadu tax on consumption or sale of electricity Act, 2003 for captive generating plants. This certificate is valid for a period of 3 years from date of registration.
2. A public performance license bearing no. PPL/S/08-09 has been issued by the Phonographic Performance Limited to our Company, and is valid from November 22, 2006 to November 21, 2007, and renewed by letter dated November 22, 2008, till November 21, 2009.
3. A no objection certificate has been issued from the Municipal Health Officer dated March 3, 2007 certifying the hygiene and sanitation of the resort, the garbage clearance and the health of the staff.
4. A license for industries and factories bearing no. 11138 has been issued by the Ooty Municipality to our Company for prevention of food adulteration and is valid till March 31, 2009.
5. A certificate of verification dated April 28, 2008 bearing no. TN 536 has been renewed dated April 24, 2009 issued by the Government of Tamil Nadu under the Standard of Weights and Measures (Enforcement) Act, 1985, verifying the weights, measures belonging to our Company. This is valid till April 27, 2010.
6. A certificate of registration dated January 17, 2005 bearing no. 05/2004/HFC has been issued under S. 69 of the Finance Act, 1994, with the Central Excise department for payment of service tax under the Service Tax Rules, 1994, for services of health club and fitness centre.
7. A license dated May 15, 2007, for keeping a video library, has been issued by the Section Officer, Collectorate with effect from July 5, 2007 and is valid till cancelled.
8. A certificate of registration dated January 1, 2007, has been issued by the Commercial Tax Officer, Commercial Taxes Department, Government of Tamil Nadu under the Tamil Nadu Value Added Tax Act, 2006, evidencing our Company as a dealer under the provisions of the Act.
9. A letter bearing no. EI/OOTY/R47-A/MV CEN/E20/2005 dated January 1, 2005, has been issued by the Electrical Inspector, Electrical Directorate, Government of Tamil Nadu, evidencing the approval of installation of D.G. set.
10. A certificate dated July 11, 2008 bearing no. 193/2008 issued by the Divisional Officer, Fire and Rescue Services evidencing the license for running resorts in the name of Mahindra Holidays and Resorts India Limited, Ooty at Sheddon Road under Section 13 of the Tamil Nadu Fire Service Act, 1985. The license is valid till July 11, 2009.
11. A license An application dated March 11, 2008, has been made to the Secretary, Kalaeri Nidyane Panchayat, requesting for renewal of the lodging certificate, the restaurant license, the bakery license and bar license for our Coorg resort for the year of 2008-2009. bearing no.

AE/OEM/ETR/Ooty/F/NT/057/08-09 dated December 12, 2008 for the purpose of electricity service connection issued by the Assistant Engineer, Tamil Nadu Electricity Board.

(IX) Resort in Kumbalgarh

1. A conversion order dated April 24, 2007, issued by the District Collector evidencing the conversion of agricultural land to non-agricultural land.
2. A no objection certificate dated November 20, 2006, has been issued by the Village Panchayat Sarpanch evidencing the construction of the resort on agricultural land.
3. A permit from the Sarpanch, Gram Panchayat for expansion of the resort by 17 units.
4. A certificate of registration bearing no. 08091257429 has been issued, evidencing the resort to be registered as a dealer under the Central Sales Tax Act, 1956, having effect from December 22, 2006. This certificate is valid until cancelled.
5. A registration certificate bearing no. 08091257429 has been issued, evidencing the resort to be registered under the Rajasthan VAT Act, 2003, having effect from October 1, 2005. This certificate is valid until cancelled.
6. A certificate of registration bearing no. RET/3047/N/632 dated April 17, 2007, has been issued by the Commercial Tax Officer, evidencing the registration of the resort under the Rajasthan Tax on Entry of Goods into Local Areas, 1999, having effect from April 1, 2007. This certificate is valid until cancelled.
7. A letter bearing no. 5-TH-I(70)/07 dated September 21, 2007, has been issued by the Assistant Director (H&R), Ministry of Tourism, Government of India, approving the project under 5-star category.
8. A consent to establish bearing no. F12(30-574)/RPCB/GR-II/10295 dated January 19, 2007, has been issued by the Rajasthan Pollution Control Board, evidencing consent to establish and expand the resort from 21 rooms to 53 rooms.
9. A no objection certificate dated January 19, 2007, issued by the Patwari laying down the water supply line from existing source near lake to the resort.
10. A letter bearing no. 10 dated December 1, 2006, from Public Works Department, evidencing no objection to the resort.
11. A certificate of registration bearing no. 3047/8/2007-2008 dated August 31, 2007, issued by the Luxury Tax Officer, registering our Company as a Hotelier under the Rajasthan Tax on Luxuries (in Hotels and Lodging Houses) Act, 1990. This certificate has effect from April 1, 2007.
12. A grant of permission bearing no. EI/KOTA/PP/D160 dated February 28, 2008, issued by the Electrical Inspector under the Indian Electricity Rules, 1956, extending the permission to January 1, 2011.
13. An approval bearing no. A/P/NC/RJ/15/1310 (P209809) dated March 5, 2008, issued by the Chief Controller of Explosives, Petroleum and Explosives Safety

Organisation, Ministry of Commerce and Industry, Government of India, approving the petroleum class B installation at the resort.

14. A license bearing no. 1489 issued by the Chief Medical & Health Officer, authorising the manufacture/sale of food and soft drink products in the restaurant and hotel of the Kumbalgarh resort for the year 2008. This license is valid till December 31, 2009.
15. An approval of consent bearing no. F.12 (30-574) RPCB/Gr II/2296 dated August 27, 2008 has been certified by the Senior Environmental Engineer, Rajasthan State Pollution Control Board evidencing grant of consent to operate the resort under the provisions of Section 25-26 of the Water (Prevention & Control of Pollution) Act, 1974 and Section 21 of the Air (Prevention & Control of Pollution) Act, 1981. This license is valid until cancelled.
16. A nomination of person by the Company dated May 26, 2008 has been made by the Company and accepted by the officer under the Prevention of Food Adulteration Act, 1954, nominating Mr. Koushik Pandit for offences committed under the said Act.
17. A no objection certificate bearing no. Fire/08-09/13 dated May 6, 2008 has been issued by the Fire Fighting Officer, Municipality Udaipur, Rajasthan. This certificate is valid until cancelled.
18. A certificate of registration dated September 2, 2008, issued by the Inspector under the Standard Weights and Measures (Enforcement) Act, 1985, evidencing the verifications of the weights and measures used at the resort. This certificate is valid until cancelled.

(X) Proposed Resort in Tungi

1. The Development Commissioner (Industries), Directorate of Industries, has granted permission under S. 63 IA of the Bombay Tenancy and Agricultural Lands Act, 1948 to our Company to purchase agricultural land for holiday resort-cum-hotel complex vide order no. DI/Land/Permission/286/2005 dated December 16, 2005 upon specified conditions.
2. A permit dated December 4, 2006, from the Member Secretary, Maharashtra Pollution Control Board has been given to our Company, evidencing consent to operate under S. 25 of the Water (Prevention and Control of Pollution) Act, 1974, and under S. 21 of the Air (Prevention and Control of Pollution) Act, 1981, and evidencing authorisation under R. 5 of the Hazardous Wastes (Management and Handling Rules), 1989.
3. A letter dated March 20, 2006, has been issued by the Tungi Village Panchayat, evidencing the development of the property as a hotel.

(XI) Resort in Puducherry (formerly Pondicherry)

1. A letter bearing No. 2241-2/Tourism/TIA/2004 dated December 5, 2006 from the Director of Tourism, Government of Puducherry (formerly Pondicherry) stating no-objection for the construction of tourist beach resort at R.S.no. 200 pt, 201 pt and 205 pt at Manapet Village, Bahour Commune, Puducherry (formerly Pondicherry).

2. A letter bearing No. 11-12/2007-IA-III dated March 15, 2007, from the Additional Director, Ministry of Environment and Forests, under the Coastal Regulation Zone Notification, 1991, granting environmental clearance to the project.
3. A permit dated August 28, 2007 bearing no. PPA/1757/3199/SB-3/2(Manapet)/2006 has been issued to our Company by the Member Secretary, Puducherry (formerly Pondicherry) Planning Authority, evidencing permission to make a two-storeyed building.
4. A value added tax registration certificate dated September 27, 2007, has been issued by the Deputy Commercial Tax Officer, Commercial Taxes department, Puducherry (formerly Pondicherry), evidencing our resort to be registered under the Puducherry Value Added Tax Ordinance, 2007.
5. A letter bearing no. 967/ED/AEE-EHU/F.21/2006-07 dated March 26, 2007, has been issued by the Superintending Officer, Electricity department, Government of Puducherry (formerly Pondicherry) extending the power supply to the proposed resort for the maximum demand of 1000 KVA.
6. A letter bearing no. 5-TH-I(63)/07 dated September 21, 2007, has been issued by the Assistant Director, Ministry of Tourism, Government of India, approving the project of the proposed resort under 5-star category.
7. An acknowledgement letter bearing no. 6137/SIA/IMO/2006 dated December 19, 2006, has been issued by the Secretariat of Industrial Assistance, Ministry of Commerce and Industry, for construction of the beach resort.
8. A no objection certificate bearing no. 1-13/6673/Ind&Com/A6/2006 has been issued by the Directorate of Industries and Commerce, Government of Puducherry (formerly Pondicherry), for obtaining power load for the proposed beach resort.
9. A renewal certificate bearing no. 7742 dated December 18, 2008, renewing the certificate of registration bearing no. 7169/LAB/AIL/H/2007 dated September 12, 2007, has been issued by the Assistant Inspector of Labour under the Contract Labour (Regulation and Abolition) Act, 1970, permitting the employment of a maximum number of 250 contract labours on the premises. The certificate is valid until the unit takes new contractors.
10. A no objection letter bearing no. 644/Agri/SLUB/2006-07/K/471 dated February 6, 2007 has been issued by the Department of Agriculture, State Land Use Board, Government of Puducherry evidencing the conversion of 12.17 acres of property from agricultural to non-agricultural land.
11. A certificate bearing no. CST: 34180009870 dated September 24, 2007 has been issued by the Deputy Commercial Tax Officer, Commercial Taxes Department, Puducherry certifying that the resort has been registered as a dealer under Section 7(1)/(2) of the Central Sales Tax Act, 1956. This certificate is valid until cancelled.
12. A license bearing no. 15/2008-09/BCP/CI(Lic.)/Vol.IX dated July 14, 2008, has been issued by the Commissioner, Bahour Commune Panchayat authorising the Company to carry on business at the resort subject to certain conditions. The license is valid until cancelled.

13. A license bearing no. 13/2008-09/BCP/CI(Lic.)/Vol IX dated June 19, 2008 has been renewed dated March 13, 2009 issued for the setting up of a restaurant for diesel oil tank, maintaining of public health, preparation of vegetarian and non-vegetarian food by Commissioner, Bahour Commune Panchayat, Pondicherry. The license is valid till March 31, 2010.
14. A no objection letter dated April 28, 2004 issued by the Divisional Fire Officer, evidencing no objections to issue of occupancy at the resort in relation to fire service.
15. A registration certificate bearing no. 7742 dated June 6, 2008 has been renewed dated January 1, 2009 and issued by the Assistant Inspector of Labour Pondicherry renewing the approval for shop/establishment under applicable law. The certificate is valid till March 31, 2010.
16. A license bearing no. 12/2008-09/BCP/CI(Lic.)/Vol IX dated June 18, 2008 has been renewed dated March 13, 2009 issued by Commissioner, Bahour Commune Panchayat, authorising lodging and boarding at the resort. The license is valid till March 31, 2010.
17. A certificate bearing no. PPA/1402/Z (SB/2)/2009 dated May 15, 2009 evidencing occupancy certificate and completion of construction of a part of our resort building has been issued by Member Secretary, Planning Authority, Puducherry.

(XII) Resort in Ashtamudi

1. A certificate of registration dated May 24, 2007 bearing no. 12406 has been issued by the Assistant Commissioner, Commercial Tax. An application dated March 11, 2008, has been made to the Secretary, Kalaeri Nidigane Panchayat, requesting for renewal of the lodging certificate, the restaurant license, the bakery license and bar license for our Coorg resort for the year of 2008-2009. axes, Ernaculam under the Kerala Value Added Tax Rules, 2005. This certificate is valid until cancelled.
2. A certificate of registration under Section 69 of the Finance Act, 1994 dated March 26, 2008 by the Superintendent, Office of the Central Excise, Government of India, Ministry of Finance (Department of Revenue), Office of the Superintendent of Central Excise certifying the undertaking to comply with Chapter V of the Finance Act, 1994.
3. A certificate of registration dated June 23, 2008 bearing no. L.T. 165/08-09 renewed dated December 10, 2008 issued by the Commercial Tax Officer, Works Contract & Luxury Tax, Civil Station, Kollam under Kerala Tax On Luxuries Act, 1976 evidencing that Sri/Smt Sivakumar, the holder of the power of attorney of Mahindra Holidays & Resorts India Limited, Kollam is registered under the Kerala Tax On Luxuries Act, 1976.
4. A certificate of inspection of steam motor boats bearing no. CIB 1255 dated March 23, 2009, for the use of motor boat vessel. This certificate is valid till September 19, 2009.
5. A license bearing no. CP/511/2008 dated July 17, 2008 has been issued under the Kerala Shops & Establishment Act, 1960 by the Assistant Labour Officer. The license is valid till December 31, 2009.

6. A license bearing no. KQN/281/09-10 dated January 8, 2009 has been issued to our resort by the Canal Officer, Ashtamudi, permitting the use of all boats except ferries. This license is valid till September 31, 2009.
7. A letter bearing no. 51-51826-101/S.R.O. Kollam dated July 29, 2008, has been issued by the sub-regional office of the Employees' State Insurance Corporation, evidencing registration of our resort with respect to employees' state insurance.
8. A receipt bearing no. 59920 dated July 30, 2008, has been issued by the Gram Panchayat, permitting the resort to run an ayurveda centre and sale of medicines subject to the Prevention of Food Adulteration Act, 1954. This receipt is valid until August 20, 2009.
9. A receipt dated July 30, 2008, has been issued by the Grama Panchayat, evidencing the payment of professional tax. This receipt is valid until July 20, 2009.
10. A license bearing no. G1-13201/08 dated December 28, 2009 for guidelines for fire fighting arrangements issued by Fire and Services Headquarters, Thiruvananthapuram.
11. A license bearing no. 98/Kollam dated October 13, 2008 has been issued by the Kerala State Pollution Control Board, Kollam.

(XIII) Resort in Masinagudi

1. A certificate of registration bearing no. 388 dated February 9, 2009 in respect of catering establishment. The certificate will be valid till December 31, 2009.
2. A certificate dated March 24, 2008 has been issued by the Commercial Taxes Department, Government of Tamil Nadu evidencing registration under the Tamilnadu Value Added Tax Act, 2006.
3. An NOC bearing no. 13531/C1/2008 dated August 21, 2008 has been issued by the Tamil Nadu Fire and Services. The NOC is valid from September 1, 2008 to August 30, 2009.
4. A challan bearing no. TNLT 785266 dated March 30, 2009 evidencing payment of money under Tamilnadu General Sales Tax act, 1959. The permission is valid till March 31, 2010.
5. A certificate bearing no. 3674/H6/08 dated September 8, 2008 evidencing a sanitary certificate for lodging and resorts issued as required under the Tamil Nadu Health Act, 1939 by the Block Health Inspector.

(XIII). Resort in Thekkady

1. A license for public performance bearing no. 13/M/41137 dated January 1, 2009 has been issued to the restaurant at the resort issued by the Phonographic Performance Limited. The license is valid till December 31, 2010.
2. A certificate of registration dated October 14, 2008, has been issued under S. 69 of the Finance Act, 1994, evidences that our resort has been registered with the Central Excise department for payment of service tax on facilities

like the rent-a-cab, health club, convention hall and the mandap keeper's services.

3. A license bearing no. A2 201/2009-10 (B) dated April 1, 2009 issued by the Special Grade Secretary, Kumily Gram Panchayat for laundry services valid till December 31, 2009.
4. A license bearing no. A2 201/2009-10 dated April 1, 2009 issued by the Special Grade Secretary, Kumily Gram Panchayat for resort and restaurant services valid till March 31, 2010.
5. A license bearing no. A2 203/2009-10 dated April 1, 2009 issued by the Special Grade Secretary, Kumily Gram Panchayat for diesel contract services valid till March 31, 2010.
6. A license bearing number KLY 1317/08 dated October 29, 2008 under the Kerala Shops and Establishment Act, 1960 valid till December 31, 2009.
7. A challan dated April 21, 2009 from the Commercial Tax Officer for payment of taxes evidencing payment of renewal fee.
8. A renewal certificate dated February 28, 2009 bearing no, PCB/HO/IDK/ICO/2/99 for clearance from the Kerala State Pollution Control Board. This renewal is valid till June 30, 2012.

(XIII) Resort in Theog

1. A certificate bearing no. N.O.C. Vol 1, 2009 dated March 25, 2009 evidencing permission for purchasing land for establishment of tourism unit issued by the Conservator of Forests, Shimla.
2. A no objection certificate bearing no. TES/NOC/907 dated March 3, 2008 has been issued by the Himanchal Pradesh State Electricity Board.

**Pending Approvals**

1. An application dated December 1, 2006 has been filed before the Chairman, Coastal Regulation Zone, Kerala, for expansion of our Company's resort in Ashtamudi by 58 units.
2. An application dated October 25, 2007, has been filed before the Weights and Measurement Science Officer, for registration of our Binsar resort and for issue of a certificate evidencing the use of three digital weighing scales at our resort.
3. An application bearing no. LL/BLG/M-001 dated September 30, 2007, has been filed before the Assistant Labour Commissioner for renewing the contract labour license for our Coorg resort.
4. An application dated April 30, 2008 has been made for our Binsar resort to the Uttaranchal Environment Protection and Pollution Control Board, Dehradun, for renewal of consent to operate under Section 21 of the Air (Prevention and Control of Pollution) Act, 1981.
5. An application dated December 3, 2007 for authorizing the application to install LIG/HSD Facility at Club Mahindra Fort Kumbalgarh was made to the District Collector, Rajasamand District, Rajasthan.
6. An application dated December 3, 2007, has been made to the District Collector, requesting for authorisation to install LIG/HSD storage facility at our Kumbalgarh resort.

7. An application dated December 10, 2007, has been made to the Superintendent of Police, requesting for consent letter for commencement of operation at our Kumbalgarh resort.
8. An application dated March 5, 2009, has been made for renewal of the no objection certificate bearing no. HOM (FS) (HQ) 6.10/76-XL-Sm1, NOC-6339-40 dated May 15, 2007 issued to our Company by the Directorate of Fire Services, Himachal Pradesh for our Dharamshala resort.
9. An application dated August 10, 2008, for renewal of the 5 star classification dated May 21, 2007 bearing no. 26-HRACC/(05)/03 has been made to the Additional Director General, Ministry of Tourism for our resort at Munnar.
10. An application dated September 3, 2008, has been made to the Foreign Investment Promotion Board for its approval for the proposed allotment of Equity Shares of Rs. 10 each to foreign investors in the Issue for cash at a premium. The Foreign Investment Promotion Board acknowledged the receipt of the application on September 22, 2008.
11. An application dated September 2, 2008 for renewal of consent bearing no. PCB/A/R3/1004/2008 issued earlier by the Environment Engineer, Kerala State Pollution Control Board has been made to the Assistant Environmental Engineer.
12. An application for renewal for LPG storage license bearing no. 0005238 dated February 28, 2009 has been made by our Company to the Ooty Municipality.
13. An application for renewal dated February 28, 2009 has been made for renewal of PFA license bearing no. 18531 for food and beverages by our Company to the Ooty Municipality and the licensee fee has been adequately paid.
14. An application for renewal for trade and license bearing no. 18533 dated February 28, 2009 has been made by our Company to the Ooty Municipality and the license fee for the year 2009-2010 has been adequately paid.
15. An application dated January 1, 2009 for the renewal of a bar license bearing no. 14/01/09 no. 167 has been made for resort at Dharmashala.
16. An application dated March 26, 2009 for the renewal of a license bearing no. Rs/FCL/1707 issued by the Excise Inspector, Department of Excise, and Government of Goa evidencing the license for retail sale of /Indian made foreign liquor/country liquor for consumption on the premises has been made.
17. An application dated March 26, 2009 bearing no. RS/FCL/1707 has been made to the the Collector (Excise)-cum-Deputy Excise and Taxation Commissioner, North Zone, under the Punjab Excise Act, 1914 and Himachal Pradesh Liquor License Rules, 1986, evidences the wholesale and retail sale of foreign imported liquor in the premises owned by our Company.
18. An application bearing no. 24-HRACC (05)08 dated October 5, 2008, has been made by our resort at Munnar to the Ministry of Tourism, government of India for Hotel Club Mahindra Lakeview, 5 star classification category.
19. An application dated December 31, 2008 for renewal of bar license for our Company at Manali has been made.
20. An application dated February 17, 2009 for permission under sub-section (1) of Section 30 for development or building has been made to the Town Planning Authority, Shimla for our resort at Theog.

21. An application dated March 25, 2009 has been made to the Himanchal Pradesh State Pollution control board, regional office for our resort at Theog.
22. An application dated March 30, 2009 has been made for the renewal of license bearing no. PFA/01/2008-09 dated May 7, 2008, has been issued by the Health Inspector stating that there will not be commission of offences affecting Prevention of Food Adulteration Act at our Binsar resort.
23. An application dated May 25, 2009 for the renewal of certificate of registration bearing 1972 A-Category dated July 18, 2008 has been made to the Director, Department of Tourism, Government of Goa evidencing the certification that the our Goa beach resort has been registered under the Government of Goa, Registration of Tourist Trade Act 1982, to carry on the business of hotels with 205 rooms.
24. An application dated December 31, 2008 for the renewal of license dated June 11, 2007, and renewed on March 13, 2008, has been made to the Collector(Excise)-cum-Deputy Excise and Taxation Commissioner, Central Zone, under the Punjab Excise Act, 1914 and Himachal Pradesh Liquor License Rules, 1986.
25. A letter dated September 2, 2008 has been issued by the Environmental Engineer, Kerala State Pollution Control Board for process of an application for renewal of license bearing. PCB/A/R3/1004/2006 dated July 31, 2006.
26. An application dated February 28, 2009 for renewal of license bearing no. 15906 dated February 20, 2008, has been issued under the Tamil Nadu Shops and Establishments.
27. An application dated February 28, 2009 for renewal of license for industries and factories bearing no. 11138 has been made to the Ooty Municipality to our Company for prevention of food adulteration.
28. An application dated June 1, 2009 has been made for the renewal for public performance license bearing no. 13/D/3013 dated March 7, 2008 to our resort by Phonographic Performance Limited for use of performance of sound recordings.
29. An application dated May 16, 2009 with the Company Law Board, Chennai for condonation of delay in relation to modification of charge under section 141 of the Companies Act.

## OTHER REGULATORY AND STATUTORY DISCLOSURES

### Authority for the Issue

#### *Authority from the Company and the Selling Shareholder*

The Issue has been authorized by a circular resolution of our Board dated September 27, 2008 and by a special resolution of our shareholders passed pursuant to Section 81(1A) of the Companies Act, at the extraordinary general meeting of our Company held on September 29, 2008.

The Selling Shareholder has authorized the Issue by a circular resolution of its Board dated September 17, 2008.

### Prohibition by SEBI

Our Company, the Selling Shareholder, our Directors, our Promoter and companies forming part of promoter group and companies with which our Company's Directors are associated as directors 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.

None of our Company, our Subsidiaries, our Directors, the directors of our Subsidiaries, the Promoter, the companies forming part of promoter group and the companies in which our Directors are associated as directors, have been declared as wilful defaulters by the RBI or any other governmental authority and there has been no violation of any securities law committed by any of them in the past and no such proceedings are pending against any of them except as follows:

#### *Mr. Sridar Iyengar*

1. During SEBI's investigation of Debenture Trustee operations of erstwhile ICICI Limited, observations on certain shortcomings were made by SEBI in its inspection report dated July 24, 1998. Erstwhile ICICI Limited had initiated suitable action based on the SEBI report and had submitted a detailed reply to SEBI on August 6, 1998. The matter is being examined by SEBI. ICICI Bank Limited has received notice dated February 12, 2007, from SEBI requesting it to provide certain details. ICICI Bank Limited has furnished all the details required by them on March 2, 2007. SEBI had started conducting inspection on September 26, 2007. ICICI Bank Limited received the inspection report on September 11, 2008 and it had submitted a detailed reply to them on October 15, 2008.
2. SEBI had requested RBI to undertake an inspection of activities of ICICI Bank Limited as Bankers to the Issue with reference to the public issue of Suzlon Energy Limited and IDFC Limited. SEBI while forwarding the report of the RBI also communicated its comments on the same to ICICI Bank Limited. ICICI Bank Limited has replied to the same and has furnished the required clarifications/details.
3. SEBI has issued a notice in the matter of North Star Gems (India) Ltd to showcase as to why Bhadra, Ahmedabad branch of the erstwhile Bank of Madura should not be suspended from conducting merchant banking activities for a period of six months. ICICI Bank Limited has filed its detailed reply with SEBI. SEBI, in terms of their order dated October 16, 2002, took note of the fact that RBI had not indicated any malafide actions on the part of bank officials and also the fact that ICICI Bank Limited had taken disciplinary action against the concerned employees and issued a warning to Bhadra branch of ICICI Bank Limited with further direction to that branch to act with due skill, care and diligence while acting as Banker to an Issue.

## Eligibility for the Issue

We are eligible for the Issue as per Clause 2.2.1 of the SEBI Guidelines and as as stated below:

*“2.2.1 An unlisted company may make an initial public offering (IPO) of equity shares or any other security which may be converted into or exchanged with equity shares at a later date, only if it meets all the following conditions::*

- (a) *The company has net tangible assets of atleast Rs. 3 crores in each of the preceding 3 full years (of 12 months each), of which not more than 50% is held in monetary assets.*

*Provided that if more than 50% of the net tangible assets are held in monetary assets, the company has made firm commitments to deploy such excess monetary assets in its business/project;*

- (b) *The company has a track record of distributable profits in terms of Section 205 of the Companies Act, 1956, for atleast three (3) out of immediately preceding five (5) years;*

*Provided further that extraordinary items shall be considered for calculating distributable profits in terms of Section 205 of Companies Act, 1956;*

- (c) *The company has a net worth of at least Rs. 1 crore in each of the preceding 3 full years (of 12 months each);*

- (d) *In case the company has changed its name within the last one year, atleast 50% of the revenue for the preceding 1 full year is earned by the company from the activity suggested by the new name;*

- (e) *The aggregate of the proposed issue and all previous issues made in the same financial year in terms of size (i.e. offer through offer document + firm allotment + promoters' contribution through the offer document), does not exceed five (5) times its pre-issue networth as per the audited balance of the last financial year.”*

We are an unlisted company complying with the conditions specified in Clause 2.2.1 as follows:

- We are complying with Clause 2.2.1(a) of the SEBI Guidelines. As required,
  - (a) the net tangible assets exceeds Rs. 3 crores in each of the three preceding years; and
  - (b) not more than 50% of the net tangible assets are held in monetary assets.

The tangible assets and the monetary assets for the three preceding full years is given below:

(Rs. In crores)			
Particulars	2008-2009	2007-2008	2006-2007
Net Tangible Assets	190.31	136.99	71.98
Monetary Assets (representing cash and bank)	31.97	6.79	8.41
Monetary Assets as a percentage of Net Tangible Assets	16.80	4.95	11.69

- We are complying with the Clause 2.2.1(b) of the SEBI Guidelines. The Company's distributable profits (without considering the extraordinary items) in terms of Section 205 of the Companies Act, 1956, for at least three out of the immediately preceding five years is given below:

(Rs. In crores)				
2008-2009	2007-2008	2006-2007	2005-2006	2004-2005
83.50	80.64	42.20	20.06	8.29

- We are also complying with Clause 2.2.1(c) of the SEBI Guidelines. The Company has a net worth of atleast Rs. 1 crore in each of the three preceding years as detailed below:

(Rs. In crores)			
Particulars	2008-2009	2007-2008	2006-2007
Net Worth	195.78	139.31	75.36

- The Company has not changed its name in the last one year and hence, Clause 2.2.1(d) of the SEBI Guidelines is not applicable.
- The aggregate of the proposed Issue size and all previous issues made in the same financial year in terms of size (i.e. offer through the offer document + firm allotment + promoter's contribution through the offer document) is not expected to exceed five times the pre-Issue net worth of the Company as per the audited balance sheet for the financial year ended March 31, 2008.

Hence, we are eligible for the Issue under Clause 2.2.1 of the SEBI Guidelines.

Further, in accordance with Clause 2.2.2A of the SEBI Guidelines, we shall ensure that the number of prospective allottees to whom the Equity Shares will be Allotted will be not less than 1,000.

#### **Disclaimer Clause**

**AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED TO MEAN THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH 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 GLOBAL CO-ORDINATOR AND BOOK RUNNING LEAD MANAGER, KOTAK MAHINDRA CAPITAL COMPANY LIMITED AND BOOK RUNNING LEAD MANAGERS, HSBC SECURITIES AND CAPITAL MARKETS (INDIA) PRIVATE LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES AS FOR THE TIME BEING IN FORCE. 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 ISSUER COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE GLOBAL CO-ORDINATOR AND BOOK RUNNING LEAD MANAGER, KOTAK MAHINDRA CAPITAL COMPANY LIMITED AND BOOK RUNNING LEAD MANAGER, HSBC SECURITIES AND CAPITAL MARKETS (INDIA) PRIVATE LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED SEPTEMBER 30, 2008 WHICH READS AS FOLLOWS:**

1. **WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS MORE PARTICULARLY REFERRED TO IN THE ANNEXURE HERETO IN CONNECTION WITH THE FINALISATION OF THE DRAFT PROSPECTUS/LETTER OF OFFER PERTAINING TO THE SAID ISSUE;**

2. **ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY:**

**WE CONFIRM THAT:**

- (A) **THE DRAFT PROSPECTUS/LETTER OF OFFER FORWARDED TO THE BOARD IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
  - (B) **ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY THE BOARD, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
  - (C) **THE DISCLOSURES MADE IN THE DRAFT PROSPECTUS / LETTER OF OFFER 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 SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 AND OTHER APPLICABLE LEGAL REQUIREMENTS).**
3. **WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE PROSPECTUS/LETTER OF OFFER ARE REGISTERED WITH THE BOARD AND THAT TILL DATE SUCH REGISTRATION IS VALID.**
4. **WE HAVE SATISFIED OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.**
5. **WE CERTIFY THAT WRITTEN CONSENT FROM SHAREHOLDERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED / SOLD / TRANSFERRED BY THE PROMOTER DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT PROSPECTUS WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT PROSPECTUS.**
6. **WE CERTIFY THAT CLAUSE 4.6 OF THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000, WHICH RELATES TO SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTER CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE CLAUSE HAVE BEEN MADE IN THE DRAFT PROSPECTUS/LETTER OF OFFER.**
7. **WE UNDERTAKE THAT CLAUSES 4.9.1, 4.9.2, 4.9.3 AND 4.9.4 OF THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTER'S CONTRIBUTION AND SUBSCRIPTION FROM ALL FIRM ALLOTTEES WOULD BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE BOARD. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTER'S CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE**

**COMPANY ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE – NOT APPLICABLE.**

- 8. WHERE THE REQUIREMENTS OF PROMOTER'S CONTRIBUTION IS NOT APPLICABLE TO THE ISSUER, WE CERTIFY THE REQUIREMENTS OF PROMOTER'S CONTRIBUTION UNDER CLAUSE 4.10 {SUB-CLAUSE (A), (B) OR (C), AS MAY BE APPLICABLE} ARE NOT APPLICABLE TO THE ISSUER – NOT APPLICABLE.**
- 9. WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUER AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.**
- 10. WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SECTION 73(3) OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE PROSPECTUS/LETTER OF OFFER. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION – NOTED FOR COMPLIANCE.**
- 11. WE CERTIFY THAT NO PAYMENT IN THE NATURE OF DISCOUNT, COMMISSION, ALLOWANCE OR OTHERWISE SHALL BE MADE BY THE ISSUER OR THE PROMOTER, DIRECTLY OR INDIRECTLY, TO ANY PERSON WHO RECEIVES SECURITIES BY WAY OF FIRM ALLOTMENT IN THE ISSUE – NOT APPLICABLE.**
- 12. WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE PROSPECTUS THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE – NOT APPLICABLE.**
- 13. WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT PROSPECTUS/LETTER OF OFFER:**
  - (A) AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME THERE SHALL BE ONLY ONE DENOMINATION FOR THE SHARES OF THE COMPANY AND**
  - (B) AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE BOARD FROM TIME TO TIME.**

**The filing of the Red Herring Prospectus does not, however, absolve the 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 GCBLRM and BRLMs, any irregularities or lapses in the Red Herring Prospectus.”**

**The GCBLRM, the BRLMs, the Selling Shareholder and us accept no responsibility for statements made otherwise than in the Red Herring Prospectus or in the advertisement or any other material issued by or at our instance and anyone placing reliance on any other source of information would be doing so at his/her own risk.**

**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, Tamil Nadu at Chennai, in terms of Section 56, Section 60 and Section 60B of the Companies Act.**

**Disclaimer from the Company, the Selling Shareholder, the GCBRLM and the BRLMs**

Investors who bid in the Issue will be required to confirm and will be deemed to have represented to the Company, the Selling Shareholder and the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company and will not issue, sell, pledge or transfer the Equity Shares of the Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company. The Company, the Selling Shareholder, 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 the Company.

**Caution**

Our Company, the Selling Shareholder, our Directors, the GCBRLM and the BRLMs accept no responsibility for statements made otherwise than in this 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 website [www.clubmahindra.com](http://www.clubmahindra.com), would be doing so at his or her own risk.

The GCBRLM and the BRLMs accepts no responsibility, save to the limited extent as provided in the MOU entered into between the GCBRLM, the BRLMs, the Selling Shareholder and us and the Underwriting Agreement to be entered into between the Underwriters, the Selling Shareholder and us.

All information shall be made available by us, the GCBRLM and the BRLMs to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports, at bidding centers or elsewhere.

Neither our Company, nor the Selling Shareholder, nor the Syndicate is liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

**Disclaimer Clause of Jurisdiction**

This Issue is being made in India to persons resident in India including Indian nationals resident in India who are not minors, Hindu Undivided Families (HUFs), companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other trust law and who are authorized under their constitution to hold and invest in shares, Public financial institutions as specified in Section 4A of the Companies Act, venture capital funds registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 25 crores and pension funds with minimum corpus of Rs. 25 crores, and to non-residents including FVCIs, multilateral and bilateral developmental financial institutions, FIIs and sub-accounts registered with SEBI, other than a sub-account which is a foreign corporate or a foreign individual and eligible NRIs provided that they are eligible under all applicable laws and regulations to hold Equity Shares of the Company. This Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to Equity Shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this 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 competent court(s) in Chennai, 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 Red Herring Prospectus has been submitted to SEBI for its observations. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and this 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 Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of our Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

**The Equity Shares have not been and will not be registered under the US Securities Act of 1933 (the “Securities Act”) or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, “U.S. persons” (as defined in Regulation S 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 and sold (i) in the United States to “qualified institutional buyers”, as defined in Rule 144A of the Securities Act in reliance on Rule 144A under the Securities Act, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act.**

**The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.**

#### **Disclaimer Clause of BSE**

As required, a copy of the Draft Red Herring Prospectus had been submitted to BSE.

BSE has given vide its letter dated February 13, 2009 permission to our Company to use BSE’s name in this Red Herring Prospectus as one of the stock exchanges on which our Company’s securities are proposed to be listed. BSE has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to our Company. The BSE does not in any manner:-

- (i) warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; or
- (ii) warrant that our Company’s securities will be listed or will continue to be listed on the BSE; or
- (iii) take any responsibility for the financial or other soundness of our Company, its promoters, its management or any scheme or project of our Company;

and it should not for any reason be deemed or construed that this Red Herring Prospectus has been cleared or approved by the BSE. Every person who desires to apply for or otherwise acquires any securities of our Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

#### **Disclaimer Clause of the NSE**

As required, a copy of the Draft Red Herring Prospectus had been submitted to NSE. NSE has given vide its letter ref: NSE/LIST/97771-3 dated January 23, 2009 permission to our Company to use NSE’s name in this Red Herring Prospectus as one of the stock exchanges on which our Company’s securities are proposed to be listed. NSE has scrutinized this Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to our Company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that

the Company's securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company.

Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

### **Filing**

A copy of the Draft Red Herring Prospectus had been filed with SEBI at SEBI Bhavan, C4 –A, G Block, Bandra Kurla Complex, Bandra East Mumbai 400 050.

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, Tamil Nadu (Chennai).

### **Listing**

Applications have been made to the BSE and NSE for permission to deal in and for an official quotation of our Equity Share being issued and sold in this Issue. We have received in-principle approval from NSE and BSE for the listing of our Equity Shares pursuant to letters dated January 23, 2009 and February 13, 2009, respectively. NSE will be the Designated Stock Exchange with which the basis of Allotment will be finalized.

If the permissions to deal in and for an official quotation of our Equity Shares are not granted by any of the Stock Exchanges, our Company and the Selling Shareholder will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid within eight days after our Company become liable to repay it, i.e. from the date of refusal or within 15 days from the Bid/Issue Closing Date, whichever is earlier, then our Company, the Selling Shareholder and every Director of our Company who is an officer in default shall, on and from such expiry of Eight days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within seven working days of finalization of the basis of Allotment for the Issue.

### **Consents**

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, the legal advisors, the Bankers to the Company, the Bankers to the Issue; (b) the Selling Shareholder; and (c) the Global Co-ordinator and Book Running Lead Manager, Book Running Lead Managers, the Syndicate Members, the Escrow Collection Banks and the Registrar to the Issue to act in their respective capacities, have been obtained and would be filed along with a copy of the Red Herring Prospectus with the RoC as required under Section 60 and Section 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the RoC.

In accordance with the Companies Act and the SEBI Guidelines, M/s Deloitte Haskins & Sells, the Company's Auditors have given their written consent to the inclusion of their report in the form and context in which it appears in the Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the RoC.

As the offered Equity shares have not been and will not be registered under the US Securities Act of 1933, M/s Deloitte Haskins & Sells, Chartered Accountants have not issued and our Company has not filed consent under the US Securities Act of 1933.

Fitch Ratings India Private Limited, the agency engaged by us for the purpose of obtaining IPO grading in respect of this Issue, has given its written consent to the inclusion of their report in the form and context in which it appears in the Red Herring Prospectus and such consent and report will not be withdrawn up to the time of delivery of the Red Herring Prospectus and the Prospectus to the Designated Stock Exchange.

### **Expert Opinion**

Except the report of Fitch Ratings India Private Limited in respect of the IPO grading of this Issue annexed herewith and except as stated in this Red Herring Prospectus, we have not obtained any expert opinions.

### **Expenses of the Issue**

The total expenses of the Issue are estimated to be approximately Rs. [●] crore. 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. All expenses with respect to the Issue would be borne by our Company.

The estimated Issue expenses are as under:

<i>(Rs.in crores)</i>	
<b>Activity</b>	<b>Expenses *</b>
Lead management, underwriting and selling commission	[●]
Advertising and Marketing expenses	[●]
Printing and stationery	[●]
Others (Monitoring agency fees, Registrars fee, legal fee, listing fee, etc.)	[●]
<b>Total estimated Issue expenses</b>	<b>[●]</b>

*\*To be completed after finalization of issue price*

### **Fees Payable to the GCBRLM, the BRLMs and the Syndicate Members**

The total fees payable to the Kotak Mahindra Capital Company Limited and HSBC Securities and Capital Markets (India) Private Limited and the Syndicate Members will be as per the letter of appointment with Kotak Mahindra Capital Company Limited and HSBC Securities and Capital Markets (India) Private Limited issued by our Company, a copy of which is available for inspection at our registered office. Further, the commissions payable on allotment relating to Retail Portions to SBI Caps will be as per the letter of appointment issued by our Company to SBI Caps, a copy of which is available for inspection at our registered office.

### **Fees Payable to the Registrar to the Issue**

The fees payable by us to the Registrar to the Issue for processing of application, data entry, printing of CAN/refund order, preparation of refund data on magnetic tape, printing of bulk mailing register will be as per the MOU between us and the Registrar to the Issue.

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 our Equity Shares since our inception.

### **Previous Rights and Public Issues**

Our Company has not made any previous rights and public issues in India or abroad in the five years preceding the date of this Red Herring Prospectus.

### **Previous issues of shares otherwise than for cash**

Except as stated in the section titled “Capital Structure” on page 49, our Company has not made any previous issues of shares for consideration otherwise than for cash.

### **Companies under the Same Management**

There is no other company under the same management within the meaning of erstwhile Section 370 (1B) of the Companies Act, other than the subsidiaries, joint ventures, associates, Promoter and Promoter group companies, details of which companies are provided in the sections entitled “History and Certain Corporate Matters” and “Our Promoter” beginning on pages 113 and 137.

### **Promise v/s performance**

There has been no public issue by any of the group/associate companies in the past except as mentioned in the section titled “Our Promoter” beginning on page 137.

### **Outstanding Debentures or Bond Issues or Preference Shares**

Our Company has no outstanding debentures, bonds or preference shares.

### **Stock Market Data for our Equity Shares**

This being an initial public issue of our Company, the Equity Shares of our Company are not listed on any stock exchange.

### **Purchase of Property**

Except as stated in “Objects of the Issue” on page 59, there is no property which has been purchased or acquired or is proposed to be purchased or acquired which is to be paid for wholly or partly from the proceeds of the present Issue or the purchase or acquisition of which has not been completed on the date of this Red Herring Prospectus, other than property, in respect of which:

- The contract for the purchase or acquisition was entered into in the ordinary course of business, nor was the contract entered into in contemplation of the Issue, nor is the issue contemplated in consequence of the contract; or
- The amount of the purchase money is not material.

Except as stated in this Red Herring Prospectus, our Company has not purchased any property in which any of its Promoter and/or Directors, have any direct or indirect interest in any payment made thereunder.

### **Mechanism for Redressal of Investor Grievances**

The Memorandum of Understanding between the Registrar to the Issue and our Company will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of letters of allotment, demat credit, refund orders, or, where made electronically, giving of refund instructions to the clearing system, to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, application number, number of Equity shares applied for, amount paid on application, Depository Participant, and the bank branch or collection centre where the application was submitted.

#### **Disposal of Investor Grievances by our Company**

We estimate that the average time required by our Company or the Registrar to the Issue for the redressal of routine investor grievances shall be ten 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.

We have also appointed Mr. Rajiv Balakrishnan, 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:

Mr. Rajiv Balakrishnan,  
Mahindra Towers, 2nd Floor,  
No. 17/18, Patullos Road,  
Chennai – 600 002  
Tamil Nadu, India  
Tel: (91 44) 3027 7826  
Fax: (91 44) 3027 7778  
Email: investors@clubmahindra.com

#### **Change in Auditors**

M/s. A.F. Ferguson & Co., Chartered Accountants had been our auditors for the past three years. However, M/s. Deloitte Haskins & Sells has been appointed as statutory auditors of our Company at the annual general meeting of the Company held on June 19, 2008, to conduct the audit of the accounts of the Company for fiscal 2009.

#### **Capitalization of Reserves or Profits**

Our Company has not capitalized our reserves or profits during the last five years, except as stated in “Capital Structure” on page 49.

#### **Revaluation of Assets**

We have not revalued our fixed assets (tangible or intangible) in the last five years.

#### **Payment or benefit to officers of our Company**

No officer of our Company is entitled to any benefit other than the statutory benefits upon termination of his employment in our Company.

Except as disclosed in the Red Herring Prospectus, none of the beneficiaries of loans and advances and sundry debtors are related to the Directors of our Company.

#### **Other Disclosures**

Except as disclosed in this Red Herring Prospectus, our Promoter, our Promoter Group, the directors of the Promoter, any the company forming part of the promoter group or the directors of our Company and its Subsidiaries have not purchased or sold any securities of our Company during a period of six months preceding the date on which this Red Herring Prospectus is filed with SEBI.

## **SECTION VII: ISSUE INFORMATION**

### **TERMS OF THE ISSUE**

The Equity Shares being issued are subject to the provisions of the Companies Act, our Memorandum and Articles, the terms of the Draft Red Herring Prospectus, this 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.

#### **Authority for the Issue**

The Issue have been authorized by a circular resolution of our Board of Directors dated September 27, 2008, and by special resolution of the shareholders of our Company pursuant to Section 81(1A) of the Companies Act, at an EGM held on September 29, 2008.

The Selling Shareholder has authorized the Issue by a circular resolution of its Board of Directors dated September 17, 2008.

#### **Ranking of Equity Shares**

The Equity Shares being issued shall be subject to the provisions of our Memorandum and Articles and shall rank pari-passu with the existing Equity Shares of our Company including rights in respect of dividend. The Allottees in receipt of Allotment of Equity Shares under this Issue will be entitled to dividends and other corporate benefits, if any, declared by the Company after the date of Allotment. For further details, please see the section “Main Provisions of the Articles of Association” on page 363.

#### **Mode of Payment of Dividend**

We shall pay dividends to our shareholders as per the provisions of the Companies Act.

#### **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. At any given point of time there shall be only one denomination for the Equity Shares.

#### **Compliance with SEBI Guidelines**

We 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.

For a detailed description of the main provisions of our Articles relating to voting rights, dividend, forfeiture and lien and/or consolidation/splitting, please refer to the section titled “Main Provisions of Our Articles of Association” on page 363.

### **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 Guidelines, the trading of our Equity Shares shall only be in dematerialised form. Since trading of our 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 Equity Share subject to a minimum Allotment of [●] Equity Shares.

### **Jurisdiction**

Exclusive jurisdiction for the purpose of this Issue is with the competent courts/authorities in Chennai, Tamil Nadu, India.

### **Nomination Facility to Investor**

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidders, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of our Company or to the Registrar and Transfer Agents of our Company.

In accordance with Section 109B of the Companies Act, any Person who becomes a nominee by virtue of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- To register himself or herself as the holder of the Equity Shares; or
- To make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the Allotment of Equity Shares in the Issue will be made only in dematerialised form, there is no need to make a separate nomination with us. Nominations registered with respective depository participant of the applicant would prevail. If the investors require to change their nomination, they are requested to inform their respective depository participant.

### **Minimum Subscription**

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

Further in terms of Clause 2.2.2A of the SEBI Guidelines, we shall ensure that the number of prospective allottees to whom Equity Shares will be Allotted will not be less than 1,000.

If at least 60% of the Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith.

**The Equity Shares have not been and will not be registered under the US Securities Act of 1933 (the “Securities Act”) or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, “U.S. persons” (as defined in Regulation S 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 and sold (i) in the United States to “qualified institutional buyers”, as defined in Rule 144A of the Securities Act in reliance on Rule 144A under the Securities Act, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act.**

**The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.**

#### **Arrangement for disposal of Odd Lots**

There are no arrangements for disposal of odd lots.

#### **Restriction on transfer of shares**

There are no restrictions on transfers and transmission of shares/ debentures and on their consolidation/ splitting except as provided in our Articles. See “Main Provisions of our Articles of Association” on page 363.

## ISSUE STRUCTURE

The present Issue of 92,65,275 Equity Shares, at a price of Rs. [●] for cash aggregating Rs. [●] crore is being made through the Book Building Process. The Issue consists of a Fresh Issue of 58,96,084 Equity Shares and an Offer for Sale of 33,69,191 Equity Shares by Mahindra & Mahindra Limited aggregating Rs. [●] crore. The Issue will constitute 11 % of the fully diluted post Issue paid up capital of our Company.

	<b>QIBs</b>	<b>Non-Institutional Bidders</b>	<b>Retail Individual Bidders</b>
Number of Equity Shares in the Issue*	At least 55,59,165 Equity Shares	Not less than 9,26,527 Equity Shares or the Issue less allocation to QIB Bidders and Retail Individual Bidders.	Not less than 27,79,582 Equity Shares or the Issue less allocation to QIB Bidders and Non-Institutional Bidders.
Percentage of Issue size available for allotment/allocation	At least 60% of Issue Size being allocated. However, up to 5% of the QIB Portion shall be available for allocation proportionately to Mutual Funds only.	Not less than 10% of Issue or Issue less allocation to QIB and Retail Individual Bidders	Not less than 30% of Issue or Issue less allocation to QIB Bidders and Non Institutional Bidders.
Basis of Allotment/Allocation if respective category is oversubscribed	Proportionate as follows: (a) 2,77,958 Equity Shares shall be allocated on a proportionate basis to Mutual Funds; and (b) 52,81,207 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.	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000.	[●] Equity Shares.
Maximum Bid	Such number of Equity Shares not exceeding the size of the Issue, subject to applicable limits.	Such number of Equity Shares not exceeding the 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/Allotment Lot	[●] Equity Shares in multiples of 1 Equity Share	[●] Equity Shares in multiples of 1 Equity Share	[●] Equity Shares in multiples of 1 Equity Share
Trading Lot	One Equity Share	One Equity Share	One Equity Share
Who can Apply **	Public financial institutions as specified in S. 4A of the Companies Act, scheduled commercial banks,	Eligible NRIs, Resident Indian individuals, HUFs (in the name of Karta), companies, corporate bodies, scientific institutions societies and trusts.	Resident Indian individuals, HUFs (in the name of Karta), Eligible NRIs applying for Equity Shares such that the Bid Amount does not exceed Rs. 100,000

	<b>QIBs</b>	<b>Non-Institutional Bidders</b>	<b>Retail Individual Bidders</b>
	mutual funds registered with SEBI, FIIs and sub-accounts registered with SEBI, other than a sub-account which is a foreign corporate or a foreign individual, venture capital funds registered with SEBI, Foreign Venture Capital Investors registered with SEBI, Multilateral and Bilateral development financial institutions state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 25 crore, pension funds with minimum corpus of Rs. 25 crore in accordance with applicable law, and the National Investment Fund.		in value.
Terms of Payment	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Members.
Margin Amount	At least 10% of Bid Amount	Full Bid Amount on bidding	Full Bid Amount on bidding

\* Subject to valid Bids being received at or above the Issue Price. In terms of Rule 19 (2)(b) of the SCRR, this is an Issue for less than 25% of the post-Issue capital, therefore, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Issue shall be allocated to Qualified Institutional Buyers on a proportionate basis out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. However, if the aggregate demand from Mutual Funds is less than 2,77,958 Equity Shares, the balance Equity Shares available for Allotment 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 10% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Under subscription, if any, in the Retail Portion or the Non-Institutional Portion would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company and the Selling Shareholder, in consultation with the GCBRLM and the BRLMs. Under-subscription, if any, in any category, except the QIB Portion, would be allowed to be met with spill-over from any other category or combination of

categories at the discretion of our Company and the Selling Shareholder in consultation with the GCBRLM, the BRLMs and the Designated Stock Exchange.

\*\* In case the Bid cum Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form.

### Withdrawal of the Issue

Our Company and the Selling Shareholder, in consultation with the GCBRLM and the BRLMs reserve the right not to proceed with the Issue at anytime including after the Bid/Issue Opening Date but before the allotment of Equity Shares, without assigning any reason thereof. Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which our Company shall apply only for within seven working days of finalisation of basis of Allotment, and (ii) the final ROC approval of the Prospectus after it is filed with the SEBI.

In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing date.

### Bidding/ Issue Programme

<b>BID/ISSUE OPENS ON</b>	<b>JUNE 23, 2009</b>
<b>BID/ISSUE CLOSES ON</b>	<b>JUNE 26, 2009</b>

Bids and any revision in Bids shall be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) during the Bidding/ Issue Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form **except that on the Bid/Issue Closing Date, the Bids shall be accepted only between 10 a.m. and 3 p.m. (Indian Standard Time)** and uploaded until (i) 5.00 p.m. in case of Bids by QIB Bidders and Non-Institutional Bidders where the Bid Amount is in excess of Rs. 100,000; and (ii) until such time as permitted by the BSE and the NSE, in case of Bids by Retail Individual Bidders, where the Bid Amount is upto Rs. 100,000. Due to limitation of time available for uploading the Bids on the Bid/Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/Issue Closing Date and, in any case, no later than 3.00 p.m (Indian Standard Time) on the Bid/Issue Closing Date. Bidders are cautioned that due to clustering of last day applications, as is typically experienced in public offerings, some Bids may not be uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation under the Issue. If such Bids are not uploaded, the Company, the Selling Shareholder, the GCBRLM, the BRLMs and the Syndicate Members shall not be responsible. Bids will be accepted only on working days, i.e. Monday to Friday (excluding any public holiday).

Our Company, in consultation with the Selling Shareholder, reserves the right to revise the Price Band during the Bidding /Issue Period in accordance with SEBI Guidelines. The cap on the Price Band shall not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band.

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

## ISSUE PROCEDURE

### Book Building Procedure

In terms of Rule 19(2)(b) of the SCRR, this is an Issue for less than 25% of the post-Issue capital of the Company, therefore, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Issue shall be allocated to Qualified Institutional Buyers on a proportionate basis out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for Allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. QIB Bids can be procured and submitted only through the GCBRLM, BRLMs or their respective affiliates. In case of QIB Bidders, our Company and the Selling Shareholder in consultation with the GCBRLM and the BRLMs, as the case may be, may reject Bids at the time of acceptance of Bid cum Application Form provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders and Retail Individual Bidders our Company would have a right to reject the Bids only on technical grounds.

Investors should note that the Equity Shares will be allotted to all successful Bidders only in dematerialised form. 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

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this 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 and the Bid cum Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories, is as follows:

Category	Colour of Bid cum Application Form
Resident Indians and Eligible NRIs applying on a non-repatriation basis	White
Eligible NRIs or FIIs and sub-accounts registered with SEBI, other than a sub-account which is a foreign corporate or a foreign individual applying on a repatriation basis	Blue

### Who can Bid?

- Indian nationals resident in India who are majors, or in the names of their minor children as natural/legal guardians in single or joint names (not more than three);
- 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 the 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, regional rural banks, co-operative banks (subject to RBI regulations and the SEBI Guidelines and regulations, as applicable);
- FIIs and sub-accounts registered with SEBI, other than a sub-account which is a foreign corporate or a foreign individual;
- Venture Capital Funds registered with SEBI;
- Foreign Venture Capital Investors registered with SEBI,
- Multilateral and Bilateral development financial institutions
- 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, India;
- Subject to the applicable law, Provident Funds with minimum corpus of Rs. 25 crore and who are authorised under their constitution to hold and invest in equity shares;
- Pension Funds with minimum corpus of Rs. 25 crore and who are authorised under their constitution to hold and invest in equity shares; and
- National investment fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of Government of India published in the Gazette of India

**As per the existing policy of the Government of India, OCBs cannot participate in this Issue.**

**Note:** The GCBRLM and the BRLMs shall not be allowed to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the GCBRLM, BRLMs and the Syndicate Members may subscribe to Equity Shares in the Issue either in the QIB Portion or in Non Institutional Portion as may be applicable to such investors, where the allocation is on a proportionate basis.

**The information below is given for the benefit of the Bidders. Our Company, the GCBRLM and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this 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.**

#### **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 2,77,958 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.

*As per the current regulations, the following restrictions are applicable for investments by mutual funds:*

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

#### **Bids by Eligible NRIs**

1. Bid cum application forms (blue in colour) have been made available for Eligible NRIs at our registered office and 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 (white in colour).

**Non-Residents Indians require the approval of the RBI for subscribing to partly paid up Equity Shares and copy of such approval should be submitted along with the Bid-cum-Application Form in case an application is made under Payment Method-1.**

#### **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 8,42,29,772 Equity Shares of Rs. 10 each). In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. As of now, the aggregate FII holding in us cannot exceed 24% of our total issued capital.

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 by the SEBI (Foreign Institutional Investors)(Amendment) Regulations, 2008 (“**SEBI Regulations**”), an FII, as defined in the SEBI Regulations, or its sub account may issue, deal or hold, off shore derivative instruments (defined under the SEBI 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 foreign 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.

#### **Bids by SEBI registered Venture Capital Funds**

*As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds:*

The SEBI (Venture Capital) Regulations, 1996 prescribe investment restrictions on venture capital funds registered with SEBI. Accordingly 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. Further, Venture Capital Funds can invest only up to 33.33% of the investible funds by way of subscription to an initial public offer.

### Information for the Bidders:

- (a) The Company will file the Red Herring Prospectus with the RoC at least 3 (three) days before the Bid/Issue Opening Date.
- (b) The Company, the GCBRLM and the BRLMs shall declare the Bid/Issue Opening Date and Bid/Issue Closing Date at the time of filing the Red Herring Prospectus with the RoC and the same shall also be published in three newspapers (one each in English, Hindi and Tamil). Further, the Price Band shall be disclosed atleast two days prior to Bid/Issue Opening Date in all editions of the Financial Express, Jansatta and Makkal Kural. This advertisement, subject to the provisions of S. 66 of the Companies Act shall be in the format prescribed in Schedule XX – A of the SEBI DIP guidelines, as amended by SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.
- (c) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.
- (d) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/ or the Bid cum Application Form can obtain the same from our registered office or from any of the members of the Syndicate and should approach any of the GCBRLM, the BRLMs or Syndicate Members or their authorized agent(s) to register their Bids.
- (e) The Members of the Syndicate shall accept Bids from the Bidder during the Issue Period in accordance with the terms of the Syndicate Agreement.
- (f) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of the members of the Syndicate. Bid cum Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.
- (g) The Bidding/Issue Period shall be for a minimum of three working days and not exceeding seven working days. In case of revision in the Price Band, the Bidding/ Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bidding/ Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE, by issuing a public notice in three newspapers (one each in English and Hindi) and one Tamil newspaper, and also by indicating the change on the websites of the GCBRLM, the BRLMs and at the terminals of the Syndicate Members.
- (h) Our Company and the Selling Shareholder in consultation with the GCBRLM and the BRLMs reserves the right to revise the Price Band, during the Bidding/Issue Period, in accordance with SEBI Guidelines. The higher end of the Price Band should not be more than 20% of the lower end of the Price Band. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band can move up or down to the extent of 20% of the lower end of the Price Band.
- (i) Our Company and the Selling Shareholder in consultation with the GCBRLM and the BRLMs can finalise the Issue Price within the Price Band, without the prior approval of, or intimation, to the Bidders.

### 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 Price 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 Price does not exceed Rs. 100,000. In case the Bid Price is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allocation under the Non-Institutional Bidders portion. The Cut-off option

is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

- (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. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. **Under existing SEBI Guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay QIB Margin upon submission of Bid.**

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 provided such Bids are from individuals. Non-Institutional Bidders and QIBs are not allowed to Bid at 'Cut-off'.

**Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Red Herring Prospectus.**

#### **Method and Process of Bidding**

- (a) 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 titled "Bids at Different Price Levels and Revision of Bids" on page 328) within the Price Band and specify the demand (i.e., the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation/Allotment and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.
- (b) The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or Allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph titled "Bids at Different Price Levels and Revision of Bids" on page 328.
- (c) 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.
- (d) During the Bidding/Issue Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids, subject to the terms of the Syndicate Agreement and the Red Herring Prospectus.
- (e) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph titled "Terms of Payment and Payment into the Escrow Accounts" on page 334.

### **Bids at Different Price Levels and Revision of Bids**

- (a) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB and Non-Institutional Bidders bidding in excess of Rs. 100,000 and such Bids shall be rejected.
- (b) Retail Individual Bidders who bid at the Cut-Off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-Off Price shall deposit the Bid Price based on the higher end of the Price Band in the Escrow Account. In the event the Bid Price is higher than the subscription amount payable by the Retail Individual Bidders, who Bid at Cut off Price (i.e., the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders shall receive the refund of the excess amounts from the Escrow Account.
- (c) 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) make additional payment based on the higher end of the revised Price Band (such that the total amount i.e., original Bid Price plus additional payment does not exceed Rs. 100,000 for Retail Individual Bidders, if such Bidder wants to continue to bid at Cut-off Price), with the Syndicate Members to whom the original Bid was submitted. In case the total amount (i.e., original Bid Price plus additional payment) exceeds Rs. 100,000 for Retail Individual Bidders, the Bid will be considered for allocation under the Non-Institutional Portion in terms of this 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 higher end of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of Allotment, such that the no additional payment would be required from such Bidder and such Bidder is deemed to have approved such revised Bid at Cut-off Price.
- (d) 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.
- (e) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain [●] Equity Shares irrespective of whether the Bid Price payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.
- (f) During the Bidding/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.
- (g) Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being revised, in the Revision Form. The members of the Syndicate will not accept incomplete or inaccurate Revision Forms.
- (h) The Bidder can make this revision any number of times during the Bidding/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 through whom he or she had placed the original Bid.
- (i) 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.

- (j) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of QIB Bidders, the GCBRLM and the BRLMs, and/or their affiliates shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.
- (k) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**

**Bids and revisions of Bids must be:**

- (a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for Resident Indians, blue colour for NRIs and FIIs applying on a repatriation basis).
- (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 [●] Equity Shares, 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 Price exceeds Rs. 100,000 and in multiples of [●] Equity Shares thereafter. Bids cannot be made for more than the Issue Size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.
- (e) Eligible NRIs for a Bid Price of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Price of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation; by other eligible Non Resident Bidders for a minimum of such number of Equity Shares and in multiples of [●] Equity Shares thereafter that the Bid Price exceeds Rs. 100,000.
- (f) Bids by Non Residents, NRIs and FIIs on a repatriation basis shall be in the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.
- (g) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).
- (h) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

**Electronic Registration of Bids**

- (a) The Members of the Syndicate will register the Bids using the on-line facilities of BSE and NSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.

- (b) The BSE and NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Members of the Syndicate and their authorised agents during the Bidding Period. Syndicate Members can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a regular basis. On the Bid/ Issue Closing Date, the members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges. This information will be available with the GCBRLM and the BRLMs on a regular basis. Bidders are cautioned that a high inflow of bids typically experienced on the last day of the bidding may lead to some Bids received on the last day not being uploaded due to lack of sufficient uploading time, and such bids that could not be uploaded will not be considered for allocation. Bids will only be accepted on working days, i.e., Monday to Friday (excluding any public holiday).
- (c) The aggregate demand and price for Bids registered on the electronic facilities of BSE and NSE will be uploaded on a half hourly basis, consolidated and displayed on-line at all bidding centres and the website of BSE and NSE. A graphical representation of consolidated demand and price would be made available at the bidding centres during the Bidding /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.
  - Investor Category – Individual, Corporate, FII, NRI, Mutual Fund, Employee etc.
  - Numbers of Equity Shares bid for.
  - Bid price.
  - Bid cum Application Form number.
  - Whether Margin Amount has been paid upon submission of Bid cum Application Form.
  - Depository Participant Identification Number and Client Identification Number of the beneficiary account of the Bidder.
- (e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate. The registration of the Bid by the member of the Syndicate 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, the GCBRLM and the BRLMs and/or their respective affiliates have the right to accept the bid or reject the Bids. 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 337.
- (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 GCBRLM and the BRLMs are cleared or approved by BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoter, our management or any scheme or project of our Company.
- (i) It is also to be distinctly understood that the approval given by BSE and NSE should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or

completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the BSE and NSE.

- (j) Only bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/ Allotment. In case of discrepancy of data between the BSE or the NSE and the members of the Syndicate, the decision of the GCBRLM and the BRLMs based on the physical records of Bid Application Forms shall be final and binding on all concerned.

## **GENERAL INSTRUCTIONS**

### **Do's:**

- a) Check if you are eligible to apply;
- b) Read all the instructions carefully and complete the Resident Bid cum Application Form (white in colour) or Non-Resident Bid cum Application Form (blue in colour);
- c) Ensure that the details about Depository Participant and Beneficiary Account are correct as allotment of Equity Shares will be in the dematerialized form only;
- d) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;
- e) Ensure that you have been given a TRS for all your Bid options;
- f) Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;
- g) Each of the Bidders, should mention their Permanent Account Number (PAN) allotted under the IT Act;
- h) Ensure that the Demographic Details (as defined hereinbelow) are updated, true and correct in all respects;
- i) 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 bid/ revise Bid price to less than the lower end of the Price Band or higher than the higher end of the Price Band;
- (c) Do not bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;
- (d) Do not pay the Bid Price in cash, by money order or by postal order or by stockinvest;
- (e) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;

- (f) Do not bid at Cut Off Price (for QIB Bidders and Non-Institutional Bidders for bid amount in excess of Rs. 100,000);
- (g) 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;
- (h) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.

### **Instructions for Completing the Bid cum Application Form**

Bidders can obtain Bid cum Application Forms and/or Revision Forms from the members of the Syndicate.

### **Bidder's Depository Account and Bank Details**

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the demographic details including address, Bidders bank account details, MICR code and occupation (hereinafter referred to as 'Demographic Details'). These Bank Account details would be used for giving refunds (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 GCBRLM, or the BRLMs or the Registrar or the Escrow Collection Banks nor our Company shall have any responsibility and undertake any liability for the same. Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

**IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.**

These Demographic Details would be used for all correspondence with the Bidders including mailing of the CANs/Allocation Advice and printing of Bank particulars on the refund orders or for refunds through electronic transfer of funds, as applicable. The Demographic Details given by Bidders in the Bid cum Application Form would not be used for any other purpose by the Registrar to the Issue.

By signing the Bid cum Application Form, the Bidder would be deemed to have authorised the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

**In case of Bidders receiving refunds through electronic transfer of funds, delivery of refund orders/allocation advice/CANs may get delayed if the bank particulars recorded in the depository account and/or the address registered with the depository participant is incorrect. 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 re-dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither our Company, nor the Registrar, Escrow Collection Bank(s) nor the GCBRLM nor the**

**BRLMs shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.**

In case no corresponding record is available with the Depositories, which matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

Our Company in their absolute discretion, reserve 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/ refunds through electronic transfer of funds, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

**Refunds, interest, if any, on delayed payment of refund 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 and Selling Shareholder will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.**

**As per the RBI regulations, 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**

- a. In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum 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.
- b. In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.
- c. In case of Bids made pursuant to a power of attorney by Mutual Funds, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.
- d. In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, our Company reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

- e. In case of Bids made by provident funds with minimum corpus of Rs. 25 crore (subject to applicable law) and pension funds with minimum corpus of Rs. 25 crore, 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. 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 thereof.
- f. 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, the GCBRLM and the BRLMs may deem fit.

## **PAYMENT INSTRUCTIONS**

### **Escrow Mechanism**

Our Company and the members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Bank(s) for the collection of the Bid Amount payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue.

The Escrow Collection Banks will act in terms of the Red Herring Prospectus and the Escrow Agreement. The Escrow Collection Bank (s) for and on behalf of the Bidders shall maintain the monies in the Escrow Account. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue (including the amount due to the Selling Shareholder) from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account shall be held for the benefit of the Bidders who are entitled to refunds. Payments of refund to the Bidders shall also be made from the Refund Account as per the terms of the Escrow Agreement and the 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 members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

### **Terms of Payment and Payment into the Escrow Accounts**

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation/Allotment as per the following terms.

1. Each category of Bidders i.e., QIB Bidders, Non-Institutional Bidders and Retail Individual Bidders, shall provide the applicable Margin Amount, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid cum Application Forms accompanied by cash shall not be accepted. The Margin Amount payable by each category of Bidders is mentioned under the section titled "Issue Structure" on page 320. The maximum Bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.
2. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Price, any difference between the amount payable by the Bidder for Equity Shares allocated/allotted at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of 2 (two) days from the date of communication of the allocation list to the respective members of the Syndicate by the GCBRLM and the BRLMs. 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.

3. The payment instruments for payment into the Escrow Account should be drawn in favour of:
  - a. In case of QIB Bidders: “Escrow Account– MHRIL Public Issue – QIB – R”
  - b. In case of Non Resident QIB Bidders: “Escrow Account– MHRIL Public Issue – QIB – NR”
  - c. In case of Resident Bidders: “Escrow Account– MHRIL Public Issue - R”
  - d. In case of Non Resident Bidders: “Escrow Account– MHRIL Public Issue - NR”
4. In case of Bids by Eligible NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account. In case of Bids by Eligible 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 Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a non 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 or NRO account.
5. In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to Special Rupee Account.
6. Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated\ will be refunded to the Bidder from the Refund Account.
7. 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.
8. Payments should be made by cheque, or demand draft drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member of or sub-member of the bankers’ clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ Stockinvest/Money Orders/ Postal orders will not be accepted.
9. Bidders are advised to mention the number of application form on the reverse of the cheque / demand draft to avoid misuse of instruments submitted along with the Bid cum Application Form.
10. In case clear funds are not available in the Escrow Accounts as per final certificates from the Escrow Collection Banks, such Bids are liable to be rejected.

#### **Payment by Stockinvest**

In terms of the Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Hence, payment through stockinvest would not be accepted in this Issue.

## **SUBMISSION OF BID CUM APPLICATION FORMS**

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts equivalent to the Margin Amount shall be submitted to the members of the Syndicate at the time of submission of the Bid.

Separate receipts shall not be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection centre of members of the Syndicate will acknowledge the receipt of the Bid cum Application Form or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

## **OTHER INSTRUCTIONS**

### **Joint Bids in the case of Individuals**

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

### **Multiple Bids**

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications are given below:

1. All applications are electronically strung on first name, address (1<sup>st</sup> name) and applicants status. These applications are electronically matched for common first name and address and if matched, these are checked manually for age, signature and father/husbands name to determine if they are multiple applications.
2. Applications which do not qualify as multiple applications as per above procedure are further checked for common DP ID/beneficiary ID. In case of applications with common DP ID/beneficiary ID, are manually checked to eliminate possibility of data entry error to determine if they are multiple applications.
3. Applications which do not qualify as multiple applications as per above procedure are further checked for common PAN. All such matched applications with common PAN are manually checked.

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.

Our Company reserves the right to reject, in its absolute discretion, all or any multiple Bids in any or all categories.

In cases where there are more than 20 valid applicants having a common address, such shares will be kept in abeyance, post allotment and released on confirmation of KYC norms by the depositories.

## **Permanent Account Number or PAN**

Each Bidders should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act. Applications without this information and documents will be considered incomplete and are 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.**

## **Unique Identification Number (“UIN”)**

Pursuant to circulars dated April 27, 2007 (No. MRD/DoP/Cir-05/2007) and June 25, 2007 (No. MRD/DoP/Cir-08/2007) issued by SEBI, the requirement of UIN under the SEBI (Central database of Market Participants) Regulations, 2005 has been discontinued and irrespective of the amount of transaction, PAN has been made the sole identification number for all participants in the securities market.

## **GROUND FOR REJECTIONS**

In case of QIB Bidders, the GCBRLM and the BRLMs and/or their affiliates have the right to reject the Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders and Retail Individual Bidders who bid, our Company has a right to reject Bids based on technical grounds.

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;
- 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 details not furnished.;
- 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;
- Bids at Cut Off Price by Non-Institutional and QIB Bidders bidding in excess of Rs. 100,000.
- Bids for number of Equity Shares which are not in multiples of [●];
- Category not ticked;
- Multiple Bids as defined in this Red Herring Prospectus;
- In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- Bids accompanied by Stockinvest/money order/postal order/cash;
- Signature of sole and / or joint Bidders missing;
- Bid cum Application Forms does not have the stamp of the GCBRLM, the BRLMs or the Syndicate Members;
- 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 Red Herring Prospectus and as per the instructions in the 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;
- Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;

- Bids in respect where the Bid cum Application form do not reach the Registrar 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 OCBs;
- Bids by US persons other than “Qualified Institutional Buyers” as defined in Rule 144A of the Securities Act or other than in reliance of Regulation S under the Securities Act;
- Bids by any person outside India if not in compliance with applicable foreign and Indian Laws; and
- Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority.
- Bids not uploaded in the Book would be rejected; and
- Bids or revision thereof by QIB Bidders and Non – Institutional Bidders where the Bid amount is in excess of Rs. 100,000, uploaded after 5.00 p.m. on the Bid / Issue closing Date.
- Bids from Corporates in the retail category.

### **Price Discovery and Allocation**

- (a) After the Bid/Issue Closing Date, the GCBRLM and the BRLMs will analyse the demand generated at various price levels.
- (b) Our Company and the Selling Shareholder in consultation with the GCBRLM and the BRLMs shall finalise the “Issue Price”.
- (c) The allocation to QIBs will be at least 60% of the Issue and allocation to Non-Institutional and Retail Individual Bidders will be not less than 10% and not less than 30% of the Issue, respectively, on a proportionate basis, in a manner specified in the SEBI Guidelines and the Red Herring Prospectus, in consultation with the Designated Stock Exchange, subject to valid bids being received at or above the Issue Price.
- (d) Under-subscription, if any, in the Non-Institutional category and the Retail Individual category would be met with spill over from any other category at the sole discretion of our Company and the Selling Shareholder in consultation with the GCBRLM and the BRLMs. However, if the aggregate demand by Mutual Funds is less than 2,77,958 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has been met, under subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company and the Selling Shareholder, in consultation with the GCBRLM, the BRLMs and the Designated Stock Exchange.  
  
Under-subscription, if any, in any category, would be met with spill over from other categories at our sole discretion in consultation with the GCBRLM and the BRLMs.
- (e) Allocation to Eligible NRIs and FIIs applying on repatriation basis will be subject to applicable law and the terms and conditions stipulated by the DIPP and RBI, while granting permission for allotment of Equity Shares to them in this Issue.

### **Signing of Underwriting Agreement and RoC Filing**

- (a) The Company, the GCBRLM, the BRLMs and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s)/ Allotment to the Bidders.
- (b) After signing the Underwriting Agreement, the Company would update and file the updated Red Herring Prospectus with RoC, which then would be termed ‘Prospectus’. The Prospectus would

have details of the Issue Price, Issue size, underwriting arrangements and would be complete in all material respects.

- (c) The Company will file a copy of the Prospectus with the RoC in terms of Section 56, Section 60 and Section 60B of the Companies Act.
- (d) Subject to Section 66 of the Companies Act, 1956 the Company shall after the filing of the Red Herring Prospectus prescribed by the SEBI DIP Guidelines, shall publish advertisement in three newspapers (one each in English, Hindi and Tamil).
- (e) The Company will issue an advertisement after the filing of the Prospectus with the RoC in three newspapers (one each in English, Hindi and Tamil). This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

#### **Issuance of CAN**

- (a) Upon approval of the basis of allotment by the Designated Stock Exchange, the GCBRLM or the BRLMs or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated/allotted Equity Shares in the Issue. The approval of the basis of allotment by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of Allotment for the Retail and Non-Institutional Bidders. However, investors should note that the 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.
- (b) The GCBRLM and the BRLMs and/or their affiliates would dispatch a CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the entire Bid Amount into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.
- (c) Bidders who have been allocated/allotted Equity Shares and who have already paid the Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of his or her cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the allotment to such Bidder.
- (d) The Issuance of CAN is 'Subject to "Allotment Reconciliation and Revised CANs" as set forth herein under the chapter "Terms of the Issue".'

#### **Notice to QIBs: Allotment Reconciliation and Revised CANs**

After the Bid/Issue Closing Date, the electronic book will be processed by the Registrar on the basis of Bid registered. Based on the electronic book, QIBs will be sent a CAN within two working days of the Bid/Issue Closing Date, indicating the number of Equity Shares that may be allocated to them. This CAN is provisional and the final allocation is subject to (i) physical application being valid in all respects along with stipulated documents being received by the Registrar to the Issue (ii) the approval of the final basis of allocation by the Designated Stock Exchange and (iii) allotment by the Board of Directors. Subject to SEBI Guidelines, certain Bid applications may be rejected/not considered for processing due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc. 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 therefore be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased Allotment of Equity Shares. The CAN shall 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) The Company will ensure that the allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Public Issue Account on the Designated Date, the Company would ensure the credit to the successful Bidders depository account. Electronic credit of the Equity Shares allotted shall be completed within two working days of the approval of the basis of allocation.
- (b) In accordance with the SEBI Guidelines, Equity Shares will be issued and allotment shall be made only in the dematerialised form to the allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

**Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated/allotted to them pursuant to this Issue.**

### **BASIS OF ALLOTMENT**

#### **A. For Retail Individual Bidders**

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Issue size less Allotment to Non-Institutional and QIB Bidders shall be available for Allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 27,79,582 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 27,79,582 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 9,26,527 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 9,26,527 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 shall be determined as follows:
    - (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.
    - (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full Allotment to the extent of valid bids received above the Issue Price.
    - (iii) Equity Shares remaining unsubscribed, if any, 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, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis subject to Sectoral caps.
- The aggregate Allotment to QIB Bidders shall not be less than 55,59,165 Equity Shares.

#### **Illustration of Allotment to QIBs and Mutual Funds (“MF”)**

##### **A. Issue Details**

Sr. No.	Particulars	Issue details
1	Issue size	20 crore equity shares
2	Allocation to QIB (60%)	12 crore equity shares
	Of which:	
	a. Allocation to MF (5%)	0.6 crore equity shares
	b. Balance for all QIBs including MFs	11.4 crore equity shares
3	No. of QIB applicants	10
4	No. of shares applied for	50 crore equity shares

##### **B. Details of QIB Bids**

S.No	Type of QIB bidders#	No. of shares bid for (in crores)
1	A1	5
2	A2	2
3	A3	13
4	A4	5
5	A5	5
6	MF1	4
7	MF2	4

8	MF3	8
9	MF4	2
10	MF5	2
<b>Total</b>		<b>50</b>

# 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 crores)

Type of QIB bidders	Shares bid for	Allocation of 0.60 crore Equity Shares to MF proportionately (see note 2 below)	Allocation of balance 11.4 crore Equity Shares to QIBs proportionately (see note 4 below)	Aggregate allocation to MFs
(I)	(II)	(III)	(IV)	(V)
A1	5	0	1.14	0
A2	2	0	0.45	0
A3	13	0	2.96	0
A4	5	0	1.14	0
A5	5	0	1.14	0
MF1	4	0.12	0.91	1.03
MF2	4	0.12	0.91	1.03
MF3	8	0.24	1.82	2.06
MF4	2	0.06	0.45	0.52
MF5	2	0.06	0.45	0.52
	<b>50</b>	<b>6</b>	<b>11.4</b>	<b>5.16</b>

Please note:

- The illustration presumes compliance with the requirements specified in this Red Herring Prospectus in the section titled “Issue Structure” beginning on page 320.
- Out of 12 crore Equity Shares allocated to QIBs, 0.6 crore (i.e. 5%) will be allocated on proportionate basis among 5 Mutual Fund applicants who applied for 200 shares in QIB category.
- The balance 11.4 crore Equity Shares (i.e. 120 - 6 (available for MFs)) will be allocated on proportionate basis among 10 QIB applicants who applied for 500 Equity Shares (including 5 MF applicants who applied for 200 Equity Shares).
- The figures in the fourth column titled “Allocation of balance 11.4 crore 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 114 / 494
  - 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 114/494
  - The numerator and denominator for arriving at allocation of 11.4 crore shares to the 10 QIBs are reduced by 0.6 crore shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

### Method of Proportionate Basis of Allotment in the Issue

In the event of the Issue being over-subscribed, the Company and the Selling Shareholder shall finalize the basis of Allotment in consultation with the Designated Stock Exchange. The Managing Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the GCBRLM, the BRLMs and the Registrar to the Issue shall be responsible for ensuring that the basis of Allotment is finalized in a fair and proper manner.

The Allotment shall be made subject to minimum lot size in marketable lots, on a proportionate basis as explained below:

- a) Bidders will be categorized according to the number of Equity Shares applied for.
- b) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- c) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.
- d) In all Bids where the proportionate Allotment is less than [●] Equity Shares per Bidder, the Allotment shall be made as follows:
  - 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 1 (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.

## **PAYMENT OF REFUNDS**

Bidders must note that on the basis of name of the Bidders, Depository Participant's name, DP ID, Beneficiary Account number provided by them in the Bid-cum-Application Form, the Registrar will obtain, from the Depositories, the Bidders' bank account details, including the nine digit Magnetic Ink Character Recognition ("MICR") code as registered with their depository participant. 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 the Company, the Registrar, Escrow Collection Bank(s), Bankers to the Issue nor the GCBRLM nor the BRLMs shall be liable to compensate the Bidders for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

### **Mode of making refunds**

The payment of refund, if any, would be done through various modes not necessarily in the following order:

1. ECS – Payment of refunds would be undertaken through ECS for applicants residing in areas covered by RBI approved ECS centres. This mode of payment of refunds would be subject to availability of complete and correct bank account details and the nine digit MICR code, from the

Depositories. The payment of refunds through ECS will be undertaken for applicants having a bank account at any of the abovementioned sixty eight centers, 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 Banker(s) to be appointed for this purpose, as mentioned in the Bid cum Application Form, shall be eligible to receive refunds through direct credit, provided the refund banker and the destination banker are agreeing to do the same. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company.
3. RTGS – Applicants whose refund amount exceeds Rs. 0.1 crore, have the option to receive refund through RTGS. Such 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 boxes meant for them. In the event the same is not provided, refund shall be made through any other eligible mode. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.
4. NEFT (National Electronic Fund Transfer) – Payment of refund shall be undertaken through NEFT wherever the applicants' bank branch is NEFT enabled and has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR) code of that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date prior to the date of payment of refund, duly mapped with MICR code. 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 and the past experience of the Registrars to the Issue. 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 this section.
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 Refund Banks and shall be payable at par at places where Bids are received. Bank charges, if any, for collection of such cheques, pay orders or demand drafts at other centers will be borne by the Bidders.

#### **Letters of Allotment or Refund Orders**

The Company shall give credit to the beneficiary account with depository participants within two working days from the date of allotment. Applicants residing at sixty eight centers where clearing houses are managed by the RBI, will get refunds through ECS subject to adequate details being available in the demographic details received from the depositories, except where applicant is otherwise disclosed as eligible to get refunds through direct credit and RTGS. We 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 fifteen days of closure of Bid / Issue.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI DIP Guidelines, the Company undertakes that:

- Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue Closing Date; and

- Dispatch of refund order shall be done within 15 days from the Bid/Issue Closing Date; and
- The Company shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 day time prescribed above.

The Company and the Selling Shareholder will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as Refund Bankers and shall be payable at par at places where Bids are received. Bank charges, if any, for collection of such cheques, pay orders or demand drafts at other centers will be borne by the Bidders.

### **Disposal of applications and application moneys and interest in case of delay**

The Company and the Selling Shareholder 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 within two working days of date of approval of the basis of allocation by the designated stock exchange.

Where refunds are made through ECS, direct credit or RTGS, the refund instructions will be given to the refund banker within 15 days from the Bid/ Issue Closing Date. A suitable communication shall be sent to the bidders receiving refunds through this mode within 15 days of Bid/ Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

The Company and the Selling Shareholder 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 done within seven working days from the approval of the basis of Allotment by the Designated Stock Exchange.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, the Company further undertakes that:

- Allotment of Equity Shares shall be made only in dematerialized form within 15 (fifteen) days of the Bid/Issue Closing Date;
- Dispatch of refund orders or in a case where the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within 15 (fifteen) days of the Bid/Issue Closing Date would be ensured; and

The Company and the Selling Shareholder shall pay interest at 15% (fifteen) 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 pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

### **Impersonation**

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 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.”

#### **UNDERTAKINGS BY OUR COMPANY AND THE SELLING SHAREHOLDER**

The Company undertakes that:

- That the complaints received in respect of this Issue shall be attended to by us expeditiously;
- That all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of Allotment;
- That funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the Issuer.
- That where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of the Bid/ Issue Closing Date, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.
- That the certificates of the securities/ refund orders to the eligible non-resident Indians or FIIs shall be despatched within specified time; and
- 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
- The Company shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

The Selling Shareholder undertakes that:

- the Equity Shares being sold pursuant to the offer for sale in the Issue, have been acquired by us in the one year preceding the date of filing of this Red Herring Prospectus with SEBI pursuant to a scheme of amalgamation under Sections 391-394 of the Act and are being offered for sale in compliance with the SEBI Guidelines;
- the Equity Shares being sold pursuant to the offer for sale in the Issue are free and clear of any liens or encumbrances, and shall be transferred to the eligible investors within the specified time;
- the funds required for despatch of refund orders or Allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by the Selling Shareholder;
- that the complaints received in respect of this Issue shall be attended to by the Selling Shareholder expeditiously and satisfactorily. The Selling Shareholder has authorized the Compliance Officer and the Registrar to the Issue to redress complaints, if any, of the investors;
- that the refund orders or Allotment advice to the successful Bidders shall be dispatched within specified time;
- that the Selling Shareholder shall not have recourse to the proceed of the Issue until approval for trading of the Equity Shares from all Stock Exchanges where listing is sought has been received; and
- no further offer of equity shares shall be made till the equity shares offered through this Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

The Company shall transfer to the Selling Shareholder, the proceeds from the Offer for Sale, on the same being permitted to be released in accordance with applicable laws.

#### **Utilisation of Issue proceeds**

Our Board of Directors certify that:

- All monies received out of the Issue shall be credited/transferred to a separate bank account as referred to in sub-section (3) of Section 73 of the Companies Act;
- Details of all monies utilised out of Issue shall be disclosed under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilised;
- Details of all unutilised monies out of the Issue, if any shall be disclosed under the appropriate head in the balance sheet indicating the form in which such unutilised monies have been invested;
- Our Company shall comply with the requirements of Clause 49 of the Listing Agreement in relation to the disclosure and monitoring of the utilization of the proceeds of the Issue.

### **Withdrawal of the Issue**

The Company and the Selling Shareholder, in consultation with the GCBRLM and the BRLMs reserve the right not to proceed with the Issue at anytime including after the Bid/Issue Opening Date but before the allotment of Equity Shares, without assigning any reason thereof. Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which the Company shall apply within 7 working days of finalisation of basis of Allotment, and (ii) the final ROC approval of the Prospectus after it is filed with the SEBI.

In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing date.

### **EQUITY SHARES IN 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 the Company, the respective Depositories and the Registrar to the Issue:

- a) Agreement dated January 15, 2008, with NSDL, the Company and the Registrar to the Issue.
- b) Agreement dated January 10, 2008, with CDSL, the Company and the Registrar to the Issue.

All Bidders can seek allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

- a) 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 our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- h) The trading of the Equity Shares of the Company would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

## Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, Bidders Depository Account Details, number of Equity Shares applied for, date of bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

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

## ISSUE PROCEDURE FOR ASBA BIDDERS

**This section is for the information of investors proposing to subscribe to the Issue through the ASBA process. Our Company, the GCBRLM and the BRLMs are not liable for any amendments, modifications, or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. ASBA Bidders are advised to make their independent investigations and to ensure that the ASBA Bid cum Application Form is correctly filled up, as described in this section.**

The list of banks who have been notified by SEBI to act as SCSB for the ASBA Process are provided on <http://www.sebi.gov.in/pmd/scsb.pdf>. For details on designated branches of SCSB collecting the ASBA Bid cum Application Form, please refer the above-mentioned SEBI website.

### ASBA Process

A Resident Retail Individual Investor shall submit his Bid through an ASBA Bid cum Application Form, either in physical or electronic mode, to the SCSB with whom the bank account of the ASBA Bidder or bank account utilised by the ASBA Bidder (“**ASBA Account**”) is maintained. The SCSB shall block an amount equal to the Bid Amount in the bank account specified in the ASBA Bid cum Application Form, physical or electronic, on the basis of an authorisation to this effect given by the account holder at the time of submitting the Bid. The Bid Amount shall remain blocked in the aforesaid ASBA Account until finalisation of the Basis of Allotment in the Issue and consequent transfer of the Bid Amount against the allocated shares to the ASBA Public Issue Account, or until withdrawal/failure of the Issue or until withdrawal/rejection of the ASBA Bid, as the case may be. The ASBA data shall thereafter be uploaded by the SCSB in the electronic IPO system of the Stock Exchanges. Once the Basis of Allotment is finalized, the Registrar to the Issue shall send an appropriate request to the Controlling Branch of the SCSB for unblocking the relevant bank accounts and for transferring the amount allocable to the successful ASBA Bidders to the ASBA Public Issue Account. In case of withdrawal/failure of the Issue, the blocked amount shall be unblocked on receipt of such information from the GCBRLMs and the BRLMs.

### ASBA Bid cum Application Form

ASBA Bidders shall use the ASBA Bid cum Application Form bearing the code of the Syndicate Member and/or the Designated Branch of SCSB, as the case may be, for the purpose of making a Bid in terms of the

Red Herring Prospectus. ASBA Bidders are required to submit their Bids, either in physical or electronic mode. In case of application in physical mode, the ASBA Bidder shall submit the ASBA Bid cum Application form at the Designated Branch of the SCSB. In case of application in electronic form, the ASBA Bidder shall submit the ASBA Bid cum Application Form either through the internet banking facility available with the SCSB, or such other electronically enabled mechanism for bidding and blocking funds in the ASBA account held with SCSB, and accordingly registering such Bids. The ASBA Bidders can submit only one Bid option in the ASBA Bid cum Application Form which shall be at Cut-off Price.

Upon filing of the Prospectus with the RoC, the ASBA Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the ASBA Bid cum Application Form to the Designated Branch of the SCSB, the ASBA Bidder is deemed to have authorized 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 ASBA Bidder.

The prescribed colour of the ASBA Bid cum Application Form shall be white.

#### **Who can Bid?**

In accordance with the SEBI Guidelines, only Resident Retail Individual Investor can submit their application through ASBA process to bid for the Equity Shares of our Company.

#### **Maximum and Minimum Bid Size for ASBA Bidders**

The ASBA Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter. The maximum ASBA Bid cannot exceed [●] Equity Shares in order to ensure that the total Bid Amount blocked in respect of the ASBA Bidder does not exceed Rs. 1,00,000. The ASBA Bidders shall bid only at the Cut-off Price indicating their agreement to Bid and purchase Equity Shares at the final Issue Price as determined at the end of the Book Building Process.

#### **Information for the ASBA Bidders:**

- a. The GCBRLM and BRLMs shall ensure that adequate arrangements are made to circulate copies of the Red Herring Prospectus and ASBA Bid cum Application Form to the SCSBs and the SCSBs will then make available such copies to investors applying under the ASBA process. Additionally, the GCBRLM and the BRLMs shall ensure that the SCSBs are provided with soft copies of the abridged prospectus and the ASBA Bid cum Application Form and that the same are made available on the websites of the SCSBs.
- b. ASBA Bidders, under the ASBA process, who would like to obtain the Red Herring Prospectus and/or the ASBA Bid cum Application Form can obtain the same from the Designated Branches of the SCSBs, the GCBRLM or the BRLMs. ASBA Bidders can also obtain a copy of the abridged prospectus and/or the ASBA Bid cum Application Form in electronic form on the websites of the SCSBs.
- c. The Bids should be submitted on the prescribed ASBA Bid cum Application Form if applied in physical mode. SCSBs may provide the electronic mode of Bidding either through an internet enabled bidding and banking facility or such other secured, electronically enabled mechanism for bidding and blocking funds in the accounts of the respective eligible investors.
- d. ASBA Bid cum Application Forms should bear the stamp of the Syndicate Member and/or Designated Branch of the SCSB.
- e. ASBA Bidders shall bid for Equity Shares only at the Cut-off Price, with a single bid option as to the number of Equity Shares.

- f. ASBA Bidders shall correctly mention the bank account number in the ASBA Bid cum Application Form and ensure that funds equal to the Bid Amount are available in the bank account maintained with the SCSB before submitting the ASBA Bid cum Application Form to the respective Designated Branch.
- g. If the ASBA Account holder is different from the ASBA Bidder, the ASBA Bid cum Application Form should be signed by the account holder as provided in the ASBA Bid cum Application Form.
- h. ASBA Bidders shall correctly mention their DP ID and Client ID in the ASBA Bid cum Application Form. For the purpose of evaluating the validity of Bids, the demographic details of ASBA Bidders shall be derived from the DP ID and Client ID mentioned in the ASBA Bid cum Application Form.
- i. ASBA Bidders shall not be allowed to revise their Bid and shall not bid under any reserved category.

### **Method and Process of Bidding**

- a. ASBA Bidders are required to submit their Bids, either in physical or electronic mode. ASBA Bidders submitting their Bids in physical mode should approach the Designated Branches of the SCSBs. ASBA Bidders submitting their Bids in electronic form shall submit their Bids either using the internet enabled bidding and banking facility of the SCSBs or such other electronically enabled mechanism for bidding and blocking funds in the accounts of the respective eligible investors, and accordingly registering such Bids. Every Designated Branch of the SCSB shall accept Bids from all such investors who hold accounts with them and desire to place Bids through them. Such SCSBs shall have the right to vet the Bids, subject to the terms of the SEBI Guidelines and Red Herring Prospectus.
- b. The Designated Branches of the SCSBs shall give an acknowledgment specifying the application number to the ASBA Bidders as a proof of acceptance of the ASBA Bid cum Application Form. Such acknowledgment does not in any manner guarantee that the Equity Shares bid for shall be Allocated to the ASBA Bidders.
- c. Each ASBA Bid cum Application Form will give the ASBA Bidder only one option to bid for the Equity Shares at the Cut-off Price i.e. at the cap price of the Price Band and specify the demand (i.e. the number of Equity Shares bid for) in such option. After determination of the Issue Price, the number of Equity Shares bid for by the ASBA Bidder at the Cut-off Price will be considered for allocation along with the Non-ASBA Retail Bidders who have bid for Equity Shares at or above the Issue Price or at Cut-off Price.
- d. Upon receipt of the ASBA Bid cum Application Form, submitted whether in physical or electronic mode, the Designated Branch of the SCSB shall verify if sufficient funds equal to the Bid Amount are available in the ASBA Account, as mentioned in the ASBA Bid cum Application Form, prior to uploading such Bids with the Stock Exchanges.
- e. If sufficient funds are not available in the ASBA Account, the Designated Branch of the SCSB shall reject such Bids and shall not upload such Bids with the Stock Exchanges.
- f. If sufficient funds are available in the ASBA Account, the SCSB shall block an amount equivalent to the Bid Amount mentioned in the ASBA Bid cum Application Form. The Designated Branch shall thereafter enter the Bid details from the prescribed ASBA Bid cum Application Form, if submitted in physical mode, or the Bid information submitted through the electronic mode made available by the SCSBs, as the case may be, into the electronic bidding system of the Stock Exchanges and generate a Transaction Registration Slip (“TRS”). The TRS shall be furnished to the ASBA Bidder on request.

- g. An ASBA Bidder cannot bid, either in physical or electronic mode, on another ASBA Bid cum Application Form or a non-ASBA Bid cum Application Form after bidding on one ASBA Bid cum Application Form, either in physical or electronic mode, has been submitted to the Designated Branches of SCSBs or uploaded by the ASBA Bidder, as the case may be. Submission of a second ASBA Bid cum Application Form or a Non-ASBA Bid cum Application Form to either the same or to another Designated Branch of the SCSB will be treated as multiple Bids and will be liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the Allocation or Allotment of Equity Shares in this Issue. **ASBA Bidders are cautioned that Bids for Equity Shares made in the Issue through the ASBA Bid cum Application Form cannot be revised.**

### **Bidding**

- a. The Price Band and the minimum Bid lot size for the Issue will be decided by us and the Selling Shareholder in consultation with the GCBRLM and the BRLMs and advertised in all editions of the Financial Express, Jansatta and Makkal Kural at least two days prior to the Bid/Issue Opening Date. The ASBA Bidders can submit only one Bid in the ASBA Bid cum Application Form, that is, at Cut-off Price with single option as to the number of Equity Shares.
- b. In accordance with the SEBI Guidelines, our Company reserves the right to revise the Price Band during the Bidding Period. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band.
- c. In case of revision in the Price Band, the Bid/Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a public notice in two national newspapers (one each in English and Hindi) and a regional newspaper and also by indicating the change on the websites of the GCBRLM, BRLMs, SCSBs and at the terminals of the members of the Syndicate.
- d. Our Company in consultation with the GCBRLM and the BRLMs, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation to, the ASBA Bidders.
- e. ASBA Bidders agree that they shall purchase the Equity Shares at any price within the Price Band. In the event the Bid Amount is higher than the subscription amount payable (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the ASBA Account shall be unblocked to the extent to such excess of Bid Amount over the subscription amount payable.
- f. In case of an upward revision in the Price Band, announced as above, the number of Equity Shares bid for shall be adjusted downwards (to the previous multiple lot) for the purpose of allotment, such that no additional amount is required to be blocked in the ASBA Account and the ASBA Bidder is deemed to have approved such revised Bid at Cut-off Price.

### **Mode of Payment**

Upon submission of an ASBA Bid cum Application Form with the SCSB, whether in physical or electronic mode, each ASBA Bidder shall be deemed to have agreed to block the entire Bid Amount and authorized the Designated Branch of the SCSB to block the Bid Amount, in the bank account maintained with the SCSB.

After verifying that 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 till the Designated Date. On the Designated Date, the SCSBs shall transfer the amounts allocable to the ASBA Bidders from the respective ASBA Account, in terms of the SEBI Guidelines, into the ASBA Public Issue Account. The balance amount, if any against the said Bid in the ASBA Accounts shall then be unblocked by the SCSBs on the basis of the instructions issued in this regard by the Registrar to the Issue.

The entire Bid Amount, as per the Bid cum Application Form submitted by the respective ASBA Bidders, would be required to be blocked in the respective ASBA Accounts, whether in physical or electronic mode, until finalisation of the Basis of Allotment in the Issue and consequent transfer of the Bid Amount against allocated shares to the ASBA Public Issue Account, or until withdrawal/failure of the Issue or until rejection of the ASBA Bid, as the case may be.

#### **Electronic registration of Bids by SCSBs**

- a. In case of ASBA Bid cum Application Forms, whether in physical or electronic mode, the Designated Branch of the SCSBs will register the Bids using the online facilities of the Stock Exchanges. SCSB shall not upload any ASBA Application Form in the electronic bidding system of the Stock Exchange(s) unless
  1. it has received the ASBA in a physical or electronic form; and
  2. it has blocked the application money in the ASBA account specified in the ASBA or has systems to ensure that Electronic ASBAs are accepted in the system only after blocking of application money in the relevant bank account opened with it.
- b. The Stock Exchanges offer a screen-based facility for registering Bids for the Issue which will be available on the terminals of Designated Branches during the Bid/Issue Period. The Designated Branches can also set up facilities for offline electronic registration of Bids subject to the condition that they will subsequently upload the offline data file into the online facilities for book building on a regular basis. On the Bid/Issue Closing Date, the Designated Branches of the SCSBs shall upload the Bids till such time as may be permitted by the Stock Exchanges. ASBA Bidders are cautioned that high inflow of bids typically received on the last day of the bidding may lead to some Bids received on the last day not being uploaded due to lack of sufficient uploading time, and such bids that are not uploaded may not be considered for allocation.
- c. The aggregate demand and price for Bids registered on the electronic facilities of the Stock Exchanges will be displayed online on the websites of the Stock Exchanges. A graphical representation of consolidated demand and price would be made available on the websites of the Stock Exchanges during the Bidding Period.
- d. At the time of registering each Bid, the Designated Branches of the SCSBs shall enter the information pertaining to the investor into the online system, including the following details:
  - Name of the Bidder(s);
  - Application Number;
  - Permanent Account Number;
  - Number of Equity Shares Bid for;
  - Depository Participant identification No.; and
  - Client identification No. of the Bidder's beneficiary account.

In case of electronic ASBA, the ASBA Bidder shall himself fill in all the above mentioned details, except the application number which shall be system generated. The SCSBs shall thereafter upload all the abovementioned details in the electronic bidding system provided by the Stock Exchange(s).

- e. A system generated TRS will be given to the ASBA Bidder upon request as proof of the registration of the Bid. **It is the ASBA Bidder's responsibility to obtain the TRS from the Designated Branches of the SCSBs.** The registration of the Bid by the Designated Branch of the SCSB does not guarantee that the Equity Shares bid for shall be Allocated to the ASBA Bidders.
- f. Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- g. It is to be distinctly understood that the permission given by the Stock Exchanges to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company, the GCBRLM or the BRLMs or the Designated Branches of the SCSBs are cleared or approved by the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of compliance with the statutory and other requirements; nor does it take any responsibility for the financial or other soundness of our Company, our management or any scheme or project of our Company.
- h. The SCSB may reject the ASBA Bid, if the ASBA Account maintained with the SCSB as mentioned in the ASBA Bid cum Application Form does not have sufficient funds equivalent to the Bid Amount. Subsequent to the acceptance of the Bid by the Designated Branch, our Company would have a right to reject the Bids only on technical grounds.
- i. Only Bids that are uploaded on the online IPO system of the Stock Exchanges shall be considered for allocation/Allotment. In case of discrepancy of data between the BSE or NSE and the Designated Branches of the SCSBs, the decision of the Registrar, based on the physical records of the ASBA Bid cum Application Forms shall be final and binding on all concerned.

#### **Build up of the book and revision of Bids**

- a. Bids registered through the Designated Branches of the SCSBs shall be electronically transmitted to the BSE or the NSE mainframe on a regular basis.
- b. The book gets built up at various price levels. This information will be available with the GCBRLM, the BRLMs and the Stock Exchanges on a regular basis.
- c. ASBA Bidders shall not revise their Bids.
- d. The SCSBs shall provide aggregate information about the numbers of ASBA Bid cum Application Forms uploaded, total number of Equity Shares and total amount blocked against the uploaded ASBA Bid cum Application Form and other information pertaining to the ASBA Bidders. The Registrar to the Issue shall reconcile the electronic data received from the Stock Exchanges and the information received from the SCSBs. In the event of any error or discrepancy, the Registrar to the Issue shall inform the SCSB of the same. The SCSB shall be responsible to provide the rectified data within the time stipulated by the Registrar to the Issue.
- e. Only Bids that are uploaded on the online IPO system of the BSE and NSE shall be considered for allocation/ Allotment.

#### **Price Discovery and Allocation**

After the Bid/Issue Closing Date, the Registrar to the Issue shall aggregate the demand generated under the ASBA process and which details are provided to them by the SCSBs with the Retail Individual Investor applied under the non ASBA process to determine the demand generated at different price levels.

#### **Advertisement regarding Issue Price and Prospectus**

After filing of the Prospectus with the RoC, a statutory advertisement will be issued by our Company in a widely circulated English national newspaper and a Hindi national newspaper of wide circulation and a regional language newspaper with wide circulation at the place where the registered office of the issuer is situated. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

#### **Issuance of CAN**

- (a) Upon approval of the Basis of Allotment by the Designated Stock Exchange, the Registrar to the Issue shall send to the Controlling Branches of the SCSBs, a list of the ASBA Bidders who have been allocated Equity Shares in the Issue. Investors should note that our Company shall endeavour to ensure that the demat credit of Equity Shares pursuant to Allotment shall be made on the same date to all investors in this Issue; and
- (b) The ASBA Bidders shall directly receive the CAN from the Registrar. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the ASBA Bidder.

#### **Unblocking of ASBA Account**

On the basis of instructions from the Registrar to the Issue, the SCSBs shall transfer the requisite amount against each successful ASBA Bidder to the ASBA Public Issue Account and shall unblock excess amount, if any in the ASBA Account. However, the Bid Amount may be unblocked in the ASBA Account prior to receipt of intimation from the Registrar to the Issue by the Controlling Branch of the SCSB regarding finalisation of the Basis of Allotment in the Issue, in the event of withdrawal/failure of the Issue or rejection of the ASBA Bid, as the case may be.

#### **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 from the bank account of the ASBA Bidders to the ASBA Public Issue Account on the Designated Date, to the extent applicable, our Company would ensure the credit of the Allotted Equity Shares to the depository accounts of all successful ASBA Bidders' within two working days from the date of Allotment.
- (b) As per the SEBI Guidelines, **Equity Shares will be issued, transferred and allotted only in the dematerialised form to the Allottees.** Allottees will have the option to re-materialise the Equity Shares so Allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

#### **GENERAL INSTRUCTIONS**

##### ***Do's:***

- a. Check if you are a Resident Retail Individual Investor and eligible to Bid under ASBA process.
- b. Ensure that you use the ASBA Bid cum Application Form specified for the purposes of ASBA process.
- c. Read all the instructions carefully and complete the ASBA Bid cum Application Form (if the Bid is submitted in physical mode, the prescribed ASBA Bid cum Application Form is white in colour).
- d. Ensure that your Bid is at the Cut-off Price.

- e. Ensure that you have mentioned only one Bid option with respect to the number of equity shares in the ASBA Bid cum Application Form.
- f. Ensure that the details of your Depository Participant and beneficiary account are correct and that your beneficiary account is activated, as Equity Shares will be Allotted in dematerialised form only.
- g. Ensure that your Bid is submitted at a Designated Branch of an SCSB, with a branch of which the ASBA Bidder or a person whose bank account will be utilized by the ASBA Bidder for bidding has a bank account and not to the Bankers to the Issue/Collecting Banks (assuming that such Collecting Bank is not a SCSB), to the Company or Registrar or GCBRLM or BRLMs.
- h. Ensure that the ASBA Bid cum Application Form is signed by the account holder in case the applicant is not the account holder.
- i. Ensure that you have mentioned the correct bank account No. in the ASBA Bid cum Application Form.
- j. Ensure that you have funds equal to the number of Equity Shares Bid for at Cut-off Price available in ASBA account maintained with the SCSB before submitting the ASBA Bid cum Application Form to the respective Designated Branch of the SCSB.
- k. Ensure that you have correctly checked the authorisation box in the ASBA Bid cum Application Form, or have otherwise provided an authorisation to the SCSB via the electronic mode, for the Designated Branch to block funds equivalent to the Bid Amount mentioned in the ASBA Bid cum Application Form in your ASBA Account maintained with a branch of the concerned SCSB.
- l. Ensure that you receive an acknowledgement from the Designated Branch of the concerned SCSB for the submission of your ASBA Bid cum Application Form.
- m. Ensure that you have mentioned your Permanent Account Number (“**PAN**”) allotted under the I.T. Act.
- n. Ensure that the name(s) and PAN given in the ASBA Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the ASBA Bid is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the ASBA Bid cum Application Form.
- j) Ensure that the Demographic Details are updated, true and correct, in all respects.

***Don'ts:***

- a. Do not submit an ASBA Bid if you are not a Resident Retail Individual Investor.
- b. Do not submit an ASBA Bid if you are applying under any reserved category.
- c. Do not revise your Bid.
- d. Do not Bid for lower than the minimum Bid size.
- e. Do not Bid on another ASBA or Non-ASBA Bid cum Application Form after you have submitted a Bid to a Designated Branch of the SCSB.
- f. Payment of Bid Amounts in any mode other than blocked amounts in the bank accounts maintained by SCSBs, shall not be accepted under the ASBA process.

- g. Do not send your physical ASBA Bid cum Application Form by post; instead submit the same to a Designated Branch of the SCSB only.
- h. Do not fill up the ASBA Bid cum Application Form such that the bid amount against the number of Equity Shares Bid for exceeds Rs. 1,00,000.
- i. Do not submit the GIR number instead of the PAN Number.
- j. Do not instruct your respective banksto release the funds blocked in the bank account under the ASBA process.

**Bids by ASBA Bidders must be:**

- a. Made only in the prescribed ASBA Bid cum Application Form, which is white in colour if submitted in physical mode, or electronic mode.
- b. In single name or in joint names (not more than three, and in the same order as their Depository Participant details).
- c. Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the ASBA Bid cum Application Form.
- d. The Bids must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter subject to a maximum of [●] Equity Shares such that the Bid Amount does not exceed Rs. 1,00,000.
- e. Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

**ASBA Bidder's depository account and bank details**

**ALL ASBA BIDDERS SHALL RECEIVE THE EQUITY SHARES ALLOTTED TO THEM IN DEMATERIALISED FORM. ALL ASBA BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER AND PAN IN THE ASBA BID CUM APPLICATION FORM. ASBA BIDDERS MUST ENSURE THAT THE NAME AND PAN GIVEN IN THE ASBA BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE ASBA 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 ASBA BID CUM APPLICATION FORM.**

**ASBA Bidders should note that on the basis of name of the ASBA Bidders, PAN, Depository Participant's name and identification number and beneficiary account number provided by them in the ASBA Bid cum Application Form, the Registrar to the Issue will obtain from the Depository, demographic details of the ASBA Bidders including address, ("Demographic Details"). Hence, ASBA Bidders should carefully fill in their Depository Account details in the ASBA Bid cum Application Form.**

As these Demographic Details would be used for all correspondence with the ASBA Bidders they are advised to update their Demographic Details as provided to their Depository Participants.

By signing the ASBA Bid cum Application Form, the ASBA Bidder is 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.

CAN/Allocation advice and letters intimating unblocking of bank account of the respective ASBA Bidder would be mailed at the address of the ASBA Bidder as per the Demographic Details received from the Depositories. ASBA Bidders may note that delivery of CAN/Allocation advice or letters intimating unblocking of bank account may be delayed if the same once sent to the address obtained from the Depositories are returned undelivered. Note that any such delay shall be at the sole risk of the ASBA Bidders and neither of the Designated Branches of the SCSBs, the members of the Syndicate, or the Company shall be liable to compensate the ASBA Bidder for any losses caused to the ASBA Bidder due to any such delay or be liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the ASBA Bidders (including the order of names of joint holders), the DP ID and the beneficiary account number, then such Bids are liable to be rejected.

ASBA Bidders are required to ensure that the beneficiary account is activated, as Equity Shares will be Allotted in dematerialised form only.

#### **Payment mechanism under ASBA**

The ASBA Bidders shall specify the bank account number in the ASBA Bid cum Application Form and the SCSB shall block an amount equivalent to the application money in the bank account specified in the Bid cum Application Form. The SCSB shall keep the Bid Amount in the relevant bank account blocked until withdrawal/rejection of the ASBA Bid or receipt of instructions from the Registrar to the Issue to unblock the Bid Amount.

In the event of withdrawal or rejection of Bid cum Application Form or for unsuccessful Bid cum Application Forms, the Registrar to the Issue shall give instructions to the Controlling Branch of the SCSB to unblock the application money in the relevant bank account. The Bid Amount shall remain blocked in the ASBA Account until finalisation of the Basis of Allotment in the Issue and consequent transfer of the Bid Amount to the ASBA Public Issue Account, or until withdrawal/failure of the Issue or until rejection of the ASBA Bid, as the case may be.

#### ***ASBA Bids under Power of Attorney***

In case of ASBA Bids made pursuant to a power of attorney, a certified copy of the power of attorney must be lodged along with the ASBA Bid cum Application Form. Failing this, our Company, in consultation with the GCBRLM and BRLMs, reserves the right to reject such ASBA Bids.

Our Company, in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the ASBA Bid cum Application Form, subject to such terms and conditions that we, in consultation with the GCBRLM and BRLMs may deem fit.

### **OTHER INSTRUCTIONS**

#### **Withdrawal of ASBA Bids**

In case an ASBA Bidder wants to withdraw the ASBA Bid cum Application Form during the Bid/Issue Period, the ASBA Bidder shall submit the withdrawal request to the SCSB, which shall do the necessary, including deletion of details of the withdrawn ASBA from the electronic bidding system of the Stock Exchange(s) and unblocking of funds in the relevant bank account.

In case an ASBA Bidder wants to withdraw the ASBA cum Application Form after the Bid Closing date, the ASBA Bidder shall submit the withdrawal request to the Registrar to the Issue before finalization of the

Basis of Allotment. The Registrar to the Issue shall delete the withdrawn Bid from the Bid file. The instruction for and unblocking of funds in the relevant bank account, in such withdrawals, shall be forwarded by the Registrar to the Issue to the SCSB on finalization of the Basis of Allotment.

### **Joint ASBA Bids**

ASBA Bids may be made in single or joint names (not more than three). In case of joint ASBA Bids, all communication will be addressed to the first Bidder and will be dispatched to his address.

### **Multiple ASBA Bids**

An ASBA Bidder should submit only one Bid for the total number of Equity Shares desired. Two or more Bids will be deemed to be multiple Bids if the sole or first Bidder is one and the same. In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications is described in “*Issue Procedure- Multiple Bids*” on page 336.

### **Permanent Account Number**

For details, see “*Permanent Account Number or PAN*” on page 337.

### **Right to Reject ASBA Bids**

The Designated Branches of the SCSBs shall have the right to reject ASBA Bids if at the time of blocking the Bid Amount in the 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.

Further, in case any DP ID, Client ID or PAN mentioned in the ASBA Bid cum Application Form does not match with one available in the depository’s database, such ASBA Bid shall be rejected by the Registrar to the Issue.

### **GROUND FOR TECHNICAL REJECTIONS UNDER THE ASBA PROCESS**

In addition to the grounds listed under “Grounds for Rejections” on page 337, applications under the ASBA process are liable to be rejected on, *inter alia*, the following technical grounds:

1. Amount mentioned in the ASBA Bid cum Application Form does not tally with the amount payable for the value of Equity Shares Bid for;
2. Bids at a price other than at the Cut-off Price;
3. Age of first Bidder not given;
4. Bid made by categories of investors other than Resident Retail Individual Investors;
5. Bids by persons not competent to contract under the Indian Contract Act, 1872, including minors and persons of unsound mind;
6. PAN not stated, or GIR number furnished instead of PAN. See “*Issue Procedure - PAN or GIR Number*” on page 337;
7. Bids for number of Equity Shares, which are not in multiples of [●];
8. Authorisation for blocking funds in the ASBA Bidder’s bank account not ticked or provided;
9. Multiple Bids as defined in this Red Herring Prospectus;
10. In case of Bid under power of attorney, relevant documents are not submitted;
11. ASBA Bids accompanied by stockinvest/money order/postal order/cash;
12. Signature of sole and/or joint Bidders missing in case of ASBA Bid cum Application Forms submitted in physical mode;
13. ASBA Bid cum Application Form does not have the stamp of the SCSB and/or a member of the Syndicate;
14. ASBA Bid cum Application Form does not have the Bidder’s depository account details;

15. ASBA Bid cum Application Form is not delivered, either in physical or electronic form, by the Bidder within the time prescribed and as per the instructions provided in the ASBA Bid cum Application Form and the Red Herring Prospectus;
16. Inadequate funds in the ASBA Account to block the Bid Amount specified in the ASBA Bid cum Application Form at the time of blocking such Bid Amount in the ASBA Account;
17. 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), PAN, the DP ID and the beneficiary account number; and
18. If the ASBA Bid in the Issue is revised.

Bidders are advised that ASBA Bids not uploaded in the electronic book of the Stock Exchanges, due to any of the grounds mentioned above, would be rejected.

## **COMMUNICATIONS**

All future communication in connection with ASBA Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First ASBA Bidder, ASBA Bid cum Application Form number, details of Depository Participant, number of Equity Shares applied for, date of ASBA Bid cum Application Form, name and address of the Designated Branch of the SCSB where the ASBA Bid was submitted and bank account number in which the amount equivalent to the Bid amount was blocked. The Registrar to the Issue shall obtain the required information from the SCSBs for addressing any clarifications or grievances. The SCSB shall be responsible for any damage or liability resulting from any errors, fraud or willful negligence on the part of any employee of the concerned SCSB, including its Designated Branches and the branches where the ASBA Accounts are held. The Company, the Selling Shareholder, the GCBRLM, the BRLMs, the Syndicate Members and the Registrar accept no responsibility for errors, omissions, commission or any acts of SCSBs including any defaults in complying with its obligations under applicable SEBI Guidelines.

ASBA Investors can contact the Compliance Officer, the Designated Branch of the SCSB where the ASBA Bid cum Application Form was submitted, or the Registrar to the Issue in case of any pre- or post-Issue related problems such as non-receipt of credit of Allotted Equity Shares in the respective beneficiary accounts, unblocking of excess Bid Amount, etc.

### **Disposal of Investor Grievances**

All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSB, giving full details such as name, address of the applicant, number of Equity Shares applied for, Bid Amount blocked on application, bank account number and the Designated Branch or the collection centre of the SCSB where the Bid cum Application Form was submitted by the ASBA Bidders.

### **Impersonation**

For details, see section titled “*Issue Procedure- Impersonation*” on page 345.

### **Basis of Allocation**

Bids received from ASBA Bidders will be considered at par with Bids received from non-ASBA Bidders. The basis of allocation to such valid ASBA and non-ASBA Bidders will be that applicable to Retail Individual Bidders. For details, see section “*Issue Procedure- Basis of Allocation*”.

### **Method of Proportionate basis of allocation in the Issue**

ASBA Bidders, along with non-ASBA Bidders, will be categorized as Retail Individual Bidders. No preference shall be given vis-à-vis ASBA and non-ASBA Bidders.

### **Undertaking by our Company**

In addition to our undertakings described under “*Issue Procedure- Undertaking by our Company*”, with respect to the ASBA Bidders, we undertake that adequate arrangement shall be made to consider ASBA Bidders similar to other Bidders while finalizing the basis of allocation.

#### **Utilisation of Issue Proceeds**

Our Board has provided certain certifications with respect to the utilization of Issue Proceeds. For details, see “*Issue Procedure- Utilization of Issue Proceeds*”.

## **RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES**

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of the Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. Under the current foreign investment policy applicable foreign investment upto 100% is permitted in the Company under the automatic route.

### **Subscription by foreign investors (NRIs/FIIs)**

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without the prior approval of the RBI, so long as the price of the shares is not less than the price at which the shares are issued to residents.

Transfers of equity shares previously required the prior approval of the FIPB. However, by a RBI circular dated October 4, 2004 issued by the RBI, 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.

### **Representation from the Bidders**

No person shall make a Bid in Issue, unless such person is eligible to acquire Equity Shares of the Company in accordance with applicable laws, rules, regulations, guidelines and approvals.

Investors that Bid in the Issue will be required to confirm and will be deemed to have represented to the Company, the Underwriters, the Selling Shareholder and their respective directors, officers, agents, affiliates and representatives, as applicable, that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company and will not offer, sell, pledge or transfer the Equity Shares of the Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company. The Company, the Underwriters, the Selling Shareholder and their respective directors, officers, agents, affiliates and representatives, as applicable, accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares of the Company.

There is no reservation for Non Residents, NRIs, FIIs, foreign venture capital funds, multi-lateral and bilateral development financial institutions and any other foreign investor. All Non Residents, NRIs, FIIs and foreign venture capital funds, multi-lateral and bilateral development financial institutions and any other foreign investor applicants will be treated on the same basis with other categories for the purpose of allocation.

As per existing regulations, OCBs cannot participate in the Issue.

**The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S promulgated 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 and sold (i) in the United States to "qualified institutional buyers", as defined in Rule 144A promulgated under the Securities Act in reliance on Rule 144A, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act.**

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

The above information is given for the benefit of the Bidders. The Company, the Selling Shareholder, the GCBRLM and the BRLMs are not liable for any amendments, modification, or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

## **SECTION VIII: MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION**

### **ARTICLES OF ASSOCIATION**

#### **OF**

#### **MAHINDRA HOLIDAYS & RESORTS INDIA LIMITED**

##### **CAPITAL AND INCREASE AND REDUCTION OF CAPITAL**

4. Authorised Share Capital shall be the same as mentioned in the Memorandum of Association of the Company.
5. Subject to the provisions of the Act and these Articles the shares in the capital of the Company for the time being (including any shares forming part of any increased capital of the company) shall be under the control of the Board who may allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to compliance with the provisions of Section 79 of the Act) at a discount and at such times as it may from time to time think fit and proper and, with the consent of the General Meeting, give to any person the option to call for or be allotted any class of shares of the Company either at par or at a premium or, subject as aforesaid at a discount, such option being exercisable at such times and for such consideration as the Board thinks fit.
6. In addition to and without derogating from the powers for that purpose conferred on the Board under Article 4, the company in general meeting may determine that any share (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 proportions and on such terms and conditions and either at a premium or at par or (subject to compliance with the provisions of the Section 79 of the Act) 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 any class of shares of the company either at a premium or at par, or (subject to compliance with the provisions of Section 79 of the Act) at a discount, such option being exercisable at such times and for such consideration as may be directed by such general meeting or the company in general meeting may make any other provisions, whatsoever for the issue, allotment or disposal of any shares.
7. In addition to and without derogating from the powers for that purpose conferred on the Board under Article 4, the company in general meeting may determine that any share (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 proportions and on such terms and conditions and either at a premium or at par or (subject to compliance with the provisions of the Section 79 of the Act) 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 any class of shares of the company either at a premium or at par, or (subject to compliance with the provisions of Section 79 of the Act) at a discount, such option being exercisable at such times and for such consideration as may be directed by such general meeting or the company in general meeting may make any other provisions, whatsoever for the issue, allotment or disposal of any shares.
8. The company in general meeting may from time to time increase its share capital by the creation of further shares, such increases to be of such aggregate amount and to be divided into shares of such respective amounts as the resolution shall prescribe. Subject to the provisions of the Act, the further shares 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 Board shall determine; and in particular, such shares may be issued with a preferential or qualified right to dividends and in distribution of assets of the company, and with a right of voting at general meetings of the company.

## **FURTHER ISSUE OF SHARES**

9. Where at any time after the expiry of two years from the formation of the company or at any time after 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, at the date of the offer, are holders of the equity shares of the company, in proportion, as nearly as circumstances admit, to the capital paid up on those shares at that date;
  - b. the offer aforesaid shall be made by notice specifying the number of shares offered and limiting a time, not being less than fifteen days from the date of the offer, within which 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 him or any of them in favour of any other person and the Notice referred to in sub- clause (b) shall contain a statement of this right.
  - d. after the expiry of the time specified in the notice aforesaid, or on the receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose of them in such manner as they think most beneficial to the company.
2. Notwithstanding anything contained in clause (1) of this article, the further shares aforesaid may be offered to any person or persons (whether or not those person or persons include persons referred to in sub clause (a) of clause (1) hereof) in any manner whatsoever.
  - a. if a special resolution to that effect is passed by the Company in general meeting, or
  - b. where no such 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 that 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 and 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 clause (1) hereof shall be deemed;
  - (i) To extend the time within which the offer should be accepted; or
  - (ii) 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 debentures issued or loans raised 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:

- (i) 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 the Rules, if any, made by the Government in this behalf; and
- (ii) In the case of debentures or loans 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.

#### 10. **SHARES AT THE DISPOSAL OF THE DIRECTORS**

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 to such person, 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 a discount and at such time as they may from time to time think fit and with sanction of the company in the General Meeting to give to any person or 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 person or persons without the sanction of the Company in the General Meeting.

11. On the issue of redeemable preference shares under provisions of Article 8 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 redemption;
  - (b) No such shares shall be redeemed unless they are fully paid;
  - (c) The premium, if any payable on redemption shall be provided for out of the profits of the company or out of the Company's Share Premium Account, before the shares are redeemed, and
  - (d) Where any such shares are redeemed otherwise than out of the proceeds of a fresh issue, there shall, out of profits which would otherwise have been available for dividend, be transferred to a reserve fund, to be called "Capital Redemption Reserve Account", a sum equal to the nominal amount of the shares to be redeemed, and the provisions of the Act relating to the reduction of the share capital of a company shall, except as provided under Section 80 of the Act, apply as if the Capital Redemption Reserve Account were paid-up share capital of the Company.
12. Subject to the provisions of the Act, the Company shall have the power to issue cumulative convertible preference shares to which the following provisions shall apply:
  - (a) The dividend payable on the said shares shall be payable on a preferential basis and shall be at such rate as may be prescribed or permitted under the applicable rules and regulations prevailing at the relevant time.
  - (b) The dividend shall be cumulative and arrears shall be payable to the shareholders registered with the company on the date fixed for determining to whom the dividend then declared is paid.
  - (c) All such shares shall be converted into equity shares any time between the expiry of three years and the expiry of five years from the date of allotment of the shares as may be decided by the Board subject to any applicable regulations or sanctions that may be

in force at the time. Upon conversion into equity shares the right to receive arrears of dividend, if any, on the preference shares upto the date of conversion shall devolve on the holder of the equity shares registered with the company on the date prescribed in the declaration of the said dividend. Such conversion shall be deemed to be a redemption of the preference

- (d) Shares out of the proceeds of a fresh issue of shares.
13. Except so far as otherwise provided by the conditions of issue or by these Articles, any capital raised by the creation of new shares, shall be considered part of the initial capital and shall be subject to the provisions herein contained with reference to the payment of calls, and installment, transfer and transmission, forfeiture, lien, surrender, voting and otherwise.
14. **Restrictions on purchase of its own shares by the Company:**
- (a) The Company shall not have the power to buy its own shares, unless the consequent reduction of capital is effected and sanctioned in accordance with Article 15 and in accordance with Sections 100 to 104 or Section 402 or other applicable provisions (if any) of the Act
  - (b) Except to the extent permitted by Section 77, 77A, 77AA & 77B or other applicable provisions (if any) of the Act, the Company shall not give whether directly or indirectly and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purchase of, or in connection with the purchase or subscription made or to be made by any person of or for any shares in the Company.
  - (c) Nothing in this Article shall affect the right of the Company to redeem any redeemable preference shares issued under these Articles or under Section 80 or other relevant provisions (if any) of the Act.
15. The Company may subject to the provisions of Sections 78, 80 and 100 to 105 and other applicable provisions (if any) of the Act, from time to time by special resolution reduce its capital and any capital redemption reserve account or any 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 up again or otherwise.
16. The Company may in general meeting alter the conditions of its Memorandum of Association as follows:
- (a) Consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares;
  - (b) Sub-divide its shares, or any of them into shares of smaller amount so however, that in the sub-division the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived;
  - (c) Cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled. A cancellation of shares in pursuance of this sub-clause shall not be deemed to be reduction of share capital within the meaning of the Act.
17. If and whenever as the result of issue of new shares or of any consolidation or sub-division of shares, any share becomes held by members in fractions, the Board shall, subject to the provisions of the Act, and the articles and to the directions of the Company in general meeting, if any, sell those shares which members hold in fractions for the best price reasonably obtainable and shall pay and distribute to and amongst the members entitled to such shares in due proportions the net proceeds of the sale thereof. For the purpose of giving effect to any such sale the Board may authorise any person to transfer and the purchaser shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected any

irregularity or invalidity in the proceedings with reference to the sale.

18. Whenever the capital, by reason of the issue of preference shares or otherwise, 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 in normal value of the issued shares of the class or is confirmed by a resolution passed by the votes of not less than three-fourths of the votes of the holders of shares of that class at a separate general meeting of the holders of shares of that class and all the provisions contained in these Articles as to general meetings shall mutatis mutandis apply to every such meeting. This article is not to derogate from any power the Company would have if this article was omitted.
19. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not unless otherwise expressly provided by the terms of the issue of the shares of that class be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.
20. The Company shall not issue any shares (not being preference shares) which carry voting right or rights in the Company as to dividend, capital or otherwise, which are disproportionate to the rights attached to the holders of other shares (not being preference shares).
21. Subject to the provisions of Section 79A and subject to any special rights or privileges of the time attached to any shares in the capital of the Company at a discount or for consideration other than cash for providing know-how or then issued, the company may issue equity shares to employees or directors making available rights in the nature of intellectual property rights or value additions, by whatever name called or for the performance of past or future services.
22. Subject to the provisions of section 81 (1A) and other applicable provisions, if any, of the Act and subject to the Articles of Association, the Board may, from time to time, create, offer and issue to or for the benefit of the company's employees, including the Chairman, the managing directors and the whole – time directors, Non executive, Independent directors and also employees and directors of holding and subsidiary companies, such number of equity shares of the company not exceeding at any time in the aggregate 5% of the Issued capital, for subscription on such terms and conditions with the authorities concerned, and in accordance with such guidelines or other provisions of law, as may be prevalent at that time, but ranking *pari passu* with the existing equity shares of the company:
  - (a) The issue price of such shares shall be determined by the Board in accordance with the laws prevalent at the time of the issue.
  - (b) In the alternative to equity shares, mentioned hereinabove, the Board may also issue bonds, equity warrants or other securities / instruments convertible or non – convertible into equity shares, as may be permitted in law, from time to time.

All such issues as above are to be made in pursuance of Employees' Stock Option Scheme (ESOP) to be drawn up and approved by the Board.

#### **RETURN OF ALLOTMENT**

23. As regards all allotments made from time to time the Company shall duly comply with Section 75 of the Act.

#### **UNDERWRITING AND BROKERAGE**

24. The Company may exercise the powers of paying commission conferred by Section 76 of the

Act, provided that the rate percent or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by the said Section and the Commission shall not exceed such percent of the price, as permitted by the Act from time to time, at which any shares, in respect whereof the same is paid, are issued or such percent of the price as permitted by the Act from time to time at which any debentures are issued (as the case may be). Such commission may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in one way and partly in the other.

25. The Company may also on any issue of shares or debentures pay such brokerage as may be lawful.

## **SHARES AND CERTIFICATES**

26. The Company shall cause to be kept a register and index of members in accordance with Sections 150 and 151 of the Act, and the Companies (Issue of Share Certificates) Rules, 1960, and any modification thereof for every member who changes his name or address to the Company.
27. The shares in the capital shall be numbered progressively according to their several denominations provided however that the provision relating to progressive numbering shall not apply to the shares of the Company which have been dematerialised, and except in the manner hereinbefore mentioned no share shall be sub-divided.
28. Subject to the provisions of the Act, and of these Articles, the Board may allot and issue shares in the capital of the Company as payment or part payment for any property sold or transferred, goods or machinery supplied or for services rendered to the Company either in or about the formation or promotion of the company or the conduct of its business and any shares which may be so allotted may be issued as fully paid-up shares provided that option or right to call of shares shall not be given to any person or persons without the sanction of the Company in the General Meeting.
29. (1) Where the Company issues shares, debentures or other securities at a premium, whether for cash or otherwise, a sum equal to the aggregate shall be transferred to an account, to be called "Securities Premium Account" and the provisions of the Act relating to the reduction of the share capital of the Company shall, except as provided in this clause, apply as if the securities premium account were paid-up share capital of the Company.
- (2) The securities premium account may, notwithstanding clause (1) hereof, be applied by the Company –
- (a) in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares,
  - (b) in writing off the preliminary expenses of the Company,
  - (c) in writing off the expenses of or the commission paid or discount allowed on any issue of shares or debentures of the Company, or
  - (d) in providing for the premium payable on the redemption of any redeemable preference shares or of any debentures of the Company.
30. If by the terms of issue of any shares or otherwise the whole or any part of the amount or issue price thereof shall be payable by installment shall, when due, be paid to the Company by the person who for the time being and from time to time is the registered holder of the shares or by his legal representatives.
31. Subject to the provisions of these Articles, any application signed by or on behalf of an applicant for shares in the Company followed by an acceptance of shares within the meaning of these articles, and every person who thus or otherwise accepts any shares and whose name is on the Register of Members shall, for the purposes of these Articles, be a member, provided that no

share shall be applied for by or allotted to a minor, insolvent or person of unsound mind.

32. The money (if any), which the Board of Directors shall on the allotment of any shares being made by it, require or direct to be paid by way of deposit, call or otherwise, in respect of any shares allotted by it, shall immediately on the inscription of the name of the allottee in the Register of Members as 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.
33. Every member, or his heirs, executors or administrators, shall pay to the Company the proportion 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 of Directors shall, from time to time in accordance with the Company's regulations require or fix for the payment thereof.
34. The Company, unless prohibited by any prohibition of law or of any order of any court, tribunal or other authority, shall, within three months after the allotment of any of its shares or debentures and within one month of the receipt of application for registration of transfer, transmission, sub-division, consolidation or renewal of any such shares or debentures, deliver in accordance with the procedure laid down in section 53, the certificates of all shares, debentures and certificates of debenture stocks allotted or transferred.

#### **LIMITATION OF TIME FOR ISSUE OF CERTIFICATES**

35. 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 so time determine ) to several certificates, each for one or more of such shares and the company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within two months of the receipt of application of registration of transfer, transmission, sub-division, 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 number and distinctive numbers of shares in respect of which it is issued and amount paid-up thereon and shall be in such form as the directors may prescribe and 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 or several joint holders shall be a sufficient delivery to all such holder.
36. Each certificate shall specify the name of the person in whose favour it is issued, the share certificate number and the distinctive number(s) of the shares to which it relates and the amount paid up thereon. Such certificate shall be issued only in pursuance of a resolution passed by the Board and on surrender to the company of its letter of allotment of its fractional coupons of requisite value, save in cases of issues against letters of acceptance or of renunciation or in cases of issue of bonus shares PROVIDED THAT if the letter of allotment is lost or destroyed the Board may impose such reasonable terms, if any, as it thinks fit, as to evidence and indemnity and the payment of out of pocket expenses incurred by the Company in investigating the evidence. If any member shall require additional certificate he shall pay for each additional certificate (not being in the marketable lot) such sum not exceeding one rupee as the Board shall determine. The certificate of title to shares shall be issued under the Seal of the Company in conformity with the provisions of the Companies (Issue of Share Certificates) Rules 1960 or any statutory modification or re-enactment thereof for the time being in force.
37. Nothing contained in the preceding Article 34 and Article 35 of the Articles of Association of the Company would apply to shares issued in dematerialised form in any medium as permitted by law including any form of electronic medium.

38. Any two or more joint allottees or holders of shares shall, for the purpose of Article 28 be treated as a single member and the certificate for any share, which may be the subject of joint ownership, may be delivered to any one of such joint owners on behalf of all of them.

#### **ISSUE OF NEW CERTIFICATE IN PLACE OF ONE DEFACED, LOST OR DESTROYED**

39. 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 or worn out or where there is no further space on the back thereof for endorsement of transfer.

Provided that notwithstanding what is stated above the Directors shall comply with such rules or regulation or requirements of any Stock Exchange or the rules made under the Act or rules made under Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable thereof in this behalf.

The provisions of this Article shall *mutatis mutandis* apply to debentures of the Company.

40. If any share stands in the name of two or more persons, the person first named in the Register of Members, shall as regards receipt of dividends or bonus or service of notice and /or any other matter connected with the company, except voting at meetings and the transfer of the shares, 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 instalments and calls due in respect of such share, and for all incidents thereof according to these articles.
41. Notwithstanding anything contained herein, the Company shall be entitled to dematerialise its shares, debentures and other securities pursuant to the Depositories Act and to offer its shares, debentures and other securities for subscription in a dematerialised form. The Company shall further be entitled to maintain a Register of Members and Register of Debentureholders with the details of Members and Debentureholders holding shares, debentures or other securities both in material and dematerialised form in any medium as permitted by law including any form of electronic medium.
42. (1) The Company shall not be bound to recognise any equitable, contingent, future or partial interest in any share, or (except only as is by these presents otherwise expressly provided) any right in respect of a share other than an absolute right thereto, in accordance with these presents in the person from time to time registered as the holder thereof, but the Board shall be at liberty at its sole discretion to register any share in the joint names of two or more persons or the survivors of them.
- (2) Save as herein otherwise provided the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share as the absolute owner thereof and accordingly shall not (except as ordered by a court of competent jurisdiction or as by law required) be bound to recognise any benami trust or other claim or claims or right to or interest in such shares on the part of any other person whether or not it shall have express or implied notice thereof.
43. The Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share or whose name appears as the Beneficial Owner of shares in the records of the Depository, as the absolute owner thereof.

The provisions of this Article shall mutatis mutandis apply to the debentures of the Company.

44. (a) Notwithstanding anything herein contained, a person whose name is at any time entered in the Register of Members of the Company as the holder of a share in the Company, but who does not hold the beneficial interest in such a share, shall within such time and in such form as may be prescribed, make a declaration to the Company specifying the name and other particulars of the person or persons who hold the beneficial interest in such share in the manner provided in Section 187C of the Act.
- (b) A person who holds a beneficial interest in a share or a class of shares of the Company shall, within the time prescribed, after his becoming such beneficial owner, make a declaration to the Company specifying the nature of his interest, particulars of the person of his interest, particulars of persons in whose name the shares stand in the Register of Members of the Company and such other particulars as may be prescribed as provided in Section 187C of the Act.
- (c) Whenever there is a change in the beneficial interest in a share referred to above, the beneficial owner shall, within the time prescribed from the date of such change, make a declaration to the Company, in such form and containing such particulars as may be prescribed, as provided in Section 187C of the Act.
- (d) Notwithstanding anything contained in these Articles, where any declaration referred to above is made to the Company, the Company shall make a note of such declaration in the Register of Members and file, within the time prescribed from the date of receipt of the declaration, a return in the prescribed form with the Registrar with regard to such declaration.
45. Shares may be registered in the name of an incorporated company or other body corporate but not in the name of a minor or in the name of a person of unsound mind or in the name of any firm or partnership.
46. Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any works 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 contained in 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. (INTEREST OUT OF CAPITAL)

#### **CALLS**

47. The Board may, from time to time, by resolution passed at a meeting of the Board (and not by circular resolution), subject to the terms on which any shares may have been issued, and subject to the provisions of Section 91 of the Act, make such calls as the Board thinks fit upon the members in respect of all moneys unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times, and each member shall pay the amount of every call so made on him to the person and at the times and places appointed by the Board. A call may be made payable by installments. The Board of Directors when making a call by resolution may determine the date on which such call shall be deemed to have been made not being earlier than the date of resolution making such call and thereupon the call shall be deemed to have been made on the date so determined and if no such date as aforesaid is fixed, the call shall be deemed to have been made on the date on which the resolution of the Board making the call is passed.
48. Where any calls for further share capital are made on shares, such calls shall be made on a uniform basis on all shares falling under the same class. For the purpose of this Article, shares of the same nominal value on which different amount have been paid up, shall not be deemed to fall under the same class.

49. Fifteen days' notice at least of every call payable otherwise than on allotment shall be given by the company specifying the time and place of payment, and to whom such call shall be paid. Provided that the Board may, at its discretion, revoke the call or postpone it.
50. No Call shall be made payable within one month after date when the last preceding call was made payable. Not less than one month's notice of any call shall be given specifying the time and place of payment and to whom such call shall be paid.
- (i) If a sum called in respect of a Share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest thereon from the day appointed for payment at Eighteen percent per annum or at such rate, as the Board may determine.
  - (ii) The Board shall be at liberty to waive payment of any such interest wholly or in part.
51. If by the terms of issue of any share or otherwise any amount is made payable at any fixed time or by installments at fixed times, whether on account of the amount of the share or by way of premium every such amount or installment shall be payable as if it were a call duly made by the Board and of which due notice had been given and all the provisions herein contained in respect of calls shall relate to such amount or installment accordingly.
52. Subject to the provisions of any law in force to the contrary on the trial or hearing of any action or suit brought by the Company against any share holder or his representatives to recover any debt or money claimed to be due to the Company in respect of his share, it shall be sufficient to prove that the name of the defendant is, or was, when the claim arose, on the Register as a holder or one of the joint holders of the number of shares in respect of which such claim is made, and that the amount claimed is not entered as to prove the appointment of the Board, who made any call, nor that a quorum was present at the Board meeting at which any call was made nor that the meeting at which any call was made was duly convened or constituted, nor any other matter whatsoever, but the proof of the matter aforesaid shall be conclusive evidence of the debt.

#### **PAYMENT IN ANTICIPATION OF CALL MAY CARRY INTEREST**

53. 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 Board 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 this Article shall mutatis mutandis apply to the calls on debentures of the Company.

54. The Board of Directors may, from time to time, at its discretion, extend the time 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 of Directors may deem fairly entitled to such extension; but no member shall be entitled to such extension save as a matter of grace and favour.

## FORFEITURE SURRENDER AND LIEN

55. If any member fails to pay any call or installment of a call on or before the day appointed for the payment of the same, the Board may, at any time may thereafter during such time as the call or installment remains unpaid, serve a notice on such member requiring 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.
56. The notice shall name a day (not being less than one month from the date of the notice) and a place or places on and at as which such call or installment and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of non-payment at or before the time at the place appointed, the shares in respect of which such call was made or installment is payable will be liable to be forfeited.
57. If the requirements of any such notice as the aforesaid are 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.
58. When any share shall have been so forfeited, notice of the resolution shall be given to the member in whose name it stood immediately prior to the forfeiture and an entry of the forfeiture, with the date thereof, shall forthwith be made in the Register, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make such entry as aforesaid.
59. The forfeiture of a share shall involve the extinction, at the time of forfeiture, of all interest in and all claims and demands against the Company, in respect of that share, and all other rights incidental to the share except such as are by these articles expressed.
60. Any share so forfeited shall be deemed to be the property of the Company, and the Board may sell, allot or otherwise dispose of the same in such manner as it thinks fit.
61. 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.
62. (i) A person whose share has been forfeited shall cease to be a member in respect of the forfeited share but shall, notwithstanding such forfeiture, remain liable to pay and shall forthwith pay to the Company all calls or installments, interest and expenses owing upon or in respect of such share, at the time of the forfeiture, together with interest thereon, from the time of forfeiture until payment, at Eighteen percent per annum and or at such rate as the Board may determine fit and the Board may enforce the payment thereof.
- (ii) The liability to make payment provided for under this clause shall cease if and when the Company shall have received payment in full of all such monies in respect of the shares.
- Provided That the forfeiture of a share shall involve the extinction of all interest in and also of all claims and demands against the Company, in respect of the share and all other rights incidental to the share except only such of those rights as are by these Articles expressly saved.
- (iii) (a) A certificate in writing signed by 2 Directors, and counter signed by the Managing Director or Secretary of the Company, that the call in respect of a share was made and notice thereof given, and the default in payment of the call was made and that the forfeiture was made by a resolution of the Board to that effect, shall be conclusive evidence of the fact stated therein as against all

- persons entitled to such share
- (b) The company may receive the consideration, if any, given for the share on any sale or disposal thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed of.
  - (c) The transferees shall thereupon be registered as the holder of the share.
  - (d) The transferee shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share.
- (iv) Neither a judgment nor a decree in favour of the Company for calls or other moneys due in respect of any shares nor any part payment or satisfaction thereof nor the receipt by the Company of a portion of any money which shall from time to time be due from any member in respect of any shares either by way of principal or interest nor any indulgence granted by the Company in respect of payment of any such money shall preclude the Company from thereafter proceeding to enforce a forfeiture of such shares as herein provided.
  - (v) The provision of the Articles as to forfeiture shall apply in the case of nonpayment of any sum which by the terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of a share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.
  - (vi) 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 share/debentures and no equitable interest in any share shall be created except upon the footing and condition that this Article shall have full effect and such lien shall extend to all dividends and bonus from time to time declared in respect of such shares/debentures. Unless otherwise agreed, the registration of a transfer of a share/debenture shall operate as a waiver of the Company's lien, if any, on such share/debenture. The Directors may at any time declare any share wholly or in part to be exempt from the provisions of this clause.
  - (vii) For the purpose of enforcing such lien, the Board may sell the share subject thereto in such manner as it thinks fit, but no sale shall be made until such time for payment as aforesaid shall have arrived and until notice in writing of the intention to sell shall have been served on such member, his executors or administrators or his committee, curator or other legal representative as the case may be and default shall have been made by him or them in the payment of the moneys called or payable at a fixed time in respect of such share for one month after the date of such notice.
  - (viii) The net proceeds of the sale shall be received by the Company and applied in or towards payment of such part of the amount in respect of which the lien exists as is presently payable, and the residue, if any, shall (subject to a like lien for sums not presently payable as existed upon the share before the sale) be paid to the person entitled to the share at the date of this sale.
  - (ix) Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers herein before given, the Board may appoint some person to execute an instrument of transfer of the share sold and cause the purchaser's name to be entered in the Register in respect of the share sold, and the purchaser shall not be bound to see to the regularity of the proceedings, nor to the application of the purchase money, and after his name has been entered in the Register in respect of such share the validity of the sale shall not be impeached by any person, and the remedy of any person aggrieved by the sale shall be in damages only and against the company exclusively.
  - (x) Where any share under the powers in that behalf herein contained is sold by the Board and the certificate in respect thereof has not been delivered to the Company by the former holder of such share, the Certificate shall stand cancelled and become null and void. The Board may issue a new Certificate for such share distinguishing it in such manner as it may think fit from the certificate not so delivered up.

- (xi) The Board may at any time, subject to the provisions of the Act, accept the surrender of any share from or by any member desirous of surrendering the same on such terms as the Board may think fit.
- (xii) Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinbefore given, the Board of Directors may appoint some person to execute an instrument of transfer of the shares sold and cause the purchaser's name to be entered in the register in respect of the shares sold, and the purchaser shall not be bound to see to the regularity of the proceedings, nor to the application of the purchase money and after his name has been entered in the Register of Members in respect of such shares the validity of the sale shall not be impeached by any person, and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.
- (xiii) Where any shares under the powers in that behalf herein contained are sold by the Board of Directors after forfeiture or for enforcing a lien, the certificate or certificates originally issued in respect of the relative shares (unless the same shall voluntarily or on demand by the company, have been previously surrendered to the company by the defaulting member) stand cancelled and become null and void and of no effect and the Board of Directors may issue a new certificate or certificates for such shares distinguishing it or them in such manner as it may think fit from the certificate or certificates previously issued in respect of the said shares.
- (xiv) Any money due from the Company to a member may, without the consent and notwithstanding the objection of such member, be applied by the Company in or towards the payment of any money due, from him to the Company for calls or otherwise.

#### **NOMINATION**

- 63. Every holder of shares or debenture or fixed deposits or fixed deposits of the company will have freedom to nominate at any time a person to whom his shares/debenture/deposits shall vest in the event of his death. Where the shares/debenture/deposits are held by more than one person jointly, the joint holders may together make such nomination. The nomination should be made in the prescribed manner and the nominee shall, on the death of the shareholder or holder of the debenture of the company or, as the case may be, on the death of the joint holders become entitled to all rights in the shares or debenture of the company or, as the case may be, all the joint holders in relation to such shares in or debenture of the company to the exclusion of all other persons unless the nomination varied or cancelled in the prescribed manner. Where nominee is the minor it shall be lawful for the holder of the shares or holder of debenture to make the nomination to appoint in the prescribed manner any person to become entitled to shares in or debenture of the company in the event of his death during the minority. Any person who becomes nominee as aforesaid upon the production of such evidence as may be required by the Board of Director of the company, elect either to be registered himself as holder of the shares or debenture or to make such transfer of the shares or debenture as the deceased shareholders or debenture holder could have made. The Board of Director of the company shall in either case have the same right to decline or suspends registration as it would have had, if the deceased shareholder or debenture holder had transferred the shares or debentures before his death.

#### **TRANSFER AND TRANSMISSION OF SHARES**

- 64. The Company shall keep a book to be called the Register of Transfers and therein shall be fairly and distinctly entered the particulars of every transfer or transmission of any share.
- 65. Subject to the provisions of the Act, and these Articles, no transfer of shares in, or debentures of the Company shall be registered, unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee and specifying the name, address and occupation, if any, of the transferee has been delivered to the Company

along with the certificate relating to the shares or debentures or if no such certificate is in existence, along with the letter of allotment of the shares or debentures. The transferor shall be deemed to remain the holder of such shares until the name of the transferee is entered in the register in the respect thereof. Shares or different classes shall not be included in the same instrument of transfer.

66. In the case of transfer of shares or other marketable securities where the Company has not issued any certificates and where such shares or securities are being held in an electronic and fungible form, the provisions of the Depositories Act shall apply.
67. The instrument of transfer shall be in writing and all the provisions of Section 108 of the Act and any statutory modification thereof for the time being shall be duly complied with in respect of all transfers of shares and registration thereof. The Company shall use a common form of transfer in all cases.

The provisions relating to instrument of transfer shall not apply to the shares of the Company which have been dematerialized.

#### **NO FEE ON TRANSFER OR TRANSMISSION**

68. 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.

#### **DIRECTORS MAY REFUSE TO REGISTER**

69. Subject to the provisions of Section 111A of the Act, 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 interests 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 when the Company has a lien on the shares. Transfer of shares/debentures in whatever lot shall not be refused.
70. The registration of a transfer shall be conclusive evidence of the approval by the Board of the transferee but so far only as regards the share or shares in respect of which the transfer is so registered and not further or otherwise and not so as to debar the Board from declining to register any subsequent or other transfer or other shares applied for in the name of such transferee.
71. Registration of a transfer shall not be refused on the ground of the transferor being, either along or jointly with any other person or persons indebted to the company on any account whatsoever, except a lien on shares.
72. No shares shall in any circumstances be allotted or transferred or any minor, insolvent or person of unsound mind.
73. An application for the registration of transfer of shares may be made either by the transferor or by the transferee.
74. Where the application is made by the transferor and relates to partly paid shares, the transfer

shall not be registered unless the Company gives notice of the application to the transferee and the transferee makes no objection to the transfer within two weeks from the receipt of the notice.

75. For the purpose of clause (2) hereof notice to the transferee shall be deemed to have been duly given if it is dispatched by prepaid registered post to the transferee at the address given in the instrument of transfer and shall be deemed to have been duly delivered at the time at which it would have been delivered in the ordinary course of post.
76. If the Company refuses to register the transfer of any share or transmission of right therein, the Company shall within one month from the date on which the instrument of transfer, or the intimation of 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.
77. Nothing in these articles shall prejudice any power of the Company to register as shareholder any person to whom the right to any shares of the Company has been transmitted by operation of law.
78. Every instrument of transfer duly executed and stamped shall be left at the office for registration accompanied by the certificate of the shares to be transferred and such other evidence as the Company may require to prove the title of the transferor or his right to transfer the shares.
79. All instruments of transfer which are registered shall be retained by the Company, but any instrument of transfer which the Board declines to register shall on demand be returned to the person depositing the same. The Board may cause to be destroyed all transfer deeds lying with the Company after such period not being less than six years as it may determine.
80. The Board may after giving not less than seven days previous notice by advertisement as required by Section 154 of the Act, close the Register of Members or the Register of Debenture Holders for any period or periods not exceeding in the aggregate, 45 (forty-five) days in each year, but not exceeding 30 days at any one time.
81. In the case of death of any one or more of the persons named in the Register of Members as joint shareholders of any share, the survivors shall be the only persons recognized by the Company as having any title to or interest in such shares, but nothing herein contained shall be taken to release the estates of a joint shareholder from any liability to the Company on shares held by him jointly with any other person.
82. Subject to Article 75, the heir, executor or administrator of a deceased shareholder shall be the only person recognised by the Company as having any title to his shares and the Company shall not be bound to recognise such heir, executor or administrator unless shall have first obtained probate or letters of administration or succession certificate
83. Subject to the provisions of the Act and these Articles, any person becoming entitled to a share in consequence of the death, bankruptcy or insolvency of any member, or by any lawful means other than by a transfer in accordance with these presents, may with the consent of the Board (which it shall not be under any obligation to give) upon producing such evidence as the Board thinks sufficient, either be registered himself as the holder of the share or elect to have some person nominated by him, and approved by the Board, 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 of the share in accordance with the provisions herein contained and until he does so he shall not be freed from any liability in respect of the share.
84. The Board shall, subject to the provisions of Article 69 hereof, have the same right to refuse to

register a person entitled by transmission to any share, or his nominee, as if he were the transferee named in any ordinary transfer presented for registration.

85. Every transmission of shares shall be verified in such manner as the Board may require and, if the Board so desires, be accompanied by such evidence as may be thought necessary and the Company may refuse to register any such transmission until the same be so verified or requisite evidence produced or until or unless an indemnity be given to the Company with regard to such registration which the Board at its absolute discretion shall consider sufficient, provided nevertheless, that there shall not be any obligation on the Company or the Board to accept any indemnity.
86. A transfer of a share in the Company of a deceased member thereof made by his legal representative shall, although the legal representative is not himself a member be as valid as if he had been a member at the time of the execution of the instrument of transfer.
87. The certification by the Company of any instrument of transfer of shares in or debentures of the Company, shall be taken as representation by the Company to any person acting on the faith of the certification that there have been produced to the Company such documents as on the face of them show a prima facie title to the shares or debentures in the transferor named in the instrument of transfer, but not as a representation that the transferor has any title to the shares or debentures.
88. The Company shall incur no liability or responsibility whatever in consequence of its registering or giving effect to any transfer or transmission 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 same 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 referred thereto in any book of the Company, and the Company shall not be bound or required to regard or attend or to 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 books 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 shall so think fit.

#### **JOINT HOLDERS**

89. Subject to the provisions of the Act, the Board may refuse to transfer a share or shares in the joint names of more than four persons.
90. Where more than one person is registered as the holder of any share the person first named in the Register of Members as one of the joint holders of a share shall be deemed the sole holder for matters connected with the Company subject to the following and other provisions contained in these Articles.
91. The joint holders of any share shall be liable severally as well as jointly for and in respect of all calls and other payments which ought to be made in respect of such share.
92. On the death of any such joint holder the survivor or survivors shall be the only person or persons recognized by the Company as having any title to the share but the Board may require such evidence of death as it may deem fit and nothing herein contained shall be taken to release the estate of a deceased joint holder any liability on shares held by him jointly with any other person.
93. Any one of several persons who is registered as joint holder of any share may give effectual receipts for all dividends and payments on account of dividends in respect of such share.

94. Only the person whose name stands first in the Register of Members as one of the joint holders of any share shall be entitled to delivery of the certificates relating to such share or to receive documents (which expression shall be deemed to include all documents referred to in these Articles) from the Company and any document served on or sent to such person shall be deemed service on all the joint holders.
95. Any one or two or more joint holders may vote at any meeting either personally or by attorney or by proxy in respect of such shares as if he were solely entitled thereto and if more than one of such joint holders be present at any meeting personally or by proxy or by attorney then that one of such persons so present whose name stands first or higher (as the case may be) on the Register of Members in respect of such shares thereof but the others of the joint holders shall be entitled to be present at the meeting; provided always personally shall be entitled to vote in preference to a joint holder present by attorney or by proxy although the name of such joint holder present by an attorney or proxy stands first or higher (as the case may be) in the register in respect of such shares. Several executors or administrators of a deceased member in whose (deceased member's) sole name any share stands shall, for the purpose of this Article be deemed joint holders.

#### **COPIES OF MEMORANDUM AND ARTICLES TO BE SENT TO MEMBERS**

96. Copies of the Memorandum and Articles of Association of the Company and other documents referred to in Section 39 of the Act shall be sent by the Company to every member at his request within seven days of the request on payment of the sum of Rupee one for each copy

#### **CONVERSION OF SHARES INTO STOCK**

97. The Company, by Ordinary Resolution, subject to the provision of Section 94 to 96 of the Act, convert any fully paid-up shares into stock; and reconvert any stock into paid-up shares of any denomination.
98. The holders of stock may transfer the same or any part thereof in the same manner and subject to the same regulations as and subject to which the shares from which the stock arose might previously to conversion have been transferred, or as near thereto as circumstances admit; and the Directors may from time to time, fix the minimum amount of stock transferable, provided that such minimum shall not exceed the nominal amount of the shares from which the stock arose.
99. The holders of stock shall, according to the amount of stock held by them have the same rights, privileges and advantages as regards dividends, voting at meetings of the Company and other matters as if they held the shares from which the stock arose, but no such privilege or advantage (except participation in the dividends and profits of the Company and in the assets on a winding up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage.
100. Such of the Articles of the Company as are applicable to paid-up shares shall apply to Stock and the words 'Share' and 'Shareholder' therein shall include 'Stock' and 'Stock holder' respectively.

#### **BORROWING POWERS**

101. The Board of Directors may subject to the provisions of the Act borrow moneys for the purpose of the Company on such terms and on such conditions and on such security, including debentures and debenture stock issued at a discount or premium or otherwise as they may deem

fit, provided that the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business for working capital requirements) shall not without the sanction of the Company in General Meeting exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, or such limit as may be specified by Companies Act, 1956.

#### **TERM OF ISSUE OF DEBENTURE**

102. Any debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares, 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.
103. The Board shall cause a proper Register to be kept in accordance with the provisions of Section 143 of the Act of the mortgages, debentures and charges specifically affecting the property of the Company, and shall cause the requirement of Sections 118, 125 and 127 to 144 (both inclusive) of the Act in that behalf to be duly complied with, so far as they fall to be complied with by the Board
104. The Company shall, if at any time issues debentures, keep a Register and Index of debenture holders in accordance with Section 152 of the Act. The Company shall have the power to keep in any State or country outside India a branch Register of Debenture holders resident in that State or country.
105. The Board of Directors may, at any time, with such sanction of the Company in General Meeting as may be required under the provisions of the Act, mortgage, charge, pledge or hypothecate its undertakings, properties and assets of the Company, including the goodwill and uncalled capital or any part thereof as security for any loan borrowed or to be borrowed or the goodwill and uncalled capital or any part thereof as security for any loan borrowed or to be borrowed or for the due performance of any obligations undertaken by the Company and on such terms and conditions and in such manner as they may deem fit.
106. The Board of Directors, may, from time to time, in exercise of the aforesaid borrowing powers issue debentures either non-convertible or convertible or debenture stocks on such terms and conditions as the Company may deem fit charging the undertakings, properties, assets including goodwill and uncalled capital of the Company or any part thereof as security for repayment of such debentures debenture-stocks or other securities.
107. Any debentures, debenture-stock, bonds or other securities may be issued at a discount, premium or otherwise and with any special privileges as to redemption, surrender, drawings, allotment of shares, appointment of Directors and otherwise. Debentures, Debenture-stock, bonds and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

PROVIDED that debentures with the right to allotment of or conversion into shares shall not be issued except in conformity with the provisions of Section 81(3) of the Act.

#### **INSTRUMENT OF TRANSFER**

108. Subject to the provisions of Section 108 of the Act no transfer of registered debentures shall be registered unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferee has been delivered to the Company together with the Certificate or Certificates of the debentures.

109. The Board may at any time in their absolute discretion and without assigning any reason decline to register any transfer of debentures.
110. If the Board refuses to register the transfer of any debentures, the Company shall, within two months from the date on which the instruments of transfer was lodged with the Company, send to the transferee and the transferor notice of the refusal.

Provided that the registration of a transfer shall not be refused on the grounds that the transferor is either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except on a lien on shares.

### **SHARE WARRANTS**

111. 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.
112. The bearer of a share warrant may at any time deposit the warrant at the office of the Company and, so long as the warrant remains so deposited, the depositor shall have the same right of signing a requisition for calling a meeting of the Company and of attending and voting and exercising the other privileges of a member at any meeting held after the expiry of two clear days from the time of deposit, as if his name were inserted in the Register of Members as the holder of the share included in the deposited warrant.
113. Not more than one person shall be recognised as depositor of the share warrant.
114. The Company shall, on two days' written notice return the deposited share warrant to the depositor.
115. Subject as herein otherwise expressly provided, no person shall, as bearer of a share warrant, sign a requisition for calling meeting of the Company, or attend or vote or exercise any other privileges of a member at a meeting of the Company, or be entitled to receive any notices from the Company.
116. The bearer of a share warrant shall be entitled in all other respects to the same privileges and advantages as if he were named in the Register of Members, as the holder of the share included in the warrant, and he shall be a member of the Company.
117. The Board may from time to time make rules as to the terms on which (if it shall think fit) a new share warrant or coupon may be issued by way of renewal in case of defacement, loss or destruction.

### **MEETING OF MEMBERS**

118. The Company shall in each year hold in addition to any other Meetings a General Meeting as its Annual General Meeting and shall specify the Meeting as such in its notice calling it; and not more than 15 months shall lapse between the date of one Annual General Meeting of the Company and that of the next provided that the time at which any Annual General Meeting shall be held may be extended by the Registrar as provided in Section 166(1) of the Act by a further period not exceeding three months.

119. Every Annual General Meeting shall be called for at a time during business hours on a day that is not a public holiday and shall be held either at the Registered Office of the Company or at some other place within the City, town or village in which the Registered Office of the Company is situate.
120. All other General Meetings shall be referred to as extraordinary general meetings.
121. The Company shall in accordance with Section 159 of the Act, within sixty days from the day on which the annual general meeting is held, prepare and file with the Registrar a return in the form set out in Schedule V to the Act or as near as thereto as the circumstances shall admit and containing the particulars specified in the said Schedule V.
122. The Directors may whenever they think convene an extraordinary general meeting at such time and at such places as they may deem fit. Subject to the directions if any given by the Board, the Managing Director or Secretary may convene extraordinary General Meetings whenever he thinks fit at such time and place as he may deem fit.
123. The Directors shall, on the requisition of the holders of not less than 1/10<sup>th</sup> of such of the paid up capital of the Company as at the date of the requisition, carries the right to vote in regard to the matter set out in the requisition for consideration of an Extraordinary General Meeting of the Company forthwith proceed to convene extraordinary general meeting of the Company and in case of such requisition the following provisions shall have effect:
- (a) The requisition must state the objects of the meeting and must be signed by the requisitionists and be deposited at the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists
  - (b) If the Directors of the Company do not proceed within twenty one days from the date of the requisition being so deposited to cause a meeting to be called on a day not later than forty five days from the date of the deposit of the requisition.
    - (i) The requisitionists, or
    - (ii) Such of them as represent either a majority in value of the paid-up capital held by all of them or not less than one tenth of such of the paid-up capital of the Company as at that date carries the right to voting in regard to that matter; may themselves convene the meeting, but any meeting so convened shall not be held after three months from the date of the deposit of such requisition
124. Any meeting convened under this Article by the requisitionists shall be convened in the same manner as nearly as possible as that in which meetings are to be convened by the Directors but shall be held at the Company's Registered Office or some other place within the city, town or village in which the registered office of the company is situate.
125. A requisition by Joint holders of shares may be signed by any one or more of such holders.
126. Subject as hereinafter, mentioned in this Article, General Meetings shall be convened on not less than twenty-one days' notice in writing to the members and every other person entitled to receive such notice specifying the place, day and hour of meeting and with a statement of the business to be transacted at the meeting and in every such notice there shall appear with reasonable prominence a statement that a member entitled to attend and vote be a member and such notice shall be given in manner as hereinafter that in the case of Annual General Meeting, with the consent in writing of all the members entitled to vote there at and in case of any other Meetings with the consent of members of the Company holding not less than 95% of such part of the paid-up capital of the Company as gives a right to vote at the Meeting, a Meeting may be convened by a shorter notice. In the case of a Meeting convened to pass a Special resolution such notice shall specify the intention to propose the resolution as a Special Resolution. No business may be transacted at any General Meeting which is beyond the scope of the notice

convening the Meeting or of the statement of business accompanying such notice.

Provided that where any members of the Company are entitled to vote on some resolutions to be moved at the meeting and not on the others, those members shall be taken into account for the purpose of this sub-clause in respect of the former resolution or resolutions and not in respect of the latter.

Provided further that Notice of every meeting of the Company shall be given:

- (i) to every member of the Company, in any manner authorised by subsections (1) to (4) of Section 53 of the Act;
- (ii) to the persons entitled to a share in consequence of the death or insolvency of a member by sending it through the post in prepaid letter addressed to them by name, or by the title of representatives of the deceased, or assignee of the insolvent, or by any like description, at the address, if any, in India supplied or the purpose by the persons claiming to be so entitled or until such an address has been so supplied, by giving the notice in any manner in which it might have been given if the death or insolvency had not occurred; and
- (iii) to the auditor or auditors for the time being of the Company in any manner authorised by Section 53 of the Act in the case of any member or members of the Company.
- (iv) Where the notice of a meeting is given by advertising the same in a newspaper circulating in the neighbourhood of the registered office of the Company under subsection (3) of Section 53 of the Act, the statement of material facts referred to in Section 173 of the Act need not be annexed to the notice as required by that section, but it shall be mentioned in the advertisement that the statement has been forwarded to the members of the Company.

- 127. The accidental omission to give notice of any Meeting to or the non-receipt of any such notice by any of the members shall not invalidate the proceedings of or any resolution passed at the meeting.
- 128. Every notice convening a meeting of the Company shall state with reasonable prominence that a member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and that a proxy need not be a member of the Company.

#### **PROCEEDINGS AT GENERAL MEETING**

- 129. All business shall be deemed special that is transacted at any Extraordinary General Meeting and also that is transacted at an Annual General Meeting with the exception of business relating to:
  - (i) The consideration of the accounts, Balance Sheet, Report of the Directors and Auditors
  - (ii) The declaration of Dividend
  - (iii) The appointment of Directors in the place of those retiring
  - (iv) The appointment and fixing of the remuneration of the Auditors
- 130. Where any items of business to be transacted at the meeting are deemed to be special as aforesaid, there shall be annexed to the notice of the meeting a statement setting out all material facts concerning each such items of business, including in particular the nature of the concern or interest, if any. Where any item of business consists of the according of approval to any document by the meeting, the time and place where the document can be inspected shall be specified in the statement aforesaid. Provided that where any item of special business as aforesaid to be transacted at the Meeting of the Company relates to or affects any other Company, the extent of share holding interest in that other Company of every Director and the Managing Director of the Company, shall also be set out in the statement if the extent of such shareholding interest is not less than 20% of the paid-up share capital of that other Company.

131. Five members present in person and entitled to vote shall be quorum for a General Meeting. When more than one of the joint holders of a share is present, not more than one of them shall be counted for determining the quorum. Several executors or administrators of a deceased person in whose sole name, a share stands shall, for the purposes of this article, be deemed joint holders thereof. The President of India or the Governor of a state being a member of the Company shall be deemed to be personally present if he is represented in accordance with Section 187A of the Act. A body corporate being a member entitled to vote shall be deemed to be personally present if it is represented in accordance with Section 187 of the Act.
132. No business shall be transacted at any General Meeting unless the quorum requisite shall be present at the commencement of the business.
133. If within half an hour from the time appointed for holding a General Meeting, a quorum is not present, the Meeting, if called upon the requisition of Members, shall stand dissolved.
134. In any other case, the Meeting shall stand adjourned to the same day in the next week, at the same time and place or to such other day and at such other time and place as the Board may determine.
135. If at the adjourned Meeting also a quorum is not present within half an hour from the time appointed for holding the Meeting, the Members present shall be the quorum.
136. Any act or resolution which, under the provisions of these Articles or of the Act, is permitted or required to be done or passed by the Company in General Meeting shall be sufficiently so done or passed if effected by an Ordinary resolution as defined in Section 189 (1) of the Act unless either the Act or these Articles specifically require such act to be done or resolution passed by a Special Resolution as defined in Section 189(2) of the Act.
137. A resolution shall for all purposes be treated as having been passed on the date on which it was in fact passed and shall be deemed to have been passed on any earlier date.
138. No resolution submitted to a meeting, unless proposed by the chairman of the meeting, shall be discussed nor put to vote until the same has been proposed by a member present and entitled to vote at such meeting and seconded by another member present and entitled to vote at such meeting.
139. The Chairman of the Board of Directors shall preside as Chairman at every General Meeting of the Company.
140. If there be no such Chairman, or if at any Meeting he shall not be present within 15 minutes after the time appointed for holding such Meeting, or is unwilling to act as Chairman of the Meeting, the Members present shall choose another Director, be present or if all the Directors present decline to take the chair, then the Members present shall, on a show of hands or on a poll if properly demanded, elect one of their number, being a member entitled to vote, to be Chairman of the Meeting.
141. No business shall be discussed at any General Meeting except the election of a Chairman, whilst the chair is vacant.
142. The Chairman may with the consent of any meeting at which a quorum is present and shall, if so directed by the meeting, adjourn the same from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the Meeting from which the adjournment took place.
143. When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of the original meeting but save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

144. Every resolution submitted to a meeting shall be decided in the first instance by a show of hands; and in the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the Meeting shall have a casting vote provided he is a member entitled to vote at the meeting and on the resolution.
145. At any General Meeting, unless a poll is (before or on the declaration of the result of the show of hands) demanded in accordance with the provisions of Section 179 of the Act, a declaration by the Chairman that the resolution has or has not been carried, or has or has not been carried either unanimously or by a particular majority, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact, without proof of the number or proportion of the votes cast in favour of or against the resolution.
146. At any General Meeting, before or on the declaration of the result of the voting on any resolution on a show of hands, a poll may be ordered to be taken by the Chairman of the Meeting of his own motion, and shall be ordered to be taken by him on a demand in their behalf by the Chairman or by any member or members present in person or by proxy and holding shares in the Company which confer a power to vote on the resolution not being less than one tenth of the total voting power in respect of the resolution or on which an aggregate sum of not less than fifty thousand rupees has been paid up.
147. The demand for a poll may be withdrawn at any time by the person or persons who made the demand.
148. (a) If a poll is demanded on the election of the Chairman, it shall be taken forthwith in accordance with these presents, the Chairman elected on a show of hands exercising all the powers of the Chairman under these presents.  
(b) If some other person is elected Chairman as a result of the poll, he shall be chairman for the rest of the Meeting.  
(c) If poll is demanded on a question of adjournment, it shall be taken forthwith.
149. Where a poll is to be taken the Chairman of the Meeting shall appoint two scrutineers, one at least of whom shall 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, to scrutinise the votes given on the poll and to report to him thereon.
150. Where a poll is to be taken, the chairman of the meeting shall appoint two scrutineers to scrutinise the votes given on the poll and to report thereon to him. The chairman shall have power, at any time, before the result of the poll is declared to remove a scrutineer from office and to fill vacancies in the office of scrutineer arising from such removal or from any other cause. Of the two scrutineers so to be appointed, one shall always be a member (not being an officer or employee of the company) present at the meeting provided such a member is available and is willing to be appointed.
151. Subject to the provisions of these presents the Chairman of the Meeting shall have power to regulate the manner in which a poll shall be taken.
152. The result of the poll shall be deemed to be the decision of the Meeting on the resolution on which the poll was taken.
153. The demand of a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which a poll has been demanded.
154. In the case of equality of votes the chairman shall, both on a show of hands and on poll, have second or casting vote in addition to the vote or votes to which he may be entitled as a member.

155. Subject to the provisions of the Act, the chairman of the meeting shall have power to regulate the manner in which a poll shall be taken. The result of the poll shall be deemed to be the decision of the meeting on the resolution on which the poll was taken.
156. The Directors shall cause minutes of all General Meetings to be kept in the manner prescribed by Section 193 of the Act in a book provided for the purpose.

#### **VOTES OF MEMBERS**

157. Every member of the Company holding any equity Shares shall have a right to vote in respect of such shares on every resolution placed before the Meeting. On a show of hands, every such member present in person shall have one vote and every person present as a duly authorised representative of a body corporate, shall also have one vote.
158. On a poll, every such member whether in person or by proxy shall have one vote for each share of which he is the holder. On a poll taken at a meeting of the Company, a Member entitled to more than one vote, or his proxy or other person entitled to vote for him as the case may be, need not, if he votes using all his votes or cast in the same way all the votes he uses.
159. A member present by proxy shall be entitled to vote only on a poll.
160. Where a Company or a body corporate (hereinafter called "Member Company") is a member of the Company, a person duly appointed by resolution in accordance with the provisions of Section 187 of the Act to represent such member company at a meeting of the company shall not, by reason of such appointment be deemed to be a proxy, and the lodging with the Company at the office or production at the meeting of a copy of such resolution duly signed by an officer duly authorised of such member company as sufficient evidence of the validity of his appointment. Such a person shall be entitled to exercise the same rights and powers, including the right to vote by proxy on behalf of the member company which he represents, as that member company could exercise if it were an individual member. Provided that no member company shall vote by proxy so long as a resolution of its Board of Directors under the provisions of Section 187 of the Act in force and the representative named in such resolution is present at the general meeting at which the vote by proxy is tendered.
161. Any objection as to the admission or rejection of a vote, either on a show of hands or on a poll made in due time, shall be referred to the Chairman who shall forthwith determine the same, and such determination made in good faith shall be final and conclusive.
162. No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered and every vote not disallowed at such meeting shall be valid for all purposes.
163. On a poll taken at a meeting of the Company, a member entitled to more than one vote, or his proxy or other person entitled to vote for him, as the case may be, need not, if he votes, use all his votes or cast in the same way all the votes he uses.
164. Any person entitled under the transmission article to transfer any shares 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 48 hours at least before the time of holding the meeting or adjourned meeting, as the case may be at which he proposes to vote, he shall satisfy the Board of his right to transfer such shares, unless the Board shall have previously admitted his right to vote at any such meeting in respect thereof. If any member be a lunatic, idiot or non compos mentis, he may vote whether on a show of hands or at a poll by his committee, curator or other legal curator and such last mentioned persons may give their vote by proxy.

165. Without prejudice to Article 29 a member of unsound mind or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee or other legal guardian, and any such committee or legal guardian may, on a poll, vote by proxy. If any member be a minor, the vote in respect of his share or shares shall be by his guardian, or any one of his guardians, if more than one, to be selected in case of dispute by the Chairman of the meeting.
166. Whether there are joint registered holders of any share, any one of such persons may vote at any meeting either personally or by proxy in respect of such share as if he were solely entitled thereto; and if more than one of such joint holders be present at any meeting either personally or by proxy, that one of the said persons so present whose name stands first on the Register in respect of such share alone shall be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share is registered shall for the purpose of this Article be deemed joint holders thereof.
167. 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.
168. No member shall be entitled to exercise any voting rights either personally or by proxy at any meeting of the Company in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has, and has exercised, any of lien.
169. On a poll votes may be given either personally or by proxy or in the case of a body corporate by a representative duly authorised as aforesaid.
170. Any member of the company entitled to attend and vote at the meeting shall be entitled to appoint another person whether a member or not as his proxy to attend and vote instead of himself. Every notice convening a Meeting of the Company shall state this.
171. The instrument appointing a proxy shall be in writing under the hand of the appointee or of his Attorney duly authorised in writing or if such appointee is a body corporate be under its common seal or the hand of its officer or Attorney duly authorised.
- PROVIDED further that the proxy so appointed shall have no right to speak at the Meeting; however, the instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding poll.
172. An instrument of proxy may appoint a proxy either for the purpose of a particular meeting specified in the instrument and any adjournment thereof (called special proxy) or it may appoint a proxy for the purpose of every meeting of the company, or of every meeting to be held before a date specified in the instrument and every adjournment of any such meeting (called General proxy).
173. The instrument appointing a proxy and the Power of Attorney or other authority (if any) under which it is signed, or a notarized copy of that power or authority shall be deposited at the Office not less than forty eight hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or in the case of a poll, not less than 24 hour before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid.
174. A proxy appointed for any meeting shall also ensure and be valid for every adjournment or postponement thereof or to the taking of poll in relation to such meeting. A member shall be entitled if he so desires to issue a proxy for adjourned meeting or postponed meeting or with regard to taking up polls in accordance with the Clause mentioned above.

175. Every member entitled to vote at a Meeting of the Company or on any resolution to be moved thereat shall be entitled during the period beginning twenty four hours before the time fixed for the commencement of the Meeting and ending with conclusion of the Meeting, to inspect the proxies lodged at any time during the business hours of the Company, provided not less than three days notice in writing of the intention so to inspect is given to the Company.
176. A vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the previous death or insanity of the principal, or the revocation of the instrument, or the transfer of the share in respect of which the vote is given, provided that no intimation in writing of the death, insanity, revocation or transfer of the share shall have been received by the Company at the office before the commencement of the Meeting or adjourned meeting at which the proxy is use provided nevertheless that the Chairman of any meeting shall be entitled to require such evidence as he may in his discretion think fit of the due execution of an instrument of proxy and that the same has not been revoked.
177. Every instrument appointing a proxy whether for a specified a Meeting or otherwise, shall be retained by the Company and shall be in either of the forms specified in Schedule IX to the Act or a form as near thereto as circumstances will admit.

### **DIRECTORS**

178. (B) Subject to Sections 252 and 259 of the Act, the number of Directors shall be not less than three or more than twelve.
- (C) The First Directors of the Company are:
1. Arun Kumar Nanda
  2. Ramesh Ramanathan
179. Subject to the provisions of Sections 258 and 259 of the Act, the Company in General Meeting may, by Ordinary Resolution, increase or reduce the number of its Directors from time to time within the limits fixed in that behalf by these presents.
180. Subject to the provisions of sections 260, 263, 264 and 284(6), the Directors shall have power at any time and from time to time to appoint any person, other than a person who has been removed from the Office of a Director of the Company under these Articles and as an addition to the Board but so that the total number of Directors shall not at any time exceed the maximum number fixed, but any Director so appointed shall hold office only until the next following Annual General Meeting of the Company and shall then be eligible for re-election.
181. The Directors of the Company shall not be required to hold any qualification shares.
182. A Director of the Company or his relative, a firm in which such a Director or relative is partner, any other partner in such firm or a private company of which the Director is a member or Director shall not enter into any contract with the Company, except to the extent and subject to the provisions of the Act.
183. (1) Every Director shall comply with the provisions of Section 299 of the Act in regard to disclosure of his concern or interest in any contract or arrangement entered into or to be entered into by the Company.
- (2) (a) In the case of a proposed contract or arrangement the disclosure required to be made by a Director under clause (1) shall be made at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration or if a Director was not, at the date of that meeting concerned or interested in the proposed contract or arrangement, at the first meeting of the Board held after he becomes so concerned or interested.
- (b) In the case of any other contract or arrangement, the required disclosure shall be made at the first meeting of the Board held after the Director becomes concerned or interested in the contract or arrangement.

- (3) (a) For the purpose of clauses (1) and (2) hereof, a general notice given to the Board by a Director to the effect that he is a director or a member of a specified body corporate or is a member of a specified firm and is to be regarded as concerned or interested in any contract or arrangement which may, after the date of the notice, be entered into with that body corporate or firm, shall be deemed to be a sufficient disclosure of concern or interest in relation to any contract or arrangement so made.
  - (b) Any such general notice shall expire at the end of the financial year in which it is given but may be renewed for a further period of one financial year at a time, by a fresh notice in the last month of the financial year in which it would otherwise have expired.
  - (c) No such general notice and no renewal thereof shall be effective unless either it is given at a meeting of the Board, or the Director concerned takes reasonable steps to secure that it is brought up and read at the first meeting of the board after it is given.
  - (d) Nothing in this Article shall apply to any contract or arrangement entered into between two companies when any of the Directors of the Company or two of them together holds or hold not more than two percent of the paid up share capital in the other company.
- 184. Save as permitted by Section 300 of the Act or any other applicable provisions of the Act, no Director shall, as a Director, take any part in the discussion of, or vote on, any contract or arrangement in which he is in any way, whether directly or indirectly, concerned or interested, nor shall his presence count for the purpose of forming a quorum at the time of such discussion or vote.
- 185. The Board of Directors may when any Director (in this Article called the 'Original Director') has left or is about to leave the State in which the meetings of the Board are ordinarily held for not less than three months appoint any person to be an Alternate Director during the absence of the Original Director and such appointment shall have effect and such appointee, whilst he holds office as Alternative Director, shall be entitled to notice of Meetings of Directors and to attend and vote thereat accordingly but he shall ipso facto vacate office if and when the Original Director vacated office as a Director or returns to the state aforesaid.
- 186. (a) Any casual vacancy occurring among the Directors may be filled up by the Directors either at a Meeting of the Board or by a resolution passed by circulation, but any person so chosen shall retain his office so long only as the vacating Director would have retained the same if no vacancy had occurred.  
  

PROVIDED that the Directors may not fill a casual vacancy by appointing any person who has been removed from the office of a Director of the Company under Section 284 of the Act.

  - (b) The continuing Directors may act notwithstanding any vacancy in their body; but so that if the number falls below the minimum above fixed, the Board shall not, except for the purpose of filling vacancies, act so long as the number below the minimum.
  - (c) The office of a Director shall become vacant ipso facto on the happening of any of the events specified in Section 283 of the Act.
- 187. Subject to the provisions of the Act, a Director may resign his office at any time after giving notice to the Board of Directors and delivering such notice to the Secretary or leaving the same at the Registered Office of the Company, and thereupon his office shall be vacated.
- 188. Every Director shall be paid a sitting fee for each meeting of the Board, committee or General meeting or other meetings of the Company, attended by him, as may be decided by the Board from time to time.

189. (1) Subject to the provisions of the Act, a Managing Director who is 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:
- (i) by way of monthly, quarterly or annual payment with the approval of the Central Government, or
- (ii) by way of commission if the Company by a special resolution authorises such payments.
- (3) The fee payable to a Director (including a Managing or Wholetime Director, if any) for attending a meeting of the Board or Committee thereof shall be the maximum sitting fee as may be prescribed by the Central Government under Section 310 of the Act as applied to the Company at any given time.
- (4) If any Director be called upon to perform extra services or special exertions or efforts (which expression shall include work done by a Director as member of any committee formed by the Directors), the Board may arrange with such Directors for such special remuneration for such extra services or special exertions either by a fixed sum or otherwise as may be determined by the Board and such remuneration may be either in addition to or in substitution for his remuneration above provided.
190. The Board may allow and pay to any Director who is not a bonafide resident of the place where the meetings of the Board or Committee thereof are ordinarily held and who shall come to such place for the purpose of attending any meeting, such sum as the Board may consider fair compensation for traveling, boarding, lodging and other expenses, in addition to his fee for attending such meeting as above specified, and if any Director be called upon to go or reside out of the ordinary place of his residence on the Company's business, he shall be entitled to be repaid and reimbursed any traveling or other expenses incurred in connection with business of the Company.
191. The Board on behalf of the Company may pay a gratuity or pension or allowance on retirement to any Director who has held any office or place of profit, salaried or otherwise, with the Company, or to his widow or dependants and may make contributions to any fund such as a provident fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.
192. (a) The Board may appoint any person by whatever name called as Executive Director, Technical Director, Finance Director or Director in-charge of any specific function or functions, upon remuneration or otherwise and delegate all or any powers to all or any of them.
- (b) If any Director, being willing, shall be called upon to perform extra services or to make any special exertions in going or residing away from the town in which the Registered office/administrative office of the Company may be situated for any purposes of the Company or in giving special attention to the business of the Company or as a member of a Committee of the Board, then the Board shall reimburse him with the actual expenses incurred by him on behalf of the Company and the Board may, subject to the provisions of the Act, and with such sanction or approval as may be necessary in respect thereof, remunerate the Director either by a fixed sum and/or by a percentage of profits or otherwise and such remuneration may be either in addition to or in substitution for any other remuneration to which he may be entitled.
193. A Director of the Company may be or become a Director of any other Company promoted by this Company or in which it may be interested as a member, shareholder or otherwise and no such Director shall be accountable for any benefits received as a Director or member of such Company.

194. No Director or other person referred to in Section 314 of the Act shall hold an office or place of profit save as permitted by that Section.
195. (a) The Company may appoint as Director(s) such person or persons as may be nominated to the Board by Financial institutions either as a part of their lending package or otherwise. Further such Director(s) may be appointed in terms of the Debenture Trust Deed, if any, of the company.
- (b) The Directors of the Company shall be paid such remuneration whether as salary and /or commission and/or share of net profits and in any other form or in one or more the above forms as may be decided by the Board from time to time.

#### **NOMINEE DIRECTORS**

196. Whenever the Company enters into an agreement or contract with the Central or State Government, a local authority, bank or financial institution, or any person or persons, (hereinafter referred to as "the appointer") for borrowing any money or for providing any guarantee or security or for underwriting shares or debentures or other securities of the Company, the Board shall have, subject to the provisions of Section 255 of the Act, the power to agree that such appointer shall have if and to the extent provided by the terms of such agreement or contract, the right to appoint or nominate, by a notice in writing addressed to the Company, one or more Directors on the Board, for such period and upon such conditions as may be mentioned in the agreement or contract and that such Director or Directors may not be liable to retire by rotation nor be required to hold any qualification shares. The Board may also agree that any such Director or Directors may be removed from time to time by the appointer entitled to appoint or nominate them and the appointer may appoint another or others in his or their place and also fill any vacancy which may occur as a result of any Director or Directors ceasing to hold that office for any reason whatsoever. The Directors appointed or nominated under this Article shall be entitled to exercise and enjoy all or any of the rights and privileges exercised and enjoyed by other Directors.
197. 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 debentures, the person or persons having such power may exercise such power from time to time and appoint a Director accordingly. Any Director so appointed is herein referred to as Debenture Director. A Debenture Director may be removed from office at any time by the person or persons in whom for the time being is vested the power under which he was appointed and another Director may be appointed in his place. A Debenture Director shall not be bound to hold any qualification shares.
198. The Company shall pay to the Nominee Director/s sitting fees and expenses which the other Directors of the Company are entitled but if any other fees, commission, moneys or remuneration in any form is payable to the Directors of the Company, the fees, commission, monies and remuneration in relation to such Nominee Director/s shall accrue to the Corporation and same shall accordingly be paid by the Company directly to the Corporation. Any expenses that may be incurred by the Corporation or by such Nominee Director/s in connection with their appointment or Directorship shall also be paid or reimbursed by the Company to the Corporation or as the case may be to such Nominee Director/s.

Provided that if any such Nominee Director/s is are an officer of the Corporation the sitting fee in relation to such Nominee Director/s shall accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation. Any expenses that may be incurred by the Corporation or by such Nominee Director/s in connection with their appointment or Directorship shall also be paid or reimbursed by the Company to the Corporation or as the case may be to such Nominee Director/s.

Provided further that if such Nominee Director/s is an officer of the Reserve Bank of India (RBI) the sitting fees in relation to such Nominee Director/s shall accrue to RBI and the same shall accordingly be paid by the Company directly to RBI.

Provided also that in the event of the Nominee Director/s being appointed as whole-time Director/s which may be exercised only in case of a default such Nominee Director/s shall exercise such power and duties as may be approved by the Lenders and have such rights as are usually exercised or available to a whole-time Director, in the management of the affairs of the Borrower. Such nominee Director/s shall be entitled to receive such remuneration, fees, commission and monies as may be approved by the Lenders.

## **RETIREMENT AND ROTATION OF DIRECTORS**

199. (1) At the Annual General Meeting of the Company in every year, one-third of the Directors who are liable to retire by rotation for the time to time being or, if their number is not three or a multiple of three, then the number nearest to one-third shall retire from office.  
(2) Ex-officio Directors shall not be liable for retirement by rotation.  
(3) The term 'Ex-officio' means any Managing Director for the time being holding office as such.
200. A retiring Director shall be eligible for re-election and the Company at the Annual General on Meeting at which a Director retires in the manner aforesaid may fill up the vacancy by appointing the retiring Director or some other person thereto. A retiring Director shall retain office until the dissolution of the Meeting at which his successor is elected.
201. The Directors to retire in every year shall be those who have been longest in office since their last election; but, as between persons who became directors on the same day, those to retire shall, unless they otherwise agree among themselves, be determined by lot.
202. If at any General Meeting at which an election of Directors ought to take place, the place of any retiring Director is not filled up, and the meeting has not expressly resolved not to fill the vacancy, the meeting shall stand adjourned to the same day in the next week at the same time and place, or if that day is a public holiday till the next succeeding day which is not a public holiday at the same time and place and if adjourned meeting also the place of retiring Director is not filled up and that meeting also has not expressly resolved not to fill the vacancy, then the retiring Director whose place has not been so filled up shall be deemed to have been re-elected at the adjourned meeting unless:
  - (i) at the meeting or at the previous meeting, a resolution for the reappointment of such Director has been put to the vote and lost;
  - (ii) the retiring Director has by a notice in writing addressed to the company or its Board of Directors, expressed his unwillingness to be reappointed;
  - (iii) he is not qualified or is disqualified for appointment;
  - (iv) a resolution, whether special or ordinary, is required for his appointment in virtue of any of the provisions of the Act; or
  - (v) the provision to sub-section (2) of Section 263 of the Act is applicable to the case.

The provisions of this Article are subject to the provisions of Section 256 of the Act.

203. (1) Subject to the provisions of Section 284 of the Act, the Company may by an ordinary resolution remove any Director not being a Director appointed by the Central Government in pursuance of Section 408 of the Act before the expiration of his period of office, and by an ordinary resolution appoint another person in his stead; the person so appointed shall be subject to retirement at the same time as if he had become a

Director on the day on which the Director in whose place he is appointed was last elected as Director.

- (2) Special notice shall be required of any resolution to remove a director under this article or to appoint somebody instead of a director so removed at the meeting at which he is removed.
  - (3) On receipt of notice of a resolution to remove a Director under this article, the Company shall forthwith send a copy thereof to the Director concerned and the Director shall be entitled to be heard on the resolution at the meeting.
  - (4) Where notice is given of a resolution to remove a Director under this Article and the Director concerned makes with respect thereto representations in writing to the Company (not exceeding a reasonable length) and requests their notification to members of the Company, the Company shall unless the representations are received by it too late for it to do so:
    - (a) in any notice of the resolution given to the members of the Company, state the fact of the representations having been made, and
    - (b) send a copy of the representations to every member of the Company to whom notice of the meeting is sent (whether before or after receipt of the representation by the Company) and if a copy of the representation is not sent as aforesaid because they were received too late or because of the Company's default, the Director may (without prejudice to his right to be heard orally) require that the representation shall be read out at the meeting, provided that copies of the representations need not be sent out and the representations need not be read out at the meeting if, on the application either of the Company or of any other person who claims to be aggrieved, a court of competent jurisdiction is satisfied that the rights conferred by this sub-clause are being abused to secure needless publicity for defamatory matter.
  - (5) A vacancy created by the removal of a Director under this Article may if he had been appointed by the Company in general meeting or by the Board under Article 141 hereof, be filled by the appointment of another Director in his stead by the meeting at which he is removed provided special notice of the intended appointment has been given. A Director so appointed shall hold office until the date upto which his predecessor would have held office if he had not been removed as aforesaid.
  - (6) If the vacancy is not filled up under clause (5) hereof it may be filled as a casual vacancy in accordance with the provisions as detailed under these Articles, so far as they may be applicable, and all the provisions of that Article, shall apply accordingly. Provided that the Director who is removed from office under this Article shall not be reappointed as a Director by the Board of Directors.
  - (7) Nothing in this Article shall be taken –
    - (a) as depriving a person removed thereunder of any compensation or damages payable to him in respect of any appointment terminating with that as Director, or
    - (b) as derogating from any power to remove a Director which may exist apart from this Article.
204. (1) A person not being a retiring Director shall be eligible for appointment to the office of a Director at any General Meeting if he or some other member intending to propose him as a Director has, not less than 14 days before the Meeting, left at the Registered Office of the Company a notice in writing under his hand signifying his candidature for the office of the Director, or the intention of such member to propose him as a candidate for that office, as the case may be along with a deposit of five hundred rupees which shall be refunded to such person or, as the case may be, to such member, if the person succeeds in getting elected as a Director.
- (2) The Company shall inform its members of the candidature of a person for the office of Director or the intention of member to propose such person as a candidate for that office, by serving individual notice on the members not less than seven days before the meeting.

Provided that it shall not be necessary for the Company to serve individual notices upon the members as aforesaid if the Company advertises such candidature or intention not less than seven days before the meeting in at least two newspapers circulating in the place where the Registered Office of the Company is located, of which one is published in the English language and the other in the Marathi language.

- (3) Every person proposed as a candidate for the office of Director shall sign and file with the Company his consent to act as a director if appointed and every person other than a Director re-appointed after retirement by rotation shall not act as a Director of the Company unless he has within 30 days of his appointment, signed and filed with the Registrar, his consent in writing to act as such Director.
205. (1) No motion at any general meeting of the Company shall be made for the appointment of two or more persons as Directors of the Company by a single resolution unless a resolution that it shall be so made has been first agreed to by the meeting without any vote being given against it.
- (2) A resolution moved in contravention of clause (1) shall be void whether or not objection was taken at the time of it being so moved, provided that where a resolution so moved is passed, no provision for the automatic reappointment shall apply.
- (3) For the purpose of this clause a motion for approving a person's appointment or for nominating a person for appointment shall be treated as a motion for his appointment.
206. The Company shall keep at its Registered Office a Register of Directors, Managing Director, Manager and Secretary containing the particulars as required by Section 303 of the Act, and shall send the Registrar a return in prescribed form containing the particulars specified in the said register and shall notify to the Registrar any change among its directors, Managing Directors, Manager and Secretary or any of the particulars contained in the register as required by Section 303 of the Act.

#### **PROCEEDINGS OF DIRECTORS**

207. The Board shall meet at least once every three calendar months for the despatch of business in accordance with the provisions of Section 285 of the Act and may adjourn and otherwise regulate its meetings and proceedings as it thinks fit provided that at least four such meetings shall be held every year. Notices in writing of every meeting of the Board shall be given to every director for the time being in India and at his usual address in India to every other Director.
208. The Chairman, if any, of the Board of Directors may at any time and the Managing Director if any, or the Secretary on the requisition of a Director shall summon a meeting of the Board.
209. Notice of every meeting of the Board of Directors of the Company 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.
210. (a) The Board may appoint one of their body to be the Chairman of the Board and determine the period for which he is to hold office.
- (b) If no such Chairman of the Board is appointed or if at any meeting of the Board the Chairman is not present within 15 minutes after the time appointed for holding the same, the Directors present may choose one of their members to be Chairman of that Meeting.
- (c) If a Director who is neither a Whole-time Director nor a Managing Director is appointed as Chairman, the Board may request the said Chairman to be whole-time Chairman and perform any special duties and confer on him such powers on such terms and conditions as they may deem fit.
- (d) The Board may from time to time with the sanction of the Company in General Meeting by Special Resolution and of the Central Government fix the remuneration payable to the Chairman for performing all such special duties.

- (e) The Chairman shall exercise all such powers and perform all such duties subject to the supervision and directions of the Board of Directors and subject to such conditions and restrictions as the Board may from time to time impose.
211. Subject to Section 287 of the Act, the quorum for a meeting of the Board shall be one-third of the total strength (any fraction contained in that one-third being rounded off as one) or two Directors whichever is higher; provided that where, at any time the number of interested Directors is equal to or exceeds two-thirds of the total strength, the number of the remaining Directors, that is to say, the number of the Directors who are not interested present at the meeting being not less than two, shall be the quorum during such time. 'Total strength' means the total strength of the Board after deducting therefrom the number of Directors, if any, whose places are vacant at the time. 'Interested Directors' any Director whose presence cannot by reason of Article 161 hereof or any other provision in the Act, count for the purpose of forming a quorum at a meeting of the Board, at the time of discussion or vote on any matter.
212. If a meeting of the Board could not be held for want of quorum, then, the Meeting shall automatically stand adjourned till the same day in the next week at the same time and place, or if that is a public holiday, till the next succeeding date which is not a public holiday, at the same time and place.
213. A meeting of the Board at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretion by or under these Articles or the Act for the time being vested in or exercisable by the Board.
214. Subject to the provisions of Section 316 and 386 of the Act, questions arising at any meeting shall be decided by a majority of votes, and in case of an equality of votes, the Chairman shall have a second or casting vote.
215. The Board may, subject to the provisions of the to 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 regulations that may from time to time be imposed upon it by the Board.
216. The meeting and proceedings of any such committee consisting of two or more members shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Board so far as the same are applicable thereto, and are not superseded by any regulations made by the Board under the last preceding Article.
217. Acts done by a person as a Director shall be valid, notwithstanding that it may afterwards be discovered that his appointment was invalid by reason of any defect or disqualification or had terminated by virtue of any provisions contained in the Act or in these Articles. Provided that nothing in this Article shall be deemed to give validity to acts done by a Director after his appointment has been shown to the Company to be invalid or to have terminated.
218. Save in those cases where a resolution is required by Sections 292, 297, 316, 372A and 386 of the Act to be passed at a meeting of the Board, a resolution shall be as valid and effectual as if it had been passed at a meeting of the Board or committee of the Board, as the case may be, duly called and constituted, if a draft thereof in writing is circulated, together with the necessary papers, if any, to all the Directors or to all the members of the Committee of the Board, as the case may be, then in India (not being less in number than the quorum fixed for a meeting of the Board or Committee, as the case may be) and to all other Directors or members of the Committee at their usual addresses in India, and has been approved by such of them as are then in India or by a majority of such of them as are entitled to vote on the resolution.
219. All acts done by any meeting of the Board or by a committee of the Board or by any person

acting as a director shall notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of such directors or committee or person acting as aforesaid or that they or any of them were or was disqualified or had vacated office, or that the appointment of any of them had been terminated by virtue of any provisions contained in the Act or in these articles, be as valid as if every such person had been duly appointed and was qualified to be a director and had not vacated office or his appointment had not been terminated. Provided that nothing in this article shall be deemed to give validity to acts done by a director after his appointment has been shown to the company to be invalid or to have terminated.

220. (1) No resolution shall be deemed to have been duly passed by the Board or by a committee thereof by circulation unless the resolution has been circulated in draft, together with the necessary papers, if any, to all the directors or to all the members of the committee, then in India (not being less in number than the quorum fixed for a meeting of the Board or committee as the case may be) and to all other directors or members at their usual address in India, or by a majority of such of them as are entitled to vote on the resolution.
- (2) A resolution passed by circular without a meeting of the Board or of a Committee of the Board shall subject to the provision of sub-clause (1) hereof be as valid and effectual as a resolution duly passed at a meeting of the Board or of the Committee duly called and held.

#### **POWERS OF DIRECTORS**

221. A meeting of the Board at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions which by or under the Act or the Articles are for the time being vested in or exercisable by the Board generally and subject to the provisions of the Act and these Articles the Board of Directors of the Company shall be entitled to exercise all such powers and to do all such acts and things as the Company is authorised to exercise and do.

Provided that the Board shall not exercise any power or do any act or thing which is directed or required, whether by the Act or any other act or by the Memorandum of Association of the Company or these articles or otherwise, to be exercised or done by the Company in general meeting.

Provided further that in exercising any such power or doing any such act or thing the Board shall be subject to the provisions contained in this behalf in the Act or in any other act or in the Memorandum of Association or in any regulations not inconsistent therewith and duly made thereunder including regulations made by the Company in general meeting.

222. Subject to the restrictions contained in section 292 of the Act, the Board may delegate any of its power to a committee of the Board consisting of such number or number of its body or any other person as it thinks fit and it may from time to time revoke and discharge any such committee. Any such committee of the Board so formed, shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed on it by the Board. All acts done by any such committee of the Board in conformity with such regulations and in fulfillment of the purposes of their appointment, but not otherwise shall have the like force and effect as if done by the Board.
223. Without prejudice in the general powers conferred by the above sub clause but subject as aforesaid they may:
- (a) Pay the costs, charges and expenses preliminary and incidental to the promotion of the Company.
  - (b) Subject to the provisions of the Act, to purchase or otherwise acquire for the Company any property, rights or privileges, which the Company is authorised to acquire at such price and generally on such terms and conditions as they think fit.
  - (c) To open any account or accounts with such banks as they may select or appoint and to make, draw, accept, endorse, sign, discount, negotiate and discharge on behalf of the

Company, all cheques, bills of exchange, bill of lading, promissory notes, drafts, railway receipts, dock warrants, delivery orders, Government promissory notes and other negotiable instruments required for the business of the company.

- (d) Pay for any property, rights or privileges acquired by, or services rendered to the Company wholly or partially in cash, shares, bonds, debentures or other securities of the Company and any such shares may be issued either as fully paid up or with such amount credited as paid up thereon as may be agreed upon and any such bonds, debentures or other securities may be either specifically charged upon all or any part of the property of the company.
- (e) Secure the fulfillment of any contracts, agreements or engagements 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 time being (if any), or in such other manner as they may think fit.
- (f) Appoint, and at their discretion, remove or suspend such Agents, Managers, Officers, Clerks, Engineers, Electricians, Mechanics and other experts, servants, work men for permanent, temporary or special services, and determine, their powers and duties and fix their salaries or emoluments, and require security in such instances and to such amount as they think fit.
- (g) 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 but subject to the provisions of Section 293 and 295 of the Act, to compound and allow time for payment or satisfaction of any debt due to and of any claims or demands by or against the Company.
- (h) Refer any claims or demands by or against the Company to arbitration and perform the awards.
- (i) Make and give receipts, releases, and other discharges for money payable to the Company and for the claims and demands of the Company.
- (j) From time to time provide for the conduct of the affairs of the Company in different parts of India or outside India in such manner as they think fit, and in particular to establish branch offices and appoint any person to the Attorneys or Agents of the Company with such powers (including power to sub-delegate) and upon such terms as may be thought fit.
- (k) To invest and deal with any of the moneys of the Company not immediately required for the purpose thereof upon such securities (not being shares in this company) and in such manner as they may think fit, and from time to time.
- (l) 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 for the benefit of the Company such mortgages of the Company's property (present and future) as they think fit, and any such mortgage may contain a power of sale and such other powers, covenants and provisions as shall be agreed on.
- (m) Enter into all such negotiations and contracts and rescind and vary all such contracts and execute and do all such acts, deeds and things in the name and on behalf of the Company as they may consider expedient for or in relation to any of the matters aforesaid or otherwise for the purposes of the Company.
- (n) From time to time to make, vary and repeat bye-laws for the regulation of the business of the Company, its officers and servants.
- (o) To subscribe, incur expenditure or otherwise to assist or to guarantee money, to establish, maintain, support and subscribe to any national, charitable, benevolent, general or useful object or fund, and any institution, society, or club which may be for the benefit of the Company or its employees or which in the opinion of the Directors is calculated to promote the interests of the Company by reason of locality of operation or of public and general utility and otherwise.
- (p) Before recommending any dividend, to set aside out of the profits of the Company such sums as it may think proper for depreciation or to a depreciation fund or to an insurance fund or as a reserve fund or sinking fund or any special fund to meet contingencies to repay debentures or for debenture-stock or for special dividends or for equalising dividends or for repairing, improving extending and maintaining any of the property of

the Company and for such other purposes (including the purposes referred to in the last two preceding clauses) as the Board of Directors may in its absolute discretion think conducive to the interest of the Company, and subject to the Act to invest the several sums so set aside or so much thereof as is required to be invested upon such investments (other than shares of this Company) as it may think fit and from time to time to deal with and vary such investments and dispose of and apply and expend all or any part thereof for the benefit of the Company, in such manner and for such purposes as the Board of Directors, in its absolute discretion thinks conducive to the interests of the Company, notwithstanding that the matters to which the Board of Directors applies or upon which it expends 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 general reserve fund into such special funds as the Board may decide to transfer the whole or any portion of a reserve fund or division of a reserve fund to another reserve fund and with full power to employees for 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 that 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 of Directors at its discretion to pay or allow to the credit of such funds interest at such rates as the Board of Directors may think proper.

- (q) To undertake any branch or kind of business which the Company is expressly or by implication authorised to undertake at such time or times as it shall think fit; and to keep in abeyance any such branch or kind of business even though it may have been actually commenced or not, so long as the Board may deem it expedient not to commence or proceed with such branch or kind of business.
- (r) To pay and charge to the capital account of the Company any commission or interest lawfully payable there out under the provisions of Section 76 and 208 of the Act and of the provisions contained in these presents.
- (s) To redeem redeemable preference shares.
- (t) To provide for the welfare of employees or ex-employees of the Company and the wives and families or the dependants or connections of such persons by building or contributing to the building of houses, dwellings or chawls or by grants of money, pensions, gratuity, annuities, allowances, bonuses or other payments or by creating and from time to time subscribing or contributing to provident fund and other associations, institutions, fund of trusts and by providing or subscribing or contributing towards places of instruction or recreation, hospitals and dispensaries, medical and other attendance and other assistance as the Board shall think fit.
- (u) To distribute by way of bonus amongst the staff of the Company, a share or shares in the profits of the Company, and to give to any director, 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 a part of working expenses of the Company.
- (v) Subject to the provisions of the Act and these articles to invest and deal with the moneys of the Company not immediately required for the purpose thereof in or upon such security (not being shares in this Company) or without security and in such manner as it may think fit, and from time to time to vary or realise such investments. Save as provided in the Act all investments shall be made and held in the Company's own name.

224. The Directors may from time to time by power of attorney under the Seal or by a resolution appoint any person or persons to be the attorney or attorneys of the Company in India or elsewhere for such purpose and with such powers authorities and discretion (not exceeding those vested in or exercisable by the Directors under these presents) and for such period and subject to such conditions as they may from time to time think fit, and any such appointment may (if they think fit) be made in favour of any Company or of the Members, Directors, nominees or managers of any Company or firm, or otherwise in favour of any fluctuating body or persons, whether nominated directly or indirectly by the Directors, and any such power of attorney or any resolution may contain such provisions for the protection or convenience of persons dealing with such attorney or attorneys as the Directors think fit.

225. Any such delegate or attorney as aforesaid may be authorised by the Directors to sub-delegate all or any of the powers, authorities and discretion for the time being vested on him.
226. No regulation made by the Company in general meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made.
227. The Board shall not, except with the consent of the Company in general meeting
- (a) Sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking, of the whole or substantially the whole of any such undertakings.
  - (b) Invest otherwise than in trust securities the amount of compensation received by the company in respect of the compulsory acquisition of any such undertaking as is referred to in clause (a) of any premises or properties used for any such undertakings and without which it cannot be carried on or can be carried on only with difficulty or only after a considerable time.
  - (c) Borrow moneys where the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid up capital of the Company and its free reserves that is to say reserves not set apart for any specific purpose provided further that the powers specified in Section 292 of the Act, shall subject to these articles be exercised only at meeting of the Board unless the same be delegated to the extent stated; or
  - (d) Contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees any amounts the aggregate of which will in any financial year, exceed fifty thousand rupees or five percent if its average net profits as determined in accordance with the provisions of Section 349 and 350 of the Act during the three financial years immediately preceding whichever is greater.
  - (e) If the Directors or any of them or any other persons shall become personally liable for the payment of any sum primarily due from the Company, the Board may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity against any loss which the Directors or any one or more of them may suffer by reason of becoming or being sureties or surety for the Company.

#### **MANAGING AND WHOLE TIME DIRECTOR**

229. Subject to the provisions of Sections 197A, 198, 267, 269 read with schedule XIII and 310 of the Act, the following provisions shall apply:
- (a) The Board of Directors may appoint any one or more members of the Board as Chairman and/or Managing Director(s) or Joint Managing Director(s), upon such terms and conditions as they may deem fit.
  - (b) The Board of Directors may appoint or re- appoint one or more of their body, not exceeding two, to be the Managing Director or Managing Directors of the Company for such period not exceeding 5 years as they may deem fit, subject to such approval of the Central Government as may be necessary in that behalf.
  - (c) The remuneration payable to a Managing Director shall be determined by the Board of Directors subject to the sanction of the Company in General Meeting and of the Central Government.
  - (d) If at any time there are more than one Managing Director, each of the said Managing Director may exercise individually all the powers and perform all the duties that a single

Managing Director may be empowered to exercise or required to perform under the Companies Act or by these presents or by any Resolution of the Board and they shall exercise, all those powers and perform their duties subject to the directions, supervision and control of the Board of Directors and subject also to such restrictions or conditions as the Board may from time to time impose.

- (e) The Board of Directors may at any time and from time to time designate any Managing Director as Deputy Managing Director or joint Managing Director or by such other designations as they deem fit.
  - (f) A Managing Director shall not, whilst he continues to hold that office, be subject to retirement by rotation, and he shall not be taken into account in determining the retirement of Directors by rotation, but he shall (subject to the provisions of any contract between him and the Company) be subject to the same provisions as to resignation and removal as the other Directors of the Company. He shall, ipso facto and immediately, cease to be Managing Director if he ceases to hold the office of Director from any cause. Directors shall have the management of the whole of the business of the Company and of all its affairs and shall exercise all powers and perform all duties in relation to the Management of the affairs, except such powers and such duties as are required by law or by these presents to be exercised or done by the Company in General Meeting or by the Board and also subject to such conditions and restrictions imposed by the Act or by these presents or by the Board of Directors. Without prejudice to the generality of the foregoing, the Managing Director/Managing Directors shall exercise all the powers set out in Article 140 above except those which are by law or these presents or by any Resolution of the Board required to be exercised by the Board or by the Company in General Meeting.
230. (a) Subject to the provisions of the Act and subject to the approval of the Central Government, if any, required in that behalf, the Board may appoint one or more of their body, as Whole-time Director or Whole-time Directors on such designation and on such terms and conditions as they may deem fit. The Whole-time Directors shall perform such duties subject to the control, supervision and directions of the Board and subject thereto the supervision and directions of the Managing Director. The remuneration payable to the Whole-time Directors shall be determined by the Company in General Meeting subject to the approval of the Central Government, if any, required in that behalf.
- (b) A Whole-time Director shall (subject to the provisions of any contract between him and the Company) be subject to the same provisions as to resignation and removal as the other Directors, and he shall, ipso facto and immediately, cease to be Whole-time Director, if he ceases to hold the office of Director from any cause except where he retires by rotation in accordance with the Articles at an Annual General Meeting and is re-elected a Director at that Meeting.
231. The Board shall from time to time appoint, and may at their discretion remove, any person with prescribed qualifications (hereinafter called the Secretary) to perform any functions which by the Act or by these Articles for the time being of the Company are to be performed by the Secretary and to execute any other duties which may from time to time be assigned to the Secretary by the Board and by the Managing Director. The Board may also at any time appoint some suitable person as Assistant Secretary to perform such duties as may be assigned to him from time to time
232. Subject to provisions contained in the Act, the Company shall make payment to a Managing Director by way of compensation for loss of office or as compensation for retirement from such office or in connection with such loss or retirement from office except in cases specified in Section 318(3) and such payment shall be subject to the limit specified in Section 318(4) of the Act.

233. The Managing Director or Managing Directors shall not exercise the powers to:
- (a) make calls on shareholders in respect of money unpaid on the shares of the Company, and
  - (b) issue debentures, and
  - (c) except as may be delegated by the Board under Section 292 of the Act, invest the funds of the company, or make loans or borrow moneys.
234. The Company shall not appoint or employ or continue the employment of any person as its Managing Director or Whole-time Director who:
- (a) is an undischarged insolvent or has at any time been adjudged an insolvent;
  - (b) suspends or has at any time suspended, payment to his creditors or makes or has at anytime made composition with them; or
  - (c) is or has at any time been, convicted by a court of an offence involving moral turpitude.

#### **SECRETARY**

235. The Board may from time to time appoint and, at its discretion, remove any individual (hereinafter called "the Secretary") to perform any functions, which by the Act are to be performed by the Secretary and to execute any other ministerial or administrative duties which may from time to time be assigned to the Secretary by the Board. The Board may also at any time appoint same persons (who need not be the Secretary) to keep the registers required to be kept by the Company. The appointment of Secretary shall conform to the provisions of the Act.

#### **SEAL**

236. (a) The Board shall provide a Common Seal for the purposes of the Company, and shall have power from time to time to destroy the same and substitute a new Seal in lieu thereof, and the Board shall provide for the safe custody of the Seal for the time being, and the Seal shall never be used except by the authority of the Board or a Committee of the Board previously given.
- (b) Every deed or other instrument to which the Seal of the Company is required to be affixed shall, unless the same is executed by a duly constituted attorney of the Company, be signed by one Director and the Secretary or such other person as the Directors may for the purpose appoint in whose presence the Seal shall have been affixed. Provided that in respect of share certificates, the Seal shall be affixed in accordance with the Companies (Issue of Share Certificates) Rules, 1960 or any statutory modification or re enactment thereof.
237. The Company may, subject to the provisions of the Act, have for use in any territory, district or place not situated in the union of India an official seal which shall be a facsimile of the Common Seal of the Company with the addition on its face of the name of the territory, district or place where it is to be used.
238. The following provisions shall apply on the Company having a foreign seal under the preceding article:
- (a) The Company shall, by a document under its Common seal, authorize any person appointed for the purpose in that territory, district or place to affix the official seal to any deed or other documents to which the Company is a party in that territory, district or place.
  - (b) The authority of any agent under the preceding clause shall, as between the Company and any person dealing with the agent continue during the period if any mentioned in the document conferring the authority, or if no period is therein mentioned, until notice of the revocation or determination of the agent's authority has been given to the person dealing with him.

- (c) The person affixing any such official seal, shall certify on the deed or document to which such a seal is affixed, the date on which and the place at which, such seal is affixed.
  - (d) A deed or other document to which an official seal is duly affixed shall bind the Company as if it had been sealed with the common seal of the Company.
239. The Company shall cause minutes of all proceedings of every General Meeting and of all proceedings of every meeting of its Board of Directors or of every committee of the Board to be kept in the manner required by the Act and the provisions of the Act will apply accordingly.

## **RESERVES**

240. Any general meeting may, upon the recommendation of the Board, resolve that any moneys, investments or other assets forming part of the undistributed profits of the Company standing to the credit of the profit and loss account or of the Reserve Fund or any capital redemption reserve fund or in the hands of the Company and available for dividend or representing premium received on the issue of shares and standing to the credit of the share premium account be capitalised and distributed amongst such of the shareholders as would be entitled to receive the same if distributed by way of dividend and in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalised fund shall not be paid in cash but shall be applied subject to the provisions contained in clause (b) hereof on behalf of such shareholders in full or towards:
241. (A) (1) paying either at par or at such premium as the resolution may provide any unissued shares or debentures or debenture stock of the Company which shall be allotted, distributed and credited as fully paid up to and amongst such members in the proportions aforesaid; or
- (2) paying up any amounts for the time being remaining unpaid on any shares or debentures or debenture-stock held by such members respectively; or
- (3) paying up partly in the way specified in sub-clause (1) and partly in that specified in sub-clause (2) and that such distribution or payment shall be accepted by such shareholders in full satisfaction of their interest in the said capitalised sum.
- (B) (1) Any moneys, investments or other assets representing premium received on the issue of shares standing to the credit of share premium account; and
- (2) If the Company shall have redeemed any redeemable preference shares, all or any part of any capital redemption fund arising from the redemption of such shares may by resolution of the Company be applied only in paying up in full for any shares remaining unissued to be issued to such members of the Company as the general meeting may resolve upto an amount equal to the nominal amount of the shares so issued.
- (C) Any general meeting may resolve that any surplus moneys arising from the realization of any capital assets 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 amongst the members on the footing that they receive the same as capital.
- (D) For the purpose of giving effect to any such resolution the Board may settle any difficulty which may arise in regard to the distribution or payment as aforesaid as it thinks expedient and in particular it may issue fractional certificates and may fix the value for distribution of any specific assets and may determine that cash payments be made to any members on the footing of the value so fixed and may vest any such cash, share, debentures, bond or other obligations in trustees upon such trust for the persons entitled thereto as may seem expedient to the Board and generally may make such arrangement for acceptance, allotment, and sale of such shares, debentures, debenture- stock, bonds or other obligations and fractional certificates or otherwise as it may think fit.
- (E) If and whenever any share becomes held by any member in fraction, the Board may subject to the provisions of the Act, and these articles and to the directions of the Company in general meeting, if any, sell the shares which members hold in fractions for the best price reasonably obtainable and shall pay and distribute to and amongst the members hold in

fractions for the best price reasonably obtainable and shall pay and distribute to and amongst the members entitled to such shares in due proportion the net proceeds of the sale thereof.

For the purpose of giving effect to any such sale the Board may authorise any person to transfer the shares sold to the purchaser thereof, comprised in any such transfer and the purchaser shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or by invalidity in the proceedings with reference to the sale.

- (F) Where required a proper contract shall be delivered to the Registrar for registration 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 capitalised fund and such appointment shall be effective.

#### **DIVIDENDS**

242. (1) The profits of the Company, subject to any special rights relating thereto created or authorised to be created by these present and subject to the provisions of the presents, as to the Reserve Fund, shall be divisible among the members in proportion to the amount of capital paid-up on the shares held by them respectively on the last day of the year of account in respect of which such dividend is declared and in the case of interim dividends on the close of the last day of the period in respect of which such interim dividend is paid.
- (2) Where capital is paid up on any shares in advance of calls, upon the footing that the same shall carry interest, it shall not in respect thereof confer a right to dividends or to participate in profits.
243. The Company in General Meeting may declare a Dividend to be paid to the members according to their rights and interests in the profits subject to the provisions of the Act.
244. No larger dividend shall be declared than is recommended by the Board, but the Company in General Meeting may declare a smaller dividend.
245. Subject to the provisions of Section 205 of the Act, no dividend shall be payable except out of the profits of the Company or out of moneys provided by the Central or a State Government for the payment of the dividend in pursuance of any guarantee given by such Government and no dividend shall carry interest against the Company.
246. The declaration of the Board as to the amount of the net profits of the Company shall be conclusive.
247. All dividends shall be apportioned and paid proportionate to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date, such shall rank for dividend accordingly.
248. The Board may, from time to time pay to the holders of Equity shares such interim dividends as appear to the Board to be justified by the profits of the Company.
249. No member shall be entitled to receive payment of any interest or dividend in respect of his share or shares, whilst any money may be due or owing from him to the Company in respect of such share or shares 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 moneys so due from him to the Company.
250. Any General Meeting declaring a dividend may make a call on the members of such amount as the meeting fixes, but so that the call shall be made payable at the same time as the dividend and the dividend may be set off against the call.

251. No dividend shall be payable except in cash; provided that nothing in the foregoing shall be deemed to prohibit the capitalisation of profits or reserves of the Company for the purpose of issuing fully paid-up bonus shares or paying up any amount for the time being unpaid on the shares held by the members of the Company. / Any general meeting declaring a dividend or bonus may resolve that such dividend be paid wholly or in part by the distribution of specific assets, partly of fully paid up shares, or debentures or debenture stock of the Company or in any one or more of such ways and Board shall give effect to the same and the Board may settle any difficulty in doing so in such manner as it may deem expedient.
252. The transfer of shares shall not pass the rights to any dividend declared thereon before the registration of the transfer by the Company.
253. The Company may pay interest on Capital raised for the construction of works or buildings when and so far as it shall be authorised to do by Section 208 of the Act.
254. No dividend shall be paid in respect of any share in except to the registered holder of such share or to his order or to his bankers but nothing contained in this Article shall be deemed to require the bankers of a registered share holder to make a separate application to the Company for the payment of the dividend. Nothing in this Article shall be deemed to affect in any manner the operation of Article 160 hereof.
255. No unpaid dividend shall bear interest as against the Company.
256. The Board may retain any dividends payable on shares on which the Company has a lien and may apply the same in or towards the satisfaction of the debts, liabilities or engagements in respect of which the lien exists.
257. Unless otherwise directed in accordance with Section 206 of the Act, any dividend, interest or other moneys payable in cash in respect of a share may be paid by cheque or warrant sent through the post to the registered address of the holder or, in the case of joint holders, to the registered address of that one of the joint holders who is the first named in the Register in respect of the joint holding or to such person and such addresses the holder or the joint holders, as the case may be may direct, and every cheque or warrant so sent shall be made payable to the order of the person to whom it is sent. The Company shall not be liable for any cheque or warrant lost in transmission or for any dividend lost to any members by the forged endorsement of any such cheque or warrant. No unclaimed dividends shall be forfeited by the Board before the claim becomes barred by law. The Company shall comply with the provision of Section 208(a) of the Companies Act in respect of such dividends.

#### **UNPAID OR UNCLAIMED DIVIDEND**

258. Where the Company has declared a dividend but which has not been paid or claimed within 30 days from the date of declaration, to any shareholder entitled to the payment of the dividend, the Company shall within 7 days from the date of expiry of the said period of 30 days, transfer the total amount of dividend which remains unpaid or unclaimed within the said period of 30 days, to a special account in scheduled bank called “MHRIL Unpaid Dividend Account”.
259. The Company shall pay dividend or send the warrant in respect thereof to the shareholder entitled to the payment of the dividend within thirty days from the date of the declaration of the dividend unless:
- (a) the dividend could not be paid by reason of the operation of any law or
  - (b) a shareholder has given directions to the Company regarding the payment of dividend and these directions cannot be complied with, or
  - (c) there is a dispute, regarding the right to receive the dividend, or
  - (d) the dividend has been lawfully adjusted by the Company against any sum due to it from the shareholder, or
  - (e) for any other reason, the failure to pay the dividend or to post the warrant within the period aforesaid was not due to any default on the part of the Company.

260. Any money transferred to the unpaid dividend account of the Company, which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the Company to the Fund established under section 205C (1) of the Act by the Central Government. No unclaimed or unpaid dividend shall be forfeited by the Board.

#### **BOOKS AND DOCUMENTS**

261. The Board shall cause proper books of accounts to be kept in accordance with Section 209 of the Act with respect to:
- (a) all sums of money received and expended by the Company and the matters in respect of which receipts and expenditure take place;
  - (b) all sales and purchases of goods by the Company; and
  - (c) the assets and liabilities of the Company
262. The books of account shall be kept at the office or such other place in India as the Board may decide and when the Board so decides, the Company shall, within seven days of the decision, file with the Registrar a notice in writing giving the full address of that other place.
263. (1) The Books of Accounts shall be open to inspection by any Director during business hours.
- (2) The Board shall, from time to time, determine whether and to what extent, and at what times and places, and under what conditions or regulations, the books of accounts and books and documents of the Company, other than Minute Books relating to Board Meeting and General Meetings shall be open to the inspection of the members not being Directors and no member (not being a Director) shall have any right of inspecting any books of accounts or books or documents of the Company except as conferred by Law or authorised by the Board or by the Company in General Meeting.
264. The Board of Directors shall from time to time, in accordance with the Act, cause to be prepared and to be placed before the Company in general meeting, such balance sheets, profit and loss accounts and reports as are required by the Act.
265. A copy of every such profit and loss account and balance sheet so audited (including the auditor's report and every other document required by the Act to be annexed or attached to the balance sheet) shall at least twenty one days before the meeting at which the same are to be laid before the members be sent to the members of the Company, to holders of debentures issued by the Company (not being debentures which ex-facie are payable to be bearer thereof), to the trustees for the holders of such debentures and to all persons entitled to receive notice of general meetings of the Company.
266. If and as long as the Company's shares are listed on a recognized stock exchange and subject to the provisions of Section 219 of the Act, it shall be sufficient compliance with clause (1) of this article if the copies of documents referred to in clause (1) are made available for inspection at the Company's registered office during working hours for a period of twenty-one days before the date of the meeting and a statement containing the salient features of such documents in the prescribed form or copies may deem fit, is or are sent, not less than twenty-one days before the date of the meeting, to every member of the Company and to every trustee for the holders of any debentures issued by the Company.
267. (1) Once at least in every year the accounts of the Company shall be examined by one or more auditors who shall report to the shareholders as to whether the Balance Sheet reflects a true and fair view of the state of affairs of the Company as at that date and profit and loss account discloses a true and fair view of the profit and loss incurred by the Company during the year under review.

- (2) The appointment, remuneration, rights, powers and duties of the Company's auditors shall be regulated in accordance with the provisions of the Act.
- (3) Every balance sheet and profit and loss account of the Company when audited and adopted by the Company at an annual general meeting, shall be conclusive, provided that such balance sheet and profit and loss account and Board's Report may be amended at any time with the consent of the Company accorded by a special resolution.

#### **BALANCE SHEET AND ACCOUNTS**

268. At every Annual General Meeting the Board shall lay before the Company a Balance Sheet and Profit and Loss Account made up in accordance with the provisions of Section 210 of the Act and such Balance Sheet and Profit and Loss Account shall comply with the requirements of Sections 210, 211, 212, 215, and 216 and of Schedule VI to the Act so far as they are applicable to the Company, but, save as aforesaid, the Board shall not be bound to disclose greater details of the result or extent of the trading and transactions of the Company than it may deem expedient.
269. There shall be attached to every Balance sheet laid before the Company in General Meeting a report by the Board complying with Section 217 of the Act.
270. A copy of every Balance Sheet (including the Profit and Loss Account, the Auditor's Report and every document required by Law to be annexed or attached to the Balance Sheet) shall, as provided by Section 219 of the Act, not less than twenty one days before the meeting, be sent to every member, Debenture holder, trustee for debenture holders and other persons to whom the same is required to be sent by the said Section.
271. The Company shall comply with Section 220 of the Act as to filling with the registrar copies of the Balance Sheet and Profit and Loss Account and documents required to be annexed or attached thereto.
272. Every Balance Sheet and Profit and Loss Account of the Company when audited and adopted by the Company in General Meeting shall be conclusive except as regards any error discovered therein within three months next after the adoption thereof whenever any such error is discovered within that period the accounts shall forthwith be corrected and thenceforth shall be conclusive.

#### **AUDIT**

273. Once at least in every year the books of all accounts of the Company shall be examined by one or more Auditor or Auditors.
274. The appointment, powers, rights, remuneration and duties of the Auditors shall be regulated by Sections 224 to 231 of the Act.

#### **SERVICE OF NOTICES AND DOCUMENTS**

275. A notice or other document may be given by the Company to any member either personally or by sending it by post to him to his registered address or (if he has no registered address in India) to the address, if any, within India supplied by him to the Company for the giving of notice to him.  
Where a notice or other document is sent by post.  
Service thereof shall be deemed to be effected by properly addressing, prepaying and posting a letter containing the notice or document provided that where a member has intimated to the Company in advance that notices or documents should be sent to him under a certificate of posting or by registered post with or without acknowledgement due and had deposited with the

Company a sufficient sum to defray the expenses of doing so, service of the notice or document shall not be deemed to be effected unless it is sent in the manner intimated by the member and Such service shall be deemed to have been effected

(i) In the case of a notice of a meeting at the expiration of forty-eight hours after the letter containing the same is posted and

(ii) in any other case, at the time at which the letter would be delivered in the ordinary course of post.

276. A notice or other document advertised in a newspaper circulating in the neighborhood of the office shall be deemed to be duly served on the day on which the advertisement appears on every member of the Company who has no registered address in India and has not supplied to the Company an address within India for the giving of notices to him. Any member who has no registered address in India shall, if so required to do by the Company, supply the Company with an address in India for the giving of Notices to him.
277. A notice or other document may be served by the Company on the joint holders of a share by giving the notice to the joint-holder named first in the register in respect of the share.
278. A notice or other document may be served by the Company on the persons entitled to a share in consequence of the death or insolvency of a member by sending it through the post in a prepaid letter addressed to them by name, or by the title of the representatives of the deceased, or assignee of the insolvent or by any like description at the address in India supplied for the purpose by the persons claiming to be so entitled, or until such an address has been so supplied, by giving the notice in any manner in which the same might have been given if the death or insolvency had not occurred.
279. Every person who by operation of law, transfer, or other means whatsoever shall become entitled to any share shall be bound by every notice in respect of such share which previously to his name and address being entered on the Register shall have been duly given to the person from whom he derives his title to such share.
280. Subject to the provisions of these Articles, any notice or document delivered or sent by post to or left at the registered address of any member in pursuance of these Articles shall, notwithstanding such member be then deceased and whether or not the Company have notice of his decease, be deemed to have been duly served in respect of any registered share, whether held solely or jointly with other persons by such member until some other person be registered in his stead as the holder or joint- holders thereof and such service shall for all purposes of these presents be deemed a sufficient service of such notice or documents on his heirs, executors or administrators and all persons, if any, jointly interested with him any such share.
281. Subject to the provisions of Sections 497 and 509 of the Act, in the event of a winding-up of the Company, every member of the Company who is not for the time being in station shall be bound within eight weeks after the passing of an effecting resolution to wind up the company voluntarily or the making of an order for the winding-up of the company to serve notice in writing on the company appointing some householder residing in the neighborhood of the office upon whom all summonses, notices process orders and judgments in relation to or under the winding-up of the company may be served, and in default such nomination, the liquidator of the company shall be at liberty, on behalf of such member, to appoint some person, and service upon by such appointee whether appointed by the member or the liquidator, shall be deemed to be good personal service on such member for all purposes, and where the liquidator makes any such appointment he shall, with all convenient speed, give notice thereof to such member by advertisement in some daily news paper circulating in the neighborhood of the office or by a registered letter sent by post and addressed to such member at his address as registered in the Register and such notice shall be deemed to be served on the day on which the advertisement appears or the letter would be delivered in the ordinary course of post. The provisions of this article shall not prejudice the right of the liquidator of the company to serve

any notice or other document in any other manner prescribed by these articles.

#### **AUTHENTICATION OF DOCUMENTS**

282. Save as otherwise expressly provided in the Act or these Articles, a document or proceedings requiring authentication by the company may be signed by a Director, Managing Director or any authorised officer of the company and need not be under its seal.

#### **KEEPING OF REGISTERS AND INSPECTION**

283. The Company shall duly keep and maintain at the office registers in accordance with sections 49(7), 143, 150, 151, 152(2), 301, 303, 307, and 372A of the Act and rule 7(2) of the Companies (issue of share certificates) Rules, 1960.
284. The Company shall comply with the provisions of sections 39, 118, 163, 192, 196, 219, 301, 302, 303, 304, 307, 362 and 372A of the Act as to the supplying of copies of the registers, deeds, documents, instruments, returns, certificates and books therein mentioned to the persons therein specified when so required by such persons, on payment of the charges, if any, prescribed by the said section.

#### **RECONSTRUCTION**

285. On any sale of the undertaking of the company, the Board or the liquidators on a winding up may, if authorised by a special resolution accept fully paid or partly paid up shares debentures or securities of any other company, whether incorporated in India or not, either then existing or to be formed for the purchase in whole or in part of the property of the company and the Board (if the profits of the company permit) or the liquidators in a winding up may distribute such shares or securities, or any other property of the company amongst the members without realisation, or vest the same in trustees for them, and any Special Resolution may provide for the distribution or appropriation of the cash, shares or other securities benefit or property, otherwise than in accordance with the strict legal rights of the members or contributories of the company, and for the valuation of any such securities or property at such price and in such manner as the meeting may approve and all holders of shares, shall be bound to accept, and shall be bound by any valuation or distribution so authorised, and waive all rights in relation thereto, save only in case the company is proposed to be or is in the course of being wound up such statutory rights (if any) under Section 494 of the Act as are incapable of being varied or excluded by the Articles.(typo)

#### **SECRECY**

286. Every Director, Manager, Secretary, Trustee for the company its members or debenture holders, member of a Committee, Officer, servant, agent, accountant or other person employed in or above the business of the company shall if so required by the Board or by the Managing Director before entering upon his duties, sign a declaration pledging himself to observe a strict secrecy respecting all transactions of the company with its customers and the state of accounts with individuals and in matters relating thereto, and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in the discharge of his duties except when required so to do by the Board or by any General Meeting or by Court of Law and except so far as may be necessary in order to comply with any of the provisions in these articles contained.
287. No member or other person (not being a Director) shall be entitled to enter upon the property of the company or to inspect or examine the premises or properties of the Company without permission of the Board or of the Managing Director or subject to this Article to require discovery of or any information respecting any detail of the trading of the company or any matter which is of or may be in the nature of a trade secret, mystery of trade, or secret process,

or of any matter what-so ever which may relate to the conduct of the business of the company and which in the opinion of the Board or Managing Director will be inexpedient in the interest of the Company to communicate.

### **WINDING UP**

288. If the company shall be wound up and the assets available for distribution among the members are such as shall be insufficient to repay the whole of the paid-up capital such assets shall be distributed so that as nearly as may be the losses shall be borne by the members in proportion to the capital paid-up or which ought to have been paid-up at the commencement of the winding-up on the shares held by them respectively. And if in a winding-up the assets available for distribution among the members shall be more than sufficient to repay the whole of the capital paid-up at the commencement of the winding up the excess shall be distributed amongst the members in proportion to the capital at the commencement of the winding up paid-up or which ought to have been paid-up on the shares held by them respectively. But this Article is to be without prejudice to the rights of the holders of shares issued upon special terms and conditions.
289. If the company shall be wound up, whether voluntarily or otherwise the liquidators may with the sanction of a special resolution divide among the contributories, in specie or kind, 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 trust for the benefit of the contributories, or any of them, as the liquidators, with the like sanction shall think fit.
290. Each member of the Company, present and future, is to be deemed to join the Company with full knowledge of all contents of these presents.

### **INDEMNITY**

291. Subject to the provisions of Section 201 of the Act, the Managing Director and every Director, Manager, Secretary and other officer or employee of the company shall be indemnified by the company against, and it shall be the duty of the Directors out of the funds of the company to pay all costs, losses, and expenses, (including expenses) which any such Managing Director, Manager, Secretary, Officer or Employee may incur or become liable to by reason of any contract entered into or act or deed done by him or in any other way in the discharge of his duties, as such Managing Director, Director, Manager, Secretary, Officer or Employee.

The company shall pay and bear all fees and other expenses necessary for filing any document or return with the Registrar of Companies which may be required to be filled under the Act, including any additional fee or extra expenses or cause incurred by default in filing any such return.

**SECTION IX: OTHER INFORMATION**  
**MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION**

The following contracts and documents (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered or will be entered into by our Company. These contracts and documents, copies of which have been attached to the copy of this Red Herring Prospectus, delivered to the Registrar of Companies, Tamil Nadu for registration and also the documents for inspection referred to hereunder, may be inspected at the registered office of our Company from 10.00 am to 4.00 pm on working days from the date of this Red Herring Prospectus until the Bid/Issue Closing Date.

***Material Contracts to the Issue***

1. Memorandum of Understanding among our Company, the Selling Shareholder, Kotak, HSBC and SBI Caps.
2. Memorandum of Understanding among our Company, the Selling Shareholder and Registrar to the Issue.
3. Escrow Agreement dated [•], 2009 among the Company, the Selling Shareholder, the GCBRLM, the BRLMs, the Escrow Banks, and the Registrar to the Issue.
4. Syndicate Agreement dated [•], 2009 among the Company, the Selling Shareholder, the GCBRLM, the BRLMs and Syndicate Members.
5. Underwriting Agreement dated [•], 2009 among the Company, the Selling Shareholder, the GCBRLM, the BRLMs and Syndicate Members.

***Material Documents***

1. Our Memorandum and Articles of Association as amended from time to time.
2. Our certification of incorporation.
3. Fresh certificate of incorporation consequent on change of name on conversion of Company from private to public limited company.
4. Share Purchase Agreement dated January 8, 2008, between MHFL, our Company and State Bank of India.
5. Share Purchase Agreement dated January 16, 2008, between MHFL, our Company and Nylin Jacob Ballas India Fund III, LLC.
6. Board and IPO Committee resolutions in relation to the Issue.
7. Shareholders' resolutions in relation to the Issue.
8. Board resolution passed by the Selling Shareholder, Mahindra & Mahindra Limited in relation to the offer for sale.
9. Consent from Selling Shareholder in relation to the Offer for Sale.
10. Resolutions of the general body for appointment and remuneration of our whole-time Directors.
11. Examination report dated April 22, 2009, on Unconsolidated Summary Statements of Assets and Liabilities, Profit and Loss and Cash Flows, as restated, under Indian GAAP for the five financial years ended March 31, 2009 and Unconsolidated Summary Statements of Assets and Liabilities, Profit and Loss and Cash Flows, as restated for the above stated periods.
12. Examination report dated April 22, 2009, on Consolidated Summary Statements of Assets and Liabilities, Profit and Loss and Cash Flows, as restated, under Indian GAAP (including subsidiary) for the five financial years ended March 31, 2009 and Consolidated Summary Statements of Assets and Liabilities, Profit and Loss and Cash Flows, as restated for the above stated periods.
13. Statement of Tax Benefits from M/s. Deloitte Haskins & Sells, Chartered Accountants dated June 9, 2009.
14. Certificate dated June 9, 2009 from M/s. Deloitte Haskins & Sells, Chartered Accountants (regarding amount deployed till May 31, 2009 in the 'Objects of Issue' section).

15. Copies of annual reports of our Company for the years ended March 31, 2005, 2006, 2007, 2008 and 2009.
16. Consent of M/s. Deloitte Haskins & Sells, for inclusion of their examination reports on restated financial statements on audited financial statements as at and for the Fiscal 2009, 2008, 2007, 2006, 2005 in the form and context in which they appear in the Red Herring Prospectus.
17. Consents of Bankers to the Company, GCBRLM, BRLMs, IPO Grading Agency, Syndicate Members, Registrar to the Issue, Escrow Collection Bank(s), Bankers to the Issue, Domestic Legal Counsel to the Company, Domestic Legal Counsel to the GCBRLM and the BRLMs, International Legal Counsel to the GCBRLM and the BRLMs, Directors of the Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities.
18. Initial listing applications dated October 6, 2008 and October 6, 2008 filed with BSE and NSE respectively.
19. In-principle listing approval dated February 13, 2009 and January 23, 2009 from BSE and NSE respectively.
20. Tripartite Agreement between NSDL, our Company and the Registrar to the Issue dated January 15, 2008.
21. Tripartite Agreement between CDSL, our Company and the Registrar to the Issue dated January 10, 2008.
22. Due diligence certificate dated June 12, 2009 to SEBI from Kotak and HSBC.
23. IPO Grading report by Fitch Ratings India Private Limited.

Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

## DECLARATION

We, the Directors of the Company, certify that all relevant provisions of the Companies Act, 1956, and the guidelines issued by the GoI or the guidelines issued by Securities and Exchange Board of India, applicable, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or the rules made thereunder or guidelines issued, as the case may be, and that all approvals and permissions required to carry on our business have been obtained, are currently valid and have been complied with. We further certify that all the statements in this Red Herring Prospectus are true and correct.

### **Signed by the Directors of our Company**

Mr. Arun Kumar Nanda	Sd/-
Mr. Uday Y. Phadke	Sd/-
Mr. Cyrus J. Guzder	Sd/-
Mr. Vineet Nayyar*	Sd/-
Mr. Rohit Khattar*	Sd/-
Mrs. Rama Bijapurkar	Sd/-
Mr. Sridar Iyengar*	Sd/-
Mr. Ramesh Ramanathan (Managing Director)	Sd/-

### **Signed by the Head – Finance and Commercial**

Sd/-

Mr. S. Padmanabhan

We, the Selling Shareholder, certify that all relevant provisions of the Companies Act, 1956, and the guidelines issued by Securities and Exchange Board of India, applicable as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or the rules made thereunder or guidelines issued, as the case may be, and that all approvals and permissions required to carry on our business have been obtained, are currently valid and have been complied with. We further certify that all the statements in this Red Herring Prospectus are true and correct.

### **Signed by the Selling Shareholder**

For Mahindra & Mahindra Limited\*

Sd/-

\* through its/his duly constituted attorney

## Leisure, Gaming and Lodging/India IPO Grading Report

# Mahindra Holidays & Resorts India Limited

### Fitch IPO Grade 4(ind)

Fitch has assigned a grade of '4 (ind)' out of a maximum of '5 (ind)' to the proposed initial public offer of Mahindra Holidays & Resorts India Limited (MHRIL). The grade indicates the above-average fundamentals of the issue relative to other listed equity securities in India

### IPO Details

Mahindra Holidays & Resorts India Limited proposes an IPO of its 92,65,275 equity shares of INR 10 each. This includes an offer for sale of 33,69,191 shares by Mahindra & Mahindra Ltd (promoter)

### Financial Snapshot

(INRm)	2009	2008
Revenues	3,931	3,527
EBITDA	1,530	1,420
EBIT	1,364	1,313
Net income	834	805
Total adjusted debt	2,193	915
Shareholders funds	1,980	1,430
EBITDA margin (%)	39	40
EBIT margin (%)	35	37
Net income margin (%)	21	23
Earnings per share	10.6	10.3
Total adjusted debt/equity	1.2	0.6

Source: Company, Fitch

### Analysts

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### Shareholding pattern

	Pre issue (m)		Post issue (m)	
	No. of shares	(%)	No. of shares	(%)
Promoters	73.4	93.6	69.9	83.1
Employee stock option scheme trust (ESOS)	1.3	1.7	1.3	1.6
State Bank of India	1.6	2.1	1.6	1.9
Nylim Jacob Ballas India	0.8	1.1	0.8	1.0
Employees (including employees of group companies) and directors	1.2	1.5	1.2	1.4
Pubic	-	-	9.3	11.0
<b>Total</b>	<b>78.3</b>	<b>100.0</b>	<b>84.2</b>	<b>100.0</b>

Source: Company, Fitch

### Grading Rationale

The grading assigned to Mahindra Holidays & Resorts India Limited (MHRIL) is underpinned by the company's established presence in the leisure holidays business in India. The grading also factors in the strong promoter background and advantages of the "Club Mahindra" brand that MHRIL has created for its flagship product offering. The business of MHRIL, which is aimed at the domestic urban market, has been supported by changing demographics, strong economic growth, and increasing disposable incomes in India over the last three years. The domestic travel and tourism industry has also been boosted by the increasing investment in infrastructure, such as roads, and the penetration of low-cost airlines.

MHRIL has seen increasing revenue and improving EBITDA margins over the last four years, and the member base for "Club Mahindra" has increased to 91,946 as of 31 March 2009. MHRIL is currently the largest player in the industry, with few competitors. The financial commitment required for creation of an inventory of resorts, and the efforts involved in brand building, has created a considerable entry-barrier to MHRIL's operating segment.

Fitch expects the domestic economy to continue to grow, which will help MHRIL's performance. Future member additions could be affected by a slowdown in economic growth, and, as spend on leisure activities is largely dependent on disposable income; MHRIL's revenue growth could be adversely affected. As MHRIL's business is largely based on establishing direct contact with consumers, and considering that about 35% of new member additions in FY09 came from referrals by existing members, MHRIL's ability to manage these relationships could be a key factor for future revenue generation. Members, several of whom make monthly payments for membership charges over a 6-month to 4-year period, deciding not to continue with membership may also affect future revenue generation.

The proceeds from MHRIL's proposed issue are expected to be deployed in the construction of new resorts and expansion of existing ones, to provide a larger range of resorts, and hence a wider choice of holiday destinations to members.

### Key Grading Issues

#### Areas of Strength

- Established position in its business segment, with strong parentage and brand image

- Growth in the travel and tourism segment in India, aided by strong economic growth over the last few years
- Healthy operating margins

#### Areas of Concern

- Future member additions could be affected by overall economic growth
- As a significant portion of new members make payments in instalments, the company is exposed to individual credit risk

### Company Background

MHRIL was founded in 1996 as “Mahindra Holidays & Resorts Private Limited”, and was converted to a public limited company in 1998. MHRIL is an established player in the leisure hospitality segment, and provides holidays through vacation ownership memberships. The members enrolled for the company’s offerings can reside at resorts in a range of locations, for a pre-determined number of days for a fixed period.

The company has an integrated business model, and its activities include acquisition of members, servicing of members and maintaining contact with them, identification of locations and land for resorts, and developing and operating resorts. MHRIL’s members can also choose to access a range of resorts through its tie-up with Resort Condominiums International (RCI).

As of June 09, the company offers stays at 27 resorts, which include 11 owned and 16 leased resorts.

### Promoters

MHRIL is part of the Mahindra Group, and was promoted by Mahindra & Mahindra Limited and Mahindra Holdings and Finance Limited. Majority of the shareholding (93.6%) is held by Mahindra & Mahindra Limited (M&M). The employee stock option scheme trust (ESOS) holds 1.7% of the share capital, with employees (including employees of group companies) and directors holding 1.4%. MHRIL has made a pre-IPO placement with State Bank of India and Nylim Jacob Ballas India Fund III, LLC, which hold 2.11% and 1.05%, respectively, of the equity share capital. This placement has been made at INR479 per equity share.

The company has a management team that is well qualified and experienced in the industry. As of 31 May 2009, the company had a qualified, skilled and trained workforce of 638 employees at its offices and 944 employees at the resorts.

### Competition

While there are other players in the vacation ownership industry in India, MHRIL is the most recognised player in the industry — and the largest among them. Competitors include companies like Sterling Holiday Resorts (India) Limited.

While other competitors could emerge, Fitch believes that MHRIL’s brand, inventory and distribution of resorts and its integrated model, combined with the company being an early mover in the industry, will give it significant competitive advantage.

In addition to domestic competitors, the increasing popularity of international travel may also intensify the level of competition.

India’s economic growth, and the enhanced purchasing power across the middle class-income segments, has also led to the increasing penetration of luxury goods in the country, vying for a share of disposable income.

### Business Overview

MHRIL’s resorts offer the use of furnished accommodation, such as apartments and

cottages; facilities such as restaurants; and a range of activities. The company has a mixed-use model for utilisation of its resorts, also providing non-members access to unutilised apartments on a per-night tariff basis. MHRIL retains the ownership of its resorts, offering members the “right to use” these resorts.

The company currently has three offerings: Club Mahindra Holidays, Club Mahindra Fundays and Zest.

Club Mahindra Holidays is the flagship service offering of the company. Membership here enables members to holiday at any of its 23 resorts, for seven days each year, for a period of 25 years. The membership fees depend on the type of accommodation and season of holiday chosen. This offering is aimed at couples in the 35-50 age groups.

Club Mahindra Fundays is the corporate offering of the company, which is a point-based system of 10 years’ tenure. Corporates can purchase these points from MHRIL and allow their employees to use these points for holidays. MHRIL does not allow use of its resorts for corporate conferences.

Zest is the short-break holiday product from MHRIL, which provides holiday options of six nights a year in 23 day breaks, over a period of 10 years. This product is aimed at individuals and young couples in the 29-35 age brackets. Launched in 2006, it currently has around 2,172 members.

In addition, MHRIL has tied up with RCI, which is among the largest vacation exchange companies in the world. This includes a travel website, [www.clubmahindra.travel](http://www.clubmahindra.travel), and a programme where MHRIL members can access RCI resorts worldwide, which includes around 4,192 resorts (complementary membership for three years for Club Mahindra members, thereafter by paying an additional amount).

The membership fee payable by MHRIL’s members comprises a non-refundable admission fee towards enrolment, and an entitlement fee towards provision of entitlements through the membership period. MHRIL also offers financing options up to tenure of 60 months, where membership fees are paid in Equated Monthly Instalments (EMIs).

## Financial Performance

Revenue accrues from membership fees (one-time fee collected from customers), annual subscription fees, and resort income such as from food and beverage sales (recurring income from members), room tariffs paid by non-members, and other income such as income on cancellation and interest income.

MHRIL incurred losses prior to financial year 2003 (FY03), and had carried forward losses on its balance sheet up to FY05. However, revenue has grown strongly over the last four years, with a 50%+ increase annually between FY06 to FY08. In FY09, growth clocked 11%, while this was much lower in the second half. MHRIL was significantly impacted by the overall economic slowdown during Q309.

As MHRIL recognises 60% of the membership fees in the first year, with the balance amortised over the period of membership, the increase in revenue is directly correlated to the increase in members. As a significant percentage of new members make payments in EMIs, this has resulted in a high level of sundry debtors (INR4,842m as at 31 March 2009).

The increased membership has also contributed to the healthy profit margins over the last three years. The EBIT margin increased from 23.7% in FY06 to 30.4% in FY07 – and further to 37.2% in FY08. However, in FY09 the EBIT margins have come down to 34.7%, largely due to higher customer acquisition cost. Earnings per share (EPS) has increased from INR5.6 in FY07 to INR10.6 in FY09. The company, meanwhile,

paid out its first dividend in FY07. MHRIL has also seen improving returns on average capital employed, reaching 38% in FY09.

The debt/equity ratio has been improving over the last three years, with total debt/equity at 0.12x in FY09. However, MHRIL had off-balance sheet debt of INR2192m, which consisted of receivable securitised with recourse. Considering the same, the total adjusted debt/equity was 1.2x in FY09.

### **Outlook**

The continued growth of the Indian economy would facilitate increased memberships — and hence strong revenue growth and accretion to shareholder wealth in the long term. However, in the short-term, new member additions could slow down due to slowing economic growth, as witnessed in H209. At the same time, delinquency rates would be higher than in earlier years. MHRIL has significantly increased its member base over the last two years, which will provide stability of revenue streams through annual subscription fees and income from utilisation of resort facilities. The wider range of resorts that MHRIL has planned would help the company attract and retain members.

## Annex 1 – Financial Performance

### Financial Summary

(INRm)	FY09	FY08	FY07	FY06	FY05
<b>Income statement</b>					
Revenues	3,930.64	3,527.3	2,323.06	1,527.22	1,017.08
Revenue growth	11.43	51.83	52.10	50.15	43.52
EBIT	1,364.26	1,312.6	706.94	361.34	195.76
Interest expense net of interest income	70.29	33.00	35.99	33.23	43.12
Net income	834.08	805.3	425.35	200.40	83.04
<b>Balance sheet</b>					
Cash and equivalents	319.65	76.3	93.55	77.48	39.19
Total assets	10,049.43	7,470.8	4,778.48	3,438.10	2,358.21
Short-term debt	246.29	198.4	55.02	135.86	56.45
Senior long-term debt	0.64	2.20	4.60	132.19	176.30
Subordinated debt	0	0	0	0	0
Total debt	246.94	200.60	59.62	268.05	232.76
Off-balance sheet debt	2,192.88	1,124.62	838.20	486.63	482.36
Total adjusted debt	2,439.82	1,325.22	897.82	754.69	715.12
Preferred stock + minority interests	0	0.30	0.37	0	0
Common equity	1,979.50	1,430.30	756.84	433.11	232.61
Total adjusted capitalisation	4,419.33	2,755.82	1,655.04	1,187.80	947.73
<b>Cash flow</b>					
Operating EBITDAR ("op. EBITDAR")	1,600.76	1,443.441	804.249	466.22	273.05
Cash interest paid, net of interest received	70.29	33	36	33.24	43.12
Cash tax paid	395.09	439.6	97.5	44.28	13.67
Associate dividends	0	0	0	0	0
Other changes before funds from operations <sup>b</sup>	-552.54	-235.041	-82.899	-63.52	-54.58
Funds from operations	582.81	735.8	587.85	325.17	161.67
Working capital	864.55	-303.2	66.6	31.63	164.49
Cash flow from operations	1,447.37	432.6	654.45	356.80	326.16
Non-operational cash flow <sup>a</sup>	-4.02	10.1	-58.36	45.13	0.02
Capital expenditure	1,561.08	731.5	472.889	439.0	220.20
Dividends paid	163.480	101.6	0	0	0
Free cash flow	-281.22	-390.8	123.201	-37.07	105.97
Receipts from asset disposals	2.679	20.6	2.23	1.66	1.03
Business acquisitions	0	0	0	0	0
Business divestments	0	0	0	0	0
Exceptional & other cash flow items	471.08	208.5	80.49	38.38	44.12
Net cash in/outflow	192.54	-161.3	205.92	2.98	151.13
Equity issuance/(buyback)	4.24	2.5	18.5	0	0
FX movement	0	0	0	0	0
Other items affecting cash flow <sup>b</sup>	0	0	12.6	3.3	2.9
Net cash flow available for financing	196.78	-158.4	237.42	6.28	154.03
Closing net debt	-72.71	124.3	-33.92	190.58	193.57
<b>Profitability</b>					
Op. EBITDAR/revenues (%)	40.72	41.72	34.62	30.52	26.84
EBIT/revenues (%)	34.70	37.21	30.43	23.66	19.24
FFO return on adjusted capital (%)	16.39	29.76	39.39	32.42	23.31
<b>Credit ratios</b>					
Funds from operations/gross interest expense (x)	9.29	23.32	17.33	10.78	4.74
FFO fixed charge cover (x)	5.11	9.73	10.17	6.41	3.72
Op. EBITDAR/net fixed charges (x)	11.31	17.45	12.55	7.768	4.60
FFO adjusted leverage (x)	3.36	1.62	1.37	1.95	3.23
Total adjusted debt net of cash/op. EBITDAR (x)	1.32	0.85	1.00	1.45	2.47
Total adjusted debt/total adjusted capitalisation (%)	55.20	48.09	54.24	63.53	75.45

Source: Fitch

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