



India Infoline Limited

(Incorporated on October 18, 1995 as Probity Research & Services Private Limited at Mumbai under the Companies Act, 1956 with Registration No. 11 – 93797. It was converted into a Public Limited Company on April 28, 2000 and the name of the Company was changed to Probity Research & Services Limited. The name of the company was changed to India Infoline.com Limited on May 23, 2000. The name of the company was further changed to India Infoline Limited on March 23, 2001.)

Registered office: 24, Nirlon Complex, Off Western Express Highway, Goregaon (East), Mumbai - 400 063.

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PUBLIC ISSUE OF EQUITY SHARES COMPRISING **11,878,138** EQUITY SHARES OF FACE VALUE RS. **10/-** EACH AT A PRICE OF RS. [.] FOR CASH AT A PREMIUM AGGREGATING RS. [.] MILLION (HEREINAFTER REFERRED TO AS THE “ISSUE”), INCLUDING EMPLOYEE RESERVATION OF **878,138** EQUITY SHARES OF FACE VALUE OF RS. **10/-** EACH AT A PRICE OF RS. [.] FOR CASH AGGREGATING RS. [.] MILLION AND NET ISSUE TO THE PUBLIC OF **11,000,000** EQUITY SHARES OF FACE VALUE OF RS. **10/-** EACH AT A PRICE OF RS. [.] FOR CASH AGGREGATING RS. [.] MILLION (HEREINAFTER REFERRED TO AS THE “NET ISSUE”) AND THE ISSUE WOULD CONSTITUTE **27.31%** OF THE POST ISSUE PAID-UP CAPITAL OF INDIA INFOLINE LIMITED

PRICE BAND: Rs. [.] TO Rs. [.] PER EQUITY SHARE

**ISSUE PRICE IS [.] TIMES OF THE FACE VALUE AT THE LOWER END OF THE PRICE BAND
AND [.] TIMES OF THE FACE VALUE AT THE HIGHER END OF THE PRICE BAND**

This Issue is being made through a 100% Book Building Process wherein at least 50% of the Net Issue shall be allocated on a discretionary basis to Qualified Institutional Buyers. Further, not less than 25% of the Net Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 25% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.

RISK IN RELATION TO FIRST ISSUE

This being the first issue of the Equity Shares of the Company, there has been no formal market for the Equity Shares of the Company. The face value of the shares is Rs. 10/- and the Issue Price is '[.] times' of the face value. This Issue Price (as determined by the Company, in consultation with the Book Running Lead Manager (“BRLM”), on the basis of assessment of market demand for the Equity Shares 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 Company and this Issue including the risks involved. The Equity Shares issued in this Issue have not been recommended or approved by the Securities and Exchange Board of India (SEBI), nor does SEBI guarantee the accuracy or adequacy of this Draft Red Herring Prospectus. Specific attention of the investors is invited to the statements in Risk Factors beginning on page no. vii of this Draft Red Herring Prospectus.

COMPANY'S ABSOLUTE RESPONSIBILITY

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

LISTING

The Equity Shares issued through this Draft Red Herring Prospectus are proposed to be listed on The National Stock Exchange of India Limited and The Stock Exchange, Mumbai. We have received in-principle approval from these Stock Exchanges for the listing of our Equity Shares pursuant to letters dated [.] and [.] respectively. The National Stock Exchange of India Limited is the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGER	REGISTRAR TO THE ISSUE
 ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED 801/ 802, Dalamal Towers Nariman Point, Mumbai, India 400 021 Tel. : +91- 22- 5638 1800 Fax. : +91- 22- 2284 6824 Email: iilipo@enam.com	 INTIME SPECTRUM REGISTRY LIMITED C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai, India 400 078 Tel: +91-22-5555 5454 Fax: +91-22-5555 5353 Email: ipo@intimespectrum.com

ISSUE PROGRAMME

BID / ISSUE OPENS ON [.]

BID / ISSUE CLOSES ON

[.]

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DEFINITIONS AND ABBREVIATIONS

Term	Description
“India Infoline Limited”, “our Company”, “we”, “us” and “our”	Unless the context otherwise requires, refers to, India Infoline Limited, a public limited company incorporated under the Companies Act, 1956
“Subsidiaries”, “our Subsidiaries”, “its Subsidiaries”	Unless the context otherwise requires, refers to, our subsidiaries IICPL, IIDCL, IIISL, IIISPL and IISPL as defined hereinafter

Issue related Terms and Abbreviations

Term	Description
Allotment/ Allotment of Equity shares	Unless the context otherwise requires, issue of Equity Shares pursuant to this Issue
Articles/ Articles of Association	Articles of Association of our Company, i.e., India Infoline Limited
Arbitration Panel	Arbitration Panel formed under the Bye Laws, Rules and Regulations of NSE
Auditors	The statutory auditors of the Company, being Sharp & Tannan Associates, Chartered Accountants
Banker(s) to this Issue	[•]
Bid	An offer made during the Bidding Period by a prospective investor to subscribe to Equity Shares of the Company at a price within the Price Band, including all revisions and modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid for this Issue
Bid/ Issue Closing Date	The date after which the Syndicate Member will not accept any Bids for this Issue, which shall be notified in a widely circulated English national newspaper, a Hindi national newspaper and a Marathi newspaper with wide circulation at the Registered Office of the Company
Bid-cum-Application Form	The form in terms of which the Bidder shall make an offer to subscribe to the Equity Shares of the Company and which will be considered as the application for allotment and transfer in terms of this Draft Red Herring Prospectus
Bid/ Issue Opening Date	The date on which the Syndicate Member shall start accepting Bids for this Issue, which shall be the date notified in an English national newspaper, a Hindi national newspaper and a Marathi newspaper with wide circulation at the Registered Office of the Company
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Draft Red Herring Prospectus
Bid/ Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids
Board of Directors	The Board of Directors of the Company or a committee thereof
Book Building Process	Book building route as provided under Chapter XI of the SEBI Guidelines, in terms of which this Issue is made
Brokers to this Issue	Brokers registered with any recognised Stock Exchange, appointed by the Syndicate Member
BRLM	Book Running Lead Manager to this Issue, in this case being Enam Financial Consultants Private Limited.
CAN/ Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares in the Book Building Process
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted
Companies Act	The Companies Act, 1956, as amended from time to time
Cut-off	The Issue Price finalised by the Company in consultation with the BRLM
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository Participant	A depository participant as defined under the Depositories Act
Designated Date	The date on which funds are transferred from the Escrow Account of the Company to the Public Issue Account after the Prospectus is filed with the RoC, following which the Board of Directors shall transfer Equity Shares to successful bidders
DSE	Designated Stock Exchange, in this case being the National Stock Exchange of India Limited
Director(s)	Director(s) of the Company unless otherwise specified
Draft Red Herring	Means this Draft Red Herring Prospectus issued in accordance with Section 60B of the

Term	Description
Prospectus	Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and size of this Issue. It carries the same obligations as are applicable in case of a Prospectus and will be filed with the RoC at least three days before the opening of this Issue. It will become a Prospectus after filing with the RoC after the pricing and allocation
Employee/ Employees	All or any of the following: a) A permanent employee of the Company; b) Director of the Company except for the directors who are part of the Promoter group; and c) An employee as defined in (a) or (b) above of our Subsidiaries.
Employee Reservation Portion	The portion of the Issue being a maximum of 878,138 Equity Shares available for allocation to Employees.
Equity Shares	Equity shares of the Company of face value of Rs. 10/- each unless otherwise specified in the context thereof
Escrow Account	Account opened with an Escrow Collection Bank(s) and in whose favor the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid
Escrow Agreement	Agreement entered into amongst the Company, the Registrar to this Issue, the Escrow Collection Banks, the BRLM and the Syndicate Member in relation to the collection of the Bid Amounts and dispatch of the refunds (if any) of the amounts collected, to the Bidders
Escrow Collection Bank(s)	The banks which are clearing members and registered with SEBI as Banker to the Issue at which the Escrow Account for the Issue will be opened
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and the regulations framed thereunder
Financial Year/ Fiscal/ FY	Period of twelve months ended March 31 of that particular year
FIPB	Foreign Investment Promotion Board, Ministry of Finance, Government of India
FII	Foreign Institutional Investor [as defined under SEBI (Foreign Institutional Investors) Regulations, 1995] registered with SEBI under applicable laws in India
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted
FVCI	Foreign Venture Capital Investor registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000
IICPL	India Infoline Commodities Private Limited, a wholly owned subsidiary of our Company incorporated under the provisions of the Companies Act and with its registered office at 24, Nirlon Complex, Off Western Express Highway, Goregaon (East), Mumbai 400 063
IIDCL	India Infoline.com Distribution Company Limited, a wholly owned subsidiary of our Company incorporated under the provisions of the Companies Act and with its registered office at 24, Nirlon Complex, Off Western Express Highway, Goregaon (East), Mumbai 400 063
IIISL	India Infoline Insurance Services Limited, a wholly owned subsidiary of our Company incorporated under the provisions of the Companies Act and with its registered office at 24, Nirlon Complex, Off Western Express Highway, Goregaon (East), Mumbai 400 063
IIISPL	India Infoline Investment Services Private Limited, a wholly owned subsidiary of our Company incorporated under the provisions of the Companies Act and with its registered office at 24, Nirlon Complex, Off Western Express Highway, Goregaon (East), Mumbai 400 063
IISPL	India Infoline Securities Private Limited, a wholly owned subsidiary of our Company incorporated under the provisions of the Companies Act and with its registered office at 24, Nirlon Complex, Off Western Express Highway, Goregaon (East), Mumbai 400 063
Indian GAAP	Generally accepted accounting principles in India
Insurance Act	Insurance Act, 1938, as amended from time to time
IRDA	Insurance Regulatory and Development Authority constituted under the IRDA Act
IRDA Act	Insurance Regulatory and Development Authority Act, 1991, as amended from time to time
Issue	The fresh issue of 11,878,138 Equity Shares of Rs. 10/- each fully paid up at the Issue Price determined by the Company in terms of this Draft Red Herring Prospectus
Issue Price	The final price at which Equity Shares will be issued and allotted in term of this Draft Red Herring Prospectus. The Issue Price will be decided by the Company in

Term	Description
	consultation with the BRLM on the Pricing Date
Issue Period	The Issue period shall be [●] being the Bid/Issue Opening date, to [●], being the Bid/Issue Closing date
I. T. Act	The Income-Tax Act, 1961, as amended from time to time
I. T. Rules	The Income-Tax Rules, 1962, as amended from time to time, except as stated otherwise
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 0% to 100% of the Bid Amount
Memorandum/ Memorandum of Association	The Memorandum of Association of our Company
Non Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs.50,000
Non Institutional Portion	The portion of this Issue being not less than 25% of this Net Issue i.e. 2,750,000 Equity Shares of Rs.10 each available for allocation to Non Institutional Bidders
Non Resident	A person who is not an NRI, an FII and are not a person resident in India
NRI/ Non-Resident Indian	A person resident outside India, as defined under FEMA and who is a citizen of India or a Person of Indian Origin under FEMA (Transfer or Offer of Security by a Person Resident Outside India) Regulations, 2000
Pay-in Date	Bid/Issue Closing Date or the last date specified in the CAN sent to Bidders receiving allocation who pay less than 100% margin money at the time of bidding, as applicable
Pay-in-Period	This term means (i) with respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date and extending until the Bid/Issue Closing Date, and (ii) with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date
Price Band	Being the price band of a minimum price (Floor Price) of Rs. [●] and the maximum price (Cap Price) of Rs. [●] and includes revisions thereof
Promoters	Mr. Nirmal Jain, Chairman and Managing Director, Mr. R. Venkataraman, Executive Director of the Company and Mrs. Madhu Jain
Pricing Date	The date on which the Company in consultation with the BRLM finalises the Issue Price
Prospectus	The Prospectus, filed with the RoC containing, <i>inter alia</i> , this Issue Price that is determined at the end of the Book Building Process, the size of this Issue and certain other information
Public Issue Account	Account opened with the Banker(s) to this Issue to receive monies from the Escrow Account for this Issue on the Designated Date
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIIs registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, 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. 250 million and pension funds with minimum corpus of Rs. 250 million
QIB Portion	The portion of this Issue being at least 50% of the Net Issue, i.e., 5,500,000 Equity Shares of Rs.10 each available for allocation to QIB's
RBI	Reserve Bank of India constituted under the RBI Act
RBI Act	The Reserve Bank of India Act, 1934 as amended from time to time
Registered Office of the Company	24, Nirlon Complex, Off Western Express Highway, Goregaon (East), Mumbai 400 063

Term	Description
Registrar/ Registrar to this Issue	Intime Spectrum Registry Limited, having its registered office as indicated on the cover page of this Draft Red Herring Prospectus
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) who have not Bid for an amount more than or equal to Rs. 50,000 in any of the bidding options in this Issue
Retail Portion	The portion of this Issue being not less than 25% of this Net Issue i.e. 2,750,000 Equity Shares of Rs. 10 each available for allocation to Retail Individual Bidder(s)
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s)
RoC	Registrar of Companies, Maharashtra located at Mumbai
RoNW	Return on Net Worth
Insider Trading Regulations	SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended, including instructions and clarifications issued by SEBI from time to time
SCRA	Securities Contract (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
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 issued by SEBI on January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time
Stock Exchanges	BSE and NSE
Syndicate	The BRLM and the Syndicate Member
Syndicate Agreement	The agreement to be entered into between the Company and the Syndicate Member, in relation to the collection of Bids in this Issue
Syndicate Member	Intermediaries registered with SEBI and eligible to act as underwriters. Syndicate Member is appointed by the BRLM. In this case being Enam Securities Private Limited
TRS or Transaction Registration Slip	The slip or document issued by the Syndicate Member to the Bidder as proof of registration of the Bid
Underwriters	The BRLM and the Syndicate Member
Underwriting Agreement	The Agreement among the Underwriters and the Company to be entered into on or after the Pricing Date

Abbreviations

Abbreviation	Full Form
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
AGM	Annual General Meeting
AIG	American International Group
BSE	The Stock Exchange, Mumbai
CBEC	Central Board of Excise and Customs
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
CSO	Central Statistical Organization
CMIE	Centre for Monitoring Indian Economy
CTCL	Computer to Computer Link
D/E	Debt Equity Ratio

Abbreviation	Full Form
DP	Depository Participant
DSE	Designated Stock Exchange
EBDITA	Earnings Before Depreciation, Interest, Tax and Amortisation
EGM	Extra Ordinary General Meeting
EPS	Earnings Per Equity Share
ESOP	Employee Stock Option Scheme
FCNR Account	Foreign Currency Non Resident Account
FIs	Financial Institutions
F&O	Futures & Options
FY/ Fiscal	Financial year ending March 31
GIR Number	General Index Registry Number
Goi	Government of India
HDFC	Housing Development and Finance Corporation of India
HUF	Hindu Undivided Family
ICICI	Industrial Credit and Investment Corporation of India
ING	Internationale Nederlanden Group
INR	Indian National Rupee
IRDA	Insurance Regulatory and Development Authority constituted under the IRDA Act
IT	Information Technology Act, 2000
LAN	Local Area Network
LIC	Life Insurance Corporation of India
MAPIN	Market Participant and Investor Database
MCX	Multi-Commodity Exchange of India Limited
NAV	Net Asset Value
NBFC	Non-Banking Finance Companies
NCDEX	National Commodities and Derivatives Exchange Limited
NMCE	National Multi Commodity Exchange
NRE Account	Non Resident External Account
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
OM	Old Mutual Plc
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
RoC	Registrar of Companies, Maharashtra located at Mumbai
Rs./ Rupees	The currency of India
RONW	Return on Net Worth

Abbreviation	Full Form
SEBI	Securities and Exchange Board of India
USD/ \$/ US\$	United States Dollar
UIN	Unique Identification Number issued in terms of SEBI (Central Database of Market Participants) Regulations, 2003
UTI	Unit Trust of India
VP	Vice-President
VSNL	Videsh Sanchar Nigam Limited

Glossary of Technical Terms

Term	Description
AMC	Annual Maintenance Contract
AUM	Assets under management
F&O	Futures and Options
FDI	Foreign Direct Investment
ISDN	Integrated Services Digital Network
ISP	Internet Service Providers
LAN	Local Area Network
M&A	Merger and Acquisition
Mbps	Mega Bits per second
MIS	Management Information System
PMS	Portfolio Management Services
PC	Personal Computer
PLR	Prime Lending Rate
PMS	Portfolio Management Services
UTP	Unshielded Untwisted Pair
VSAT	Very Small Aperture Terminal

SECTION I: RISK FACTORS

CERTAIN CONVENTIONS: USE OF MARKET DATA

In this Draft Red Herring Prospectus, the terms “India Infoline Limited”, “our Company”, “we”, “us” and “our” unless the context otherwise indicates or implies, refers to India Infoline Limited, a public limited company incorporated under the Companies Act, 1956. Also, the terms “Subsidiaries,” “our Subsidiaries”, “its Subsidiaries” refers to, our subsidiaries IICPL, IIDCL, IIISL, IIISPL and IISPL.

In this Draft Red Herring Prospectus, unless the context otherwise requires, all references to one gender also refers to another gender and the word "Lac" means "one hundred thousand", the word "million (mn)" means "ten lac", the word "Crore" means "ten million" and the word “billion (bn)” means “one hundred crore”. In this Draft Red Herring Prospectus, any discrepancies in any table between total and the sum of the amounts listed are due to rounding-off. Throughout this Draft Red Herring Prospectus, currency figures have been expressed in Rs. Million unless otherwise stated.

For additional definitions used in this Draft Red Herring Prospectus, see the section titled “Definitions and Abbreviations” on page no. i of this Draft Red Herring Prospectus. In the section titled “Main Provisions of Articles of Association of India Infoline Limited” on page no. 213 of this Draft Red Herring Prospectus, defined terms have the meaning given to such terms in the Articles of Association of the Company.

Market data used throughout this Draft Red Herring Prospectus was obtained from industry publications and internal Company reports. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe market data used in this Draft Red Herring Prospectus is reliable, it has not been independently verified. Similarly, internal Company reports, while believed by us to be reliable, have not been verified by any independent sources.

Unless stated otherwise, the financial data in this Draft Red Herring Prospectus is derived from our unconsolidated financial statements prepared in accordance with Indian GAAP and included elsewhere in this Draft Red Herring Prospectus. Unless stated otherwise, references to consolidated financial information is to the consolidated financial information under Indian GAAP. Our fiscal year commences on April 1 and ends on March 31. In this Draft Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

All references to “India” contained in this Draft Red Herring Prospectus are to the Republic of India, all references to the “US” or the “U.S.” or the “USA”, or the “United States” are to the United States of America, and all references to “UK” are to the United Kingdom.

FORWARD-LOOKING STATEMENTS

We have included statements in this Draft Red Herring Prospectus which contain words or phrases such as “will”, “aim”, “will likely result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “will pursue” and similar expressions or variations of such expressions, that are “forward-looking statements”.

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

All forward looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our expectations include but are not limited to:

1. General economic and business conditions in India;
2. Our ability to successfully implement our growth strategy and expansion plans;
3. Our ability to respond to technological changes;
4. Changes in laws and regulations relating to the industry in which we operate;
5. Changes in political and social conditions in India;
6. The loss of our key employees and staff;
7. Our ability to successfully launch the new products;
8. Any adverse outcome in the legal proceedings in which our Company is involved; and
9. The loss or shutdown of operations of our Company at any times due to strike or labour unrest.

For further discussion of factors that could cause our actual results to differ, see the section titled “Risk Factors” beginning on page ix of this Draft Red Herring Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither the Company nor the Syndicate Member, 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 Company and the BRLM 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.

RISK FACTORS

An investment in equity shares involves a high degree of risk. You should carefully consider all of the information in this Draft Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Company's Equity Shares. If any of the following risks actually occur, our business, financial condition and results of operations could suffer, the trading price of our Equity Shares could decline, and you may lose all or part of your investment.

Note: 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 risks mentioned herein under:

INTERNAL TO THE COMPANY

1. There are 3 criminal litigations pending against Directors of our subsidiary, IISPL and the same are as follows:

(a) *Reena Goel v. India Infoline Securities Private Limited*

One, Mrs. Reena Goel, filed a First Information Report ("FIR") under sections 420, 467, 468, 471 of the Indian Penal Code with the Police Station, Kotwali, Bijnora, Uttar Pradesh on May 20, 2004 against IISPL through its Directors, Mr. Nirmal Jain and Mr. R. Venkataraman amongst others, accusing them of cheating her for an amount of Rs. 0.32 million. On October 4, 2004, vide criminal miscellaneous writ petition no. 7788 of 2004, Mr. Nirmal Jain, Mr. R Venkataraman and other accused persons moved the High Court of Allahabad, seeking *ex-parte* stay of further investigation and operation of the said FIR. However, the same was dismissed by the said High Court.

In response to the same, the accused as mentioned above, have filed a special leave petition dated January 18, 2005 ("SLP") in the Supreme Court of India praying that (a) the final judgment and order of the said High Court be stayed *ex parte*; (b) pending the hearing and final disposal of this SLP, further investigation and operation of the said FIR be stayed; and (c) the arrest of the petitioners be stayed during the pendency of this SLP.

In response to the said FIR, IISPL has also filed a counter claim vide an arbitration application dated November 9, 2004 before the Arbitration Panel of NSE for recovery of Rs. 0.25 million against Ms. Reena Goel. For further details, please refer to paragraph D.III.3 of the section titled "Outstanding Litigations, Material Developments and Other Disclosures", on page no. 171 of this Draft Red Herring Prospectus.

(b) *Dhoop Singh Karwasra v. Malai Pravin Chandra Mavani, Nirmal Jain and others*

A legal notice dated November 17, 2003 ("Legal Notice") was sent to IISPL by Ms. M. L. Gupta, Advocate on behalf of her clients Mr. Rajesh Kumar Gupta, Mr. Dhoop Singh and Mr. Kedarnath Sharma ("the Clients"). As set out in the Legal Notice, persons mentioned above had instructed one, Mr. Malai Pravin Chandra Mavani to open a demat account for them and transfer their shares to such account. However, as alleged in the Legal Notice, Mr. Mavani had transferred the said shares to his own account. Through the Legal Notice, IISPL was asked not to further transfer the said shares, or otherwise IISPL would be deemed to be acting in concert with Mr. Mavani and appropriate legal proceedings be initiated against IISPL in civil and criminal courts.

Pursuant to the same, Mr. Karwasra has also filed a criminal complaint dated April 12, 2004 in the Court of Judicial Magistrate, First Class, Mumbai under sections 406, 120 and 504 of the Indian Penal Code against the Mr. Malai Pravin Chandra Mavani, Mr. Nirmal Jain (in his capacity of being a director of IISPL) alleging that even after receiving the Legal Notice, IISPL transferred shares from the said account of Mr. Mavani, thereby cheating him with malafide intention and causing him a monetary loss of Rs 0.11 million. Through such complaint, Mr. Karwasra has prayed that all the accused persons be tried and punished under sections 406, 120, 504 read with section 34 of the Indian Penal Code.

(c) *Vinod Kumar Sharma v. India Infoline Securities Private Limited*

Mr. Vinod Kumar Sharma had filed an arbitration application for recovery of money against IISPL before the Arbitration Panel of NSE on August 7, 2002 alleging that (i) IISPL had failed to short sell 70 shares of Digital Equipments Limited at Rs. 606 each thereby resulting in an outstanding purchase of the same; and (ii) IISPL had short sold 2000 shares of ICICI Bank from his account resulting in a loss of Rs. 29,274. Consequent to the same, the Arbitration Panel ordered IISPL to pay Rs. 2,052 to Mr. Sharma. IISPL had given a demand draft of like amount but Mr. Sharma refused to accept it and filed a case against IISPL in the Court of District Judge, Alipore Court, Kolkata. At present, the matter is *sub-judice*.

It may also be noted that in respect of the above-mentioned dispute, Mr. Sharma has also filed a

criminal complaint with the police against IISPL through its Director, Mr. R. Venkataraman accusing them of willfully and deliberately selling his shares and requesting appropriate action be taken against IISPL and its Directors.

For more details on the outstanding litigations against the Directors of our Company or its subsidiaries please refer to section titled “Outstanding Litigations, Material Developments and Other Disclosures” on page no. 169 of this Draft Red Herring Prospectus.

2. Currently we do not have any registered trademarks

At present, we have three trademark applications pending for registration under the Trade Marks Act, 1999 before the Trade Marks Registry, Mumbai. These include applications for the trademarks “www.5paisa.com”, “www.indiaonline.com” and “IT’S ALL ABOUT MONEY, HONEY” which are crucial to our business. As on date we do not have any registered trademark. For more details, please refer to section titled “Government/Statutory And Business Approvals” on page no. 175 of this Draft Red Herring Prospectus.

3. The objects of the Issue for which funds are being raised have not been appraised by any bank or financial institution. We have not entered into any definitive agreements or placed orders or received any quotations from any vendors for upgrading our office/ technology/ existing branches or for opening new branches.

The deployment of funds as stated in the “Objects of the Issue” on page 32 of this Draft Red Herring Prospectus is entirely at our discretion and is not subject to monitoring by any independent agency. All the figures included under the “Objects of the Issue” are based on our own estimates. There has been no independent appraisal of the project. We have not entered into any definitive agreements, placed orders, or received any quotations from any vendors for upgrading our office/ technology/ existing branches or for opening new branches. The expenditure towards these objects is estimated to be Rs. 508.11 million and will be financed out of the proceeds of this Issue.

For more information regarding approvals involving us and our subsidiaries please refer to section titled “Objects of the Issue” on page 32 of this Draft Red Herring Prospectus.

4. We may fail to realize the anticipated benefits of future acquisitions and we may incur costs that could adversely impact our profitability.

We may acquire other businesses, technologies and products that we believe are a strategic fit with our business. In such an event, we may not be able to successfully integrate any businesses, products, technologies or personnel that we might acquire without a significant expenditure of operating, financial and management resources. Further, we may fail to realize the anticipated benefits of certain acquisitions. Future acquisitions could dilute our shareholders’ interest in us and could cause us to incur substantial debt, expose us to contingent liabilities and negatively impact our profitability.

5. Market fluctuations which results in reduced trading activity could harm our business.

We will be affected by adverse economic and political conditions, broad trends in business and finance, changes in volumes and price levels of securities and other factors that affect the volume of stock trading in India and the level of interest in Indian business developments. In recent years, the Indian and world securities markets have fluctuated considerably and a downturn in these markets could adversely affect our operating results. Also when markets are highly volatile, we run the risk of bad debts and losses and also litigations. Reduced trading volumes and prices have historically resulted in reduced transaction revenues for brokerage. When trading volume is low, our profitability will be adversely affected because our overheads are substantially fixed. Severe market fluctuations or decrease in equity prices which result in decreased trading activity could have an adverse effect on our business, financial condition and operating results.

6. We face a risk of system failure that may result in reduced traffic, reduced revenues and harm to our reputation.

Our business is technology intensive with most critical functions such as the gathering, processing and dissemination of information and the timely execution of transactions being dependent on the smooth functioning of several control processes and technology systems and as such our business and operations could be significantly impacted to the extent we experience system interruptions, errors or downtime (which could result from a variety of causes, including changes in client use patterns, technological failure, changes to its systems, linkages with third-party systems, and power failures). Risk could also be faced due to failures in crucial processes and systems. Similarly, sudden and rapid increases in client demand may strain our ability to ramp-up our technology and expand our operating capacity.

7. Security breaches could damage our reputation and result in a liability to us.

Since we retain confidential customer information in our database, our facilities and infrastructure must remain secure. Despite the Implementation of security measures, our infrastructure may be vulnerable to physical break-ins, computer viruses, programming errors or similar disruptive problems. If our security measures are circumvented, the security of confidential and propriety information stored on our systems could be jeopardized, or our operations could be interrupted. The encrypted other technology we use may not be effective and at times can fail. A material security breach could damage our reputation or result in liability to us, and we do not carry insurance that protects us from this kind of loss.

8. The success of our online brokerage business depends on our relationships with Indian Internet enabled banks that are also our competitors.

For our online trading business to be a success, we need to have relationships with Indian banks so that our customers can easily and quickly execute online funds transfers to us to pay for purchases of stock. Online brokerages in some other countries require their customers to maintain cash deposit accounts with them, and funds are automatically withdrawn from these accounts to settle the customers' stock purchases. Since Indian banking regulations do not allow securities brokers to pay interest on customer deposit accounts, we currently do not plan to offer interest bearing deposit accounts to our customers. We believe that customers will be unwilling to forego interest payments on their deposits, and to maximize the return on their funds they will want to keep their cash with a bank, which can pay interest until the funds are needed to execute a stock trade. To minimize our credit risk, we will not execute cash stock purchases for our customers until they have transferred the requisite funds into one of our deposit accounts.

9. Contingent Liabilities, Guarantees and Capital Commitments

The Contingent liabilities of our Company as on September 30, 2004 are as follows:

- (a) The company has provided a Corporate Guarantee in favour of UTI Bank Limited to the extent of Rs.50 million for the credit facilities in the form of Bank Guarantees Rs.30 million and Overdraft Rs.20 million, sanctioned by the bank to its wholly owned subsidiary India Infoline Securities Private Limited.
- (b) Fixed deposits with certain banks includes deposits amounting to Rs.16 million (Previous Year Rs.16 million) which are pledged with the UTI Bank for availing overdraft facility and also includes the deposit amounting to Rs.2.5 million (Previous Year Rs.2.5 million) pledged with HDFC Bank for National Stock Exchange as Base Capital for Cash Segment.

The Contingent liabilities of our subsidiary, India Infoline Securities Private Limited as on September 30, are as follows:

- (a) Contingent liability in respect of: Bank Guarantees outstanding Rs.30 million (Previous Year Rs.30 million). These Bank Guarantees are procured by the Company from UTI Bank Limited, by pledging its Fixed Deposit Receipts of Rs.16.61 million (Previous Year: Rs.15 million).
- (b) Secured loan from bank is secured against pledge of securities amounting to Rs.139 million (Previous Year Rs.139 million) obtained as margin deposit in the beneficiary accounts of the clients.
- (c) The company's overdraft facility with HDFC Bank limited is against lien on its own Fixed Deposit Receipts of Rs. 8.02 HDFC (Previous Year Rs 7.3 million) with the bank.

The Contingent liabilities of our subsidiary, India Infoline.com Distribution Company Limited as on September 30, 2004 are as follows:

- (a) The central excise authority has served notice to Mutual Fund Distributors (MFDs) to pay service tax on the commission income earned by them from the distribution & marketing of the units of mutual funds. It is management's considered view that service tax is not applicable to such services and the industry is seeking appropriate redressal of the issue. However, as a conservative accounting principle, the company has made a provision of Rs. 7.5 million towards this liability, including interest and penalty if any, for the period July 2003 to 30th September, 2004.

10. Our client relationships form the cornerstone of our broking business. These relationships are formed and nurtured by our relationship managers. Hence any events jeopardizing these relationships including the loss of our relationship managers will lead to decline in our sales and profits.

Our business is dependent on our team of relationship managers who directly manage client relationships. We encourage dedicated relationship managers to service specific clients since we believe that this leads to long-term client relationships, a trust based business environment and over time, better cross-selling opportunities. We have

16 relationship managers and over 18,215 clients as of December 31, 2004 and while a particular relationship manager or an operating group of relationship managers contribute(s) a meaningful percentage of the business, the business would suffer materially if a substantial number of relationship managers either become ineffective or leave the organisation. Such an event would be detrimental to our business and profits.

11. We are dependent on our management team for success.

Our company has a core team of professionals who form the management team, which oversees the operations and growth of our businesses. Loss of our senior management and key managerial personnel could adversely affect our business. Failure to attract and retain skilled manpower could also adversely affect our business, financial condition and results of operations. Further, any increase in our attrition rates, would adversely affect our growth plans.

12. Our company currently generates very low revenues and is dependent on our subsidiary IISPL, which contributes 56.66% for the six months ended September 30, 2004 of our consolidated revenues.

The contribution of IISPL to our consolidated revenues is to the tune of 56.66% for the six months ended September 30, 2004 and that of our Company is 6.47%. This dependence on IISPL implies that if the activities of IISPL are disrupted, then our consolidated revenues will be adversely affected.

13. We face risks associated with margin lending in our online trading business.

We require clients to deposit a minimum initial margin, and if the client is not able to pay the balance amount to us before the pay-in date of the exchange for the said transaction, we, at times extend significant credit to clients at market related interest rates for the purchase of shares.

In case of highly volatile market or adverse movements in share price, it is possible that the clients may not honor their commitment which may result in losses. Such an event would be detrimental to our business and profitability

We follow internal risk management guidelines while extending credit, which include limits on leverage, quality of collateral, diversification, pre-determined margin call thresholds and pre-determined thresholds to liquidate collateral. We intend to continue investing in and improving our risk management systems.

By permitting customers to purchase securities on margin, we are subject to risks inherent in extending credit, especially during periods of rapidly declining markets in which the value of the collateral held by us could fall below the amount of a customer's indebtedness. In the event of an occurrence of unforeseen magnitude, similar to May 17, 2004 could severely impact our business if we are unable to successfully limit our losses. Hence, bad debts are an inherent part of our business. Over the last 3 years bad debts as a percentage of total consolidated revenues have been:

Period	2001-2002	2002-2003	2003-2004	6 months ended September 30, 2004
Bad Debts as a percentage of total revenues	1.21%	5.29%	2.56%	0.12%

14. Risks attributable to derivatives trading by clients and possible inadequacy of Risk Management systems and policies.

IISPL, our subsidiary, offers clients the facility to trade in derivative instruments in the securities and commodities market as is currently permitted in India. Since by their very nature, these derivative instruments involve leveraged positions on the underlying assets, these are riskier to deal with as compared the other financial instruments and as such, investors and the market intermediaries are exposed to a greater risk in dealing with such instruments. Our subsidiary is exposed to a greater risk since it deals in such instruments on behalf of their clients and may face financial losses if it fails to manage prudently the risk of their clients' dealing in derivative instruments.

15. If we are unable to manage the rapid growth required by our business strategy, the result of our operations will be adversely affected.

We have experienced and are currently experiencing a period of significant growth. During the financial year 2003-04, our employee strength grew from 407 to 714 and further to 914 as of November 30, 2004. We currently anticipate hiring an additional 350 employees during the current fiscal year, most of whom will be hired into our Relationship Management, technology, sales, marketing and customer support teams. This growth has placed, and the future growth we anticipate in our operations will continue to place, a significant strain on our managerial, operational, financial and information systems resources. As part of this growth, we will have to implement new

operational and financial systems and procedures and controls, expand our office facilities, train and manage our employee base and maintain close coordination among our technical, accounting, finance, marketing, sales and editorial staffs.

If we are unable to manage our growth effectively, we will be unable to implement our growth strategy, upon which the success of our business depends.

16. Our Company has not entered into any definitive agreements to use the Issue proceeds.

Our Company may be unable to use the Issue proceeds for the intended purpose, due to potential unplanned acquisitions, capital expenditure requirements, unforeseen losses or potential legal liabilities. The failure to use the Issue proceeds for the intended purposes will be harmful to our intent in terms of growth of the existing businesses.

17. Use of this Issue proceeds and our investments in unlisted subsidiaries.

Part of the net proceeds of this issue is going to be utilized for subscribing to the equity capital of our subsidiaries. This money would be utilized as per the discretion of the management of our subsidiaries. These wholly owned subsidiaries are unlisted companies and as such their activities and records are not subject to public scrutiny.

18. Being a rapidly growing company, we may require further equity issuance to satisfy our capital needs, which we may not be able to procure and any future equity offerings by us may lead to dilution of equity and may affect the market price of our equity shares.

Our growth is dependent on having a strong balance sheet to support our activities. We may need to raise additional capital from time to time, dependent on business conditions. The factors that would require us to raise additional capital could be business growth beyond what the current balance sheet can sustain; additional capital requirements imposed due to changes in regulatory regime or new guidelines; or significant depletion in our existing capital base due to unusual operating losses. Any fresh issue of shares/convertible securities would dilute existing holders, and such issuance may not be done at terms and conditions, which are favorable to the then existing investors or us.

19. We face risks associated with potential acquisitions, investments, strategic partnerships or other ventures, including whether any such transactions can be located, completed and the other party integrated with our business on favorable terms.

Although we have not made any acquisitions in the past, apart from the acquisition of Agri Marketing Services Limited in the year 2000, we may acquire or make investments in complementary businesses, technology, services or products or enter into strategic partnerships with parties who can provide access to those assets, if appropriate opportunities arise. The general trend towards consolidation in the financial services industry increases the importance of our ability to successfully complete such acquisitions and investments. From time to time we have had discussions and negotiations in the ordinary course of our business. Some of those discussions also contemplate the other party making an investment in our company. We may not identify suitable acquisition, investment or strategic partnership, candidates, or if we do identify suitable candidates, we may not complete those transactions on commercially acceptable terms or at all. If we acquire another company, we could have difficulty in assimilating that company's personnel, operations, technology and software. In addition, the key personnel of the acquired company may decide not to work for us. If we make other types of acquisitions, we could have difficulty in integrating the acquired products, services or technologies into our operations. These difficulties could disrupt our ongoing business, distract our management and employees and increase our expenses.

20. We are involved in certain legal proceedings (including arbitration proceedings) and claims against us in relation to certain contractual, employment, and other civil matters. There are 11 cases against us, including a show cause notice for evasion of service tax. Out these 11 cases, there are 8 cases against IISPL including arbitration proceedings in relation to civil matters before the Arbitration Panel of NSE. These claims amount to approximately Rs. 602.89 million.

All of the legal proceedings/claims are pending at different levels of adjudication before various courts, arbitrators, stock exchanges, enquiry officers, and appellate tribunals. For more information regarding litigation, please refer to the section titled "Outstanding Litigation, Material Developments and Other Disclosures" beginning on page 169 of this Draft Red Herring Prospectus.

21. We may be liable to third parties for information retrieved from the Internet.

Third parties may sue for defamation, negligence, copyright or trademark infringement, personal injury or other matters based on information available on our Internet portal. These types of claims have been brought, sometimes successfully, against online services in the United States and Europe. Others could also sue us for the content and services that are accessible from our Internet portal through links to other websites or through content and materials that may be posted by our users in chat rooms or bulletin boards. We do not carry insurance to protect us against these types of claims, and Indian law in this area is undeveloped. Further, our business is based on establishing the

India Infoline as a trustworthy and dependable provider of information and services. Allegations of impropriety, even if unfounded, could damage our reputation, disrupt our ongoing business, distract our management and employees, reduce our revenues and increase our expenses.

22. We operate on leased premises.

All the offices/branches through which we operate our business are taken by us on lease through leases/leave and license agreements with third parties. We may in future also enter into such transactions with third parties. Any adverse impact on the title /ownership rights/ development rights of our landlords (including our Promoters or the Group) from whose premises we operate our offices or breach of the contractual terms of such leave and license agreements may impede our Company's effective operations. Furthermore, all such leave and license agreements that have been entered into between our Company and third parties are neither registered nor adequately stamped. In the event, these leases are not renewed, our operations and in turn profitability will be adversely impacted.

23. Some of our subsidiaries are loss making.

Our objects of the Issue also include investments in our subsidiaries, some of which are loss making or incurred losses in the last three financial years. We propose to make investments in our subsidiaries through subscription to their equity capital, for which we are raising funds through this Issue. In the event that the following Subsidiaries continue to incur losses, our consolidated results of operations and financial condition will continue to be adversely affected. Also, our return on investment in such subsidiaries may not be adequate and commensurate with the proposed investment.

Particulars	FY 2002	FY 2003	FY 2004	Six months ended September 2004
IIDCL	(17.30)	(11.37)	9.46	0.43
IISPL	(2.57)	(0.52)	1.79	23.14
IIISL	(0.99)	(1.84)	(4.17)	(5.08)
IICPL	-	-	-	(1.09)

24. Our Promoter and Promoter Group will hold 36.35% of the post issue equity shares, and will effectively control our company and may have interests which conflicts with those of our other shareholders or holders of our equity shares.

Our Promoter and Promoter Group together will hold 36.35% of post-Issue Equity Shares. As a result of their shareholding they will have the ability to influence most matters, which require the approval of our shareholders. In addition the collectively have the ability to block any special resolution by our shareholders, including the alterations of our Articles of Association, issuance of additional shares of capital stock, commencement of any new line of business and similar significant matters.

25. Pending government/statutory approvals for our existing business

(a) Pending government approvals for our Company

Pending Trade Marks approvals

1. Application No. 1263963 dated January 30, 2004 for registration of our trademark "5paisa.com" is pending with the Trade Marks Registry, Mumbai
2. Application No. 1263965 dated January 30, 2004 for registration of our trademark "IT'S ALL ABOUT MONEY HONEY" is pending with the Trade Marks Registry, Mumbai
3. Application No. 1263964 dated January 30, 2004 for registration of our trademark "India Infoline.com" is pending with the Trade Marks Registry, Mumbai.

Pending RBI Approval for registration as an NBFC

1. IIISPL vide its application dated July 28, 2004 has applied to RBI for being issued a certificate of registration as a Non-Banking Financial Institution to enable it commence business as a non-banking financial institution, however, the same is pending. As a consequence thereof, IIISPL has not commenced its business operations as on the date of filing of this Draft Red Herring Prospectus.

26. Non-registration of IIISPL as an NBFC

One of the objects of the Issue is to raise funds for investments in our subsidiary IIISPL, which is not yet registered with the RBI as an NBFC. Failure to obtain the same will impact the business / operations plans and hence our profitability on a consolidated basis.

27. Approvals for the Issue and our proposed businesses

We have neither applied for any approvals nor received any approvals for our proposed projects as mentioned under the Objects of the Issue, except for an application made by our subsidiary, IIISPL to RBI for obtaining registration as a Non-Banking Financial Institution and the same is pending with the RBI.

28. We have limited experience in some of our new ventures

We have limited operating experience in the current businesses that we are into and we do not have any past track record in the new businesses in which we operate or propose to operate.

29. Error in Punching

Some of our clients place orders over the phone. We face the risk of making errors in punching the orders. This entire risk is borne by us.

EXTERNAL TO THE COMPANY

1. Substantial competition could harm our financial performance.

We face substantial competition in each of the markets we serve. The market for distributing economic and financial information and selling financial services, including online brokerage services, on the Internet is new, rapidly evolving and intensely competitive. The market for retail distribution of personal financial products is equally competitive. We expect competition in each of the market we service to continue and intensify in the future. An increase in competition and number of competitors could adversely impact our market share and in turn our profitability.

2. We expect increasing competition in the online trading market.

We believe that as the online trading industry in India develops, many competitors will be attracted to the industry, such as banks, insurance companies, providers of online financial and information services and others. The current trend towards consolidation in the commercial banking industry in India could further increase competition in all transactional aspects of our business. Increased competition may result in reduced operating margins, loss of market share and diminished value in our services.

3. The success of our business depends on the acceptance and growth of electronic commerce and online trading in India, which is uncertain and, to a large extent, beyond our control.

Many of our existing and proposed products and services are designed to facilitate electronic commerce and online trading in India, although there is virtually no electronic commerce or online trading currently being conducted in India. We expect to derive revenues for the foreseeable future from transactions and advertising on our Internet portal. Critical issues concerning the commercial use of the Internet, such as legal recognition of electronic records, validity of contracts entered into online and the validity of digital signatures, remain unresolved. In addition, many Indian consumers have deferred transacting online for a number of reasons, including the existence of perception of, among other things:

- (a) Inconsistent quality of service;
- (b) Limited access to the Internet for Indian consumers;
- (c) Need to deal with multiple and frequently incompatible vendors;
- (d) Absence of a fully functional and secure electronic payment gateway;
- (e) Perceived lack of security of commercial data such as credit card number; and
- (f) Low numbers of Indian companies accepting credit card numbers over the Internet.

If usage of the Internet in India for electronic commerce does not substantially increase and the legal infrastructure and network infrastructure in India are not further developed, we are not likely to realize any benefits from our investment in the development of electronic commerce and online trading products and services. In addition, a lack of growth in electronic commerce and online trading may also result in stagnation in the growth of our online advertising revenues.

4. The limited installed personal computer base in India limits our pool of potential customers.

The market penetration rates of personal computers and online access in India are far lower than other developed countries. There can be no assurance that the number or penetration rate of personal computers in India will increase rapidly or at all or that alternate means of accessing the Internet will develop and become widely available in India.

5. Changes in rules promulgated by the Securities & Exchanges Board of India, the various Indian stock exchanges and other self-regulatory organizations; and changes in the interpretation or enforcement of existing law and rules may adversely impact our business.

The securities industry in the India is subject to extensive regulation. Brokers are subject to regulations covering all aspects of the securities business.

Our ability to comply with all the applicable laws, rules, regulations and bye-laws of SEBI, the stock exchanges etc is largely dependent on our internal compliance procedures, as well as our ability to attract and retain qualified compliance personnel. We could be subject to disciplinary or other actions in the future due to claimed noncompliance, which could have an adverse effect on our business, financial condition and operating results.

6. Political instability in India owing to the currently prevalent coalition politics could cause delays and changes in key policy decisions thereby adversely affecting business and economic conditions in India generally and our business in particular.

During the past decade India has been witness to the vagaries of coalition politics wherein the government at the center has been formed by a clutch of political parties with varied ideologies coming together for the sake of power. Though most of the governments have taken initiatives that support continued economic liberalization, we cannot assure you that these liberalization policies will continue in the future. With the increasing influence of the Left parties in the decision-making process 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 securities could change as well. A significant change in India's economic liberalization and deregulation policies could adversely affect business and economic conditions in India generally (and our business in particular) and also adversely affect the outlook for the stock markets.

7. Any increase in regional hostilities between India and neighboring countries, and in particular Pakistan, could adversely affect Indian economy and cause our business to suffer.

India has from time to time experienced instances of social and civil unrest and hostilities with neighboring countries. Any escalation in regional tension and conflicts in the future could influence the Indian economy and have an adverse effect on our business, our future financial performance and the market for securities of Indian companies, including our equity shares.

8. Regional conflicts in South Asia could adversely affect the Indian economy, disrupt the operation and cause our business to suffer.

South Asia has from time to time experienced instances of civil unrest and hostilities among neighboring countries. Military activity or terrorist attacks in the future could influence the Indian economy by disrupting communications and making travel and transportation more difficult. Such regional tensions could create a greater perception that investments in Indian companies involve a higher degree of risk. This, in turn, could have an adverse effect on the market for Indian companies, including our equity shares and on the market for our services.

9. After this Issue, the market price of our shares may be highly volatile.

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

- Volatility in the Indian and global securities market;
- Our results of operations and performance, in terms of market share;
- Performance of our competitors, the Indian financial services industry and the perception in the market about investments in the financial services sector
- Performance of the Indian economy;
- Changes in Government policies;
- Changes in the estimates of our performance or recommendations by financial analysts;
- Significant developments in India's economic liberalization and deregulation policies; and
- Significant developments in India's fiscal and environmental regulations.

Notes to Risk Factors

1. Public Issue of 11,878,138 Equity Shares of Rs. 10 each at a price of Rs. [•] for cash aggregating Rs. [•] (hereinafter referred to as “this Issue”).
2. The average cost of acquisition of Equity Shares of Rs. 10/- each by our Promoters, is as follows:

Name of our Promoters	Average cost of acquisition of shares (Rs.)
Mr. Nirmal Jain	3.55
Mrs. Madhu Jain	4.79
Mr. R Venkataraman	5.76

3. The net worth of our Company as on September 30, 2004 is Rs. 352 million.
4. Book value of the Equity Shares of the Company as on September 30, 2004 is Rs. 13.32 per Equity Share.
5. For details on Related Party Transactions refer to the section titled "Related Party Transactions" on page no. 74 of this Draft Red Herring Prospectus.
6. Investors are free to contact the BRLM for any complaints / information / clarification pertaining to this Issue. For contact details of the BRLM, please refer to the cover page of this Draft Red Herring Prospectus.
7. All information shall be made available by the BRLM and the Company 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.
8. Investors are advised to refer the paragraph on “Basis of Issue Price” on page no. 204 of this Draft Red Herring Prospectus before making an investment in this Issue.
9. In the event of the Issue being oversubscribed, the allocation shall be on a proportionate basis to Retail Individual Bidders and Non-Institutional Bidders (Refer to the section titled “Basis of Allotment” on page 207 of this Draft Red Herring Prospectus).
10. Bidders may note that Allotment to a single Bidder would not exceed 10% of the post Issue paid-up capital of the Company. (i.e. 4,350,000 Equity Shares).

SECTION II: INTRODUCTION

SUMMARY

You should read the following summary with the Risk Factors and the more detailed information about the Company and their financial statements included in this Draft Red Herring Prospectus.

COMPANY OVERVIEW

We carry out the business of broking, distribution of personal finance products including mutual funds, fixed deposits, government bonds etc., corporate agency of life insurance and commodities broking in our separate wholly owned subsidiaries, as outlined in our corporate structure. Each subsidiary is managed like a Strategic Business Unit (SBU).

BACKGROUND AND EVOLUTION

We are a retail investment advisory and intermediary company.

We commenced our operations in October 1995 as Probity Research and Services Private Limited, as an independent provider of information, analysis and research covering Indian businesses, financial markets and economy, for institutional customers.

In 1999, we identified the potential of the Internet to cater to a mass retail segment and transformed our business model from providing information services to institutional to retail customers. Hence, we launched our Internet portal, *www.indiainfo.com* and started providing news and market information, independent research, interviews with business leaders and other specialized features.

In May 2000, the name of our Company was changed to India Info Limited to reflect the transformation. Over a period of time, we have emerged as one of the leading business and financial information services provider in India.

In the year 2000, we leveraged our position as a provider of financial information and analysis by diversifying into transactional services, primarily for online trading in shares and securities and online as well as offline distribution of personal financial products, like mutual funds and RBI Bonds. These activities are carried on through our wholly owned subsidiaries.

Our broking service was launched under the brand name of 5paisa through our subsidiary, India Info Securities Private Limited and *www.5paisa.com*, the e-broking portal, was launched for online trading in June 2000. It combined competitive brokerage rates and research, supported by Internet technology. Besides investment advice from an experienced team of research analysts, we also offer real time stock quotes, market news and price charts with multiple tools for technical analysis.

In December 2000, our subsidiary, India Info Insurance Services Limited became a corporate agent for ICICI Prudential Life Insurance Company Limited. We mobilized Rs. 36.17 million of Weighted Annualized Premium during FY2003. In FY 2004, it rose by 287.42% to Rs. 103.96 million. We have consolidated our position even further in the current financial year.

In the year 2004, we launched commodities broking through our subsidiary India Info Commodities Private Limited. We also received a license for Portfolio Management Services from SEBI for our broking subsidiary.

The key promoters of our company are Mr. Nirmal Jain and Mr. R Venkataraman, professionals with a good academic and work experience. Mr. Jain is a Chartered Accountant and holds a MBA from IIM Ahmedabad. Mr. Venkataraman is an Electronics engineer from IIT Kharagpur and holds a MBA from IIM Bangalore.

Our consolidated total income has grown from Rs. 106.54 million in FY 2003 to Rs. 359.94 million in FY 2004. That same year, we made a turnaround and reported a consolidated cash profit of Rs. 103.84 million and a net profit of Rs. 74.8 million. In the first six months of the FY 2005, we have reported a consolidated total income of 262.46 million.

OUR COMPETITIVE ADVANTAGES

We are strategically positioned to leverage our strength in the domestic market, due to our competitive advantages that include the following:

- **Research**

We have our roots in equity research. Our original business model was to provide research and information services on Indian business and capital markets to institutional customers. Our executive directors have equity research and investment experience in leading banks and brokerage houses.

- **Integrated technology platform**

Since the launch of our website, www.indiainfo.com, and our online trading platform, www.5paisa.com, we have invested in building a technology platform. We use a mix of in-house and outsourced technologies to offer a user-friendly interface for online trading. Our Trader Terminal is an application which allows customers to trade on both the BSE and the NSE.

We believe that our technology strengths will enable us to scale up the business without a proportionate increase in operating costs.

- **Multiple product offerings makes us a “one stop” shop**

We provide a range of products and services to our customers, either directly or through any one of our wholly owned subsidiaries. These multiple offerings across multiple channels – either online through Internet or offline through any of the branches or over the telephone enables us to emerge as a financial “one stop” shop. This also offers significant cross selling opportunities, which helps us in strengthening customer relationships and loyalty.

- **Pan - India distribution network**

We have 73 branches across 36 towns and cities in India. These branches help in customer acquisition as well as customer service. This is a part of a conscious “bricks and clicks” strategy to reach out to our customers.

- **“India Info.com” and “5paisa.com” have developed into brands**

India Info.com and 5paisa.com are well known brands amongst retail investors across India. In all the cities that we have expanded into, we have been able to leverage upon brand awareness and have established a customer base.

- **Experienced management team**

Our management team has hands on experience in financial services, especially targeted at retail sales and relationship management.

- **Customer relationship management**

We have developed a team of Customer Relationship Managers across India to handle key customer accounts. These people are experienced in financial services and have undergone in-house training. This allows them to offer unbiased advice on not only equities but also on other investment products like mutual funds and insurance.

- **Robust Risk Management Systems:**

We manage the risks associated with our broking operations through use of internally developed credit algorithms implemented through fully automated risk management software and selective direct monitoring of certain operating parameters. Our automated risk management procedures rely primarily on internally developed Risk Management System and systems provided by our vendors.

OUR STRATEGY

Our business plan is to become the leading investment advisor and intermediary for financial services in India. The key driver is to increase our customer base in all our products, give them a platform of choice to transact and support them with quality research. The elements of our strategy include:

- **"One Stop Shop" from advice to transactions**

We have emerged as one of India's leading financial information Internet portal in India. We distribute mutual funds and life insurance products through our branches as well as directly through our sales team. These factors allow us to provide our customers with an integrated online as well as offline solution to fulfill all their financial information and transaction needs. We believe that our ability to offer multiple products across broking to insurance to mutual funds to commodities to small savings differentiates us from our competition. This also offers significant cross selling opportunities which will help in improving margins as incremental revenue will entail lower customer acquisition and promotion costs.

- **Multi channel delivery model**

We intend providing a single convenient and reliable platform from which our users can obtain information, trade online or purchase offline a wide range of personal financial products. Our branches have been opened in cities after a detailed study of demographics and investment patterns in different cities.

- **Expand our retail network**

We have a retail branch network of 73 branches at 36 locations across India to provide an alternative channel for our customers to transact with us and to support our online services. These branches allow our customers the opportunity to purchase personal financial products and trade at such branches with the assistance of our staff. We propose to set up additional 77 branches in 50 cities across India to have a network of 150 branches to further strengthen our geographic reach.

- **Leverage our content advantage for value added offerings**

We believe that the key to successful investment is research. We have invested considerable resources in building our research domain skills. Our top management has hands on experience in equity research. We will continue to expand the breadth and depth of research and content on Indian business and finance. This research advantage will enable us to acquire customers in high value added product offerings especially PMS.

- **Continuous investments in technology platform**

We have leveraged the power of technology to offer an integrated platform to the customer to transact. We will continue to invest in such technologies that would enhance customer experience while interacting with us. We have facilitated integrated trading and depositary accounts for the customer, payment gateways with multiple banks, online Internet enabled back office and MIS. We believe that our technology investments will be a key driver in scaling up of the business.

- **Acquisition & Takeover**

We strongly believe that to become a market leader in the investment advisory and intermediation space, we have to expand our business. In our endeavor to do so and as per our business strategy we may pursue inorganic growth.

SUMMARY FINANCIAL DATA

The statutory financial statements of the Company prepared in accordance with Indian GAAP for the Years ended March 31, 2000, 2001, 2002, 2003, 2004 and six months ended September 30, 2004 were audited by Sharp and Tannan Associates, Chartered Accountants.

Summary of unconsolidated Financial Data under Indian GAAP

The following table sets forth selected historical unconsolidated financial information of the India Infoline Limited derived from its restated and audited unconsolidated financial statements as of March 31, 2000, 2001, 2002, 2003 and 2004, and six months ended September 30, 2004, all prepared in accordance with Indian GAAP, the Companies Act and SEBI Guidelines, and restated as described in the auditors' report of Sharp and Tannan Associates, dated February 18, 2005 included in the section titled "Financial Statements" on page 102 of this Draft Red Herring Prospectus and should be read in conjunction with those financial statements and the notes thereto.

Summary of Profits & Losses as restated, unconsolidated

(Amount in Rs. Million)

	Year ended March 31, 2000	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003	Year ended March 31, 2004	Six-month ended September 30, 2004
INCOME						
Income from operations						
Agency Commission	-	1.97	-	-	-	-
Media & Content Income	22.94	43.74	28.25	6.24	34.59	25.99
Royalty on Brand	-	-	-	-	54.00	18.00
Software & Technology Services	-	-	-	-	-	27.00
Other Income	0.90	9.84	4.52	10.69	8.72	4.06
Total Income	23.84	55.54	32.78	16.93	97.31	75.05
EXPENDITURE						
Employee Cost	8.05	29.42	14.50	9.11	3.59	8.21
Administration & Other Expenses	54.35	101.86	25.33	9.37	6.07	8.97
Interest	-	0.08	-	-	-	-
Depreciation & Amortisation	4.36	26.07	31.08	31.81	19.43	1.81
Total Expenditure	66.76	157.43	70.91	50.28	29.09	18.98
Profit/(Loss) before tax & prior period and extraordinary items	(42.92)	(101.89)	(38.13)	(33.35)	68.22	56.07
Provision for taxation						
Current Tax	-	-	-	-	0.50	4.60
Deferred Tax	-	-	-	-	-	-
Net profit/(Loss) after tax but before prior period and extra ordinary items	(42.92)	(101.89)	(38.13)	(33.35)	67.72	51.47
Extra Ordinary Items:						
ADR expenses	-	(11.45)	-	-	-	-
Provision for Indemnity to subsidiary	-	(14.20)	-	-	-	-
Prior Period Expense	(0.03)	-	-	-	-	-
	(0.03)	(25.65)	-	-	-	-
Net Profit/(Loss) for the year	(42.95)	(127.54)	(38.13)	(33.35)	67.72	51.47
<u>Adjustments on account of changes in accounting policies:</u>						
1. Impact of prior period items	0.03	-	-	-	-	-
2. Changes in policy of amortising intangibles	-	-	-	-	8.00	(4.00)
Total Impact of adjustments	0.03	-	-	-	8.00	(4.00)
Net profit/(loss), as restated	(42.92)	(127.54)	(38.13)	(33.35)	75.72	47.47
Profit / (Loss) brought forward	0.17	(42.66)	(170.19)	(208.32)	(241.67)	(165.95)

	Year ended March 31, 2000	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003	Year ended March 31, 2004	Six-month ended September 30, 2004
from previous year						
Profit / (Loss) available for appropriation						
Transfer (to)/from General Reserve	0.10	-	-	-	-	-
Balance carried to Balance Sheet	(42.66)	(170.19)	(208.32)	(241.67)	(165.95)	(118.48)

Summary of Assets & Liabilities as restated, unconsolidated

(Amount in Rs. Million)

	Year ended March 31, 2000	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003	Year ended March 31, 2004	Six-month ended September 30, 2004
FIXED ASSETS						
(i) Gross Block	11.27	70.00	77.66	82.64	35.55	38.95
Less : Depreciation	5.27	23.34	46.33	62.10	32.38	34.18
Net Block	6.00	46.66	31.33	20.54	3.17	4.77
Less: Revaluation Reserve	-	-	-	-	-	-
Net Block after revaluation reserve	6.00	46.66	31.33	20.54	3.17	4.77
(ii) Capital Work in Progress						0.76
Net Block	6.00	46.66	31.33	20.54	3.17	5.54
INTANGIBLE ASSETS						
Balance as per last Balance Sheet	40.00	40.00	32.00	24.00	16.00	8.00
Less : Amortised during the year	-	8.00	8.00	8.00	8.00	4.00
Total Intangible Asset	40.00	32.00	24.00	16.00	8.00	4.00
INVESTMENTS	195.67	142.50	139.21	153.11	253.21	281.20
CURRENT ASSETS, LOANS AND ADVANCES						
Interest Accrued	-	0.19	0.01	0.01	-	-
Sundry Debtors	6.00	7.93	1.64	4.73	4.01	7.04
Cash and Bank Balances	84.19	3.98	62.42	21.92	21.21	22.26
Loans and Advances	25.51	20.77	28.53	33.80	36.23	71.18
Total Current Assets, Loans and Advances	115.70	32.87	92.60	60.46	61.45	100.48
TOTAL ASSETS	357.37	254.03	287.15	250.10	325.83	391.21
LIABILITIES & PROVISIONS						
Secured Loans	-	-	-	10.65	0.90	12.97
Unsecured Loans	0.26	0.07	0.13	-	-	-
Total Loan Funds	0.26	0.07	0.13	10.65	0.90	12.97
Current Liabilities	23.83	16.44	10.26	10.02	18.65	19.09
Provisions	0.57	14.89	14.61	0.63	1.75	7.15

	Year ended March 31, 2000	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003	Year ended March 31, 2004	Six-month ended September 30, 2004
Total Current Liabilities & provisions	24.39	31.32	24.87	10.65	20.40	26.24
TOTAL LIABILITIES	24.65	31.39	25.00	21.30	21.30	39.21
NET WORTH	332.72	222.64	262.15	228.80	304.52	352.00
REPRESENTED BY :						
Share Capital:						
Paid up Capital	68.47	205.57	264.22	264.22	264.22	264.22
Share Application money	-	17.31	-	-	-	-
Reserves and Surplus:						
Security Premium	306.90	169.95	206.26	206.26	206.26	206.26
Capital Redemption Reserve	-	-	-	-	-	-
Profit and Loss Account	-	-	-	-	-	-
Less: Revaluation Reserve	-	-	-	-	-	-
Reserves Net of Revaluation Reserve	306.90	169.95	206.26	206.26	206.26	206.26
Shareholders fund	375.38	392.83	470.47	470.47	470.47	470.47
Less: Miscellaneous Expenditure	-	-	-	-	-	-
Debit Balance of profit & loss statement	42.66	170.19	208.32	241.67	165.95	118.48
T O T A L	332.72	222.64	262.15	228.80	304.52	352.00

Summary of consolidated Financial Data under Indian GAAP

The following table sets forth selected historical consolidated financial information of India Infoline Limited derived from its restated and consolidated financial statements as of March 31, 2000, 2001, 2002, 2003 and 2004, and six months ended September 30, 2004, all prepared in accordance with Indian GAAP, the Companies Act and SEBI Guidelines, and restated as described in the auditors' report of Sharp & Tannan Associates dated February 18, 2005 in the section titled "Financial Statements" starting on page no. 102 of this Draft Red Herring Prospectus and should be read in conjunction with those financial statements and the notes thereto.

UNCONSOLIDATED STATEMENT INCLUDES INTER GROUP COMPANY REVENUE BUT CONSOLIDATED EXCLUDES THE SAME

Summary of Profits & Losses as restated, consolidated

(Amount in Rs. Million)

	31st March, 2000	31st March, 2001	31st March, 2002	31st March, 2003	31st March, 2004	Six-month ended 30th September, 2004
INCOME						
Revenue from operations						
Equities Brokerage & Related Income	-	16.11	18.95	30.79	191.47	148.70
Agency Commission & Fees	46.24	77.81	97.73	40.07	81.17	44.49
Commodities Brokerage						0.58
Policy Commission	-	-	2.99	7.03	17.92	15.72
Media & Content Income	23.18	35.33	16.25	7.63	16.82	16.99
Other Income	1.12	10.32	6.11	21.03	52.56	35.98
Total Income	70.54	139.56	142.03	106.54	359.94	262.46

	31st March, 2000	31st March, 2001	31st March, 2002	31st March, 2003	31st March, 2004	Six-month ended 30th September, 2004
EXPENDITURE						
Direct Cost	28.58	51.66	71.65	34.71	108.43	72.92
Employee Cost	16.91	58.30	33.80	31.33	59.90	39.29
Administration & Other Expense	61.19	131.99	61.42	51.60	77.43	46.50
Interest	0.58	0.08	-	1.56	10.63	1.63
Depreciation & Amortisation	8.75	28.60	34.03	34.42	29.04	8.89
Total Expenditure	116.01	270.64	200.90	153.61	285.43	169.23
Profit/(Loss) before tax & prior period and extraordinary items adjustments	(45.48)	(131.08)	(58.86)	(47.07)	74.50	93.23
Provision for taxation :						
Current Tax	-	-	-	-	1.41	19.54
Deferred Tax	-	-	-	-	(1.71)	0.82
Net profit after tax but before prior period and extra ordinary items adjustments	(45.48)	(131.08)	(58.86)	(47.07)	74.80	72.87
Extra Ordinary Items:						
ADR expenses	-	(11.45)	-	-	-	-
Provision for Indemnity to subsidiary	-	(14.20)	-	-	-	-
Prior Period Expense	(0.03)	-	(0.12)	-	-	(4.00)
	(0.03)	(25.65)	(0.12)	-	-	(4.00)
Net Profit for the year	(45.51)	(156.73)	(58.98)	(47.07)	74.80	68.87
Adjustments on account of changes in accounting policies						
Impact of prior period items	0.03	(0.12)	0.12	-	(4.00)	4.00
Changes in treatment of amortising cost of						
intangible assets , viz. Non Compete fees	-	-	-	-	8.00	(4.00)
Total Impact of adjustments	0.03	(0.12)	0.12	-	4.00	-
Net profit, as restated	(45.48)	(156.85)	(58.86)	(47.07)	78.80	68.87
Profit / (Loss) brought forward	0.17	(45.21)	(202.06)	(260.92)	(307.99)	(229.19)
Transfer from General Reserve	0.10	-	-	-	-	-
Balance of Loss carried forward	(45.21)	(202.06)	(260.92)	(307.99)	(229.19)	(160.31)

Summary of Assets & Liabilities as restated, consolidated

(Amount in Rs. Million)

	March 31, 2000	March 31, 2001	March 31, 2002	March 31, 2003	March 31, 2004	Six-month ended September 30, 2004
FIXED ASSETS						
(i) Gross Block	15.19	75.04	84.99	89.33	68.06	75.53
Less : Depreciation	8.27	27.48	51.81	67.59	45.58	51.65
Less: Revaluation Reserve	-	-	-	-	-	-
Net Block after Revaluation Reserve	6.92	47.56	33.18	21.74	22.49	23.88

	March 31, 2000	March 31, 2001	March 31, 2002	March 31, 2003	March 31, 2004	Six-month ended September 30, 2004
(ii)Capital Work In Progress	-	-	-	-	-	1.08
Total Net Block	6.92	47.56	33.18	21.74	22.49	24.95
INTANGIBLE ASSETS						
Bombay Stock Exchange Membership						
Balance as per last Balance Sheet	-	28.10	28.10	28.10	28.10	28.10
Less: Amortised	-	-	-	-	-	2.81
	-	28.10	28.10	28.10	28.10	25.29
Goodwill: Balance as per last Balance Sheet	6.96	6.96	4.18	2.79	1.39	-
Less : Amortised	1.39	2.79	1.39	1.39	1.39	-
	5.57	4.18	2.79	1.39	-	-
Non Compete Fees:						
Balance as per last Balance Sheet	40.00	40.00	32.00	24.33	16.00	8.00
Less : Amortised	-	8.00	8.00	8.33	8.00	4.00
	40.00	32.00	24.00	16.00	8.00	4.00
Net Intangible Asset	45.57	64.28	54.89	45.49	36.10	29.29
DEFERRED TAX(Net)(See note C-8 Annexure III)	-	-	-	-	1.71	0.89
INVESTMENTS	185.66	17.50	2.21	1.10	1.42	23.31
CURRENT ASSETS, LOANS AND ADVANCES						
Interest Accrued	-	0.43	0.46	1.07	1.15	2.31
Sundry Debtors	7.74	62.70	63.80	123.49	387.91	551.79
Cash and Bank Balances	84.82	21.88	69.60	32.58	75.16	122.71
Loans and Advances	26.95	47.00	38.10	62.17	70.27	133.73
CURRENT ASSETS	119.51	132.00	171.95	219.31	534.49	810.54
TOTAL ASSETS	357.67	261.34	262.23	287.65	596.20	888.98
LIABILITIES & PROVISIONS						
LOAN FUNDS :						
Secured Loans	0.08	-	-	33.98	29.23	140.50
Unsecured Loans	0.26	0.29	2.32	0.89	2.93	0.64
Total Loan Funds	0.34	0.29	2.32	34.87	32.16	141.14
CURRENT LIABILITIES & PROVISIONS						
Current Liabilities	26.61	55.24	35.75	75.46	305.89	414.69
Provisions	0.57	15.04	14.61	14.83	16.86	22.99
Total Current Liabilities and Provisions	27.17	70.27	50.36	90.30	322.75	437.68
TOTAL LIABILITIES	27.51	70.56	52.68	125.17	354.91	578.82
NET WORTH						310.16

	March 31, 2000	March 31, 2001	March 31, 2002	March 31, 2003	March 31, 2004	Six-month ended September 30, 2004
	330.16	190.78	209.55	162.48	241.28	
Share capital:						
Paid up	68.47	205.57	264.22	264.22	264.22	264.22
Share Application money	-	17.31	-	-	-	-
Reserves & Surplus:						
Security Premium	306.90	169.95	206.26	206.26	206.26	206.26
Capital Redemption Reserve	-	-	-	-	-	-
Profit & Loss Account	-	-	-	-	-	-
Less: Revaluation Reserve	-	-	-	-	-	-
Profit & Loss net of Revaluation Reserve	-	-	-	-	-	-
Total Shareholders Fund	375.38	392.83	470.47	470.47	470.47	470.47
Less:						
Miscellaneous Expenditure	0.01	-	-	-	-	-
Profit & Loss statement, as restated	45.21	202.06	260.92	307.99	229.19	160.31
TOTAL	330.16	190.78	209.55	162.48	241.28	310.16

THE ISSUE

Equity Shares offered: Fresh Issue by the Company	11,878,138 Equity Shares of face value of Rs.10/- each
Of Which (1) Employees Reservation Portion	878,138 Equity Shares of face value of Rs. 10/- each (Allocation on a proportionate basis)
Therefore, Net Issue to the Public	11,000,000 Equity Shares of face value of Rs. 10/- each
Of which A) Qualified Institutional Buyers portion (QIBs)	At least 5,500,000 Equity Shares of face value of Rs. 10/- each constituting at least 50% of the Net Issue to the Public (Allocation on a discretionary basis)
B) Non-Institutional Portion	2,750,000 Equity Shares of face value of Rs 10/-, constituting 25% of the Net Issue to the Public (Allocation on a proportionate basis)
C) Retail Portion	At least 2,750,000 Equity Shares of face value of Rs 10/-, constituting 25% of the Net Issue to the Public (Allocation on a proportionate basis)
Notes: <ol style="list-style-type: none"> 1) Under-subscription, if any, in category B and C would be allowed to be met with spillover inter-se from any other categories, at the sole discretion of the Company and BRLM. 2) Under-subscription, if any, in the Employee Reservation Portion will be added back to the Non-Institutional Portion and Retail Portion in the ratio of 50:50 	
Equity Shares outstanding prior to the Issue	31,621,862 Equity Shares of face value of Rs.10/- each
Equity Shares outstanding after the Issue	43,500,000 Equity Shares of face value of Rs.10/- each
Use of Issue proceeds	Please see section titled “Objects of the Issue” on page no. 32 of this Draft Red Herring Prospectus for additional information.

GENERAL INFORMATION

AUTHORITY FOR THIS ISSUE

The current Issue has been authorised by vide a special resolution adopted pursuant to Section 81 (1A) of the Companies Act, passed at the Extraordinary General Meeting held on December 14, 2004 and pursuant to a resolution of the Board dated November 17, 2004.

PROHIBITION BY SEBI

Our Company, our directors, our Promoters, the directors and persons in control of our Promoters, our subsidiaries, our group companies, other companies promoted by our Promoters 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.

ELIGIBILITY FOR THIS ISSUE

As per Clause 2.2.1 of SEBI Guidelines, an unlisted company may make an initial public offering of equity shares, only if it meets the following conditions; with eligibility criteria calculated in accordance with unconsolidated financial statements under Indian GAAP:

- a) The Company has net tangible assets of at least Rs.30 million in each of the preceding three full years (of 12 months each) of which not more than 50% are held in monetary assets.
- b) The Company has a track record of distributable profits as per Section 205 of Companies Act, for at least three out of immediately preceding five years.

For calculating distributable profits in terms of Section 205 of the Companies Act extra-ordinary items shall not be considered;

- c) The Company has a net worth of at least Rs.10 million in each of the preceding three full years of 12 months each;
- d) In case the Company has changed its name within the last one year, at least 50% of the revenues for the preceding one full year is earned by the Company from the activity suggested by the new name; and
- e) The aggregate of the proposed Issue and all previous issues made in the same financial year in terms of size (i.e. offer through offer Document + firm allotment + promoters contribution through offer document) does not exceed five (5) times its pre-issue net worth as per the audited balance sheet of the last financial year.

Since we do not meet the requirements specified under Clause 2.2.1 mentioned above, we are offering Equity Shares through the book building route in accordance with Clauses 2.2.2 and 2.2.2A of the SEBI Guidelines, wherein:

- This Issue is made through book-building process, with at least 50% of this Issue size being allotted to the Qualified Institutional Buyers (QIBs), failing which the full subscription monies shall be refunded
- The minimum post-issue face value capital of the Company shall be Rs. 100 million.

We undertake that the number of allottees in the proposed Issue shall be at least 1,000; otherwise, we shall forthwith refund the entire subscription amount received. In case of delay, if any, in refund, we shall pay interest on the application money at the rate of 15% per annum for the period of delay.

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 THIS ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI GUIDELINES FOR DISCLOSURES AND INVESTOR PROTECTION 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 COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, BOOK RUNNING LEAD MANAGER, ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED HAS FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED [•] 2005 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

“WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.

ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, IT’S DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THIS ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.

WE CONFIRM THAT:

- A) THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THIS ISSUE;
- B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND
- C) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.

WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID

WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE NET WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.

WE CERTIFY THAT WRITTEN CONSENT FROM SHAREHOLDERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTERS’ CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF PROMOTERS’ CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED / SOLD / TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS."

ALL LEGAL REQUIREMENTS PERTAINING TO THIS ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE REGISTRAR OF COMPANIES, MUMBAI, MAHARASHTRA, IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT.

THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 AND SECTION 68 OF THE ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED OFFER. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGERS, ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS.

Caution

Our Company and the BRLM accept no responsibility for statements made otherwise than in this Draft Red Herring Prospectus or in the advertisements or any other material issued by or at instance of the above, mentioned entities and anyone placing reliance on any other source of information, including the Company’s website, www.indiainfoil.com, would be doing so at his or her own risk.

The BRLM accepts no responsibility, save to the limited extent as provided in the Underwriting Agreement to be entered into between the Underwriters and the Company and the Memorandum of Understanding between the BRLM and the Company.

Our Company and the BRLM shall make all information available 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 or at bidding centres etc.

Disclaimer in Respect of Jurisdiction

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other Trust law and who are authorised under their constitution to hold and invest in shares) and to NRIs, FIIs and Foreign Venture Capital Funds Registered with SEBI. This Draft Red Herring Prospectus does not, however, constitute an invitation to subscribe to shares Issued hereby in any other jurisdiction to any person to whom it is unlawful to make an Issue or invitation in such jurisdiction. Any person into whose possession this Draft Red Herring Prospectus comes is required to inform himself or her self about and to observe any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Mumbai only.

No action has been or will be taken to permit a public Issuing in any jurisdiction where action would be required for that purpose, except that this Draft Red Herring Prospectus has been filed with SEBI for observations and SEBI has given its observations and this Draft Red Herring Prospectus has been filed with RoC as per the provisions of the Companies Act. Accordingly, the Equity Shares, represented thereby may not be Issued or sold, directly or indirectly, and this Draft Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Draft Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

Disclaimer Clause of the National Stock Exchange of India Limited

As required, a copy of this Draft Red Herring Prospectus has been submitted to NSE (the Designated Stock Exchange). NSE has given vide its letter dated [●] permission to the Company to use the NSE's name in this Draft Red Herring Prospectus as one of the stock exchanges on which this Company's securities are proposed to be listed subject to the Company fulfilling the various criteria for listing including the one related to paid up capital and market capitalisation (i.e. the paid up capital shall not be less than Rs.100 million and market capitalisation shall not be less than Rs. 250 million at the time of listing). The NSE has scrutinized this Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this 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 Draft 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 Draft Red Herring Prospectus; nor does it warrant that this 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 the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Disclaimer Clause of the Stock Exchange, Mumbai

As required, a copy of this Draft Red Herring Prospectus has been submitted to BSE. The BSE has given vide its letter dated [●], permission to this Company to use the BSE's name in this Draft Red Herring Prospectus as one of the stock exchanges on which this Company's securities are proposed to be listed. The BSE has scrutinised this Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company.

The BSE does not in any manner:

- warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus;
- warrant that this Company's securities will be listed or will continue to be listed on the BSE; or
- take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company.

It should not for any reason be deemed or construed that this Draft Red Herring Prospectus has been cleared or approved by the BSE. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the 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.

Filing

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, will be delivered to the RoC, Maharashtra at Mumbai. A copy of the Prospectus required to be filed under Section 60 of the Companies Act would be delivered for registration with RoC, Maharashtra at Mumbai. A copy of this Draft Red Herring Prospectus has been filed with the Corporation Finance Department of SEBI at Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai 400 021.

Listing

Applications have been made to the BSE and the NSE for permission to deal in and for an official quotation of our Equity Shares. NSE shall be the Designated Stock Exchange with which the basis of allocation will be finalized for non-institutional portion and retail portion.

If the permissions to deal in and for an official quotation of our Equity Shares are not granted by any of the Stock Exchanges mentioned above, our Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Draft Red Herring Prospectus. If such money is not repaid within eight days after our Company become liable to repay it from the date of refusal or within 70 days from the Bid/Issue Closing Date, whichever is earlier, then the Company, and every Director of the Company who is an officer in default shall, on and from such expiry of eight days, be 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 the Stock Exchanges mentioned above are taken within 7 working days of finalization and adoption of the Basis of Allotment for this Issue.

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."**

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the Issue amount, including devolvement of the Syndicate Member, if any, within 60 days from the Bid/Issue Closing Date, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days, the Company and every director of the Company who is an officer in default, becomes liable to repay the amount with interest as per Section 73 of the Companies Act.

Also, if we are not able to allot at least 50% of the Net Issue to the QIBs, the Company shall refund the entire subscription amount received.

Withdrawal of this Issue

The Company, in consultation with the BRLM, reserves the right not to proceed with this Issue anytime after the Bid/Issue Opening Date without assigning any reason thereof.

Letters of Allotment or Refund Orders

The Company shall give credit to the Beneficiary Account with Depository Participants within two working days of finalization of the basis of allotment of Equity Shares. The Company shall dispatch refund orders, if any, of value up to Rs. 1,500, by "Under Certificate of Posting", and will dispatch refund orders above Rs.1,500, if any, by registered post or speed post at the sole or first bidder's sole risk.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, the Company further undertakes that:

- a) Allocation and allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;
- b) Dispatch of refund orders will be done within 15 days from the Bid/Issue Closing Date; and

- c) The Company shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if transfer is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 day time prescribed above.

The Company will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to this Issue.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by the Company, as an escrow collection bank(s) and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the bidders.

ISSUE PROGRAM

Bidding Period / Issue Period

BID / ISSUE OPENS ON	
BID / ISSUE CLOSES ON	

Bids and any revision in bids shall be accepted **only between 10 a.m. and 5 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, the Bids shall be accepted **only between 10 a.m. and 5 p.m.** (Indian Standard Time) or uploaded till such time as may be permitted by the BSE and NSE on the Bid/Issue Closing Date.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional days after revision of Price Band. Any revision in the Price Band and the revised Bid/ Issue Period, if applicable, will be widely disseminated by notification to the BSE and NSE by issuing a press release, and also by indicating the change on the web site of the Company and/or the BRLM and at the terminals of the Syndicate Member.

ISSUE MANAGEMENT TEAM

Book Running Lead Manager (BRLM)

Enam Financial Consultants Private Limited

801/802, Dalamal Tower,
Nariman Point,
Mumbai 400 021
Tel: +91 22 5638 1800
Fax: +91 22 2284 6824
Email: ilipo@enam.com

Syndicate Member

Enam Securities Private Limited

Khatau Building, 2nd Floor
44B Bank Street,
off Shaheed Bhagat Singh Road,
Fort
Mumbai – 400023 (India)
Tel: +91 22 2267 7901
Fax No. + 91 22 2266 5613

Registered Office of the Company

India Infoline Limited

Building No. 24, Nirlon Complex,
Off Western Express Highway,
Goregaon (East),
Mumbai - 400 063.
Tel: +91-22-5677 5900;
Fax: +91-22-2685 0451;
E-mail: ipo@indiainfoline.com
Website: www.indiainfoline.com

Compliance Officer

Ms. Komal Parikh
Company Secretary
India Infoline Limited

Building No. 24, Nirlon Complex,
Off Western Express Highway,
Goregaon (E),
Mumbai - 400 063.
Tel: +91-22-5677 5900;
Fax: +91-22-2685 0451;
E-mail: ipo@indiainfoline.com

Registrar to this Issue

Intime Spectrum Registry Limited
C-13 Pannalal Silk Mills Compound,
LBS Marg,
Bhandup West,
Mumbai 400078
Tel.: +91 22-5555 5454
Fax: +91 22-5555 5353

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 allocation, credit of allotted shares in the respective beneficiary account or refund orders, etc.

Legal Advisors to this Issue

Crawford Bayley & Co.
State Bank Buildings, 4th floor
N. G. N. Vaidya Marg
Fort, Mumbai - 400 023
Tel no.: +91-22-2266 3713
Fax no.: +91-22-2266 0355
E-mail: mail@crawfordbayley.com

Auditors to the Company

Sharp & Tannan Associates, Chartered Accountants
87, Nariman Bhawan
227, Nariman Point
Mumbai - 400 021

Banker to this Issue and Escrow Collection Bankers **[•]**

Bankers to the Company

UTI Bank Limited
Sonimur Apartments
Timber Estate
S.V. Road, Malad (W)
Mumbai - 400 068.

HDFC Bank Limited
Vishal Shopping Centre,
Sir M.V. Road, Opp. Gymkhana,
Andheri (E), Mumbai - 400 069.

Citibank N.A.
S.V. Road, Andheri (W)
Mumbai - 400 058.

ICICI Bank Limited
Sagar Avenue, Ground Floor
S.V. Road, Andheri (W)
Mumbai - 400058.

Credit Rating

As this is an Issue of equity shares there is no credit rating for this Issue.

Trustees

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

Book Building Process

Book Building refers to the process of collection of bids from investors, on the basis of this Draft Red Herring Prospectus including the Price Band. This Issue Price is fixed after the Bid/Issue Closing Date. The principal parties involved in the Book Building Process are:

- (1) Our Company
- (2) Book Running Lead Manager, in this case being Enam Financial Consultants Private Limited

SEBI, through its guidelines, has permitted an Issue of securities to the public through the 100% Book Building Process, wherein at least 50% of the Issue shall be allocated on a discretionary basis to Qualified Institutional Buyers (QIBs). Further, not less than 25% of the Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 25% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. The Company will comply with these guidelines for this Issue. In this regard, the Company has appointed the BRLM to procure subscriptions to the Issue.

The process of book building, under SEBI Guidelines, is relatively new and the investors are advised to make their own judgment about investment through this process prior to making a Bid in the Issue.

Pursuant to recent amendments to SEBI Guidelines, QIBs are not allowed to withdraw their Bid after the Bid/ Issue Closing Date. For details see the section titled "Terms of the Issue" on page 185 in this Draft Red Herring Prospectus. Steps to be taken by the Bidders for bidding:

- Check whether he/ she is eligible for bidding;
- Bidder necessarily needs to have a demat account;
- Ensure that the Bid cum Application Form is duly completed as per instructions given in this Draft Red Herring Prospectus and in the Bid cum Application Form; and
- Ensure that the Bid cum Application Form is accompanied by the PAN, or by Form 60 or Form 61 as may be applicable together with necessary documents providing proof of address. See page [•] for details. Bidders are specifically requested not to submit their GIR number instead of the PAN number as the Bid is liable to be rejected.

Illustration of Book Building and Price Discovery Process (Investors should note that the following is solely for the purpose of illustration and is not specific to this Issue)

Bidders can bid at any price within the price band. For instance, assuming 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 our Company at various prices and is collated from bids from various investors.

Number of equity shares Bid for	Bid Price (Rs.)	Cumulative equity shares Bid for	Subscription
500	24	500	16.67%
1000	23	1500	50.00%
1500	22	3000	100.00%
2000	21	5000	166.67%
2500	20	7500	250.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired quantum of shares is the price at which the book cuts off i.e., Rs. 22 in the above example. The issuer, in consultation with the BRLM will 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 respective category.

Underwriting Agreement

After the determination of this Issue Price and allocation of our Equity shares but prior to filing of the Prospectus with RoC, our Company will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be issued through this Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLM shall be

responsible for bringing in the amount devolved in the event that the Syndicate Member do not fulfill their underwriting obligations.

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 RoC)

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. million)
Enam Financial Consultants Private Limited 801/802, Dalamal Tower, Nariman Point, Mumbai 400 021 Tel: +91 22 5638 1800 Fax: +91 22 2284 6824 Email: ilipo@enam.com	[•]	[•]
Enam Securities Private Limited Khatau Building, 2 nd Floor 44B Bank Street, off Shaheed Bhagat Singh Road, Fort, Mumbai – 400023 (India) Tel: +91 22 2267 7901 Fax No. + 91 22 2266 5613	[•]	[•]

The above mentioned amount is indicative underwriting and would be finalized after pricing and actual allocation. The above underwriting agreement is dated [•]

In the opinion of the Board of Directors of the Company (based on a certificate given by the Underwriters), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act. The above Underwriting Agreement has been accepted by the Board of Directors of our Company at their meeting held on [•] and our Company has issued letters of acceptance to the Underwriters.

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLM and the Syndicate Member shall be severally responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default, the respective underwriter in addition to other obligations to be defined in the Underwriting Agreement, will also be required to procure / subscribe to the extent of the defaulted amount. Allocation to QIBs is discretionary as per the terms of this Draft Red Herring Prospectus and may not be proportionate in any way and the patterns of allocation to the QIBs could be different for the various Underwriters. For further details about allocation please refer to “Statutory & Other Information” on page no 207 of this Draft Red Herring Prospectus.

CAPITAL STRUCTURE

The share capital of our Company as on the date of filing of this Draft Red Herring Prospectus with SEBI is as set forth below.

Share Capital as on the date of filing of this Draft Red Herring Prospectus		Amount in Rs. Million	
		Face Value	Aggregate Value
A. Authorized Capital			
45,000,000	Equity Shares of Rs. 10/- each	450.00	
B. Issued, Subscribed and Paid-Up Capital before this Issue			
31,621,862	Equity Shares of Rs. 10/- each fully paid-up	316.22	
C. Present Issue to the public in terms of this Draft Red Herring Prospectus			
11,878,138 Equity Shares of Rs. 10/- each		118.78	[•]
Out of which			
(I) 878,138 Equity Shares of Rs. 10/- each are reserved for the Employees		8.78	[•]
(II) 11,000,000 Equity Shares of Rs. 10/- each as Net Issue to the Public		110.00	[•]
D. Issued, Subscribed and Paid-Up Capital after this Issue			
43,500,000	Equity Shares of Rs. 10/- each	435.00	[•]
E. Share Premium Account			
Before this Issue		206.26	
After this Issue			[•]

Details of Increase in Authorised/Paid-up Capital

The Company was incorporated with an authorised share capital of Rs. 2.5 million divided into 250,000 Equity Shares of Rs. 10/- each. The authorised share capital was increased to Rs. 5 million divided into 500,000 Equity Shares of Rs. 10/- each vide a special resolution passed at the EGM held on August 28, 1998. This was further increased to Rs. 12.5 million divided into 1,250,000 Equity Shares of Rs. 10/- each vide a special resolution passed at the EGM held on April 28, 1999. The authorised share capital was further increased to Rs. 20 million divided into 2,000,000 Equity Shares of Rs. 10/- each vide a special resolution passed at the EGM held on June 7, 1999. The authorised share capital was further increased to Rs. 100 millions divided into 10,000,000 Equity Shares of Rs. 10/- each vide a special resolution passed at the EGM held on February 15, 2000. The authorised share capital was further increased to Rs. 250 million divided into 25,000,000 Equity Shares of Rs. 10/- each vide a special resolution passed at the EGM held on March 10, 2000. The authorised share capital was further increased to Rs. 350 million divided into 35,000,000 Equity Shares of Rs. 10/- each vide a special resolution passed at the EGM held on September 20, 2001. The authorised share capital was further increased to Rs. 450 million divided into 45,000,000 Equity Shares of Rs. 10/- each vide a special resolution passed at the EGM held on December 14, 2004.

Notes to Capital Structure

1. Share Capital History of the Company

Date on which Equity Shares were allotted and made fully paid-up	Number of Equity Shares	Cumulative shares	Face Value (in Rs)	Issue Price (in Rs)	Nature of payment of consideration	Reason for allotment (bonus, swap etc)	Share Premium (in Rs. Millions)	Cumulative Share Premium (in Rs. Millions)
October 18, 1995	200	200	10.00	10.00	Cash	Subscribed by Promoters	0.00	0.00
November 10, 1995	9,800	10,000	10.00	10.00	Cash	Subscribed by Promoters	0.00	0.00
October 12, 1996	100,000	110,000	10.00	10.00	Cash	Subscribed by Promoters, Friends & Relatives	0.00	0.00
June 15, 1998	130,000	240,000	10.00	10.00	Cash	Subscribed by Promoters, Friends & Relatives	0.00	0.00
March 31, 1999	160,000	400,000	10.00	10.00	Cash	Subscribed by Promoters, Friends & Relatives	0.00	0.00
March 31, 1999	100,000	500,000	10.00	50.00	Cash	Subscribed by Promoters, Friends & Relatives	4.00	4.00
June 17, 1999	500,000	1,000,000	10.00	10.00	Nil	Bonus 1:1 (out of share premium account and the general reserves account)	(4.00)	0.00
August 16, 1999	500,000	1,500,000	10.00	10.00	Cash	Rights 1:2	0.00	0.00
August 19, 1999	180,000	1,680,000	10.00	80.00	Cash	Subscribed by Promoters, Friends & Relatives	12.60	12.60
October 18, 1999	240,000	1,920,000	10.00	181.00	Cash	Preferential Allotment to Nandi Investments Limited	41.04	53.64
February 16, 2000	3,840,000	5,760,000	10.00	10.00	Nil	Bonus 2:1 (out of share premium account)	(38.40)	15.24

Date on which Equity Shares were allotted and made fully paid-up	Number of Equity Shares	Cumulative shares	Face Value (in Rs)	Issue Price (in Rs)	Nature of payment of consideration	Reason for allotment (bonus, swap etc)	Share Premium (in Rs. Millions)	Cumulative Share Premium (in Rs. Millions)
March 1, 2000	85,000	5,845,000	10.00	80.00	Cash	Preferential Allotment to friends, relatives and some existing shareholders	5.95	21.19
March 30, 2000	833,000	6,678,000	10.00	295.00	Cash	Preferential Allotment to the Investors #	237.40	258.59
March 30, 2000	169,494	6,847,494	10.00	295.00	Cash	Preferential Allotment to Investors ##	48.31	306.90
May 30, 2000	13,694,988	20,542,482	10.00	10.00	Nil	Bonus 2:1 (out of share premium account)	(136.95)	169.95
October 20, 2000	15,000	20,557,482	10.00	10.00	Cash	ESOP	0.00	169.95
June 18, 2001	1,620,000	22,177,482	10.00	20.11	Cash	Preferential Allotment to the promoters, Friends, Relatives & some existing Shareholders	16.38	186.33
June 18, 2001	2,700	22,180,182	10.00	10.00	Cash	ESOP	0.00	186.33
October 8, 2001	2,674,129	24,854,311	10.00	10.00	Cash	Preferential Allotment to Intel Capital Corp.	0.00	186.33
November 24, 2001	1,567,551	26,421,862	10.00	22.49	Cash	Preferential Allotment to Nandi Investment Limited and Reeshanar Investments Limited ###	19.93	206.26
February 11, 2005	4,300,000	30,721,862	10.00	10.00	Cash	Preferential Allotment to Nirmal Jain and R Venkataraman	0.00	206.26
February 18, 2005	900,000	31,621,862	10.00	10.00	Cash	ESOP to Mr. R. Venkataraman	0.00	206.26

Details of Investors

S. No.	Name of the Investor	No. of Equity Shares
1	Intel Pacific Inc.	411,000
2	ICICI Eco - Net Internet and Technology Fund	205,500
3	Franklin Templeton Investments – Franklin India Opportunities Fund	200,000
4	Anand Rajaraman	15,000
5	Rohit Kothari	1,500
	Total	833,000

Details of Investors

S. No.	Name of the Investor	No. of Equity Shares
1	K. Vishwanathan	16,950
2	S. Narayan	16,950
3	Intel Investor Services Limited	135,594
	Total	169,494

Details of Investors

S. No.	Name of the Investor	No. of Equity Shares
1	Nandi Investments Limited	522,517
2	Reeshanar Investments Limited*	1,045,034
	Total	1,567,551

*Reeshanar Investments Limited is an Overseas Corporate Body and is a wholly owned subsidiary of Khattar Holdings Pte Limited. Mr. Sat Pal Khattar, one of our Non-Executive Directors, alongwith his family members holds the entire issued capital of Khattar Holdings Pte Limited.

Our Company has allotted a total of 18,034,988 bonus Equity Shares having an aggregate value of Rs. 180,349,880 as following:

- (i) 500,000 bonus Equity Shares in the ratio of 1:1 were allotted on June 17, 1999 through capitalisation of the general reserves and the share premium account;
- (ii) 3,840,000 bonus Equity Shares in the ratio of 2:1 were allotted on February 16, 2000 through capitalisation of the share premium account; and
- (iii) 13,694,988 bonus Equity Shares in the ratio of 2:1 were allotted on May 30, 2000 through capitalisation of the share premium account.

2. Promoters Contribution and Lock-In

Promoters contribution and the lock-in requirements

Name of the Promoter	Date on which Equity Shares were allotted/ transferred and made fully paid up	Number of Equity Shares	Face Value (in Rs)	Issue/ Transfer price in Rs.	Consideration (cash, bonus, consideration other than cash)	Percentage of pre-issue paid-up capital	Percentage of post-issue paid-up capital including options vested under ESOP Schemes*	Lock-in Period
Nirmal Jain	October 18, 1995	100	10	10	Cash	0.00	0.00	3 years
	November 10, 1995	6,900	10	10	Cash	0.02	0.02	3 years
	October 12, 1996	66,000	10	10	Cash	0.21	0.15	3 years
	June 15, 1998	106,800	10	10	Cash	0.34	0.24	3 years
	March 9, 1999	2,200	10	10	Transfer from Ms. S. Sarda	0.01	0.01	3 years

Name of the Promoter	Date on which Equity Shares were allotted/ transferred and made fully paid up	Number of Equity Shares	Face Value (in Rs)	Issue/ Transfer price in Rs.	Consideration (cash, bonus, consideration other than cash)	Percentage of pre-Issue paid-up capital	Percentage of post-Issue paid-up capital including options vested under ESOP Schemes*	Lock-in Period
	March 31, 1999	70,000	10	10	Cash	0.22	0.16	3 years
	June 17, 1999	252,000	10	-	Bonus	0.80	0.58	3 years
	August 16, 1999	172,200	10	10	Rights	0.54	0.39	3 years
	December 14, 1999	12,650	10	10	Transfer from Milind Sharma and Prasenjit Pati and sale to Pushpa Jain	0.04	0.03	3 years
	November 20, 1999	1,700	10	10	Transfer from Raaz Bhuyan and K Vijaykumar	0.01	0.00	3 years
	February 16, 2000	1,381,100	10	0	Bonus	4.37	3.16	3 years
	May 30, 2000	4,143,300	10	-	Bonus	13.10	9.47	3 years
	April 28, 2001	180,000	10	10	Cash	0.57	0.41	3 years
	June 18, 2001	161,500	10	20.11	Cash	0.51	0.37	3 years
Total		6,556,450				20.73	14.99	3 years
R. Venkataraman	March 31, 1999	25,000	10	10	Cash	0.08	0.06	3 years
	June 17, 1999	25,000	10	-	Bonus	0.08	0.06	3 years
	August 16, 1999	25,000	10	10	Cash	0.08	0.06	3 years
	February 16, 2000	150,000	10	-	Bonus	0.47	0.34	3 years
	May 30, 2000	450,000	10	-	Bonus	1.42	1.03	3 years
Total		675,000				2.13	1.54	3 years
Madhu Jain	May 30, 2000	927,057	10	-	Bonus Shares	2.93	2.12	3 years
	June 18, 2001	580,000	10	20.11	Cash	1.83	1.33	3 years
	May 12, 2002	10,000	10	10	Transfer from Mr. Sneha Gupta	0.03	0.02	3 years
Total		1,517,057				4.80	3.47	3 years
Grand Total		8,748,507				27.67	20.00	3 years

* Total post-Issue paid-up capital including options vested under ESOP Schemes = 43,500,000 + 242,535 = 43,742,535

Lock-in period shall start from the date of Allotment of Equity Shares in terms of this Draft Red Herring Prospectus.

- (i) Other than 8,748,507 Equity Shares which are locked-in for three years, the entire pre-Issue equity share capital of our Company comprising of 22,873,355 Equity Shares shall be locked in for a period of one year from date of the allotment of Equity shares through this Issue except for:

- a) 616,500 Equity Shares held by ICICI Eco-Net Internet and Technology Fund which is a Venture Capital Fund registered with SEBI under the provisions of SEBI (Venture Capital Funds) Regulations, 1996 and would be locked in as per the provisions of the SEBI (Venture Capital Funds) Regulations, 1996 and amendments thereto;
- b) 9,17,700 Equity Shares held by our Employees issued under the Employee Stock Option Scheme.

Details of the Promoter's contribution locked in for one year:

Name of the Promoter	Date on Which Equity Shares were allotted/ transferred and made fully paid up	Number of Equity Shares	Face Value (in Rs)	Issue/ Transfer price in Rs.	Consideration (cash, bonus, consideration other than cash)	Percentage of pre-issued paid-up capital	Percentage of post-issued paid-up capital including options vested under ESOP Schemes	Lock-in Period
Nirmal Jain	February 11, 2005	2,150,000	10	10	Cash	6.80	4.92	1 year
Total		2,150,000				6.80	4.92	
R Venkataraman	February 11, 2005	2,150,000	10	10	Cash	6.80	4.92	1 year
	February 18, 2005	550,000	10	10	Cash	1.74	1.26	1 year
Total		2,700,000				8.54	6.18	
Madhu Jain	November 10, 1995	2,000	10	10	Cash	0.01	0.00	1 year
	October 12, 1996	27,000	10	10	Cash	0.09	0.06	1 year
	15-Jun-98*	17,500	10	10	Cash	0.06	0.04	1 year
	March 31, 1999	31,500	10	10	Cash	0.10	0.07	1 year
	June 17, 1999	78,000	10	-	Bonus Shares	0.25	0.18	1 year
	August 16, 1999	90,000	10	10	Rights	0.28	0.21	1 year
	February 16, 2000	492,000	10	-	Bonus Shares	1.56	1.12	1 year
	May 30, 2000	548,943	10	-	Bonus Shares	1.74	1.25	1 year
Total		1,286,943				4.07	2.94	
Grand Total		6,136,943				19.41	14.03	1 year

*Net of sale of 2,500 shares to Mr. R.S. Chari on 9th March 1999

- (i) Shares held by the person other than the Promoters, prior to this Issue, which are subject to lock in as per the relevant provisions of Chapter IV of the extant SEBI Guidelines, may be transferred to any other person holding shares which are locked in, subject to continuation of lock-in in the hands of transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as applicable.
- (ii) Shares held by Promoter(s) which are locked in as per the relevant provisions of Chapter IV of the SEBI Guidelines, may be transferred to and amongst Promoter/Promoter group or to a new promoter or persons in control of the Company, subject to continuation of lock-in in the hands of transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of shares and Takeovers) Regulations, 1997, as applicable.
- 3. Aggregate number of equity shares purchased or sold by the Promoters/Promoter Group and the directors of the Company during a period of six months preceding the date of filing of this Prospectus with SEBI**

No equity shares have been purchased or sold by the Promoters/Promoter Group and the directors of the

Company during a period of six months preceding the date of filing of this Prospectus with SEBI except as per the following table.

S. No.	Transaction	Name of Seller	Name of Subscriber/ Purchaser	No. of Equity Shares	Price per Equity Share of face value of Rs. 10/- each (in Rs.)	Total Price (in Rs. Million)
1	Preferential Allotment	-	Nirmal Jain	2,150,000	10	21.50
2	Preferential Allotment	-	R Venkataraman	2,150,000	10	21.50
3	Sale	Nandi Investments Limited	Khattar Holdings Pte Limited*	2,090,017	33	69.00
4	Exercise of vested ESOPs	-	R. Venkataraman	900,000	10	9.00
5	Sale	R. Venkataraman	Orpheus Trading Private Limited	350,000	33	11.55

*Mr. Sat Pal Khattar, one of our Non-Executive Directors and his family members hold the entire issued capital of Khattar Holdings Pte Limited.

4. Details of capitalisation of reserves by the Company in the past

Sr. No.	Date of Allotment of Bonus Shares	Date of approval to the Bonus Issue	Ratio of Bonus Issue	Number of Equity Shares of Rs. 10 each Issued as Bonus	Amount of Share Capital Reserves Capitalised (Rs. in Million)	Amount of General Reserves Capitalised (Rs. in Million)
1	June 17, 1999	June 17, 1999	1:1	500,000	4	1
2	February 16, 2000	February 16, 2000	2:1	3,840,000	38.4	Nil
3	May 30, 2000	May 30, 2000	2:1	13,694,988	136.95	Nil
Total				18,034,988	179.35	1

5. Shareholding pattern of the Company prior and post this Issue

Name of the Shareholders	Pre-Issue Equity Capital		Post-Issue Equity Capital	
	Number of Equity Shares	%	Number of Equity Shares	%
Promoter Groups				
Nirmal Jain	8,706,450	27.53	8,706,450	20.01
R. Venkataraman	3,375,000	10.67	3,375,000	7.76
Madhu Jain	2,804,000	8.87	2,804,000	6.45
Mansukh Jain	584,100	1.85	584,100	1.34
Pushpa Jain	135,900	0.43	135,900	0.31
Sangeeta Jain	124,350	0.39	124,350	0.29
B P Jain	43,000	0.14	43,000	0.10
Aditi Venkataraman	40,000	0.13	40,000	0.09
Total	15,812,800	50.01	15,812,800	36.35
Investors				
Intel Capital Corp.	2,674,129	8.46	2,674,129	6.15

Name of the Shareholders	Pre-Issue Equity Capital		Post-Issue Equity Capital	
	Number of Equity Shares	%	Number of Equity Shares	%
Khattar Holdings Pte Limited	2,090,017	6.61	2,090,017	4.80
Intel Pacific Inc.	1,233,000	3.90	1,233,000	2.83
Reeshanar Investments Limited	1,150,034	3.64	1,150,034	2.64
Flordia Properties Limited	690,000	2.18	690,000	1.59
ICICI Eco - Net Internet and Technology Fund	616,500	1.95	616,500	1.42
Franklin Templeton Investments – Franklin India Opportunities Fund	600,000	1.90	600,000	1.38
Total	9,053,680	28.63	9,053,680	20.81
Other shareholders including employees	6,755,382	21.36	6,755,382	15.53
Employee Reservation	0	0.00	878,138	2.02
Public and others	0	0.00	11,000,000	25.29
Grand Total	31,621,862	100.00	43,500,000	100.00

5a) Particulars of top ten shareholders on the date of filing this Draft Red Herring Prospectus with SEBI

Serial No.	Name of the shareholder	Number of Equity Shares (Rs. 10/- each fully paid-up)
1	Nirmal Jain	8,706,450
2	R. Venkataraman	3,375,000
3	Madhu Jain	2,804,000
4	Intel Capital Corporation	2,674,129
5	Khattar Holdings Pte Limited	2,090,017
6	Bharat Parajia	1,444,500
7	Girish Kulkarni	1,350,000
8	Intel Pacific Inc.	1,233,000
9	Reeshanar Investments Limited	1,150,034
10	Flordia Properties Limited	690,000

5b) Particulars of top ten shareholders 10 days prior to the date of filing of this Draft Red Herring Prospectus with SEBI

Serial No.	Name of the shareholder	Number of Equity Shares (Rs. 10/- each fully paid-up)
1	Nirmal Jain	8,706,450
2	R. Venkataraman	2,825,000
3	Madhu Jain	2,804,000
4	Intel Capital Corporation	2,674,129
5	Khattar Holdings Pte Limited	2,090,017
6	Bharat Parajia	1,444,500
7	Girish Kulkarni	1,350,000
8	Intel Pacific Inc.	1,233,000
9	Reeshanar Investments Limited	1,150,034
10	Flordia Properties Limited	690,000

5c) Particulars of top ten shareholders 2 years prior to the date of filing of this Draft Red Herring Prospectus with SEBI

Serial No.	Name of the shareholder	Number of equity shares (Rs. 10/- each fully paid-up)
1	Nirmal Jain	6,556,450
2	Madhu Jain	2,804,000
3	Intel Capital Corporation	2,674,129
4	Nandi Investments Limited	2,090,017
5	Bharat Parajia	1,444,500
6	Girish Kulkarni	1,350,000
7	Intel Pacific Inc.	1,233,000
8	Reeshanar Investments Limited	1,150,034
9	Flordia Properties Limited	690,000
10	R. Venkataraman	675,000

6. Our Company, its Directors and the BRLM to this Issue have not entered into any buy-back, standby or similar arrangements for purchase of Equity Shares of the Company from any person.
7. The total number of members of our Company as on the date of filing this Draft Red Herring Prospectus is 150.
8. Our Company has not raised any bridge loan against the proceeds of this Issue.
9. A total of 7.39% of the Issue size, i.e. 878,138 Equity Shares, have been reserved for Allocation to the Employees on a proportionate basis, subject to valid bids being received at or above the Issue Price and subject to the maximum bids in this portion being the number of shares reserved under this category i.e. 878,138 Equity Shares. Only the employees on the rolls of the Company as on one day prior to the filing of the Prospectus with RoC would be eligible to apply in this Issue under the reserved category for our Employees. Employees may bid in the Net Issue to public portion as well and such Bids shall not be treated as multiple Bids. Any under subscription in the Equity Shares under the Employee Reservation Portion would be treated as part of the Net Issue.
10. In the case of over-subscription in all categories, at least 50% of the Net Issue to the Public shall be allocated on a discretionary basis to Qualified Institutional Buyers. Further, not less than 25% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 25% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above this Issue Price. Under-subscription, if any, in the Non Institutional and Retail categories would be allowed to be met with spill over from any other category at the sole discretion of the Company in consultation with the BRLM.
11. An over-subscription to the extent of 10% of this Issue size can be retained for the purpose of rounding off to the nearer multiple of [□], while finalising the Basis of Allotment.
12. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Draft Red Herring Prospectus with SEBI until the Equity Shares offered through this Draft Red Herring Prospectus have been listed.

13. We presently do not have any intention or proposal to alter our capital structure for a period of six months from the date of opening of this Issue, by way of split/ consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into exchangeable, directly or indirectly, for our Equity Shares) whether preferential or otherwise, or, if we enter into acquisitions or joint ventures, we may consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.
14. Our Company has not revalued its assets since inception.
15. A Bidder cannot make a Bid for more than the number of Equity Shares offered through this Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
16. Our Company has not made any public issue since its incorporation.
17. Our Company undertakes that at any given time, there shall be only one denomination for the Equity shares of the Company and the Company shall comply with such disclosure and accounting norms as specified by SEBI from time to time.
18. As on the date of filing of this Draft Red Herring Prospectus, there are no outstanding warrants, options or rights to convert debentures, loans or other financial instruments into our Equity Shares, except for the options under the ESOP scheme. The shares locked in by the Promoters are not pledged to any party. The Promoter may pledge the Equity Shares with banks or FIs as additional security for loan whenever availed by them from banks/FIs.
19. Our Company vide a resolution passed at its extra-ordinary general meeting dated January 15, 2004 has issued and allotted 4,300,000 Equity Shares of Rs. 10/- each for cash at par, aggregating to Rs 43 million on a preferential basis to the Mr. Nirmal Jain and Mr. R Venkataraman.
20. On June 18, 2001 our Company allotted 202,500 Equity Shares to Nandi Investments Limited. For further details please refer to Note 1 of this section titled "Capital Structure" on page 19 of this Draft Red Herring Prospectus.
21. On October 18, 1999, our Company allotted 240,000 Equity Shares to Nandi Investments Limited. For further details please refer to Note 1 of this section titled "Capital Structure" on page 19 of this Draft Red Herring Prospectus.
22. On October 8, 2001, our Company allotted 2,674,129 Equity Shares to Intel Capital Corporation. For further details please refer to Note 1 of this section titled "Capital Structure" on page 19 of this Draft Red Herring Prospectus.
23. On November 21, 2001, our Company allotted 1,567,551 Equity Shares to Nandi Investments Limited and Reeshanar Investments Limited. For further details please refer to Note 1 of this section titled "Capital Structure" on page 19 of this Draft Red Herring Prospectus.

Employee Stock Option Plan

The ESOP 2000 scheme was approved by a resolution passed by the Board of Directors on March 1, 2000. The total options pool was 815,000 (which later became 2,445,000 as a result of bonus issues). Of this, 917,700 options were exercised.

The details of the above-mentioned ESOP schemes are as set forth below.

S. No	Particulars	Details		
1	Date of grant	1-Mar-00	1-Apr-03	1-Oct-04
2	Total number of options granted	1,137,000	979,250	694,200
3	Pricing formula	At Par	At Par	At Par
4	Total number of options vested	917,700	242,535	Nil
5	Total number of options exercised	917,700	Nil	Nil
6	Total number of shares arising as a result of exercise of options	917,700	Nil	Nil
7	Total number of options lapsed	219,300	170,800	Nil
8	Variation of term of ESOP	N.A.	N.A.	N.A.
9	Money realised by exercise of options	9,177,000	Nil	Nil
10	Number of options in force	0	808,450	694,200
11	Employee-wise details of options granted to: a) Senior Managerial Personnel b) Any other employee who receives a grant in any one year of options amounting to 5% or more of options granted during the year c) Employees who were granted, during one year, options equal to or exceeding 1% of the issued capital at the time of grant	For details please refer to the Annexure on the ensuing page		
12	Weighted Average Exercise Price	10	10	10
13	Weighted average fair value of options	Nil	0.67	

For Disclosures required under clause 12.1 of the SEBI (ESOP and ESPS) Guidelines please refer to the following Annexure.

Annexure

Employee wise details of options granted:				
Details of Options granted to Senior Managerial Employees and others who were granted in any one year options amounting to 5% or more of options granted during that financial year:				
Name	Designation	Number of options granted on		
		1-Mar-00	1-Apr-03	1-Oct-04
R Venkataraman	Director	900,000	Nil	Nil
Aniruddh Dutta	Director	30,000	Nil	Nil
Ashu Dutt	Director	150,000	Nil	Nil
Anil Mascarenhas	Head- News Desk	Nil	16,000	10,000
Biren Patel	Chief Dealer	Nil	20,000	Nil
Chintan Modi	Regional Manager - Gujarat	Nil	30,000	Nil
Dharmesh Pandya	Head - Commodities	Nil	58,750	6,250
Harshad S. Apte	Head - Marketing	Nil	20,000	10,000
Kalpesh Shah	Head - Risk & Compliance	Nil	10,000	15,000
Ketan Malkan	Relationship Manager	Nil	Nil	25,000
Manish Bhatia	Regional Manager - Maharashtra	Nil	20,000	15,000
Mrugank Paranjpe	Director	30,000	Nil	Nil
Mukesh Kumar Singh	VP - Broking	Nil	81,000	39,000
Nitin Mude	Area Manager - Pune	Nil	20,000	Nil
Prashant Modi	Chief Financial Officer	27,000	Nil	Nil
S. Sriram	Head - Technology	Nil	Nil	50,000
Sandeepa Vig Arora	VP - PMS and Institutional Sales	Nil	50,000	10,000
Seshadri Bharathan	Head - Distribution & Insurance	Nil	76,000	24,000
Toral Munshi	Head - Research	Nil	57,000	13,000
Sanjay Nayak	Head - Backoffice & Depository	Nil	10,000	15,000
Upendra Jaiswal	Head - Accounts	Nil	Nil	10,000
Parasmani Chaturvedi	Head – Internal Audit	Nil	Nil	10,000

Disclosure about diluted EPS

(Calculated in accordance with AS 20)

1) For FY 2001-02

Options granted on March 1, 2000 are not dilutive (as per working stated in AS 20) and hence no impact on EPS

2) For FY 2002-03

Options granted on March 1, 2000 are not dilutive (as per working stated in AS 20) and hence no impact on EPS

3) For FY 2003-04

Basic EPS	2.87
Diluted EPS	2.86

Disclosure about impact of accounting as per fair value on EPS:

Particulars	2001-02	2002-03	2003-04
Net Profit (in millions)	(38.13)	(33.35)	75.72
Employee compensation on account of ESOPs	0	0	0.32
As per Fair Value Method (In millions)			
Restated Net Profit	-38.13	-33.35	75.40
Number of shares	26,421,862	26,421,862	26,421,862
Diluted EPS	(1.44)	(1.26)	2.85
Basic EPS	(1.44)	(1.26)	2.87

OBJECTS OF THE ISSUE

The net proceeds of the issue after deducting underwriting, management fees, selling fees and all other issue related expenses payable by us is estimated at Rs. [●] millions. The objects of the issue are to list the shares of our Company on the stock exchanges and to raise capital to enable us to consolidate our competitive position by upgrading office infrastructure and investing in technology.

The objects of the issue are as follows:

- Setting up a new centralised office of our company.
- Investments in subsidiaries India Infoline Securities Private Limited (IISPL), India Infoline.com Distribution Company Limited (IIDCL), India Infoline Insurance Services Limited (IISL), India Infoline Commodities Private Limited (IICPL) and India Infoline Investment Services Private Limited (IISPL).
- General corporate purposes related to acquisitions.

Our requirement of funds and means of finance

Our requirements of funds for setting up the new centralized office of India Infoline Limited and for investments in our subsidiaries is Rs 508.11 million as detailed below:

(Rs. million)								
Company	Activities					Total Project Cost	Amount deployed as on February 15, 2005	Amount to be raised by way of this Issue
	Upgrade office	New branches	Upgrade existing branches	Technology	Financing			
IIL	150.00	-	-	24.60	-	174.60	-	174.60
IISPL	-	123.20	43.80	61.50	-	228.50	100.00	128.50
IIDCL	-	7.70	29.20	6.15	-	43.05	-	36.90
IISL	-	7.70	-	6.15	-	13.85	7.99	5.86
IICPL	-	15.40	-	24.60	-	40.00	13.90	26.10
IISPL	-	-	-	-	100.00	100.00	-	120.00
General Corporate Purpose						20.00	-	
Total	150.00	154.00	73.00	123.00	100.00	630.00	121.89	508.11

We offer information and advice, execution platform, after sales service and support for a wide range of investment products including equities, mutual funds, life insurance and commodities. For ease of administration and compliance, businesses linked to different product lines are carried on by different subsidiaries. They also enable us to offer a wide range of financial services and products to our customers and cross selling opportunities. We intend to utilize the issue proceeds towards the above-mentioned capital expenditure program by December 2006.

Schedule of utilization of funds

Our Company will subscribe to the equity share capital of the aforementioned subsidiaries. The year wise break up of our utilization of funds is as given below:

Year	Activities					
	Upgrade office	New branches	Upgrade existing branches	Technology	Financing	General Corporate Purpose
FY06	150.00	92.40	73.00	98.40	100.00	20.00
FY07	-	61.60	-	24.60	-	
Total	150.00	154.00	73.00	123.00	100.00	20.00

The total funds requirement which is proposed to be met through this Issue is estimated at Rs 508.11 million.

In case, funds raised through this Issue are lower than our total budgeted requirements, then we intend to meet it through internal accruals. As per our unconsolidated audited financial statements as of September 30, 2004 we had a cash and bank balances of Rs. 22.18 millions which can be utilized by us to meet any shortfall in the proceeds of this Issue. Also, in January 2005, Mr. Nirmal Jain and Mr. R Venkataraman have respectively subscribed to 2.15 million equity shares each of our Company respectively at Rs. 10 per share bringing in Rs. 43.00 million into our Company. However, our investments in our subsidiaries shall also reduce in the event of any further deficit to that extent.

In the event that the funds raised through this Issue are higher than our total budgeted requirements, we intend to use the surplus towards new business initiatives like mobilization of housing and personal loans, content out-sourcing, etc. These activities might be pursued in existing subsidiaries or new subsidiaries can be incorporated for the specific activity. These activities are not a part of our current core strategy and can be deferred or abandoned, in case excess funds raised are not adequate.

Interim Use of Proceeds

Pending the deployment of funds towards the objects of this Issue, the funds would be deployed in liquid debt instruments, *inter alia*, comprising fixed deposits, mutual fund schemes and government securities. Such investments would be authorized by the Board or a Committee thereof, duly empowered in this regard. The above fund requirement is based on our current business plan approved by our Board of Directors.

Setting up a new centralised office of our Company

All our businesses and branches are controlled from our offices at Goregaon, Mumbai. As of now, we have multiple but small offices for back office, accounts, research, corporate sales, customer service, relationship management and technology spread across various locations in Mumbai. We propose to set up new centralised office to consolidate these offices into one single location for better administrative control. This office will also house our training center as our staff requires periodic training in both products and softer skills like selling.

In March 2003, we had sub-let a part of the surplus space (about 11,400 sq ft) we had at our Goregaon office to E Serve International Limited for a period of 36 months. This deal was done at a time when the Company was facing financial problems and the business was sluggish. In the last 2 years, all our businesses have witnessed robust growth, and currently we are facing problems in operating out of multiple but small offices. Our risk management, back office, customer service, accounts and technology are centrally administered, and multiple locations make coordination between these departments difficult and cumbersome, thus affecting our responsiveness. We plan to take a 40,000 sq ft office and consolidate various departments under one roof. The total cost of setting up the central office infrastructure including cost of furnishings and fixtures, deposit and office equipment and telecom is estimated at Rs 150 million. The details of the same are as given below:

Particulars	Amount (Rs. Million)
Deposit	72.00
Furniture and fixtures	50.00
Office equipment and telecom	28.00
Total	150.00

Setting up of new branches

Our branches play an important role in customer targeting and acquisition and customer service. Typically, we identify and dedicate a set of employees to sell specific range of products to our customers at our branches. Depending on location, the potential available and skill set of the employees of the branch, the range of various aforementioned services are offered to the customers. In some locations, we have separate offices with focus on products like broking and insurance.

At present, we have a network of 73 branches across 36 cities in India. We plan to set up 77 additional branches in 50 cities across India for our different business including broking, insurance, commodities and distribution of mutual funds and other investment products. On an average, each new branch would cost about Rs. 2 million which includes outlay towards furniture and fixtures, computers, connectivity (including VSAT for our broking branches), rent deposit, glow sign boards, etc. Typically, these branches would be about 1,000 sq. ft in size. There will be regional variances on costing but the all India average would work out to Rs. 2 million per branch. Some branches will be smaller and there would be larger branches like Area offices and Branch offices. These larger branches will be used for local level administration and control. We estimate setting up 62 branches for broking, 4 each for distribution and insurance, and 7 branches for commodities. The total cost of setting up new branches is estimated at Rs. 154 million till December 2006.

Upgradation of existing branches

We plan to upgrade our existing network of 73 branches across India. These branches are focused on broking and distribution of mutual funds and other investment products. We want all of branches to have the same "look and feel". This improves the customer perception about our Company. On an average, cost of upgradation of each branch would be about Rs. 1 million, which mostly involves furniture and fixtures, glow sign boards, etc. There will be regional variances on costing but the all India average would work out to Rs. 1 million per branch. The total cost of upgradation of existing branches is estimated at Rs. 73 million and we expect to upgrade all our existing branches by March 2006.

Technology

Our online trading business needs continuous investments in technology. Currently, our servers for Internet based trading are hosted at Netmagic Solutions, VSNL and Reliance Infocomm who are Internet Service Providers. We also plan to upgrade our existing trading and database servers for order and trade handling, settlements processing and customer relationship management. The website traffic and number of Internet trading customers have been increasing and there is need to build in redundancy, hence we plan to increase the number of servers from 6 to 12. We also propose to upgrade backoffice software and hardware, MIS software and acquire software for database mining and customer relationship management. We propose to replace our existing www.indiainfo.com and www.5paisa.com servers with higher end machines. For better connectivity, we are planning to install VSATs in all broking branches. For better communications between branches, we would be setting up a virtual private network. Other ancillary investments would be required in end- user machines, networking equipment including switches and routers and UPS, printers, anti-virus software, AMC, etc. The total estimated technology related expenditure would be Rs. 120 million.

Financing activity

We have applied for NBFC license to RBI for our subsidiary India Infoline Investment Services Limited This application is under process. Once we get the necessary regulatory approvals we would be using this company to offer financing facility to our broking customers. This will be a logical extension of our broking business and would allow us to improve customer stickiness. The corpus required for this activity is estimated at Rs. 120 million.

Investments in subsidiaries

We propose to invest Rs. 240.8 million in our subsidiary, India Infoline Securities Private Limited, Rs. 120 million in our subsidiary, India Infoline Investment Services Limited, Rs. 36.9 million in our subsidiary, India Infoline.com Distribution Company Limited, Rs. 7.7 million in our subsidiary, India Infoline Insurance Services Limited, and Rs. 40 million in our subsidiary, India Infoline Commodities Private Limited by subscribing to the equity capital of those subsidiaries.

Our Company will subscribe to 0.602 million equity shares of Rs. 10 each at premium of Rs. 390 per share aggregating to Rs 240.8 million in India Infoline Securities Private Limited, 1.2 million shares of India Infoline Investment Services Limited of Rs. 10 each at a premium of Rs. 90 per share aggregating to Rs. 120 million, 0.077million equity shares of Rs.10 each at a premium of Rs. 90 per share aggregating to Rs. 7.7 million of India Infoline Insurance Services Limited, 0.4 million equity shares of Rs. 10 at a premium of Rs. 90 per share aggregating to Rs. 40 million of India Infoline Commodities Private Limited and 3.69 million equity shares of Rs. 10 at par aggregating to Rs. 36.9 million in India Infoline.com Distribution Company Private Limited.

Funds deployed on the Objects of this Issue

Investment in Subsidiaries	Amount (Rs. million)	No. of Shares subscribed by and allotted to IIL as on February 14, 2005
India Infoline Securities Private Limited	100.00	250,000
India Infoline.com Distribution Company Limited	0.0015	100
India Infoline Commodities Private Limited	13.90	139,000
India Infoline Insurance Services Limited	7.9930	79,930
Total	121.8945	469,030

We have neither entered into any definitive agreements for the use of proceeds of this Issue nor placed any orders with any suppliers. We are yet to receive quotations from any suppliers.

In the past, our subsidiaries have incurred losses. In the financial year 2003-04, India Infoline Securities Private Limited and India Infoline.com Distribution Company Limited turned around and posted a profit of Rs 1.79 million and Rs 9.46 million respectively. We believe all our subsidiaries have a key role to play in our strategy. We shall continue to invest in our subsidiaries in light of continuing operational plans.

We believe the investments in our subsidiaries are strategic and in line with our growth strategy. The long term business potential of retail distribution of mutual funds, corporate deposits, government bonds and small savings products is immense. This line completes our product offering and provides a natural hedge to the cyclicity of broking business. In addition, this customer base provides us cross selling opportunities for insurance. Our losses in the past have to be interpreted in the context of changing product mix. We switched our focus from the selling corporate deposits to distributing mutual funds scheme, which has annuity income stream.

General Corporate Business - Pursue inorganic growth opportunities

We also propose to acquire companies in related businesses or smaller companies in the same line of business. These acquisitions would enable us to target new markets and reach a critical mass fast. These acquisitions can be full stake acquisition or partial. Our Board of Directors would examine such opportunities from the perspective of maximizing long term growth potential of our Company. We plan to deploy upto Rs. 20 million for acquisitions, as part of our general corporate purpose.

Issue expenses

The expenses for this Issue include among others, underwriting and management fees, selling commissions, printing and distribution expenses, legal fees, statutory advertising expenses and listing fees payable to the stock exchanges. The estimated Issue expenses are as follows.

Activity	(Rs. million)
Lead Management, underwriting and selling commission and others (Registrars fee, legal fee, listing fee, Auditors, Book Building fees etc.)	29.24
Advertising and Marketing expenses	8.44
Printing and stationery	7.56
Total	45.24

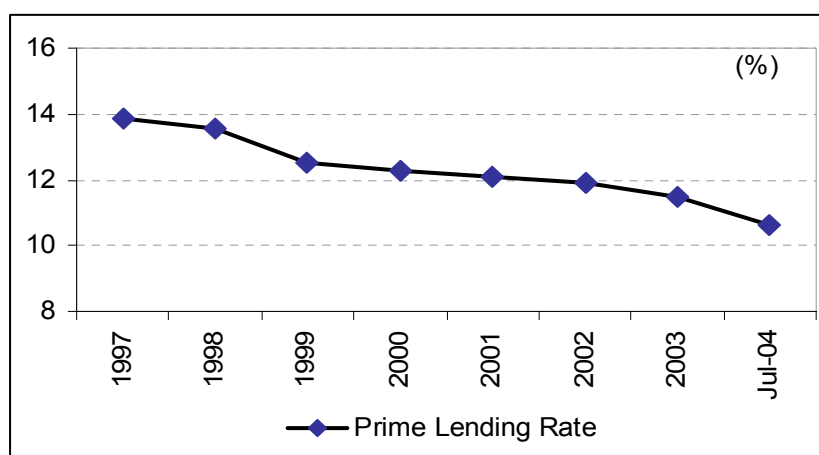
SECTION III: ABOUT US

INDUSTRY

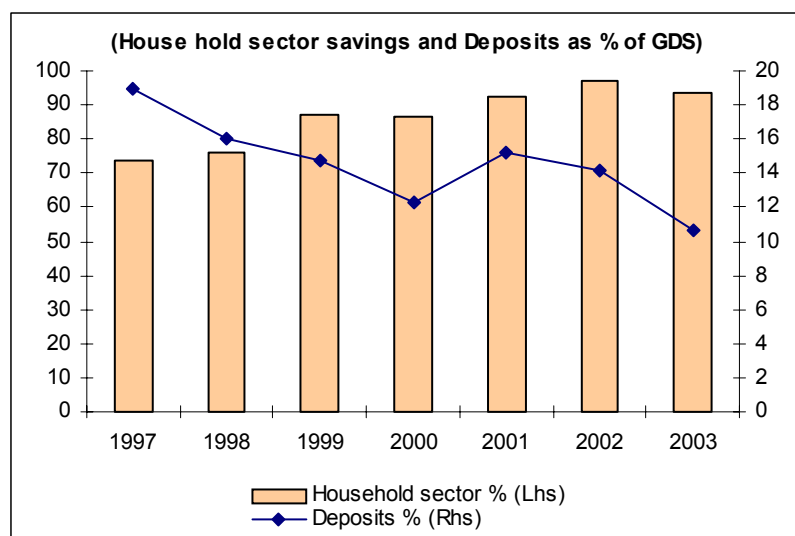
A. Overview of the Indian economy

The Indian financial services industry is witnessing an up trend, with strong growth catalysts coinciding at an appropriate time. These growth catalysts are categorized into cultural, demographic, economic and political developments have changed the perception of India as an investment destination. With a GDP growth of 8.2% in 2003-04 (*Source: CMIE*), India is one of the fastest growing free market democracies in the world. A savings rate of 24.2% and service sector contribution of more than 50% (*Source: CMIE*) akin to the developed nations is improving the country's rating in the world investing community.

The evolution in India's demographic setup with a median age of 24 years and higher consumption expenditure is expected to have a virtuous cycle effect by improving the economic growth and per capita income which would result in higher savings and investments. The household sector contributes 93.57% (*Source: CMIE*) of the total gross domestic savings of the country. The deposits have reduced along with a declining PLR. Since the interest rates are quite low at the moment, the savings are getting channelized to other investment avenues like equities and insurance products.



(Source: RBI)



(Source: CMIE)

Favorable Demographics

Indian economy is passing through a phase wherein a large proportion of its population will be in the 25-35 age group. This segment will have potential to generate huge and rising stream of savings and investments.

B. Indian Financial Sector

The Indian financial sector plays an important role in channelizing household savings to corporates as well government sector primarily for investment in industrial, infrastructure as well as agriculture and services sectors.

Since the process of liberalization began in 1991, the Indian financial services sector has been transformed in a vibrant and competitive industry. The introduction of new instruments and relaxation of investment limits for Foreign Direct Investment (FDI) and Foreign Institutional Investment (FII) has helped broaden the financial services sector. There has been an introduction of new financial products over the years. Many sectors have been opened up for new private players. The entry of new players has resulted in a more sophisticated range of financial services being offered corporate and retail customers which has forced the existing players to upgrade their products and distribution channels. This is particularly witnessed in the non-banking financial services sector such as the brokerage industry.

C. Indian Capital market

The Indian Capital markets have witnessed a significant transformation over the last few years. The establishment and empowerment of SEBI, screen-based nation-wide trading, dematerialisation and electronic transfer of securities, rolling settlement and derivatives trading have greatly improved both the regulatory framework and efficiency of trading and settlement. Recently, nation-wide on-line multi commodity exchanges have also been set-up there by giving investors a wider range of instruments in invest in.

The Indian Stock Exchanges have over 9000 listed companies. The average daily turnover of the BSE and the NSE has steadily increased over a period of time. Currently the average daily turnover of both the exchanges is approximately Rs. 71,000 million in the cash segment.

Average daily turnover for that period (in Rs Million)		
Year/ Month	NSE	BSE
2001-02	20,780	12,450
2002-03	24,620	12,502
2003-04	43,280	19,796
April-04	50,480	22,431
May-04	47,100	21,875
June-04	38,590	16,813
July-04	42,650	17,931
August-04	39,480	17,361
September-04	40,230	18,001
October-04	37,850	17,304
November-04	41,020	17,871
December-04	50,258	21,837

(Source: www.nseindia.com and www.bseindia.com)

Trends in the Capital Market

Over the past 8 years, Indian capital markets have seen a major consolidation as depicted in the following table. The total NSE cash market turnover of our subsidiary, India Infoline Securities Private Limited, has increased from Rs. 8062.92 million for FY 2002 to Rs. 87,776.71 million for FY 2004 and Rs. 22,633.97 million for the month, December 2004.

Cash Market

Year/ Month	NSE turnover (in Rs. million)	Volumes (%) of top brokers					IISPL's total turnover on NSE (in Rs. million)
		5	10	25	50	100	
2001-02	5,131,670	7	12	24	36	53	8,062.92
2002-03	6,179,890	10	16	29	42	59	21,781.76
2003-04	10,995,350	12	17	30	44	61	87,776.71
April-04	1,009,510	13	20	33	47	64	12,355.08
May-04	989,200	13	20	34	48	65	11,688.66
June-04	848,980	13	19	33	48	64	12,373.16
July-04	938,360	13	20	34	48	64	14,976.35
August-04	868,560	13	19	32	47	64	14,317.63
September-04	885,080	14	20	35	49	65	15,415.05
October-04	756,980	14	22	37	51	66	13,775.99
November-04	820,350	15	22	38	52	67	15,561.16
December-04	1,155,930	15	22	37	50	66	22,633.97

(Source: Company, www.nseindia.com)

Internet stock-trading in India is a new phenomenon and began as recently as January 2000. Although there are quite a few e-brokers, the industry is still in a nascent stage. However, there has been a steady growth in Internet trading volumes. It can be attributed to growing sophistication of retail investors, reduction in the cost of a personal computer, higher tele-density, availability of reliable Internet connectivity and sophistication of Internet trading products.

The total online turnover of our subsidiary, India Infoline Securities Private Limited, in online NSE cash segment has increased from Rs. 17,329.67 million for FY 2003 to Rs. 81,844.68 million for FY 2004 and Rs. 20,827.37 million for the month, December 2004. In NSE F&O segment, our total online turnover has increased from Rs. 7,548.67 million for FY 2003 to Rs. 100,416.17 million for FY 2004 and Rs. 20,703.78 million for the month, December 2004.

Internet Stock Trading Market

Year/ Month	Total online turnover of NSE CASH segment (in Rs. million)	Total online turnover of IISPL in CASH Segment (in Rs. million)	Total online turnover of NSE F&O segment (in Rs. million)	Total online turnover of IISPL in F&O Segment (in Rs. million)
2002-03	169,965.70	17,329.67	59,666.60	7,548.67
2003-04	451,577.90	81,844.68	546,013.10	100,416.17
April-04	52,445.70	11,876.37	63,698.90	11,411.99
May-04	51,870.10	11,130.28	54,476.60	8,541.85
June-04	53,589.50	12,008.19	42,842.20	6,031.94
July-04	68,194.50	14,571.33	51,798.30	8,259.77
August-04	61,923.10	13,836.83	72,066.20	9,743.73
September-04	69,764.10	14,872.60	82,012.70	11,984.13
October-04	62,619.00	13,382.50	92,665.50	14,123.22
November-04	74,901.60	14,685.62	103,397.90	13,253.65
December-04	110,006.20	20,827.37	160,028.60	20,703.78

(Source: Company, www.nseindia.com)

Mutual Fund industry

India's mutual fund industry has shown a tremendous growth over the last few years. This growth has been triggered due to the entry of private players in this field. The regulatory control of mutual funds came under the purview of SEBI, since 1996.

Many international players have also entered the Indian mutual fund scene. There were 29 funds and 429 schemes as on December 2004. UTI is still the largest fund in India with a market share of 13.93%. (Source: www.amfiindia.com)

The assets under management of the Indian mutual fund industry have grown from Rs. 470,040 million in December 1993 to Rs. 1,505,370 million in December 2004.

Assets under management (AUM)

Month	Asset Under Management (in Rs. million)
December-93	470,040
March-00	1,130,050
March-01	905,870
March-02	1,005,940
March-03	794,640
March-04	1,396,160
December-04	1,505,370

(Source: www.amfiindia.com)

Insurance sector

After the liberalization of the Indian insurance sector, many global insurance players have entered the Indian market in the form of joint ventures with Indian companies. Some of the prominent names being Prudential (UK), Standard life (UK), Sun Life Financial (Canada), AIG (US), Group ING (Netherlands), Max New York, Allianz Old Mutual plc, amongst others. The entry of new players and increased competition led the market leader Life Insurance Corporation (LIC) to respond by launching new products and improving service standards.

India, with a vast middle class population presents a huge untapped potential for insurance players. Saturation of markets in many developed economies has made India an attractive destination for global insurance majors.

ICICI Prudential's market share as a percent of premium has increased from 2.15% in FY 2003 to 4.01% in FY 2004.

Market Share as a percent of premium

Insurer	Market Share as a % of premium	
	2002-03	2003-04
ICICI Prudential	2.15	4.01
Birla Sunlife	0.77	2.40
HDFC Standard	0.76	1.12
SBI Life	0.42	1.05
Allianz Bajaj	0.37	0.96
Tata AIG	0.31	0.96
Max NewYork	0.40	0.70
OM Kotak	0.21	0.68
Aviva	0.08	0.41
ING Vysya	0.10	0.39
AMP Sanmar	0.04	0.15
MetLife	0.05	0.12
Private Total	5.66	12.96
LIC	94.34	87.04
Total	100.00	100.00

(Source: *IRDA Journal*)

The key changes observed in the insurance sector over the past few years:

- Increased penetration levels by customizing products to suit investor needs.
- The entrance of new private players & the improved awareness levels, many companies have opened up offices, not only in metros but also in Tier II cities to enlarge their target population.
- Instead of bundled products, customers are now offered basic products with a plethora of riders to choose from based on their requirements & customize their policy & the premiums.
- A host of intermediaries like banks, post office, Non-Government Organizations (NGO), brokers and the Internet have also been inducted in as channel partners apart from the traditional insurance agents.

D. Key participants in the Financial Market

The Capital market essentially has four types of participants viz.

- Issuer of Securities
- Financial Intermediaries
- Regulators and
- Investors

The Issuers and Investors are the consumers of services rendered by the intermediaries and the investors are consumers (they subscribe for/ and trade in securities) of securities issued by this Issuer as well. Those who deal in securities need an assurance that it is safe to do so and the laws framed in relation to the Capital markets, which in turn are enforced by the regulator, provide this reassurance. The regulator exercises control over the market and market practices through rules, regulations and guidelines for market participants and intermediaries. Intermediaries play an important role in the Capital market by providing a critical link between the various market participants. The level of intermediation and efficacy of the regulatory framework often determine the efficiency of the market.

E. Financial Product Distribution

The distribution of financial products has changed with the advent of private players into the market. Newer and more innovative channels of distribution like the Internet are now seen. The players in distribution are

- a. Small local unorganized outlets
- b. Established distribution companies with pan India presence
- c. Distribution arms of banks/ finance companies

As financial products become more complex, the role of financial advisor becomes critical.

The other emerging trend is the “one stop” concept instead of dealing with multiple specialists. Customers tend to have strong relations with one distributor who can satisfy all their investment needs from mutual funds to bonds to fixed deposits.

F. Commodity Exchanges – A promising new development

India is predominantly an agrarian economy. In spite of this, until very recently we did not have world-class multi-commodity exchanges. The existing exchanges were all single commodity exchanges where trading was conducted using the “open-outcry” system.

Realising the potential, the government issued notifications for withdrawing all prohibitions and opening up forward trading in all the commodities.

The emergence of three nation-wide commodity exchanges (MCX, NCDEX and NMCE) has increased the awareness in commodities trading. The volume in these exchanges has increased rapidly since their inception.

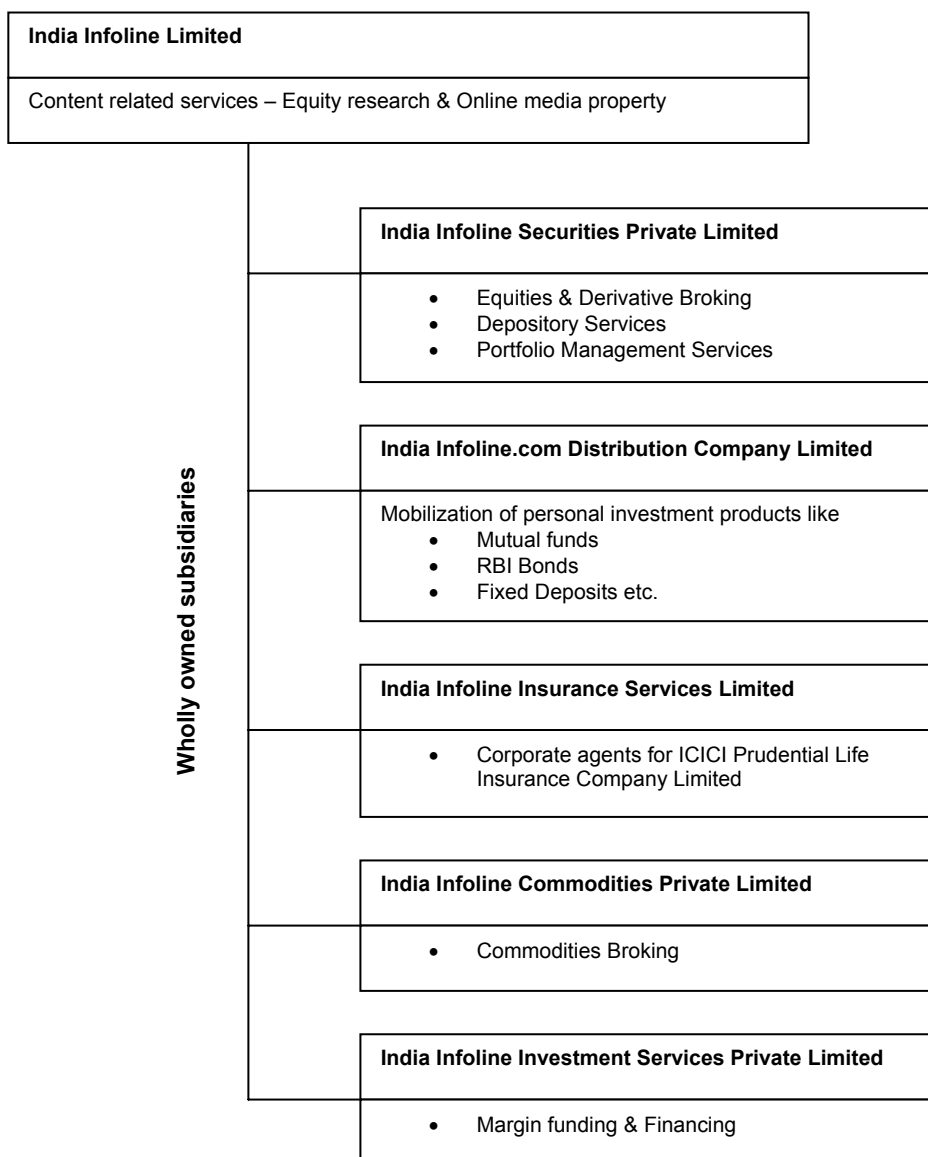
Some of the commodities where trading takes place is Gold, Silver, Copper, Caster Seed, Gram (*Chana*), Soya Oil, Sugar, Rubber etc.

Commodities trading market

Month	MCX Turnover (in Rs. million)	IICPL's turnover on MCX (in Rs. million)	NCDEX Turnover (in Rs. million)	IICPL's turnover on NCDEX (in Rs. million)
September-04	121,310	1,037.49	340,010	6.15
October-04	175,667	2,750.75	276,961	44.94
November-04	212,401	1,652.45	267,564	87.44
December-04	211,523	1,253.07	420,910	1,071.66

(Source: Company, MCX, NCDEX)

BUSINESS



We are a retail investment advisory and intermediary company. In October 1995, we commenced our operations as Probit Research and Services Private Limited, an independent provider of information, analysis and research covering Indian businesses, financial markets and economy, for institutional customers.

In 1999, we entered Internet space to cater to a mass retail segment and transformed our business model from providing information services to institutional customers to retail customers. We launched our Internet portal, www.indiainfoline.com and started providing news and market information, independent research, interviews with business leaders and other specialized features. In the year 2000, we leveraged our position as a provider of financial information and analysis by diversifying into transactional services, primarily for online trading in shares and securities and online as well as offline distribution of personal financial products, like mutual funds and RBI Bonds.

We carry out the business of broking, distribution of personal finance products including mutual funds, fixed deposits, government bonds etc, corporate agency of life insurance and commodities broking in our separate wholly owned subsidiaries, as outlined in our corporate structure. Each subsidiary is managed like a Strategic Business Unit (SBU). The primary reason for having such an organizational and group structure is to comply with regulatory requirements. Each of these businesses are regulated by separate regulatory and statutory bodies like SEBI, IRDA, AMFI etc. Having such a separate structure makes regulatory compliance simpler. This helps us to concentrate on each product line in a more efficient manner. We believe that this enables us to target customers better, facilitates the selling process and strengthens customer relationships. Each of these product lines requires separate skill sets. The other reasons being human resources issues like requirements, training and compensation are addressed by having separate lines of control.

A. Background and Evolution

We commenced our operations in October 1995 as Probity Research and Services Private Limited, as an independent provider of information, analysis and research covering Indian businesses, financial markets and economy, for institutional customers.

In 1999, we identified the potential of the Internet to cater to a mass retail segment and transformed our business model from providing information services to institutional customers to retail customers. Hence, we launched our Internet portal, www.indiainfo.com and started providing news and market information, independent research, interviews with business leaders and other specialized features.

In May 2000, the name of our Company was changed to India Infoline Limited to reflect the transformation. Over a period of time, we have emerged as one of the leading business and financial information services provider in India.

In the year 2000, we leveraged our position as a provider of financial information and analysis by diversifying into transactional services, primarily for online trading in shares and securities and online as well as offline distribution of personal financial products, like mutual funds and RBI Bonds. These activities were carried on through our wholly owned subsidiaries.

Our broking service was launched under the brand name of 5paisa through our subsidiary, India Infoline Securities Private Limited and www.5paisa.com, the e-broking portal, was launched for online trading in June 2000. It combined competitive brokerage rates and research, supported by Internet technology. Besides investment advice from an experienced team of research analysts, we also offer real time stock quotes, market news and price charts with multiple tools for technical analysis.

In December 2000, our subsidiary, India Infoline Insurance Services Limited became a corporate agent for ICICI Prudential Life Insurance Company Limited. We mobilized Rs 36.17 million of Weighted Annualized Premium Income during FY 2003. In FY 2004, it rose by 287.42% to Rs. 103.96 million. We have consolidated our position even further in the current financial year. Our mobilization of Weighted Annualized Premium Income till December 31, 2004 stands at Rs. 168.52 million. We have also emerged as one of the leading corporate agents for ICICI Prudential Life Insurance Company Limited.

In the year 2004, we launched commodities broking through our subsidiary India Infoline Commodities Private Limited. We also received a license for Portfolio Management Services from SEBI for our broking subsidiary.

The key promoters of our company are Mr. Nirmal Jain and Mr. R Venkataraman, professionals with a good academic and work experience. Mr. Jain is a Chartered Accountant and holds a MBA from IIM Ahmedabad. Mr. Venkataraman is an Electronics engineer from IIT Kharagpur and holds a MBA from IIM Bangalore.

Our Company derives its revenues from three major sources namely, Media and Content Income, Royalty on brands, Software and Technology Services. We are dependent on our subsidiaries only for income from royalty on brand usage and software and technology services. Our Company has shared services agreements with three of its subsidiaries, namely IIDCL, IISL and IISPL. Our Company also has entered into license agreements with our subsidiaries *vide* which we license them to use our brands and derive royalty income from the same.

In respect of our brands, "India Infoline.com" and "5paisa.com", our Company entered into license agreements with IIDCL and IISPL respectively, however such license agreement with IIDCL was terminated with effect from April 1, 2004. Pursuant to these agreements we receive a fixed sum towards royalty on such brand usage and towards software and technology services.

Financial Performance of IIL

Revenue (in Rs. million)	Year ended, 31st March 2002	Year ended 31st March, 2003	Year ended 31st March, 2004	Half-year ended 30th September, 2004
INCOME				
Income from operations				
Media & Content Income	28.25	6.24	34.59	25.99
Royalty on Brand	-	-	54.00	18.00
Software and Technology Services	-	-	-	27.00
Other Income	4.52	10.69	8.72	4.06
Total Income	32.78	16.93	97.31	75.05

Our consolidated financial performance (excluding inter-group revenue):

Revenue (in Rs. million)	Year ended 31st March, 2003	Year ended 31st March, 2004	Half-year ended 30th September, 2004
Income			
Revenue from operations			
Equities Brokerage & Related Income	30.79	191.47	148.7
Agency Commission & Fees	40.07	81.17	44.49
Commodities Brokerage	-	-	0.58
Policy Commission	7.03	17.92	15.72
Media & Content Income	7.63	16.82	16.99
Other Income	21.03	52.56	35.98
Total Income	106.54	359.94	262.46

Our consolidated total income has grown from Rs. 106.54 million in FY 2003 to Rs. 359.94 million in FY 2004. That same year, we made a turnaround and reported a consolidated cash profit of Rs. 103.84 million and a net profit of Rs. 74.8 million. In the first six months of the FY 2005, we have reported a consolidated total income of 262.46 million.

As on December 31, 2004, we had 18,215 customers for our broking services and we have sold mutual fund units, company deposits, government bonds or small savings schemes to over 0.15 million customers. We have 73 branches across 36 locations in India.

Year wise milestones of our evolution

October 1995	Incorporated as Probity Research and Services Private Limited
March 1996	Launched Probity 200, research reports on 200 leading listed Indian companies
June 1998	Launched Probity Sector reports
May 1999	Launched our internet portal www.indiainfo.com and changed our name to India Infoline Limited
April 2000	Forayed into distribution of mutual funds, fixed deposits, RBI bonds and other small savings products
July 2000	Launched www.5paisa.com , the e-broking portal and started online trading with membership of BSE & NSE
December 2000	Corporate agency for ICICI Prudential Life Insurance Company Limited
September 2001	We became the Depository Participant of NSDL
March 2004	Launched commodities trading by taking membership of MCX
April 2004	Received license from SEBI to offer Portfolio Management Services

B. Business model

Our range of products and services offerings today includes:

- Brokerage services in equities, derivatives and commodities
- Mobilization of Mutual Funds and retail distribution of personal investment products
- Retail distribution of life insurance products
- Portfolio management services
- Fee-based content services

Brokerage services in equities, derivatives and commodities

Online brokerage

We offer subscribers real-time trading on the NSE and BSE. Apart from this we also offer commodities trading on the MCX and NCDEX. Customers can directly place orders to buy and sell securities through our automated order processing system. All our branches are connected via VSAT. Our system intelligence automatically checks the parameters of an order, together with the customer's available and necessary cash balance and positions held, before executing an order. We update all transaction and portfolio records to reflect trading activity on a real time basis.

Offline brokerage

We began offering offline brokerage services as a back up to our online brokerage offering through our branches. This was mainly to address the Internet access problems faced by some of our retail customers. Given the size of the offline market in India, the add-on service was extended as a full offering. The customers can walk in and place orders with the dealer in the branch as well as call up and place orders over the telephone with their respective Relationship Manager/Dealer. The Risk Management system is centrally controlled and orders placed through branches are passed through pre-order validation process for availability and allocation of limits.

Mobilization of Mutual Funds and retail distribution of personal investment products

We offer retail distribution of personal financial products through our subsidiary India Infoline.com Distribution Services Limited. Our branches also serve as retail distributors for mutual funds, fixed income investments, RBI Bonds and other savings products. Our employees solicit orders from customers, receive payment from the customer made out to the product provider and submit the orders and the customer's payment to the product provider. These branches also provide support to our online customers, and provide customer contact points for our online business which we believe helps in building good customer relationships.

We have expanded our business to include online distribution of mutual funds. Our online users are able to view and compare product offerings and download application forms, which they then submit to the product provider. We earn a commission from the product provider when a transaction takes place.

Retail distribution of Life Insurance products

Our subsidiary India Infoline Insurance Services Private Limited is an IRDA licensed corporate agent for ICICI Prudential Life Insurance Company Limited. We hire fresh as well as trained people for selling insurance. All staff engaged in directly selling insurance has to undergo a training program as prescribed by IRDA and get certified. Besides IRDA, our principal, ICICI Prudential Life Insurance Company Limited also imparts training on insurance products as well as selling skills. We also have developed in house training program on insurance and sales.

The channels used for insurance sales are:

- Telemarketing
- Branch walk-ins by customers
- Seminars and Workshops

We have emerged as the leading corporate agent of ICICI Prudential Life Insurance Company Limited, which is a leading private sector insurance company in India. We collected first year premium income of Rs 103.96 million in FY04, which was 287.42% higher than FY03. In the current financial year, we have mobilized Rs 168.52 million in the first nine months ending December 2004.

Portfolio Management Services

We received our licence to offer Portfolio Management Services from SEBI from April 1, 2004 and launched this service in August 2004. We believe that wealth management and portfolio management services are a logical extension of our current product offering and research background. We believe that the wealth management industry in India is poised to witness rapid growth on the back of higher rate of savings, multiple investment opportunities and changing demographics.

We have constituted an Investment Committee to manage the portfolios of the customers.

The portfolios are managed on a discretionary basis. Under the discretionary services scheme, the choice, as well as the timing of the investment decisions rests solely with the Portfolio Manager.

Fee-based Content Services

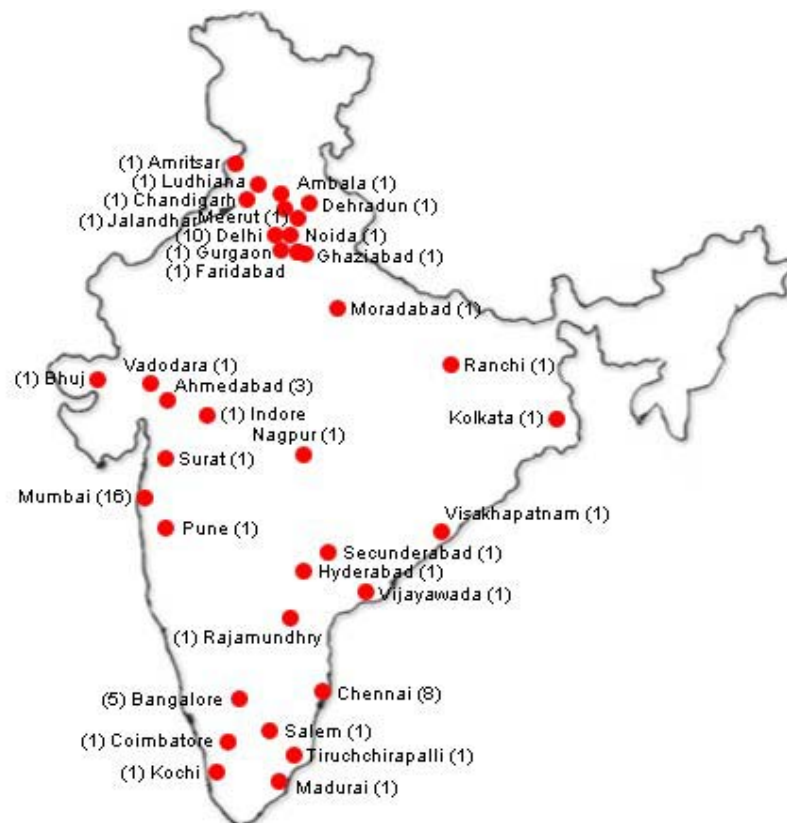
We have a dedicated research and analyst team of professionals who survey, gather and accumulate information and data, and provide their views and opinions, on companies, industries, markets and people in the news, relying on their experience and expertise developed over the years. Our Internet portal, currently hosts pages of financial information and original research and analysis on Indian business, financial markets and economy. The content available on our Internet portal includes updated market news, market statistics, products and commodities database, analysis of Indian companies and industry, coverage of Indian Mutual Funds, feature articles on the Indian economy and Indian business, Leader Speak — interviews with prominent figures in the business and political world. We monetize this property by selling banners, panels, pop ups etc.

We also sell space on our website www.indiainfoline.com in the form of *inter alia* banners, pop-ups, ear panels and sponsorship of certain modules. We also generate revenue by banners on emails as well emailing customized advertisement messages to our registered customers.

In addition to our publicly available online content, we provide fee based research and analysis of Indian businesses and markets for a wide range of institutional clients both in India and abroad. Our research and reports are also available through electronic vendors such as Bloomberg, First Call, and Internet Securities. We receive fees when our content on Thomson First Call Associates and Internet Securities is accessed.

Geographical distribution of branches

As on December 31, 2004, we have 73 branches across 36 locations in India. We propose to set-up an additional 77 branches in 50 cities across India to have a network of 150 branches across the country by December 31, 2006.



C. SWOT ANALYSIS

Strengths <ul style="list-style-type: none"> • Original research • Integrated technology platform • “One Stop” shop • Pan - India distribution network • “India Infoline.com” and “5paisa.com” have developed into brands 	Weaknesses <ul style="list-style-type: none"> • Lack of a banking arm to complete the bank-broker-depository chain • Insignificant presence in institutional segment
Opportunities <ul style="list-style-type: none"> • Changing demographics with higher disposable income and increasingly complex financial instruments will drive demand for investment advisory services • Rapid penetration of Internet and computers means that technology enabled financial services will gain market share 	Threats <ul style="list-style-type: none"> • Economic slowdown • Volatile movement in indices and events like May 17, 2004 • Stock markets falls will have a cascading effect on our mutual fund mobilization • Increase/decrease in interest rates can affect our debt/ income fund mobilizations • Future changes in personal taxation rules can impact insurance sales • Increasing competition from large and particularly foreign players

D. Our Competitive Advantages

• Research

We have our roots in equity research. Our original business model was to provide research and information services on Indian business and capital markets to institutional customers. Our executive directors have equity research and investments experience in leading banks and brokerage houses.

We have an in-house research team comprising of 12 analysts, supported by research assistants who cover Indian companies, sectors, economy and capital markets. We believe that this database, built over the years gives us an edge.

Our research expertise enables us to identify market trends much in advance, which facilitates more informed decision making by our customers. This research helps us to build and promote our brand and to acquire and retain retail customers.

• Integrated technology platform

Since the launch of our website, www.indiainfoline.com, and our online trading platform, www.5paisa.com, we have invested in building a technology platform. We use a mix of in-house and outsourced technologies to offer a user friendly interface for online trading. Our Trader Terminal is an application which allows customers to trade on both the BSE and the NSE, has features like real time streaming quotes, live intra-day tick by tick charts, historical charts, price alerts, one click access to back office as well as research library and other features.

We have also used technology to internally connect and facilitate quick communication amongst relationship managers, branches, risk managers, back office and customer service using an in-house software. This allows a single point updated information on customers' positions and portfolio. This feature allows us to seamlessly integrate across delivery channels – online or offline through branches or telephone. We believe that our technology strengths will enable us to scale up the business without a proportionate increase in operating costs.

• Multiple product offerings makes us a “one stop” shop

We provide a range of products and services to our customers, either directly or through any one of our wholly owned subsidiaries. Our offerings range from information services through our portal, www.indiainfoline.com to equities trading on both BSE and NSE on www.5paisa.com to distribution of mutual funds, life insurance, small savings products, fixed deposits and government bonds. We permit

trading on the BSE (Cash segment) and the NSE (Cash and Derivatives segments). We are a SEBI registered Portfolio Manager and Depository Participant with National Securities Depository Limited (NSDL). We are a corporate agent for ICICI Prudential Life Insurance Company Limited. These multiple offerings across multiple channels – either online through Internet or offline through any of the branches or telephone enables us to emerge as a financial “one stop” shop. This also offers significant cross selling opportunities, which helps us in strengthening customer relationships and loyalty.

These multiple product offerings ensure that we have multiple revenue streams and we are not exposed to downturn in any one segment.

- **Pan - India distribution network**

We have 73 branches across 36 towns and cities in India. These branches help in customer acquisition as well as customer service. This is a part of a conscious “bricks and clicks” strategy to reach out to our customers. Our distribution network is well spread to capture the target audience and cater to the needs of our potential customers. We have upgraded some of our branches to handle traditional broking activities. We continue to research to identify new locations to diversify our geographical presence.

- **“India Infoline.com” and “5paisa.com” have developed into brands**

India Infoline.com and 5paisa.com are well known brands amongst retail investors across India. In all the cities that we have expanded into, we have been able to leverage upon brand awareness and have established a customer base.

- **Experienced management team**

Our management team has hands on experience in financial services, especially targeted at retail sales and relationship management.

We have a strong technical team comprising of qualified engineers and trained personnel. The in-house team has been responsible for developing several MIS software and enhancing and customising standard software products to meet specific requirements. We believe that we have put in place a working environment that brings out our people's entrepreneurial energy.

- **Customer relationship management**

We have developed a team of Customer Relationship Managers across India to handle key customer accounts. These people are experienced in financial services and have undergone in-house training. This allows them to offer unbiased advice on not only equities but also on other investment products like mutual funds and insurance. Apart from advice, they are trained to customer queries as well, which ensures that the customer has a single point contact with us.

- **Robust Risk Management Systems**

We manage the risks associated with our broking operations through use of internally developed credit algorithms implemented through fully automated risk management software and selective direct monitoring of certain operating parameters. Our automated risk management procedures rely primarily on internally developed Risk Management System and systems provided by our vendors.

E. Our Strategy

Our business plan is to become the leading investment advisor and intermediary for financial services in India. The key driver is to increase our customer base in all our products, give them a platform of choice to transact and support them with quality research. The elements of our strategy include:

- **"One Stop Shop" from advice to transactions**

We have emerged as one of India's leading financial information Internet portal in India. We distribute mutual funds and life insurance products through our branches as well as directly through our sales team. These factors allow us to provide our customers with an integrated online as well as offline solution to fulfill all their financial information and transaction needs. We believe that our ability to offer multiple products across broking to insurance to mutual funds to commodities to small savings differentiates us from our competition. This also offers significant cross selling opportunities which will help in improving margins as incremental revenue will entail lower customer acquisition and promotion costs.

- **Multi channel delivery model**

We intend providing a single convenient and reliable platform from which our users can obtain information, trade online or purchase offline a wide range of personal financial products. Our branches have been opened in cities after a detailed study of demographics and investment patterns. Our offline network today covers cities that account for 90.33% of trading in the NSE Cash market as on December 2004 and 87.81% of trading in the NSE derivatives market as on December 2004 (*Source: www.nseindia.com*).

- **Expand our retail network**

We have a retail branch network of 73 branches at 36 locations across India to provide an alternative channel for our customers to transact with us and to support our online services. These branches allow our customers the opportunity to purchase personal financial products and trade online at onsite terminals with the assistance of our staff. We propose to set up additional 77 branches in 50 cities across India to have a network of 150 branches to further strengthen our geographic reach.

- **Leverage our content advantage for value added offerings**

We believe that the key to successful investment is research. We have invested considerable resources in building our research domain skills. Our top management has a hands-on experience in equity research. We will continue to expand the breadth and depth of research and content on Indian business and finance. This research advantage will enable us to acquire customers in high value added product offerings especially PMS and wealth management.

- **Continuous investments in technology platform**

We have leveraged the power of technology to offer an integrated platform to the customer to transact. We will continue to invest in such technologies that would enhance customer experience while interacting with us. We have facilitated integrated trading and depositary accounts for the customer, payment gateways with multiple banks, online Internet enabled back office and MIS. We believe that our technology investments will be a key driver in scaling up of the business.

- **Acquisition & Takeover**

We strongly believe that to become a market leader in the investment advisory and intermediation space, we have to expand our business. In our endeavor to do so and as per our business strategy of inorganic growth, we may acquire other smaller companies.

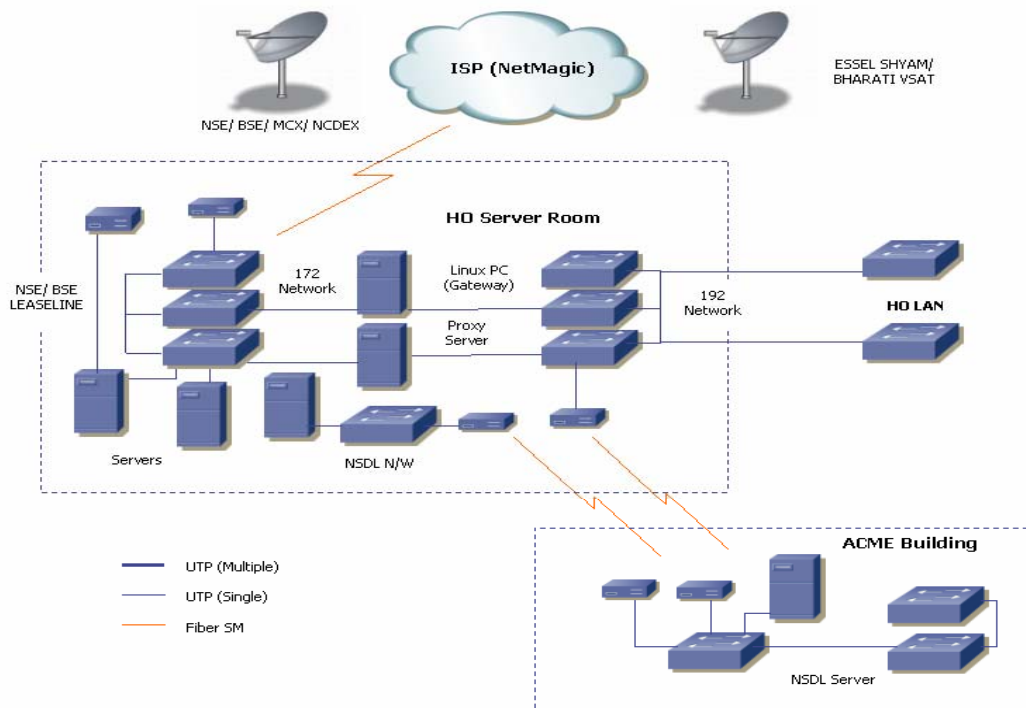
F. Technology

Advancements in Internet and Internet-based trading have transformed the way firms operate in the broking industry. We recognize that technology is an important tool for broking operations.

We believe that online trading will gain market share due to significant advantages that it offers

- It enables the customer to trade directly without any agent intervention
- It offers customers the convenience of trading from almost anywhere
- It enables rapid dissemination of information and at reduced costs
- It offers a responsive mechanism for reporting grievances, problems and bugs

We have invested in technology and ensured that we have an optimum infrastructure to handle the load. Our current technology infrastructure comprises several high end Dell, HP, IBM servers running on Microsoft Operating System. Most of these servers support online customers for trading activities and users for the www.indiainfoline.com and www.5paisa.com websites.



UTP – Unshielded Untwisted Pair – Multiple Means 2 Networks Connect on LAN
SM – Single Mode
Acme / HO are office locations ACME is name of building
172/ 192 are network numbers

Our main trading servers (application and database servers) are located at our Goregaon office and our broadcast servers are hosted at VSNL and Reliance Internet Service Providers (ISP). Our website is hosted with Net Magic Solutions, another ISP. All the three ISPs and our Goregaon office are equipped with latest servers and uninterruptible power supply systems. The Goregaon office is connected to the internet by optic fiber to Net Magic Solutions which gives us bandwidth of more than 10Mbps expandable to 20Mbps. Our connectivity between the internal and external servers is through this fiber connection.

Net Magic Solutions sources bandwidth from VSNL and Bharti, thereby providing us with redundancy in the event of a failure of one of the provider's gateway. By co-locating some servers with Reliance Infocomm we have further increased our redundancy.

We have implemented CISCO Pix firewall, managed by Net Magic. All our servers, routers and desktops are behind this firewall. All connections to our trading servers happen in a secure manner using 128 bit encryption. We have a security certification from Thawte.

The key components of our technology infrastructure include

- Online trading software
- Surveillance and risk management
- Client administration
- Back office software
- Communication links and VSAT network
- Networking and hardware
- Security

G. Our Human Resources

Our Human Resources policy is based on the philosophy of "Owner Mindset". We believe that the key to our continued growth lies in unleashing the entrepreneurial energy of our employees. We encourage all employees to behave more as

owners of their departments rather than employees. Our people are highly driven and work towards increasing India Infoline's brand and market share across product lines.

We have developed extensive in-house training modules. In addition, our staff is trained by various Asset Management Companies and ICICI Prudential Life Insurance Company Limited. We lay emphasis on "on the job training" where an experienced and senior person mentors a junior executive.

In addition to salary, our employees get performance-based incentives on a quarterly basis. We have also implemented an Employee Stock Option Plan.

As on December 31, 2004, the total employee strength of our company and our subsidiaries was 989.

H. Competition

Broking – We face competition from small local brokers (traditional) and pan India brokers like Kotak Securities Limited, S. S. Kantilal Ishwarlal Securities Private Limited, Indiabulls Securities Limited, ICICI Web Trade Limited, Geojit Financial Services Limited etc. Our strengths are our content and research, online technology platform and customer service.

Distribution – We face competition from small retail distributors (typically single outlet unorganized units), brokers who have a distribution set up, old and established distribution companies like Blue Chip Corporate Investment Centre Limited, Bajaj Capital Limited, Karvy Securities Limited and banks including their PMS and Wealth Management desks.

HISTORY AND OTHER CORPORATE MATTERS

OVERVIEW

We were originally incorporated on October 18, 1995 as Probity Research and Services Private Limited at Mumbai under the Companies Act, 1956 with Registration No. 11 93797. We commenced our operations as an independent provider of information, analysis and research covering Indian businesses, financial markets and economy, to institutional customers. We became a public limited company on April 28, 2000 and the name of the Company was changed to Probity Research and Services Limited. The name of the Company was changed to India Infoline.com Limited on May 23, 2000 and later to India Infoline Limited on March 23, 2001.

In 1999, we identified the potential of the Internet to cater to a mass retail segment and transformed our business model from providing information services to institutional customers to retail customers. Hence we launched our Internet portal, www.indiainfoline.com in May 1999 and started providing news and market information, independent research, interviews with business leaders and other specialized features.

In May 2000, the name of our Company was changed to India Infoline.com Limited to reflect the transformation of our business. Over a period of time, we have emerged as one of the leading business and financial information services provider in India.

In the year 2000, we leveraged our position as a provider of financial information and analysis by diversifying into transactional services, primarily for online trading in shares and securities and online as well as offline distribution of personal financial products, like mutual funds and RBI Bonds. These activities were carried on by our wholly owned subsidiaries.

Our broking services was launched under the brand name of 5paisa.com through our subsidiary, India Infoline Securities Private Limited and www.5paisa.com, the e-broking portal, was launched for online trading in July 2000. It combined competitive brokerage rates and research, supported by Internet technology. Besides investment advice from an experienced team of research analysts, we also offer real time stock quotes, market news and price charts with multiple tools for technical analysis.

Acquisition of Agri Marketing Services Limited (“Agri”)

In March 2000, we acquired 100% of the equity shares of Agri Marketing Services Limited, from their owners in exchange for the issuance of 508,482 of our equity shares. Agri was a direct selling agent of personal financial products including mutual funds, fixed deposits, corporate bonds and post-office instruments. At the time of our acquisition, Agri operated 32 branches in South and West India serving more than 30,000 customers with a staff of approximately 180 employees. After the acquisition, we changed the company name to India Infoline.com Distribution Company Limited.

Facilities

Our main offices are located in approximately 4,000 square feet of office space located in Mumbai, India. Our India Infoline Branches collectively occupy an additional 10,000 square feet of office space located throughout India. As on December 31, 2004, we have 73 branches across 36 locations in India.

The table below shows the changes in the Registered Office of the Company since incorporation:

Previous Address	New Address	Date of Change	Reason for Change
208-C, Agarwal Market, Vile Parle (East), Mumbai - 400 057.	1, Snehdeep, Gokhale Road, Vile Parle (East), Mumbai – 400 057.	August 6, 1999.	Requirement of more floor space.
1, Snehdeep, Gokhale Road, Vile Parle (East), Mumbai – 400 057.	Building No. 24, 1 st floor, Nirlon Complex, Off Western Express Highway, Goregaon (E), Mumbai – 400 0063.	January 15, 2001	Requirement of more floor space.

The instances when the name of the Company was changed are cited below:

Previous Name	New Name	Date of Change	Reason for Change
Probity Research and Services Private Limited	Probity Research and Services Limited	April 28, 2000	Conversion from Private Limited to Public Limited Company
Probity Research and Services Limited	India Infoline.com Limited	May 23, 2000	To focus on the retail financial intermediary business through an online set-up.
India Infoline.com	India Infoline Limited	March 23, 2001	To focus on the retail financial

Previous Name	New Name	Date of Change	Reason for Change
Limited			intermediary business through offline as well as online set-up.

Main Objects of the Company

Our main objects as contained in our Memorandum of Association are:

1. To engage or undertake software and internet based services, data processing, IT enabled services, software development services, selling advertisement space on the site, web consulting and related services including web designing and web maintenance, software product development and marketing, software supply services, computer consultancy services, e-commerce of all types including electronic financial intermediation business and e-broking, market research, business and management consultancy.
2. To undertake, conduct, study, carry on, help, promote any kind of research, probe, investigation, survey, developmental work on economy, industries, corporates, business houses, agricultural and mineral, financial institutions, foreign financial institutions, capital market on matters related to investment decisions primary equity market, secondary equity market, debentures, bond, ventures, capital funding proposals, competitive analysis, preparation of corporate/industry profile etc. and trade/invest in researched securities.

The present business of our Company is as per the main objects of our Company.

Changes in Memorandum of Association

Date of Shareholders approval	Changes
July 16, 1999	Inserted in the main objects clause vide Special Resolution passed in the Extra-ordinary General Meeting of the Company – “To engage or undertake software and internet based services, data processing, IT enabled services, software development services, selling advertisement space on the site, web consulting and related services including web designing and web maintenance, software product development and marketing, software supply services, computer consultancy services, e-commerce of ally types including electronic financial intermediation business and e-broking, market research, business and management consultancy.”
August 28, 1998	Increase in authorised share capital from Rs. 2.5 million divided into 250,000 Equity Shares of Rs. 10/- each to Rs. 5 million divided into 500,000 Equity Shares of Rs. 10/- each
April 28, 1999	Increase in authorised share capital from Rs. 5 million divided into 500,000 Equity Shares of Rs. 10/- each to Rs. 12.5 million divided into 1,250,000 Equity Shares of Rs. 10/- each
June 7, 1999	Increase in authorised share capital from Rs. 12.5 million divided into 1,250,000 Equity Shares of Rs. 10/- each to Rs. 20 million divided into 2,000,000 Equity Shares of Rs. 10/- each
February 15, 2000	Increase in authorised share capital from Rs. 20 million divided into 2,000,000 Equity Shares of Rs. 10/- each to Rs. 100 million divided into 10,000,000 Equity Shares of Rs. 10/- each
March 10, 2000	Increase in authorised share capital from Rs. 100 million divided into 10,000,000 Equity Shares of Rs. 10/- each to Rs. 250 million divided into 25,000,000 Equity Shares of Rs. 10/- each
September 20, 2001	Increase in authorised share capital from Rs. 250 million divided into 25,000,000 Equity Shares of Rs. 10/- each to Rs. 350 million divided into 35,000,000 Equity Shares of Rs. 10/- each
December 14, 2004	Increase in authorised share capital from Rs. 350 million divided into 35,000,000 Equity Shares of Rs. 10/- each to Rs. 450 million divided into 45,000,000 Equity Shares of Rs. 10/- each

Key Events of the India Infoline Group

S. No.	Date	Key Events
1	October 1995	Our Company was incorporated as Probity Research and Services Private Limited
2	March 1996	Our Company launched Probity 200, research reports on 200 leading listed Indian companies
3	June 1998	Our Company launched Probity Sector reports
4	May 1999	Our Company our internet portal www.indiainfoline.com and changed our name to India Infoline Limited
5	April 2000	Our Company forayed into distribution of mutual funds, fixed deposits, RBI bonds and other small savings products
6	July 2000	Our Company launched www.5paisa.com , the e-broking portal and started online trading with membership of BSE & NSE
7	December 2000	Our Company obtained corporate agency for ICICI Prudential Life Insurance Company Limited
8	September 2001	Our Company became the Depository Participant of NSDL
9	March 2004	Our Company launched commodities trading by taking membership of MCX
10	April 2004	Our Company received license from SEBI to offer Portfolio Management Services

Investment and Share Purchase Agreements

1. Share Subscription and Shareholder's Agreement dated October 7, 1999 with Nandi Investments Limited

On October 7, 1999, our Company entered into a Share Subscription and Shareholder's Agreement with Nandi Investments Limited ("Nandi") pursuant to which Nandi agreed to subscribe to 240,000 Equity Shares of the Company of face value of Rs 10/- at a premium of Rs 171/- per Equity Share aggregating to Rs. 43.44 millions. As per the terms of this agreement, the Nandi was given the right to nominate one person for appointment as a Director on the Board who shall not be liable to retire by rotation and/or not hold any qualification shares in the Company. Furthermore as per the terms of this agreement, Nandi was only to be construed as merely a financial investor in the Company and that Nandi shall not, in any manner, whether at the time of public offering, listing or at any time thereafter, be construed as a promoter of the Company for any legal or regulatory purposes including lock-in stipulations. As per the terms and conditions of this Agreement, it was to stand terminated if the shareholding of Nandi came below 48,000 Equity Shares.

On January 28, 2005 the equity shares held by Nandi been purchased by Khattar Holdings Private Limited by a share sale agreement dated January 28, 2005 and therefore the rights and obligations of the parties under the Share Subscription and Shareholder's Agreement with Nandi stands terminated as of date.

2. Share Subscription Shareholder's Agreement dated March 6, 2000 with ICICI Limited

On March 6, 2000, our Company entered into a Share Subscription and Shareholder's Agreement with ICICI Limited ("ICICI") pursuant to which ICICI agreed to subscribe to 205,500 Equity Shares of the Company of face value of Rs 10/- at a premium of Rs 295/- per Equity Share aggregating to Rs. 60.62 millions. As per the terms of the said agreement, ICICI shall have the right to attend the board meetings through an authorised representative acceptable to the Company, however, such representative shall not have any voting rights but may observe the proceedings and make comments and suggestions; however, ICICI shall not have any right to nominate any person as director on the Board of the Company; furthermore, that ICICI be construed as merely a financial investor in the Company and shall not, in any manner, whether at the time of public offering, listing or at any time thereafter, be construed as a promoter of the Company for any legal or regulatory purposes including lock-in stipulations.

It may be noted that, the Equity Shares subscribed by ICICI as above, are held by ICICI Eco-Net Internet and Technology Fund which is registered as a Venture Capital Fund under the SEBI (Venture Capital Funds) Regulations, 1996.

3. Shareholder's Agreement dated April 7, 2000 with Flordia Properties Limited

On April 7, 2000, our Company entered into a Shareholder's Agreement with Flordia Properties Limited ("Flordia") pursuant to Flordia purchasing 230,000 paid up Equity Shares of face value of Rs. 10/- each from Nandi vide a Share Sale Agreement with Nandi date April 7, 2000. As per the terms of the above said Shareholder's Agreement, the Company and Flordia agreed that Flordia shall have exactly the same rights and obligations granted to ICICI vide the Share Subscription and Shareholder's Agreement dated March 6, 2000 between ICICI and the Company.

4. Subscription Agreement dated March 22, 2000 with Intel Pacific Inc.

On March 22, 2000, our Company entered into a Subscription Agreement with Intel Pacific Inc. ("Intel") pursuant to which Intel agreed to subscribe to 411,000 Equity Shares of the Company of face value of Rs 10/- at a premium of Rs 285/- per Equity Share aggregating to Rs. 121.24 million. Pursuant to this agreement, the parties entered into an Investor Rights Agreement dated March 22, 2000, as per the terms of which, the following was agreed to between the parties, Intel got to the right to be informed in writing of the resolutions proposed to be adopted at the forthcoming meetings of the Board and in the event of Intel conveying its disapproval or reservations, the matter was not be put to vote at the meeting of the Board and to be placed before a meeting of the shareholders of the Company;

5. Share Subscription and Shareholders Agreement dated September 14, 2001 with Reeshanar Investments Limited

On September 14, 2001, our Company entered into a Share Subscription and Shareholders Agreement with Reeshanar Investments Limited ("Reeshanar") pursuant to which Reeshanar agreed to subscribe to 1,045,034 Equity Shares of the Company of face value of Rs 10/- at a premium of Rs 12.49 per Equity Share aggregating to Rs. 23.50 million and also 1,045,034 warrants granting to Reeshanar the right and the option but not an obligation to subscribe to an additional 1,045,034 Equity Shares of face value of Rs. 10/- at a premium of Rs. 12.49 per Equity Share. As per the terms of the said agreement, the following was agreed to between the parties. Prior to this agreement, Reeshanar held 105,000 Equity Shares of the Company. Since, Reeshanar did not exercise the warrants, there are no outstanding warrants and *Reeshanar* currently holds 1,150,034 Equity Shares of the Company.

6. Supplemental Share Subscription and Shareholders Agreement with Nandi Investments Limited

On September 24, 2001, our Company entered into a Supplemental Share Subscription and Shareholders Agreement with Nandi, pursuant to which Nandi agreed to subscribe to 522,517 Equity Shares of the Company of face value of Rs. 10/- at a premium of Rs. 12.49/- per Equity Share aggregating to Rs. 11.75 million and also 522,517 warrants granting to Nandi the right and the option but not an obligation to subscribe to an additional 522,517 Equity Shares of face value of Rs. 10/- at a premium of Rs. 12.49 per Equity Share. Prior to this agreement, Nandi held 1,567,500 Equity Shares of the Company. Since, Nandi did not exercise the warrants, there are no outstanding warrants that Nandi currently holds in the Company.

7. Share Sale Agreement dated January 28, 2005 between Nandi Investments Limited and Khattar Holdings Pte Limited and India Infoline Limited

On January 28, 2005, our Company entered into a Share Sale Agreement with Nandi Investments Limited and Khattar Holdings Pte Limited ("Khattar Holdings"), pursuant to which Khattar Holdings purchased entire Equity shareholding of Nandi in our Company, i.e., 2,090,017 Equity Shares of face value of Rs. 10/- for a consideration of US\$ equivalent to Rs. 69 million.

It must be noted that as per the terms and conditions of all the above mentioned agreements, the Investors have given their consent to our Company that all of their pre-emptive rights as provided under the said agreements would be waived off for the purposes of an IPO by our Company.

OUR MANAGEMENT

Board of Directors

Our Company is currently managed by a Board of Directors comprising of 6 directors. Mr. Nirmal Jain is currently our Chairman and Managing Director.

As per our Articles of Association, our Board shall consist of not less than three and not more than twelve directors.

The following table sets forth the details regarding our Board of Directors as on the date of filing of this Draft Red Herring Prospectus.

S. No.	Name, Address and Nationality	Designation	Age	Directorships in other companies
1.	Mr. Nirmal Jain 208, Shyamkamal 'C' Building, Agarwal Market, Vile Parle (East), Mumbai – 400 057 Indian Citizen	Chairman and Managing Director	39 Years	<ol style="list-style-type: none"> 1. India Infoline Securities Private Limited 2. India Infoline.com Distribution Company Limited 3. India Infoline Insurance Services Limited 4. India Infoline Commodities Private Limited 5. India Infoline Investment Services Private Limited
2.	Mr. R. Venkataraman 604, Glen Heights, Hiranandani Gardens, Powai, Mumbai-400076 Indian Citizen	Executive Director	38 Years	<ol style="list-style-type: none"> 1. India Infoline Securities Private Limited 2. India Infoline.com Distribution Company Limited 3. India Infoline Insurance Services Limited 4. India Infoline Commodities Private Limited 5. India Infoline Investment Services Private Limited
3.	Mr. Sat Pal Khattar 3-D Tanglin Hill, Singapore - 248035 Singapore Citizen	Non-Executive Director	63 Years	<p>Companies incorporated in India</p> <ol style="list-style-type: none"> 1. AB Hotels Limited 2. DCM Estates & Infrastructures Limited 3. Edutech Informatics India Limited 4. GTL Limited 5. Gurgaon Technology Park Limited 6. Prasha Technologies Limited 7. Prima Vetcare Private Limited <p>Companies incorporated in Singapore</p> <ol style="list-style-type: none"> 1. California Credit House Limited 2. Haw Par Corporation Limited 3. Lee Kuan Yew Exchange Fellowship 4. OUB Centre Limited 5. Parameswara Holdings Limited 6. AEC Edu Group Pte Limited 7. Aquarius Investment Advisors Pte Limited 8. APS Lifestyle Marketing Pte Limited 9. Barista Coffee Company Pte Limited 10. Bionergy Investments (S) Pte Limited 11. Chengtu Enterprises Pte Limited 12. Chew How Teck & Co Pte Limited 13. Crest Communication (Singapore) Pte Limited 14. Eastdom Holdings Pte Limited 15. Edutech Investments (India) Pte Limited 16. First Capital Property Ventures Pte Limited 17. Franburgh Management Services Pte Limited

S. No.	Name, Address and Nationality	Designation	Age	Directorships in other companies
				18. Guoco Investments Pte Limited 19. Grensburg Investments Pte Limited 20. Infotech Solutions Pte Limited 21. Integrated E-Portal (Holdings) Pte Limited 22. J M Sassoon & Company Nominees (Pte) Limited 23. J M Sassoon & Co Pte Limited 24. Jarrington Pte Limited 25. Khattar Holdings Pte Limited 26. Kay Holdings Pte Limited 27. Khattar Properties Pte Limited 28. KSP Investments Pte Limited 29. KWR Investments Pte Limited 30. Marington Holdings Pte Limited 31. Maz Energy Pte Limited 32. Nagarjuna Holdings Vietnam Pte Limited 33. Phytoprotein Biotech Pte Limited 34. Sapho Pte Limited 35. Savant Infocomm Pte Limited 36. Sassoon Holdings Pte Limited 37. Sassoon Custodian & Clearing Services Pte Limited 38. Sassoon Financial Futures Pte Limited 39. Scicom (Scientific Computing) Asia Pacific Pte Limited 40. Shalimar Singapore Pte Limited 41. Strathburn Investments Pte Limited 42. Strathburn Trading Pte Limited 43. Stockton Investments Pte Limited 44. The Straits Trust & Management Limited 45. Tourmasters Pte Limited 46. Techknowledge Asia Pte Limited 47. Windmill International Pte Limited Companies incorporated in Mauritius 1. BNP South Asia Investments Co Limited 2. Edutech Holdings Limited 3. KSP Holdings Limited 4. Magnus Capital Corporation Limited 5. Reeshanar Investments Limited Companies incorporated in other countries 1. Guoco Group Limited, Bermuda 2. Cantel Far East Limited, British Virgin Islands 3. Eltonvale Limited, United Kingdom 4. The English Association of American Bond & Shareholders Limited, United Kingdom Chairman & Director 1. Guocoland Limited, Singapore 2. First Capital Insurance Limited, Singapore 3. Advanced Medical Systems Pte Limited, Singapore

S. No.	Name, Address and Nationality	Designation	Age	Directorships in other companies
4.	Mr. Sanjiv Ahuja 1103 B 52, Meyer Road, Singapore – 437875 Singapore Citizen	Non-Executive and Independent Director	39 Years	<ol style="list-style-type: none"> 1. DCM Estates & Infrastructure Limited 2. Gurgaon Technology Park Limited 3. Pagro Foods Limited 4. Centennial Management Consultants Private Limited, Singapore <p>Others</p> <ol style="list-style-type: none"> 1. Board member of the Singapore Indian Chamber of Commerce and Industry
5.	Mr. Kranti Sinha Flat No. 3, II floor Jeevan Sargam CHSL, Plot No. 24, Sector 2 Charkop, Kandivali (West) Mumbai – 400 067 Indian Citizen	Non-Executive and Independent Director	63 Years	<ol style="list-style-type: none"> 1. Hindustan Motors Limited 2. Larsen and Toubro Limited 3. The Global Institute of Financial and Education Services (India) Private Limited [T. G. I. (India)]
6.	Mr. Nilesh Shivji Vikamsey Suite #52, Bombay Mutual Building, Sir PM Road, Fort, Mumbai 400 001 Indian Citizen	Non-Executive and Independent Director		<ol style="list-style-type: none"> 1. Alpha Garments Private Limited 2. English Apparels Private Limited 3. Miloni Consultants Private Limited 4. HLB Offices & Services Private Limited 5. HLB Technologies (Mumbai) Private Limited <p>Others</p> <ol style="list-style-type: none"> 1. M/s. Khimji Kunverji and Company, Partner

BRIEF BIOGRAPHY OF THE DIRECTORS

Mr. Nirmal Jain, Chairman and Managing Director

Mr. Nirmal Jain has been the Chairman and Managing Director of the Company since its incorporation, i.e., October 18, 1995. Mr. Nirmal Jain holds a MBA degree from IIM Ahmedabad and is a member of the Institute of Chartered Accountants of India and the Institute of Cost Accountants of India. He started his career in 1989 with Hindustan Lever Limited, a subsidiary of Unilever Plc, in their commodities trading and exports division. Mr. Jain has a total experience of more than 15 years.

Mr. R. Venkataraman, Executive Director

Mr. R. Venkataraman joined the Board with effect from July 5, 1999. He holds a B. Tech degree in Electronics and Electrical Communications Engineering from IIT Kharagpur and an MBA degree from IIM Bangalore. He has held senior managerial positions in various divisions of ICICI Limited, including ICICI Securities Limited, their investment banking joint venture with J P Morgan of USA. He also worked as an equity analyst with BZW and Taib Capital Corporation Limited. He has also held the position of Assistant Vice President with G E Capital Services India Limited in their private equity division. He has varied experience of more than 14 years in the financial services sector.

Mr. Sat Pal Khattar, Non-Executive Director

Mr. Sat Pal Khattar joined the Board with effect from April 20, 2001. Mr. Sat Pal Khattar is a lawyer by profession. He was the founding partner of a firm of solicitors in Singapore named KhattarWong and at present is a Consultant in the said firm. He is also a director of a number of public companies in Singapore and India. He is the Chairman of 'Network India', a body sponsored by the Government of Singapore, which promotes two way business contacts between Singapore and Indian business interests.

Mr. Sanjiv Ahuja, Non-Executive and Independent Director

Mr. Sanjiv Ahuja joined the Board with effect from August 28, 2002. Mr. Ahuja graduated from National University of Singapore with a degree in Computer Science and is also a Certified Public Accountant. He started his career in 1988 with Accenture (formerly Andersen Consulting) and has worked on several large projects particularly in the electronics and utilities industries. He joined the Thakral Group of Companies in 1991 as the Chief Executive of their electronics packaging and warehousing company in Singapore and has also headed the group's Indian Investments division. He started his own investment advisory and consulting company in 2001, named, Centennial Management Consultants Private Limited, focusing on investment mediation and investment management and advice. At present, he is also an Executive Director with Corporate Brokers International Private Limited, a reputed Singapore based mergers and acquisitions firm focusing on the SME space and also a board member of the Singapore Indian Chamber of Commerce and Industry, a post he has held since 2002. He is very familiar with the South Asian and South East Asian Markets and has direct investment experience in a variety of industries including real estate development, distribution and information technology. Mr. Ahuja has an experience of more than 17 years.

Mr. Kranti Sinha, Non-Executive and Independent Director

Mr. Kranti Sinha joined the Board with effect from January 27, 2005. Mr. Sinha graduated from the Agra University with a Masters degree. He started his career in 1965 as a direct recruit Class I officer with Life Insurance Corporation of India and has worked in various capacities and at different locations throughout the country. He worked at various managerial levels and rose through the hierarchy to serve as the Director and Chief Executive of LIC Housing Finance Limited from August 1998 to December 2002 and concurrently as the Managing Director of LICHL Care Homes (a wholly owned subsidiary of LIC Housing Finance Limited). He retired from the permanent cadre of the Executive Director of LIC. He has also served as the Deputy President of the Governing Council of Insurance Institute of India and as a member of the Governing Council of National Insurance Academy, Pune apart from various other such bodies. He is currently the Managing Director of The Global Institute for Financial and Education Services (India) Private Limited (a wholly owned subsidiary of The Global Institute, LLC, USA). Mr. Sinha is also on the Board of Directors of Hindustan Motors Limited and Larsen & Toubro Limited.

Mr. Nilesh Shivji Vikamsey, Non-Executive and Independent Director

Mr. Nilesh Shivji Vikamsey joined the Board with effect from February 11, 2005. Mr. Vikamsey qualified as a Chartered Accountant in 1985 and has been a member of the Institute of Chartered Accountants of India since 1985. He has a Diploma in Information System Audit ("DISA") from the Institute of Chartered Accountants of India in 2003. In 1985, Mr. Vikamsey was inducted as partner in M/s. Khimji Kunverji and Company, Chartered Accountants and was given charge of the audit department till 1990 and thereafter to handle assignments related to financial services, consultancy, investigations, mergers and acquisitions, valuations etc. Mr. Vikamsey is a director of Alpha Garments Private Limited & English Apparels Private Limited and HLB Technologies (Mumbai) Private Limited. Mr. Vikamsey is also a member of the Expert Committee of Law and Company Affairs formed by the Indian Merchants' Chamber and a member of Insurance Committee and Legal Affairs Committee of Bombay Chamber of Commerce & Industry.

Composition of our Board of Directors

We currently have 6 Directors on our Board, of which Mr. Nirmal Jain is our Chairman and Managing Director and Mr. R Venkataraman is an Executive Director. Other Members of our Board, i.e., Mr. Sat Pal Khattar is a non-Executive Director and Mr. Sanjiv Ahuja, Mr. Kranti Sinha and Mr. Nilesh S. Vikamsey are non-Executive and Independent Directors.

Compensation of Directors

For details on the compensation of our Executive Directors, please refer to the section titled "Statutory and Other Information" on page no. 207 of this Draft Red Herring Prospectus.

Shareholding of our Directors in Company

The shareholding of our Directors as on the date of filing of this Draft Red Herring Prospectus with SEBI is as below:

Name of the Director	Number of Equity shares of Rs. 10/- each
Mr. Nirmal Jain	8,706,450
Mr. R. Venkataraman	3,375,000
Total Shares	12,081,450

Apart from the Directors as mentioned above, Mr. Sat Pal Khattar, one of our non-Executive Directors holds 3,240,051 equity shares of our Company through Khattar Holdings Pte Limited and Reeshanar Investments Limited in the manner as below.

Reeshanar Investments Limited is an Overseas Corporate Body and is a wholly owned subsidiary of Khattar Holdings Pte Limited. Mr. Sat Pal Khattar, one of our Non-Executive Directors, alongwith his family members holds the entire issued capital of Khattar Holdings Pte Limited.

Name of the Company	Number of Equity shares of Rs. 10/- each
Khattar Holdings Pte Limited	2,090,017
Reeshanar Investments Limited	1,150,034
Total Shares	3,240,051

Term of Office of Directors

Mr. Nirmal Jain is a permanent Director and Mr. R. Venkataraman is our Executive Director. As per Article 119 of our Articles of Association, the Board may appoint any senior executive of the Company as an Executive Director of the Company and he shall be liable to retire by rotation as provided but be eligible for reappointment.

For the details of the terms of office of our Directors, please refer to the Section “Main Provisions of the Articles of Association of India Infoline Limited” on page no. 213 of this Draft Red Herring Prospectus.

Changes in the Board of Directors during the last three years

Name of Director	Date of Appointment	Date of Cessation / Resignation
Mr. Anirudha Dutta	July 5, 1999	May 15, 2002
Mr. Mansukh Jain	October 18, 1995	August 28, 2002
Mr. Donald M. Peck	November 20, 1999	March 19, 2003
Mr. Punit Khanna	December 14, 1999	March 19, 2003
Mr. Steven A. Bates	May 15, 2002	March 19, 2003
Mr. Atul R. Rastogi	January 25, 2002	November 4, 2003
Mr. N. Srinivasan	June 30, 2003	January 27, 2005
Mr. Kranti Sinha	January 27, 2005	-
Mr. Nilesh S. Vikamsey	February 11, 2005	-

CORPORATE GOVERNANCE

The provisions of the Listing Agreement to be entered into with the Stock Exchanges with respect to corporate governance and the SEBI Guidelines in respect of corporate governance will be applicable to our Company immediately upon the listing of our Company's Equity Shares on the Stock Exchanges. Our Company undertakes to adopt the Corporate Governance Code as per Clause 49 of the Listing Agreement to be entered into with the Stock Exchanges prior to the listing. Our Company intends to comply with such provisions, including with respect to the appointment of independent directors to its Board and the constitution of the following Board Committees: the Audit Committee, the Compensation Committee and the Share Transfer and Investor Grievance Committee.

We believe in adopting the best corporate governance practices, based on the following principles in order to maintain transparency, accountability and ethics:

1. Recognition of the respective roles and responsibilities of Board and the management;
2. Independent verification and assured integrity of financial reporting;
3. Protection of shareholder's right and priority for investor relations; and
4. Timely and accurate disclosure on all material matters concerning operations and performance of the company.

At present the following committees have been formed in compliance with the Corporate Governance norms.

Audit Committee

The Audit Committee was approved and constituted and formed by a meeting of the Board of Directors held on August 28, 2002. The terms of reference of Audit Committee is to comply with the requirements of Clause 49 of the listing agreement to be entered into with the Stock Exchanges. The Audit Committee was reconstituted on February 11, 2005 and comprises Mr. Sat Pal Khattar, Mr. Sanjiv Ahuja and Mr. Nilesh Vikamsey. Mr. Vikamsey is currently the Chairman of the Audit Committee.

The objectives and the authority of the Audit Committee are as follows:

- i. the Audit Committee shall have the authority to investigate into any matter that may be prescribed under the provisions of Section 292A of the Companies Act, 1956 and for this purpose, the Audit Committee shall have full access to the information contained in the records of the Company and external professional advice, if necessary. The Statutory Auditor of the Company may be requested to attend the meeting of the audit committee and participate in the discussion, but he shall not have any voting right;
- ii. the Audit Committee shall conduct discussions with Auditors periodically about the internal control systems, the scope of Audit, Compliance of the Accounting Standards, Compliance of the Corporate Governance and to consider the observations of the Auditor. In addition, the Audit committee shall perform all functions as laid down in Clause 49 of the Listing agreement; and
- iii. the members of the Audit Committee shall be vested with right to give recommendation on any matter relating to the financial management including the audit report and their recommendations shall be binding on the Board.

Compensation/ Remuneration Committee

The Compensation Committee was approved and constituted by a meeting of the Board of Directors held on March 1, 2000 and constituted of Mr. Nirmal Jain, Mr. R. Venkataraman, Mr. Mrugank Paranjape and Mr. Anirudha Dutta.

This Committee was reconstituted on August 28, 2002 and comprised Mr. Sat Pal Khattar, Mr. Steve Bates and Mr. R. Venkataraman. The Committee presently comprises Mr. Nilesh Vikamsey, Mr. Kranti Sinha and Mr. Sanjiv Ahuja. Mr. Sanjiv Ahuja is the chairman of the Committee.

The objectives and the authority of the Compensation/ Remuneration Committee are as follows:

- i. the Committee shall have authority to investigate into any matter assigned to them and for such purpose, shall have full access to the information contained in the records of the company and may obtain external professional advice, if necessary;
- ii. the Committee shall perform the following functions :
 - a. Fixation of suitable remuneration package of all the Executive Directors and Non Executive Directors, Senior Employees and Officers i.e. Salary, Perquisites, Bonuses, Stock Options, Pensions etc.
 - b. Determination of the fixed component and performance linked incentives alongwith the performance criteria to all employees of the company.
 - c. Service contracts, Notice Period, Severance fees of Directors and employees.
 - d. Stock Option Details, if any, and whether to be issued at a discount as well as the period over which to be accrued and over which to be exercisable.
- iii. the Committee shall be authorized to determine suitable remuneration policy of the notice of the Managing / Whole time Director(s) / Officer(s) / Appointees based on the criteria such as industry benchmarks, the Company's performance vis-à-vis the industry performance, track records of the Directors etc. The Remuneration Committee shall also take decision on the increments in the remuneration of the Directors / officers / employees within the salary scale approved by the Board.
- iv. the Committee shall be responsible to form such remuneration policy so as to motivate the directors / officers / employees to excel in their performance, recognize their contribution and retain their goodselves to serve the organization; and
- v. the Committee shall conduct discussions with HR Department, take appraisal of the officers / employees and Directors of the Company.

Share Transfer and Investor Grievance Committee

The Share Transfer and Investor Grievance Committee was approved and constituted by a meeting of the Board of Directors held on January 27, 2005.

The Share Transfer and Investor Grievance Committee consists of Mr. Kranti Sinha, Mr. R. Venkataraman and Mr. Sanjiv Ahuja. Mr. Kranti Sinha is the Chairman of the Committee.

The objectives and the authority of the Share Transfer and Investor Grievance Committee are as follows:

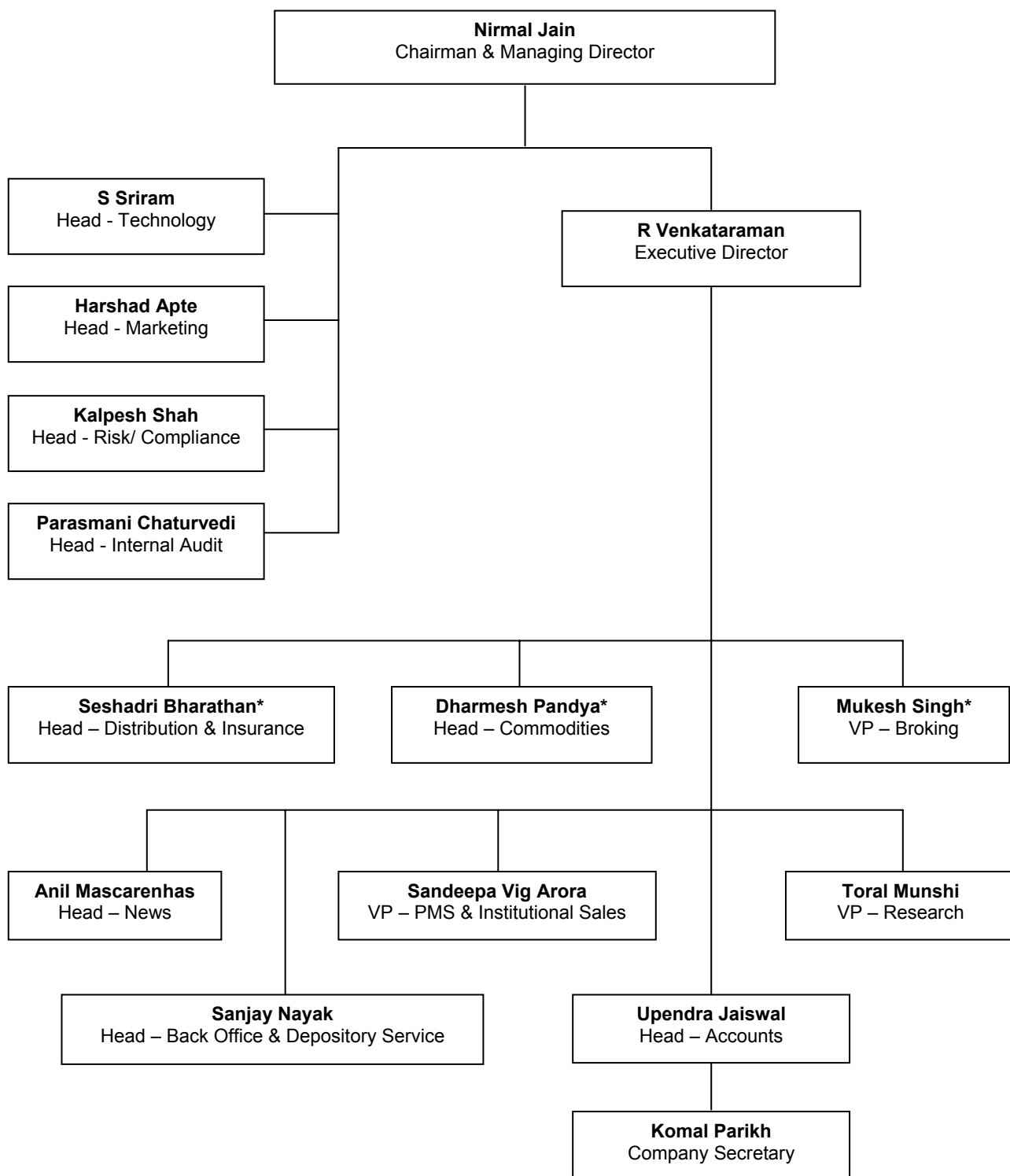
- i. the Committee shall be empowered to perform functions of redressal of Shareholders Complaints concerning :

- a. Share / Debenture Transfers
 - b. Non Receipt of Annual Report and Balance Sheet
 - c. Non Receipt of Interest / Dividend payments
 - d. Non Receipt of Duplicate Share Certificates
 - e. Transfer and Transmission (with or without legal representation) of shares / debentures
 - f. Any other grievances of the members with Company or any officer of the company in performance of his official duty.
- ii. the Committee shall act in accordance with the terms of reference specified / to be specified by the Board which inter *alia*, include the following:
- a. the Chairman of the Committee at any point of time, shall be an independent Director and be elected by the members of the committee amongst themselves.
 - b. the quorum for a meeting of the Share Transfer and Investor Grievance Committee shall be 1/3rd of the total number of members or two Directors, whichever is higher. The Committee shall have meetings periodically as it may deem fit with atleast one meeting in a month.
- iii. the Committee shall have authority to investigate into any matter assigned to them and for this purpose, members of the Committee shall have full access to the information contained in the records of the company and external professional advice, if necessary.

Policy on Disclosures and Internal Procedure for Prevention of Insider Trading

The provisions of Regulation 12 (1) of the SEBI (Prohibition of Insider Trading) Regulations, 1992 will be applicable to our Company immediately upon the listing of its Equity Shares on the Stock Exchanges. Our Company has framed a code of internal procedures and conduct for the prevention of insider trading.

ORGANIZATION STRUCTURE



* Directors in Subsidiary Companies

Key Managerial Personnel

The details of our Key Managerial Personnel are as follows.

Mr. Nirmal Jain, Chairman and Managing Director

Mr. R. Venkataraman, Executive Director

For details on the above, please refer to section titled "Our Management" on page no. 55 of this Draft Red Herring Prospectus.

Mr. Mukesh Kumar Singh, 32 years is the Director of our subsidiary, India Infoline Securities Private Limited and has an experience of 7 years. He holds a B.E. (Mechanical) degree from MIT, Muzaffarpur and a MBA (Finance) degree from the Welingkar Institute of Management Development & Research. In July 1997, he started his career with India Infoline Limited as a research analyst. He later went on to become the Area Manager for Mumbai Distribution Business and Risk Manager for the e-broking business. In September 2001, he became the Director of India Infoline Securities Private Limited. Mr. Singh has been with us since July 1997 and receives annual emoluments of Rs. 854,400/-.

Mr. Seshadri Bharathan, 30 years, is a Director of our subsidiaries, India Infoline.com Distribution Company Limited and India Infoline Insurance Service Limited and has an experience of 6 years. He holds a B.E. (Civil) degree from Bhopal University and a MPIB degree from the Symbiosis Institute of International Business. He started his career in September 1998 with the exports division of Welspun Terry Towels, Mumbai and left the group in February 1999 to pursue his interests in software. In October 1999, he joined the technology team of India Infoline Limited and went on to become the Regional Manager, South India for the Distribution and Insurance Services. In January 2004, he was promoted as the Director of India Infoline.com Distribution Company Limited and India Infoline Insurance Services Limited. Mr. Bharathan has been with us since October 1999 and receives annual emoluments of Rs. 928,800/-.

Mr. S. Sriram, 36 years, is the Head of Technology department in India Infoline Limited. He holds a B. Com degree from the Mumbai University. He is an Associate Chartered Accountant from ICAI and a qualified Cost Accountant from ICWAI. He has work experience of 16 years. In 1989, he started his career with Hindustan Lever Limited, a subsidiary of Unilever Plc in their Finance Division. In 1991, he left Hindustan Lever Limited & set-up his own practice. In 1995, he joined IIL (then called Probity Research & Services Private Limited). He left us in 1999 to join Dun & Bradstreet Information Services India Private Limited as the Head of Systems. Mr. Sriram joined us back in April 2003 as a consultant and later joined us full time from October 2004 and receives annual emoluments of Rs. 1,500,000/-.

Mr. Dharmesh Kishor Pandya, 29 years, is a Director of our subsidiary, India Infoline Commodities Private Limited. He holds a B.E. (Computers) degree from Mumbai University and has an experience of 7 years. He started his career with India Infoline Limited, managing the technology team. He is currently handling the development of our commodity business across the country. Before this, he was responsible for developing offline broking business. Mr. Pandya has been with us since September 1997 and receives annual emoluments of Rs. 578,400/-.

Ms. Sandeepa Vig Arora, 33 years, Vice President of our Portfolio Management Services and Institutional Equity Sales Division has an experience of 9 years. She holds B.Com and M.M.S. (Finance) degrees from Mumbai University. She started her career with Kotak Securities in April 1995 and worked there until September 1999. She was involved in the equity sales division for High Net Worth Individuals and Corporates and later in managing trading portfolios of private clients. She joined our Company in April 2003 and was responsible for setting up the High Net Worth Individuals and Portfolio Management desks. Ms. Arora has been with us since April 2003 and receives annual emoluments of Rs. 804,000/-.

Ms. Toral Munshi, 33 years, is Vice President - Research of India Infoline Limited and has an experience of 8 years. She holds a B. Com degree from the Mumbai University, a Diploma in Business Finance degree and a Chartered Financial Analyst from ICFAI, Hyderabad. She started her career in the research cell of an investment magazine named Capital Market and worked for a year as a Database Analyst. In January 1997, she joined our Company as a Research Analyst and has been tracking the Consumers, Automobiles, Cement and Retail sectors. She has been actively involved with various aspects of the launch and development of our website www.indiainfoline.com. She is entrusted with the task of managing the content of our website and overseeing the equity, mutual fund and commodity research teams. Ms. Munshi has been with us since January 1997 and receives annual emoluments of Rs. 628,800/-.

Mr. Harshad Suhas Apte, 25 years, is the Head of Marketing department of our Company and has an experience of 3 years. He holds B. Com and M. M. S. (Marketing) degrees from the Mumbai University. He started his career with our Company in June 2001 and was responsible for managing the online media properties of our website, www.indiainfoline.com. He has since progressed to handling of our branding & advertising departments as well. He is credited with the creation of a new revenue source for our Company in the form of Stock Messaging Service. Mr. Apte has been with us since June 2001 and receives annual emoluments of Rs. 438,000/-.

Mr. Kalpesh Amritlal Shah, 28 years, is the Head of Risk Management & Compliance department of India Infoline Securities Private Limited and has an experience of 7 years. He holds a B.Com degree from the Mumbai University and is an Associate Chartered Accountant from ICAI. He was with M/s Dhan Holding Private Limited (NSE Broker) and Ionic Investments Private Limited (BSE Broker) as the Head of Accounts department for two years. He has also served as

Whole-time Director in Ionic Investments Private Limited Later he was with M/s Blue Foods Private Limited for two years as the Head of Accounts department. Mr. Shah has been with us since July 2003 and receives annual emoluments of Rs. 368,640/-.

Mr. Sanjay Shivanna Nayak, 38 years, is the Head of Back Office & Depository Services Division of India Infoline Securities Private Limited and has an experience of 13 years. He holds a M. Com degree from the Mumbai University and also a certified degree for the course of NCFM (DP Module) offered by NSE. He has been working in the stock broking industry for more than 13 years including 6 ½ years with SG Asia Securities Private Limited (a FII broking firm), 3 years with J. M. Shares & Stock Brokers Limited. He has been with us since March 2003 and receives annual emoluments of Rs. 410,640/-.

Mr. Upendra Kumar Jaiswal, 31 years, is the Head of Accounts department of our Company and has an experience of 10 years. He holds a B.Com degree from the Mumbai University and is a qualified Cost Accountant from ICWAI and a Fellow Chartered Accountant from ICAI. He started his career with RSM & Co., Chartered Accountants (formerly known as Ratan S. Mama & Co.), a firm of Chartered Accountants affiliated with Panell Kerr Forster. Before joining our Company, he was a partner in Ashok Bairagra & Associates, Chartered Accountants for 5 years. Mr. Jaiswal has been with us since October 2004 and receives annual emoluments of Rs. 500,400/-.

Mr. Anil Nelson Mascarenhas, 30 years, is the Head of News division and the Chief Editor of our website www.indiaonline.com. He holds B. A. (English) degree from the Mumbai University and a post-graduate diploma in journalism from the Bombay College of Journalism and has an experience of 9 years in the field of journalism. He has freelanced for various newspapers like the Times of India, Financial Express, Indian Express and Mid-Day. In 1995, he joined 'The Daily' (earlier India's first and only morning tabloid) as the Sub-editor and was subsequently promoted to Head of News Bureau in 1996. Mr. Mascarenhas has been with us since September 1999 and receives annual emoluments of Rs. 374,400/-.

Ms. Komal Bharatbhai Parikh, 28 years, is the Company Secretary of our Company and has an experience of 4 years. She holds an M. Com & LLB (Gen.) degree from the Gujarat University. She is an Associate Member of the Institute of Company Secretaries of India & ACIS from the Institute of Chartered Secretaries and Administrators, London. She was a partner with Nilesh Shah & Associates, a firm of Practising Company Secretaries and Proprietor of Komal Parikh & Associates. Prior to that, she was employed with C. R. Shah Associates, a Management Consultancy firm promoted by Mr. Chinubhai R. Shah, Ex President, Institute of Company Secretaries of India. Ms. Parikh has been with us since January 2005 and receives annual emoluments of Rs. 300,000/-.

Ms. Parasmani Vishal Chaturvedi, 28 years, is the Head of Internal Audit department of our Company and has an experience of 6 years. She holds a B. Com degree from the Mumbai University. She has worked with Ernst and Young in their MAS (Management Assurance Services) Division for 2 years, with an Indo-German collaboration named, Phoenix Mecano (India) Private Limited for 2 years and also worked with the Bank of Punjab in their Credit Department for 2 years. Ms. Chaturvedi has been with us since April 2004 and receives annual emoluments of Rs. 300,000/-.

All the key managerial personnel as mentioned above are permanent employees of our Company.

Shareholding of our Key Managerial Personnel

Except as stated in the section titled "Capital Structure" on page no. 19 of this Draft Red Herring Prospectus, none of our key managerial personnel holds any Equity Shares in our Company.

Bonus and/or profit sharing plan for our Key Managerial Personnel

In addition to emoluments, our employees get performance-based incentives on a quarterly basis. We have also implemented an Employee Stock Option Plan.

Changes in the Key Managerial Personnel of our Company in the last 3 years

Name	Designation/ Functional Responsibility	Date of Joining	Date of Leaving	Reason for change
Amar Rathi	Head, Retail Broking	May 4, 2002	December 2, 2002	Resignation
Pinkesh Soni	Finance Controller	August 18, 2002	September 7, 2004	Resignation
Rakesh K Rathod	Assistant Vice-President, Alternate Channel	August 1, 2003	November 11, 2004	Resignation
Vikas Phadke	General Manager, Accounts	May 4, 2002	December 26, 2002	Resignation
Vinod Chari	Senior Analyst - Research	August 1, 2002	July 10, 2004	Resignation
S. Sriram	Head - Technology	April 1, 2003	-	-

Name	Designation/ Functional Responsibility	Date of Joining	Date of Leaving	Reason for change
Sandeepa Vig Arora	Vice-President - Portfolio Management Services and Institutional Equity Sales Division	April 9, 2003	-	-
Kalpesh Amritlal Shah	Head - Risk Management & Compliance	July 12, 2003	-	-
Sanjay Shivanna Nayak	Head - Back Office & Depository Services	March 23, 2003	-	-
Upendra Kumar Jaiswal	Chief Accounts Manager	October 1, 2004	-	-
Parasmani Vishal Chaturvedi	Manager - Internal Audit	April 27, 2004	-	-
Komal Bharatbhai Parikh	Company Secretary	January 27, 2005	-	-

OUR PROMOTERS AND THEIR BACKGROUND



Mr. Nirmal Jain, Chairman and Managing Director

Mr. Nirmal Jain has been the Chairman and Managing Director of the Company since its incorporation, i.e., October 18, 1995. Mr. Nirmal Jain holds a MBA degree from IIM Ahmedabad and is a member of the Institute of Chartered Accountants of India and the Institute of Cost Accountants of India. He started his career in 1989 with Hindustan Lever Limited, a subsidiary of Unilever Plc, in their commodities trading and exports division and to his credit has the rich experience of being a founder member of one of the leading equity research and broking houses called Inquire. In the year 2000, Mr. Jain was a finalist in the Ernst & Young Entrepreneur of the Year Award. Mr. Jain has a total experience of more than 15 years in financial services sector.

Voter ID No.: MT/08/040/691111
Driving License No.: MH-02-92-10565



Mr. R. Venkataraman, Director

Mr. R. Venkataraman joined the Board with effect from July 5, 1999. He holds a B. Tech degree in Electronics and Electrical Communications Engineering from IIT Kharagpur and an MBA degree from IIM Bangalore. He has held senior managerial positions in various divisions of ICICI Limited, including ICICI Securities Limited, their investment banking joint venture with J P Morgan of USA. He also worked as an equity analyst with BZW and Taib Capital Corporation Limited. He has also held the position of Assistant Vice President with G E Capital Services India Limited in their private equity division. He has varied experience of more than 14 years in the financial services sector.

Voter ID No.: MT/08/039/0750486
Driving License No.: MH-02-96-19154



Mrs. Madhu Jain

Madhu Jain, is wife of Mr. Nirmal Jain and is currently employed in family business owned by Mr. Nirmal Jain's brother Mansukh Jain viz. Mansukh Distributors Private Limited, as Vice President- Accounts, Admin & Human Resources. She holds a Masters degree in Science from Rajasthan Agriculture University, Jaipur and Bikaner.

Voter ID No.: MT/08/040/691112
Driving License No.: MH-02-97-54669

The Permanent Account Number ("PAN"), Bank Account Number and Passport Number of our Promoters has been submitted to the stock exchanges, on which we propose to list our Equity Shares at the time of filing of this Draft Red Herring Prospectus.

PROMOTER GROUP COMPANIES

The details of the promoter group companies are as follows.

1. PARTNERSHIP FIRMS

1.1. M/s. Jain R. B. and Associates, Chartered Accountants

M/s. Jain R.B. and Associates, Chartered Accountants is a partnership concern incorporated vide a Deed of Partnership dated December 31, 2003 under the Indian Partnership Act, 1932. The registered address of the firm is C 108, Shyam Kamal Building, Agarwal Market, Vile Parle (East), Mumbai – 400 057.

Partners

Name of the Partners	Partner's Share (%)
Mr. Ramesh Chandra B. Jain	62%
Mr. Pritesh Mehta	2%
Mr. V. Ramesh	7%
Mr. P. Ramnathan	7%
Mr. M. Moortthy	7%
Mr. V. Rajendran	6%
Mr. Murarilal Agarwal	4%
Mr. M. Ramakrishnan	5%
Total	100%

Financial Performance

The financial performance of this firm for the last three years is as below:

Particulars	Year Ended March 31		
	2002	2003	2004
	(in Rs. million)		
Partners' Capital Account	0.003	0.003	0.003
Partners' Current Account	0.091	0.232	0.235
Fixed Assets	0.021	0.008	0.003
Net Current Assets	0.075	0.224	0.200
Profit / (Loss) after Tax	0.015	0.041	0.080

2. M/s. Royal Life Associates

M/s. Royal Life Associates is a partnership firm that commenced its business on January 1, 2003. On January 8, 2003 vide a Deed of Admission of Partnership, IIISL became a partner of M/s. Royal Life Associates. M/s. Royal Life Associates is carrying on the business as corporate insurance agent of ICICI Prudential Life Insurance Company Limited. The principal office of M/s. Royal Life Associates is at 5/37, Old Anand Nagar, Opposite Billawa Bhavan, BSES Road, Santa Cruz (East), Mumbai and the business of this firm is carried on from 24, Nirlon Complex, Off Western Express Highway, Goregaon (East), Mumbai - 400 063.

Partners

Name of the Partners	Partner's Share (%)
India Infoline Insurance Services Limited	98.50%
Mr. Abu Saleh Choudhury	0.50%
Mr. Kalpesh Rathod	0.50%
Mr. Anup Bhaiya	0.50%
Total	100%

Financial Performance

The financial performance of this firm for the last three years is as follows:

(in Rs. million)

Particulars	Year Ended March 31		
	2002	2003	2004
Partners' Capital Account	-	-	-

Partners' Current Account	-	(0.013)	(0.079)
Fixed Assets	-	-	-
Net Current Assets	-	(0.013)	(0.079)
Profit / (Loss) after Tax	-	-	-

2. SOLE PROPRIETORSHIP CONCERN

M/s. R. B. Jain & Associates, Chartered Accountants

The sole proprietorship by the name of M/s. R. B. Jain & Associates is a sole proprietorship concern formed on April 21, 1983 through its karta Mr. R. B. Jain and the object of R. B. Jain & Associates is to practice as Chartered Accountants.

Financial Performance

The financial performance of this firm since conversion of the firm to the proprietorship concern is as given below:

Particulars	Year Ended March 31		
	2002	2003	2004
Capital	0.420	0.347	0.434
Investments	0.000	0.000	0.000
Net Current Assets	0.121	0.131	0.137
Profit / (Loss) after Tax	0.115	0.117	0.087

3. Mansukh Distributors Private Limited

Mansukh Distributors Private Limited was incorporated as a private limited company on May 2, 2002 and commenced its business in April 1, 2003. The main object of the company is to carry on wholesale distribution and retail sale of electronics and kitchenware and home appliances.

The board of directors of Mansukh Distributors Private Limited comprise of:

Mr. Mansukh Jain	Managing Director
Mr. Bhanwarlal Jain	Chairman
Mrs. Sangeeta Jain	Director

The shareholding pattern of this company as on the date of filing of this Draft Red Herring Prospectus is as follows:

Name	No. of Shares held of Rs 100 each	Shareholding (%)
Mr. Mansukh Jain	4,300	86
Mr. Bhanwarlal Jain	350	7
Mrs. Sangeeta Jain	350	7
Total	5,000	100

Financial Performance

The financial performance for Mansukh Distributors Private Limited is as follows:

(in Rs. Million)

	Year ended March 31, 2004
Sales and other Income	63.14
Profit after tax	0.08
Equity Capital	0.5
Reserves	0.12
Earnings per share (of Rs.10 each)	16.01
Book Value per share (of Rs.10 each)	124.68

OUR SUBSIDIARIES

We have the following subsidiaries

1. India Infoline Securities Private Limited (IISPL)

IISPL was incorporated as "India Infoline.com Securities Private Limited", on March 22, 2000 as a private limited company under the Companies Act, 1956. Subsequently on May 1, 2001, it was renamed as "India Infoline Securities Private Limited". IISPL was incorporated with the objective to carry on the business as share and stock brokers, agents, market makers and dealers for dealing in stocks, shares, debentures, bonds, units, options, participation certificates, company deposits, deposit certificates, money market instruments, treasury bills, government securities, savings certificates and generally for securities of all kinds by way of e-broking or through other media, e-commerce etc.

IISPL has membership of the cash segment of the BSE and the cash and derivatives segment of the NSE. It is also a depository participant with National Securities Depository Limited and also a SEBI approved portfolio manager. IISPL commenced offering an online trading product under the brand name of "5paisa.com" from July 2000.

The Board of Directors of IISPL comprises:

Mr. Nirmal Jain	Director
Mr. R. Venkataraman	Whole-Time Director
Mr. Mukesh Kumar Singh	Non-Executive Director
Mr. Sanjiv Ahuja	Independent Director

The shareholding pattern of IISPL as on the date of filing of this Draft Red Herring Prospectus is as follows:

Shareholder	Number of Equity Shares
Mr. Nirmal Jain as nominee of IIL	200
IIL	8,199,800*
Total	8,200,000

*Including an allotment of 2,50,000 shares on February 11, 2005

The financial performance for the last three years is as follows:

	Year ended March 31		
	2002	2003	2004
	(Amount in Rs. Million except per Equity Share data)		
Revenues	19.45	39.49	234.99
Profit after Tax	(2.57)	(0.52)	1.79
Equity share capital	76.00	77.00	79.50
Reserves	9.00	23.00	120.50
Earnings per share (Rs.) for equity share of Rs. 10	(0.32)	(0.07)	0.23
Net Asset Value per share (Rs.)	10.67	12.41	24.82

2. India Infoline.com Distribution Company Limited (IIDCL)

IIDCL was incorporated as "Agri Marketing Services India Private Limited" ("Agri"), on March 21, 1996, as a private limited company under the Companies Act, 1956. In March 2000, we acquired 100% of the equity shares of Agri, from their owners in exchange for the issuance of 508,482 of our Company's Equity Shares. Subsequently on May 8, 2000, it was renamed as "India Infoline.com Distribution Company Limited".

Agri was a direct selling agent of personal financial products including mutual funds, fixed deposits, corporate bonds and government bonds and other small saving instruments. Prior to acquisition, Agri operated 32 branches in southern and western India serving more than 30,000 customers with a staff of approximately 180 employees.

The Board of Directors of IIDCL comprises:

Mr. Nirmal Jain	Executive Director
Mr. Seshadri Bharathan	Executive Director
Mr. R. Venkataraman	Non-Executive Director
Mr. Sanjiv Ahuja	Independent Director

The shareholding pattern of IIDCL as on the date of filing of this Draft Red Herring Prospectus is as follows:

Name of Shareholder	Number of Equity Shares
Nirmal Jain as nominee of IIL	10
R. Venkataraman as nominee of IIL	10
IIL	1,400,080*
Total	1,400,100

*Including an allotment of 100 shares on February 11, 2005

The financial performance for the last three years is as follows:

	Year ended March 31		
	2002	2003	2004
	(Amount in Rs. million except per Equity Share data)		
Revenues	98.82	43.10	81.69
Profit after Tax	(17.30)	(11.37)	9.46
Equity share capital	14.00	14.00	14.00
Reserves	2.31	(9.06)	0.40
Earnings per share (Rs.) for equity share of Rs. 10	(12.36)	(8.12)	6.76
Net Asset Value per share (Rs.)	1.65	6.47	2.57

3. India Infoline Insurance Services Limited (IIISL)

IIISL was incorporated on November 13, 2000 as a private limited company under the Companies Act, 1956. IIISL is a corporate agent of ICICI Prudential Life Insurance Company Limited and in a short span of time has made its mark in the corporate agency business of life insurance.

The Board of Directors of IIISL comprises:

Mr. Nirmal Jain	Non-Executive Director
Mr. R Venkataraman	Non-Executive Director
Mr. Seshadri Bharatan	Executive Director
Mr. Chintan Modi	Non-Executive Director
Mr. Sanjiv Ahuja	Independent Director

The shareholding pattern of IIISL as on the date of filing of this Draft Red Herring Prospectus is as follows

Name of Shareholder	Number of Equity Shares
Mr. Nirmal Jain as nominee of IIL	100
Mr. Seshadri Bharatan as nominee of IIL	100
Mr. R. Venkataraman as nominee of IIL	100
Mr. Harshad Apte as nominee of IIL	100
Mr. Biren Patel as nominee of IIL	100
Mr. Anup Bhaiya as nominee of IIL	100
Mr. Anish Balachandran as nominee of IIL	100
IIL	279,930*
Total	280,630

*Including an allotment of 79930 shares on February 11, 2005

The financial performance for the last three years is as follows:

	Year ended March 31		
	2002	2003	2004
	(Amount in Rs. million except per Equity Share data)		
Revenues	2.99	7.03	17.95
Profit after Tax	(0.99)	(1.84)	(4.17)
Equity share capital	2.01	2.01	2.01
Reserves	(0.99)	(2.83)	(7.00)
Earnings per share (Rs.) for equity share of Rs. 10	(1.98)	(3.68)	(8.34)
Net Asset Value per share (Rs.)	5.07	(4.08)	(24.85)

4. India Infoline Commodities Private Limited (IICPL)

IICPL was incorporated on March 29, 2004 as a private limited company under the Companies Act, 1956. IICPL is a member of the National Commodities and Derivatives Exchange Limited (NCDEX) and the Multi Commodities Exchange of India Limited (MCX) and offers commodities derivatives trading facility to its customers.

The Board of Directors of IICPL comprises:

Mr. Nirmal Jain	Non-Executive Director
Mr. R Venkataraman	Non-Executive Director
Mr. Dharmesh Pandya	Executive Director

The shareholding pattern of IICPL as on the date of filing of this Draft Red Herring Prospectus is as follows:

Name of Shareholder	Number of Equity Shares
Mr. Nirmal Jain as nominee of IIL	5,000
Mr. R. Venkataraman as nominee of IIL	5,000
IIL	199,000*
Total	209,000

* Including an allotment of 100 shares on February 11, 2005

The financial performance is as follows:

Since IICPL was incorporated on March 29, 2004 the details of financial performance of IICPL are not available.

5. India Infoline Investment Services Private Limited (IIISPL)

IIISPL was incorporated on July 7, 2004 as a private limited company under the Companies Act, 1956. IIISPL was incorporated to provide margin funding to the Company's broking customers. IIISPL has made an application dated July 28, 2004 to the RBI for being issued a Certificate of Registration as a NBFC to enable it commence business as a non-banking financial company and is awaiting the same.

The Board of Directors comprises:

Mr. Nirmal Jain	Non-Executive Director
Mr. R. Venkataraman	Executive Director

The shareholding pattern of IIISPL as on the date of filing of this Draft Red Herring Prospectus is as follows:

Name of Shareholder	Number of Equity Shares
Mr. Nirmal Jain as nominee of IIL	5,000
Mr. R. Venkataraman as nominee of IIL	5,000
IIL	1,990,000
Total	2,000,000

Financial performance:

As IIISPL is still awaiting registration as an NBFC from RBI, it has still not commenced business operations.

We or our Promoters or our Subsidiaries have not been restrained or prohibited by SEBI or any other regulatory authority from accessing the capital markets for any reason.

None of the companies promoted by our Promoters have been struck off from the records of the Register of Companies.

Common Pursuits

Save as stated elsewhere in this Draft Red Herring Prospectus, none of our Subsidiaries are engaged in similar businesses as our Company.

Companies of the Promoter/Promoter Group referred to BIFR/ under winding up/having negative net worth

None of the companies promoted by our Promoters or Promoter Group have been referred to BIFR or are under winding up or have negative networth.

Related Party Transactions

There have been no sales or purchases between companies in the Promoter Group exceeding in value in the aggregate 10% of the total sales or purchases of our Company, except those transactions mentioned under the section titled "Related Party Transactions" on page 74 of this Draft Red Herring Prospectus.

Companies under the same management

Except as stated elsewhere in this Draft Red Herring Prospectus, there are no companies under the same management within the meaning of section 370(1) (B) of the Companies Act, 1956.

RELATED PARTY TRANSACTIONS

The details of Related Party Transactions as per the Auditor's Report dated February 18, 2005 are as follows:

(a) Year ended March 31, 2002

1. List of Parties over which control exists:

Name of the parties:	Relationship
India Infoline Securities Private Limited	Wholly owned subsidiary
India Infoline.com Distribution Company Limited	Wholly owned subsidiary
India Infoline Insurance Services Limited	Wholly owned subsidiary

2. Names of the Related Parties with whom Transactions have been carried out during the year and description of Relationship:

Subsidiaries

India Infoline Securities Private Limited
India Infoline.com Distribution Company Limited
India Infoline Insurance Services Limited

Key Management Personnel: Directors

Mr. Nirmal Jain
Mr. R Venkataraman
Mr. Atul Rastogi

Relatives of Key Management Personnel

Mrs. Madhu Jain	[Wife of Mr. Nirmal Jain]
Mr. Bhanwarlal Jain	[Father of Mr. Nirmal Jain]
Mrs. Aditi Venkataraman	[Wife of Mr. R. Venkataraman]

3. Disclosure of related party transactions:

(in Rs. million)

Nature of Transaction	Subsidiaries	Directors	Relatives	Total
Investment	12.01	-	-	12.01
Issue of Equity Shares - Preferential Allotment		1.61	6.48	8.09
Site Maintenance & Content Fees Received	12.00	-	-	12.00
Remuneration		2.92	-	2.92
Indemnity	15.00	-	-	15.00
Corporate Guarantee	2.00	-	-	2.00
Collateral	3.61	-	-	3.61
Advances given/ reimbursement of expenses	14.96	-	-	14.96
Advances taken/ allocation of expenses	0.47	-	-	0.47

4. Amount due to / from related parties

(in Rs. million)

Nature	Subsidiaries	Directors	Total
Receivables	19.62	-	19.62

(b) Year ended March 31, 2003

1. List of Parties over which control exists:

Name Of the parties:	Relationship
India Infoline Securities Private Limited	Wholly owned subsidiary
India Infoline.com Distribution Company Limited	Wholly owned subsidiary
India Infoline Insurance Services Limited	Wholly owned subsidiary

2. Names of the Related Parties with whom Transactions have been carried out during the year and description of Relationship:

Subsidiaries

India Infoline Securities Private Limited
India Infoline.com Distribution Company Limited
India Infoline Insurance Services Limited

Key Management Personnel: Directors

Mr. Nirmal Jain
Mr. R Venkataraman
Mr. Atul Rastogi

3. Disclosure of related party transactions:

(in Rs. million)

Nature of Transaction	Subsidiaries	Directors	Total
Investment	15.00	-	15.00
Remuneration	-	2.77	2.77
Indemnity	15.00	-	15.00
Collateral	7.68	-	7.68
Advances given/ reimbursement of expenses	142.86	-	142.86
Advances taken/ allocation of expenses	137.28	-	137.28

4. Amount due to / from related parties

(in Rs. million)

Nature of Transaction	Subsidiaries	Directors	Total
Receivables	26.16	0.18	26.34
Payables	0.96	-	0.96

(c) **Year ended March 31, 2004**

1. **List of Parties over which control exists:**

Name Of the parties:	Relationship
India Infoline Securities Private Limited	Wholly owned subsidiary
India Infoline.com Distribution Company Limited	Wholly owned subsidiary
India Infoline Insurance Services Limited	Wholly owned subsidiary
India Infoline Commodities Private Limited	Wholly owned subsidiary

2. **Names of the Related Parties with whom Transactions have been carried out during the year and description of Relationship:**

Subsidiaries

India Infoline Securities Private Limited
India Infoline.com Distribution Company Limited
India Infoline Insurance Services Limited
India Infoline Commodities Private Limited

Key Management Personnel: Directors

Mr. Nirmal Jain
Mr. R Venkataraman

3. **Disclosure of related party transactions:**

(in Rs. million)

Nature of Transaction	Subsidiaries	Directors	Total
Purchase of investment	100.10	-	100.10
Share capital	-	-	-
Remuneration	-	3.25	3.25
Media & Content income	18.00	-	18.00
Royalty on Brand	54.00	-	54.00
Corporate Guarantee	50.00	-	50.00
Collateral	2.50	-	2.50
Advances given/ reimbursement of expenses	387.76	-	387.76
Advances taken/ allocation of expenses	382.43	-	382.43

4. **Amount due to / from related parties:**

(in Rs. million)

Nature	Subsidiaries	Directors	Total
Receivables	30.52		30.52

(d) **Period ended September 30, 2004**

1. **List of Parties over which control exists:**

Name Of the parties:	Relationship
India Infoline Securities Private Limited	Wholly owned subsidiary
India Infoline.com Distribution Company Limited	Wholly owned subsidiary
India Infoline Commodities Private Limited	Wholly owned subsidiary
India Infoline Investment Services Private Limited	Wholly owned subsidiary
India Infoline Insurance Services Limited	Wholly owned subsidiary

2. Names of the Related Parties with whom Transactions have been carried out during the year and description of Relationship:

Subsidiaries

India Infoline Securities Private Limited
India Infoline.com Distribution Company Limited
India Infoline Insurance Services Limited
India Infoline Commodities Private Limited
India Infoline Investment Services Private Limited

Key Management Personnel: Directors

Mr. Nirmal Jain
Mr. R Venkataraman
Mr. Sat Pal Khattar
Mr. N Srinivasan
Mr. Sanjiv Ahuja

3. Disclosure of related party transactions:

(in Rs. million)

Nature of Transaction	Subsidiaries	Directors	Total
Investment	27.99	-	27.99
Share capital	-	-	-
Remuneration		3.33	3.33
Media & Content income	9.00		9.00
Royalty on Brand	18.00	-	18.00
Software & Technology Services	27.00	-	27.00
Corporate Guarantee	50.00	-	50.00
Collateral	2.50		2.50
Advances given/ reimbursement of expenses	166.83	-	166.83
Advances taken/ allocation of expenses	131.19	-	131.19

4. Amount due to / from related parties:

(in Rs. million)

Nature	Subsidiaries	Directors	Total
Receivables	64.89	-	64.89

SECTION IV: MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (AS PER UNCONSOLIDATED INDIAN GAAP)

You should read the following discussion of our financial condition and results of operations together with our audited unconsolidated and consolidated financial statements for the period ended March 31, 2000, 2001, 2002, 2003, 2004 and the six months ended September 30, 2004 under Indian GAAP including the schedules, annexure and notes thereto and the reports thereon, which appear in the Auditors' Report beginning on page no. 149 of this Draft Red Herring Prospectus. These financial statements are prepared in accordance with Indian GAAP, the Companies Act, 1956 and the SEBI Guidelines and restated as described in the Auditor's Report of M/s. Sharp and Tannan Associates, Chartered Accountants, dated February 18, 2005 in the section titled "Financial Statements" at page no. 102 of this Draft Red Herring Prospectus. Unless otherwise stated, the financial information used in this section is derived from our audited unconsolidated financial statements under Indian GAAP, as restated.

Our fiscal year ends on March 31 of each year, so all references to a particular fiscal year are to the 12-month period ended March 31 of that year. In this section, references to we, us or our refer to India Infoline Limited and India Infoline Securities Private Limited, India Infoline Commodities Private Limited, India Infoline.com Distribution Company Limited, India Infoline Insurance Services Limited and India Infoline Investment Services Limited and references to IIL or the Company are to India Infoline Limited on an unconsolidated basis.

OVERVIEW

We are one of the leading online investment research and media companies in India. We own and operate internet portals www.indiainfoline.com and www.5paisa.com. We derive revenue from sale of our research, customized assignment in research, Online Media income from advertisement on our website, etc.

We have five wholly owned subsidiaries viz. India Infoline Securities Private Limited, India Infoline Commodities Private Limited, India Infoline.com Distribution Company Limited, India Infoline Insurance Services Limited and India Infoline Investment Services Limited. These subsidiaries are in various investment advisory and intermediation businesses.

We derive a significant part of our revenue by way of content sale, royalty and information technology services to these subsidiaries. In the past, none of these subsidiaries has made any significant profit to be able to deliver any dividend income. We, however, continue to make investment in these subsidiaries based on our belief in their long term fundamentals and potential.

Our founders and their associates funded our operations till fiscal year ended March 31, 1999. During our fiscal year ended March 31, 2000, we required significant capital investment in order to grow our business and develop and market our Internet portal:

- In August 1999, we raised an additional Rs. 19.4 million from our founders and associates through the private sale of 680,000 (2,040,000 post bonus 2:1) of our equity shares;
- In October 1999, we raised Rs. 43.4 million through the private sale of 240,000 (720,000 post bonus 2:1) of our equity shares to Nandi Investments Limited, an investment fund managed by Commonwealth Development Corporation;
- In March 2000, we raised Rs. 302.53 million through additional private sales of 1,087,494 (2,754,000 post bonus 2:1) of our equity shares to investors and institutions including Intel Capital Corporation, ICICI Limited and Kothari Pioneer;
- In June 2001, we raised an additional Rs.32.58 million from our founders and associates through the private sale of 16,200,000 million of our equity shares;
- In October 2001, we raised an additional Rs. 26.74 million through additional private sales of 2,674,129 of our equity shares to our investors, Intel Capital Corporation;
- In November 2001, we raised an additional Rs. 35.25 million through additional private sales of 1,567,551 of our equity shares to our investors and institutions Nandi Investments Limited (now managed by Actis) and Reeshanar Investments Limited;
- In January 2005, we raised Rs. 43 million by way of preferential allotment to the promoters.

Several factors have affected our results of operations, financial condition and cash flow significantly over the past five years. These factors include:

1. Economic conditions, business cycles and capital market trends
2. Production of new research reports and acceptance by clients
3. Ability to control cost and attain high productivity
4. Ability to hire, train and retain people
5. Rapidly rising personal computer, basic and mobile telephony and Internet penetration.
6. Continued leveraging of the Internet to build a media business around our website, www.indiainfoline.com, and focus on information on in the Indian business and finance space.

These factors and a number of future developments may affect our results of operations, financial condition and cash flow in future periods. We believe that the following future developments may affect our future results of operations, financial condition and cash flow:

1. Overall economic scenario and capital market trends
2. Ability to raise capital and successfully implement expansion plans particularly those of subsidiaries
3. Successful execution of our strategy for growth
4. Regulations affecting the Indian capital markets
5. Overall performance of subsidiaries as we derive significant part of our revenue from them. We also expect stream of dividend income once they achieve sustainable profitability
6. Ability to acquire new customers for content and online media businesses
7. New strategic partnerships or mergers/ acquisitions
8. Competition activities

For more information on these and other factors/developments, which have or may affect us financially, please refer to the other parts of this section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as the section titled "Risk Factors" on page ix and the section titled "Business" on page 42 of this Draft Red Herring Prospectus.

OUR SIGNIFICANT ACCOUNTING POLICIES

Preparation of financial statements in accordance with Indian generally accepted accounting principles, the applicable accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956, require our management to make judgments, estimates and assumptions regarding uncertainties that affect the reported amounts of our assets and liabilities, disclosures of contingent liabilities and the reported amounts of revenues and expenses. These judgments, assumptions and estimates are reflected in our accounting policies, which are more fully described in "Financial Statements – Significant Accounting Policies" Section of the Auditor's Report appearing on page no. 149 in this Draft Red Herring Prospectus.

Certain of our accounting policies are particularly important to the portrayal of our financial position and results of operations and require the application of significant assumptions and estimates of our management. While we believe that all aspects of our financial statements should be studied and understood in assessing our current and expected financial condition and results, we believe that the following significant accounting policies warrant additional attention:

A. Significant Accounting Policies:

a) Basis of preparation of financial statements:

The financial statements have been prepared under historical cost convention on an accrual basis.

b) Use of Estimates:

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

c) Revenue Recognition:

Revenue from media is recognized pro-rata over the contractual period. Revenue from services rendered consisting of Content Sale, Royalty on Brand Usage, etc. is recognized as per agreed contractual terms, pro-rata subscriptions, as the case may be.

d) Intangible Asset & Amortization:

The company amortizes cost of intangible asset over a period of five years.

e) Fixed Assets and Depreciation:

Fixed assets are stated at cost of acquisition less accumulated depreciation thereon. Depreciation is charged using the straight line method based on the useful lives of fixed assets as estimated by the management as specified below, or the rates specified in accordance with the provisions of schedule XIV of the Companies Act, 1956, whichever is higher.

Full depreciation is charged on assets purchased during the year and no depreciation is charged on assets sold during the year.

Individual assets costing less than Rs 5,000/- have been depreciated in full in the year of purchase.

Estimated useful life of the assets is as under:

Furniture and fixtures	5 years
Computer equipment	3 years
Software	3 years
Office equipment	5 years

f) Investments:

Investments are classified into current and long-term investments. Current investments are stated at lower of cost or market value. Long-term investments are carried at cost less provisions, if any, for permanent diminution the value of such Investment.

g) Foreign exchange transactions:

Transactions in foreign currencies are recorded at the prevailing rates at the time transactions were effected. Foreign currency assets & liabilities outstanding at the year-end are translated at the rates of exchange ruling on that day; gain / loss on transactions are accounted in the Profit & Loss account, or adjusted in the value of Fixed Assets, as applicable.

h) Retirement Benefits:

The Company's contribution towards Provident Fund and family pension fund is charged against revenue for the period/ year.

The Company has provided Gratuity payable to employees on the basis of actuarial valuation. The company provides for leave encashment payable to employees on actual basis.

i) Leases:

Lease rentals in respect of operating lease arrangements are charged to the Profit & Loss Account in accordance with Accounting Standard 19 – Leases, issued by the Institute of Chartered Accountants of India.

j) Taxes on Income:

Provision for current tax is computed in accordance with relevant tax regulations.

Deferred tax is recognized for all timing differences between accounting income & taxable income and is quantified using enacted / substantially enacted tax rates as at the balance sheet date. Deferred tax assets are recognized subject to the management judgment that the realization is virtually certain.

BUSINESS PERFORMANCE

Income:

Our income has 3 components: Media & Content Income, Royalty on brand and Information Technology Services. The following table sets forth the contribution of the different components of our revenue and of other income towards total income during each of financial years 2002, 2003, 2004 and the six months ended September 30, 2004:

Contribution of various revenue streams to total income

(In Rs. million)

Particulars	Financial Year ended			Half Year ended
	31-Mar-02	31-Mar-03	31-Mar-04	30-Sep-04
INCOME				
Income from operations				
Media & Content Income	28.25	6.24	34.59	25.99
Royalty on Brand	-	-	54.00	18.00
Software and Technology Services	-	-	-	27.00
Other Income	4.52	10.69	8.72	4.06
Total Income	32.78	16.93	97.31	75.05

Revenues

During our fiscal year ended March 31, 2004, our sources of revenue have been

- Media and content income
- Royalty on brand
- Content and technology services

Media and content income comprises income inter alia from sale of banner space on website, email campaign and other marketing activities on our website, sale of research reports and customized assignments, managing website and providing content to the subsidiary company, India Infoline Securities Private Limited and India Infoline.com Distribution Company Limited. Media and content income comprised 86.18%, 36.86%, 35.55% and 34.63% of total income for financial years 2002, 2003 and 2004 and the six months ended September 30, 2004, respectively.

Royalty on brand

We own the intellectual property in the brand and trademarks of 'India Infoline.com' and '5paisa.com'. The company derives royalty income from the subsidiaries for use of these brand names. Royalty on brand comprised 55.49% and 23.98% of total income in financial years 2004 and the six months ended September 30, 2004 respectively

Software and technology services

The company has a pool of analysts and software engineers who over the years have developed certain software and content base. They are also maintained and regularly updated by the company's staff. The company derives income from the subsidiaries for use of such content and technology services. Software and technology services comprised 35.98% of total income in the six months ended September 30, 2004.

Other Income

Other income primarily relates to income from sub-letting of premises taken on lease at Goregaon, Mumbai and Interest on Fixed Deposits. Other income comprised 13.79%, 63.14%, 8.96% and 5.41% of total income for financial years 2002, 2003 and 2004 and the six months ended September 30, 2004, respectively.

Expenditure

The following table sets out IIL's expenses as a percentage of its total income for the fiscal years ended March 31, 2002, 2003 and 2004 and the six months ended September 30, 2004:

(in Rs. million)

Particulars	Financial Year ended			Half Year ended
	31-Mar-02	31-Mar-03	31-Mar-04	30-Sep-04
EXPENDITURE				
Employee Cost	44.23%	53.81%	3.69%	10.94%
Administration & Other Expense	77.27%	55.35%	6.24%	11.95%
Interest	0.00%	0.00%	0.00%	0.00%
Depreciation & Amortization	94.81%	187.89%	19.97%	2.41%
Total Expenditure	216.32%	297.05%	29.89%	25.29%

Expenses

Our expenses primarily consist of:

- Employee costs;
- Internet related and software costs;
- General and administrative costs; and
- Depreciation and amortization.

Employee costs consist primarily of salaries and employment related benefits. We hire *inter alia* a team of research analysts, software and hardware engineers, and support staff for accounts, human resources and administrative functions. As our operations grow, we expect that number as well as cost of employees will increase substantially. A number of staff hired by also work entirely or partly for our subsidiary companies. We recover such costs from the subsidiaries on actual identification basis or reasonable management estimates basis.

We have an Employee Stock Option Plan for our employees. Till date we have granted ESOPs in 3 lots, with the first one being in 2000 and the second one being in April 2003 & the latest one in October 2004. As on date of filing this Draft Red Herring Prospectus, we had 1,502,650 ESOPs in force out of which 242,535 are already vested.

Internet and software costs primarily consist of costs related to hosting servers with ISPs, leasing ISDN lines, VSATs and the purchase of software related to our Internet portal content business such as our Bloomberg data feed. As we expand our network connectivity to our Investor Points, stock exchanges and backup hosts and servers, we expect to incur additional line leasing costs as well as additional software costs in order to provide an interactive interface at each location.

General and administrative expenses primarily include advertising costs which involve expenses incurred to increase awareness of our Internet portal, products and services and costs of our corporate and branch offices for rent, repair of equipment, telephone, utilities, outsourced research and other general overhead costs. We expect that such expenses will increase to be a significant portion of our total expenses.

We **depreciate** our tangible assets and software on a straight-line basis over the useful life of the assets, which ranges from three to five years.

We follow the practice of amortizing the cost of intangible assets Viz. Non-Compete Fees, over a period of five years. However during the financial year 2003-04, we fully amortized the balance portion of Rs. 16 million instead of Rs. 8 million in view of management's opinion that no further benefit will be derived from this Non-Compete Agreement.

Adjusted Profit/(Loss) after Tax

The adjusted profit/(loss) after tax consists of the net profit/(loss) after tax as per the audited statement of accounts, adjusted on account of (1) changes in accounting policies and (2) the impact of material adjustments and prior period items.

Our Results of Operations

The table below sets forth various line items from our restated financial statements for FY 2002, FY 2003, FY 2004 and for the period ended September 30, 2004, as a percentage of Total Income.

Particulars	Financial Year ended			Period ended September 30, 2004
	2002	2003	2004	
Operating Revenues	28.25	6.24	88.59	70.99
Other Income	4.52	10.69	8.72	4.06
Total Revenue	32.78	16.93	97.31	75.06
Direct Cost to Total Revenue	0.00%	0.00%	0.00%	0.00%
Direct Cost	-	-	-	-
Personnel Cost to Total Revenue	44.23%	53.81%	3.69%	10.94%
Personnel Cost	14.5	9.11	3.59	8.21
Operating cost to Total Revenue	77.27%	55.35%	6.24%	11.95%
Operating Cost	25.33	9.37	6.07	8.97
Depreciation to Total Revenue	94.81%	187.89%	19.97%	2.41%
Depreciation	31.08	31.81	19.43	1.81
Finance charges to Total Revenue	-	-	-	-
Finance Charges	-	-	-	-
Net Profit/(Loss) before Tax to Total Revenue	-116.32%	-196.99%	70.11%	74.71%
Net Profit/(Loss) before Tax	-38.13	-33.35	68.22	56.07
Current Tax	-	-	0.5	4.6
Deferred Tax Charge/ (Release)	-	-	-	-
Net Profit/(Loss) after Tax to Total Revenue	-116.33%	-196.99%	69.59%	68.58%
Net Profit/(Loss) after Tax	-38.13	-33.35	67.72	51.47

The six months ended September 30, 2004

Some of the key developments that occurred during 2004 include the following:

1. There was huge volatility in stock markets in the wake of major political upheavals and change of government
2. We procured major contracts for supply of content, online media and other services from a leading private sector insurance company as well as from our subsidiary companies.

The revenues and expenditure for the six months period ended September 30, 2004 may not be considered representative of the entire year.

Total Income

The total income of the company for half year ended September 30, 2004 was Rs. 75.05 million.

Media & Content income

Online media and the content business income for half year ended September 30, 2004 was Rs. 25.99 million.

Royalty for brand

This income accrues to the company from its subsidiaries as charges for using the brands owned by IIL. For half year ended September 30, 2004 this was Rs. 18 million.

Information technology services

During the period HY 2004-05, the company entered into a contract with its subsidiaries for providing information technology services. The income from this contract was Rs. 27 million.

Other income

Other income prominently comprising sub-letting income and interest on fixed deposits for half year ended September 30, 2004 was Rs. 4.06 million.

Employee cost:

Employee cost for half year ended September 30, 2004 was Rs. 8.21 million.

Administrative and other expenses

These expenses which includes expenditure on advertisement and publicity for half year ended September 30, 2004 was Rs. 8.97 million.

Depreciation and Amortization

Depreciation and Amortization charge for half year ended September 30, 2004 was Rs. 1.81 million. Major investments in hardware and software were made in FY2000-01 and FY2001-02, which have been completely written off in FY2003-04. Also intangible assets were completely written off in FY2003-04.

Profit/(Loss) before tax

Profit before tax for half year ended September 30, 2004 was Rs. 56.07 million.

Profit/(Loss) after tax

The company's tax liability was minimal on account of carried forward depreciation and business losses. Post- tax, during the period HY 2004-05, the company made a profit of Rs. 51.47 million.

Comparison of FY 2004 with FY 2003

In FY 2004, our company continued to leverage the Internet to build a media business around its site, www.indiaonline.com, and focused on information dissemination in Indian business and finance space.

Total Income

Total income of IIL registered a growth of 474.78% to Rs. 97.31 million in FY 2003-04 versus Rs. 16.93 million in FY 2002-03. This was on account of royalty income on brand usage and higher content and media income.

Royalty on brand

During the year, the Company entered into an agreement with its subsidiaries India Infoline Securities Private Limited (IISPL) and India Infoline.com Distribution Company Limited (IIDCL) for the usage of its trade name and brand name viz. 5paisa.com and India Infoline.com respectively. As per the agreement, the company received a total royalty income of Rs. 54 million in FY 2003-04 from the two subsidiaries.

Media & Content income

During the year, the Company entered into an agreement with its subsidiaries India Infoline Securities Private Limited (IISPL) to provide data and information on Indian companies. As per the agreement, the company received a total content fee of Rs. 18 million in FY 2003-04. Besides, with improving economic scenario, there was significant growth on online media and content income from external customers as well. Total media and content income therefore registered a growth of 454.33%, rising from Rs. 6.24 million to Rs. 34.59 million.

Other income

Interest on fixed deposits fell from Rs. 3.8 million to Rs. 1.5 million as bank fixed deposits were liquidated to meet company's investing requirement in subsidiaries and general business purposes. Other income as a whole fell by 18.43% from Rs. 10.69 million in FY 2002-03 to Rs. 8.72 million in FY 2003-04.

Employee cost

Employee cost decreased from Rs. 9.11 million in FY 2002-03 to Rs. 3.59 million in FY 2003-04 recording a fall of 60.59%. A significant rationalization of human resources at senior level resulted in savings in employee costs.

Administrative and other expenses

These expenses fell from Rs. 9.37 million in FY 2002-03 to Rs. 6.07 million in FY 2003-04 registering a fall of 35.22%. The saving was an offshoot of rationalization of branches and senior management resources.

Depreciation and Amortization

Depreciation and Amortization cost was Rs. 19.43 million in FY 2003-04 as compared with Rs. 31.81 million in FY 2002-03 registering a decline of 38.92%. This was despite the fact that the company decided to write off the balance of intangible assets of Rs. 16 million completely instead of Rs. 8 million charge that would have accrued, had the company amortized as per past accounting practice. The company pruned its portal activities and redeployed the hardware and

other fixed assets so released in its subsidiaries which had requirement of these assets. The asset transfer from the company to its subsidiaries and no incremental depreciation on certain assets already depreciated fully till FY2002-03, resulted in lower depreciation and amortization cost.

Operating profit/(loss)

Operating profit in FY 2003-04 was Rs. 82.52 million, which was a significant growth when compared to the operating loss of Rs. 33.34 million in FY 2002-03. The significantly improved operating performance was due to a combination of factors including improved business climate, higher income from subsidiaries on account of content services and royalty, closing down of loss making branches and rationalization of manpower.

Profit/(Loss) before tax

The operations turned around with significant improvement in operating profit and lower depreciation. The company made a Profit before tax was Rs. 68.22 million in FY 2003-04, as against a loss of Rs. 33.35 million in FY 2002-03.

Profit/(Loss) after tax

In view of past losses, tax liability was minimal. Profit after tax was Rs. 67.72 million in FY 2003-04, as compared with the loss of Rs. 33.35 million in FY 2002-03.

Comparison of FY 2003 with FY 2002

Some of the key developments that occurred during 2003 include the following:

1. The economic slowdown affected our online media income.
2. The content team came up with a number of specialized reports, apart from normal updates on website and features.
3. The company achieved significant reduction in cash losses with strict cost control.

Total Income

Total income of the company fell by 48.35% to Rs. 16.93 million in FY 2002-03 versus Rs. 32.78 million in FY 2001-02, primarily due to steep decline in income from sale of content.

Media & Content income

Income from content sale fell steeply from Rs. 16.1 million to Rs. 3.3 million, whereas online media income remained flat. The content income fall was owing to overall sluggishness in the economy and negative sentiment in capital markets. Media and content income, fell from Rs. 28.25 million in FY 2001-02 to Rs. 6.24 million in FY 2002-03 i.e. a year-on-year fall of 77.91%.

Other income

Other income comprising sub-letting income and interest on fixed deposits registered a growth of 136.50% growing from Rs. 4.52 million in FY 2001-02 to Rs. 10.69 million in FY 2002-03. The company sub-let the surplus premises at Goregaon, Mumbai, to E-Serve International Limited and generated income.

Employee cost

Employee cost decreased from Rs. 14.50 million in FY 2001-02 to Rs. 9.11 million in FY 2002-03 recording a fall of 37.17%. This was due to a rationalization of manpower, which was carried out to reduce manpower costs.

Administrative and other expenses

With rationalization of manpower, branches network and a tight control on costs, including pruning of advertising and publicity activities; the company could achieve a saving of 63.01% in its administrative and other expenses, reducing the same from Rs. 25.33 million in FY 2001-02 to Rs. 9.37 million in FY 2002-03.

Depreciation and Amortization

Depreciation and Amortization cost was Rs. 31.81 million in FY 2002-03 as compared with Rs. 31.08 million in FY 2001-02 registering a modest increase of 2.35%. As there was no major capital expenditure during the year except for routine maintenance. Also there was no change in depreciation policy, which is on straight-line basis. Overall depreciation cost remained at similar level.

Operating profit/(loss)

The company incurred operating losses in FY 2002-03 of Rs. 3.13 million as compared to operating profits of Rs. 2.92 million in FY 2001-02.

Profit/(Loss) before tax

There was a minor reduction of 12.54% in Losses before tax to Rs. 33.35 million in FY 2002-03, as compared to a loss of Rs. 38.13 million in FY 2001-02. This was achieved with tight control on manpower costs and overheads.

Profit/(Loss) after tax

The loss after tax for the FY2003 was Rs. 33.35 million as against Rs. 38.13 million in FY2002.

Comparison of FY 2002 with FY 2001

Some of the key developments that occurred during 2003 include the following:

1. IIL produced and marketed a number of specialized reports on Oil & Gas, Steel, Food Processing, Pharmaceutical, Direct Selling sectors.
2. IIL content was made available on Bloomberg (Code name IILL), MSN, Yahoo and to a global audience through First Call Direct/ Thomson Financial.
3. In online media business, we broadened our customer base by targeting FMCG companies as well.

Total Income

Total income of the company fell by 40.98% to Rs. 32.78 million in FY 2001-02 versus Rs. 55.54 million in FY 2000-01, due to all round negative sentiment in capital markets and economy.

Brokerage and related income

The company had agency license from several mutual funds, RBI and a few companies to distribute their fixed deposits. As a part of overall strategy of regrouping all major businesses in separate subsidiaries, these agencies were transferred to India Infoline.com Distribution Limited in FY2001-02. Therefore, there was no income under this head in FY2001-02 as against Rs. 1.97 million in FY 2000-01.

Media & Content income

With overall slowdown in economy and online media business for finance sites, online media and sponsorship business income fell from Rs. 43.74 million in FY 2000-01 to Rs. 28.25 million in FY 2001-02 registering a fall of 35.41%.

Other income

The company had to utilize its liquid resources to meet the deficit in operations. This led to decline in other income primarily comprising interest on fixed deposits and profit on sale of investments. It fell by 54.07% from Rs. 9.84 million in FY 2000-01 to Rs. 4.52 million in FY 2001-02.

Employee cost

With reduction in manpower and rationalization of salary levels, employee cost fell from Rs. 29.42 million in FY 2000-01 to Rs. 14.50 million in FY 2001-02 recording a fall of 50.71%.

Administrative and other expenses

These expenses registered decreased from Rs. 101.86 million in FY 2000-01 to Rs. 25.33 million in FY 2001-02 registering a fall of 75.13%. With pruning of overall operations, discontinuation of some of the branches, administrative and other expenses were brought down. Owing to a conscious strategy of keeping discretionary advertisement costs under control.

Interest

There was no interest payment in FY 2001-02, as against a minor sum of 0.08 million in FY 2000-01, which was incurred to meet some business exigency.

Depreciation and Amortization

Depreciation and Amortization cost was Rs. 31.08 million in FY 2001-02 as compared with Rs. 26.07 million in FY 2000-01 registering an increase of 19.22%. The company continues to make investment in technology, resulting in higher depreciation.

Operating profit/(loss)

The better control over manpower and administrative costs allowed for an operating profit in FY 2001-02 to Rs. 2.92 million, as against an operating loss of Rs. 56.16 million in FY 2000-01.

Profit/(Loss) before tax

With better control of operations, Loss before tax was Rs. 38.13 million in FY 2001-02, as against a loss of Rs. 101.89 million in FY 2000-01, despite higher depreciation and amortization costs.

Profit/(Loss) after tax

Loss after tax was Rs. 38.13 million in FY 2001-02, as compared with the loss of Rs. 101.89 million in FY 2000-01.

Liquidity and Capital Resources

Liquidity

Our primary liquidity needs have historically been to finance our capital expenditure and to some extent our working capital needs. To fund these costs, we have relied on cash flows from operations.

Cash Flows

The table below summarizes our cash flows for six month ending September 30, 2004:

(in Rs. million)				
Stand alone	Year ended 31st March, 2002	Year ended 31st March, 2003	Year ended 31st March, 2004	Half Year ended 30th September, 2004
Cash at the open	21.41	64.50	23.02	22.31
Net cash from operating activities	(17.40)	(26.43)	93.75	20.63
Net cash used in financing activities	77.64	10.65	(9.75)	12.08
Net cash from investing activities	(17.16)	(25.70)	(84.71)	(31.66)
Cash at the end	64.50	23.02	22.31	23.36

Figures in brackets represent cash outflow

Indebtedness

Key terms of our outstanding indebtedness as on September 30, 2004 were as follows:

(in Rs. million)

Secured Loans

	Source	Amount	Interest Rate	Repayments Terms
1	Overdraft Facility From Bank	12.97	6.65	Repayable on Demand
	Secured Against:			
	Pledge of Fixed Deposit Receipts			
		12.97		

Historical and Planned Capital Expenditures

We made additions to Fixed Assets, including capital work in process amounting to Rs. 7.91 million, Rs. 16.98 million, Rs. 0.72 million and Rs. 4.17 million for FY 2002, 2003, 2004 and the six months ended September 30, 2004.

Our capital expenditure plan as per our objects for the current Issue is as below:

Our requirements of funds for setting up the new centralized office of India Infoline Limited and in investments in subsidiaries is Rs 508.11 million as detailed below:

(in Rs. million)

Company	Activities					Total Project Cost	Amount deployed as on February 15, 2005	Amount to be raised by way of this Issue
	Upgrade office	New branches	Upgrade existing branches	Technology	Financing			
IIL	150.00	-	-	24.60	-	174.60	-	174.60
IISPL	-	123.20	43.80	61.50	-	228.50	100.00	128.50
IIDCL	-	7.70	29.20	6.15	-	43.05	-	36.90
IISL	-	7.70	-	6.15	-	13.85	7.99	5.86
IICPL	-	15.40	-	24.60	-	40.00	13.90	26.10
IISPL	-	-	-	-	100.00	100.00	-	120.00
General Corporate Purpose						20.00	-	
Total	150.00	154.00	73.00	123.00	100.00	630.00	121.89	508.11

We offer information and advice, execution platform, after sales service and support for a wide range of investment products including equities, mutual funds, life insurance and commodities. For ease of administration and compliance, businesses linked to different product lines are carried on by different subsidiaries. They also enable us to offer a wide range of financial services and products to our customers and cross selling opportunities. We intend to utilize the issue proceeds towards the above-mentioned capital expenditure program by December 2006.

For details of objects of the issue, please refer to the section entitled "Objects of the Issue" on page no 32 of this Draft Red Herring Prospectus.

Related Party Transactions

For details of related party transactions, please refer to the section entitled "Related Party Transactions" on page no 74 of this Draft Red Herring Prospectus.

Financial Market Risks

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to financial market risks from changes in interest rates and inflation

Interest rate risk

Our interest rate risk results from changes in interest rates, which may affect our financial expenses. We bear interest rate risk with respect to temporary bank overdraft limits as on September 30, 2004 and for the period ended September 30, 2004 as the interest rate could vary in the near future. Though all our loans are currently linked to respective bank's PLR any rise in interest rates could have our lenders push higher rates of interest on the loans (as applicable to our company).

Effect of Inflation

We are not directly affected by inflation in any significant way. However inflation does affect investor sentiment about equity investing and business confidence, thereby affecting our business volumes.

Information required as per Clause 6.8 of SEBI Guidelines

1. Unusual or infrequent events or transactions

Except as stated elsewhere or in the Auditor's report in this Draft Red Herring Prospectus, we are not aware of any unusual or infrequent events or transactions.

2. Known trends or Uncertainties

Other than as described elsewhere in this Draft Red Herring Prospectus, to the best of our knowledge, there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on revenue or income of the Company from continuing operations.

3. Future relationship between costs and income

We are continuously working to create efficient processes resulting in cost reduction and have a better control over our supply chain. We expect to continue this effort of improving our technology initiatives and try and realize better margins in the future.

Other than as described elsewhere in this Draft Red Herring Prospectus, to the best of our knowledge, there are no known factors, which will affect the future relationship between the costs and income, or which will have a material impact on the operations and finances of the Company.

4. Total turnover for the industry

Please refer to the discussions in the section titled “Industry” on page no.36 of this Draft Red Herring Prospectus.

5. New Products or business segments

For details of new products or business segments, please refer to the section titled “Business” on page no. 42 of this Draft Red Herring Prospectus.

6. Our Strategy

For details of our strategy, please refer to the section titled “Business” on page no. 42 of this Draft Red Herring Prospectus.

7. Seasonality of business

Other than as described elsewhere in this Draft Red Herring Prospectus, to the best of our knowledge, there are no known factors, which are seasonal in nature and which we feel will have a material impact on the operations and finances of the Company.

8. Dependence on single or few suppliers / customers

Other than as described elsewhere in this Draft Red Herring Prospectus, to the best of our knowledge, we are not dependent on any single or few suppliers/customers.

9. Competitive Conditions

We believe that we are well positioned to enhance our position as a retail investment advisory and intermediary company. On account of our competitive strengths, we feel that we are well positioned to serve our customers.

Such strengths include:

- Original research
- Integrated technology platform
- “One Stop” shop
- Pan - India distribution network
- “India Infoline.com” and “5paisa.com” have developed into brands

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (AS PER CONSOLIDATED INDIAN GAAP)

You should read the following discussion of our financial condition and results of operations together with our audited consolidated financial statements for the period ended March 31, 2000, 2001, 2002, 2003, 2004 and the six months ended September 30, 2004 under Indian GAAP including the schedules, annexure and notes thereto and the reports thereon, which appear in the Auditors Report beginning on page no. 149 of this Draft Red Herring Prospectus. These financial statements are prepared in accordance with Indian GAAP, the Companies Act, 1956 and the SEBI Guidelines and restated as described in the Auditor's Report of M/s. Sharp and Tannan Associates dated February 18, 2005 in the section with the title "Financial Statements" on page no. 102 of this Draft Red Herring Prospectus. Unless otherwise stated, the financial information used in this section is derived from our audited unconsolidated financial statements under Indian GAAP, as restated.

Our fiscal year ends on March 31 of each year, so all references to a particular fiscal year are to the 12-month period ended March 31 of that year. In this section, references to we, us or our refer to India Infoline Limited and India Infoline Securities Private Limited, India Infoline Commodities Private Limited, India Infoline.com Distribution Company Limited, India Infoline Insurance Services Limited and India Infoline Investment Services Limited on a consolidated basis.

Overview

Our various services are offered through India Infoline Limited and its 100% subsidiaries viz. India Infoline Securities Private Limited, India Infoline Commodities Private Limited, India Infoline.com Distribution Company Limited, India Infoline Insurance Services Limited and India Infoline Investment Services Limited. We therefore believe the consolidated accounts provide a better view of the Company and its operations.

We are one of the leading players in Investment advisory and intermediary market space. We have membership of the Stock Exchange, Mumbai (BSE), The National Stock Exchange of India (NSE) and we are also a depository participant with the National Securities Depository Limited (NSDL). We have also been licensed by SEBI for Portfolio Management Services (PMS) offerings. We are authorized agent for all the major Mutual Funds in India. We have Corporate Agency for distribution of life insurance of ICICI Prudential Life Insurance Company Limited. We offer Portfolio Management Service (PMS) and broking in equities and commodities under the brand name 5paisa.com and all the other services are offered under the brand name of India Infoline.

Our of our subsidiaries, India Infoline Investment Services Limited (IIISL), has not yet commenced operations and is awaiting RBI clearance with respect to the application made for NBFC license. We have made an investment of Rs. 21.99 million in IIISL.

Our mainstay of revenue is brokerage income on secondary trading and stock market through our Internet based online as well as offline customers and agency commission on Mutual Funds, Fixed Income and Life Insurance products. Besides we also derive revenue from sale of our research, customized assignment in research, Online Media income from advertisement on our website, etc.

As part of our strategy to enter the retail financial products distribution business, in March 2000 we acquired 100% of the equity shares of Agri Marketing Services India Private Limited in exchange for the issuance of a total of 508,482 of our equity shares. The name of this company was later changed to India Infoline.com Distribution Company Limited (hereinafter referred to as IIDCL). IIDCL's business included 32 retail branches, approximately 180 employees and over 30,000 customers. The IIDCL acquisition further diversified our revenue base, providing us with a source of agency commission revenues from retail sales of personal financial products.

We commenced our equities brokerage business in June 2000.

We acquired IRDA license for corporate agency for life insurance business and entered into an agreement with ICICI Prudential Life Insurance Company Limited in December 2000.

We started our commodities brokerage business in FY2004-05.

Several factors have affected our results of operations, financial condition and cash flow significantly over the past five years. These factors include:

- In the past, our business has been affected by cycles linked to general economic conditions, in particular stock market trends.
- Our ability to expand branch network, recruit, train people and
- Efficient management of risk at client level.
- Internet/ P.C. penetration
- Changes in matters related economic, budgetary, foreign investment and capital market related policies and regulatory measures.
- Changes in the tax structure, including income tax, capital gains tax and levy of service tax.

- Competitive activity in the marketplace such as entry of new players, modification in strategy by existing players.

These factors and a number of future developments may affect our results of operations, financial condition and cash flow in future periods. We believe that the following future developments may affect our future results of operations, financial condition and cash flow:

- Setting up of Head Office and branch infrastructure on schedule
- Ability to achieve critical mass in new branches
- Continued FII flows into the Indian economy
- Increase in number of young earners in the Indian economy
- Increase in penetration of Mutual Funds and Life Insurance products
- Overall economic conditions and capital market buoyancy
- Government policies pertaining to the capital markets.
- Political stability
- Robustness and adaptability of our risk management systems. Increased stringency in compliance norms
- Timely receipt of RBI license for NBFC which is waited

Significant Accounting Policies and Notes forming part of the Balance Sheet as at March 31, 2004 and Profit and Loss Account for the year ended March 31, 2004

For more information on these and other factors/developments, which have or may affect us financially, please refer to the other parts of this "Management's Discussion and Analysis of Financial Condition and Results of Operations" section, as well as the section titled "Risk Factors" on page ix and the section titled "Business" on page no. 42 of this Draft Red Herring Prospectus.

NOTES TO CONSOLIDATED RESTATED STATEMENT OF PROFIT AND LOSS AND CONSOLIDATED RESTATED ASSETS AND LIABILITIES

BUSINESS PERFORMANCE

During fiscal year 2000 through the fiscal year 2002-03, we experienced negative cash flow from operations and incurred net losses. We generated a positive cash flow in the financial year 2003-04. As of March 31, 2004, we had an accumulated deficit of Rs. 229.19 million. Our ability to continue generating positive cash flow from operations and achieve profitability is dependent on our ability to grow our broking and retail distribution of personal financial products and to achieve operating efficiencies. We expect that we will generate revenues from our equity broking operations and retail personal financial product distribution business to generate significant growth. We also expect revenues from commodities broking and increased advertising on and sponsorships of our Internet portal. However, we may not be able to realize sufficient future revenues to offset our investment in expanding business or achieve positive cash flow or profitability in the future.

Income:

Our income has 5 components: Equities brokerage & related income, Mutual fund commission, commodities broking, policy commission and media & content income. The following table sets forth the contribution of the different components of our revenue and of other income towards total income during each of financial years 2002, 2003, 2004 and the six months ended September 30, 2004:

Particulars	Financial year ended			Rs. Million
	31-Mar-02	31-Mar-03	31-Mar-04	HY ended 30th Sept, 04
Equities Brokerage & Related Income	18.95	30.79	191.47	148.70
Agency Commission & Fees	97.73	40.07	81.17	44.49
Commodities Brokerage				0.58
Policy Commission	2.99	7.03	17.92	15.72
Media & Content Income	16.25	7.63	16.82	16.99
Other Income	6.11	21.03	52.56	35.98
Total Income	142.03	106.54	359.94	262.46

Revenues

During our fiscal year ended March 31, 2004, our sources of revenue have been

- **Equities brokerage & related income** comprises the income received from broking activities in the Cash and Derivatives segments of both the exchanges, BSE and NSE and related activities such as depository services conducted by our subsidiary India Infoline Securities Private Limited. Equities brokerage & related income comprised 13.34%, 28.90%, 53.19% and 56.66% of total income for the financial years 2002, 2003, 2004 and the six months ended September 30, 2004 respectively.
- **Agency commission income** comprises the income received from the distribution of personal investment products like Mutual products, fixed deposits, IPOs, Govt bonds, etc. conducted by our subsidiary India Infoline.com Distribution Company Limited. Agency commission income comprised 68.81%, 37.61%, 22.55% and 16.95% of total income for the financial years 2002, 2003, 2004 and the six months ended September 30, 2004 respectively.
- **Policy commission income** comprises the income generated from the activity of selling Life Insurance policies as the corporate agent of ICICI Prudential Life Insurance Company Limited. Our subsidiary India Infoline Insurance Services Limited Policy commission income contributed to 2.11%, 6.60%, 4.98% and 5.99% of total income for the financial years 2002, 2003, 2004 and the six months ended September 30, 2004 respectively.
- **Media and content income** is the income generated by getting advertisements for our web properties, www.indiaonline.com and www.5paisa.com. This also includes revenue generated by way of sponsorship and sale of our research reports and customized assignments. Media and content income contributed to 11.44%, 7.16%, 4.67% and 6.47% of total income for the financial years 2002, 2003, 2004 and the six months ended September 30, 2004 respectively.

From the fiscal year 2004-05 onwards we will have additional sources of revenue namely

- **Commodities broking income** is the revenue generated by trading activities in the commodities exchanges, MCX and NCDEX conducted by India Infoline Commodities Private Limited. The activity of commodities broking commenced during the six months ending September 30, 2004 where it contributed 0.22% to the total income.
- **Fees from Portfolio Management Services**, which is the revenue generated from clients for managing their portfolio of investments under the Portfolio Management Service provided by our subsidiary, India Infoline Securities Private Limited.

Expenditure

The following table sets out expenses as a percentage of its total income for the fiscal years ended March 31, 2003, 2004 and the six months ended September 30, 2004:

Particulars	Financial Year ended			Rs Million
	31-Mar-02	31-Mar-03	31-Mar-04	Half Year ended 30-Sep-04
EXPENDITURE				
Direct Costs	50.45%	32.58%	30.12%	27.78%
Employee Cost	23.80%	29.41%	16.64%	14.97%
Administration & Other Expense	43.24%	48.43%	21.51%	17.72%
Interest	0.00%	1.46%	2.95%	0.62%
Depreciation & Amortization	23.96%	32.31%	8.07%	3.39%
Total Expenditure	141.45%	144.18%	79.30%	64.48%

Expenses

Our expenses primarily consist of:

- Direct Costs
- Employee costs;
- Internet related and software costs;
- General and administrative costs; and
- Depreciation and amortization.

Direct Costs consist of; inter alia, Brokerage, Commission, Incentives Paid, Exchange Charges, NSDL Fees, Referral Fees, SEBI Charges, Service Tax, Stamp Duty & Filing Fees, Transaction Charges and Turn-over Tax. These costs in general vary with volume of business and are indicative of the levels of business activity.

Employee costs consist primarily of salaries and employment related benefits. To service a large number of broking customers, we require a team of Relationship Managers, Dealers and back-office staff. We also hire and plan to expand the teams for marketing and selling Mutual Funds, fixed income products and life insurance products through our branches. Branches also require certain number of back office people. Besides, we have a large team of Research Analysts and Research Assistants to support in generating Content and maintaining our Internet portal as well as selling research reports to our broking customers. We also have a significant number of technical staff, who help in maintaining and expanding the technology backbone for our online / offline trading in shares and commodity as well as for internally developed MIS software. As a result we expect that employee cost will increase substantially as we continue to expand our retail network of India Infoline Investor Point, Distribution outlets as well also the team of Relationship Manager, Dealers, Back office staff in anticipation of future growth in business.

We have an Employee Stock Option Plan for our employees. Till date we have granted ESOPs in 3 lots, with the first one being in 2000 and the second one being in April 2003 & the latest one in October 2004. As on date of filing this Draft Red Herring Prospectus, we had 1,502,650 ESOPs in force out of which 242,535 are already vested.

Internet and software costs primarily consist of costs related to hosting servers with ISPs, leasing ISDN lines, VSATs and the purchase of software related to our Internet portal content business such as our Bloomberg data feed. As we expand our network connectivity to our Investor Points, stock exchanges and backup hosts and servers, we expect to incur additional line leasing costs as well as additional software costs in order to provide an interactive interface at each location.

Administrative expenses primarily include advertising costs which are expenses related to the marketing of broking, distribution services and about our Internet portal and services through television, print media and billboards, as well as other promotional and branding activities directed to increase awareness of our Internet portal, products and services. Other components of general and administrative expenses include costs of our corporate and branch offices for rent, repair of equipment, telephone, utilities, outsourced research and other general overhead costs. We expect that such expenses will increase and to be a significant portion of our total expenses.

We **depreciate** our tangible assets and software on a straight-line basis over the useful life of the assets, which ranges from three to five years. Intangible assets are amortized over five years.

Adjusted Profit/(Loss) after Tax

The adjusted profit/(loss) after tax consists of the net profit/(loss) after tax as per the restated consolidated statement of accounts, adjusted on account of (1) changes in accounting policies and (2) the impact of material adjustments and prior period items.

Our Results of Operations

The table below sets forth various line items from our restated consolidated financial statements for FY 2003, FY 2004 and for the period ended September 30, 2004, as a percentage of Total Income.

Particulars	Financial Year ended			Half Year ended
	2002	2003	2004	30-Sep-04
Operating Revenues	135.92	85.51	307.38	226.48
Other Income	6.11	21.03	52.56	35.98
Total Revenue	142.03	106.54	359.94	262.46
Direct Cost to Total Revenue	50.45%	32.58%	30.12%	27.78%
Direct Cost	71.65	34.71	108.43	72.92
Personnel Cost to Total Revenue	23.80%	29.41%	16.64%	14.97%
Personnel Cost	33.80	31.33	59.90	39.29
Operating cost to Total Revenue	43.24%	48.43%	21.51%	17.72%
Operating Cost	61.42	51.60	77.43	46.50
Depreciation to Total Revenue	23.96%	32.31%	8.07%	3.39%
Depreciation & Amortisation	34.03	34.42	29.04	8.89
Finance charges to Total Revenue	0.00%	1.46%	2.95%	0.62%
Finance Charges	-	1.56	10.63	1.63
Net Profit/(Loss) before Tax to Total Revenue	(41.44)%	(44.18)%	20.70%	35.52%
Net Profit/(Loss) before Tax	(58.86)	(47.07)	74.5	93.23

Particulars	Financial Year ended			Half Year ended
	2002	2003	2004	30-Sep-04
Current Tax	-	-	1.41	19.54
Deferred Tax Charge/ (Release)	-	-	(1.71)	0.82
Net Profit/(Loss) after Tax to Total Revenue	(41.44)%	(44.18)%	20.78%	27.76%
Net Profit/(Loss) after Tax	(58.86)	(47.07)	74.80	72.87

Revenue

The standalone revenue breakup of IIL, and its subsidiaries India Infoline Securities Private Limited, India Infoline Commodities Private Limited, India Infoline.com Distribution Company Limited, India Infoline Insurance Services Limited and India Infoline Investment Services Limited, and the consolidated revenue mix of IIL after restatement and adjustment as on September 30, 2004 is as given below:

Period ended September 30, 2004 (in Rs. million)

Particulars	IIL (Consolidated)	IIL	IISPL	IIDCL	IIISL	IICPL
Equities Brokerage & Related Income	148.70	-	148.70	-	-	-
Agency Commission & Fees	44.49	-	-	44.49	-	-
Commodities Brokerage	0.58	-	-	-	-	0.58
Policy Commission	15.72	-	-	-	15.72	-
Media & Content Income	16.99	16.99	-	-	-	-
Total Income	226.48	16.99	148.7	44.49	15.72	0.58

Expenditure

The standalone expenditure breakup of issuer company and its subsidiaries and the consolidated expenditure mix of IIL after restatement and adjustment as on September 30, 2004 is as given below:

(Rs. Million)

Particulars	IIL (Consolidated)	IIL	IISPL	IIDCL	IIISL	IICPL
Direct Costs	72.92	-	45.59	19.96	7.08	0.02
Employee Cost	39.29	8.21	18.66	8.23	3.32	0.87
Administration & Other Expense	46.50	8.97	69.92	10.73	10.39	0.77
Interest	1.63	-	1.63	-	-	-
Depreciation & Amortization	8.89	1.81	6.38	0.68	-	0.01
Total Expenditure	169.23	18.98	142.18	39.61	20.79	1.67

Our performance for the six months ended September 30, 2004

The revenues and expenditure for the six months period ended September 30, 2004 may not be considered representative of the entire year.

Total Income:

The total income of the company comprising Equities Brokerage & Related Income, Agency Commission & Fees, Commodities Brokerage, Policy Commission, Media & Content Income and other income was at Rs. 262.46 million.

Equities brokerage & related income:

Equities brokerage & related income generated revenues of Rs. 148.70 million.

Agency commission & Fees:

Income generated from agency commission and fees was to the tune of Rs. 44.49 million.

Commodities brokerage:

Our commodities broking business commenced during the six months ended September 30, 2004 and generated revenues of Rs. 0.58 million.

Policy commission:

Policy commission income generated Rs. 15.72 million during the six months ending September 30, 2004.

Media & Content Income:

Media and Content income generated revenues of Rs. 16.99 million during the six months ended September 30, 2004.

Other Income:

Other income prominently comprising trade violation charges, sub-letting income and interest on fixed deposits generated revenues of Rs. 35.98 million in the six months ended September 30, 2004.

Direct Costs:

Direct costs during the six months ended September 30, 2004 were Rs. 72.92 million.

Employee costs:

Employee costs during the six months ended September 30, 2004 were Rs. 39.29 million.

Administrative and other expenses:

These expenses prominently including Advertising and Publicity costs were Rs. 46.50 million for the six months ended September 30, 2004.

Interest:

Interest costs during the six months were Rs. 1.63 million for the six months ended September 30, 2004.

Depreciation and Amortization:

Depreciation and Amortization charge for the six months ended September 30, 2004 were Rs. 8.89 million.

Profit before tax:

Profit before tax was Rs. 93.23 million during the six months ended September 30, 2004

Profit after tax:

Profit after tax was Rs. 72.81 million during the six months ended September 30, 2004.

Comparison of FY 2004 with FY 2003

Some of the key developments that occurred during 2004 include the following:

- The Indian capital markets recovered after remaining depressed for over two years and all major stock market indices registered gains. Derivatives market boomed and trading volumes increased in both cash and derivatives segments.
- Consolidation seen in the Indian Mutual Fund industry with UTI taking over the AMC business of IL&FS and HDFC Mutual Fund taking over Zurich Mutual Fund.
- The Life Insurance industry recorded a growth of 10% over the previous year.
- Political instability caused by changing governments led to the Sensex recording its largest ever intra-day fall on May 17, declining by 565 points in a single trading day.

Total Income:

Total income of the company registered more than 2 times growth i.e. 237.84% to Rs. 359.94 million versus Rs. 106.54 million in FY 2002-03 primarily due to the growth witnessed by our broking business on the back of buoyant capital markets. Income generated via policy commission also grew due to increased penetration of life insurance products and our aggressive marketing efforts.

Equities brokerage and related income:

Brokerage and related income registered a growth growing from Rs. 30.79 million in FY 2002-03 to Rs. 191.47 million in 2003-04 registering a y-o-y growth of 521.86%. This came on the back of strong recovery in the Indian capital markets driven inter alia by good monsoon, industrial recovery and flow of FII funds into the Indian economy. This was aided by aggressive marketing efforts and new products.

Agency commission & Fees:

Income from distribution of mutual funds, fixed deposits, IPOs, Govt bonds and other personal investment products grew more than twice from Rs. 40.07 million in FY 2002-03 to Rs. 81.17 million in FY 2003-04. The growth was driven overall buoyancy in the sector and our aggressive marketing efforts.

Policy commission income:

Income from distribution of Life Insurance products grew by 154.91% to Rs. 17.92 million in FY 2003-04 as compared to Rs. 7.03 million in FY 2002-03 due to increased penetration of private sector life insurance products, our expanded branch network and positive response to our innovative and aggressive marketing efforts.

Media & Content income:

Online media and sponsorship business income registered a strong growth rising from Rs. 7.63 million to Rs. 16.82 million registering a growth of 120.45%. We expanded our base of customers, including overseas advertisers.

Other income:

Other income prominently comprising trade violation charges, sub-letting income and interest on fixed deposits registered a strong growth of 149.93% growing from Rs. 21.03 million in FY 2002-03 to Rs. 52.56 million in FY 2003-04. Income from trade violation charges increased significantly in line overall increase in equity broking business.

Direct Costs:

Direct costs in FY 2003-04 grew by more than 3 times rising from Rs. 34.71 million in FY 2002-03 to Rs. 108.43 million registering a growth of 212.39%, broadly in line with growth in overall revenue.

Employee cost:

Employee cost increased from Rs. 31.33 million in FY 2002-03 to Rs. 59.90 million in FY 2003-04 recording a growth of 91.19%. The launch of new products and services required increase in employee strength and also salaries were raised to retain people in the face of increasing competition.

Administrative and other expenses:

These expenses prominently including Advertising and Publicity costs grew from Rs. 51.60 million in FY 2002-03 to Rs. 77.43 million in FY 2003-04 registering a growth of 50.06%. With tight control over costs, these costs grew at a pace much slower than income growth.

Interest:

Interest payments in FY 2003-04 grew to Rs. 10.63 million as compared with Rs. 1.56 million in FY 2002-03 registering an increase of 581.41%. This was due to the overdraft facility availed by us to meet our working capital requirements.

Depreciation and Amortisation:

Depreciation and Amortization cost was Rs. 29.04 million in FY 2003-04 as compared with Rs. 34.42 million in FY 2002-03 registering a decline of 15.63%. Some of the assets were fully written off till FY2002-03, and therefore overall charge was lower despite new capital ex and higher amortization charge for intangible assets.

Profit/(Loss) before Tax:

Operations turned around with growth in income and PBT for FY 2003-04 was Rs. 74.50 million as against loss of Rs. 47.07 million in FY 2002-03

Deferred tax:

As tax depreciation was lower than the book depreciation, there was recognition of deferred tax credit in one of the subsidiary companies.

Profit/(Loss) after Tax:

Profit after tax was Rs. 74.80 million in FY 2003-04, as compared with the loss of Rs. 47.07 million in FY 2002-03.

Year Ended March 31, 2003 Compared to the Year Ended March 31, 2002 (consolidated)

Some of the key developments that occurred during 2003 include the following:

- A gradual recovery in the markets triggered by growing volumes in the derivatives segment
- We launched our 5paisa Trader Terminal, which met with a very good response.
- We shifted our focus from mobilizing of fixed deposits to mutual funds.
- Newer channels of distribution for Life Insurance products were explored which have grown well.
- Negative sentiments about Internet advertising persisted resulting in fewer advertisers opting to choose the Internet as a medium to reach out to potential customers.

Total Income:

Total income of the company fell by 24.99% to Rs. 106.54 million in FY 2002-03 versus Rs. 142.03 million in FY 2001-02. This was caused by a significant fall in Agency commission fees as we pruned business in some low margin product lines such as mobilization of company fixed deposits and small savings.

Brokerage and related income:

Brokerage and related income rose from Rs. 18.95 million in FY 2001-02 to Rs. 30.79 million in 2002-03 registering a growth of 62.48%. This was caused by growth in broking business especially in derivatives segment and the launch of new products and services.

Agency commission & Fees:

The income from distribution of mutual funds, fixed deposits and other personal investment products fell from Rs. 97.73 million in FY 2001-02 to Rs. 40.07 million in FY 2002-03, which was a decline of 59.00%. This was due to sluggish economic conditions; pruning of certain non-core product lines such as company fixed deposits.

Policy commission income:

Policy commission income from distribution of Life Insurance products grew strongly by 135.12% to Rs. 7.03 million in FY 2002-03 as compared to Rs. 2.99 million in FY 2001-02. This was due to changing perception of life insurance as an investment medium and marketing efforts leading to increased reach.

Media & Content income:

Online media and sponsorship business income registered a de-growth falling from Rs. 16.25 million in FY 2001-02 to Rs. 7.63 million in FY 2002-03 registering a fall of 53.05%. This was due to lull in the economic conditions coupled with negative sentiments about Internet advertising.

Other income:

Other income with major contributions by trade violation charges, interest on fixed deposits and sub-letting income registered a strong growth of 244.19% growing from Rs. 6.11 million in FY 2001-02 to Rs. 21.03 million in FY 2002-03. Income from trade violation charges grew in tandem with equities broking income.

Direct Costs:

With fall in overall income, direct costs also fell by 51.56% from Rs. 71.65 million in FY 2001-02 to Rs. 34.71 million in FY 2002-03.

Employee cost:

Employee cost decreased from Rs. 33.80 million in FY 2001-02 to Rs. 31.33 million in FY 2002-03 recording a fall of 7.31%, attributable primarily to discontinuation of certain non-core product lines.

Administrative and other expenses:

As a conscious cost-cutting measure Administrative and other expenses, fell from Rs. 61.42 million in FY 2001-02 to Rs. 51.60 million in FY 2002-03 registering a decline of 15.99%.

Interest:

Interest payments in FY 2002-03 were Rs. 1.56 million, which resulted from overdrafts taken to meet working capital requirements. Since there were no interest payments in FY 2001-02, they may not be comparable with the prior period.

Depreciation and Amortisation:

Depreciation and Amortisation cost was Rs. 34.42 million in FY 2002-03 as compared with Rs. 34.03 million in FY 2001-02 registering a nominal increase of 1.15%.

Profit/(Loss) before tax:

FY 2002-03 saw reduced losses of Rs. 47.07 million as compared with Rs. 58.86 million in FY 2001-02. PAT performance was the same as the aforementioned PBT.

Year Ended March 31, 2002 Compared to the Year Ended March 31, 2001 (consolidated)

Some of the key developments that occurred during 2002 include the following:

- Economic slowdown affected our online media business due to negative sentiments about the Internet.
- We achieved significant reduction in cash losses with strict cost control.
- We achieved stabilization of systems our Internet trading platform.

Total Income:

Total income of the company registered grew by 1.77% to Rs. 142.03 million in FY 2001-02 versus Rs. 139.56 million in FY 2000-01. This was due to decent growth in the broking and distribution businesses but at the same time our media and content income was adversely affected

Equities brokerage and related income:

Brokerage and related income registered a year-on-year growth of 17.63%. It grew from Rs. 16.11 million in FY 2000-01 to Rs. 18.95 million in 2001-02. This was due to the launch of new trading products and streamlining of our online broking systems.

Agency commission & fees:

Income generated from distribution of Mutual funds, Fixed Deposits, IPOs and other personal investment products registered a growth of 25.60% in FY 2001-02 clocking revenues of Rs. 97.73 million as compared with Rs. 77.81 million in FY 2000-01.

Policy commission income:

Policy commission income from Life Insurance, Distribution and Mutual Fund and other income products commenced in FY 2001-02 with Rs. 2.99 million and hence cannot be compared with the prior period.

Media & Content income:

Income generated by Internet advertising and selling of productised research via reports on India industry fell from Rs. 35.33 million in FY 2000-01 to Rs. 16.25 million in FY 2001-02 registering a de-growth of 54.01%.

Other income:

Other income suffered a decline of 40.79% falling from Rs. 10.32 million in FY 2000-01 to Rs. 6.11 million in FY 2001-02.

Direct costs:

Direct costs in FY 2001-02 were Rs. 71.65 million, an increase of 38.70% over FY 2000-01 costs of Rs. 51.66 million. These costs increased despite a fall in total expenditure and a marginal increase in total revenue as we had to incur significant expenses for the Life Insurance business, which was started in FY 2001-02.

Employee cost:

Employee cost fell from Rs. 58.30 million in FY 2000-01 to Rs. 33.80 million in FY 2001-02 i.e. a decline of 42.02% yoy, achieved by voluntary salary cuts taken by senior management team and overall control over staffing and salary levels, in keeping with the then prevalent tough economic conditions.

Administrative and other expenses:

These expenses; which include advertisement and publicity fell from Rs. 131.99 million to Rs. 61.42 million thereby registering a fall of 53.47%. The cost cutting was done keeping in mind the sluggish conditions prevailing in the economy.

Interest:

Since there have been no interest payments in FY 2001-02. In FY 2000-01, there was a small interest outgo of Rs. 0.08 million on account of overdraft limits.

Depreciation and Amortization:

Depreciation and Amortization costs were Rs. 34.03 million in FY 2001-02 as compared with Rs. 28.60 million in FY 2000-01 registering an increase of 18.99%. We incurred necessary capital expenditure keeping in mind long-term needs of the business.

Profit/(Loss) before tax:

A significant reduction in losses was achieved due to strict cost control, thereby bringing down the losses from Rs. 131.08 million to Rs. 58.86 million in FY 2001-02.

Liquidity and Capital Resources

Liquidity

Our primary liquidity needs have historically been to finance our capital expenditure and to some extent our working capital needs. To fund these costs, we have relied on cash flows from operations.

Cash Flows

The table below summarizes our cash flows for six month ending September 30, 2004:

Consolidated	Year ended 31st March, 2002	Year ended 31st March, 2003	Year ended 31st March, 2004	Half Year ended 30th September, 2004
Cash at the open	39.09	69.48	32.79	73.54
Net cash from operating activities	(40.02)	(59.07)	64.87	(31.06)
Net cash for financing activities	77.64	32.42	(15.38)	109.64
Net cash for investing activities	(7.23)	(10.04)	(8.73)	(28.73)
Cash at the end	69.48	32.79	73.54	123.39

Indebtedness

Key terms of our outstanding indebtedness as on September 30, 2004 were as follows:

(Rs. Million)

Secured Loans

	Source		Amount	Interest Rate	Repayments Terms
1	Overdraft Facility From Bank	12.97	12.97	6.65	Repayable on Demand
	Secured Against :				
	Pledge of Fixed Deposit Receipts				
2	Overdraft Facility from Bank	108.45		9	Repayable on Demand
	Overdraft Facility from Bank	12.46	120.91	11	Repayable on Demand
	Secured Against :				
	Pledge of Securities				
3	Overdraft Facility from Bank	6.60	6.60	7.25	Repayable on Demand
	Secured Against :				
	Pledge of Fixed Deposit Receipts				
			140.50		

Unsecured Loans

(in Rs. Million)

	Source		Amount	Interest Rate	Repayments Terms
1	Temporary Overdrawn with banks		0.64	-	Repayable on Demand
			0.64		

Historical and Planned Capital Expenditures

We made additions to Fixed Assets, including capital work in process amounting to Rs. 10.49 million, Rs. 17.23 million, Rs. 27.05 million and Rs. 8.60 million for FY 2002, 2003, 2004 and the six months ended September 30, 2004.

Our capital expenditure plan as per our objects for the current Issue is as below:

The total fund requirement plan is as given:

Company	Activities					Total Project Cost	Amount deployed as on February 15, 2005	Amount to be raised by way of this Issue
	Upgrade office	New branches	Upgrade existing branches	Technology	Financing			
IIL	150.00	-	-	24.60	-	174.60	-	174.60
IISPL	-	123.20	43.80	61.50	-	228.50	100.00	128.50
IIDCL	-	7.70	29.20	6.15	-	43.05	-	36.90
IIISL	-	7.70	-	6.15	-	13.85	7.99	5.86
IICPL	-	15.40	-	24.60	-	40.00	13.90	26.10
IIISPL	-	-	-	-	100.00	100.00	-	120.00
General Corporate Purpose						20.00	-	
Total	150.00	154.00	73.00	123.00	100.00	630.00	121.89	508.11

We intend financing the above fund requirements through the proceeds of this issue. In case, funds raised in this Issue are lower than our total budgeted requirements, then we intend to meet it through the internal accruals. As per our unconsolidated audited financial statements as of September 30, 2004 we had a cash and bank balances of Rs.22.18 millions which can be utilized by us to meet any shortfall in the proceeds of this Issue.

For details of objects of the issue, please refer to the section entitled "Objects of the Issue" on page no 32 of this Draft Red Herring Prospectus.

Related Party Transactions

For details of related party transactions, please refer to the section entitled "Related Party Transactions" on page no. 74 of this Draft Red Herring Prospectus.

Financial Market Risks

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to financial market risks from changes in interest rates and inflation

Interest rate risk

Our interest rate risk results from changes in interest rates, which may affect our financial expenses. We bear interest rate risk with respect to temporary bank overdraft limits as on September 30, 2004 and for the period ended September 30, 2004 as the interest rate could vary in the near future. Though all our loans are currently linked to respective bank's PLR any rise in interest rates could have our lenders push higher rates of interest on the loans (as applicable to our company).

Effect of Inflation

We are not directly affected by inflation in any significant way. However inflation does affect investor sentiment about equity investing and business confidence, thereby affecting our business volumes.

Information required as per Clause 6.8 of SEBI Guidelines

1. Unusual or infrequent events or transactions

Except as stated elsewhere or in the Auditor's report in this Draft Red Herring Prospectus, we are not aware of any unusual or infrequent events or transactions. Or list them pointwise.

2. Known trends or Uncertainties

Other than as described elsewhere in this Draft Red Herring Prospectus, to the best of our knowledge, there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on revenue or income

of the Company from continuing operations.

3. Future relationship between costs and income

We are continuously working to create efficient processes resulting in cost reduction and have a better control over our supply chain. We expect to continue this effort of improving our technology initiatives and try and realize better margins in the future.

Other than as described elsewhere in this Draft Red Herring Prospectus, to the best of our knowledge, there are no known factors, which will affect the future relationship between the costs and income, or which will have a material impact on the operations and finances of the Company.

4. Total turnover for the industry

Please refer to the discussions in the section titled "Industry" on page 36 of this Draft Red Herring Prospectus.

5. New Products or business segments

For details of new products or business segments, please refer to the section titled "Business" on page no. 42 of this Draft Red Herring Prospectus.

6. Our Strategy

Our business plan is to become the leading investment advisor and intermediary for financial services in India. The key driver is to increase our customer base in all our products, give them a platform of choice to transact and support them with quality research. The elements of our strategy include:

- "One Stop Shop" from advice to transactions
- Multi channel delivery model
- Expand our retail network
- Leverage our content advantage for value added offerings
- Continuous investments in technology platform
- Acquisition & Takeover

7. Seasonality of business

Other than as described elsewhere in this Draft Red Herring Prospectus, to the best of our knowledge, there are no known factors, which are seasonal in nature and which we feel will have a material impact on the operations and finances of the Company.

8. Dependence on single or few suppliers / customers

Other than as described elsewhere in this Draft Red Herring Prospectus, to the best of our knowledge, we are not dependent on any single or few suppliers/customers.

9. Competitive Conditions

We believe that we are well positioned to enhance our position as an retail investment advisory and intermediary company. On account of our competitive strengths, we feel that we are well positioned to serve our customers.

Such strengths include:

- Original research
- Integrated technology platform
- "One Stop" shop
- Pan - India distribution network
- "India Infoline.com" and "5paisa.com" have developed into brands

SECTION V: FINANCIAL STATEMENTS

UNCONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES AND PROFITS AND LOSSES, AS RESTATED, (INCLUDING SUBSIDIARIES) FOR THE YEARS ENDED MARCH 31, 2000, 2001, 2002, 2003, 2004 AND FOR THE SIX MONTHS PERIOD ENDED 30TH SEPTEMBER, 2004.

AUDITORS' REPORT

To,
The Board of Directors,
India Infoline Limited,
Nirlon Complex, Building No. 24
Western Express Highway
Goregoan (East)
Mumbai – 400 063

Dear Sirs,

We have examined the accounts of India Infoline Limited (IIL) for the financial year ended March 31, 2004, being the last date up to which the accounts of the Company have been made and audited by us for the presentation to the members of the Company. We have also examined the accounts of the Company for the six-months period ended September 30, 2004 prepared and approved by the Board of Directors of the Company and audited by us for the purpose of disclosure in the Draft Offer Document being issued by the Company in connection with the public issue of 11,878,138 Equity Shares of the face value of Rs.10 each. We have relied on the relevant accounts of IIL for the financial years ended March 31, 2000, 2001, 2002 and 2003 audited and reported by M/s Deloitte Haskins & Sells, Chartered Accountants. The said financial information has been prepared in accordance with the requirements of:

1. Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ("the Act"),
2. The Securities and Exchange Board of India (SEBI) (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 19, 2000 in pursuance of Section 11 of The Securities & Exchange Board of India Act, 1992 ("SEBI Guidelines"), and;
3. Our terms of reference received from the Company vide letter reference IIL/IPO/Auditors/01 dated 17th November, 2004 requesting us to make this report for the purpose of inclusion in the Draft Offer Document to be issued by the Company in connection with its Initial Public Offer of its Equity Shares ('the Issue'). The financial information has been prepared by the Company and approved by the Board of Directors of the Company and audited by us.

FINANCIAL INFORMATION AS PER AUDITED FINANCIAL STATEMENTS:

1. We have examined the attached summary statement of Profits and Losses as restated of the Company for the years ended March 31, 2000, 2001, 2002, 2003, and 2004 and for the six months period ended on September 30, 2004 as per **Annexure I**. These profits have been arrived at after charging all expenses including depreciation and after making such adjustments and regroupings as in our opinion are appropriate to reflect the significant accounting policies and significant notes being adopted by the Company as at 30th September 2004, more fully described in **Annexure III**.
2. The attached summary statement of assets and liabilities as restated, as at March 31, 2000, 2001, 2002, 2003, and 2004 and for the six months period ended on September 30, 2004 as per **Annexure II**. These have been arrived at after making such adjustments and regroupings as in our opinion are appropriate to reflect the significant accounting policies and significant notes being adopted by the Company as at 30th September 2004, more fully described in **Annexure III**.
3. We have examined the following financial information relating to the Company and as approved by the Board of Directors for the purpose of inclusion in the Draft Offer Document to be issued by the Company in connection with its Initial Public Offer of its Equity Shares:
 - (a) Cash flow statement, as restated for the financial years ended March 31, 2000, 2001, 2002, 2003, 2004 and six month period ended September 30, 2004 as per **Annexure IV**
 - (b) Details of Secured Loans as appearing in **Annexure V** to this report
 - (c) Age-wise analysis of Sundry Debtors as appearing in **Annexure VI** to this report
 - (d) Statement of Loans and Advances as appearing in **Annexure VII** to this report
 - (e) Statement of Investments as appearing in **Annexure VIII** to this report
 - (f) Accounting Ratios as appearing in **Annexure IX** to this report
 - (g) Capitalization Statement as at September 30th 2004 as appearing in **Annexure X** to this report
 - (h) Statement of Tax Shelters as appearing in **Annexure XI** to this report.
 - (i) We hereby confirm that the Company's other income does not exceed 20% of its total income for the six month period ended September 30, 2004

- (j) The Company does not have any unsecured loans outstanding as on September 30, 2004 as distinguished from movement of interest free temporary advances of funds with subsidiaries
 - (k) The Company has not declared dividend for the years 1999-00, 2000-01, 2001-02, 2002-03, 2003-04 and also during six months period ended September 30th 2004.
 - (l) The disclosures with regard to related party transactions are reported in **Annexure XII**
 - (m) In respect of the financial information contained in our report, we have relied up on the audited financial statements of IIL for the financial years ended March 31, 2000, 2001, 2002 and 2003 which were audited by a firm of Chartered Accountants other than us, as referred above.
4. As required by Para 6.18.3 of the SEBI Guidelines, with regard to restated summary financial statements of Company's wholly owned subsidiaries, which are not consolidated into Company's financial statements read together with Note No. C-7 of Annexure III to this report, we state as under:
- (a) The financial statements of India Infoline Securities Private Limited (IISPL) for the years ended March 31, 2000, 2001, 2002, 2003, 2004 and six months period ended September 30, 2004 have been examined and reviewed by us and these statements together with the significant accounting policies and significant notes adopted by the Company as at September 30th, 2004 are enclosed in **Annexures XIII-A to XIII-C** to this report. We have accepted the financial statements of IISPL drawn from accounts audited by other auditors, M/s Deloitte Haskins & Sells for the first four financial years ended March 31st, 2003.
 - (b) The financial statements of India Infoline.com Distribution Company Limited (IIDCL), formerly known as Agri Marketing Services India Private Limited till 8th May 2000, for the years ended March 31st, 2000, 2001, 2002, 2003, 2004 and six months period ended September 30th, 2004 have been examined and reviewed by us and these statements together with the significant accounting policies and significant notes adopted by the Company as at September 30th, 2004 are enclosed in **Annexures XIV-A to XIV-C** to this report. We have accepted the financial statements of IIDCL drawn from accounts audited by other auditors, M/s Deloitte Haskins & Sells for the first four financial years ended March 31st, 2003. IIDCL's capital is substantially eroded as at September 30, 2004 due to accumulated losses. Since the holding Company has agreed to provide all the financial, technical and operational support to the Company in meeting all its liabilities and obligations, the accounts are prepared on a going concern basis.
 - (c) The financial statements of India Infoline Insurance Services Limited (IIISL) for the period 30th November 2000 (date of incorporation) to March 31st, 2002 and years ended March 31st, 2003, 2004 and six months period ended September 30th, 2004 have been examined and reviewed by us and these statements together with the significant accounting policies and significant notes adopted by the Company as at September 30th, 2004 are enclosed in **Annexure XV-A to XV-C** to this report. We have accepted the financial statements of IIISL drawn from accounts audited by other auditors, M/s Deloitte Haskins & Sells for the first two financial years ended March 31st, 2003. IIISL's capital is completely eroded as at September 30th 2004 due to accumulated losses. Since the holding Company has agreed to provide all the financial, technical and operational support to the Company in meeting all its liabilities and obligations, the accounts are prepared on a going concern basis.
 - (d) The financial statements of India Infoline Commodities Private Limited (IICPL) for the period 29th March 2004 (date of incorporation) to September 30, 2004 have been examined and audited by us and these statements together with the significant accounting policies and significant notes adopted by the Company as at September 30th, 2004 are enclosed in **Annexure XVI-A to XVI-C** to this report.
5. In our opinion, the financial information of the Company and its subsidiaries Viz: India Infoline Securities Private Limited, India Infoline.com Distribution Limited, India Infoline Insurance Services Limited, India Infoline Commodities Private Limited, attached to this report, read with respective significant accounting policies and significant notes as annexed to this report and after making adjustments and regrouping as considered appropriate; have 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 Draft Offer Document to be issued by the Company in connection with its Initial Public Offer of its Equity Shares and is not to be used, referred to or distributed for any other purpose without our prior written consent.

Sharp & Tannan Associates
Chartered Accountants
By the hand of

Sd/-
Tirtharaj Khot
Partner
Membership No: 37457
Mumbai:
Date: February 18, 2005

INDEX OF STATEMENTS AND INFORMATION FORMING PART OF OUR REPORT ISSUED IN CONNECTION WITH COMPANY'S INITIAL PUBLIC OFFER

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INDIA INFOLINE LIMITED
**Annexure I : Summary statement of
profits and Losses, as restated**
(All amount in Rupees Million)

	Year ended March 31, 2000	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003	Year ended March 31, 2004	Six-month ended 30th September,2004
INCOME						
<u>Income from operations</u>						
Agency Commission	-	1.97	-	-	-	-
Media & Content Income	22.94	43.74	28.25	6.24	34.59	25.99
Royalty on Brand	-	-	-	-	54.00	18.00
Software & Technology Services	-	-	-	-	-	27.00
Other Income	0.90	9.84	4.52	10.69	8.72	4.06
Total Income	23.84	55.54	32.78	16.93	97.31	75.05
EXPENDITURE						
Employee Cost	8.05	29.42	14.50	9.11	3.59	8.21
Administration & Other Expenses	54.35	101.86	25.33	9.37	6.07	8.97
Interest	-	0.08	-	-	-	-
Depreciation & Amortisation	4.36	26.07	31.08	31.81	19.43	1.81
Total Expenditure	66.76	157.43	70.91	50.28	29.09	18.98
Profit/(Loss) before tax & prior period and extraordinary items	(42.92)	(101.89)	(38.13)	(33.35)	68.22	56.07
Provision for taxation						
Current Tax	-	-	-	-	0.50	4.60
Deferred Tax	-	-	-	-	-	-
Net profit/(Loss) after tax but before prior period and extra ordinary items	(42.92)	(101.89)	(38.13)	(33.35)	67.72	51.47
Extra Ordinary Items:						
ADR expenses	-	(11.45)	-	-	-	-
Provision for Indemnity to subsidiary	-	(14.20)	-	-	-	-
Prior Period Expense	(0.03)	-	-	-	-	-
	(0.03)	(25.65)	-	-	-	-
Net Profit/(Loss) for the year	(42.95)	(127.54)	(38.13)	(33.35)	67.72	51.47
<u>Adjustments on account of changes in accounting policies:</u>						
1. Impact of prior period items	0.03	-	-	-	-	-
2. Changes in policy of amortising intangibles	-	-	-	-	8.00	(4.00)
Total Impact of adjustments	0.03	-	-	-	8.00	(4.00)
Net profit/(loss), as restated	(42.92)	(127.54)	(38.13)	(33.35)	75.72	47.47
Profit / (Loss) brought forward from previous year	0.17	(42.66)	(170.19)	(208.32)	(241.67)	(165.95)
Profit / (Loss) available for appropriation						
Transfer (to)/from General Reserve	0.10	-	-	-	-	-
Balance carried to Balance Sheet	(42.66)	(170.19)	(208.32)	(241.67)	(165.95)	(118.48)

INDIA INFOLINE LIMITED						
Annexure II :Summary statement of assets and liabilities, as restated						
(All amount in Rupees Million)						
	Year ended March 31, 2000	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003	Year ended March 31, 2004	Six-month ended 30th September, 2004
FIXED ASSETS						
(i) Gross Block	11.27	70.00	77.66	82.64	35.55	38.95
Less : Depreciation	5.27	23.34	46.33	62.10	32.38	34.18
Net Block	6.00	46.66	31.33	20.54	3.17	4.77
Less: Revaluation Reserve	-	-	-	-	-	-
Net Block after revaluation reserve	6.00	46.66	31.33	20.54	3.17	4.77
(ii) Capital Work in Progress						0.76
Net Block	6.00	46.66	31.33	20.54	3.17	5.54
INTANGIBLE ASSETS						
Balance as per last Balance Sheet	40.00	40.00	32.00	24.00	16.00	8.00
Less : Amortised during the year	-	8.00	8.00	8.00	8.00	4.00
Total Intangible Asset	40.00	32.00	24.00	16.00	8.00	4.00
INVESTMENTS	195.67	142.50	139.21	153.11	253.21	281.20
CURRENT ASSETS, LOANS AND ADVANCES						
Interest Accrued	-	0.19	0.01	0.01	-	-
Sundry Debtors	6.00	7.93	1.64	4.73	4.01	7.04
Cash and Bank Balances	84.19	3.98	62.42	21.92	21.21	22.26
Loans and Advances	25.51	20.77	28.53	33.80	36.23	71.18
Total Current Assets, Loans and Advances	115.70	32.87	92.60	60.46	61.45	100.48
TOTAL ASSETS	357.37	254.03	287.15	250.10	325.83	391.21
LIABILITIES & PROVISIONS						
Secured Loans	-	-	-	10.65	0.90	12.97
Unsecured Loans	0.26	0.07	0.13	-	-	-
Total Loan Funds	0.26	0.07	0.13	10.65	0.90	12.97
Current Liabilities	23.83	16.44	10.26	10.02	18.65	19.09
Provisions	0.57	14.89	14.61	0.63	1.75	7.15
Total Current Liabilities & provisions	24.39	31.32	24.87	10.65	20.40	26.24
TOTAL LIABILITIES	24.65	31.39	25.00	21.30	21.30	39.21
NET WORTH	332.72	222.64	262.15	228.80	304.52	352.00
REPRESENTED BY :						
Share Capital:						
Paid up Capital	68.47	205.57	264.22	264.22	264.22	264.22
Share Application money	-	17.31	-	-	-	-
Reserves and Surplus:						
Security Premium	306.90	169.95	206.26	206.26	206.26	206.26
Capital Redemption Reserve	-	-	-	-	-	-
Profit and Loss Account	-	-	-	-	-	-
Less: Revaluation Reserve	-	-	-	-	-	-
Reserves Net of Revaluation Reserve	306.90	169.95	206.26	206.26	206.26	206.26
Shareholders fund	375.38	392.83	470.47	470.47	470.47	470.47
Less: Miscellaneous Expenditure	-	-	-	-	-	-
Debit Balance of profit & loss statement	42.66	170.19	208.32	241.67	165.95	118.48
TOTAL	332.72	222.64	262.15	228.80	304.52	352.00

Annexure III: Significant Accounting Policies and Notes forming part of the Restated Statement of Assets and Liabilities as at September 30, 2004 and Restated Profit and Loss Statement for the six month period ended September 30, 2004.

A. Change in Accounting Policies:

(a) Amortization of Non-Compete Fees:

The Company had a policy of amortizing non-compete fees paid by it over a period of five years. However for the year ended March 31, 2004, the Company has decided to fully amortize the balance portion of Rs. 16 Million, half of which (Rs. 8 Million) would have been written off in the next year. For the purpose of this statement, the said figure has been adjusted pro-rata for the charge of the current financial year.

B. Significant Accounting Policies:

(a) Basis of preparation of financial statements:

The financial statements have been prepared under historical cost convention on an accrual basis.

(b) Use of Estimates:

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

(c) Revenue Recognition:

Revenue from media is recognized pro-rata over the contractual period. Revenue from services rendered consisting of Content Sale, Royalty on Brand Usage and IT Enabled Services is recognized as per agreed contractual terms, pro-rata subscriptions, as the case may be.

(d) Intangible Asset & Amortization:

The Intangible Assets are stated at cost of acquisition less amortization. The group amortizes cost of intangible assets over a period of five years, pro-rata.

(e) Fixed Assets and Depreciation:

Fixed assets are stated at cost of acquisition less accumulated depreciation thereon. Depreciation is charged using the straight line method based on the useful lives of fixed assets as estimated by the management as specified below, or the rates specified in accordance with the provisions of schedule XIV of the Companies Act, 1956, which-ever is higher.

Full depreciation is charged on assets purchased during the year and no depreciation is charged on assets sold during the year.

Individual assets costing less than Rs 5,000/- have been depreciated in full in the year of purchase.

Estimated useful life of the assets is as under

Furniture and fixtures	5 years
Computer equipment	3 years
Software	3 years
Office equipment	5 years

(f) Investments:

Investments are classified into current and long-term investments. Current investments are stated at lower of cost or market value. Long-term investments are carried at cost less provisions, if any, for permanent diminution the value of such Investment.

(g) Foreign exchange transactions:

Transactions in foreign currencies are recorded at the prevailing rates at the time transactions were effected. Foreign currency assets & liabilities outstanding at the year-end are translated at the rates of exchange ruling on that day; gain / loss on transactions are accounted in the Profit & Loss account, or adjusted in the value of Fixed Assets, as applicable.

(h) Retirement Benefits:

The company's contribution towards Provident Fund and family pension fund is charged against revenue for the period / year.

The Company has provided Gratuity payable to employees on the basis of actuarial valuation. The company provides for leave encashment payable to employees on actual basis.

(i) Leases:

Lease rentals in respect of operating lease arrangements are charged to the Profit & Loss Account in accordance with Accounting Standard 19 – Leases, issued by the Institute of Chartered Accountants of India.

(j) Taxes on Income:

Provision for current tax is computed in accordance with relevant tax regulations.

Deferred tax is recognized for all timing differences between accounting income & taxable income and are quantified using enacted / substantially enacted tax rates as at the balance sheet date. Deferred tax assets are recognized subject to the management judgment that the realisation is virtually certain.

C. Notes to accounts:

1. The company has provided a Corporate Guarantee in favour of UTI Bank Limited to the extent of Rs.50 million for the credit facilities in the form of Bank Guarantees Rs. 30 million and Overdraft Rs. 20 million, sanctioned by the bank to its wholly owned subsidiary India Infoline Securities Private Limited.

Fixed deposits with bank includes deposits amounting to Rs.16 million (Previous Year Rs. 16 million) which are pledged with the bank for availing overdraft facility from UTI Bank and also includes the deposit amounting to Rs. 2.5 million (Previous Year Rs. 2.5 million) pledged with HDFC Bank for National Stock Exchange as Base Capital for Cash Segment.
2. The Company provides for the use of its wholly owned subsidiaries certain facilities like use of premises, infrastructure and other facilities and services and the same are termed as 'Shared Services'. Hitherto, such shared services consisting of administrative and other revenue expenses paid for by the company were identified and recovered from them based on reasonable management estimates in accordance with Board Resolution passed in this regard, which are constantly refined in the light of additional knowledge gained relevant to such estimation. Therefore the figures of the previous years may not be readily comparable. During the six months period ended 30th September 2004, these expenses are recovered on an actual basis and the estimates are used only where actuals were difficult to determine.
3. Pursuant to the approval by the shareholders at the Extra-Ordinary General Meeting held on 30th December 2003, the company had submitted petition with the High Court of Mumbai under sections 78 and 100 of the Companies Act, 1956 for seeking its directions for company's proposal to (a) write off the accumulated losses by utilizing the securities premium account and (b) reduce the paid up value of the shares of the company from Rs.10/- per share to Rs.5/- per share. The said Court has approved the company's proposal vide its order dated 6th May 2004. However, the adjustments arising out of directions contained in the order have not been given effect to so far, in the accounts of the Company.
4. The company has entered into separate agreement with its subsidiaries, India Infoline Securities Private Limited (IISPL), India Infoline Distribution Company Limited (IIDCL), India Infoline Insurance Services Limited (IIISL) to pay to it (1) 'Royalty / License Fees' for the usage of its trade name and brand name viz. 5paisa.com. and India Infoline.com, (2) 'Site Maintenance & Content Fees' to provide data and information on business, finance and investing in India and Indian companies and (3) 'IT Enabled Services' for the information technology services. All these agreements are for a period of three years, first two types being entered in the

financial year 2003-04 and other during the current period. Of these agreements, we have been informed that 'Royalty / License Fees' agreement with IIDCL has been cancelled during the current period.

As per these respective agreements, the structure of various charges / fees to be received by the company, is as under:

Particulars	Amount in Rs Millions			2003-04	
	Period ended 30 th Sept 2004			IISPL	IIDCL
Site Maintenance & Content	9	Nil	Nil	18	Nil
Royalty / License Fees	18	Nil	Nil	36	18
Information Technology Services	15	7.5	4.5		Nil

5. The company during the financial year 1999-00 had announced an Employee Stock Option Plan (ESOP 2000), which provided for grant of share options to employees of the company. The plan had reserved a total of 815,000 shares (2,445,000 shares after giving effect to Bonus shares) for issuance under ESOP 2000. The company granted the first lot of options out of said ESOP scheme on March 1, 2000. The company granted second lot of ESOPs from the balance ESOPs including reissue of the lapsed options, on April 1, 2003. The total number of options in force as at 30th September, 2004 was 17,26,150. As on September 30, 2004; the total number of options exercised and allotted were 17,700 and the total number of options vested were 11,42,535. Since the Company's shares are not listed on any of the stock exchanges, market price is not available, the fair value of the share calculated by the company at the time grant was less than the grant price of the share and therefore no charge is considered necessary towards employee compensation cost on account of ESOPs.

The company has granted third lot of 6,76,500 options on October 1, 2004, taking the total number of options in force up to 24,02,650. Subsequently 9,00,000 ESOPs have been exercised and as on date the total number of ESOPs in force are 15,02,650. The management has informed us that they will not grant any further options from the said scheme (ESOP 2000).

6. The Company has an Investment of Rs.49.99 million in equity shares and dues of Rs.36.93 million from its fully owned subsidiary, India Infoline.com Distribution Company Limited (IIDCL). The company also has an investment of Rs.2.01 million in equity shares and dues of Rs.19.61million from its fully owned another subsidiary, India Infoline Insurance Services Limited (IISL). During the six months period ended 30th September, 2004, the net worth of IIDCL & IISL, has been eroded. Since the Company's Investments in both the above-mentioned subsidiaries is of strategic value, in management's view, the decline in the value of the said investment in the subsidiaries is considered as temporary and accordingly, no provision has been made for the said decline in value of investments in the books of the company.
7. During the six months period ended 30th September, 2004 the company has formed two new fully owned subsidiaries namely, (1) 'India Infoline Commodities Private Limited (IICPL)' at an investment of Rs.6.10 million in equity shares to take over the membership of Multi-Commodity Exchange of India Limited along with existing proprietary business in commodity broking owned by one of the directors of the company and the same has been included in unconsolidated financial information as Company's subsidiary and, (2) 'India Infoline Investment Services Private Limited (IISPL)' (Date of Incorporation 7th July, 2004) at an investment of Rs. 21.99 million in equity shares with a view to offer financial services to its customers and since the company is yet to commence its business, the same has not been included in unconsolidated financial information. In management's view, like the other subsidiaries, both the investments are strategic in nature.
8. As per Accounting Standard 22 'Accounting for Taxes on Income, the timing differences relate mainly to carry forward losses under the Income Tax Act, 1961 and result in a net deferred tax asset. As a prudent measure the net deferred tax asset in relation to the above has not been recognised in the accounts.
9. The company has taken Office Premise under operating leases. The total minimum lease payments in respect thereof are as under:

Particulars	Amount in Rs Millions	
	Period ended 30 th Sept 2004	2003-04
Due:		
Not Later Than one Year	5.3	5.3
Later Than one Year but not later than Five Years	2.22	4.88

10. Segment Reporting:

Segment information for the six-month period ended 30th September 2004.
Primary segment information (by business segment)

(Amount Rs Million)						
Sno	Particulars	Media & Content	ITEnabled Services	Brand Usage Income	Others	Total
I	Segment Revenue					
	External	25.99	27.00	18.00	4.06	75.05
	Inter-segment	0.00	0.00	0.00	0.00	0.00
	Total	25.99	27.00	18.00	4.06	75.05
li	Segment Result	23.61	26.21	16.84	2.04	68.70
	Less: Unallocated Expenses	0.00	0.00	0.00	0.00	12.63
	Operating Profit	23.61	0.00	0.00	2.04	56.07
	Interest Expense					0.00
	Profit from Ordinary Activities					56.07
	Less: Income Tax					4.60
	Net Profit after Tax					51.47
lii	Segment Assets	7.03	19.76	0.03	0.00	26.82
	Unallocated Corporate assets					364.39
	Total Assets					391.21
Iv	Segment Liabilities	1.13	0.76	0.06	0.00	1.95
	Unallocated Corporate Liabilities					37.27
	Total Liabilities					39.22
V	Capital Expenditure	0.14	2.20	0.04	1.79	4.17
Vi	Depreciation	0.03	0.62	0.01	2.91	3.57
Vii	Non-Cash expenditure other than depreciation					2.81

The company operates in only one geographic segment i.e. 'India'. Hence separate information on geographical segment is not required. The other segment, if any, constitutes income like interest on investments etc, which are not the regular income streams of the company and hence segment results, segment assets and segment liabilities are, accordingly disclosed. The accounting policies adopted for segment reporting are in line with the accounting policies adopted for preparation of financial information of the company.

11. Related Party Disclosures:

Related party disclosures as on September 30, 2004.

Nature of relationship

Name of party

(a) Related parties where control exists:

Subsidiaries

India Infoline Securities Private Limited
India Infoline Distribution .com Company Limited
India Infoline Insurance Services Limited
India Infoline Commodities Private Limited
India Infoline Investment Services Private Limited

(b) Other related parties:

Key Management Personnel

Mr. Nirmal Jain

Mr. R Venkataraman
Mr. Satpal Khattar
Mr. N Srinivasan
Mr. Sanjiv Ahuja

(c) **Significant Transactions with Related Parties:**

(Amount Rupees in Million)

Nature of Transaction	Subsidiaries	Key Managerial Persons	Total
Investment	27.99	-	27.99
Share capital	-	-	-
Remuneration		3.33	3.33
Media & Content income	9.00	0	9.00
Royalty on Brand	18.00	-	18.00
Software & Technology Services	27.00	-	27.00
Corporate Guarantee	50.00	-	50.00
Collateral	2.50	-	2.50
Advances given/ reimbursement of expenses	166.83	-	166.83
Advances taken/ allocation of expenses	131.19	-	131.19

(d) Amount due to / from related parties

(Amount Rupees in Million)

Nature of Transaction	Subsidiaries	Key Managerial Persons	Total
Receivables	64.89	0	64.89

Note:

The transaction between group companies comprise of extension and return of temporary advances of funds, allocation of expenses, reimbursement of expenses, etc as identified by the Company's management from the Holding / Subsidiary Company's Current Account.

(Amount Rupees in Million)

INDIA INFOLINE LIMITED**Annexure IV : Summary Cash Flow Statement**

	1999-00	2000-01	2001-02	2002-03	2003-04	30.9.04
Cash flows from operating activities						
Net profit before taxation, and extraordinary item	(42.92)	(101.89)	(38.13)	(33.35)	68.22	56.07
Adjustments for:						
Depreciation	4.36	18.07	31.08	23.81	3.43	1.81
Amortization	-	8.00	-	8.00	16.00	-
Provisions for Gratuity	-	0.12	0.06	0.07	0.02	0.04
Provisions for Leave Encashment	-	-	0.08	0.07	0.03	0.01
Interest income	(3.02)	(5.05)	(2.73)	(3.83)	(1.46)	(0.50)
Preliminary Expense W/off	0.01	-	-	-	-	-
Loss / (Profit) on Sale of Fixed Assets	-	0.42	0.14	1.52	-	-
Interest expense	-	0.08	-	-	-	-
Bad Debts	-	0.30	1.04	0.50	0.38	-
Operating profit before working capital changes	(41.58)	(79.94)	(8.48)	(3.22)	86.62	57.42
(Increase) / Decrease in sundry debtors	(5.90)	(2.23)	5.26	(3.58)	0.34	(3.04)
(Increase) / Decrease in Interest Accrued	-	(0.19)	0.18	0.01	0.01	-
(Increase) / Decrease in Loans & Advances	(23.12)	11.24	6.99	(0.33)	1.51	(2.25)
(Increase) / Decrease in Group Co. Balances	(0.26)	(4.87)	(14.49)	(6.54)	(4.65)	(29.87)
Increase / (Decrease) in Provisions	-	14.20	(0.42)	(14.11)	0.58	0.74
Increase / (Decrease) in Current Liabilities	21.31	(7.39)	(6.18)	(0.25)	8.63	(0.91)
Cash generated from operations	(49.55)	(69.19)	(17.14)	(28.02)	93.04	22.10
Tax (Paid) / Refund	-	(1.63)	(0.26)	1.60	0.70	(1.47)
Cash flow before extraordinary item	(49.55)	(70.81)	(17.40)	(26.43)	93.75	20.63
ADR Expenses	-	(11.45)	-	-	-	-
Provision For Contingencies	-	(14.20)	-	-	-	-
Net cash from operating activities	(49.55)	(96.46)	(17.40)	(26.43)	93.75	20.63
Cash flows from investing activities						
Purchase of fixed assets	(7.47)	(60.00)	(7.91)	(16.98)	(0.72)	(4.17)
Sale of fixed assets	-	0.85	0.03	2.44	14.65	-
Paid for intangibles	(40.00)	-	-	-	-	-
Purchase of Investments	(9.65)	(115.00)	(12.01)	(15.00)	(100.10)	(27.99)
Interest received	3.02	5.05	2.73	3.83	1.46	0.50
Net cash from investing activities	(54.10)	(169.10)	(17.16)	(25.70)	(84.71)	(31.66)
Cash flows from financing activities						
Proceeds from issuance of share capital	365.38	17.46	77.64	-	-	-
(Repayment) / Proceeds of long-term borrowings	-	-	-	10.65	(9.75)	12.08
Interest paid	-	(0.08)	-	-	-	-
Dividend Paid	(0.13)	-	-	-	-	-
Net cash used in financing activities	365.24	17.38	77.64	10.65	(9.75)	12.08
Net increase in cash and cash equivalents	261.60	(248.19)	43.09	(41.47)	(0.72)	1.05
Cash and cash equivalents at beginning of period	8.00	269.59	21.41	64.50	23.02	22.31
Cash and cash equivalents at end of period	269.59	21.41	64.50	23.02	22.31	23.36

Cash and cash equivalents include short term investments and is net off bank overdraft, if any.

Annexure V:**India Infoline Limited**

Details of secured Loans based on Statement of Assets and Liabilities, Restated.

The following table represents the break-up of outstanding secured loans in respect of the issuer company India Infoline Limited as on september30, 2004.

(Amount in Rupees Million)

Source	Six-month ended Sept 30, 2004
Secured loans from scheduled banks	12.97
Total	

1. There are no secured loans outstanding other than those stated above.
2. This is an overdraft facility against pledging of Fixed Deposit Receipt, hence there are no specified repayment terms. The amount pledged is Rs. 16 Million and limit sanctioned is Rs. 14.5 Million.
3. The rate of Interest on FD is 5.65% p.a. and on overdraft facility is 6.65%

ANNEXURE VI:
INDIA INFOLINE LIMITED

Agewise Analysis of Sundry Debtors

(Amount in Rs. Million)

Particulars	Six-month Ended 30th September 2004
Debts outstanding for a period exceeding six months:	
Considered good	-
Considered doubtful	-
	-
Other debts:	
Considered good	7.04
	7.04
Less: Provision for Doubtful debts	-
Total	7.04

Annexure VII:
India Infoline Limited
Statement of Loans and Advances

(Amount in Rs. Million)

Particulars	Six-month ended September 30 2004
1. Advances recoverable in cash or kind or for value to be received	
Considered good	0.51
Considered doubtful	-
	0.51
Less : Provision for Doubtful Advances	-
	0.51
2. Deposits	5.98
3. Advance Income Tax / Tax Deducted at Source	1.97
4. Income Tax refund receivable	-
5. Advance to subsidiary	62.04
6. Other loans & advances	0.66
	71.18
Above Includes:	
Loans / Advances to promoters / Promoter Group / directors	NIL

Annexure VIII:INDIA INFOLINE LIMITED
Statement of Investment**(Amount Rs Million)**

Nature of Investment	Six-month ended 30 th September 2004
Units in Mutual Funds	1.1
HDFC Income Fund Growth	(99,081.25)
Investment in Subsidiaries	49.99
India Infoline.Com Distribution Company Limited	(14,00,000)
India Infoline Securities (P) Limited	200
	(7950000)
India Infoline Insurance Service Limited	2.00
	(200700)
India Infoline Commodities Private. Limited	6.1
	(70000)
India Infoline Investment Services Private. Limited	21.99
	(2010000)
Total	281.20

Figures in bracket refer to number of units and / or shares etc.

Annexure IX:

INDIA INFOLINE LIMITED

Accounting Ratios based on Statement of Profits and Losses, and Assets and Liabilities.

(Amount in Rs. Million)

S No.	Particulars	1999-00	2000-01	2001-02	2002-03	2003-04	Six Month ended on 30-Sep-04
1	Revenue	22.94	45.71	28.25	6.24	88.59	70.99
2	Profit After Tax & Adjustments	(42.92)	(127.54)	(38.13)	(33.35)	75.72	47.47
3	PAT to Revenue(2/1)	(187.11)	(279.03)	(134.96)	(534.11)	85.47	66.87
4	<u>Earning Per Share:</u>						
5	Total No. of shares O/S at year end	20557482	26421862	26421862	26421862	26421862	26421862
6	Weighted avg O/S for Basic EPS(Nos)	20549181	23665246	26421862	26421862	26421862	26421862
7	Weighted avg O/S for Diluted EPS(Nos.)	20549181	23716042	26421862	26421862	26421862	26421862
8	Basic EPS	(2.09)	(5.39)	(1.44)	(1.26)	2.87	1.80
9	Diluted EPS	(2.09)	(5.38)	(1.44)	(1.26)	2.87	1.80
10	<u>Return on Net Worth:</u>						
11	Shareholders Fund	375.38	392.83	470.47	470.47	470.47	470.47
12	Less:Debit Balance in Restated P&L	(42.66)	(170.19)	(208.32)	(241.67)	(165.95)	(118.48)
13	Less: Revaluation Reserves	-	-	-	-	-	-
13	Adj. Net Worth net of RevaluationRes.	332.72	222.64	262.15	228.80	304.52	352.00
14	Net Asset Value Per Share	16.18	8.43	9.92	8.66	11.53	13.32
15	Reutrn on Net Worth (%)	(12.90)	(57.28)	(14.55)	(14.57)	24.87	13.49

Definitions used in arriving at above ratios:

S No.	Ratio	Definition
1	PAT to Revenue	Restated Profits after tax divided by Revenue
2	Earning Per Share (Basic)	Restated Profits after tax divided by weighted avg. number of equity shares outstanding during the year/ period.
3.	Earning Per Share (Diluted)	Restated Profits after tax divided by weighted avg. number of equity shares outstanding during the year/ period duly adjusted for dilutive potential equity shares.
4.	Net Assets Value Per Share	Adjusted net worth net off revaluation reserves divided by number of equity shares outstanding at year-end.
5.	Return on Net Worth	Restated Profits after tax divided by Adjusted net worth net off revaluation reserves.

Annexure X:
INDIA INFOLINE LIMITED
CAPITALISATION STATEMENT AS AT SEPTEMBER 30, 2004

Amount Rs. Million	
Particulars	Pre- Issue
Borrowing	
Long - Term debt	12.97
Short - Term debt	0.00
Total debt	12.97
Shareholders' funds	
Share capital	
Equity	264.22
Reserve and Surplus net of revaluation reserve	206.26
	470.47
Less:	
Profit & Loss Account as Restated	118.48
Total Shareholders' funds	352.00
Long - term debt/equity ratio	0.04

The post issue debt / equity ratio will be computed on the conclusion of the book building process.

Annexure XI: Statement of Taxation based on Profits and Losses of India Infoline Limited

	1999-00	2000-01	2001-02	2002-03	2003-04	Six-month ended September, 2004
Particulars						
Profit / (Loss) before tax, as restated	(42.89)	(101.89)	(38.13)	(33.35)	76.22	52.07
Tax Rate (%)	38.50	39.55	35.70	36.75	35.88	36.59
Tax at Nominal Rate	(16.51)	(40.30)	(13.61)	(12.25)	27.34	19.05
Adjustments:						
Difference Between Tax depreciation and book depreciation	(40.00)	(3.03)	12.86	16.17	15.53	(2.18)
Other adjustments	0.73	14.54	2.01	2.53	(7.67)	4.59
Net Adjustments	(39.27)	11.52	14.87	18.70	7.86	2.42
Tax (saving) / increase thereon	(15.12)	4.55	5.31	6.87	2.82	0.88
Total taxation	(31.63)	(35.74)	(8.30)	(5.38)	30.16	19.94
Tax on Profits	(31.63)	(35.74)	(8.30)	(5.38)	30.16	19.94
Brought Forward Losses	-	(82.16)	(172.53)	(195.79)	(210.44)	(126.36)
Set off of Brought forward Losses	-	-	-	-	(84.08)	(54.49)
Net Tax Provided for the year / period	-	-	-	-	0.50	4.60
Carried Forward Losses	82.16	172.53	195.79	210.44	126.36	71.87
	-	-	-	-	-	-
Particulars	1999-00	2000-01	2001-02	2002-03	2003-04	Six-month ended September, 2004
Tax Rate	38.50	39.55	35.70	36.75	35.88	36.59
Tax at actual rate of profit	(16.51)	(40.30)	(13.61)	(12.25)	27.34	19.05
Adjustments	-	-	-	-	-	-
Permanent Differences:						
Income Tax	-	-	-	0.03	-	-
Loss on Sale of Fixed Assets	-	-	-	1.52	-	-
Donation	-	-	-	-	0.30	-
Share of Loss in Partnership Firm	0.60	-	-	-	-	-
Prior Period Expenses	(0.03)	-	-	-	(8.00)	4.56
Timing Difference:						
Bonus u/s 43B	-	0.23	0.36	0.86	-	-
Leave Encashment u/s 43B	-	-	-	0.05	0.01	-
Provision for Gratuity	0.15	0.12	0.06	0.07	0.02	0.04
Depreciation & Amortisation	(40.00)	(3.03)	12.86	16.17	15.53	(2.18)
Provision for Bad Debts	-	14.20	-	-	-	-
Preliminary Expenses	-	(0.00)	-	-	-	-
ESIC	-	-	0.16	-	-	-
Profession Tax	-	-	0.05	-	0.00	-
Provident Fund	-	-	1.39	-	0.00	-
Other Expenses	0.01	-	-	-	-	-
Unabsorbed Business Loss / Depreciation	(82.16)	(172.53)	(195.79)	(210.44)	(126.36)	(71.87)
	-	-	-	-	-	-
Net Adjustments	(122.57)	(161.02)	(180.92)	(194.83)	(103.10)	(78.56)
Tax savings thereon	(47.19)	(63.68)	(64.59)	(71.60)	(36.99)	(28.75)
Total Taxation	-	-	-	-	0.50	4.60

Annexure XII: Summary of Related Party Disclosures**Year ended March 31, 2002****1. List of Parties over which control exists:**

Name Of the parties:	Relationship
India Infoline Securities Private. Limited	Wholly owned subsidiary
India Infoline.com Distribution Company Limited	Wholly owned subsidiary
India Infoline Insurance services Limited	Wholly owned subsidiary

2. Names of the Related Parties with whom Transactions have been carried out during the year and description of Relationship:**Subsidiaries**

India Infoline Securities Private. Limited
India Infoline.com Distribution Company Limited
India Infoline Insurance Services Limited

Key Management Personnel: Directors

Mr. Nirmal Jain
Mr. R Venkataraman
Mr. Atul Rastogi

Relatives of Key Management Personnel

Mrs. Madhu Jain [Wife of Mr. Nirmal Jain]
Mr. Bhanwarlal Jain [Father of Mr. Nirmal Jain]
Mrs. Aditi Venkataraman [Wife of Mr.R. Venkataraman]

3. Disclosure of related party transactions:**(Amount Rs. In Million)**

Nature of Transaction	Subsidiaries	Directors	Relatives	Total
Investment	12.01	-	-	12.01
Issue of Equity Shares - Preferential Allotment		1.61	6.48	8.09
Site Maintenance & Content Fees Received	12.00	-	-	12.00
Remuneration		2.92	-	2.92
Indemnity	15.00	-	-	15.00
Corporate Guarantee	2.00	-	-	2.00
Collateral	3.61	-	-	3.61
Advances given/ reimbursement of expenses	14.96	-	-	14.96
Advances taken/ allocation of expenses	0.47	-	-	0.47

4. Amount due to / from related parties**(Amount Rs. In Millions)**

Nature	Subsidiaries	Directors	Total
Receivables	19.62	-	19.62

Year ended March 31, 2003**1. List of Parties over which control exists:**

Name Of the parties:	Relationship
India Infoline Securities Private. Limited	Wholly owned subsidiary
India Infoline.com distribution Co. Limited	Wholly owned subsidiary
India Infoline Insurance services Limited	Wholly owned subsidiary

2. Names of the Related Parties with whom Transactions have been carried out during the year and description of Relationship:**Subsidiaries**

India Infoline Securities Private. Limited
India Infoline.com Distribution Company Limited
India Infoline Insurance Services Limited

Key Management Personnel: Directors

Mr. Nirmal Jain
Mr. R Venkataraman
Mr. Atul Rastogi

3. Disclosure of related party transactions:

(Amount in Rs. Million)

Nature of Transaction	Subsidiaries	Directors	Total
Investment	15.00	-	15.00
Remuneration	-	2.77	2.77
Indemnity	15.00	-	15.00
Collateral	7.68	-	7.68
Advances given/ reimbursement of expenses	142.86	-	142.86
Advances taken/ allocation of expenses	137.28	-	137.28

4. Amount due to / from related parties

(Amount in Rs. Million)

Nature of Transaction	Subsidiaries	Directors	Total
Receivables	26.16	0.18	26.34
Payables	0.96	-	0.96

Year ended March 31, 2004**1. List of Parties over which control exists:**

Name Of the parties:	Relationship
India Infoline Securities Private. Limited	Wholly owned subsidiary
India Infoline.com distribution Co. Limited	Wholly owned subsidiary
India Infoline Insurance services Limited	Wholly owned subsidiary
India Infoline Commodities Private. Limited	Wholly owned subsidiary

2 Names of the Related Parties with whom Transactions have been carried out during the year and description of Relationship:**Subsidiaries**

India Infoline Securities Private. Limited
India Infoline.com Distribution Company Limited
India Infoline Insurance services Limited
India Infoline Commodities Private. Limited

Key Management Personnel: Directors

Mr. Nirmal Jain

Mr. R Venkataraman

3. Disclosure of related party transactions:**(Amount in Rs. Million)**

Nature of Transaction	Subsidiaries	Directors	Total
Purchase of investment	100.10	-	100.10
Share capital	-	-	-
Remuneration	-	3.25	3.25
Media & Content income	18.00	-	18.00
Royalty on Brand	54.00	-	54.00
Corporate Guarantee	50.00	-	50.00
Collateral	2.50	-	2.50
Advances given/ reimbursement of expenses	387.76	-	387.76
Advances taken/ allocation of expenses	382.43	-	382.43

4. Amount due to / from related parties:**(Amount in Rs. Million)**

Nature	Subsidiaries	Directors	Total
Receivables	30.52		30.52

Period ended September 30, 2004**1. List of Parties over which control exists:**

Name Of the parties:	Relationship
India Infoline Securities Private. Limited	Wholly owned subsidiary
India Infoline.com distribution Co. Limited	Wholly owned subsidiary
India Infoline Commodities Private. Limited	Wholly owned subsidiary
India Infoline Investment Services Private. Limited	Wholly owned subsidiary
India Infoline Insurance services Limited	Wholly owned subsidiary

2. Names of the Related Parties with whom Transactions have been carried out during the year and description of Relationship:**Subsidiaries**

India Infoline Securities Private. Limited
India Infoline.com Distribution Company Limited
India Infoline Insurance services Limited
India Infoline Commodities Private. Limited
India Infoline Investment Services Private. Limited

Key Management Personnel: Directors

Mr. Nirmal Jain

Mr. R Venkataraman

Mr. Satpal Khattar

Mr. N Srinivasan

Mr. Sanjiv Ahuja

3. Disclosure of related party transactions:**(Amount in Rs. Million)**

Nature of Transaction	Subsidiaries	Directors	Total
Investment	27.99	-	27.99
Share capital	-	-	-
Remuneration		3.33	3.33
Media & Content income	9.00		9.00
Royalty on Brand	18.00	-	18.00

Software & Technology Services	27.00	-	27.00
Corporate Guarantee	50.00	-	50.00
Collateral	2.50		2.50
Advances given/ reimbursement of expenses	166.83	-	166.83
Advances taken/ allocation of expenses	131.19	-	131.19

4. Amount due to / from related parties:

(Amount in Rs. Million)

Nature	Subsidiaries	Directors	Total
Receivables	64.89	-	64.89

INDIA INFOLINE SECURITIES PRIVATE LIMITED
Annexure XIII-A : Summary statement of profits and losses, as restated

(Amount in Rs. Millions)

	31st March, 2000	31st March, 2001	31st March, 2002	31st March, 2003	31st March, 2004	Six Month ended 30th September, 2004
INCOME						
Income from operations						
Brokerage & Related Income	-	15.70	18.77	28.43	166.91	152.07
Depository Income	-	0.40	0.18	2.36	6.22	8.86
Software Licence Fees	-	-	-	-	18.34	17.44
Other Income	-	0.41	0.50	8.70	43.52	2.07
Total Income	-	16.52	19.45	39.49	234.99	180.44
EXPENDITURE						
Direct Cost	0.26	5.65	6.76	8.62	63.70	45.59
Employee Cost	-	-	-	9.54	42.22	18.66
Administration & Other Expense	-	11.96	15.13	20.47	110.83	69.92
Interest	-	-	-	1.37	10.62	1.63
Depreciation & Amortisation	-	-	-	-	6.84	6.38
Total Expenditure	0.26	17.62	21.89	40.00	234.22	142.18
Profit/(Loss) before tax & prior period and extraordinary items adjustments	(0.26)	(1.10)	(2.45)	(0.52)	0.77	38.26
Provision for taxation						
Current Tax	-	-	-	-	(0.69)	(14.30)
Deffered Tax	-	-	-	-	1.71	(0.82)
Net profit after tax but before prior period and extra ordinary items adjustments	(0.26)	(1.10)	(2.45)	(0.52)	1.79	23.14
Extra Ordinary Items:						
Prior Period Expense	-	-	(0.12)	-	-	-
Total Exordinary Items	-	-	(0.12)	-	-	-
Net Profit for the year	(0.26)	(1.10)	(2.57)	(0.52)	1.79	23.14
Adjustments on account of changes in accounting policies						
Impact of prior period items	-	(0.12)	0.12	-	-	-
Total Impact of adjustments	-	(0.12)	0.12	-	-	-
Net profit, as restated	(0.26)	(1.22)	(2.45)	(0.52)	1.79	23.14
Profit / (Loss) brought forward from previous year	-	(0.26)	(1.48)	(3.92)	(4.44)	(2.65)
Transfer from General Reserve						
Balance of Loss carried forward	(0.26)	(1.48)	(3.92)	(4.44)	(2.65)	20.49

INDIA INFOLINE SECURITIES PRIVATE LIMITED
Annexure XIII-B :Summary statement of assets and liabilities, as restated

(Amount in Rs. Million)

	As at March 31, 2000	As at March 31, 2001	As at March 31, 2002	As at March 31, 2003	As at March 31, 2004	Six month ended September 30, 2004
FIXED ASSETS						
(i) Gross Block	-	-	-	-	24.31	25.40
Less : Depreciation	-	-	-	-	6.84	10.42
Net Block	-	-	-	-	17.47	14.99
Less: Revaluation Reserve	-	-	-	-	-	-
Net Block after revaluation reserve	-	-	-	-	17.47	14.99
INTANGIBLE ASSETS						
Balance as per last Balance Sheet	-	28.10	28.10	28.10	28.10	28.10
Less : Amortised	-	-	-	-	-	2.81
Total Intangible Assets	-	28.10	28.10	28.10	28.10	25.29
DEFERRED TAX						
Deferred Tax	-	-	-	-	2.71	2.82
Less: Deferred Tax Liabilities	-	-	-	-	1.00	1.93
Net Deferred Tax Asset	-	-	-	-	1.71	0.89
CURRENT ASSETS, LOANS AND ADVANCES						
Interest Accrued	-	0.24	0.45	1.06	1.15	2.31
Sundry Debtors	-	38.53	45.52	109.22	365.77	526.18
Cash and Bank Balances	-	14.82	6.06	9.02	50.79	91.91
Loans and Advances	-	26.28	25.64	50.89	61.50	97.84
Total Current Assets, Loans and Advances	-	79.87	77.66	170.19	479.21	718.25
TOTAL ASSETS	0.002	107.970	105.760	198.290	526.490	759.41
LIABILITIES & PROVISIONS						
Secured Loans	-	-	-	23.33	28.33	127.52
Unsecured Loans	-	0.22	2.18	0.89	2.90	0.58
Total Loan Funds	-	0.22	2.18	24.22	31.23	128.10
Current Liabilities	0.26	34.23	22.50	64.31	283.01	395.83
Provisions	-	-	-	14.20	14.89	14.99
Total Current Liabilities and Provisions	0.26	34.23	22.50	78.51	297.90	410.82
TOTAL LIABILITIES	0.26	34.45	24.68	102.73	329.13	538.92
NET WORTH	(0.26)	73.52	81.08	95.56	197.35	220.49
REPRESENTED BY :						
Share Capital:						
Paid up Capital	0.002	75.00	76.00	77.00	79.50	79.50
Reserve & Surplus						
Security Premium	-	-	9.00	23.00	120.50	120.50
Capital Redemption Reserve	-	-	-	-	-	-
Profit and Loss Account	-	-	-	-	-	20.49
Less: Revaluation Reserve	-	-	-	-	-	-
Reserves Net of Revaluation Reserve	-	-	9.00	23.00	120.50	140.99
Shareholders Fund	0.002	75.00	85.00	100.00	200.00	220.49
Less: Miscellaneous Expenditure	-	-	-	-	-	-
Debit Balance of Profit and loss statement	0.26	1.48	3.92	4.44	2.65	-
TOTAL	(0.26)	73.52	81.08	95.56	197.35	220.49

Annexure XIII-C : India Infoline Securities Private Limited

Significant Accounting Policies and Notes forming part of the Restated Statement of Assets and Liabilities as at September 30, 2004 and Restated Profit and Loss Statement for the six-month period ended September 30, 2004.

A. Significant Accounting Policies:

(a) Basis of preparation of financial statements:

The financial statements are prepared under the historical cost convention on an accrual basis.

(b) Use of Estimates:

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

(c) Revenue Recognition:

- Brokerage income earned on secondary market operations is accounted (inclusive method) on trade dates.
- Depository income is accounted (inclusive method) on accrual basis.

(d) Intangible assets and Amortization:

Intangible assets consist of Membership Rights of The Bombay Stock Exchange, Mumbai. The cost of acquisition of this membership is amortized over a period of five years pro-rata from the accounting period beginning 1st April, 2004 in terms of AS 26 'Intangible Assets' issued by the Institute of Chartered Accountants of India

(e) Fixed assets and Depreciation:

Fixed assets are stated at cost of acquisition less accumulated depreciation thereon. Depreciation is charged using the straight line method based on the useful lives of fixed assets as estimated by the management as specified below, or the rates specified in accordance with the provisions of schedule XIV of the Companies Act, 1956, which-ever is higher.

Full depreciation is charged on assets purchased during the year and no depreciation is charged on assets sold during the year.

Individual assets costing less than Rs.5,000/- have been depreciated in full in the year of purchase.

Estimated useful life of the assets is as under

Furniture and fixtures	5 years
Computer equipment	3 years
Software	3 years
Office equipment	5 years
VSATs	5 years

(f) Taxes on Income:

Provision for current tax is computed in accordance with relevant tax regulations.

Deferred tax is recognised for all timing differences between accounting income & taxable income and are quantified using enacted / substantially enacted tax rates as at the date of Restated Statement of Assets and Liabilities. Deferred tax assets are recognised subject to the managements' judgment that the realization is virtually certain.

B. Notes to accounts:

1. Contingent liability in respect of: Bank Guarantees outstanding Rs.30 million (Previous Year Rs.30 million). These Bank Guarantees are procured by the Company from UTI Bank Limited, by pledging its Fixed Deposit Receipts of Rs.16.61 million (Previous Year: Rs.15 million).
2. Secured loan from bank is secured against pledge of securities amounting to Rs.139 million (Previous Year Rs.139 million) obtained as margin deposit in the beneficiary accounts of the clients.
3. The company's overdraft facility with HDFC Bank limited is against lien on its own Fixed Deposit Receipts of Rs. 8.02 HDFC (Previous Year Rs 7.3 million) with the bank.
4. The company operates from and uses the premises, infrastructure and other facilities and services as provided to it by its holding company, which are termed as 'Shared Services'. In case of such shared services paid by the holding company, expenses were identified and recovered by the holding company based on reasonable management estimates, which are constantly refined in the light of additional knowledge gained relevant to such estimation. Therefore the figures of the previous years may not be readily comparable. During the six months period ended 30th September 2004, these expenses are reimbursed on an actual basis and the estimates are used only where actual were difficult to determine.
5. The company had filed a claim for recovery of Rs. 30.59 million plus costs and interest, on a client before the Arbitration panel under the byelaws and regulations of the National Stock Exchange of India Limited. The arbitration panel vide its award dated November 27, 2002, has substantially accepted the claim of the company and has directed the client to pay the company a sum of Rs. 30.59 million together with interest @ 18% p.a. from the date of the award.
6. In addition, the said client filed a counter claim against the Company in BSE and the BSE passed an order in favour of the client. This award was challenged by the Company in the Hon'ble High Court Bombay. We have been informed that the parties have now reached a settlement / compromise as evidenced by Order of the Hon'ble High Court Bombay dated 20th October 2004, wherein both parties have agreed that they will have no claims of any nature whatsoever against each other. Further the Order entitles the company to receive appropriate sale proceeds from Bombay Stock Exchange as also the proceeds of annulment proceedings from National Stock Exchange Limited.
7. During the financial year 2003-04 the company had entered into an agreement with its holding company, India Infoline Limited (IIL) to pay 'Royalty / License Fees' for the usage of its trade name and brand name viz. 5paisa.com. for period of three years. During the same year the company has, further, entered into an agreement with IIL to pay 'Site Maintenance & Content Fees' to provide data and information on business, finance and investing in India and Indian companies for a period of three years. It is entitled to use the aforesaid data in the course of its business, including providing it to its customers.
8. During the six month period ended 30th September 2004, the company has entered in to another agreement to pay 'IT Enabled Services' for the information technology service provided by the Holding Company, India Infoline Limited for a period of three years. The details of the payment structure is as under:

Amount in Rs Millions		
Particulars	Period ended 30 th Sept 2004	2003-04
Site Maintenance & Content	9	18
Royalty / License Fees	18	36
Information Technology Services	15	Nil

We have relied on agreements / Management's Representation / information submitted to us in this regard for the years audited by us.

9. In the normal course of business the company does not engage in proprietary trading. Trading in securities by the company in its own name mainly consists of those transactions where shares are purchased and sold for settlement of disputes and errors. As per the expert opinion received by the company, the provisions of Section 297 of the Companies Act, 1956 are not attracted to broking services offered by the company to some of the directors and their relatives, on which the auditors have placed their reliance.
10. The Accounting Standard 22 on 'Accounting for Taxes on Income' first became applicable to the Company from the accounting periods beginning 1st April 2002. The company recognised both deferred tax assets and liability for the first time for the year ended on 31st March 2004 as below:

Deferred Tax Asset

(Amount in Rs. Millions)

	Particulars	Period ended 30 th Sept 2004	2003-04
a.	On provision for doubtful debts	2.74	2.69
b.	On preliminary expenses	0.02	0.02
c.	Gratuity	0.06	Nil
	Total	2.82	2.71

Deferred Tax Liability

(Amount in Rs. Millions)

	Particulars	Period ended 30 th Sept 2004	2003-04
a.	On current year's depreciation	1.93	1.00
	Total	1.93	1.00

11. Segment Reporting :

Segment information for the six-month period ended 30th September 2004.

Primary segment information (by business segment)

(Amount Rs Million)

S. No	Particulars	Broking and Related Activities	Others	Total
I	<u>Segment Revenue</u>			
	External	178.37	2.06	180.44
	Inter-segment	0.00	0.00	0.00
		178.37	2.06	180.44
ii	<u>Segment Result</u>	37.82	2.06	39.88
	Less: Unallocated Expenses	0.00	0.00	0.00
	Operating Profit	37.82	2.06	39.88
	Interest Expense			1.62
	Profit from Ordinary Activities			38.26
	Less: Income Tax			15.12
	Net Profit after Tax			23.14
iii	<u>Segment Assets</u>			723.97
	Unallocated Corporate assets			35.44
	Total Assets			759.41
iv	<u>Segment Liabilities</u>			523.93
	Unallocated Corporate Liabilities			14.99

(Amount Rs Million)

S. No	Particulars	Broking and Related Activities	Others	Total
	Total Liabilities			538.92
V	Capital Expenditure			1.09
vi	Depreciation			3.57
vii	Non-Cash expenditure other than depreciation			2.81

The company operates in only one geographic segment i.e. 'India'. Hence separate information on geographical segment is not required. The other segment, if any, constitutes income like interest on investments etc, which are not the regular income streams of the company and hence segment results, segment assets and segment liabilities are, accordingly disclosed. The accounting policies adopted for segment reporting are in line with the accounting policies adopted for preparation of financial information of the company.

12. Related Party Disclosures:

Related party disclosures for the six-month period ended September 30, 2004

Nature of relationship

Name of party

(a) List of Related parties:

Holding company	India Infoline Limited
Fellow Subsidiaries	India Infoline Insurance Services Limited India Infoline Investment services Private Limited India Infoline Commodities Private Limited India Infoline Distribution.com Company Limited

(b) Other related parties:

Key Management Personnel	Mr. Nirmal Jain Mr. R Venkataraman Mr. Mukesh Kumar Singh
Relatives of Key Management Personnel	
Mrs. Madhu Jain Mrs. Aditi Venkataraman Nirmal Jain (HUF)	Wife of Mr. Nirmal Jain Wife of R. Venkataraman

(c) Significant Transaction with Related Parties

(Amount in Rs. Million)

Nature of Transaction	Fellow subsidiaries	Relatives	Directors	Holding Company	Total
Purchases of shares & securities	-	75.04	131.56	-	206.60
Sale of shares & securities	-	77.58	134.82	-	212.40
Brokerage income	-	0.13	0.13	-	0.26
Advances returned/ reimbursement of expenses	5.89	-	-	117.37	123.25
Advances taken/ allocation of expenses	30.02	-	-	116.92	146.94

(d) Outstanding as at September 30, 2004:

(Amount in Rs. Million)

Nature of Transaction	Fellow subsidiaries	Relatives	Directors	Total
Sundry receivables	2.05	4.22	1.96	8.23
Sundry payables	26.19	.08	.04	26.30

Note:

The transaction between group companies comprise of extension and return of temporary advances of funds, allocation of expenses, reimbursement of expenses, etc as identified by the Company's management from the Holding / Subsidiary Company's Current Account.

INDIA INFOLINE.COM DISTRIBUTION COMPANY LIMITED

Annexure XIV-A : Summary statement of profits and Losses, as restated

(Amount in Rs Million)

	31st March, 2000	31st March, 2001	31st March, 2002	31st March, 2003	31st March, 2004	Six month ended 30th September,2004
INCOME						
Income from operations						
Brokerage & Related Income	46.24	75.84	97.73	40.07	81.17	44.49
Advertisement, Marketing & Support Income	0.24	0.59	-	1.38	0.23	-
Other Income	0.23	2.16	1.09	1.64	0.29	0.18
Total Income	46.70	78.59	98.82	43.10	81.69	44.67
EXPENDITURE						
Direct Cost	28.17	46.01	64.60	23.57	35.57	19.96
Employee Cost	8.86	28.88	17.77	9.63	9.28	8.23
Administration & Other Expense	6.98	29.26	30.80	18.79	24.38	10.73
Interest	0.58	-	-	0.19	0.01	-
Depreciation & Amortisation	4.40	2.53	2.96	2.28	2.76	0.68
Total Expenditure	49.00	106.68	116.12	54.47	72.01	39.61
Profit/(Loss) before tax & prior period						
and extraordinary items adjustments	(2.30)	(28.09)	(17.30)	(11.37)	9.68	5.07
Provision for taxation						
Current Tax	-	-	-	-	(0.22)	(0.64)
Deferred Tax	-	-	-	-	-	-
Net profit after tax but before prior period						
and extra ordinary items adjustments	(2.30)	(28.09)	(17.30)	(11.37)	9.46	4.43
Extra Ordinary Items						
Prior Period Expense	-	-	-	-	-	(4.00)
Net Profit for the year	(2.30)	(28.09)	(17.30)	(11.37)	9.46	0.43
Adjustments on account of changes in accounting policies						
Impact of prior period items	-	-	-	-	(4.00)	4.00
Total Impact of adjustments	-	-	-	-	(4.00)	4.00
Net profit, as restated	(2.30)	(28.09)	(17.30)	(11.37)	5.46	4.43
Profit / (Loss) brought forward from previous year	-	(2.30)	(30.39)	(47.68)	(59.06)	(53.60)
Balance of Loss carried forward	(2.30)	(30.39)	(47.68)	(59.06)	(53.60)	(49.17)

INDIA INFOLINE.COM DISTRIBUTION COMPANY LIMITED
Annexure IV-B :Summary statement of assets and liabilities, as restated

(Amount in Rs. Million)

	As at March 31, 2000	As at March 31, 2001	As at March 31, 2002	As at March 31, 2003	As at March 31, 2004	Six months ended Septembe r 30, 2004
FIXED ASSETS						
(i) Gross Block	3.92	5.04	7.33	6.69	8.20	11.03
Less : Depreciation	3.00	4.14	5.47	5.49	6.36	7.04
Net Block	0.91	0.90	1.85	1.20	1.85	3.99
Less: Revaluation Reserve	-	-	-	-	-	-
Net Block after Revaluation Reserve	0.91	0.90	1.85	1.20	1.85	3.99
INTANGIBLE ASSETS						
Balance as per last Balance Sheet	6.96	5.57	4.18	2.79	1.39	-
Less : Amortised	1.39	1.39	1.39	1.39	1.39	-
	5.57	4.18	2.79	1.39	-	-
INVESTMENTS	-	-	-	-	0.22	0.22
CURRENT ASSETS,						
LOANS AND ADVANCES						
Sundry Debtors	1.74	16.23	16.30	9.15	16.35	14.41
Cash and Bank Balances	0.63	3.08	1.10	1.53	2.07	2.90
Loans and Advances	1.70	5.07	3.52	4.54	7.83	27.30
Total Current Assets, Loans and Advances	4.07	24.38	20.92	15.22	26.25	44.62
TOTAL ASSETS	10.55	29.46	25.56	17.81	28.31	48.82
LIABILITIES & PROVISIONS						
LOAN FUNDS						
Secured Loans	0.08	-	-	-	-	-
Unsecured Loans	-	-	0.01	-	0.03	0.06
Total Loan Funds	0.08	-	0.01	-	0.03	0.06
Current Liabilities& Provisions						
Current Liabilities	2.78	9.69	23.23	26.87	31.65	47.07
Provisions	-	0.15	-	-	0.22	0.86
Total Current Liabilities and Provisions	2.78	9.84	23.23	26.87	31.87	47.93
TOTAL LIABILITIES	2.86	9.84	23.24	26.87	31.91	47.99
NET WORTH	7.69	19.61	2.31	(9.06)	(3.60)	0.83
REPRESENTED BY :						
Share Capital:						
Paid up Capital	10.00	14.00	14.00	14.00	14.00	14.00
Reserve & Surplus						

Security Premium	-	36.00	36.00	36.00	36.00	36.00
Capital Redemption Reserve	-	-	-	-	-	-
Profit and Loss Account	-	-	-	-	-	-
Less: Revaluation Reserve	-	-	-	-	-	-
Reserves Net of Revaluation Reserve	-	36.00	36.00	36.00	36.00	36.00
Shareholders Fund	10.00	50.00	50.00	50.00	50.00	50.00
Less: Miscellaneous Expenditure	0.01	-	-	-	-	-
Debit Balance in profit & loss statement	2.30	30.39	47.68	59.06	53.60	49.17
T O T A L	7.69	19.61	2.31	(9.06)	(3.60)	0.83

Annexure XIV-C : India Infoline.Com Distribution Company Limited

Significant Accounting Policies and Notes forming part of the Restated Statement of Assets and Liabilities as at September 30, 2004 and Restated Profit and Loss Statement for the six-month period ended September 30, 2004.

A. Significant Accounting Policies:

1. Basis of preparation of financial statements:

The financial statements are prepared under the historical cost convention on an accrual basis.

2. Use of Estimates:

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

3. Revenue Recognition:

The principle source of revenue for the company is commission on sale of non-equity investment instruments at the Company's Investor Points or online on its holding Company's website. Revenue is recognized on customer's submission of forms along with payment at Investor Point or online, provided that collection of the related recoverable, if any, is probable.

4. Intangible assets and Amortization:

The Intangible Assets are stated at cost of acquisition less amortization. The group amortizes cost of intangible assets over a period of five years, pro-rata.

5. Fixed assets and Depreciation:

Fixed assets are stated at cost of acquisition less accumulated depreciation thereon. Depreciation is charged using the straight line method based on the useful lives of fixed assets as estimated by the management as specified below, or the rates specified in accordance with the provisions of schedule XIV of the Companies Act, 1956, which-ever is higher.

Full depreciation is charged on assets purchased during the year and no depreciation is charged on assets sold during the year.

Individual assets costing less than Rs.5,000/- have been depreciated in full in the year of purchase.

Estimated useful life of the assets is as under

Furniture and fixtures	5 years
Computer equipment	3 years
Software	3 years
Office equipment	5 years

6. Investments:

Investments are classified into current and long-term investments. Current investments are stated at lower of cost or market value. Long-term investments are carried at cost less provisions, if any, for permanent diminution in the value of such Investment.

7. Taxes on Income:

Provision for current tax is computed in accordance with relevant tax regulations.

Deferred tax is recognised for all timing differences between accounting income & taxable income and are quantified using enacted / substantially enacted tax rates as at the date of Restated Statement of Assets and Liabilities. Deferred tax assets are recognised subject to the management's judgment that the realization is virtually certain.

8. Leases:

Lease rentals in respect of operating lease arrangements are charged to the Restated profit and loss statement in accordance with Accounting Standard – 19 issued by the Institute of Chartered Accountants of India.

B. Notes to accounts:

1. This company was formerly known as Argi Marketing Services India (Private) Limited which in the financial year 1999-2000 became wholly owned subsidiary of India Infoline Limited and also acquired the investment products' distribution business from Intel Investor Services Limited. In the next financial year 2000-01, the name of the company was changed to the present name.
2. The company has as at the date of the Restated statement of assets and Liabilities accumulated losses amounting to Rs. 49.17 million (Previous Year Rs.53.60 million) vis-à-vis shareholder's funds amounting to Rs. 50.00 million (Previous Year Rs. 50.00 million). The continuity of the operations of the company is dependant on the continued financial, technical and operational support of the holding company, namely India Infoline Limited. The holding company has agreed to provide all financial, technical and operational support to the company in meeting all its liabilities and obligations. In view of the fact that the holding company has agreed to provide support to the company, the accounts have been prepared on a going concern basis.
3. The members of the company vide their resolution passed at their meeting held on May 26, 2001, resolved to convert the company into a Private Limited Company. The company has applied to the Registrar of companies for effecting the said change and is still pending.
4. The company operates from and uses the premises, infrastructure and other facilities and services as provided to it by its holding company, which are termed as 'Shared Services'. In case of such shared services paid by the holding company, expenses were identified and recovered by the holding company based on reasonable management estimates, which are constantly refined in the light of additional knowledge gained relevant to such estimation. Therefore the figures of the previous years may not be readily comparable. During the six months period ended 30th September 2004, these expenses are reimbursed on an actual basis and the estimates are used only where actual were difficult to determine.
5. During the financial year 2003-04 the company had entered into an agreement with its holding company, India Infoline Limited (IIL) to pay 'Royalty / License Fees' for the usage of its trade name and brand name viz. 'IndiaInfoline.com' for period of three years. However, we have been informed that the said agreement has been terminated. During the six month period ended 30th September 2004, the company has entered into another agreement to pay 'IT Enabled Services' for the information technology service provided by the Holding Company, India Infoline Limited for a period of three years. The details of the payment structure is as under:

Particulars	Period ended 30 th Sept 2004	Amount in Rs Millions
		2003-04
Royalty / License Fees	Nil	18
Information Technology Services	7.5	Nil

6. The central excise authority has served notice to Mutual Fund Distributors (MFDs) to pay service tax on the commission income earned by them from the distribution & marketing of the units of mutual funds. It is management's considered view that service tax is not applicable to such services and the industry is seeking appropriate redressal of the issue. However, as a conservative accounting principle, the company has made a provision of Rs. 7.5 million towards this liability, including 2004. interest and penalty if any, for the period July 2003 to 30th September.
7. The company has taken certain Office Premises under operating leases. The total minimum payments in respect thereof are as under:

Particulars	Amount in Rs Millions	
	Period ended 30 th Sept 2004	2003-04
Due:		
Not Later Than one Year	3.93	2.81
Later Than one Year but not later than Five Years		
	3.88	4.98
Later than Five Years	0.2	0.10

8. As per Accounting Standard 22 'Accounting for Taxes on Income', the timing differences relate mainly to carry forward losses under the Income Tax Act, 1961 and result in a net deferred asset. As a prudent measure, the net deferred tax asset in relation to the above has not been recognised in the accounts.

9. Segment Reporting:

Segment information for the six-month period ended 30th September 2004.

Primary segment information (by business segment)

(Amount Rs Million)				
S. No	Particulars	Brokerage and Related Activities	Others	Total
I	Segment Revenue			
	External	44.49	0.18	44.67
	Inter-segment	0.00	0.00	0.00
		44.49	0.18	44.67
ii	Segment Result	4.89	0.18	5.07
	Less: Unallocated Expenses	0.00	0.00	0.00
	Operating Profit	4.89	0.18	5.07
	Interest Expense			0.00
	Interest & Misc Income			0.00
	Profit from Ordinary Activities			5.07
	Less: Income Tax			0.64
	Net Profit after Tax			4.43
iii	Segment Assets			48.38
	Unallocated Corporate assets			0.44
	Total Assets			48.82
iv	Segment Liabilities			47.13
	Unallocated Corporate Liabilities			0.86
	Total Liabilities			47.99
v	Capital Expenditure			2.88
vi	Depreciation			0.68
vii	Non-Cash expenditure			
	other than depreciation			0.00

- 10.** The company operates in only one geographic segment i.e. 'India'. Hence separate information on geographical segment is not required. The other segment, if any, constitutes income like interest on investments etc, which are not the regular income streams of the company and hence segment results, segment assets and segment liabilities are, accordingly disclosed. The accounting policies adopted for segment reporting are in line with the accounting policies adopted for preparation of financial information of the company.

11. Related Party Disclosures.

Related party disclosure for the six months period ended September 30, 2004.

Nature of relationship

Name of party

(a) List of Related parties:

Holding company	India Infoline Limited
Fellow Subsidiaries	India Infoline Securities Private Limited India Infoline Investment services Private Limited India Infoline Insurance Services Limited India Infoline Commodities Private Limited

(b) Significant Transactions with Related Parties

Nature of Transaction	Fellow Subsidiaries	Holding Company	Total
Advances returned/ reimbursement of expenses	22.87	39.31	62.18
Advances taken/ allocation of expenses	0.13	59.28	59.41
Software & Technology Services		7.50	7.50
Bank Guarantee			

(c) Amount due to / from related parties

Nature of Transaction	Fellow Subsidiaries	Holding Company	Total	Total
Receivables	41.04		41.04	82.08
Payables		39.78	39.78	

Note:

The transaction between group companies comprise of extension and return of temporary advances of funds, allocation of expenses, reimbursement of expenses, etc as identified by the Company's management from the Holding / Subsidiary Company's Current Account.

INDIA INFOLINE INSURANCE SERVICES LIMITED
Annexure XV-A : Summary statement of profits and Losses, as restated

(Amount in Rs. Million)

	31st March, 2002	31st March, 2003	31st March, 2004	Six month ended 30th September,2004
INCOME				
Income from operations				
Policy Commission	2.99	7.03	17.92	15.72
Other Income	-	-	0.03	-
Total Income	2.99	7.03	17.95	15.72
EXPENDITURE				
Direct Cost	0.29	2.52	9.16	7.08
Employee Cost	1.53	3.05	4.80	3.32
Administration & Other Expense	2.15	2.97	8.16	10.39
Depreciation & Amortisation	-	0.33	-	-
Total Expenditure	3.98	8.87	22.12	20.79
Profit/(Loss) before tax & prior period and extraordinary items adjustments	(0.99)	(1.84)	(4.17)	(5.08)
Provision for taxation	-	-	-	-
Net profit after tax but before prior period and extra ordinary items adjustments	(0.99)	(1.84)	(4.17)	(5.08)
Extra Ordinary Items	-	-	-	-
Net Profit/(loss) for the year	(0.99)	(1.84)	(4.17)	(5.08)
Adjustments on account of changes in accounting policies	-	-	-	-
Impact of prior period items	-	-	-	-
Total Impact of adjustments	-	-	-	-
Net profit, as restated	(0.99)	(1.84)	(4.17)	(5.08)
Profit / (Loss) brought forward from previous year	-	(0.99)	(2.83)	(7.00)
	-	-	-	-
Balance of Loss carried forward	(0.99)	(2.83)	(7.00)	(12.07)

INDIA INFOLINE INSURANCE SERVICES LIMITED
Annexure XV-B :Summary statement of assets and liabilities, as restated

(Amount in Rs. Million)

	As at March 31, 2002	As at March 31, 2003	As at March 31, 2004	Six month ended September 30, 2004
ASSETS				
FIXED ASSETS				
(i)Gross Block	-	-	-	0.04
Less : Depreciation	-	-	-	0.004
Net Block	-	-	-	0.036
Less: Revaluation Reserves	-	-	-	-
Net Block after Revaluation Reserve	-	-	-	
(ii) Capital Work In Progress	-	-	-	0.32
Total Net Block	-	-	-	0.36
CURRENT ASSETS, LOANS AND ADVANCES	-	-	-	-
Sundry Debtors	0.34	0.40	1.79	2.68
Cash and Bank Balances	0.03	0.11	1.09	0.28
Loans and Advances	0.73	0.06	0.82	17.57
Total Current Assets, Loans and Advances	1.09	0.57	3.70	20.53
TOTAL ASSETS	1.09	0.57	3.70	20.89
LIABILITIES & PROVISIONS				
LOAN FUNDS	-	-	-	-
Secured Loans	-	-	-	-
Unsecured Loans	-	-	-	-
Total Loan Funds	-	-	-	-
Current Liabilities and Provisions				
Current Liabilities	0.07	1.39	8.69	30.95
Provisions	-	-	-	-
Total Current Liabilities and Provisions	0.07	1.39	8.69	30.95
TOTAL LIABILITIES	0.07	1.39	8.69	30.95
NET WORTH	1.02	(0.82)	(4.99)	(10.06)
REPRESENTED BY :				
Share Capital:				
Paid up Capital	2.01	2.01	2.01	2.01
Reserves & Surplus:				
Security Premium	-	-	-	-
Capital Redemption Reserve	-	-	-	-
Profit and Loss Account	-	-	-	-
Less: Revaluation Reserve	-	-	-	-
Reserves Net of Revaluation Reserve	-	-	-	-
Total Shareholders Fund	2.01	2.01	2.01	2.01
Less:				
Debit Balance of Profits and Losses	0.99	2.83	7.00	12.07
	-	-	-	-
TOTAL	1.02	(0.82)	(4.99)	(10.06)

Annexure XV-C : India Infoline Insurance Services Limited

Significant Accounting Policies and Notes forming part of the Restated Statement of Assets and Liabilities as at September 30, 2004 and Restated Profit and Loss Statement for the six-month period ended September 30, 2004.

A. Significant Accounting Policies:

1. Basis of preparation of financial statements:

The financial statements have been prepared under historical cost convention on an accrual basis.

2. Use of Estimates:

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

3. Revenue Recognition:

The principal source of revenue for the company is commission on insurance policies sold. Income is booked (inclusive method), when the company under its agency code sells the insurance policies and the same is accepted by the principal insurance company. Commission on policies renewed is accounted on receipt basis.

4. Intangible Assets and Amortization:

The Intangible Assets are stated at cost of acquisition less amortization. The group amortizes cost of intangible assets over a period of five years, pro-rata.

5. Fixed Assets:

Fixed assets are stated at cost of acquisition less accumulated depreciation thereon. Depreciation is charged using straight line method based on the useful lives of fixed assets as estimated by the management as specified below, or the rates specified in accordance with the provisions of schedule XIV of the Companies Act, 1956, which-ever is higher.

Full depreciation is charged on assets purchased during the year and no depreciation is charged on assets sold during the year.

Individual assets costing less than Rs 5,000/- have been depreciated in full in the year of purchase.

Estimated useful life of the assets is as under

Furniture and fixtures	5 years
Computer equipment	3 years
Software	3 years
Office equipment	5 years

6. Taxes on Income:

Provision for current tax is computed in accordance with relevant tax regulations. Deferred tax is recognised for all timing differences between accounting income & taxable income and are quantified using enacted / substantially enacted tax rates as at the Restated Statement of Assets and Liabilities date. Deferred tax assets are recognised subject to the management judgement that the realization is virtually certain.

7. Investments:

Investments are classified into current and long-term investments. Current investments are stated at lower of cost or market value. Long-term investments are carried at cost less provisions, if any, for permanent diminution the value of such Investment.

B. Notes to accounts:

1. The Company was incorporated on 30th November 2000 and received certificate for commencement of business on 8th February 2001, from the Registrar of Companies Maharashtra, Mumbai.
2. The company has as at the date of the Restated Statement of Assets and Liabilities accumulated losses amounting to Rs.12.07 million (Previous Year Rs. 7.00 million), which is far in excess of the share capital of the

company amounting to Rs.2.01 million. The continuity of the operations of the company is dependant on the continued financial, technical and operational support of the holding company, namely India Infoline Limited. The holding company has agreed to provide all financial, technical and operational support to the company in meeting all its liabilities and obligations. In view of the fact that the holding company has agreed to provide support to the company, the accounts have been prepared on a going concern basis.

3. The company operates from and uses the premises, infrastructure and other facilities and services as provided to it by its holding company, which are termed as 'Shared Services'. In case of such shared services paid by the holding company, expenses were identified and recovered by the holding company based on reasonable management estimates, which are constantly refined in the light of additional knowledge gained relevant to such estimation. Therefore the figures of the previous years may not be readily comparable. During the six months period ended 30th September 2004, these expenses are reimbursed on an actual basis and the estimates are used only where actual were difficult to determine.
4. During the six month period ended 30th September 2004, the company has entered into an agreement to pay 'IT Enabled Services' for the information technology services provided by the Holding Company, India Infoline Limited for a period of three years at the rate of Rs. 0.75 million per month.
5. The company is in partnership with another firm, Royal Life Associates (RLA), selling Life Insurance products, with a 98.5% share in the profits and losses of the partnership firm. We have been informed that the company's share of profits/losses in the partnership firm is not considered in view of there being no profits/losses in the firm for the six months period ended 30th September, 2004.

Details of Partnership are as under:

Name of the Firm	Name of Partners	Share in Profits / (Losses)	Capital Invested (Rs.)
Royal Life Associates	a) India Infoline Insurance Services Limited	98.50%	-
	b) Abu Saleh Choudhury	0.50%	5000
	c) Kalpesh Rathod	0.50%	-
	d) Anup Bhaiya	0.50%	-

Note: The Company acquired a dominant stake in this firm primarily to acquire and leverage the customer database. As per Partnership Deed dated 9th January, 2003, the erstwhile partners were paid Rs.238,515 by way of Goodwill as consideration for the acquisition and the company wrote off the same in its books. The partnership firm is currently defunct and does not have any business operation as such except renewal income from earlier business; a nominal amount, which meets maintenance and other costs of the firm.

6. The company has taken certain Office Premises under operating leases. The total minimum payments in respect thereof are as under:

Particulars	Amount in Rs Millions	
	Period ended 30 th Sept 2004	2003-04
Due:		
Not Later Than one Year	0.6	1.84
Later Than one Year but not later than Five Years	1.08	Nil
Later than Five Years	Nil	Nil

7. In view of book losses & tax losses for the six months period ended 30th September, 2004, the company has no liability towards current tax. The timing differences relating mainly to carry forward losses under the Income Tax Act, 1961 result in a net deferred asset as per Accounting Standard 22 'Accounting for Taxes on Income'. As a prudent measure the net deferred tax asset in relation to the above, has not been recognised in the accounts.

8. Segment Reporting:

Segment information for the six-month period ended 30th September 2004.

Primary segment information (by business segment)

S. No.	Particulars	(Amount Rs Million)		
		Insurance Commission & Related Activities	Others	Total
I	Segment Revenue			

	External	15.72	0.00	15.72
	Inter-segment	0.00	0.00	0.00
		15.72	0.00	15.72
ii	Segment Result	-5.07	0.00	-5.07
	Less: Unallocated Expenses	0.00	0.00	0.00
	Operating Profit	-5.07	0.00	-5.07
	Interest Expense			0.00
	Profit from Ordinary Activities			-5.07
	Less: Income Tax			0.00
	Net Profit after Tax			-5.07
iii	Segment Assets			20.11
	Unallocated Corporate assets			0.77
	Total Assets			20.88
iv	Segment Liabilities			30.95
	Unallocated Corporate Liabilities			0.00
	Total Liabilities			30.95
v	Capital Expenditure			0.36
vi	Depreciation (See Note Below)			0.00
vii	Non-Cash expenditure			
	other than depreciation			0.00

Note: Total Depreciation charged for the period is Rs.4375/-

The company operates in only one geographic segment i.e. 'India'. Hence separate information on geographical segment is not required. The other segment, if any, constitutes income like interest on investments etc, which are not the regular income streams of the company and hence segment results, segment assets and segment liabilities are, accordingly disclosed. The accounting policies adopted for segment reporting are in line with the accounting policies adopted for preparation of financial information of the company.

9. Related Party Disclosures:

Related party disclosures for the six-month period ended September 30, 2004

Nature of relationship

Name of party

1. List of Related parties:

Holding company

India Infoline Limited

Fellow Subsidiaries

India Infoline Securities Private Limited
India Infoline Investment services Private Limited
India Infoline Commodities Private Limited
India Infoline Distribution.com Company Limited

C. Significant Transactions with Related Parties

Nature of Transaction	Fellow Subsidiaries	Holding Company	Total
Advances returned/ reimbursement of expenses	0.00	3.38	3.38
Advances taken/ allocation of expenses	0.82	16.91	17.73
Software & Technology Services		4.50	4.50

Amount due to / from related parties

Nature of Transaction	Fellow Subsidiaries	Holding Company	Total
Payables	3.27	19.61	22.88

Note:

The transaction between group companies comprise of extension and return of temporary advances of funds, allocation of expenses, reimbursement of expenses, etc as identified by the Company's management from the Holding / Subsidiary Company's Current Account.

Annexure XVI-A : Summary statement of profits and Losses, as restated

(Amount In Rs. Million)

	Half Year ended 30th September,2004
INCOME	
Income from operations	
Brokerage Income	0.58
Other Income	-
Total Income	0.58
EXPENDITURE	
Direct Cost	0.02
Employee Cost	0.87
Administration & Other Expense	0.77
Interest	-
Depreciation & Amortisation	0.01
Total Expenditure	1.67
Profit/(Loss) before tax & prior period and extraordinary items adjustments	(1.09)
Provision for taxation	
Current Tax	-
Profit/(Loss) after tax	(1.09)
Extra Ordinary Items	
Prior Period Expense	-
Profit after Tax & Extra ordinary item	(1.09)
Adjustments on account of changes in accounting policies	-
Impact of prior period items	-
Total Impact of adjustments	-
Net profit, as restated	(1.09)
Profit / (Loss) brought forward from previous year	-
	-
Balance of Loss carried forward	(1.09)
Note: This is the first financial year of the company	

INDIA INFOLINE COMMODITIES (P) LIMITED**Annexure XVI-B :Summary statement of assets and liabilities, as restated**

(Amount Rs. In Million)

	Six month ended September 30, 2004
FIXED ASSETS	
Gross Block	0.10
Less : Depreciation	0.01
Net Block	0.09
Less: Revaluation Reserve	-
net Block after revaluation reserves	0.09
INVESTMENTS	-
CURRENT ASSETS, LOANS AND ADVANCES	
Sundry Debtors	1.47
Cash and Bank Balances	5.36
Loans and Advances	3.83
Total Current Assets, Loans and Advances	10.66
TOTAL ASSETS	10.75
LIABILITIES & PROVISIONS	
LOAN FUNDS	
Secured Loans	-
Unsecured Loans	-
Total Loan Funds	-
Current Liabilities and Provisions	
Current Liabilities	5.74
Provisions	-
Total Current Liabilities and Provisions	5.74
TOTAL LIABILITIES	5.74
NET WORTH	5.01
REPRESENTED BY :	
Share Capital:	
Paid up Capital	0.70
Reserves & Surplus:	-
Securities Premium Account	5.40
Capital Redemption Reserve	-
Profit & Loss Account	-
Less; Revaluation reserve	-
Profit & Loss Account after revalatuion reserve	-
Total Shareholders Fund	6.10
Less:	
Debit Balance in Profit & loss, as restated.	1.09
TOTAL	5.01
Note: This is the first financial year of the company	

Annexure XVI-C: India Infoline Commodities Private Limited

Significant Accounting Policies and Notes forming part of the Restated Statement of Assets and Liabilities as at September 30, 2004 and Restated Profit and Loss Statement for the six-month period ended September 30, 2004.

A. Significant Accounting Policies:

1. Basis of preparation of financial statements:

The financial statements are prepared under the historical cost convention on an accrual basis.

2. Use of Estimates:

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

3. Revenue Recognition:

Brokerage income from commodities trading is accounted for on the dates of respective trades.

4. Intangible assets and Amortization:

The Intangible Assets are stated at cost of acquisition less amortization. The group amortizes cost of intangible assets over a period of five years, pro-rata.

5. Fixed assets and Depreciation:

Fixed assets are stated at cost of acquisition less accumulated depreciation thereon. Depreciation is charged using the straight line method based on the useful lives of fixed assets as estimated by the management as specified below, or the rates specified in accordance with the provisions of schedule XIV of the Companies Act, 1956, which-ever is higher.

Full depreciation is charged on assets purchased during the year and no depreciation is charged on assets sold during the year.

Individual assets costing less than Rs.5,000/- have been depreciated in full in the year of purchase.

Estimated useful life of the assets is as under

Furniture and fixtures	5 years
Computer equipment	3 years
Software	3 years
Office equipment	5 years

6. Taxes on Income:

Provision for current tax is computed in accordance with relevant tax regulations.

Deferred tax is ☐ recognized for all timing differences between accounting income & taxable income and are quantified using enacted / substantially enacted tax rates as at the date of Restated Statement of Assets and Liabilities. Deferred tax assets are ☐ recognized subject to the managements' judgment that the realization is virtually certain.

B. Notes to accounts:

1. This Company was incorporated on 29th March 2004 and took over the Membership of Multi – Commodity Exchange of India Limited Along with existing proprietary business in commodity broking owned by one of the directors of the company. India Infoline Limited (IIL) purchased the entire amount of issued and paid up capital of 70000 equity shares of 10 each, being 10000 equity shares of 10 each and 60000 equity shares of Rs. 10 each at a premium of Rs 90 each, total investment amounting to Rs. 6.1 million as at 30th September 2004, making the company a wholly owned subsidiary of IIL.
2. The company operates from and uses the premises, infrastructure and other facilities and services as provided to it by its holding company, which are termed as 'Shared Services'. In case of such shared services paid by the holding company, expenses were identified and recovered by the holding company based on reasonable management estimates, which are constantly refined in the light of additional knowledge gained relevant to

such estimation. During the six months period ended 30th September 2004, these expenses are reimbursed on an actual basis and the estimates are used only where actual were difficult to determine.

3. In the normal course of business the company does not engage in proprietary trading. Trading in commodities by the company in its own name mainly consists of those transactions where commodities are purchased and sold for settlement of disputes and errors.

4. **Segment Reporting :**

Segment information for the six-month period ended 30th September 2004.

Primary segment information (by business segment)

(Amount Rs Million)				
S. No.	Particulars	Broking and Related Activities	Others	Total
I	<u>Segment Revenue</u>			
	External	0.58	0.00	0.58
	Inter-segment	0.00	0.00	0.00
		0.58	0.00	0.58
li	<u>Segment Result</u>	-1.09	0.00	-1.09
	Less: Unallocated Expenses	0.00	0.00	0.00
	Operating Profit	-1.09	0.00	-1.09
	Interest Expense			0.00
	Interest & Misc Income			0.00
	Profit from Ordinary Activities			-1.09
	Less: Income Tax			0.00
	Net Profit after Tax			-1.09
lii	Segment Assets			10.75
	Unallocated Corporate assets			0.00
	Total Assets			10.75
Iv	Segment Liabilities			5.74
	Unallocated Corporate Liabilities			0.00
	Total Liabilities			5.74
V	Capital Expenditure			0.00
Vi	Depreciation			0.01
Vii	Non-Cash expenditure			
	other than depreciation			0.00

The company operates in only one geographic segment i.e. 'India'. Hence separate information on geographical segment is not required. The other segment, if any, constitutes income like interest on investments etc, which are not the regular income streams of the company and hence segment results, segment assets and segment liabilities are, accordingly disclosed. The accounting policies adopted for segment reporting are in line with the accounting policies adopted for preparation of financial information of the company.

5. **Related Party Disclosures.**

Related party disclosure for the six-month period ended September 30, 2004.

Nature of relationship

Name of party

(a) List of Related parties:

Holding company

India Infoline Limited

Fellow Subsidiaries

India Infoline Securities Private Limited
India Infoline Investment services Private Limited
India Infoline Insurance Services Limited
India Infoline Distribution .com Company Limited

(b) Other related parties:

Key Management Personnel

Mr. Nirmal Jain
Mr. R Venkataraman

(c) Relatives of Key Management Personnel

Mrs. Madhu Jain
Mrs. Aditi Venkataraman

(d) Significant Transaction with Related Parties

Nature of Transaction	Fellow subsidiaries	Holding Company	Relatives	Directors	Total
Purchases of shares & Securities			6.33		6.33
Sale of shares & securities			5.08		5.08
Brokerage income			0.01		0.01
Advances returned/ reimbursement of expenses	0.15	6.00			6.15
Advances taken/ allocation of expenses	2.20	1.31			3.52

(e) Amount due to / from related parties

Nature of Transaction	Fellow subsidiaries	Holding Company	Relatives	Directors	Total
Sundry payables	2.05	1.31	0.03	0	3.40

Note: The transaction between group companies comprise of extension and return of temporary advances of funds, allocation of expenses, reimbursement of expenses, etc as identified by the Company's management from the Holding / Subsidiary Company's Current Account.

CONSOLIDATED FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES AND PROFITS AND LOSSES, AS RESTATED, (INCLUDING SUBSIDIARIES) FOR THE YEARS / PERIOD ENDED MARCH 31, 2000, 2001, 2002, 2003, 2004 AND FOR THE SIX MONTHS PERIOD ENDED 30TH SEPTEMBER, 2004.

AUDITORS' REPORT

To,
The Board of Directors,
India Infoline Limited,
Nirlon Complex, Building No. 24
Western Express Highway
Goregoan (East)
Mumbai – 400 063

Dear Sirs,

As required for the purpose of certification of financial information to be incorporated in the offer document proposed to be issued by Issuer Company namely, India Infoline Limited in connection with its Initial Public Offer of Equity Shares, we state as under:

We have examined and initialled for identification purposes, the Consolidated Financial Information of **India Infoline Limited** (Parent Company) and its wholly owned subsidiaries namely, (1) India Infoline Securities Private Limited, (2) India Infoline.com Distribution Company Limited, (3) India Infoline Insurance Services Limited and (4) India Infoline Commodities Private Limited (collectively referred to as the Group), as attached to this report. Of these, accounts upto and including the four financial years ended on March 31, 2003 have been audited by other auditors M/s Deloitte Haskins & Sells and the same have been accepted by us for the purpose of this certification. The accounts for financial year ended on March 31, 2004 are audited by us. We have also examined the Financial Information of the Company for the six months period ended 30th September 2004 as prepared by the company and approved by the Board of Directors of the Company.

1. The said financial information has been prepared in accordance with the requirements of:
 - (a) Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ("the Act"),
 - (b) The Securities and Exchange Board of India (SEBI) (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 19, 2000 in pursuance of Section 11 of The Securities & Exchange Board of India Act, 1992 ("SEBI Guidelines"), and
 - (c) Our terms of reference received from the company vide letter reference IIL/IPO/Auditors/01 dated 17th November, 2004, requesting us to make this report for the purpose of inclusion in the offer document to be issued by the Company in connection with its Initial Public Offer of its Equity Shares ('the issue'). The financial information has been prepared by the company and approved by the Board of Directors of the company.
2. We have examined the attached consolidated summary statement of Profits and Losses as restated of the company for the years ended March 31, 2000, 2001, 2002, 2003, and 2004 and for the six months period ended on September 30, 2004 as per **Annexure I**. These profits have been arrived at after charging all expenses including depreciation and after making such adjustments and regroupings as in our opinion are appropriate to reflect the significant accounting policies and significant notes being adopted by the Company as at 30th September 2004, more fully described in **Annexure III**.
3. The attached consolidated summary statement of assets and liabilities as restated, as at March 31, 2000, 2001, 2002, 2003, and 2004 and for the six months period ended on September 30, 2004 as per **Annexure II**. These have been arrived at after making such adjustments and regroupings as in our opinion are appropriate to reflect the significant accounting policies and significant notes being adopted by the Company as at 30th September 2004, more fully described in **Annexure III**.
4. The preparation and presentation of these financial information is the responsibility of the Company's management. These Summary statements have been extracted from the financial statements of the group for the years / period audited either by us or by other auditors and have been adopted by the Board of Directors / Members for those respective years / period, as applicable.
5. Based on our examination of these consolidated summary statements and read together with Note No. C-7 in Annexure III attached to this report, we state that:
 - (a) The consolidated summary statements of the company have been restated with retrospective effect to reflect the significant accounting policies and significant notes being adopted by the company as at September 30, 2004, more particularly stated in **Annexure III** to this report.

- (b) The significant changes and / or adjustments are as reported in **Annexure IV**.
 - (c) There are no qualifications in the auditors' report that require any adjustment to the consolidated summary statements.
 - (d) There are no extra-ordinary items that need to be disclosed separately in the summary statements.
6. This report is intended solely for your information and for inclusion in the offer document to be issued by the Company in connection with its Initial Public Offer of its Equity Shares and is not to be used, referred to or distributed for any other purpose without our prior written consent.

Sharp & Tannan Associates
Chartered Accountants
By the hand of

Sd/-
Tirtharaj Khot
Partner
Membership No: 37457
Mumbai:
Dated: February 18, 2005

INDEX OF STATEMENTS AND INFORMATION FORMING PART OF OUR REPORT ISSUED ON CONSOLIDATED FINANCIAL STATEMENTS OF INDIA INFOLINE LIMITED AND ITS SUBSIDIARIES IN CONNECTION WITH COMPANY'S INITIAL PUBLIC OFFER

<u>Annexure</u>	<u>Particulars</u>
Annexure I	Statement of Consolidated Summary of Profits and Losses, as restated
Annexure II	Statement of Consolidated Summary of Assets and Liabilities, as restated
Annexure III	Significant Accounting Policies and Notes to Accounts to Consolidated financial statements
Annexure IV	Statement of Significant Accounting Changes / Adjustments
Annexure V	Consolidated Cash-flow Statement.

Annexure I

INDIA INFOLINE LIMITED (CONSOLIDATED FINANCIAL STATEMENTS) Statement of Consolidated Summary of Profits and Losses, as restated:

(Amount in Rs. Million)

	31st March, 2000	31st March, 2001	31st March, 2002	31st March, 2003	31st March, 2004	Six-month ended 30th September, 2004
INCOME						
Revenue from operations						
Equities Brokerage & Related Income	-	16.11	18.95	30.79	191.47	148.70
Agency Commission & Fees	46.24	77.81	97.73	40.07	81.17	44.49
Commodities Brokerage						0.58
Policy Commission	-	-	2.99	7.03	17.92	15.72
Media & Content Income	23.18	35.33	16.25	7.63	16.82	16.99
Other Income	1.12	10.32	6.11	21.03	52.56	35.98
Total Income	70.54	139.56	142.03	106.54	359.94	262.46
EXPENDITURE						
Direct Cost	28.58	51.66	71.65	34.71	108.43	72.92
Employee Cost	16.91	58.30	33.80	31.33	59.90	39.29
Administration & Other Expense	61.19	131.99	61.42	51.60	77.43	46.50
Interest	0.58	0.08	-	1.56	10.63	1.63
Depreciation & Amortisation	8.75	28.60	34.03	34.42	29.04	8.89
Total Expenditure	116.01	270.64	200.90	153.61	285.43	169.23
Profit/(Loss) before tax & prior period and extraordinary items adjustments	(45.48)	(131.08)	(58.86)	(47.07)	74.50	93.23
Provision for taxation :						
Current Tax	-	-	-	-	1.41	19.54
Deferred Tax	-	-	-	-	(1.71)	0.82
Net profit after tax but before prior period and extra ordinary items adjustments	(45.48)	(131.08)	(58.86)	(47.07)	74.80	72.87
Extra Ordinary Items:						
ADR expenses	-	(11.45)	-	-	-	-
Provision for Indemnity to subsidiary	-	(14.20)	-	-	-	-
Prior Period Expense	(0.03)	-	(0.12)	-	-	(4.00)
	(0.03)	(25.65)	(0.12)	-	-	(4.00)
Net Profit for the year	(45.51)	(156.73)	(58.98)	(47.07)	74.80	68.87
<u>Adjustments on account of changes in accounting policies</u>						
Impact of prior period items	0.03	(0.12)	0.12	-	(4.00)	4.00
Changes in treatment of amortising cost of intangible assets , viz. Non Compete fees	-	-	-	-	8.00	(4.00)
Total Impact of adjustments	0.03	(0.12)	0.12	-	4.00	-
Net profit, as restated	(45.48)	(156.85)	(58.86)	(47.07)	78.80	68.87
Profit / (Loss) brought forward	0.17	(45.21)	(202.06)	(260.92)	(307.99)	(229.19)
Transfer from General Reserve	0.10	-	-	-	-	-

Balance of Loss carried forward	(45.21)	(202.06)	(260.92)	(307.99)	(229.19)	(160.31)
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The accompanying accounting policies and notes on accounts are an integral part of this statement

Annexure II:

INDIA INFOLINE LIMITED (CONSOLIDATED FINANCIAL STATEMENTS)

Statement of Consolidated Assets and Liabilities, as restated

(Amount in Rs. Million)

	March 31, 2000	March 31, 2001	March 31, 2002	March 31,2003	March 31, 2004	Six-month ended Sept,30, 2004
FIXED ASSETS						
(i) Gross Block	15.19	75.04	84.99	89.33	68.06	75.53
Less : Depreciation	8.27	27.48	51.81	67.59	45.58	51.65
Less: Revaluation Reserve	-	-	-	-	-	-
Net Block after Revaluation Reserve	6.92	47.56	33.18	21.74	22.49	23.88
(ii)Capital Work In Progress	-	-	-	-	-	1.08
Total Net Block	6.92	47.56	33.18	21.74	22.49	24.95
INTANGIBLE ASSETS						
Bombay Stock Exchange Membership						
Balance as per last Balance Sheet	-	28.10	28.10	28.10	28.10	28.10
Less: Amortised	-	-	-	-	-	2.81
	-	28.10	28.10	28.10	28.10	25.29
Goodwill: Balance as per last Balance Sheet	6.96	6.96	4.18	2.79	1.39	-
Less : Amortised	1.39	2.79	1.39	1.39	1.39	-
	5.57	4.18	2.79	1.39	-	-
Non Compete Fees:						
Balance as per last Balance Sheet	40.00	40.00	32.00	24.33	16.00	8.00
Less : Amortised	-	8.00	8.00	8.33	8.00	4.00
	40.00	32.00	24.00	16.00	8.00	4.00
Net Intangible Asset	45.57	64.28	54.89	45.49	36.10	29.29
DEFERRED TAX(Net) (See note C-8 Annexure III)	-	-	-	-	1.71	0.89
INVESTMENTS	185.66	17.50	2.21	1.10	1.42	23.31
CURRENT ASSETS, LOANS AND ADVANCES						
Interest Accrued	-	0.43	0.46	1.07	1.15	2.31
Sundry Debtors	7.74	62.70	63.80	123.49	387.91	551.79
Cash and Bank Balances	84.82	21.88	69.60	32.58	75.16	122.71
Loans and Advances	26.95	47.00	38.10	62.17	70.27	133.73
CURRENT ASSETS	119.51	132.00	171.95	219.31	534.49	810.54
TOTAL ASSETS	357.67	261.34	262.23	287.65	596.20	888.98
LIABILITIES & PROVISIONS						
LOAN FUNDS :						
Secured Loans	0.08	-	-	33.98	29.23	140.50

INDIA INFOLINE LIMITED (CONSOLIDATED FINANCIAL STATEMENTS)
Statement of Consolidated Assets and Liabilities, as restated

(Amount in Rs. Million)

	March 31, 2000	March 31, 2001	March 31, 2002	March 31, 2003	March 31, 2004	Six-month ended Sept, 30, 2004
Unsecured Loans	0.26	0.29	2.32	0.89	2.93	0.64
Total Loan Funds	0.34	0.29	2.32	34.87	32.16	141.14
CURRENT LIABILITIES & PROVISIONS						
Current Liabilities	26.61	55.24	35.75	75.46	305.89	414.69
Provisions	0.57	15.04	14.61	14.83	16.86	22.99
Total Current Liabilities and Provisions	27.17	70.27	50.36	90.30	322.75	437.68
TOTAL LIABILITIES	27.51	70.56	52.68	125.17	354.91	578.82
NET WORTH	330.16	190.78	209.55	162.48	241.28	310.16
Share capital: Paid up	68.47	205.57	264.22	264.22	264.22	264.22
Share Application money	-	17.31	-	-	-	-
Reserves & Surplus: Security Premium	306.90	169.95	206.26	206.26	206.26	206.26
Capital Redemption Reserve	-	-	-	-	-	-
Profit & Loss Account	-	-	-	-	-	-
Less: Revaluation Reserve	-	-	-	-	-	-
Profit & Loss net of Revaluation Reserve	-	-	-	-	-	-
Total Shareholders Fund	375.38	392.83	470.47	470.47	470.47	470.47
Less: Miscellaneous Expenditure	0.01	-	-	-	-	-
Profit & Loss statement, as restated	45.21	202.06	260.92	307.99	229.19	160.31
TOTAL	330.16	190.78	209.55	162.48	241.28	310.16

The accompanying accounting policies and notes on accounts are an integral part of this statement

ANNEXURE III

Significant Accounting Policies and Significant Notes to the Consolidated Statement of Profits and Losses and Assets and Liabilities as at 30th September 2004, as Restated.

Significant Accounting Policies and Significant Notes forming part of the Restated Consolidated Statement of Assets and Liabilities as at September 30, 2004 and Restated Consolidated Profit and Loss Statement for the six month period ended September 30, 2004 of India Infoline Limited and its subsidiaries.

A. Change in Accounting Policies:

Amortization of Non-Compete Fees:

The Company had a policy of amortizing non-compete fees paid by it over a period of five years. However for the year ended March 31, 2004, the Company has decided to fully amortize the balance portion of Rs. 16 Million, half of which (Rs. 8 Million) would have been written off in the next year. For the purpose of this statement, the said figure has been adjusted pro-rata, being the charge for the current financial year.

B. Significant Accounting Policies:

1. Basis of Consolidation:

(a) Basis of Preparation:

The individual Restated Statement of Assets and Liabilities as at September 30, 2004 and Restated Profit and Loss Statement for the six-month period ended September 30, 2004 of India Infoline Limited ('the Company') and its subsidiaries ('companies and / or subsidiaries'), collectively referred to as 'Group', have been consolidated as per principles of consolidation enunciated in Accounting Standard (AS) 21- 'Consolidated Financial Statements' issued by the Council of The Institute of Chartered Accountants of India.

(b) Principles of Preparation:

The financial statements of the group companies of India Infoline Limited are prepared according to uniform accounting policies, in accordance with accounting principles generally accepted in India. The effects of all inter-group transactions and balances have been eliminated on consolidation.

(c) List of Subsidiaries Consolidated:

The individual Restated Statement of Assets and Liabilities as at September 30, 2004 and Restated Profit and Loss Statement for the six month period ended September 30, 2004 of following subsidiaries are included in consolidation

- i. India Infoline Securities Private Limited (IISPL)
- ii. India Infoline.Com Distribution Company Limited (IIDCL)
- iii. India Infoline Insurance Services Limited (IIISL)
- iv. India Infoline Commodities Private Limited (IICPL)

C. Basis of preparation of financial statements:

The financial statements have been prepared under historical cost convention on an accrual basis

D. Use of Estimates:

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

E. Revenue Recognition:

1. Revenue from Online Media is recognized pro-rata, over the contractual period.
2. Revenue from services rendered consisting of Content Sale is recognized as per agreed contractual terms, pro-rata subscriptions, as the case may be.
3. Brokerage income earned on secondary market operations is accounted (inclusive method) on trade dates. Depository income is accounted (inclusive method) on an accrual basis.
4. The revenue of commission on sale of non-equity investment instruments at the Company's Investor Points or Online on its holding Company's website, is recognized on submission of forms by the customers along with payment at Investor Point or Online, as the case may be, provided that collection of the related recoverable, if any, is probable.
5. Commission income on insurance policies sold is recognized (inclusive method), when the company under its agency code, sells the insurance policies and the same is accepted by the principal insurance company. Commission on policies renewed is accounted on receipt basis.
6. Brokerage income from commodities trading is accounted for on the dates of respective trades.

F. Intangible Asset & Amortization:

The Intangible Assets are stated at cost of acquisition less amortization. The group amortizes cost of intangible assets over a period of five years, pro-rata.

G. Fixed Assets and Depreciation:

Fixed assets are stated at cost of acquisition less accumulated depreciation thereon. Depreciation is charged using the straight line method based on the useful lives of fixed assets as estimated by the management as specified below, or the rates specified in accordance with the provisions of schedule XIV of the Companies Act, 1956, whichever is higher.

Full depreciation is charged on assets purchased during the year and no depreciation is charged on assets sold during the year.

Assets costing less than Rs 5,000/- have been depreciated in full in the year of purchase.

Estimated useful life of the assets is as under

Furniture and fixtures	5 years
Computer equipment	3 years
Software	3 years
Office equipment	5 years
VSATs	5 years

H. Investments:

Investments are classified into current and long-term investments. Current investments are stated at lower of cost or market value. Long-term investments are carried at cost less provisions, if any, for permanent diminution in the value of such Investments.

I. Foreign Exchange Transactions:

Transactions in foreign currencies are recorded at the prevailing rates at the time transactions are effected. Foreign currency assets & liabilities outstanding at the year-end are translated at the rates of exchange ruling on that day. Any gain or loss on transactions are accounted in the Profit & Loss account, or adjusted in the value of Fixed Assets, as applicable.

J. Retirement Benefits:

The company's contribution towards Provident Fund and family pension fund is charged against revenue for the period / year.

The Company has provided Gratuity payable to employees on the basis of actuarial valuation. The company provides for leave encashment payable to employees on actual basis.

K. Leases:

Lease rentals in respect of operating lease arrangements are charged to the Profit & Loss Account in accordance with Accounting Standard 19 – Leases, issued by the Institute of Chartered Accountants of India.

L. Taxes on Income:

Provision for current tax is computed in accordance with relevant tax regulations.

Deferred tax is recognized for all timing differences between accounting income & taxable income and are quantified using enacted / substantially enacted tax rates as at the balance sheet date. Deferred tax assets are recognized subject to the management judgement that the realisation is virtually certain.

Notes to Consolidated Financial Statements:

1. The company has provided a Corporate Guarantee in favour of UTI Bank Limited to the extent of Rs.50 million for the credit facilities consisting Bank Guarantees of Rs.30 million and Overdraft of Rs.20 million, sanctioned by the bank to its wholly owned subsidiary India Infoline Securities Private Limited.
2. Fixed deposits with bank includes deposits amounting to Rs.16 million (Previous Year Rs.16 million) which are pledged with the bank for availing overdraft facility from UTI Bank and also includes the deposit amounting to Rs.2.5 million (Previous Year Rs.2.5 million) pledged with HDFC Bank for National Stock Exchange as Base Capital for Cash Segment.
3. The Company shares / provides for the use of its wholly owned subsidiaries certain facilities like use of premises, infrastructure and other facilities and services and the same are termed as 'Shared Services'. Hitherto, such shared services consisting of administrative and other revenue expenses paid for by the company were identified and recovered from subsidiaries based on a reasonable management estimates in accordance with Board Resolution passed in this regard from time to time. These are constantly refined in the light of additional knowledge gained relevant for such estimation. During the six months period ended 30th September 2004, these expenses are recovered on an actual basis and the estimates are used only where actuals were difficult to determine.
4. Pursuant to the approval by the shareholders at the Extra-Ordinary General Meeting held on 30th December 2003, the company had submitted petition with the High Court of Mumbai under sections 78 and 100 of the Companies Act, 1956 for seeking its directions for company's proposal to (a) write off the accumulated losses by utilizing the securities premium account and (b) reduce the paid up value of the shares of the company from Rs.10/- per share to Rs.5/- per share. The said Court has approved the company's proposal vide its order dated 6th May 2004. However, the company has not yet given effect to the directions contained in the order.
5. The company has entered into separate agreement with its subsidiaries, India Infoline Securities Private Limited (IISPL), India Infoline Distribution Company Limited (IIDCL), India Infoline Insurance Services Limited (IIISL) to pay to it (1) 'Royalty / License Fees' for the usage of its trade name and brand name viz. 5paisa.com. and India Infoline.com, (2) 'Site Maintenance & Content Fees' to provide data and information on business, finance and investing in India and Indian companies and (3) 'IT Enabled Services' for the information technology services. All these agreements are for a period of three years, first two types being entered in the financial year 2003-04 and other during the current period. Of these agreements, we have been informed that 'Royalty / License Fees' agreement with IIDCL has been cancelled during the current period.
6. As per these respective agreements, the structure of various charges / fees to be received by the company, is as under:

Particulars	Amount in Rs Millions			2003-04	
	Period ended 30 th Sept 2004			IISPL	IIDCL
Site Maintenance & Content	9	Nil	Nil	18	Nil
Royalty / License Fees	18	Nil	Nil	36	18
Information Technology Services	15	7.5	4.5		Nil

The accounting effect of the above transactions has been nullified on consolidation.

7. The company during the financial year 2000-01 had announced an Employee Stock Option Plan (ESOP 2000), which provided for grant of share options to employees of the company. The plan had reserved a total of 815,000 shares (2,445,000 shares after giving effect to Bonus shares) for issuance under ESOP 2000. The options arising out of said ESOP scheme, other than exercised and allotted, have totally elapsed. The Company has announced another scheme of employee stock options called 'ESOP 2003' with total option of 24,27,300 shares. The vesting period under the new scheme have begun on 1st April, 2004. We have been informed by the management that no allotment has been done against grants arising out of such vesting during the six months period ended 30th September, 2004 and total number of options in force as at 30th September, 2004 is 18,26,450 shares.
8. The Company has an Investment of Rs.49.99 million in equity shares and dues of Rs.36.93 million from its fully owned subsidiary, India Infoline.com Distribution Company Limited (IIDCL). The company also has an investment of Rs.2.01 million in equity shares and dues of Rs.19.61million from its fully owned another subsidiary, India Infoline

Insurance Services Limited (IIISL). During the six months period ended 30th September 2004, the net worth of IIDCL & IIISL, has been eroded. The continuity of the operations of these subsidiaries is dependent on the continued financial, technical and operational support by the company. In management's view, the Company's investment in both the above-mentioned subsidiaries is of strategic value and therefore the company has agreed to provide all financial, technical and operational support to the company in meeting all its liabilities and obligations. In view of the fact that the company has agreed to provide support to these subsidiaries, the accounts of these subsidiaries have been prepared on a going concern basis. In view of the continuing operational plans of the subsidiaries, in management's view the decline in the value of the said investment is considered only temporary, and accordingly, no provision has been made for the said decline in value of investments in the books of the company.

9. During the six months period ended 30th September, 2004 the company has formed two new fully owned subsidiaries namely, (1) 'India Infoline Commodities Private Limited (IICPL)' at an investment of Rs.6.10 million in equity shares to take over the membership of Multi-Commodity Exchange of India Limited along with existing proprietary business in commodity broking owned by one of the directors of the company and the same has been consolidated and, (2) 'India Infoline Investment Services Private Limited (IIISPL)' (Date of Incorporation 7th July, 2004) at an investment of Rs. 21.99 million in equity shares with a view to offer financial services to its customers and since the company is yet to commence its business, the same has not been consolidated. In management's view, like the other subsidiaries, both the investments are strategic in nature. The details of affairs taken over by IICPL are as under:

INDIA INFOLINE COMMODITIES			INDIA INFOLINE COMMODITIES		
PROPRIETOR : R. VENKATARAMAN			PROPRIETOR : R. VENKATARAMAN		
BALANCE SHEET AS AT MARCH 28, 2004			PROFIT & LOSS ACCOUNT (13-02-05 to 28-03-04)		
	Rupees	Rupees			Rupees
<u>Sources of Funds:</u>					
Proprietor's Capital		232	Income from Operations		1,232
Unsecured Loans		961,000			1,232
TOTAL		961,232			
<u>Application of Funds:</u>			Bank charges		1,000
Fixed Assets : VSAT		100,000	Profit for the period transferred		232
Deposit with MCX		350,000	Proprietors Capital Account		
Sundry Debtors	101,289				
Cash and Bank Balances	148,000				
Loans and Advances	264,243				
	513,532				
Less: Current Liabilities	2,300				
Net Current Assets		511,232			
TOTAL		961,232			
		-			

10. The Accounting Standard 22 on 'Accounting for Taxes on Income' first became applicable to the Company from the accounting periods beginning 1st April 2002. The company recognised both deferred tax assets and liability for the first time for the year ended on 31st March 2004 as below:

11. Deferred Tax Asset

(Amount in Rs. Millions)

	Particulars	Period ended 30 th Sept 2004	2003-04
a.	On provision for doubtful debts	2.74	2.69
b.	On preliminary expenses	0.02	0.02
c.	Gratuity	0.06	Nil
	Total	2.82	2.71

Deferred Tax Liability**(Amount in Rs. Millions)**

	Particulars	Six months ended 30 th Sept 2004	2003-04
a.	On current year's depreciation	1.93	1.00
	Total	1.93	1.00

11. The company has taken Office Premise under operating leases. The total minimum lease payments in respect thereof are as under:

Amount in Rs Millions

Due:	Particulars	Six months ended 30 th Sept 2004	2003-04
	Not Later Than one Year	9.83	9.95
	Later Than one Year but not later than Five Years	7.18	9.86
	Later Than five years	0.20	0.10

12. Segment Reporting :

Segment information for the six-month period ended 30th September 2004
Primary segment information (by business segment)

(Amount in Rs. Million)

S. No.	Particulars	Equity Brokerage and Related Income	Agency Commission & Fees	Commodities Brokerage	Policy Commission	Media & Content	Others	Total
I	<u>Segment Revenue</u>							
	External	178.37	44.49	0.58	15.72	16.99	6.30	262.45
	Inter-segment	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		178.37	44.49	0.58	15.72	16.99	6.30	262.45
ii	<u>Segment Result</u>	70.82	12.39	(1.09)	(0.57)	14.61	4.28	100.44
	Less: Unallocated Expenses	0.00	0.00	0.00	0.00	0.00	0.00	5.58
	Operating Profit	70.82	12.39	(1.09)	(0.57)	14.61	4.28	94.86
	Interest Expense							1.63
	Profit from Ordinary Activities							93.23
	Less: Income Tax							20.36
	Net Profit after Tax							72.87
iii	Segment Assets	723.97	26.43	10.75	20.11	7.03	25.54	813.83
	Unallocated Corporate assets							75.14
	Total Assets							888.97
iv	Segment Liabilities	503.11	10.20	2.37	8.07	1.13	0.47	525.35
	Unallocated Corporate Liabilities							53.47
	Total Liabilities							578.82
V	Capital Expenditure	1.09	2.83	0.10	0.36	0.14	4.03	8.55
Vi	Depreciation	3.57	0.68	0.01	0.00	0.03	2.09	6.38
Vii	Non-Cash expenditure other than depreciation	2.81	0.00	0.00	0.00	0.00	0.00	2.81

The company / group operates in only one geographic segment i.e. 'India'. Hence separate information on geographical

15. The summary of Consolidated Financial Statements represents consolidation of accounts of the Company with its following subsidiaries, all incorporated within India, as detailed below:

Subsidiary	Proportion of ownership interest					
	31st March, 2000	31st March, 2001	31st March, 2002	31st March, 2003	31st March, 2004	Six-month ended 30th September, 2004
India Infoline Securities (Pvt) Limited	100%	100%	100%	100%	100%	100%
India Infoline.com Distribution Limited	100%	100%	100%	100%	100%	100%
India Infoline Securities Services Limited	N/A	N/A	100%	100%	100%	100%
India Infoline Commodities (Pvt) Limited	N/A	N/A	N/A	N/A	N/A	100%

ANNEXURE : IV

INDIA INFOLINE LIMITED (CONSOLIDATED FINANCIAL STATEMENTS)

STATEMENT OF SIGNIFICANT ACCOUNTING CHANGES AND ADJUSTMENTS

(Rupees in millions)

Adjustments [(income)/expense] in statement of Profit & Loss arising out of:	31st March, 2000	31st March, 2001	31st March, 2002	31st March, 2003	31st March, 2004	Six-month ended 30th September, 2004
(a) Impact of prior period items						
Short tax provided for prior years	(0.03)	-	-	-	-	-
Client Activation Fees	-	0.12	(0.12)	-	-	-
Service Tax (refer note 1)	-	-	-	-	4.00	(4.00)
(b) Changes in treatment of amortising cost of intangible assets, viz. Non Compete fees (refer note 2)	0.00	0.00	0.00	0.00	(8.00)	(4.00)
Cumulative effect of above [(increase)/decrease] in statement of Assets & Liabilities:	31st March, 2000	31st March, 2001	31st March, 2002	31st March, 2003	31st March, 2004	Six-month ended 30th September, 2004
(a) Current liabilities and provisions	0.03	(0.12)	0.12	0.00	(4.00)	0.00
(b) Non Compete fees	0.00	0.00	0.00	0.00	(8.00)	(4.00)
(c) Profit & Loss statement, as restated	0.03	0.12	0.12	0.00	(4.00)	0.00
Tax Impact of adjustments	0.00	0.05	0.00	0.00	(1.44)	0.00

Note 1

This represents Service Tax Provision made by the Company during the six-month period ended 30th September 2004, on Commission received from Mutual funds for the year ended 31st March 2004.

Note 2

The Company had a policy of amortizing non-compete fees paid by it over a period of five years. However for the year ended March 31, 2004, the Company has decided to fully amortize the balance portion of Rs. 16 Million, half of which (Rs. 8 Million) would have been written off in the next year. For the purpose of this statement, the said figure has been adjusted pro-rata for the charge of the current financial year.

Annexure V : Consolidated Cash Flow Statement

	1999-00	2000-01	2001-02	2002-03	2003-04	30-9-04
Cash flows from operating activities						
Net profit before taxation, and extraordinary item	(45.48)	(131.08)	(58.86)	(47.07)	74.50	93.23
Adjustments for:						
Depreciation	7.36	19.21	32.64	24.70	11.65	6.08
Amortisation	1.39	9.39	1.39	9.72	17.39	2.81
Provisions for Gratuity	-	0.27	0.06	0.07	0.02	0.06
Provisions for Leave Encashment	-	-	0.08	0.07	0.03	0.13
Foreign exchange loss	-	-	-	-	-	-
Provision for Doubtful Debts	-	-	-	5.00	4.50	-
Interest income	(3.02)	(5.46)	(3.24)	(5.01)	(3.73)	(1.71)
Income Tax Refund & Interest	-	-	-	-	(0.03)	-
Preliminary Expense W/off	0.01	0.01	-	-	-	-
Loss / (Profit) on Sale of Fixed Assets	0.04	0.42	0.20	1.47	(0.03)	-
Interest expense	0.58	0.08	-	1.56	10.63	1.63
Bad Debts	-	0.30	1.73	5.64	9.23	0.33
Sundry Balances W/back	-	-	(0.59)	(0.01)	(0.14)	(0.15)
Sundry Balances W/off	-	0.75	3.33	0.20	0.28	-
Operating profit before working capital changes	(39.11)	(106.10)	(23.26)	(3.65)	124.31	102.41
(Increase) / Decrease in sundry debtors	(7.64)	(56.01)	(5.57)	(70.53)	(278.30)	(164.06)
(Increase) / Decrease in Interest Accrued	-	(0.43)	(0.03)	(0.61)	(0.08)	(1.16)
(Increase) / Decrease in Loans & Advances	(24.82)	(20.05)	8.90	(24.33)	(8.10)	(63.05)
(Increase) / Decrease in Group Co. Balances	-	-	-	-	-	0.99
Increase / (Decrease) in Provisions	-	14.20	(0.57)	0.09	0.58	(13.60)
Increase / (Decrease) in Current Liabilities	24.07	28.51	(19.37)	39.98	226.42	112.80
Cash generated from operations	(47.49)	(139.87)	(39.90)	(59.07)	64.84	(25.67)
Tax (Paid) / Refund	-	-	-	-	0.03	(1.39)
Cash flow before extraordinary item	(47.49)	(139.87)	(39.90)	(59.07)	64.87	(27.06)
ADR Expenses	-	(11.45)	(0.12)	-	-	-
Foreign exchange Loss	-	(14.20)	-	-	-	-
Provision For Contingencies	-	-	-	-	-	(4.00)
Capital Reserve w/off	-	-	-	-	-	-
Net cash from operating activities	(47.49)	(165.52)	(40.02)	(59.07)	64.87	(31.06)
Cash flows from investing activities						
Purchase of fixed assets	(11.73)	(61.13)	(10.49)	(17.55)	(27.05)	(8.60)
Sale of fixed assets	0.30	0.85	0.03	2.50	14.68	0.05
Paid for Intangibles	(46.96)	-	-	-	-	-
Purchase of Membership Rights	-	(28.10)	-	-	-	-
Purchase of Investments	0.36	-	-	-	(0.10)	(21.89)
Interest received	3.02	5.46	3.24	5.01	3.73	1.71
Net cash from investing activities	(55.02)	(82.91)	(7.23)	(10.04)	(8.73)	(28.73)
Cash flows from financing activities						
Proceeds from issuance of share capital	365.38	17.46	77.64	-	-	-
(Repayment) / Proceeds of long-term borrowings	0.08	(0.08)	-	33.98	(4.75)	111.27
Interest paid	(0.58)	(0.08)	-	(1.56)	(10.63)	(1.63)
Dividend paid	(0.13)	-	-	-	-	-
Net cash used in financing activities	364.74	17.30	77.64	32.42	(15.38)	109.64
Net increase in cash and cash equivalents	262.23	(231.14)	30.39	(36.69)	40.75	49.85
Cash and cash equivalents at beginning of period (see Note)	8.00	270.23	39.09	69.48	32.79	73.54
Cash and cash equivalents at end of period (see Note)	270.23	39.09	69.48	32.79	73.54	123.39

Cash and cash equivalents include short term investments and is net of bank overdraft, if any.

SECTION VI: LEGAL AND REGULATORY INFORMATION

REGULATIONS AND POLICIES

Our Company offers diversified financial products through our subsidiaries under the brand “www.indiainfo.com” and “www.5paisa.com”. Our Company engages, through its Subsidiaries, in equity, debt and derivatives brokerage, depository services, access to third party insurance and related financial services. The legal framework for providing the above financial services and products by us, has been provided below:

India Infoline Investment Services Private Limited

Our subsidiary, IISPL vide its application to RBI dated July 28, 2004 has applied to get registered under the Reserve Bank of India Act, 1934 (“the RBI Act”) as a NBFC not accepting public deposits.

1. The RBI Act was enacted to constitute the Reserve Bank of India to regulate the issue of bank notes and the keeping of reserves with a view to securing monetary stability in India and to generally operate the currency and credit system of India to its advantage. The RBI Act has been amended from time to time and now provides inter-alia that a NBFC can commence business after obtaining a certificate of registration and should have a minimum net owned fund of Rs.20 million.
2. Every NBFC should create a reserve fund and transfer thereto a sum not less than 20.0 per cent of its net profit every year as disclosed in the profit and loss account and before any dividend is declared. Such fund is to be created by every NBFC irrespective of the fact whether it accepts public deposits or not. Further no appropriation can be made from the fund for any purpose without prior written approval of the RBI.
3. The Non Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998 (“Prudential Norms”) provide for certain compliances to be made by NBFCs such as having a well defined investment policy, applicability of Accounting Standards and Guidance Notes issued by Institute of Chartered Accountants of India (ICAI) in so far as they are not inconsistent with the guidelines of RBI etc. The Prudential Norms would not be applicable to an NBFC being an investment company, which is
 - a) holding investments in the securities of its group/holding/subsidiary companies;
 - b) the book value of such holding is not less than ninety (90) percent of its total assets,
 - c) is not trading in such securities and
 - d) is not accepting/holding public deposit.

If IISPL gets registered as a NBFC not accepting public deposits and satisfies all the above conditions, the Prudential Norms would not be applicable. However, if IISPL applies to the RBI for raising public deposits, on receipt of such approval from the RBI, IISPL would be subject to and will have to comply with all the Prudential Norms.

FDI Policy regarding NBFCs:

Foreign investment in Indian securities is regulated by the FEMA. As per Section 6(3)(b) of FEMA, the RBI has been given the authority to prohibit, restrict or regulate the transfer or issue of any Indian security by a person outside India. Accordingly, the RBI has prescribed the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 pursuant to which no person resident outside India and no company that is not incorporated in India (other than a banking company) can purchase the shares of any company carrying on any trading, commercial or industrial activity in India without the permission of the RBI.

FEMA provides the statutory framework that governs India’s system of controls on foreign exchange dealings. Through it the Government of India exercises its industrial policy with respect to foreign private investment in India and all dealings by residents of India with non-residents and with foreign currency. Without permission (general or special) from the RBI, residents of India cannot undertake any transaction with persons outside India, sell, buy, lend or borrow foreign currency, issue or transfer securities to non-residents or acquire or dispose of any foreign security.

While the industrial policy and the RBI regulations 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 / procedure in which such investment may be made. Under the industrial policy and the RBI regulations, unless specifically restricted, foreign investment is freely permitted in almost all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. The government bodies responsible for granting foreign investment approvals are the Foreign Investment Promotion Board of the Government of India (“FIPB”) and the RBI.

As per the sector specific guidelines of the GoI and the RBI regulations, the following relevant caps for FDI in NBFCs are presently applicable:

Sector		Guidelines
Non-Banking Companies	Financial	<p>(a) FDI/NRI investments allowed in the following NBFC activities shall be as per levels indicated below:</p> <ol style="list-style-type: none"> Merchant banking Underwriting Portfolio Management Services Investment Advisory Services Financial Consultancy Stock Broking Asset Management Venture Capital Custodial Services Factoring Credit Reference Agencies Credit rating Agencies Leasing & Finance Housing Finance Forex Broking Credit card business Money changing Business Micro Credit Rural Credit <p>(b) Minimum Capitalisation Norms for fund based NBFCs:</p> <ol style="list-style-type: none"> For FDI up to 51% - US\$ 0.5 million to be brought upfront For FDI above 51% and up to 75% - US \$ 5 million to be brought upfront For FDI above 75% and up to 100% - US \$ 50 million out of which US \$ 7.5 million to be brought upfront and the balance in 24 months <p>(c) Minimum capitalisation norms for non-fund based activities: Minimum capitalisation norm of US \$ 0.5 million is applicable in respect of all permitted non-fund based NBFCs with foreign investment</p> <p>(d) Foreign investors can set up 100% operating subsidiaries without the condition to disinvest a minimum of 25% of its equity to Indian entities, subject to bringing in US\$ 50 million as at (b) (iii) above (without any restriction on number of operating subsidiaries without bringing in additional capital)</p> <p>(e) Joint Venture operating NBFC's that have 75% or less than 75% foreign investment will also be allowed to set up subsidiaries for undertaking other NBFC activities, subject to the subsidiaries also complying with the applicable minimum capital inflow i.e. (b)(i) and (b)(ii) above.</p> <p>(f) FDI in the NBFC sector is put on automatic route subject to compliance with guidelines of the RBI in this regard. RBI would issue appropriate guidelines in this regard.</p>

The industrial policy provides that FIPB approval is required for investment in certain sectors, such as petroleum (other than refining), defence and strategic industries and for investment in certain other circumstances. Also, the following investments would require the prior permission of the FIPB:

- investments in excess of specified sectoral caps
- investments by any person who has or had an existing or previous venture in India, or a technology transfer/trade mark agreement in the same or allied field as that of the Indian company in which the FDI is proposed (except in the IT sector);
- investment being more than 24% in the equity capital of units manufacturing items reserved for small scale industries;
- investment in industries for which industrial licensing is compulsory; and
- all proposals relating to the acquisition of shares of an Indian company which involve a transfer of shares from a resident Indian to a foreign investor (including a non resident Indian)

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

Our Company has in the past received investments from foreign venture capital investors, pursuant to approvals from the FIPB and also under the automatic route, for which necessary filings have been done with the RBI.

Transfer of shares of an Indian company by a person resident outside India

A person resident outside India, not being a Non-Resident Indian, may transfer by way of sale the shares held by him to any other person resident outside India without the prior approval of the RBI. Further, a person resident outside India may transfer any security held by him to a person resident in India subject to the prior approval of the RBI, unless such a transfer is by way of gift.

Please note that the above is based on the current provisions of the Indian laws, and the regulations there under, and the judicial and administrative interpretations thereof, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions.

The SEBI (Prohibition of Insider Trading) Regulations, 1992

The provisions of the SEBI (Prohibition of Insider Trading) Regulations, 1992 ("Insider Trading Regulations") will be applicable to our Company immediately upon the listing of the Equity Shares on the Stock Exchanges. The Insider Trading Regulations provide that an insider cannot deal in securities of a company listed on any stock exchange when in possession of any unpublished price sensitive information or communicate, counsel or procure directly or indirectly any unpublished price sensitive information to any person who while in possession of such unpublished price sensitive information shall not deal in securities. Further, a company cannot deal in the securities of another company or associate of that other company while in possession of any unpublished price sensitive information.

The term "insider" has been defined under the Insider Trading Regulation to mean inter alia any person who, is or was connected with the company or is deemed to have been connected with the company, and who is reasonably expected to have access to unpublished price sensitive information in respect of securities of a company or who has received or has had access to such unpublished price sensitive information.

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

India Infoline Securities Private Limited

IISPL is engaged in the business of Internet based trading and is registered with SEBI as a stockbroker, trading and clearing member of NSE, member of BSE and as a depository participant with National Securities Depository Limited ("NSDL") and Central Depository Services (India) Limited ("CDSL"). IISPL is also a member of the National Securities Clearing Corporation Limited.

1. The Securities and Exchange Board of India Act, 1992 ("SEBI Act") provides for the establishment of a Board namely the SEBI to protect the interests of investors in securities and to promote the development of, and to regulate the securities market by such measures as it thinks fit. Such measures may inter alia provide for: -
 - a) regulating the business in stock exchanges and any other securities markets;
 - b) registering and regulating the working of stock brokers, sub-brokers, merchant bankers, underwriters, portfolio managers, investment advisers and such other intermediaries who may be associated with securities markets in any manner;
 - c) registering and regulating the working of the depositories, participants and other intermediaries;
 - d) prohibiting fraudulent and unfair trade practices relating to securities markets;
 - e) prohibiting insider trading in securities;
 - f) regulating substantial acquisition of shares and take-over of companies.

Pursuant to the SEBI Act, and the rules, regulations and guidelines issued by SEBI, a stockbroker, sub-broker and depository participant can buy, sell or deal in securities only after obtaining a certificate of registration from SEBI in accordance with the applicable regulations.

2. The Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Rules, 1992 read with the Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations, 1992 provides the eligibility criteria, procedure for obtaining the certificate of registration to carry on business as a stock broker and/or a sub-broker who is required to be affiliated to a stock broker registered under the aforesaid regulations. On registration, the stockbroker and sub-broker are required to adhere to a code of conduct prescribed under the above regulations.

Apart from registration of stockbrokers and sub-brokers, the regulations provide for registration of trading and clearing members. A trading member is a member of the derivatives exchange or derivatives segment of a stock exchange and who settles the trade in the clearing corporation or clearing house through a clearing member. A clearing member is a member of a clearing corporation or clearing house of the derivative exchange or derivatives segment of an exchange, who clears and settles transactions in securities. The code of conduct specified for stockbrokers are applicable mutatis mutandis to the trading and clearing members.

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

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

4. The Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996 provides inter alia the eligibility criteria, procedure for obtaining the certificate of registration to carry on business as a depository participant, rights and obligations of the depository participants. On registration, the depository participant is required to adhere to a code of conduct prescribed under these regulations.
5. The Securities Contract (Regulation) Act, 1956 ("SCRA") seeks to prevent undesirable transactions in securities by regulating the business of dealing in securities and other related matters. The SCRA provides for grant of recognition for stock exchanges by the Central Government. Every recognized stock exchange is required to have in place a set of rules relating to its constitution and bylaws for the regulation and control of contracts.

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

If the securities of a public company are listed in any recognized stock exchange, the said company must comply with the conditions of the listing agreement entered into with the stock exchange. NSE and BSE of which IISPL is a member are such recognized stock exchanges.

6. The Insider Trading Regulations would be applicable to IISPL since IISPL is a person, which is deemed to be a connected person as defined under the said regulations. As per the Insider Trading Regulations, a person deemed to be a connected person includes an intermediary under the SEBI Act. Such intermediary includes a stockbroker, sub-broker and investment advisor.
7. IISPL as a member of the NSE and is required to adhere to the rules and regulations framed by the NSE. The National Stock Exchange of India Limited Bye-laws prescribes regulations relating to inter alia (i) norms, procedures, terms and conditions to be complied with for inclusion of securities in the official list of NSE securities; (ii) norms and procedures for admission of trading members (iii) forms and conditions of contracts to be entered into, and the time, mode and manner for performance of contracts between trading members inter se or between trading members and their constituents; (iv) determination of fees, system usage charges, deposits, margins and other monies payable to the NSE by trading members, participants and by issuers whose securities are admitted/to be admitted to dealings on the NSE and the scale of

brokerage chargeable by trading members; (v) settlement of disputes, complaints, claims arising between trading members inter-se as well as between trading members and persons who are not trading members relating to any transaction in securities made on the NSE including settlement by arbitration (vi) norms and procedures for settlement and clearing of deals.

8. IISPL as a member of the BSE and is required to adhere to the rules and regulations framed by BSE. The rules, bye-laws and regulations of BSE prescribe norms relating to inter alia (i) listing conditions and requirements (ii) procedures for admission of trading members (iii) applications in respect of new issues or offer for sale (iv) terms and conditions of contracts to be entered into, performance of contracts between trading members inter-se or between trading members and their constituents (v) determination of fees, margin deposits and other monies payable to the BSE by trading members (vi) settlement of disputes arising between trading members inter-se as well as between trading members and persons who are not trading members relating to any transaction in securities made on the BSE including settlement by arbitration.
9. Internet Based Trading was approved by SEBI vide its Circular No. SMDRP / POLICY/CIR-06 /2000 dated January 31, 2000. The circular provides that SEBI registered stock brokers interested in providing Internet based trading services must obtain formal permission of the concerned stock exchange. The stock exchange, before giving permission must ensure the fulfillment of certain minimum conditions such as a minimum net worth of Rs.50,00,000/-, the system used by the broker has provision for security, reliability and confidentiality of data through use of encryption technology and has adequate backup systems and data storage capacity. The broker's web site providing the Internet based trading facility should contain information meant for investor protection such as rules and regulations affecting client broker relationship, arbitration rules investor protection rules etc. Certain mandatory security features are also prescribed in the circular for all Internet based trading systems. IISPL has been permitted to provide Internet based trading services.
10. SEBI (Merchant Bankers) Regulations 1992 read with SEBI (Merchant Bankers) Rules 1992 would be applicable to IISPL if IISPL is granted registration as a Merchant Banker by SEBI. SEBI (Merchant Bankers) Regulations 1992 read with SEBI (Merchant Bankers) Rules 1992 provides the eligibility criteria, procedure for obtaining the certificate of registration to carry on business as a Merchant Banker. Based on the capital adequacy requirement, SEBI grants categories ranging from Category I to Category IV. According to the category prescribed, the Merchant Bankers are permitted to carry out certain activities as are prescribed in these regulations. On registration, the Merchant Bankers are required to adhere to a code of conduct prescribed under the above regulations.

India Infoline Insurance Services Limited

IISL is engaged in the agency business for life insurance. IISL is licensed under section 42 of the Insurance Act, 1938.

1. The Insurance Act, 1938 ("Insurance Act") embodies the law relating to the business of insurance in India. Under section 40 of the Insurance Act no person shall pay or contract to pay any remuneration or reward whether by way of commission or otherwise for soliciting or procuring insurance business in India to any person except an insurance agent. Under the Insurance Act an "insurance agent" means an insurance agent licensed under section 42 of the Act. Under section 42 of the Act, Insurance Regulatory & Development Authority established under The Insurance Regulatory and Development Authority Act, 1991 is authorised in the manner determined by the regulations made by the Authority to issue to any person making an application in the manner determined by the regulations, a license to act as an insurance agent for the purpose of soliciting or procuring insurance business.
2. The Insurance Regulatory and Development Authority Act, 1991 provides for the establishment of an Authority to protect the interests of holders of insurance policies, to regulate, promote and ensure orderly growth of the insurance industry and for matters connected therewith or incidental thereto.
3. The Insurance Regulatory and Development Authority ("IRDA") (Licensing of Corporate Agents) Regulations, 2002 provide, inter-alia, for issue or renewal of license to corporate agents. As per Regulation 3 a person desiring to obtain or renew a license to act as a corporate agent or a composite corporate agent shall make an application to a designated person by the IRDA if its insurance executives possess the necessary qualifications and meet the criteria including having undergone necessary training as prescribed under the said Regulation and the Insurance Act, 1938.

India Infoline Commodities Private Limited (IICPL)

IICPL is a Trading Member of National Commodity and Derivative Exchange Limited.

The Forward Contracts (Regulation) Act, 1952 provides, inter alia, for establishment of the Forward Markets Commission

- to advise the Central Government in respect of the recognition of, or the withdrawal of recognition from, any association or in respect of any other matter arising out of the administration of this Act;
- to keep forward markets under observation and to take such action in relation to them as it may consider necessary in exercise of the powers assigned to it by or under this Act;
- to collect and whenever the Commission thinks it necessary publish information regarding the trading conditions in respect of goods to which any of the provisions of this Act is made applicable, including information regarding supply, demand and prices, and to submit to the Central Government periodical reports on the operation of this Act and on the working of forward markets relating to such goods;
- to make recommendations generally with a view to improving the organization and working of forward markets;
- to undertake the inspection of the accounts and other documents of [any recognized association, or registered association or any member of such association] whenever it considers it necessary; and
- to perform such other duties and exercise such other powers as may be assigned to be Commission by or under this Act, or as may be prescribed.

OUTSTANDING LITIGATIONS, MATERIAL DEVELOPMENTS AND OTHER DISCLOSURES

There are no outstanding litigations against our Company, our subsidiaries, our Directors, our Promoters and our Promoter group disputes, tax liabilities, non payment of statutory dues, overdues to banks/ financial institutions, defaults against banks/ financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits and arrears on cumulative preference shares issued by our Company, defaults in creation of full security as per terms of issue/ other liabilities, proceedings initiated for economic/ civil/ any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of part 1 of Schedule XIII of the Companies Act, 1956) against our Company, our subsidiaries, our Directors and our Promoters, except the following:-

A. Outstanding litigation and contingent liabilities details of the Company

A.I. Contingent liabilities of the Company as on September 30, 2004

The Contingent liabilities of our Company as on September 30, 2004 are as follows:

- (a) The company has provided a Corporate Guarantee in favour of UTI Bank Limited to the extent of Rs.50 million for the credit facilities in the form of Bank Guarantees Rs.30 million and Overdraft Rs.20 million, sanctioned by the bank to its wholly owned subsidiary India Infoline Securities Private Limited.
- (b) Fixed deposits with bank includes deposits amounting to Rs.16 million (Previous Year Rs.16 million) which are pledged with the bank for availing overdraft facility from UTI Bank and also includes the deposit amounting to Rs.2.5 million (Previous Year Rs.2.5 million) pledged with HDFC Bank for National Stock Exchange as Base Capital for Cash Segment.

A.II. Cases filed against our Company

A.II.1 ORG-MARG Research Limited v. India Infoline.com Limited

ORG-MARG Research ("ORG") has filed a case vide Suit No. 494 of 2001 on February 8, 2001 in the High Court ("the Suit"), Mumbai wherein ORG has alleged that the Company had published a confidential report on the Indian pharmaceutical industry titled, "Pharmaline: Why new products in Pharmaceutical Industry are not doing well?" dated April 25, 2000 ("the Report") owned by ORG, on the Company's website, "www.indiainfoline.com". ORG contended that such reports were available only through annual subscriptions and also that the subscribers were required to execute a Confidentiality Deed with ORG strictly undertaking to maintain the confidentiality of such reports. Vide the Suit, ORG has prayed for a sum of Rs. 600 million and interest thereon from the Company for loss and damage suffered on account of disclosing confidential information of ORG, thereby causing tremendous loss of reputation and harm to the business of ORG. Our Company has denied the allegations and the matter is sub-judice.

A.II.2 M. Sundaram v. Intel Investor Services Private Limited, India Infoline.com Distribution Company Limited and India Infoline Limited

One, Mr. M. Sundaram has filed a case vide a PG Application dated October 24, 2002 before the Assistant Commissioner of Labor, Tirunelveli wherein he has alleged that he is entitled to gratuity under section 4 of the Payment of Gratuity of Act, 1972 on account of his resignation after completion of 7 years of continuous service with effect from July 1, 2002. He has submitted that he joined the services of the first respondent on January 30, 1995 and was transferred to the second respondent on May 19, 2000. He was further transferred to the third respondent on January 1, 2002. He has alleged that there was no break in his services and hence is entitled to gratuity and that the respondents as above, are jointly and severally liable to pay him an amount of Rs. 0.013 million alongwith interest at the rate of 15% per annum.

A.III. Cases filed by the Company

There are no outstanding cases filed by the Company.

B. Outstanding litigation involving the Directors and Promoters of the Company

B.I. Reena Goel v. India Infoline Securities Private Limited (Criminal Case)

One, Mrs. Reena Goel, filed a First Information Report ("FIR") under sections 420, 467, 468, 471 of the Indian Penal Code with the Police Station, Kotwali, Bijnore, Uttar Pradesh on May 20, 2004 against IISPL through its Directors, Mr. Nirmal Jain and Mr. R. Venkataraman amongst others, accusing them of cheating her for an amount of Rs. 0.32 million. On October 4, 2004, vide criminal miscellaneous writ petition no. 7788 of 2004, Mr. Nirmal Jain, Mr. R Venkataraman and other accused persons moved the High Court of Allahabad, seeking ex-parte stay of further investigation and operation of the said FIR. However, the same was dismissed by the said High Court.

Upon such dismissal, the accused as mentioned above, have filed a special leave petition dated January 18, 2005 ("SLP") in the Supreme Court of India praying that (a) the final judgment and order of the said High Court be stayed ex

parte; (b) pending the hearing and final disposal of this SLP, further investigation and operation of the said FIR be stayed; and (c) the arrest of the petitioners be stayed during the pendency of this SLP.

In response to the said FIR, IISPL has also filed a counter claim vide an arbitration application dated November 9, 2004 before the Arbitration Panel of NSE for recovery of Rs. 0.25 million against Ms. Reena Goel. For further details, please refer to paragraph D.III.3 of this section, on page no. 171 of this Draft Red Herring Prospectus.

B.II *Dhoop Singh Karwasra v. Malai Pravin Chandra Mavani, Nirmal Jain and others (Criminal Case)*

A legal notice dated November 17, 2003 ("Legal Notice") was sent to IISPL by Ms. M L Gupta, Advocate on behalf of her clients Mr. Rajesh Kumar Gupta, Mr. Dhoop Singh and Mr. Kedarnath Sharma ("the Clients"). As set out in the Legal Notice, persons mentioned above had instructed one, Mr. Malai Pravin Chandra Mavani to open a demat account for them and transfer their shares to such account. However, as alleged in the Legal Notice, Mr. Mavani had transferred the said shares to his own account. Through the Legal Notice, IISPL was asked not to further transfer the said shares, or otherwise IISPL will be deemed to be acting in concert with Mr. Mavani and appropriate legal proceedings will be initiated against IISPL in civil and criminal courts.

Pursuant to the same, Mr. Karwasra has also filed a case dated April 12, 2004 for criminal prosecution in the Court of Judicial Magistrate, First Class, Mumbai under sections 406, 120 and 504 of the Indian Penal Code against Mr. Malai Pravin Chandra Mavani, Mr. Nirmal Jain (in his capacity as the Managing Director of IISPL) alleging that even after receiving the Legal Notice, IISPL transferred shares from the said account of Mr. Mavani, thereby cheating him with malafide intention and causing him a monetary loss of Rs 0.11 million. Through such complaint, Mr. Karwasra has prayed that all the accused persons be tried and punished under sections 406, 120, 504 read with section 34 of the Indian Penal Code. Pursuant to the same, summonses dated December 13, 2004 were issued to the accused persons as above, seeking their appearance in person before the Court on December 21, 2004.

B.III. *Vinod Kumar Sharma v. India Infoline Securities Private Limited (Criminal Case)*

One, Mr. Vinod Kumar Sharma had filed an arbitration application for recovery of money against IISPL before the Arbitration Panel of NSE on August 7, 2002 alleging that (i) IISPL had failed to short sell 70 shares of Digital Equipments Limited at Rs. 606 each thereby resulting in an outstanding purchase of the same; and (ii) IISPL had short sold 2000 shares of ICICI Bank from his account resulting in a loss of Rs. 0.027 million. Consequent to the same, the Arbitration Panel ordered IISPL to pay Rs 0.002 to Mr. Sharma. IISPL had given a demand draft of like amount but Mr. Sharma refused to accept it and filed a case against IISPL in the Court of District Judge, Alipore Court, Kolkata. At present, the matter is sub-judice.

In respect of the above-mentioned dispute, Mr. Sharma has also filed a criminal complaint against IISPL through its Director, Mr. R. Venkataraman accusing them of willfully and deliberately selling his shares and requesting appropriate action be taken against IISPL and its Directors.

B.IV. *Siddharth v. India Infoline Securities Private Limited*

One Mr. Siddharth of Meerut ("Complainant"), has vide Case No. 427 of 2004 filed a case under Consumer Protection Act, 1986 before the District Consumer Redressal Forum, Meerut against IISPL through its Directors, Mr. Nirmal Jain and Mr. R. Venkataraman amongst others. The Complainant, who had executed a client-broker agreement with IISPL, has alleged that IISPL acted negligently and fraudulently in maintaining the Complainant's demat account, thereby attracting the definition of "deficiency in service" as defined in the Consumer Protection Act, 1986. In respect of the same, the Complainant has prayed for an award of Rs. 0.12 million. IISPL has denied the allegations and the matter is sub-judice.

C. *Details of potential litigation cases against the Company*

Two newspapers, the Hindu and the Khaleej Times, have alleged that the Company has defaulted in paying dues to them in respect of the advertisement campaigns that the Company had run through their newspapers and the total quantum of such claim runs into about Rs. 1 million. However, the Company maintains that such dues have been paid in full and hence such claims are misleading and baseless. It is worthwhile to note that as on the date of filing of this Draft Red Herring Prospectus, neither complaints nor cases for recovery of such disputed amounts have been filed by the above mentioned newspapers against the Company.

D. Outstanding litigation and contingent liabilities details of IISPL

D.I. Contingent Liabilities not provided for as on September 30, 2004

- (a) Contingent liability in respect of: Bank Guarantees outstanding Rs.30 million (Previous Year Rs.30 million). These Bank Guarantees are procured by the Company from UTI Bank Limited, by pledging its Fixed Deposit Receipts of Rs.16.61 million (Previous Year: Rs.15 million).
- (b) Secured loan from bank is secured against pledge of securities amounting to Rs.139 million (Previous Year Rs.139 million) obtained as margin deposit in the beneficiary accounts of the clients.
- (c) The company's overdraft facility with HDFC Bank limited is against lien on its own Fixed Deposit Receipts of Rs. 8.02 HDFC (Previous Year Rs 7.3 million) with the bank.

D.II. Cases filed against IISPL

D.II.1 *Geeta Kanth v. India Infoline Securities Private Limited (Civil Case)*

One, Ms. Geeta Kanth has filed a statement of claim for the recovery of money against IISPL before the Arbitration Panel of NSE on August 8, 2004, claiming an amount of Rs. 0.50 million in relation to trade disputes. IISPL has filed a reply denying the allegations and awaits the next date of hearing.

D.II.2 *Chandra Prakash v. India Infoline Securities Private Limited (Civil Case)*

One, Mr. Chandra Prakash has filed an arbitration application for recovery of money against IISPL before the Arbitration Panel of NSE on September 10, 2004, claiming an amount of Rs. 0.25 million in relation to trade disputes. IISPL has filed a reply denying the allegations and awaits the next date of hearing.

D.II.3 *Akhtar Hussain Mansuri v. India Infoline Securities Private Limited (Civil Case)*

One, Mr. Akhtar Hussain Mansuri has filed a suit against IISPL before the Consumer Dispute Redressal Forum, Bandra, Mumbai in relation to trade disputes and has claimed an amount of Rs. 0.33 million. IISPL has filed a reply denying the allegations and awaits the next date of hearing.

D.II.4 *Shashi Kumar Mohata v. India Infoline Securities Private Limited (Civil Case)*

One, Mr. Shashi Kumar Mohata has vide Summary Suit No. 2180 of 2001 filed a case against India Infoline Securities Private Limited in the City Civil Court, Ahmedabad claiming an amount of Rs. 0.37 million for alleged deficiency in service on part of IISPL. Mr. Mohata has also taken out a notice of motion praying for injunction restraining IISPL, its agents and others on its behalf from sub-letting/ transfer/ part with possession to any third party, the movable and immovable properties of IISPL's Ahmedabad offices and "status quo" in respect thereof. IISPL has denied the allegations and the matter is sub-judice

For details of other cases filed against IISPL, please also refer to the cases as mentioned in paragraph B of the section titled "Outstanding Litigations, Material Developments and Other Disclosures" on page 169 of this Draft Red Herring Prospectus.

D.III Cases filed by IISPL

D.III.1 *India Infoline Securities Private Limited v. Sangeeta Gupta (Civil Case)*

In response to a complaint filed by one, Ms. Sangeeta Gupta with the NSE on May 25, 2004 alleging force selling by IISPL, IISPL has filed a counter-complaint against her before the Investor Grievance Cell, NSE justifying its decision of force selling and also praying for recovery of money aggregating to an amount of Rs. 0.03 million with interest thereon from Ms. Sangeeta Gupta. IISPL is awaiting further instructions from the Investor Grievance Cell.

D.III.2 *India Infoline Securities Private Limited v. Seema Saini (Civil Case)*

IISPL has filed an arbitration application dated November 9, 2004 before the Arbitration Panel of NSE for recovery of money against Ms. Seema Saini. Vide the said application, IISPL has claimed that Ms. Goel's account was in constant debit since May 11, 2004 and as on November 9, 2004 Ms. Saini's account had a debit balance of Rs. 0.08 million. In respect of the same, IISPL has demanded a sum of Rs. 0.08 million and interest at the rate of 18% per annum accruing from May 11, 2004.

D.III.3 *India Infoline Securities Private Limited v. Reena Goel (Civil Case)*

IISPL has filed an arbitration application dated November 9, 2004 before the Arbitration Panel of NSE for recovery of money against Ms. Reena Goel. Vide the said application, IISPL has claimed that Ms. Goel's account was in constant

debit since May 11, 2004 and as on November 9, 2004 Ms. Goel's account had a debit balance of Rs. 0.25 million. In respect of the same, IISPL has demanded a sum of Rs. 0.25 million and interest at the rate of 18% per annum accruing from May 11, 2004.

It must be noted that this case has been filed by IISPL as a counter claim to the FIR filed by Ms. Reena Goel, wherein she has accused IISPL and its directors of cheating her for an amount of Rs. 0.32 million. For further details, please refer to paragraph B.I. of this section on page no. 169 of this Draft Red Herring Prospectus.

D.III.4 India Infoline Securities Private Limited v. Ramesh Shah (Civil Case)

One, Mr. Ramesh C. Shah, was a client of the online broking facility offered by IISPL and had purchased 240,000 equity shares of Cyberspace Limited in rolling settlement. However, the cheques issued by him for the aforesaid purchases were returned by the bank as the funds in his bank account were insufficient. Thereupon, IISPL issued notice to Mr. Shah and when he failed to make the necessary payment, IISPL filed criminal complaint no. 373/M/2001 and 374/M/2001 before the Additional Chief Metropolitan Magistrate, 33rd Court at Ballard Pier, Mumbai in accordance with the provisions of section 138 of the Negotiable Instruments Act. IISPL further filed an arbitration application dated July 25, 2001 before the Arbitration Panel of NSE to recover its dues of upto an amount of Rs 30.6 million. The Arbitration Panel *vide* its award dated November 27, 2002, substantially accepted the claim of the company and directed Mr. Shah to pay the Company a sum of Rs. 30.6 million together with interest from the date of the award.

However, the said award was challenged by Mr. Shah in the Hon'ble High Court of Bombay *vide* arbitration petition no. 125 of 2003. Further, Mr. Shah filed a counter claim against IISPL before Bombay Stock Exchange regarding sale of Cyberspace shares, in response to which Bombay Stock Exchange passed an order in favor of Mr. Shah. This award was challenged by IISPL *vide* arbitration petition no. 707 of 2004 before the Hon'ble High Court of Bombay. Pursuant to the same, the Hon'ble High Court of Bombay *vide* its Order dated October 20, 2004 took on board both the above mentioned arbitration petitions and set aside by consent the award of the Arbitration Panel of NSE dated November 27, 2002 and all the counterclaims made by Mr. Shah. The Order further states that IISPL is entitled to apply, receive and appropriate the amounts of the sale proceeds from the Stock Exchange, Mumbai and the amounts of the annulment proceedings or effects thereof from the National Stock Exchange of India Limited and Mr. Shah is to provide co-operation to IISPL and sign all the necessary documents. It further notes that IISPL has agreed to withdraw the said criminal complaints against Mr. Shah.

D.III.5 India Infoline Securities Private Limited v. Adarsh Kumar Gupta (Civil Case)

IISPL has filed an arbitration application dated February 9, 2005 before the Arbitration Panel of NSE for recovery of money against Mr. Adarsh Kumar Gupta. *Vide* the said application, IISPL has claimed that Mr. Gupta's account was in constant debit since April 2004 and as on January 10, 2005, Mr. Gupta's account had a debit balance of Rs. 0.11 million. In respect of the same, IISPL has demanded a sum of Rs. 0.11 million and interest at the rate of 18% per annum accruing from January 10, 2005.

D.III.6 India Infoline Securities Private Limited v. Pratibha Gupta (Civil Case)

IISPL has filed an arbitration application dated February 9, 2005 before the Arbitration Panel of NSE for recovery of money against Ms. Pratibha Gupta. *Vide* the said application, IISPL has claimed Ms. Gupta's account was in constant debit since April 2004 and as on January 10, 2005, Mr. Gupta's account had a debit balance of Rs. 0.20 million. In respect of the same, IISPL has demanded a sum of Rs. 0.20 million and interest at the rate of 18% per annum accruing from January 10, 2005.

E. Outstanding litigation and contingent liabilities details of IIDCL

E.I. Contingent Liabilities not provided for as on September 30, 2004

The central excise authority has served notice to Mutual Fund Distributors (MFDs) to pay service tax on the commission income earned by them from the distribution & marketing of the units of mutual funds. It is management's considered view that service tax is not applicable to such services and the industry is seeking appropriate redressal of the issue. However, as a conservative accounting principle, the company has made a provision of Rs. 7.5 million towards this liability, including interest and penalty if any, for the period July 2003 to 30th September, 2004.

E.II. Outstanding litigation against IIDCL

E.II.1 Summons issued by the Central Board of Excise and Customs ("CBEC")

Summons dated November 1, 2004 have been issued by the CBEC under section 83 of the Finance Act, 1994 to IIDCL through its Director, Mr. R. Venkataraman, in respect of an enquiry about evasion of service tax and to tender evidence and to submit the details of brokerage/ commission received on the sale of RBI Bonds and Mutual Fund units.

Such summons were issued to Mutual Fund Distributors in pursuance of circular instruction no. 66/15/2003 dated November 5, 2003 by the central excise authorities. In respect of the same, Karvy Securities Limited *vide* Writ Petition No. 6069 of 2004 has obtained a stay order dated March 31, 2004 against the levy and collection of service tax on the

consideration charged/received for the services rendered in context of Distribution and Marketing of mutual funds units with effect from February 2004 from the High Court of Andhra Pradesh. As per the order such stay shall be effective until final disposal of the case.

For further details, as regards IIDCL's response to the above-mentioned summons, please refer to the paragraph E.I., immediately above.

E.II.2 *M. Sundaram v. Intel Investor Services Private Limited, India Infoline.com Distribution Company Limited and India Infoline Limited*

For details of the case as mentioned above, please refer to paragraph A.II.2 in the section titled "Outstanding Litigations, Material Developments and Other Disclosures" on page no. 169 of this Draft Red Herring Prospectus.

F. Outstanding litigation and contingent liabilities details of IISL

F.I. Contingent Liabilities not provided for as on September 30, 2004

There are no contingent liabilities as on September 30, 2004.

F.II. Outstanding Litigation against IISL

There is no outstanding litigation against IISL as on the date of filing of this Draft Red Herring Prospectus.

F. Outstanding litigation and contingent liabilities details of IICPL

F.I. Contingent Liabilities not provided for as on September 30, 2004

There are no contingent liabilities as on September 30, 2004.

F.II. Outstanding Litigation

There is no outstanding litigation against IISL as on the date of filing of this Draft Red Herring Prospectus.

G. Outstanding litigation and contingent liabilities details of IISPL

G.I. Contingent Liabilities not provided for as on September 30, 2004

There are no contingent liabilities as on September 30, 2004.

G.II. Outstanding Litigation

There is no outstanding litigation against IISPL as on the date of filing of this Draft Red Herring Prospectus.

Outstanding litigation and contingent liabilities details against Promoter Group Companies

H. M/s. Jain R. B. and Associates, Chartered Accountants

H.I. Contingent Liabilities not provided for as on September 30, 2004

There are no contingent liabilities as on September 30, 2004.

H.II. Outstanding Litigation

There is no outstanding litigation against M/s. Jain R. B. and Associates, Chartered Accountants as on the date of filing of this Draft Red Herring Prospectus.

I. M/s. R. B. Jain and Associates, Chartered Accountants

I.I. Contingent Liabilities not provided for as on September 30, 2004

There are no contingent liabilities as on September 30, 2004.

I.II. Outstanding Litigation

There is no outstanding litigation against R. B. Jain and Associates, Chartered Accountants as on the date of filing of this Draft Red Herring Prospectus.

J. Mansukh Distributors Private Limited

J.I. Contingent Liabilities not provided for as on September 30, 2004

There are no contingent liabilities as on September 30, 2004.

J.II. Outstanding Litigation

There is no outstanding litigation against Mansukh Distributors Private Limited as on the date of filing of this Draft Red Herring Prospectus.

GOVERNMENT/STATUTORY AND BUSINESS APPROVALS

In view of the approvals listed below, we can undertake this Issue and our current business activities and no further major approvals are required from any Government authority for us to continue our activities.

Approvals for our Business

Our Company/ its Subsidiaries have received the following Government approvals/ licenses/ permissions:

I. Our Company

Incorporation

1. Certificate of Incorporation bearing No. 11 93797 dated October 18, 1999 from the Registrar of Companies, Maharashtra at Mumbai to Probity Research and Services Private Limited.
2. Fresh Certificate of Incorporation consequent to the change of name from Probity Research and Services Private Limited to Probity Research and Services Limited issued by RoC pursuant to Section 23(1) of the Act dated April 28, 2000.
3. Fresh Certificate of Incorporation consequent to the change of name from Probity Research and Services Limited to India Infoline.com Limited issued by RoC pursuant to Section 23(1) of the Act dated May 23, 2000.
4. Fresh Certificate of Incorporation consequent to the change of name from India Infoline.com Limited to India Infoline Limited issued by RoC pursuant to Section 23(1) of the Act dated March 23, 2001.

Approval for Shops and Establishments

1. Approval vide receipt No. 49245 dated February 2, 2005 issued by the Brihanmumbai Nagarpalika, P/South Ward under the Bombay Shops and Establishment Act, 1948 and Maharashtra Shops and Establishment Rules, 1981.
2. Approval vide receipt No. 49291 dated February 3, 2005 issued by the Brihanmumbai Nagarpalika, P/South Ward under the Bombay Shops and Establishment Act, 1948 and Maharashtra Shops and Establishment Rules, 1981.

RBI approvals

1. Letter of General Permission No. 2064/04.02.01/I-86/2001-2002 dated January 3, 2002 issued by RBI to our Company permitting the allotment of Equity Shares to foreign investors and granting Registration No. FC 00 BYR 2017.

Service Tax approvals

1. Certificate No. AAAPF8851G-ST001 dated March 19, 2004 issued by the Commissioner of Central Excise as a certificate of registration under the Finance Act, 1994 for "Management Consultant" and "On-line Information and Database retrieval" services.

TRAI Approvals

1. License Agreement No. 820-556/2001-LR dated August 8, 2001 between our Company and Assistant Director General (LR-II), Ministry of Communications, Department of Telecommunications. This license is governed by the provisions of the Indian Telegraph Act, 1885, Indian Wireless Telegraphy Act, 1933 and the Telecom Regulatory Authority of India Act, 1997.

Approvals applied for but not yet received

Pending Trade Marks approvals

1. Application No. 1263963 dated January 30, 2004 for registration of the trademark "5paisa.com" is pending with the Trade Marks Registry, Mumbai:
2. Application No. 1263965 dated January 30, 2004 for registration of the trademark "IT'S ALL ABOUT MONEY HONEY" is pending with the Trade Marks Registry, Mumbai:
3. Application No. 1263964 dated January 30, 2004 for registration of the mark "www.indiaonline.com" is pending with the Trade Marks Registry, Mumbai:

II. India Infoline Investment Services Private Limited (IIISPL)

Incorporation

1. Certificate of Incorporation bearing No. U 67120 MH 2004 PTC 147365 dated July 7, 2004 from the Registrar of Companies, Maharashtra at Mumbai to India Infoline Investment Services Private Limited.

Approvals applied for but not yet received

Pending RBI Approval for registration as NBFC

1. IIISPL vide its application dated July 28, 2004 has applied to RBI for being issued a certificate of registration as a Non-Banking Financial Company to enable it commence business as a non-banking financial institution.

III. India Infoline Insurance Services Private Limited (IIISL)

Incorporation

1. Certificate of Incorporation bearing No. U 74140 MH 2000 PLC 129816 dated November 13, 2000 from the Registrar of Companies, Maharashtra at Mumbai to India Infoline Insurance Services Private Limited.
2. Certificate for commencement of business bearing no. CO NO-129816 dated February 8, 2001 with Registrar of Companies, Maharashtra at Mumbai pursuant to Section 149 (3) of the Act to India Infoline Insurance Services Private Limited.

IRDA Approvals

1. License No. 061662 dated March 1, 2004 issued by the Insurance Regulatory Development Authority to India Infoline Insurance Services Limited to act as an "Insurance Agent."

IV. India Infoline Commodities Private Limited (IICPL)

Incorporation

1. Certificate of Incorporation bearing no. U 51100 MH 2004 PTC 145395 dated March 20, 2004 from the Registrar of Companies, Maharashtra at Mumbai to India Infoline Commodities Private Limited.

SEBI Approvals

1. Membership ID No. 10470 issued by Multi Commodity Exchange of India Limited vide their Letter of Allotment dated October 6, 2004 to IICPL.
2. Membership ID No. 00378 issued by National Commodity and Derivatives Exchange Limited vide their Letter of Allotment dated September 10, 2004 to IICPL.

Service Tax Approvals

1. Registration No. ST/ MUM/ DIV IV/ STB/ 102/ REG2004 dated December 12, 2004 issued by the Commissioner of Central Excise as a certificate of registration under the Finance Act, 1994 for "Sub-Broker (Commodity broking)" services.
2. Registration No. ST/ MUM/ DIV IV/ STB/ 103/ REG2004 dated December 12, 2004 issued by the Commissioner of Central Excise as a certificate of registration under the Finance Act, 1994 for "Sub-Broker (Commodity broking)" services.

V. India Infoline Securities Private Limited (IISPL)

Incorporation

1. Certificate of Incorporation bearing no. 11 125133 dated March 22, 2000 from the Registrar of Companies, Maharashtra at Mumbai to India Infoline.com Securities Private Limited.
2. Fresh Certificate of Incorporation consequent to the change of name from India Infoline.com Securities Private Limited to India Infoline Securities Private Limited issued by RoC pursuant to Section 23(1) of the Act dated May 1, 2001.

Service Tax Approvals

1. Registration No. SB/ MUM/ I/ 1461 (BSE) dated May 25, 2000 issued by the Commissioner of Central Excise as a certificate of registration under the Finance Act, 1994 for "Stock Broking" services.
2. Registration No. SB/ MUM/ I/ 1409 (BSE) dated May 25, 2000 issued by the Commissioner of Central Excise as a certificate of registration under the Finance Act, 1994 for "Stock Broking" services.

SEBI Approvals

1. Certificate for Registration bearing registration no. INB011097533 dated July 27, 2000 and registration no. INF011097533 dated June 30, 2004 issued by SEBI to IISPL for registration as a Trading and/or Clearing Member of the Stock Exchange, Mumbai and valid till suspended or cancelled.
2. Certificate for Registration bearing registration no. INB231097537 dated May 17, 2000 and registration no. INF231097537 dated June 2, 2000 issued by SEBI to IISPL for registration as a Trading and/or Clearing Member of the National Stock Exchange of India and valid till suspended or cancelled.
3. Certificate for Registration bearing registration no. INP000000944 dated March 18, 2004 issued by SEBI to IISPL for registration as a Portfolio Manager and valid from April 1, 2004 to March 31, 2007.
4. Certificate for Registration bearing registration no. IN-DP-NSDL-185-2000 dated September 6, 2001 issued by SEBI to IISPL for registration as a Participant and valid from December 5, 2000 to December 2005.

VI. India Infoline.com Distribution Company Private Limited (IIDCL)

Incorporation

1. Certificate of Incorporation bearing no. 18 34887 dated March 21, 1996 from the Registrar of Companies, Tamil Nadu issued to Agri Marketing Services India Private Limited.
2. Fresh Certificate of Incorporation consequent to the change of name Agri Marketing Services India Private Limited to India Infoline.com Distribution Company Private Limited issued by RoC pursuant to Section 23(1) of the Act dated May 8, 2000.

Approvals for the Issue and our proposed businesses

We have neither applied for any approvals nor received any approvals for our proposed projects as mentioned under the Objects of the Issue, except for an application made by our subsidiary, IISPL to RBI for obtaining registration as a Non-Banking Financial Institution and the same is pending with the RBI.

DIVIDEND POLICY

The declaration and payment of dividends will be recommended by our Board of Directors and our shareholders, in their discretion, and will depend on a number of factors, including but not limited to our earnings, capital requirements and overall financial condition. The Company has not paid any dividend in the last five fiscal years.

STATEMENT OF TAX BENEFITS

Auditors' Report

To,
The Board of Directors
India Infoline Limited
Nirlon Complex, Building No.24
Off Western Express Highway
Goregoan (East)
Mumbai – 400 063.

Dear Sirs

Sub: Statement of possible tax benefits available to the Company and its shareholders

We hereby certify that the enclosed 'Annexure' states the possible tax benefits available to India Infoline Limited ('the Company') and shareholders of the Company under the provisions of the Income Tax Act, 1961 and Wealth Tax Act, 1957 presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling conditions prescribed therein.

The benefits discussed in the Annexure are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to substitute individual professional tax advice.

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

1. The company or its shareholders will continue to obtain these benefits in future or
2. The conditions prescribed for availing the benefits have been / would be met with.

The contents of this 'Annexure' are based on information; explanations and representations obtained from the company and on the basis of our understanding of the business activities and the operations currently carried on by the company.

Sharp & Tannan Associates
Chartered Accountants
By the hand of

Sd/-
Tirtharaj Khot
Partner
Membership No. 37457

Mumbai: 18th February, 2005

Auditors Report on Statement of Tax Benefits

Benefits under the Income Tax Act, 1961

To the Company

1. The company has substantial investments in subsidiaries engaged in various businesses. Under Section 10 (34) of the Income Act, 1961, any dividend declared and paid by the subsidiaries, as also dividend received from any other domestic company, should the company decide to invest in shares of other companies, the same is exempt from tax if the same is as referred in Section 115-O.
2. All expenses incurred wholly and exclusively in the course of Company's business are tax exempt.

To the Resident Members of the Company

1. Under Section 10 (32) of the Income Act, 1961, any income of minor children clubbed with the total income of the parent under Section 64 of the Act will be exempt from tax to the extent of Rs. 1500 per minor child per year.
2. Under Section 10 (34) of the Income Act, 1961, dividend as referred to in Section 115-O, declared and paid by the company to resident members of the Company is exempt from income tax.
3. **Under section 10 (38) of the Income Tax Act, 1961**, any income arising from the transfer of a long-term capital asset, being an equity share in the company is exempt from tax where-
 - a) the transaction of sale of such equity share is entered into on or after 1 October 2004; and
 - b) such transaction is chargeable to securities transaction tax under Chapter VII of the Finance (No.2) Act, 2004.
4. **Under Section 54 EC of the Income-tax Act, 1961**, and subject to the conditions and to the extent specified therein, but subject to the exemption under section 10(38), long term capital gains arising on the transfer of shares of the Company will be exempt from capital gains tax, if the capital gains are invested for a period of 3 years in bonds issued by:

- National Highways Authority of India
- Rural Electrification Corporation Limited,
- National Bank for Agriculture and Rural Development
- National Housing Bank and
- Small Industries Development Bank of India,

within a period of 6 months after the date of such transfer. If only a part of consideration is invested, then the exemption shall be reduced proportionately. If the investment made is converted or transferred within a period of three years from the date of acquisitions then the same shall be taxable in the year of such transfer or conversion.

5. **Under Section 54 ED of the Income-tax Act, 1961**, and subject to the condition and to extent specified therein, but subject to the exemption under section 10(38), long term capital gains arising on the transfer of listed shares of Company will be exempt from capital gains tax if the capital gains are invested in shares forming part of an eligible issue of capital, within the period of 6 months after the date of such transfer. If only a part of consideration is invested, then the exemption shall be reduced proportionately.
6. **Under Section 54 F of the Income-tax Act, 1961**, long term capital gains arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the Company will be exempt from capital gain tax subject to other conditions mentioned in the said section and also subject to the exemption under section 10(38), if the sale proceeds from such shares are used for purchase of residential house property within a period of one year before or two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.
7. **Under section 88 E of the Income-tax Act, 1961**, where the total income of an assessee in a previous year includes any income chargeable under the head "Profits and gains of business or profession", arising from taxable securities transactions, he shall be entitled to a deduction, from the amount of income-tax on such income arising from such transactions, computed in the manner provided below, of an amount equal to the securities transaction tax paid by him in respect of the taxable securities transactions entered into in the course of his business during that previous year: The assessee must furnish along with the return of income evidence of payment of securities transaction tax in the prescribed form. The amount of deduction shall not exceed the amount of income tax on such income. The amount of income-tax on the income arising from the taxable securities transactions shall be equal to the amount calculated by applying the average rate of income-tax on such income. Explanation.-For the purposes of this section, the expressions "taxable securities transaction" and "securities transaction tax" shall have the same meanings respectively assigned to them under Chapter VII of the Finance (No. 2) Act, 2004.

8. **Under section 111 A of the Income Tax Act, 1961**, where the total income of an assessee includes any short term capital gains from the transfer of a short-term capital asset, being an equity share in a company and-
 - (a) the transaction of sale of such equity share or unit is entered into on or after 1st October 2004; and
 - (b) such transaction is chargeable to securities transaction tax under Chapter VII of the Finance (No. 2) Act, 2004,

the tax payable by the assessee on the total income shall be the aggregate of-

- (a) the amount of income-tax calculated on such short-term capital gains at the rate of ten per cent; and
- (b) the amount of income-tax payable on the balance amount of the total income as if such balance amount were the total income of the assessee:

Provided that in the case of an individual or a Hindu undivided family, being a resident, where the total income as reduced by such short-term capital gains is below the maximum amount which is not chargeable to income-tax, then, such short-term capital gains shall be reduced by the amount by which the total income as so reduced falls short of the maximum amount which is not chargeable to income-tax and the tax on the balance of such short-term capital gains shall be computed at the rate of ten per cent.

Where the gross total income of an assessee includes any short term capital gains referred to above, the deduction under Chapter VI-A shall be allowed from the gross total income as reduced by such capital gains.

Where the total income of an assessee includes any short term capital gains referred to in above, the rebate under section 88 shall be allowed from the income-tax on the total income as reduced by such capital gains.

9. **Under Section 112 of the Income –tax Act, 1961**, and other relevant provisions of the Act, but subject to the exemption under section 10(38), long term capital gains arising on transfer of shares in the Company i.e. if shares are held for a period exceeding 12 months shall be concessional tax at the flat rate of 20% (plus surcharge and education cess as applicable) (after indexation as provided in the second proviso to section 48) or at 10% (plus surcharge as applicable) (without indexation), at the option of the shareholder.

To the Mutual Funds

1. **In terms of section 10 (23 D) of the Income-tax Act, 1961**, all Mutual Funds set up by Public Sector Banks or Financial Institutions or Mutual Funds registered under the Securities and Exchange Board of India or authorized by the Reserve Bank of India, subject to the conditions specified therein, will be exempt from income tax on all their income, including income from Investment in the shares of the Company.

To the Non-Resident Indians/Non Residents (other than Foreign Institutional Investors)

1. **Under Section 10 (32) of the Income Act, 1961**, any income of minor children clubbed with the total income of the parent under Section 64 of the Act will be exempt from tax to the extent of Rs. 1500 per minor child per year.
2. **Under Section 10 (34) of the Income Act, 1961**, dividend as referred to in Section 115-O, declared and paid by the company to resident members of the Company is exempt from income tax.
3. **Under section 10 (38) of the Income Tax Act, 1961**, any income arising from the transfer of a long-term capital asset, being an equity share in a company is exempt from tax where-
 - (a) the transaction of sale of such equity share or unit is entered into on or after 1st October 2004 ; and
 - (b) such transaction is chargeable to securities transaction tax under Chapter VII of the Finance (No. 2) Act, 2004.
4. **Under the first proviso to section 48 of the Income-tax Act, 1961**, in case of a non-resident, in computing the capital gains arising from the transfer of shares of the Company acquired in convertible foreign exchange (as per exchange control regulations) protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made subject to non availability of Cost indexation benefit. Under Section 112 of the Income–tax Act, 1961, and other relevant provisions of the Act, but subject to the exemption under section 10(38), long term capital gains arising on transfer of shares in the Company i.e. if shares are held for a period exceeding 12 months shall be concessional tax at the flat rate of 10% (plus surcharge and education cess as applicable) (without indexation), on fulfillment of certain conditions.
5. **A Non-Resident Indian (i.e. an individual being a citizen of India or person of Indian origin) has an option to be Governed by the provisions of Chapter XII-A of the Income-tax Act, 1961.**
 - (a) **Under Section 115 E of the Income Tax Act, 1961**, capital gains arising to a nonresident on transfer of shares in the Company, subscribed to in convertible. Foreign Exchange and held for a period exceeding 12

months shall be concessional tax at the flat rate of 10% (Without indexation benefit) (Plus Surcharge and education cess as applicable).

- (b) **Under provisions of Sections 115 F of the Income Tax Act, 1961**, long term capital gain arising to a non-resident Indian from the transfer of shares of the Company subscribed to in convertible foreign Exchange shall be exempt from income tax, if the net consideration is invested in specified assets within six months of the date of transfer. If only part of the net considerations is so invested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition.
 - (c) **Under provisions of section 115 G of the Income Tax Act, 1961**, it shall not be necessary for a Non-Resident Indian to furnish his return of income under section 139(1) if his only source of income is investment income or long term capital gains or both arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted there from.
 - (d) **Under section 115 H of the Income-Tax Act, 1961**, a Non-Resident may elect to be governed by the provisions of Chapter XII-A for any Assessment Year by furnishing his Return of Income under section 139 of the Income Tax Act declaring therein that the provisions of the chapter shall continue to apply to him in relation to the investment income derived from any foreign exchange asset, being an asset of the nature referred to in sub-clause (ii), (iii), (iv) or (v) of Clause (f) of Section 115C, for that assessment year and for every subsequent assessment year until the transfer or conversion (otherwise than by transfer) into money of such assets.
 - (e) **Under section 115 I of the Income-Tax Act, 1961**, a Non-Resident may elect not to be governed by the provisions of Chapter XII-A for any Assessment Year by furnishing his Return of Income under section 139 of the Income Tax Act declaring therein that the provisions of the chapter shall not apply to him for that assessment year and if he does so the provisions of this chapter shall not apply to him and instead the other provisions of the Act shall apply.
6. **Under Section 54EC of the Income-tax Act, 1961**, and subject to the conditions and to the extent specified therein, but subject to the exemption under section 10(38), long term capital gains arising on the transfer of shares of the Company will be exempt from capital gains tax, if the capital gains are invested for a period of 3 years in bonds issued by
- National Highways Authority of India
 - Rural Electrification Corporation Limited,
 - National Bank for Agriculture and Rural Development
 - National Housing Bank and
 - Small Industries Development Bank of India,
- within a period of 6 months after the date of such transfer. If only a part of consideration is invested, then the exemption shall be reduced proportionately. If the investment made is converted or transferred within a period of three years from the date of acquisitions then the same shall be taxable in the year of such transfer or conversion.
7. **Under Section 54ED of the Income-tax Act, 1961**, and subject to the condition and to extent specified therein, but subject to the exemption under section 10(38), long term capital gains arising on the transfer of listed shares of Company will be exempt from capital gains tax if the capital gains are invested in shares forming part of an eligible issue of capital, within the period of 6 months after the date of such transfer. If only a part of consideration is invested, then the exemption shall be reduced proportionately.
8. **Under Section 54F of the Income-tax Act, 1961**, long term capital gains arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the Company will be exempt from capital gain tax subject to other conditions mentioned in the said section and also subject to the exemption under section 10(38), if the sale proceeds from such shares are used for purchase of residential house property within a period of one year before or two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.
- 9 **Under section 88E of the Income-tax Act, 1961**, where the total income of an assessee in a previous year includes any income chargeable under the head "Profits and gains of business or profession", arising from taxable securities transactions, he shall be entitled to a deduction, from the amount of income-tax on such income arising from such transactions, computed in the manner provided below, of an amount equal to the securities transaction tax paid by him in respect of the taxable securities transactions entered into in the course of his business during that previous year: The assessee must furnish alongwith the return of income evidence of payment of securities transaction tax in the prescribed form. The amount of deduction shall not exceed the amount of income-tax on such income. The amount of income-tax on the income arising from the taxable securities transactions shall be equal to the amount calculated by applying the average rate of income-tax on such income. Explanation. -For the purposes of this section, the expressions "taxable securities transaction" and "securities transaction tax" shall have the same meanings respectively assigned to them under Chapter VII of the Finance (No. 2) Act, 2004.

To Foreign Institutional Investors (FIIs)

1. **By virtue of Section 10(34) of the IT Act, dividend income referred to in Section 115-O of the Income Tax Act, 1961, are exempt from tax in the hands of the institutional investor.**
2. **Under section 10(38) of the Income Tax Act, 1961, any income arising from the transfer of a long-term capital asset, being an equity share in a company or a unit of an equity oriented fund is exempt from tax where-**
 - a) the transaction of sale of such equity share or unit is entered into on or after 1st October 2004 ; and
 - b) such transaction is chargeable to securities transaction tax under Chapter VII of the Finance (No. 2) Act, 2004,
3. **Under Section 115AD of the Income Tax Act, 1961**, but subject to the exemption under section 10 (38), Foreign Institutional Investors will be charged to tax at 20% (plus surcharge as applicable) on income from securities (other than income by way of dividends referred to in section 115-O); at 10% (plus surcharge as applicable) on the long term capital gains arising from transfer of such securities and at 30% (plus surcharge as applicable) on short term capital gains arising from the transfer of such securities, such income being computed in the manner set out in that section. The amount of income-tax calculated on the income by way of short-term capital gains referred to in section 111A shall be at the rate of ten per cent.
4. **Under Section 54EC of the Income-tax Act, 1961**, and subject to the conditions and to the extent specified therein, but subject to the exemption under section 10(38), long term capital gains arising on the transfer of shares of the Company will be exempt from capital gains tax, if the capital gains are invested for a period of 3 years in bonds issued by
 - National Highways Authority of India
 - Rural Electrification Corporation Limited,
 - National Bank for Agriculture and Rural Development
 - National Housing Bank and
 - Small Industries Development Bank of India,within a period of 6 months after the date of such transfer. If only a part of consideration is invested, then the exemption shall be reduced proportionately. If the investment made is converted or transferred within a period of three years from the date of acquisitions then the same shall be taxable in the year of such transfer or conversion.
5. **Under Section 54ED of the Income-tax Act, 1961**, and subject to the condition and to extent specified therein, but subject to the exemption under section 10(38), long term capital gains arising on the transfer of listed shares of Company will be exempt from capital gains tax if the capital gains are invested in shares forming part of an eligible issue of capital, within the period of 6 months after the date of such transfer. If only a part of consideration is invested, then the exemption shall be reduced proportionately.

To Venture Capital Companies / Funds

1. Under section 10 (23FB) of the Income Tax Act, 1961, any income of a Venture Capital Companies / Funds registered with The Securities and Exchange Board of India, would be exempt from income tax, subject to certain conditions.

Benefits under the Wealth Tax Act, 1957

1. Shares of the Company held by the shareholder will not be treated as an asset within the meaning of section 2(ea) of Wealth Tax Act, 1957, and are not liable to Wealth Tax.

Note:

All the above benefits are as per the current tax law as amended by the Finance Act, 2004 and will be available only to the sole / first name holder in case the shares are held by the joint holder.

This is a summary only and not complete analysis or listing of all potential tax consequences of purchase, ownership and disposal of shares. The statements made above are based on the laws in force and as interpreted by the relevant taxation authorities as of date. Investors are advised to consult their own tax advisors with respect to tax consequences of their holdings base on their residential status and; the relevant double taxation conventions in case of investors other than resident investors.

OTHER REGULATORY DISCLOSURES

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.

Particulars Regarding Public Issues during the Last Five Years

We have not made any public issues during the last five years.

Companies Under the same Management

There are no companies under the management within the meaning of section 370(1B) of the Companies Act, 1956, other than the subsidiaries, details of which are provided in the section titled "Our Subsidiaries" on page no. 70 of this Draft Red Herring Prospectus.

Mechanism for Redressal of Investor Grievances

The agreement between the Registrar to this Issue and us will provide for retention of records with the Registrar to this Issue for a period of at least one year from the last date of dispatch of the letters of allotment, demat credit and refund orders to enable the investors to approach the Registrar to this Issue for redressal of their grievances.

All grievances relating to this Issue may be addressed to the Registrar to this Issue, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch or collection center where the application was submitted.

We estimate that the average time required by us or the Registrar to this Issue for the redressal of routine investor grievances will be seven business days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

Our Company has appointed Ms. Komal Parikh, Company Secretary as the Compliance Officer and she may be contacted at India Infoline Limited, 24, Nirlon Complex, Off Western Express Highway, Mumbai - 400 063, Tel: +91-22-5677 5900; Fax: +91-22- 2685 0451, Email: ipo@indiainfoline.com

Details of Borrowings in our Company

Please refer to section on "Financial Statements" page no. 102 of this Draft Red Herring Prospectus for details of the borrowings in our Company.

SECTION VII: ISSUE INFORMATION

TERMS OF THIS ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, the Memorandum and Articles of the Company, the terms of this Draft Red Herring Prospectus, Bid-cum-Application Form, the Revision Form, the Confirmation of Allocation Note ("CAN") and other terms and conditions as may be incorporated in the Allotment Advice, and other documents/certificates that may be executed in respect of this Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to this Issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, Reserve Bank of India, Stock Exchanges, RoC and/or other authorities, as in force on the date of this Issue and to the extent applicable.

Authority for this Issue

This Issue has been authorized a Special Resolution passed by the members of the Company at the EGM of the Company held on December 14, 2004 pursuant to Section 81(1A) of the Companies Act, 1956 and a resolution passed at the meeting of the Board held on December 6, 2004.

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* in all respects with the other existing shares of the Company including rights in respect of dividend. The Allottees will be entitled to dividend or any other corporate benefits, if any, declared by the Company after the date of Allotment.

Face Value and Issue Price

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

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 and Articles of Association of the Company.

For further details on the main provisions of the Company's Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, see "Main Provisions of Articles of Association of the Company" on page 213 of this Draft Red Herring Prospectus.

Market Lot

In terms of Section 68B of the Companies Act, the Equity Shares of the Company shall be allotted only in dematerialized form. In terms of existing SEBI Guidelines, the trading in the Equity Shares of the Company shall only be in dematerialized form for all investors.

Since trading of our Equity Shares will be in dematerialized mode, the tradable lot is one equity share.

Allocation and allotment of Equity Shares through this Issue will be done only in electronic form in multiples of one Equity Shares to the successful bidders subject to a minimum Allotment of [●] Equity Shares. For details of allocation and allotment, see "Statutory and Other Information" on page 207 of this Draft Red Herring Prospectus.

Jurisdiction

The jurisdiction for the purpose of this Issue is with competent courts/authorities in Mumbai, India.

Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or first bidder, along with other joint bidder, 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 transferred, 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/ transfer/ alienation of equity share(s) by the person nominating.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- a. to register himself or herself as the holder of the equity shares; or
- b. to make such transfer of the equity shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the equity shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the equity shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in this Issue will be made only in dematerialized mode, 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 the nomination, they are requested to inform their respective depository participant.

Subscription by Non Residents/ NRIs/ FIIs/ Foreign Venture Capital Fund registered with SEBI /Multilateral and Bilateral Development Financial Institutions.

As per the current provisions of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000, there exist a general permission for the NRIs/ FIIs/ Foreign Venture Capital Fund registered with SEBI/ Multilateral and Bilateral Development Financial Institutions to invest shares of an Indian company by way of subscription in a public issue. However, such investments would be subject to other investment restrictions under RBI and/or SEBI regulations as may be applicable to such investors. Based on the above provisions, it will not be necessary for the investors to seek separate permission from the FIPB/ RBI for this specific purpose. However, It is to be distinctly understood that there is no reservation for non-residents, NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI and Multilateral and Bilateral Development Financial Institutions and all applicants will be treated on the same basis with other categories for the purpose of allocation.

As per the policy of RBI, Overseas Corporate Bodies cannot participate in this Issue.

The Equity Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended (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 of 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 will be offered and sold only (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

ISSUE STRUCTURE

This Issue is being made through a 100% Book Building Process. The present Issue of 11,878,138 Equity Shares of face value of Rs.10/- each at a price of Rs. [●] comprising of (a) Net Issue to the Public of 11,000,000 Equity Shares (b) Employee Reservation portion of 878,138 Equity Shares

	Employees	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares*	Up to 878,138 Equity Shares	Net Issue to the Public less allocation to Non-Institutional Bidders and Retail Individual Bidders, subject to a minimum of 5,500,000 Equity Shares.	Minimum of 2,750,000 Equity Shares	Minimum of 2,750,000 Equity Shares.
Percentage of Issue Size available for allocation	Up to 7.39 % of this Issue Size	At least 50% of Net Issue to the Public*	Minimum 25% of Net Issue to the Public or Net Issue to the Public less allocation to QIB Bidders and Retail Individual Bidders.*	Minimum 25% of Net Issue to the Public or Net Issue to the Public less allocation to QIB Bidders and Non Institutional Bidders.*
Basis of Allocation if respective category is oversubscribed	Proportionate	Discretionary	Proportionate	Proportionate
Minimum Bid	[●] Equity Shares and thereafter in multiple of [●] Equity Shares	Such number of Equity Shares that the Bid Amount exceeds Rs 50,000 and in multiples of [●] Equity Shares thereafter.	Such number of Equity Shares that the Bid Amount exceeds Rs 50,000 and in multiples of [●] Equity Shares thereafter.	[●] Equity Shares and in multiples of [●] Equity Share thereafter
Maximum Bid	Not exceeding 878,138 Equity Shares	Not exceeding the size of the Issue subject to regulations as applicable to the Bidder	Not exceeding the size of the Issue	Such number of Equity Shares so as to ensure that the Bid Amount does not exceed Rs. 50,000
Mode of Allotment	Compulsory in dematerialized mode	Compulsorily in dematerialized form	Compulsorily in dematerialized form	Compulsorily in dematerialised form
Trading Lot	One Equity share	One Equity Share	One Equity Share	One Equity Share
Who can Apply **	Permanent employees of the Company and its subsidiaries as on 1 (One) day prior to Bid /Issue Opening Date	Public financial institutions, as specified in Section 4A of the Companies Act: scheduled commercial banks, mutual funds, foreign institutional investor 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, permitted insurance companies registered with the Insurance Regulatory and Development	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, NRIs, societies and trusts	Individuals (including NRIs and HUFs in the name of karta) applying for Equity Shares such that the Bid Amount does not exceed Rs. 50,000 in value.

	Employees	QIBs	Non-Institutional Bidders	Retail Individual Bidders
		Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million in accordance with applicable law.		
Terms of Payment	Full Bid Amount on Bidding unless waived by the Syndicate	Full Bid Amount on bidding unless waived by the Syndicate	Full Bid Amount on bidding unless waived by the Syndicate	Full Bid Amount on bidding unless waived by the Syndicate
Margin Amount	Full Bid Amount on Bidding	Nil	Full Bid Amount on bidding	Full Bid Amount on bidding

* Subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in Non-Institutional and Retail Individual categories would be allowed to be met with spillover inter-se from any other categories, at the sole discretion of the Company, BRLM and subject to applicable provisions of SEBI Guidelines.

**** 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 in the same sequence in which they appear in the Bid Cum Application Form.**

The unsubscribed portion, if any, out of the Equity Shares reserved for allotment to Employees of the Company and its subsidiaries, will be added back to the categories of Non Institutional Bidders and Retail Individual Bidders in the ratio 50:50.

ISSUE PROCEDURE

Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein at least 50% of the Net Issue shall be available for allocation on a discretionary basis to QIBs. Further, not less than 25% of the Net Issue shall be available for allocation on a proportionate basis to the Retail Individual Bidders and not less than 25% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate Member. We, in consultation with the BRLM, reserve the right to reject any Bid procured by any or all Syndicate Member without assigning any reason thereof from QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders, the Company would have a right to reject the Bids only on technical grounds.

Investors should note that Equity Shares will be allotted to successful Bidders only in the dematerialized form. Bid-cum-Application Form

Bidders shall only use the specified Bid-cum-Application Form bearing the stamp of a Syndicate Member for the purpose of making a Bid in terms of this Draft Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple bids. Upon the allocation of Equity Shares, dispatch of the Confirmation of Allocation Note, ("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 Syndicate Member, the Bidder is deemed to have authorized the Company to make the necessary changes in this Draft Red Herring Prospectus and the Bid-cum-Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories is as follows:

Category	Colour of Bid cum Application Form
Indian public or NRI applying on a non-repatriation basis	White
Non-residents including NRIs, FIIs, Foreign Venture Capital Fund/Multilateral and Bilateral Development Financial Institutions applying on repatriation basis	Blue
Permanent Employees of the Company and its subsidiaries	Green

Who can Bid

1. Indian nationals resident in India who are majors, in single or joint names (not more than three);
2. 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;
3. Companies and corporate bodies not having majority ownership and control of persons resident outside India and societies registered under the applicable laws in India and authorized to invest in the Equity Shares;
4. Indian Mutual Funds registered with SEBI;
5. Indian Financial Institutions, commercial banks (excluding foreign banks), regional rural banks, co-operative banks (subject to RBI regulations, as applicable);
6. Venture Capital Funds registered with SEBI;
7. State Industrial Development Corporations;
8. Multilateral and bilateral development financial institutions;
9. Insurance companies registered with the Insurance Regulatory and Development Authority;
10. Provident funds with minimum corpus of Rs. 250 million and who are authorized under their constitution to hold and invest in Equity Shares;
11. Pension funds with minimum corpus of Rs. 250 million and who are authorized under their constitution to hold and invest in Equity Shares;
12. Trust/ society registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/ society and who are authorized under their constitution to hold and invest in Equity Shares; and
13. Eligible NRIs and other Non Residents including FIIs on a repatriation basis or non-repatriation basis subject to applicable laws; and
14. Scientific and/ or Industrial Research Organizations authorized to invest in Equity Shares.

Note: The BRLM, Syndicate Member and any associate of the BRLM and Syndicate Member (except asset management companies on behalf of mutual funds, Indian financial institutions and public sector banks) cannot participate in that portion of the Issue where allocation is discretionary. Further, the BRLM and Syndicate Member shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under the relevant regulations or statutory guidelines.

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 its scheme should own more than 10% of any company's paid-up capital carrying voting rights. Further, bidders may bid as per the limits prescribed above.

As per current regulations, the following restrictions are applicable for investment by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of the post-issue paid-up capital of the Company (i.e. 10% of 43,500,000 Equity Shares). In respect of an FII investing in Equity Shares of the Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital of the Company. As of now, the aggregate FII holding in the Company cannot exceed 24 % of the total issued capital of the Company. With the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, as of this date, no such resolution has been recommended for adoption.

As per the current regulations, the following restrictions are applicable for investments by SEBI registered Venture Capital Funds:

The SEBI (Venture Capital Funds) Regulations, 1996 prescribed investments restriction on the venture capital funds registered with SEBI. Accordingly, holding in the Company by any individual venture capital fund registered with SEBI should not exceed 25% of its corpus.

The above information is given for the benefit of the Bidders. Our Company and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid Size

- (a) **For Retail Individual Bidders:** The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter, subject to maximum Bid amount of Rs.50,000. In case the maximum Bid amount is more than Rs.50,000/- then the same would be considered for allocation under the Non-Institutional Bidders category. The Cut-off option is given only to the Retail Individual Bidders indicating their agreement to bid and purchase at the final Issue Price as determined at the end of the Book Building Process.
- (b) **For Non-Institutional Bidders and QIBs Bidders:** The Bid must be for a minimum of such Equity Shares and in multiples of [●] Equity Shares such that the Bid Amount exceeds Rs. 50,000. A Bid cannot be submitted for more than the size of the Issue. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by the regulatory or statutory authorities governing them. Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date. In case of revision of bids, the Non Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs. 50,000. In case the Bid Amount reduces to Rs. 50,000 or less due to a revision in Bids, the same would be considered for allocation under the Retail portion. Non Institutional Bidders and QIB Bidders are not allowed to Bid at 'cut-off'.
- (c) **For Employees of the Company and its subsidiaries :** The Bid must be for a minimum of [●] Equity shares and in multiples of [●] thereafter, subject to a maximum Bid for 878,138 Equity Shares.

Bidding Process

- (a) Our Company will file this Draft Red Herring Prospectus with the RoC.
- (b) The Syndicate Member will circulate copies of this Draft Red Herring Prospectus along with the Bid-cum-Application Form to potential investors.
- (c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain this Draft Red Herring Prospectus and/ or the Bid-cum-Application Form can obtain the same from our corporate office or from any of the BRLM/Syndicate Member.
- (d) Investors who are interested in subscribing for our Company's Equity Shares should approach any of the BRLM or Syndicate Member or their authorized agent(s) to register their Bid.
- (e) The Bids should be submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of the Syndicate Member. Bid-cum-Application Forms, which do not bear the stamp of the Syndicate Member, will be rejected.
- (f) The Bidding Period shall be a minimum of five days and not exceed 10 days. In case the Price Band is revised, the revised Price Band and Bidding Period will be published in two national newspapers (one each in English and Hindi)

and the Bidding Period may be extended, if required, by an additional three days, subject to the total Bidding Period not exceeding 13 days.

Bidding

- a) Our Company and the BRLM shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with RoC and also publish the same in one English national daily, one Hindi national daily and one Marathi daily newspaper. This advertisement shall contain the salient features of this Draft Red Herring Prospectus as specified under Form 2A of the Companies Act, the method and process of bidding and the names and addresses of the BRLM and their bidding centers. The BRLM and Syndicate Member shall accept Bids from the Bidders during the Issue Period.
- b) Each Bid-cum-Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled "Bids at Different Price Levels" below) and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid-cum-Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.
- c) The Bidder cannot bid on another Bid-cum-Application Form after his or her Bids on one Bid-cum-Application Form have been submitted to any Syndicate Member. Submission of a second Bid-cum-Application Form to either the same or to another Syndicate Member 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 "Build up of the Book and Revision of Bids" on page 193 of this Draft Red Herring Prospectus.
- d) The BRLM and Syndicate Member 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. It is the responsibility of the Bidder to obtain the TRS from the Syndicate Member.
- e) During the Bidding Period, Bidders may approach the Syndicate Member to submit their Bid. Every Syndicate Member shall accept Bids from all clients / investors who place orders through them.
- f) Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the paragraph "Terms of Payment" on page 192 of this Draft Red Herring Prospectus.

Bids at Different Price Levels

- (a) The Price Band has been fixed at Rs. [●] to Rs. [●] per Equity Share of Rs.10 each, Rs. [●] being the Floor Price and Rs. [●] being the Cap Price. The Bidders can bid at any price within the Price Band, in multiples of Re 1. In accordance with SEBI Guidelines, the Company in consultation with the BRLM can revise the Price Band by informing the stock exchanges, releasing a press release, disclosure on the website of the Syndicate Member, if any and notification on the terminal of the Syndicate Member. In case of a revision in the Price Band, the Issue will be kept open for a period of three days after the revision of the Price Band, subject to the total Bidding Period not exceeding thirteen days. The Company in consultation with BRLM, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.
- (b) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. **Retail Individual Bidders and Bidders in Employee Reservation Portion Bidders applying for maximum Bid in any of the Bidding options not exceeding up to Rs. 50,000 may bid at "Cut-off". However, bidding at "Cut-off" is prohibited for QIB or Non Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.**
- (c) Retail Individual Bidders and Employee Reservation Portion Bidder, who bid at the Cut-Off agree that and Employee Reservation Portion Bidder they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-Off shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders and Employee Reservation Portion Bidder (i.e. the total number of equity shares allocated in the Issue multiplied by the Issue Price), Retail Individual Bidders and Employee Reservation Portion Bidder shall receive the refund of the excess amounts from the Escrow Account.
- (d) The Price Band can be revised during the Bidding Period in which case the maximum revisions on either side of the Price Band shall not exceed 20% fixed initially.
- (e) Any revision in the Price Band shall be widely disseminated including by informing the Stock Exchanges, issuing Press Release and making available this information on the Bidding terminals.
- (f) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain [●] Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs.5,000 to Rs. 7,000.

- (g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Employee Reservation Portion Bidder, who had bid at Cut Off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the Revised Price Band, with the Syndicate Member to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 50,000, the Bid will be considered for allocation under the Non Institutional category in terms of this Draft Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut off
- (h) 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

Escrow Mechanism

Escrow Account

Our Company and Syndicate Member shall open Escrow Accounts with one or more Escrow Collection Banks in whose favor the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the bid. Cheques or demand drafts received for the full Bid amount from Bidders in a certain category would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of this Draft Red Herring Prospectus and an Escrow Agreement. The monies in the Escrow Account shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Issue Account with the Bankers to the Issue as per the terms of the Escrow Agreement with the Company. Payments of refunds to the Bidders shall also be made from the Escrow Account as per the terms of the Escrow Agreement and this Draft Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Escrow Collection Bank(s), our Company, the Registrar to the Issue and BRLM and Syndicate Member to facilitate collections from the Bidders.

Payment of refund, if any, to the Bidders shall also be made from the respective Escrow Account by the Escrow Collection Banks, as per the terms of the Escrow Agreement and this Draft Red Herring Prospectus.

Terms of Payment and Payment into the Escrow Collection Account

In case of Non-institutional Bidders and Retails Individual Bidders, each Bidder shall, with the submission of the Bid-cum-Application Form draw a cheque or demand draft for the maximum amount of his/ her Bid in favor of the Escrow Account of the Escrow Collection Bank(s) (For further details, see "Issue Procedure - Payment Instructions") and submit the same to the Syndicate Member to whom the Bid is being submitted. Bid-cum-Application Forms accompanied by cash and stock invest shall not be accepted. The maximum bid price has to be paid at the time of submission of the Bid-cum-Application Form based on the highest bidding option of the Bidder.

The Syndicate Member shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders until such time as the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds from the Escrow Account, as per the terms of the Escrow Agreement, into the Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Issue Account shall be held for the benefit of the Bidders who are entitled to refunds on the Designated Date, and no later than 15 days from the Bid / Issue Closing Date, the Escrow Collection Bank(s) shall refund all monies to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allotment to the Bidders.

Each category of Bidders i.e. QIBs, Non-Institutional Bidders, and Employee Reservation Portion, and Retail Individual Bidders would be required to pay their applicable Margin Amount at the time of the submission of the Bid-cum-Application Form. The Margin Amount payable by each category of Bidders is mentioned under the heading "Issue Structure" on page 187 of this Draft Red Herring Prospectus and shall be uniform across all the bidders in the same category. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for equity shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of two days from the date of communication of the allocation list to the Syndicate Member by the BRLM. If the payment is not made favoring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the Syndicate Member do not waive such payment, the full amount of payment has to be made at the time of submission of the Bid Form.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date.

Electronic Registration of Bids

- (a) The Syndicate Member will register the Bids using the on-line facilities of NSE and BSE. There will be at least one on-line connectivity to each city where the Bids are accepted.
- (b) NSE and BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Syndicate Member and their authorized agents during the Bidding Period. Syndicate Member can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building in a timely manner. On the Bid/Issue Closing Date, the Syndicate Member shall upload the Bids till such time as may be permitted by the Stock Exchanges.
- (c) BSE and NSE will aggregate demand and price for bids registered on their electronic facilities on a regular basis and display graphically the consolidated demand at various price levels. This information can be accessed on BSE's website at "www.bseindia.com" or on NSE's website at www.nseindia.com
- (d) At the time of registering each Bid, the Syndicate Member shall enter the following details of the investor in the on-line system:
 - ☐ Name of the investor
 - ☐ Investor Category such as Individual, Corporate, NRI, FII or Mutual Fund, etc.
 - ☐ Numbers of Equity Shares bid for
 - ☐ Bid price
 - ☐ Bid-cum-Application Form number
 - ☐ Whether payment is made upon submission of Bid-cum-Application Form
 - ☐ Depository Participant Identification No. and Client Identification No. of the Demat Account of the Bidder
- (e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to request and obtain the TRS from the Syndicate Member.** The registration of the Bid by the Syndicate Member does not guarantee that the Equity Shares shall be allocated either by the Syndicate Member or the Company.
- (f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- (g) Consequently, the Syndicate Member also has the right to accept the Bid or reject it without assigning any reason, in case of QIBs. In case of Non-Institutional Bidders, Retail Individual Bidders and Employee Reservation Portion. Bids would not be rejected except on the technical grounds listed on Page 201 in this Draft Red Herring Prospectus.
- (h) It is to be distinctly understood that the permission given by NSE and BSE 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 BRLM are cleared or approved by NSE and BSE; 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 Promoters, our management or any scheme or project of our Company.
- (i) It is also to be distinctly understood that the approval given by NSE and BSE should not in any way be deemed or construed that this Draft Red Herring Prospectus has been cleared or approved by the NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that the equity shares will be listed or will continue to be listed on the NSE and BSE.

Build Up of the Book and Revision of Bids

- (a) Bids registered by various Bidders through the Syndicate Member shall be electronically transmitted to the NSE or BSE mainframe on a regular basis.
- (b) The book gets built up at various price levels. This information will be available with the BRLM on a regular basis.
- (c) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the price band using the printed Revision Form, which is a part of the Bid-cum-Application Form.
- (d) Any revision in the Price Band will be widely disseminated by informing the Stock Exchanges, by issuing a public notice in two national newspapers (one each in English and Hindi) and one regional newspaper (Marathi) and also indicating the change on the relevant websites and the terminals of the Syndicate Member
- (e) 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 changed, in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the Syndicate Member.

- (f) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same Syndicate Member through whom he or she had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.
- (g) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Draft Red Herring Prospectus. In case of QIBs, the Syndicate Member may at their sole discretion waive the payment requirement at the time of one or more revisions by the QIB Bidders.
- (h) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the Syndicate Member. **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.**
- (i) In case of discrepancy of data between NSE or BSE and the Syndicate Member, the decision of the BRLM based on physical records of Bid cum Application Forms shall be final and binding to all concerned.

Price Discovery and Allocation

- (a) After the Bid/Issue Closing Date, the BRLM will analyze the demand generated at various price levels and discuss pricing strategy with us.
- (b) The Company and BRLM shall finalise the "Issue Price", the number of Equity Shares to be allotted and the allocation to successful QIB Bidders. The allocation will be decided based inter-alia on the quality of the Bidder determined broadly by the size, price and time of the Bid.
- (c) The allocation for QIBs for at least 50% of the Net Issue to the Public Size would be discretionary. The allocation to Non-Institutional Bidders, and Employee Reservation Portion, and Retail Individual Bidders of not less than 25% and 25% of the Net Issue to the Public Size, respectively, would be on proportionate basis, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.
- (d) Under subscription, if any, in Non-Institutional and Retail categories would be allowed to be met with spill over from any of the other categories at the discretion of the Company and BRLM.
- (e) Allocation to eligible NRIs or FIIs or Foreign Venture Capital Fund registered with SEBI, Multilateral and Bilateral Development Financial Institutions applying on repatriation basis will be subject to the terms and conditions stipulated by RBI while granting permission for transfer of Equity Shares to them.
- (f) The BRLM, in consultation with us, shall notify the Syndicate Member of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- (g) The Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date but before allotment.
- (h) In terms of SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the closure of Bidding.
- (i) The allotment details shall be put on the website of the Registrar to the Issue

Signing of Underwriting Agreement and RoC Filing

- (a) The Company, the Selling Shareholders, the BRLM and the Syndicate Member shall enter into an Underwriting Agreement on finalization of the Issue Price and allocation(s) to the Bidders.
- (b) After signing the Underwriting Agreement, we 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.

Advertisement regarding Price band and Red Herring Prospectus

A statutory advertisement will be issued by the Company after the filing of the Red Herring Prospectus with the RoC. This advertisement in addition to the information that has to be set out in the statutory advertisement shall indicate the Price band along with a table showing the number of Equity Shares and the amount payable by an investor. Any material updates between the date of Draft Red Herring Prospectus and the Red Herring Prospectus shall be included in the advertisement.

Issuance of Confirmation of Allocation Note

After the determination of Issue Price, the following steps would be taken

- (a) The BRLM or Registrar to the Issue shall send to the Syndicate Member a list of their Bidders who have been allocated Equity Shares in the Issue.
- (b) The BRLM or Syndicate Member would then send the 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 into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.
- (c) Bidders who have been allocated Equity Shares and who have already paid into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realization of their cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be a deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares to be allotted to such Bidder.

Designated Date and Allotment of Equity Shares

- (a) After the funds are transferred from the Escrow Account to the Issue Account on the Designated Date, we would ensure allotment of the Equity Shares to the allottees within two days of the finalization of the basis of allotment.
- (b) All allottees will receive credit for the Equity Shares directly in their depository account. **Equity Shares will be issued only in the dematerialized form to the allottees.** Allottees will have the option to re-materialize the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.

We would ensure the allotment of Equity Shares within 15 days of Bid/Issue Closing Date and also ensure that credit is given to the allottees' depository accounts within two working days from the date of allotment.

GENERAL INSTRUCTIONS

Do's:

- a) Check if you are eligible to apply;
- b) Complete the Bid-cum-Application Form after reading all the instructions carefully;
- c) Ensure that the details about Depository Participant and Beneficiary Account are correct as Equity Shares will be allotted in the dematerialized form only;
- d) Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a Syndicate Member;
- e) Ensure that you have been given a TRS for all your Bid options;
- f) Submit Revised Bids to the same Syndicate Member through whom the Original Bid was placed and obtain a revised TRS;
- g) Ensure that the bid is within price band; and
- h) Investors must ensure that the name given in the Bid-cum-Application Form is exactly the same as the name in which the Depository Account is held. In case, the Bid-cum- Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same sequence as 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 Syndicate Member;
- d) Do not pay the Bid amount in cash;
- e) Do not provide your GIR number instead of your PAN.
- f) Do not send Bid-cum-Application Forms by post; instead submit the same to Syndicate Member only;
- g) Do not Bid at cut off price (for QIBs and non-institutional bidders);
- h) Do not fill up the Bid-cum-Application Form such that the Equity Shares bid for exceeds the Issue size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations; and
- i) Do not submit Bid accompanied with Stock invest.

Bids by Permanent Employees of the Company and its subsidiaries

For the purpose of this reservation, Permanent Employee means permanent employees of the Company and its subsidiaries as on 1 (One) day prior to Bid/Issue Opening Date

Bids under Employee Reservation Portion by Permanent Employees shall be

- Made only in the prescribed Bid cum Application Form or Revision Form (i.e. Green colour Form).
- Permanent Employees, as defined above, should mention the following at the relevant place in the Bid cum Application Form:
 - Employee Number
- The sole/ first bidder should be Permanent Employees as defined above.
- Only Permanent Employees, as defined above, would be eligible to apply in this Issue under this Reservation Portion.
- Bids by Permanent Employees, as defined above, will have to bid like any other Bidder. Only those bids, which are received at or above the Issue Price, would be considered for allocation under this category.
- Permanent Employees, as defined above, who apply or bid for securities of or for a value of not more than Rs. 50,000 in any of the bidding options can apply at Cut-Off. This facility is not available to other Permanent Employees whose minimum Bid amount exceeds Rs. 50,000.
- The maximum bid in this category can be for 878,138 Equity Shares.
- If the aggregate demand in this category is less than or equal to 878,138 Equity Shares at or above the Issue Price, full allocation shall be made to the Permanent Employees, as defined above, to the extent of their demand.
- Under subscription in this category would be added back to the Non-Institutional and Retail Individual Bidders category in the ratio of 50:50.
- If the aggregate demand in this category is greater than 878,138 equity shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, refer to para "Basis of Allotment" on page 208 of this Draft Red Herring Prospectus.

Instructions for Completing the Bid-cum-Application Form

Bidders can obtain Bid-cum-Application Forms and / or Revision Forms from the BRLM or Syndicate Member.

Bids and Revisions of Bids

Bids and revisions of Bids must be:

- (a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for Resident Indians and blue colour for NRI or FII or Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions applying on repatriation basis)
- (b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained 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) The Bids from the Retail Individual Bidders must be for a minimum of [●] Equity Shares and in multiples of [●] thereafter subject to a maximum Bid amount of Rs.50,000.
- (d) For Employee Reservation Portion, the Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter subject to a maximum of 878,138 Equity Shares.
- (e) For Non-institutional and QIB Bidders, Bids must be for a minimum Bid Amount of Rs.50,001 and in multiples of [●] Equity Shares. All Individual Bidders whose maximum bid amount exceeds Rs.50,000 would be considered under this category. 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.
- (f) In single name or in joint names (not more than three).
- (g) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bidder's Bank 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 Bidders bank account details. These bank account details would be printed on the refund order, if any, to be sent to 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 credit of refunds to Bidders at the Bidders sole risk and neither the BRLM nor the Bank shall have any responsibility and undertake any liability for the same.

Bidder's Depository Account Details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALIZED 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.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation ("Demographic Details"). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/Allocation Advice and printing of bank particulars on the refund order and the Demographic Details given by Bidders in the Bid cum Application Form would not be used for these purposes by the Registrar.

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants and ensure that they are true and correct.

By signing the Bid cum Application Form, Bidder would have deemed to authorize the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund Orders/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Bank nor the BRLM shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

Bids under Power of Attorney

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 and Articles of Association and/or Bye Laws must be lodged along with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

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 reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

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 reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid-cum-Application Form. 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 therefore.

We, in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the Power of Attorney along with the Bid-cum-Application form, subject to such terms that we may deem fit.

Bids by NRIs

NRI bidders to comply with the following:

- Individual NRI bidders can obtain the Bid cum Application Forms from the Company's Corporate Office at Indian Infoline Limited, 24, Nirlon Complex, Off Western Express Highway, Goregaon (East), Mumbai 400 063 or the Registrars to the Issue or syndicate member.
- NRI bidders may please note that only such bids as are accompanied by payment in free foreign exchange shall be considered for allotment under the NRI category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for resident Indians.

Bids by Eligible NRIs and FIIs on a repatriation basis

Bids and revision to Bids must be made:

On the Bid cum Application Form or the Revision Form, as applicable (blue in color), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
In a single name or joint names (not more than three).

By FIIs for a minimum of such number of Equity Shares and in multiples of [•] thereafter that the Bid Amount exceeds Rs. 50,000. For further details see section titled "Issue Procedure - Maximum and Minimum Bid Size" on page [•] of this Draft Red Herring Prospectus.

Bids by NRIs for a Bid Amount of up to or less than Rs. 50,000 would be considered under the Retail Individual Bidders Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 50,000 would be considered under Non Institutional Bidder Portion for the purposes of allocation; by FIIs or Foreign Venture Capital Fund registered with SEBI, Multilateral and Bilateral Development Financial Institutions for a minimum of such number of Equity Shares and in multiples of [•] Equity Shares thereafter so that the Bid Amount exceeds Rs. 50,000; for further details see "- Maximum and Minimum Bid Size".

In the names of individuals or in the names of FIIs or in the names of Foreign Venture Capital Fund registered with SEBI, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, firms or partnerships, foreign nationals or their nominees or OCB's.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money payable upon submission of the Bid-cum-Application Form or Revision Form 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/speed post. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

It is to be distinctly understood that there is no reservation for Eligible NRIs and FIIs. All Eligible NRIs and FIIs will be treated on the same basis with other categories for the purpose of allocation.

Payment Instructions

We, the BRLM and the Syndicate Member shall open an Escrow Account with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid-cum-Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

Payment into Escrow Account:

- (a) The Bidders for whom the applicable margin is equal to 100% shall, with the submission of the Bid-cum-Application Form draw a payment instrument for the Bid Amount in favor of the Escrow Account and submit the same to the Syndicate Member.
- (b) In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the equity shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the Syndicate Member by the BRLM.
- (c) The payment instruments for payment into the Escrow Account should be drawn in favor of:
 - (i) In case of Resident Bidders: **"Escrow Account- India Infoline Public Issue"**
 - (ii) In case of Non Resident Bidders: **"Escrow Account- India Infoline Public Issue- NR"**

- (iii) In case of Permanent Employees of the Company and its subsidiaries **“Escrow Account- India Infoline Public Issue -Employees”**
- (d) In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of a Non-Resident Ordinary (NRO) Account of a Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR Account.
- (e) In case of Bids by FIIs, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.
- (f) 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 Escrow Account.
- (g) The monies deposited in the Escrow Account will be held for the benefit of the Bidders until Designated Date.
- (h) On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Issue Account with the Bankers to the Issue.
- (i) 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 to the Bidders.

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/ stock invest/money orders/ postal orders will not be accepted.

Payment by Stock invest

In terms of 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 stock invest instrument in lieu of cheques or bank drafts for payment of bid money has been withdrawn.

Submission of Bid-cum-Application Form

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the Syndicate Member at the time of submission of the Bid. Member of the Syndicate may at its sole discretion waive the requirement of payment at the time of submission of the Bid-cum-Application Form and Revision Form.

No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection center of the Syndicate Member will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favor of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form ("First Bidder"). All communications will be addressed to the First Bidder and will be dispatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In 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.

We reserve the right to reject, in our absolute discretion to accept or reject, all or any multiple Bids in any or all categories.

Bidders in the Employees Reservation category can also bid in the "Net Issue to the Public" and such Bids shall not be treated as multiple Bids.

PAN or GIR Number

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of an Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act. The copy of the PAN card or PAN allotment letter is required to be submitted with the application form. 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.** In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income-tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61 as the case may be.**

UNIQUE IDENTIFICATION NUMBER - MAPIN

In terms of SEBI (Central Database of Market Participants) Regulations, 2003 as amended from time to time and SEBI Notification dated November 25, 2003 and July 30, 2004, circular dated August 16, 2004 and press release dated December 31, 2004, no specified investor being a body corporate shall subscribe to securities which are proposed to be listed in any recognized stock exchange unless such specified investor, its Promoters and directors have been allotted unique identification numbers (UIN) save and except: (i) those Promoters or directors who are persons resident outside India, who are required to obtain UIN before December 31, 2005; and (ii) where such specified investor being a body corporate has applied for allotment of a UIN before December 31, 2004 and has not yet been allotted the UIN until the disposal of his application or, where he has filed an appeal, till the disposal of the appeal, as the case may be.

In terms of the above it shall be compulsory for specified investor being a body corporate making application in this Issue to give their UIN. In case where a body corporate has made an application for such number before December 31, 2004 but the same has not been allotted, or where an appeal has been filed, but not disposed off, the investor shall indicate the same in the space provided in the Application form.

Application forms from specified investors being body corporate not providing their UIN or UIN application status in cases which have applied for such UIN before December 31, 2004, shall be liable to be rejected

Our Right to Reject Bids

We and the BRLM reserve the right to reject any Bid without assigning any reason therefore in case of QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders, we and the BRLM have a right to reject bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the bidder's address at the Bidder's risk.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected among others on the following technical grounds:

- 1) Amount paid doesn't tally with the highest number of Equity Shares bid for;
- 2) Age of First Bidder not given;
- 3) Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane Persons;
- 4) PAN not given if Bid is for Rs. 50,000 or more and GIR number given instead of PAN number;
- 5) UIN not given for Body Corporates;
- 6) Bids for lower number of Equity Shares than specified for that category of investors;
- 7) Bids at a price less than lower end of the Price Band;
- 8) Bids at a price more than the higher end of the Price Band;
- 9) Bids at cut-off price by Non-Institutional and QIB Bidders;
- 10) Bids for number of Equity Shares which are not in multiples of [●];
- 11) Category not ticked;
- 12) Multiple bids as defined in this Draft Red Herring Prospectus;
- 13) In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- 14) Bids accompanied by Stock invest/ money order/postal order/cash;
- 15) Signature of sole and / or joint bidders missing;
- 16) Bid-cum-Application Form does not have the stamp of the BRLM or Syndicate Member;
- 17) Bid-cum-Application Form does not have Bidder's depository account details;
- 18) In case no corresponding record is available with the Depository that matches three parameters: name of Bidder (including sequence of names of joint holders), depository participant identification number and beneficiary account number;
- 19) Bid-cum-Application Forms are not delivered by the Bidders within the time prescribed as per the Bid-cum-Application Form, Bid/Issue Opening Date advertisement and this Draft Red Herring Prospectus and as per the instructions in this Draft Red Herring Prospectus and the Bid-cum-Application Form;
- 20) Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. See the details regarding the same at page 190 of this Draft Red Herring Prospectus;
- 21) Bids by OCBs; and
- 22) Bid by U.S. residents or U.S. persons other than "Qualified Institutional Buyers" as defined in Rule 144A of the U.S. Securities Act of 1933.

Equity Shares in Dematerialized Form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a dematerialized form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among us, the respective Depositories and the Registrar to the Issue:

- a) a tripartite agreement dated [●] with NSDL, us and Registrar to the Issue;
- b) a tripartite agreement dated [●] with CDSL, us and Registrar to the Issue.

All bidders can seek allotment only in dematerialized mode. Bids from any investor without relevant details of his or her depository account are liable to be rejected.

- 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) Equity shares allotted 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) Non-transferable allotment advice or refund orders will be directly sent to the Bidder by the Registrar to this Issue.
- f) If incomplete or incorrect details are given under the heading 'Request for Equity Shares in electronic form' in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.

- g) 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.
- h) It may be noted that 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.
- i) The trading of the Equity Shares of the Company would be in dematerialized form only for all investors.

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, number of Equity Shares applied for, date, bank and branch where the Bid was submitted and cheque, number and issuing bank thereof.

Dispatch of Refund Orders

The Company shall ensure dispatch of refund orders of value over Rs.1,500 by registered post or speed post only and adequate funds for the purpose shall be made available to the Registrar to the Issue by us.

Refund orders shall be payable at par at all centers where bidding terminals was set-up to receive bids from bidders.

Undertaking by the Company

The Company undertake as follows:

- that the complaints received in respect of this Issue shall be attended to expeditiously and satisfactorily;
- 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 finalization of the basis of allotment;
- that the funds required for dispatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us;
- that no further issue of Equity Shares shall be made till the Equity Shares issued through this Prospectus are listed or until the bid monies are refunded on account of non-listing, under-subscription etc.
- refund order or allotment advice to NRIs or FIIs or multilateral or bilateral development financial institution, foreign venture capital investors registered with SEBI shall be dispatched within the specified time.

Utilization of Issue proceeds

The Board of Directors of the Company certifies that:

- (a) all monies received out of the Issue shall be transferred to a separate Bank Account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- (b) details of all monies utilized out of this Issue referred above shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such unutilized monies have been invested; and
- (c) Details of all unutilized monies out of this Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the form in which such unutilized monies have been invested.

The Company shall not have recourse to the Issue Proceeds until the approval for listing and trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

The utilization of monies received under the Reservation Portion shall be disclosed under an appropriate head in the balance sheet of the Company indicating the purpose for which such monies have been utilized.

The details of all unutilized monies out of the funds received under the reservations shall be disclosed under a separate head in the balance sheet of the Company indicating then form in which such unutilized monies have been invested.

Procedure and Time Schedule for Allotment of Equity Shares

We and the BRLM reserve the right to reject any Bid without assigning any reason thereof in case of QIBs. In case of Non-Institutional Bidders, Retail Individual Bidders and Bidders in Employee Reservation Portion, we have a right to reject bids based on technical grounds. In case a Bid is rejected in full, the whole of the Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. In case a Bid is rejected in part, the excess Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. Our Company will ensure allotment of the Equity Shares within 15 days from the Bid/Issue Closing Date, and we shall pay interest at the rate of 15% per annum (for any

delay beyond the periods as mentioned above), if Equity Shares are not allotted, refund orders are not dispatched and/or demat credits are not made to investors within two working days from the date of allotment.

Disposal of Applications and Applications Money

We shall ensure dispatch of allotment advice, transfer advice or refund orders and give benefit to the Beneficiary Account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within two working days of date of finalization of allotment of Equity Shares. We shall dispatch refund orders, if any, of value up to Rs. 1,500, "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.

We shall use best efforts to ensure that all steps for completion of the necessary formalities for allotment and trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven working days of finalization of the basis of allotment.

In accordance with the Companies Act, the requirements of the stock exchanges and SEBI Guidelines, we further undertake that:

- ☐ allot Equity Shares only in dematerialized form within 15 days of the Bid/Issue Closing Date;
- ☐ dispatch refund orders within 15 days of the Bid/Issue Closing Date would be ensured; and
- ☐ **Interest in Case of Delay in Dispatch of Allotment Letters/ Refund Orders in Case of Public Issues** - we shall pay interest at 15% per annum (for any delay beyond the 15-day time period as mentioned above), if allotment is not made and refund orders are not dispatched and/or demat credits are not made to investors within the 15-day time prescribed above.

We will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay orders or demand drafts drawn on a bank appointed by the us as a refund banker and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection center of the Syndicate Member will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

Interest on Refund of excess Bid Amount

The Company shall pay interest at the rate of 15% per annum on the excess Bid Amount received if refund orders are not dispatched within 15 days from the Bid/Issue Closing Date as per the Guidelines issued by the Gol, 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.

Rectification of Register of Members

The Company, under Section 111A of the Act will have the right to rectify the register of members to comply with the Act.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in shares and convertible debentures of an Indian company is regulated through the foreign direct investment policy of the Gol ("FDI Policy") and by the Reserve Bank of India ("RBI") as per the provisions of the Foreign Exchange Management Act, 1999 ("FEMA") and rules, regulations and guidelines there under. While the FDI Policy lays down the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA, along with rules, regulations and guidelines there under, regulates the precise manner in which such investment may be made. Under the FDI Policy, unless specifically restricted, foreign direct investment is freely permitted in all sectors of Indian economy and without any prior approvals, but person's resident outside India are required to follow prescribed procedures for making such investment. In the event an approval of the Gol is required, the same may be obtained through the Foreign Investment Promotion Board ("FIPB").

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 prior RBI approval, so long as the price of Equity Shares to be issued is not less than the price at which Equity Shares are issued to residents.

For details, see "Issue Procedure" on page no. 189 this Draft Red Herring Prospectus. The above information is given for the benefit of the bidders and neither the Company nor BRLM are liable for any modifications that may happen after the date of this Draft Red Herring Prospectus.

BASIS FOR ISSUE PRICE

QUALITATIVE FACTORS

We are strategically positioned to leverage our strength in the domestic market, due to our competitive strengths that include the following:

- **Research:**

We have our roots in equity research. Our original business model was to provide research and information services on Indian business and capital markets to institutional customers. Our executive directors have equity research and investments experience in leading banks and brokerage houses.

- **Integrated technology platform:**

Since the launch of our website, www.indiainfo.com, and our online trading platform, www.5paisa.com, we have invested in building a technology platform. We use a mix of in-house and outsourced technologies to offer a user friendly interface for online trading. Our Trader Terminal is an application which allows customers to trade on both the BSE and the NSE.

- **Multiple product offerings makes us a “one stop” shop:**

We provide a range of products and services to our customers, either directly or through any one of our wholly owned subsidiaries. These multiple offerings across multiple channels – either online through Internet or offline through any of the branches or telephone enables us to emerge as a financial “one stop” shop.

- **Pan - India distribution network:**

We have 73 branches across 36 towns and cities in India. These branches help in customer acquisition as well as customer service. This is a part of a conscious “bricks and clicks” strategy to reach out to our customers.

- **“India Infoline.com” and “5paisa.com” have developed into brands:**

India Infoline.com and 5paisa.com are well known brands amongst retail investors across India. In all the cities that we have expanded into, we have been able to leverage upon brand awareness and have established a customer base.

- **Experienced management team:**

Our management team has hands on experience in financial services, especially targeted at retail sales and relationship management.

- **Customer relationship management:**

We have developed a team of Customer Relationship Managers across India to handle key customer accounts. These people are experienced in financial services and have undergone in-house training. This allows them to offer unbiased advice on not only equities but also on other investment products like mutual funds and insurance.

- **Robust Risk Management Systems:**

Our automated risk management procedures rely primarily on internally developed Risk Management System and systems provided by our vendors.

QUANTITATIVE FACTORS

Information presented in this section is derived from our audited financial statements.

1. Adjusted earning per share (EPS)

		Rupees	Weight
1	Year ended March 31, 2002	(1.44)	1
2	Year ended March 31, 2003	(1.26)	2
3	Year ended March 31, 2004	2.87	3
	Weighted Average	0.77	

- A. *The earning per share has been computed on the basis of adjusted profits & losses for the respective years/ periods after considering the impact of accounting policy changes and prior period adjustments/ regroupings pertaining to earlier years.*
- B. *The denominator considered for the purpose of calculating earning per share is the weighted average number of Equity Shares outstanding during the period.*

EPS for the six month period ended September 30, 2004 is Rs.1.80/-

2. Price/Earning (P/E) ratio in relation to Issue Price of Rs. [●]

- a. Based on year ended March 31, 2004 EPS is Rs.2.87 /-
- b. P/E based on year ended March 31, 2004 is [●]
- c. Industry P/E⁽¹⁾

i)	Highest	54.50
ii)	Lowest	1.0
iii)	Industry Composite	10.20

(1) **Source: Capital Market Vol.XIX/24, Jan31-Feb13, 2005 (Finance & Investment)**

3. Average Return on Net Worth

		Rupees	Weight
1	Year ended March 31, 2002	(14.55)%	1
2	Year ended March 31, 2003	(14.57)%	2
3	Year ended March 31, 2004	24.87%	3
	Weighted Average	5.15%	

- (a) *The average return on net worth has been computed on the basis of adjusted profits & losses for the respective year/ period after considering the impact of accounting policy changes and prior period adjustments/ regroupings pertaining to earlier years.*

RoNW for the six month period ended September 30, 2004 is 13.49%.

4. Minimum Return on Increased Net Worth Required to Maintain Pre- Issue EPS.

The minimum return on increased net worth required to maintain pre- Issue EPS of Rs.2.87 is [●]

5. Net Asset Value per Equity Share as at March 31, 2004 – Rs.11.53/-

Net Asset Value per Equity Share (post-split) represents shareholders' equity less miscellaneous expenses as divided by weighted average number of Equity Shares.

Net Asset Value per Equity Share for the six month ended September 30, 2004 is Rs.13.32/-.

6. Net Asset Value per Equity Share after Issue

The net asset value per Equity Share after the Issue is Rs.[●]

Issue Price per Equity Share: Rs.[●]

Issue Price per Share will be determined on conclusion of book building process.

7. Comparison of Accounting Ratios

The comparable ratios of the companies which are to some extent similar in business are as given below:

	EPS (Rs.)	P/E	RONW	NAV (Rs.)
IIL ⁽¹⁾	2.87	[●]	24.87%	11.53
Industry Average				
Peer Group#				
Indiabulls Financial Services Limited	1.30	54.50	2.00%	7.40
Geojit Financial Services Limited	11.00	11.80	73.60%	21.70
Peer Group Average	6.15	33.15	37.80%	14.55

Earnings per share, Return on Net Worth and net asset value are based on last audited financial results for the period ending March 31, 2004.

Source: Capital Market Vol.XIX/24, Jan31-Feb13, 2005 (Finance & Investment)

#(Data based on trailing twelve months)

SECTION VIII: OTHER INFORMATION

STATUTORY AND OTHER INFORMATION

Consents

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Bankers to the Company and Bankers to this Issue; and (b) Book Running Lead Manager to this Issue and Syndicate Member, Escrow Collection Bankers, Registrar to this Issue and Legal Advisor to the Company and Underwriters, to act in their respective capacities, have been obtained and filed along with a copy of the Prospectus with the Registrar of Companies, Maharashtra located at Mumbai, as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus for registration with the RoC.

M/s. Sharp and Tannan Associates, Chartered Accountants, and our statutory auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Draft Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus for registration with the RoC.

M/s. Sharp and Tannan Associates, Chartered Accountants, have given their written consent to the tax benefits accruing to our Company and its members in the form and context in which it appears in this Draft Red Herring Prospectus and has not withdrawn such consent up to the time of delivery of this Draft Red Herring Prospectus for registration with the RoC.

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the Issue amount including devolvement of the Syndicate Member, if any, within 60 days from the Bid/Issue Closing Date, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the Company becomes liable to pay the amount, the Company shall pay interest as per Section 73 of the Companies Act.

Also, if we are not able to allot at least 50% of the Net Issue to the QIBs, the Company shall refund the entire subscription amount received.

Withdrawal of this Issue

The Company, in consultation with the BRLM, reserves the right not to proceed with this Issue anytime after the Bid/Issue Opening Date without assigning any reason thereof.

Expert Opinion

Except as stated elsewhere in this Draft Red Herring Prospectus, we have not obtained any expert opinions.

Changes in Auditors during the last three financial years and reasons thereof

M/s Deloitte Haskins & Sells, Chartered Accountants were the Auditors of the Company for FY2002 and FY2003. However subsequently, Sharp & Tannan Associates, Chartered Accountants were appointed as the auditors of the Company for FY2004.

Basis of Allotment or Allocation

Basis of Allotment

A. For Retail Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Issue size less allotment to Non Institutional and QIB Bidders shall be available for allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [•] Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than [•] Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis subject to minimum allocation being equal to the minimum bid/application size of [•] Equity Shares. For the method of proportionate basis of allotment, refer below.

B. For Non Institutional Bidders

- Bids received from Non institutional Bidders at or above the Issue Price shall be grouped together to determine

the total demand under this category. The allotment to all successful Non Institutional Bidders will be made at the Issue Price.

- The Issue size less allotment to QIBs and Retail Portion shall be available for allotment to Non Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Issue Price, full allotment shall be made to Non Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, allotment shall be made on a proportionate basis subject to minimum allocation being equal to the minimum bid/application size 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 category. The allotment to all the QIBs will be made at the Issue Price.
- At least 50% of the Net Issue to the public shall be compulsorily available for allotment to QIBs who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- The allotment would be decided by the Company in consultation with the BRLM and would be at their sole discretion, based on various factors, such as quality of the Bidder, size, price and date of the Bid.
- The aggregate allotment to QIB Bidders shall not be less than 5,500,000 Equity Shares.

D. For Bidders in Employee Reservation category

- Bids received from the Bidders in Employee Reservation category at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the successful Bidders in Employee Reservation category will be made at the Issue Price.
- The Equity Shares under the Employee Reservation portion shall be available for allotment to Bidders who have bid in this category at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Issue Price, full allotment shall be made to the Bidders in Employee Reservation category to the extent of their demand.
- If the aggregate demand in this category is greater than 878,138 Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis subject to minimum allocation being equal to the minimum bid/application size of [●] Equity Shares. For the method of proportionate basis of allotment, refer below.

Method of Proportionate Basis of Allotment

In the event of the Issue being over-subscribed, the basis of allotment to Retail and Non Institutional Bidders shall be finalized by us in consultation with the Designated Stock Exchange. The Executive Director or Managing Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrar to the Issue shall be responsible for ensuring that the basis of allotment is finalized in a fair and proper manner.

The allocation shall be made in multiples of [●], on a proportionate basis as explained below subject to minimum allocation being equal to the [●]:

- a) Bidders will be categorized according to the number of Equity Shares applied for.
- b) The total number of Equity Shares to be allocated 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 allocated 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 subject to allocation being equal to the minimum application size.
- d) In all Bids where the proportionate allocation is less than [●] Equity Shares per Bidder:
 - The Bid is liable to be rejected;
 - However, the successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.
- e) If the proportionate allotment to a Bidder is a number that is more than [minimum allotment lot] but is not a multiple of one (which is the marketable lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5 it would be rounded off to the lower whole number. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.

Expenses of the Issue

The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The total expenses of the Issue are estimated to be approximately [•] of the Issue Size. All expenses with respect to the Issue would be met out of the proceeds of the Issue.

The estimated issue expenses are as under:

Activity	(Rs. million)
Lead Management, underwriting and selling commission and others (Registrars fee, legal fee, listing fee, Auditors, Book Building fees etc.)	29.24
Advertising and Marketing expenses	8.44
Printing and stationery	7.56
Total	45.24

Fees Payable to the Book Running Lead Manager

The total fees payable to the Book Running Lead Manager will be as per the Engagement Letter dated February 21, 2005 and Memorandum of Understanding signed with us dated February 21, 2005 issued by our Company, a copy of which is available for inspection at our registered office.

Fees Payable to the Registrar to this Issue

The fees payable to the Registrar to this Issue will be as per the Agreement dated January 4, 2005, a copy of which is available for inspection at our corporate office.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allotment advice by registered post.

Underwriting Commission, Brokerage and Selling Commission

The underwriting commission and the selling commission for the Issue is as set out in the Syndicate Agreement amongst us, the BRLM and the Syndicate Member.

The underwriting commission shall be paid as set out in the Syndicate Agreement based on the Issue.

Commission and Brokerage on Previous Issues

Except as stated elsewhere in this Draft Red Herring Prospectus, no sum has been paid or is payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares of the Company since its inception.

Previous Rights and Public Issues

We have not made any previous rights and public issues during the last five years except as stated in the section titled "Capital Structure" on page 19 of this Draft Red Herring Prospectus.

Outstanding Debenture or Bond Issues

As on the date of filing of this Draft Red Herring Prospectus, the Company does not have any outstanding Debenture or Bond Issue.

Outstanding Preference Shares

As on the date of filing of this Draft Red Herring Prospectus, the Company does not have any outstanding preference shares.

Capitalisation of Reserves or Profits

We have not capitalised its reserves or profits at any time, except as stated in the section titled "Capital Structure" on page no. 19 of this Draft Red Herring Prospectus.

Issues otherwise than for Cash

Except as stated in the section titled "Capital Structure" on page 19 of this Draft Red Herring Prospectus, we have not issued any Equity Shares for consideration otherwise than for cash.

Option to Subscribe

Equity shares being offered through this Draft Red Herring Prospectus can be applied for in dematerialized form only.

Purchase of Property**Lease/Leave and License Agreements entered into by the Company with third parties for leasing of premises**

Details Agreement	Description of Premises	Term	Rent / Consideration	Deposit	Negative Covenant	Stamp & Registration
Agreement dated 1 st May, 2004 entered into between Krishna Metal Works (KMW) and our Company.	First floor at I. B. Patel Road, Opp. Laghu Udyog Kendra, Goregaon (East).	A period of 11 months with an option of renewal for a further period of 33 months.	Rs. 25,000/- per month paid 3 months in advance before the start of every quarter from the enforcement of the agreement.	Rs. 150,000/-	Our Company will be entitled to carry on routine renovations and alterations on the Premises for carrying on its activities, with prior permission of KMW and such that our Company will strictly not carry on any structural alteration within or outside the premises.	Not Registered
Leave and License Agreement dated 31 st August, 2000 entered into between Nirlon Limited (the "Licensor") and our Company (the "Licensee").	Premises admeasuring 15052 square feet built up area bearing C.T.S. No. 586 on the first floor of the Building No. 24 at Village Goregaon.	A period of 36 months commencing from the date of signing the agreement.	Rs. 45,000/- per month	An interest free security deposit of Rs. 4,515,600/-	The Licensee shall not affix name boards at the specific part of the premises without the prior consent of the Licensor.	Not Registered
Leave and License Agreement dated 15 th May, 2004 entered into between Mr. Ramesh Raghunath Lad (the "Owner/ Licensor") and our Company (the "Licensee").	Flat No. 201, A-Wing, Bhanukant Co.-op. Housing Society Limited, Aarey Road, Near W. E. Highway, Goregaon (E), Mumbai - 400 063	A period of 11 months effective from 15 th May, 2004 to 15 th April, 2005 both days inclusive.	Rs. 6000/- per month	An interest free security deposit of Rs. 60,000/-	The Licensee shall not at any time sublet or part with the possession of the premises or any portion thereof except with the prior consent in writing of the Licensor.	Not Registered

Details Agreement	Description of Premises	Term	Rent / Consideration	Deposit	Negative Covenant	Stamp & Registration
Leave and License Agreement dated 1 st April, 2004 entered into between M/s. Salient Traders Private Limited. (the "Owner") and our Company (the "Client").	Business Centre situated at C-1, Madhu Kunj, Laram Shopping Centre, Opp. Railway Station, Andheri (West), Mumbai.	A period starting from 1 st April, 2004 till 28 th February, 2005.	Rs. 8,500/- p.m. as service charges and Rs. 3,000/- p.m. as furniture and fixture charges.	Rs. 1,00,000/- as service free security deposit.		Not Registered.

Except as stated elsewhere in this Draft Red Herring Prospectus, we have not purchased any property in which any of our Promoters and Directors, have any direct or indirect interest in any payment made thereof.

Remuneration of our Whole-time/ Executive Directors

Mr. Nirmal Jain, Chairman and Managing Director

Mr. Nirmal Jain has been the Chairman and Managing Director of our Company since its incorporation, i.e., October 18, 1995.

In accordance with a resolution adopted at the meeting of the Board of Directors on November 17, 2004, Mr. Nirmal Jain is entitled to draw his salary and benefits as per his service conditions with the Company and in respect of which all expenses including contribution towards provident funds, pension and gratuity shall be reimbursed by the Company as stated herein under:

	(Amount in Rs.)
	Monthly
Basic	200,000
HRA	100,000
Conveyance Allowance	10,000
Medical Reimbursement	5,000
	315,000
Professional Pursuits Allowance	30,000
Traveling Reimbursement	30,000
Food Reimbursement	25,000
	85,000
Total	400,000
Total Annualised salary	4,800,000

R. Venkataraman, Executive Director

Mr. R. Venkataraman was appointed as a Director with effect from July 5, 1999 vide a resolution passed at the EGM dated July 5, 1999 for a period of five years. As per the terms of his appointment he was liable to retire by rotation.

In accordance with a resolution adopted at the meeting of the Board of Directors on November 17, 2004, Mr. R. Venkataraman is entitled to draw his salary and benefits as per his service conditions with the Company and in respect of which all expenses including contribution towards provident funds, pension and gratuity shall be reimbursed by the Company as stated herein under:

	(Amount in Rs.)
	Monthly
Basic	150,000
HRA	75,000
Conveyance Allowance	10,000
Medical Reimbursement	5,000
	240,000
Professional Pursuits Allowance	20,000

Traveling Reimbursement	20,000
Food Reimbursement	20,000
	60,000
Total	300,000
Total Annualised salary	3,600,000

Remuneration/ Sitting Fee of our Non-Executive Directors

Mr. Sat Pal Khattar, Non-Executive Director

Mr. Sat Pal Khattar was appointed as a Director with effect from April 20, 2001 and his appointment was noted by the Board of Directors by a resolution passed at a meeting held on April 20, 2001 and is liable to retire by rotation.

Our Company pays a fee of Rs. 20,000 per sitting to Mr. Sat Pal Khattar.

Mr. Sanjiv Ahuja, Non-Executive and Independent Director

Mr. Sanjiv Ahuja was appointed as a Director with effect from August 28, 2000 and his appointment was noted by the Board of Directors by a resolution passed at a meeting held on August 28, 2000 and is liable to retire by rotation.

Our Company pays a fee of Rs. 20,000 per sitting to Mr. Sanjiv Ahuja.

Mr. Kranti Sinha, Non-Executive and Independent Director

Mr. Kranti Sinha was appointed as a Director with effect from January 27, 2005 and is liable to retire by rotation.

Our Company pays a fee of Rs. 20,000 per sitting to Mr. Kranti Sinha.

Mr. Nikhil Shivji Vikamsey, Non-Executive and Independent Director

Mr. Nikhil Shivji Vikamsey was appointed as a Director with effect from January 27, 2005 and is liable to retire by rotation.

Our Company pays a fee of Rs. 20,000 per sitting to Mr. Nikhil Shivji Vikamsey.

Borrowing Powers of Directors

Save as stated otherwise in the section titled "Main Articles of Association of India Infoline Limited" on page no. 213 in this Draft Red Herring Prospectus, the Directors of our Company do not have any borrowing powers.

Classes of Shares

Our Company's authorised capital is Rs. 450 million, which is divided into 4.5 million Equity Shares of Rs.10/- each.

Payment or Benefit to Promoters or Officers of the Company

Except as stated otherwise in this Draft Red Herring Prospectus, 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 Promoters or officers except the normal remuneration for services rendered as directors, officers or employees.

MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF INDIA INFOLINE LIMITED

Pursuant to Schedule II of the Companies Act, 1956 and the SEBI guidelines, the important provisions of the Articles of Association of our Company relating to inter alia members voting rights, lien on shares and process for modification of such rights, forfeiture of shares, restrictions on transfer and transmission of shares and debentures and on their consolidation and splitting are detailed below.

Capitalized terms in this section have the meaning that has been given to such terms in the Articles of Association of the Company.

Authorised Share Capital

3. The Authorised Share Capital of the Company shall be the same as provided in clause V of the Memorandum of Association with power to increase and reduce the capital of the company and to divide the shares in the capital for the time being into several classes and to attach thereto respectively.

Increase of capital by the Company and how carried into effect

4. The Company at the General Meeting may, from time to time, increase the capital by creation of new shares, such increase 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, any share of the original or increased capital shall be issued upon such terms and conditions and with such rights and privileges annexed thereto, as the general meeting resolving upon the creation thereof, shall direct, and if no direction be given, as the Directors shall determine, and in particular, such shares may be issued with a preferential or qualified right to dividends, and in the distribution of assets of the Company, and with, and if the act allows without, a right of voting at general meeting of the Company in conformity with Section 87 and 88 of the Act. Whenever the Capital of the Company has been increased under the provisions of this Article, the Directors shall comply with the provisions of Section 97 of the Act.

Further issue of capital

7. (a) Where at any time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares, then 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. Such offer shall be made by a notice specifying the number of shares offered and limiting a time not being less than fifteen days from the date of offer within which the offer, if not accepted, will be deemed to have been declined. The aforesaid offer shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to him in favour of any other person. After the expiry of the time specified in the notice aforesaid or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board may dispose of them in such manner as it thinks most beneficial to the Company.

Notwithstanding anything contained in preceding sub-clause, the Company may

- (i) by a special resolution; or
- (ii) where no such special resolution is passed, if the votes cast (whether on a show of hands, or on a poll, as the case may be) in favour of the proposal contained in the motion moved in the general meeting (including the casting vote, if any, of the Chairman) by members who, being entitled so to do, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members so entitled 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.

Nothing contained in sub-clauses (a) & (b) above, of this article shall apply to the increase of the subscribed capital caused by the exercise of an option attached to the debentures issued or loans raised by the Company to convert such debentures or loans into shares, or to subscribe for shares in the Company.

Redeemable preference shares

8. Subject to the provisions of Sections 80, 85 and other applicable provisions of the Act, the Company shall have power to issue Preference Shares which are or at the option of the Company are liable to be redeemed and the resolution authorizing such issue shall prescribe the manner, terms and conditions of redemption thereof.

Reduction of capital

10. The Company may (subject to the provisions of Sections 78,80,100 to 105 of the Act) from time to time by Special Resolution, reduce its capital and any Capital Redemption Reserve Account or Share Premium Account in any manner for the time being authorised by law by following the procedure prescribed by the Act.

Issue of sweat equity shares

The Company shall subject to and in accordance with the provisions of section 79A of the Act, shall have the power, by a Special Resolution passed at a General Meeting to issue Sweat Equity Shares to the Directors, Employees of either of the Company or of any of its subsidiary or holding Company.

Share Certificates

22(a) Every member or allottee of shares shall be entitled without payment to receive one certificate specifying the name of the person in whose favour it is issued, the shares to which it relates and the amount paid thereon, provided, however, no share certificate(s) shall be issued for shares held in a Depository. 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 or its fractional coupons of requisite value, save in case of issue against letters of advice or acceptance or of renunciation or in case of issue of bonus shares. Every such certificate shall be issued under the seal of the Company which shall be affixed in the presence of two Directors or persons acting on behalf of the Directors under a duly registered power of attorney and the Secretary or some other person appointed by the Board for the purpose, and two Directors or their attorneys and the Secretary or other person shall sign the share certificate provided that if the composition of the Board permits of it, at least one of the aforesaid two Directors shall be a person other than a Managing or a whole time Director. Particulars of every share certificate issued shall be entered in the Register of Members against the name of the person to whom it has been issued, indicating the date of this Issue and the amount paid thereon.

(b) Any two or more joint allottees of a share shall, for the purpose of this Article, be treated as a single member, and the certificate of any share, which may be the subject of joint ownership may be delivered to anyone of such joint owners on behalf of all of them. For any further certificate the Board shall be entitled, but shall not be bound, to prescribe a charge not exceeding Rupees One Hundred. The Company shall comply with the provisions of Section 113 of the Act.

(c) A Director may sign a share certificate by affixing his signature thereon by means of any machine, equipment or other mechanical means, such as engraving in metal or lithography; but not by means of a rubber stamp provided that the Director shall be responsible for the safe custody of such machine, equipment or other material used for the purpose.

Power of Board of Directors to Regulate sub-division or consolidation

24. Notwithstanding anything contained in Article 23, the Board of Directors or any committee thereof shall be entitled to refuse any application for sub-division or consolidation of shares into denominations of less than ten except when such sub-division or consolidation is required to be made to comply with a statutory order or an order or a decree of a Competent Court of Law or a request from a member to convert his holding of odd lots of shares into transferable/marketable lots, subject, however, to necessary verification by the Company.

Provision for Employees' Stock Option

27.(a) Subject to the provisions of section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956, 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, Vice-Chairman, the Managing Directors and the Whole time Directors such number of equity shares of the Company, in one or more tranches on such terms as may be determined by the Board prior to the issue and offer, in consultation 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.

(b) The issue price of such shares shall be determined by the Board in accordance with the laws prevalent at the time of the issue.

(c) In the alternative to equity shares, mentioned hereinabove, the Board may also issue bonds, equity warrants or other securities 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 (ESOP) scheme to be drawn up and approved by the Board.

Directors may make calls

29. The Board may, from time to time, subject to the terms on which any shares may have been issued and subject to the conditions of allotment by a resolution passed at a meeting of the Board in respect of all moneys unpaid on the shares held by them respectively and each member shall pay the amount of every call so made on him to the person or persons and at the times and places appointed by the Board. A call may be made payable by installments.

Notice of calls

30. Fifteen day's notice in writing of any call be given by the Company specifying the time and place of payment and the person or persons to whom such call shall be paid.

Joint-holders, jointly and severally liable to pay calls

33. The joint-holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

Power of Board to extend time for payment of calls

34. The Board may, from time to time at its discretion, extend the time fixed for the payment of any calls under Article 30.

Calls to carry interest

35. If any member fails to pay any call due from him on the day appointed for payment thereof, or any such extension thereof as aforesaid, he shall be liable to pay interest on the same from the day appointed for the payment thereof to time of actual payment at such rate as shall, from time to time, be fixed by the Board not exceeding 9 per cent per annum but nothing in this Article shall render it obligatory for the Board to demand or recover any interest from any such member.

Sums deemed to be calls

36. Any sum, which by the terms of issue of a share becomes payable on allotment or on any fixed date, whether on account of the nominal value of the share or by way of premium shall for the purpose of these Articles be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable, and in case of non-payment all the relevant provisions of these Articles as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

Partial payment not to preclude forfeiture

38. Neither receipt by the Company of a portion of any money which shall from time to time be due from any member to the Company in respect of his shares, either by way of principal or interest nor any indulgence granted by the Company in respect of the payment of any such money, shall preclude the Company from thereafter proceeding to enforce a forfeiture of such shares as hereinafter provided.

Payment in anticipation of calls may carry interest

39.(a) The Board may, if it thinks fit, agree to and receive from any member willing to advance the same, all or any part of the amounts of his respective shares beyond the sums actually called up and upon the moneys so paid in advance, or upon so much thereof, from time to time, and at any time thereafter as exceeds the amount of the calls then made upon and due in respect of the shares on account of which such advances are made the Board may pay or allow interest, at such rate as the members paying the sum in advance and the Board agree upon. The Board may at any time agree to repay any amounts so advanced or may at any time repay the same upon giving to the member three months' notice in writing. Provided that moneys paid in advance of calls on any shares may carry interest but shall not confer a right to dividend or to participate in profits.

(b) No member paying any such sum in advance shall be entitled to voting right in respect of the moneys so paid by him until the same would but for such payment become presently payable.

Company to have lien on shares

40. The Company shall have a first and paramount lien upon all shares (other than fully paid up shares) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares, and no equitable interest in any shares shall be created except upon the footing and upon the conditions that Article 23 hereof is to have full effect. Any such lien shall extend to all dividends from time to time declared in respect of such shares. Unless otherwise agreed the registration of a transfer of shares shall operate as a waiver of the Company's lien, if any, on such shares.

As to enforcing lien by sale

41. For the purpose of enforcing such lien the Board may sell the shares subject thereto in such manner as they shall think fit and for this purpose may cause to be issued duplicate certificate in respect of such shares and may authorise one of their members to execute a transfer thereof on behalf of and in the name of such member. No sale shall be made until such period aforesaid shall have arrived and until notice in writing of the intention to sell shall have been served on such member or his representatives and default shall have been made by him or them in payment fulfillment, or discharge of such debts, liabilities or engagement for fourteen days after such notice.

In default of payment, shares to be forfeited

45. If the requirements of any such notice as aforesaid shall not be complied with, every or any share in respect of which such notice has been given, may at 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 or any other moneys payable in respect of the forfeited share and not actually paid before the forfeiture.

Notice of forfeiture to a member

46. When any share shall have been so forfeited, notice of the forfeiture shall be given to the member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof shall forthwith be made in the Register of Members but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make any such entry as aforesaid.

Forfeited share to be property of the Company and may be sold, etc

47. Any share so forfeited shall be deemed to be the property of the Company, and may be sold, reallocated, or otherwise disposed off, either to the original holder thereof or to any other person, upon such terms and in such manner as the Board shall think fit.

Member still liable to pay money owing at the time of forfeiture and interest

48. Any member whose shares have been forfeited shall notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company on demand all calls, installments, interest and expenses owing upon or in respect of such shares at the time of the forfeiture, together with interest thereon from the time of the forfeiture until payment, at such rate not exceeding nine percent per annum as the Board may determine and the Board may enforce the payment thereof, if it thinks fit.

Effect of forfeiture

49. The forfeiture of a share shall involve extinction at the time of the forfeiture, of all interest in and all claims and demands against the Company, in respect of the share and all other rights incidental to the share, except only such of those rights as by these articles are expressly saved.

Evidence of forfeiture

50. A declaration in writing that the declarant is a Director or Secretary of the Company and that a share in the Company has been duly forfeited in accordance with these Articles on the date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share.

Validity of sale under Articles 42 and 47

51. Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinbefore given, the board 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 the regularity of the proceedings, or to the application of the purchase money and after his name has been entered in the Register 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 sales shall be in damages only and against the Company exclusively.

Cancellation of share certificates in respect of forfeited shares

52. Upon any sale, re-allotment or other disposal under the provisions of the preceding Articles, the certificate of shares originally issued in respect of the relative share shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting member) stand cancelled and become null and void and of no effect, and the Directors shall be entitled to issue a duplicate certificate or certificates in respect of the said shares to the person or persons entitled thereto.

Power to annul forfeiture

53. The Board may at any time before any share so forfeited shall have been sold, re-allotted or otherwise disposed off, annul the forfeiture thereof upon such conditions as it thinks fit.

Transfer or transmission of shares

54. In the case of transfer or transmission 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 in a Depository, the provisions of the Depositories Act, 1996 shall apply.

Register of Transfer

55. The Company shall keep a 'Register of Transfer' and therein shall be fairly and distinctly entered particulars of every transfer or transmission of any share held in material form."

Transfer Books and Register of Members when closed

58. The Board shall have power on giving not less than seven days previous notice by advertisement in some newspaper circulating in the district in which the office of the Company is situate to close the Transfer Books, the Register of Members or Register of Debenture-holders at such time or times and for such period or periods not exceeding thirty days at a time and not exceeding in the aggregate forty-five days in each year.

Registration of persons entitled to share otherwise than by transfer

66. Subject to the provisions of the Act and Articles 60 and 61 any person becoming entitled to shares in consequences of the death, lunacy, bankruptcy or insolvency of any member or by any lawful means other than by transfer in accordance with these articles may with the consent of the Board (which it shall not be under any obligation to give), upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of such title as the Board thinks sufficient, either be registered himself as the holder of the shares 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 in favour of his nominee an instrument of transfer in accordance with the provisions herein contained and until he does so, he shall not be freed from any liability in respect of the shares.

Powers to borrow

71. Subject to the provision of Section 292 of the Act the Board may, from time to time at its discretion by a resolution passed at a meeting of the Board accept deposits from members either in advance of calls or otherwise and generally raise or borrow or secure the payment of any sum or sums of money for the purpose of the Company. Provided however, where the moneys to be borrowed together with the moneys already borrowed (apart from temporary loan obtained from the Company's bankers in the ordinary course of business) exceed the aggregate of the paid up capital of the Company and its free reserves (not being reserves set apart for any specific purpose) the Board shall not borrow such moneys without the consent of the Company in General Meeting.

Payment or repayment of moneys borrowed

72. Subject to the provisions of Articles 71 hereof, the payment or repayment of moneys borrowed as aforesaid may be secured in such manner and upon such terms and conditions in all respects as the Ordinary Resolution shall prescribe including by the issue of debentures or debenture-stock of the Company, charged upon all or any part of the property of the Company (both present and future), including its uncalled capital for the time being and debentures, debenture-stock and other securities may be made assignable from any equities between the Company and the person to whom the same may be issued.

Terms of issue of Debentures

73. Any debenture, 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 and attending (but not voting) at General Meetings, 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 General Meeting accorded by an Ordinary Resolution.

Power to issue share warrants

76. 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 upon application in writing signed by the persons 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 person 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.

Deposit of share warrant

77(a) 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.

(b) Not more than one person shall be recognised as depositor of the share warrant.

(c) The Company shall, on two days' written notice, return the deposited share warrant to the depositor.

Annual General Meeting-Annual Return

82. The Company shall in each year hold a General Meeting as its Annual General Meeting in addition to any other meetings in that year. All General Meetings, other than Annual General Meetings shall be called "Extraordinary General Meetings". The first Annual General Meeting shall be held within six months after the expiry of the financial year in which the Company was established and thereafter an Annual General Meeting of the Company shall be held within six months after the expiry of each financial year provided that not more than fifteen months shall lapse between the date of one Annual General Meeting and that of the next. Nothing contained in the foregoing provisions shall be taken as affecting the right conferred upon the Registrar under the provisions of Section 166(1) of the Act to extend the time within which any Annual General Meeting may be held. Every Annual General Meeting shall be called for a time during business hours, on a day that is not a public holiday, and shall be held at the Office of the Company or at some other place within the city in which the office of the Company is situate as the Board may determine and the Notices calling the Meeting shall specify it as the Annual General Meeting. The Company may in any one Annual General Meeting fix the time for its subsequent Annual General Meetings. Every member of the Company shall be entitled to attend either in person or by proxy and the Auditor of the Company shall have the right to attend and to be heard at any General Meeting which he attends on any part of the business which concerns him as Auditor. At every Annual General Meeting of the Company, there shall be laid on the table the Director's Report and Audited Statement of Accounts, Auditor's Report (if not already incorporated in the Audited Statement of Accounts), the Proxy Register with proxies and the Register of Directors' share holdings which latter register shall remain open and accessible during the continuance of the meeting. The Board shall cause to be prepared the Annual List of members, Summary of the Share Capital, Balance Sheet and Profit and Loss Account and forward the same to the Registrar in accordance with Sections 159, 161 and 220 of the Act.

Extraordinary General Meeting

83. The Board may, whenever it thinks fit, call an Extra ordinary General Meeting and it shall do so upon a requisition in writing by any member or members holding in the aggregate not less than one-tenth of such of the paid up capital as at that date carries the right of voting in regard to the matter in respect of which the requisition has been made.

Chairman of General Meeting.

92. The Chairman of the Board shall be entitled to take the chair at every General Meeting whether Annual or Extra Ordinary. If the Chairman is unable or unwilling to take the chair or if he is not present within fifteen minutes of the time appointed for holding such meeting then the Vice Chairman shall be entitled to take the chair at such meeting. If there be no such Chairman and/or Vice Chairman if he/they are unable/unwilling to take the chair, or if he/they are not present within fifteen minutes of the time appointed for holding such meeting, then the Directors present shall elect another Director as Chairman, and if no Director is present, or if all the Directors present decline to take the chair, then the members present shall elect one of their number to be the Chairman.

Chairman's casting vote.

96. In the case of an equality of votes, the Chairman shall both on show hands and at a poll (if any) have a casting vote in addition to the vote or votes to which he may be entitled as a member.

97. If a poll is demanded as aforesaid the same shall subject to Article 94 be taken at such time (not later than forty-eight hours from the time when the demand was made) and place in the city or town in which the Office of the Company is for the time being situated and either by open voting or by ballot, as the Chairman shall direct, and either at once or after an interval or adjournment or otherwise and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll may be withdrawn at any time by the person or persons who made the demand.

In what case poll taken without adjournment.

99. Any poll duly demanded on the election of a Chairman of a meeting or on any question of adjournment shall be taken at the meeting forthwith.

Members in arrears not to vote.

102. No member shall be entitled to vote either personally or by proxy at any General Meeting or meetings of class of shareholders either upon a show of hands or upon a poll in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has, and has exercised, any right of lien.

Number of votes to which Member entitled.

103. Subject to the Provisions of these Articles and without prejudice to any special privileges or restrictions as to voting for the time being attached to any class of shares for the time being forming part of the capital of the Company, every member, not disqualified by the last preceding Article shall be entitled to be present and to speak and vote at such meeting, and on a show of hands every member present in person shall have one vote and upon a poll the voting right of every member present in person shall have one vote and upon a poll the voting right of every member present in person

or by proxy shall be in proportion to his share of the paid-up equity share capital of the Company. Provided, however, if any preference shareholder be present at any meeting of the Company, save as provided in Section 87 (2) (b) of the Act, he shall have a right to vote only on resolution placed before the meeting which directly affects the right attached to his preference shares.

Casting of votes by a member entitled to more than one vote.

104. On a poll taken at a meeting of the Company a member entitled to more than one vote, or his proxy or other persons 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.

Votes of joint-members.

106. If there be joint registered holders of any shares, any one of such person may vote at any meeting or may appoint another person (whether a member or not) as his proxy in respect of such shares, as if he were solely entitled thereto but the proxy so appointed shall not have any right to speak at the meeting and, if more than one of such joint holders be present at any meeting that one of the said persons so present whose name stand higher on the Register shall alone be entitled to speak and to vote in respect of such shares, but the other or others of the joint-holders shall be entitled to be present at the meeting. Several executors or administrators of a deceased member in whose name shares stand shall for the purpose of these Articles be deemed joint holders thereof.

Voting in person or by proxy.

107. Subject to the provisions of these Articles votes may be given either personally or by proxy. A body corporate being a member may vote either by a proxy or by a representative duly authorised in accordance with Section 187 of the Act and such representative shall be entitled to exercise the same rights and powers (including the right to vote by proxy) on behalf of the body corporate which he represents as that body could exercise if it were an individual member.

Number of Directors.

118. Until otherwise determined by a General Meeting of the Company and subject to the provisions of Section 252 of the Act, the number of the Directors shall not be less than three nor more than twelve.

119. Subject to the provisions of the Act and within the overall limit prescribed under these Articles for the number of Directors on the Board, the Board may appoint any Senior Executive of the Company as a whole-time Director of the Company for such period and upon such terms and conditions as the Board may decide. A Senior Executive so appointed shall be governed by the following provisions :

(a) He shall be liable to retire by rotation as provided in Article 137 but shall be eligible for reappointment under Article 139. His reappointment as Director shall not constitute a break in his appointment as whole-time Director.

(b) He shall be reckoned as Director for the purpose of determining and fixing the number of Directors to retire by rotation under Article 137.

(c) He shall cease to be Director of the Company on the happening of any event specified in Article 125 hereof. He shall cease to be a Director of the Company, if for any reason whatsoever, he ceases to hold the position of Senior Executive in the Company or ceases to be in the employment of the Company.

(d) When no Chairman is appointed, the Whole-time Director or Directors, shall function, subject to the supervision and control of the Managing Director or Managing Directors.

(e) His remuneration shall be fixed by the Board and shall be payable out of the funds of the Company subject to the provisions of the Act and approval of the Company in the General Meeting.

(f) He shall not be required to hold any qualification share for his appointment as a whole-time Director of the Company.

120. Nothing contained in this Article shall be deemed to restrict or prevent the right of the Board to revoke, withdraw, alter, vary or modify all/or any of such powers, authorities, duties and responsibilities conferred upon or vested in or entrusted to such whole-time Directors.

121. (a) In connection with any collaboration arrangement with any company or corporation or firm or person for supply of technical know-how and/or machinery or technical advice, the Directors may authorise such Company, Corporation, firm or person (hereinafter in this clause referred to as "Collaborator") to appoint from time to time, any person or persons as Director or Directors of the Company (hereinafter referred to as 'Special Director') and may agree that such special director shall not be liable to retire by rotation and need not possess any qualification shares to qualify him for the office of such Director, so however, that such Special Director shall hold office so long as such collaboration arrangement remains in force unless otherwise agreed upon between the Company and such Collaborator arrangements

or at any time thereafter.

The Collaborator may at any time and from time to time remove any such special director appointed by it and may at the time of such removal and also in the case of death or resignation of the person so appointed, at any time, appoint any other person as a special director in his place and such appointment or removal shall be made in writing signed by such Company or Corporation or any partner or such person and shall be delivered to the Company at its registered office.

It is clarified that every collaborator entitled to appoint a Director under this Article may appoint one or more such person or persons as Director(s) and so that if more than one Collaborator is so entitled there may at any time be as many special directors as the Collaborators eligible to make the appointment.

Power to appoint ex-officio Directors.

122. Whenever Directors enter into a contract with any Government, Central, State or Local, any 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 technical collaboration or assistance or for underwriting or entering into any other arrangement whatsoever, the Directors shall have, subject to the provisions of Section 255 of the Act, the power to agree that such appointer shall have 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 and that such Director or Directors may not be liable to retire by rotation nor be required to hold any qualification shares. The Directors 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 fill any vacancy that may occur as a result of any such 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 the Directors of the Company including payment, remuneration and travelling expenses to such Director or Directors as may be agreed by the Company with the appointer.

Debenture Directors.

123. 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.

Appointment of Alternate Director.

124. The Board may appoint an Alternate Director to act for a Director (hereinafter called "the Original Director") during his absence for a period of not less than three months from the state in which the meetings of the Board are ordinarily held. An Alternate Director appointed under this Article shall not hold office for a period longer than that permissible to the Original Director in whose place he has been appointed and shall vacate the office if and when the Original Director returns to the State. If the term of office of the Original Director is determined before he so returns to that State, any provisions in the Act or in these Articles for the automatic reappointment of retiring Director in default of another appointment shall apply to the Original Director and not to the Alternate Director.

Directors' power to add to the Board.

125. Subject to the provisions of Section 260, 261 and 264, the Board shall have power at any time and from time to time to appoint any other qualified person to be an additional Director, but so that the total number of Directors shall not at any time exceed the minimum fixed under Article 118. Any such additional Director shall hold office only up to the date of the next Annual General Meeting.

Directors' power to fill casual vacancies.

126. Subject to the provisions of Section 261, 264 and 284 (4) the Board shall have power at any time and from time to time to appoint any other qualified person to be a Director to fill a casual vacancy. Any person so appointed shall hold office only up to the date upto which the Director in whose place he is appointed would have held office if it had not been vacated by him.

Remuneration of Directors.

127(a) Subject to the provisions of the Act, the Executive Chairman or a Managing Director or 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.

(b) Subject to the provisions of the Act, a Director other than the Executive Chairman or a Director in the whole-time employment or a Managing Director may be paid remuneration either:

- 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 authorised such payment.

(c) The fee payable to a Director (including the Executive Chairman or a Managing or Whole time Director, if any) for attending a meeting of the Board or Committee thereof shall be decided by the Board of Directors from time to time within the minimum limit of such a fee that may be prescribed by the Central Government under the proviso to section 310 of the Companies Act, 1956.

When office of Directors to become vacant.

130. Subject to Section 283 (2) and 314 of the Act, the office of a Director shall become vacant if :

- (a) he is found to be of unsound mind by a Court of competent jurisdiction; or
- (b) he applies to be adjudicated as an insolvent; or
- (c) he is adjudged an insolvent; or
- (d) he fails to pay any call made on him in respect of the shares held by him, whether alone or jointly with others, within six months from the date fixed for the payment of such call unless the Central Government has by notification in the Official Gazette removed the disqualification incurred by such failure; or
- (e) he absents himself from three consecutive meetings of the Directors or from all meetings of the Directors for a continuous period of three months, whichever is longer, without leave of absence from the Board; or
- (f) he becomes disqualified by an order of the Court under Section 203 of the Act; or
- (g) he is removed in pursuance of Section 284; or
- (h) he (whether by himself or by any person for his benefit or on his account) or any firm in which he is a partner or any private Company of which he is a Director, accepts a loan or any guarantee or security for a loan, from the Company in contravention of Section 295 of the Act; or
- (i) he acts in contravention of Section 299 of the Act; or
- (j) he is convicted by a Court of an offence involving moral turpitude and is sentenced in respect thereof to imprisonment for not less than six months; or
- (k) having been appointed a Director by virtue of his holding any office or other employment in the Company he ceases to hold such office or other employment in the company; or
- (l) he resigns his office by a notice in writing addressed to the Company.

Disclosure of interest

132. A Director of the Company who is in any way-whether directly or indirectly-concerned or interested in a contract or arrangement, or proposed contract or arrangement entered into or to be entered into by or on behalf of the Company shall disclose the nature of his concern or interest at a meeting of the Board in the manner provided in Section 299 (2) of the Act, provided that it shall not be necessary for a director to disclose his concern or interest in any contract or arrangement entered into or to be entered into with any other company where any of the Directors of the Company or two or more of them together holds or hold not more than two percent of the paid-up share capital in any such other company.

Interested Directors not to participate or vote in Board's proceedings.

134. No Director shall as a director, take any part in the discussion of, or vote on any contract or arrangement entered into or to be entered into by or on behalf of the Company, if he is in any way, whether directly or indirectly, concerned or interested in such contract or arrangement, nor shall his presence count for the purpose of forming a quorum at the time of any such discussion or vote and if he does vote, his vote shall be void, provided however, that nothing herein contained shall apply to:

- (a) any contract of indemnity against any loss which the Directors or anyone or more of them, may suffer by reason of becoming or being sureties or a surety for the Company;
- (b) any contract or arrangement entered into or to be entered into with a public company or a private company which is a subsidiary of a public company in which the interest of the Director consists solely;

- (i) in his being:
 - (a) a director of such company, and
 - (b) the holder of not more than shares of such number or value therein as is requisite to qualify him for appointment as a Director thereof, he having been nominated as such director by the company; or
- (ii) in his being a member holding not more than 2% of its paid-up share capital.

Directors may be directors of companies promoted by the Company.

136. A Director may be or become a Director of any company promoted by the Company or in which it may be interested as vendor, shareholder, or otherwise, and no such Director shall be accountable for any benefits received as a director or shareholder of such company except in so far as Section 309 (6) or Section 314 of the Act may be applicable.

Retirement by Rotation of Directors.

137. At every Annual General Meeting of the Company, one third of such of the Directors for the time being as are liable to retire or if their number is not three or a multiple of three, the number nearest to one-third shall retire from office. The Debenture Directors, if any, shall not be counted in determining the number of Directors liable to retire by rotation.

Determination of Directors retiring by rotation and filling of vacancies.

138. Subject to Section 256 (2) of the Act, Directors to retire by rotation under Article 137 at every Annual General Meeting shall be those who have been longest in office since their last appointment but as between persons who become Directors on the same day those who are to retire, shall, in default of and subject to any agreement among themselves, be determined by lot.

Eligibility for re-election.

139. A retiring Director shall be eligible for re-election.

Provision in default of appointment.

141(a) If the place of the retiring Director is not so filled up and the meeting has not expressly resolved not to fill the vacancy, the meeting shall stand adjourned till 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.

(b) If at the adjourned meeting also, the place of the retiring Director is not filled up and that meeting also has not expressly resolved not to fill the vacancy, the retiring Director shall be deemed to have been reappointed at the adjourned meeting unless:

(i) at that meeting or at the previous meeting resolution for that reappointment of such Director has been put to the meeting and lost;

(ii) the retiring Director has, by a notice in writing addressed to the Company or its Board, expressed his unwillingness to be re-appointed;

(iii) he is not qualified or he is disqualified for appointment;

(iv) a resolution, whether special or ordinary, is required for the appointment or re-appointment by virtue of any provisions of the Act; or

(v) the proviso to sub-section (2) of Section 263 of the Act is applicable to the case.

Company may increase or reduce the number of Directors.

142. Subject to Section 259 of the Act, the Company may by Ordinary Resolution, from time to time, increase or reduce the number of Directors, and may, (subject to the provisions of Section 284 of the Act) remove any director before the expiration of his period of office and appoint another qualified person in his stead. The person so appointed shall hold office during such time as the Director in whose place he is appointed would have held the same if he had not been removed.

Disclosure by director of appointment to any other body corporate.

146. Every Director (including a person deemed to be a Director by virtue of the Explanation to sub-section (1) of Section of the Act), Managing Director, Manager, or Secretary of the Company shall within twenty days of his appointment to any of the above office in any other body corporate, disclose to the Company the particulars relating to his office in the other body corporate which are required to be specified under sub-section (1) of Section 303 of the Act.

Disclosure by a Director of his holding of shares and debentures of the Company, etc.

147. Every Director and every person deemed to be a Director of the Company by virtue of sub-section (10) of Section 307 of the Act, shall give notice to the Company of such matters relating to himself as may be necessary for the purpose of enabling the Company to comply with the provisions of that section.

Board may appoint Executive Chairman and Managing Directors

148. Subject to the provisions of the Act and of these Articles, the Board shall have power to appoint from time to time any of its members as Executive Chairman, Managing Director or Managing Directors of the Company for a fixed term not exceeding five years at a time and upon such terms and conditions as the Board thinks fit, and subject to the provisions of Article 143, the Board may by resolution vest in such Executive Chairman, Managing Director or Managing Directors such of the powers hereby vested in the Board generally as it thinks fit, and such powers may be made exercisable for such period or periods, and upon such conditions and subject to such restrictions as it may determine. The remuneration of the Executive Chairman, Managing Director or Managing Directors may be by way of monthly payment, fee for each meeting or participation in profits, or by any or all these modes, or any other mode not expressly prohibited by the Act. The Executive Chairman and the Managing Director shall not be required to retire by Rotation under Article 137. Notwithstanding anything contained in this Article where no Executive Chairman is appointed as such, the Board of Director may elect, from time to time, any of its members, as Chairman who shall be subject to retirement by rotation. Subject to the provisions of the Act and of these Article, the Board shall have the power to nominate from time to time, any of its members as Vice-Chairman on such terms and conditions as the Board thinks fit. The Directors may whenever they appoint more than one Managing Director, designate one or more of them as "Joint Managing Director" or "Joint Managing Directors" or "Deputy Managing Director" or "Deputy Managing Directors", as the case may be, and accordingly the expression "Managing Director" shall also include and be deemed to include "Joint Managing Director" or "Deputy Managing Director" as the case may be.

Managing Directors and Whole-time Directors to report to Executive Chairman

149. "The Managing Director or Managing Director or Directors who are in the whole time employment in the Company shall subject to supervision and control of the Executive Chairman, exercise such powers as are vested in them by the Board",

Restriction on management.

150. The Executive Chairman or Managing Director or Managing Directors shall not exercise the powers to:
- (a) make calls on shareholders in respect of money unpaid on the shares in the Company;
 - (b) issue debentures; and except to the extent mentioned in the resolution passed at the Board meeting under Section 292 of the Act shall also not exercise the powers to;
 - (c) borrow moneys otherwise than on debentures;
 - (d) invest the funds of the Company; and
 - (e) make loans.

Special position of Executive Chairman, Vice Chairman and Managing Directors

152. If Executive Chairman, Vice- Chairman or Managing Director ceases to hold the office of Director, he shall ipso facto and immediately cease to be an Executive Chairman, Vice-Chairman or a Managing Director.

Meetings of Directors

153. The Directors may meet together as a Board for the purpose of business from time to time, and shall so meet at least once in every three months and at least four such meetings shall be held in every year. The Directors may adjourn and otherwise regulate their meetings as they think fit.

Notice of Meetings

154. Four clear day's notice at least of every meeting of the Board shall be given by the Secretary of the Company, if any, or by any person or persons nominated by the Executive Chairman, in writing to every Director at his usual address. Provided, however, that the Chairman of the Board shall have the powers to convene a meeting of the Board or to request the Secretary of the Company to convene a Meeting of the Board by giving a shorter notice. Such notice or shorter notice may be sent by hand delivery or post or by cable or telegram depending upon the circumstances.

Quorum

155. Subject to Section 287 of the Act, the Quorum for a meeting of the Board shall be one third of its total strength (excluding Directors, if any, whose places may be vacant at the time and 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 exceeds or is equal to two-thirds of the total strength the number of the remaining Directors, that is to say, the number of Directors who are not interested, present at the meeting being not less than two, shall be the quorum during such time.

Adjournment of meeting for want of quorum

156. If a meeting of the Board could not be held for want of quorum, then the meeting shall automatically stand adjourned to such other date and time (if any) as may be fixed by the Chairman not being later than seven days from the date originally fixed for the meeting.

Chairman and Vice Chairman

158. The Executive Chairman or Chairman shall be the Chairman of the Board. If at any meeting of the Board, the Executive Chairman or Chairman is not present within fifteen minutes after the time appointed for holding the same or if the Executive Chairman or Chairman is unable or unwilling to take the chair, the Vice-Chairman shall be entitled to take the chair at such meeting. If there be no such Executive Chairman or Chairman and / or Vice-Chairman or if he / they are unable or unwilling to take the chair, or if he / they are not present within fifteen minutes of the time appointed for holding the meeting, then the Directors present may choose any one of their number to be the Chairman of the meeting.

Questions at Board Meetings how decided

159. Questions arising at any meeting of the Board, shall be decided by a majority of vote and in the case of an equality of votes the Chairman shall have a second or a casting vote.

Powers of Board Meeting

160. A meeting of the Board for the time being at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretion which by or under the Act or the Articles of the Company are for the time being vested in or exercisable by the Board generally.

Directors may appoint Committee

161. Subject to the restriction contained in Section 292 of the Act the Board may delegate any of their powers to Committees of the Board consisting of such Member or Members of its body as it thinks fit, and it may from time to time revoke and discharge any such committee of the Board either wholly or in part and either as to persons or purposes, but every 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 purpose of their appointment but not otherwise, shall have the like force and effect as if done by the Board.

Meeting of Committee how to be governed

162. The meeting and proceedings of any such Committee of the Board consisting of two or more members shall be governed by the provisions herein contained for regulating the meeting and proceedings of the Directors, so far as the same are applicable thereto and are not superseded by any regulations made by the Directors under the last preceding Article.

Resolution by circulation

163. 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, by the Secretary of the Company, if any, or by any person or persons nominated by the Executive Chairman, 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 of the Committee at their usual address in India and has been approved by such of the Directors or Members of the Committee as are then in India, or by a majority of such of them, as are entitled to vote on the resolution.

Acts of Board or Committee not valid notwithstanding informal appointment

164. All acts done by any meeting of the Board or by a Committee of the board, or by any person acting as a Director shall notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of such Director or persons acting as aforesaid, or that they or any of them were disqualified or had vacated office or that the appointment of any of them had been terminated by virtue of any provisions contained in the Act or in these Articles, be as if every such person had been duly appointed and was qualified to be a Director and had not vacated his office or his appointment had not been terminated: provided that nothing in this Article shall be deemed to give validity to acts done by a Director after his appointment has been shown to the Company to be invalid or to have terminated.

Minutes of proceedings of the Board meetings

165(a) The Company shall cause minutes of all proceedings of every meeting of the Board and Committee thereof to be kept by making within thirty days of the conclusion of every such meeting entries thereof in books kept for that purpose with their pages consecutively numbered.

(b) Each page of every such book shall be initialed or signed and the last page of the record of proceedings of each meeting in such book shall be dated and signed by the Chairman of the said meeting or the Chairman of the next succeeding meeting.

(c) In no case the minutes of proceedings of a meeting shall be attached to any such book as aforesaid by pasting or otherwise.

(d) The minutes of each meeting shall contain a fair and correct summary of the proceedings thereat.

(e) All appointments of officers made at any of the meetings aforesaid shall be included in the minutes of the meeting.

(f) The minutes shall also contain:

(i) The names of the Directors present at the meeting; and

(ii) In the case of each resolution passed at the meeting, the names of the Directors if any, dissenting from, or not concurring in the resolution.

(g) Nothing contained in sub-clauses (a) to (f) shall be deemed to require the inclusion in any such minutes of any matter which, in the opinion of the Chairman of the meeting;

(i) is or could reasonably be regarded as defamatory of any person;

(ii) is irrelevant or immaterial to the proceedings; or

(iii) is detrimental to the interest of the Company.

The Chairman shall exercise an absolute discretion in regard to the inclusion or non-inclusion of any matter in the minutes on the grounds specified in this sub-clause.

(h) Minutes of meetings kept in accordance with the aforesaid provisions shall be evidence of the proceedings recorded therein.

Powers of Directors

166. The Board may exercise all such powers of the Company and do all such acts and things as are not by the Companies Act, or any other Act or by the Memorandum or by the Articles of the Company required to be exercised by the Company in General Meeting, subject nevertheless to these Articles, to the provisions of the Act, or any other Act and to such regulations being not inconsistent with the aforesaid regulations or provisions, as may be prescribed by the Company in General Meeting but no 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. Provided that the Board shall not, except with the consent of the Company in General Meeting accorded by an ordinary resolution:

(a) sell, lease or otherwise dispose of the whole or substantially the whole, of the undertaking of the Company, or where the Company owns more than one undertaking of the whole, or substantially the whole of any such undertaking;

(b) remit, or give time for the repayment of, any debt due by a Director;

(c) invest otherwise than in trust securities the amount of compensation received by the Company in respect of the compulsory acquisition of any such undertakings as is referred to in clause (a) or of any premises or properties used for any such undertaking and without which it cannot be carried on or can be carried on only with difficulty or only after a considerable time;

(d) borrow moneys where the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business), will exceed the aggregate of the paid-up capital of the Company and its free reserves that is to say, 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 therein stated; or

(e) contribute to charitable and other trusts not directly relating to the business of the Company or the welfare of its employees, any amounts the aggregate of which will, in any financial year exceed twenty-five thousand rupees or five percent of its average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Act during the three financial years immediately preceding, whichever is greater.

Certain powers of the Board

167(a) Without prejudice to the general powers conferred by the preceding Article and so as not in any way to limit or restrict those powers, and without prejudice to the other powers conferred by these Articles, but subject to the restrictions contained in the last preceding Article, it is hereby declared that the Directors shall have the following powers, that is to say power to adopt all preliminary contracts, if any, entered into by the promoters either by entering into a contract or

with any other person, firm or company on behalf of the Company by way of ratification or substitution and to remunerate person or company for services rendered or to be rendered for the formation or promotion of the Company or for the acquisition of any property, license, trademarks, letter of intent, allotments, know how or similar thing by the Company.

(b) Without prejudice to the generality of the foregoing, upon the adoption of preliminary contracts, if any, entered into by and between the promoters and any other persons, the Board shall have power in its absolute discretion to issue and allot fully paid Equity or Preference Shares of the Company or by issue of Fully and/or Partly paid Convertible / Non-Convertible Debentures or such other Securities or partly by one and partly by other, in any combination, in one or more trenches may be thought fit by the Board, for consideration in cash or otherwise than in cash to the Promoters or to any other person in terms of the agreement that may be entered into between the Company and the Promoters or to any other person including.

(i) To pay cost, charges and expenses preliminary and incidental to the promotion, formation, establishment and registration of the Company.

(ii) To enter into contracts for the acquisition of fixed assets, net current assets, selling rights etc and to enter into non-compete agreements with any other person, firm or company on behalf of the Company by way of ratification or substitution and to remunerate person or company for services rendered or to be rendered or for the acquisition of any property, license, trademarks, letter of intent, allotments, know how or similar thing by the Company and for the purpose to pay for such consideration as may arise therefrom by issue of fully paid Equity or Preference Shares of the Company or by issue of Fully and/or Partly paid Convertible / Non-Convertible Debentures or partly by one and partly by other, in any combination, in one or more trenches as the Board may deem fit.

(iii) To pay and charge to the capital account of the Company any commission, brokerage or interest lawfully payable thereon under the provisions of Sections 76 and 208 of the Act.

(iv) Subject to Sections 292, 297 and 360 of the Act to purchase or otherwise acquire for the Company any property, rights or privileges which the Company is authorised to acquire, at or for such price or consideration and generally on such terms and conditions as they may think fit and in any such purchase or other acquisition to accept such title as the Directors may believe or may be advised to be reasonably satisfactory.

(v) At their discretion and subject to provision of the Act to pay for any property, rights, or privileges acquired by or services rendered to the Company, either wholly or partially, in cash or in shares, bonds, debentures, mortgages 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, mortgages or other securities may be either specially charged upon all or any part of the property of the Company and its uncalled capital or not so charged.

(vi) To secure the fulfillment of any contracts or engagement entered into by the Company by mortgage or charge of all or any of the property of the Company and its uncalled capital for the time being or in such manner as they may think fit.

(vii) To accept from any member, as far as may be permissible by law, a surrender of his shares or any part thereof, on such terms and conditions as shall be agreed.

(viii) To appoint any person to accept and hold in trust for the Company any property belonging to the Company, in which it is interested, or for any other purposes, and to execute and do all such deeds and things as may be required in relation to any trust, and to provide for the remuneration of such trustee or trustees.

(ix) To institute, conduct, defend, compound, or abandon any legal proceedings by or against the Company or its officers or otherwise concerning the affairs of the Company, and also to compound and allow time for payment or satisfaction of any debts due and or any claim or demands by or against the Company and to refer any differences to arbitration, and observe and perform any awards made thereon.

(x) To act on behalf of the Company in all matters relating to bankruptcy and insolvency.

(xi) To make and give receipts, releases, and other discharges for moneys payable to the Company and for the claims and demands of the Company.

(xii) Subject to the provisions of Sections 292, 295, 369, 370 and 372A of the Act, to invest and deal with any moneys of the Company not immediately required for the purposes thereof upon such security (not being shares of this Company) or without security and in such manner as they may think fit, and from time to time to vary or realise such investments. Save as provided in Section 49 of the Act, all investments shall be made and held in the Company's own name.

(xiii) To execute in the name and on behalf of the Company in favour of any Director or other person who may incur or be about to incur any personal liability whether as principal or surety, for the benefit, of the Company, such mortgages of the Company's property (present and future) as they think fit, and any such mortgage may contain a power of sale and such other powers, provisions, covenants and agreements as shall be agreed upon.

(xiv) To determine from time to time who shall be entitled to sign on the Company's behalf bills, notes, receipts, acceptances, endorsements, cheques, dividend warrants, releases, contracts and documents and to give them necessary authority for such purpose.

(xv) 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 officer or other persons employed by the Company a commission on the profits of any particular business or transaction and to charge such bonus or commission as part of the working expenses of the Company.

(xvi) To provide for the welfare of Directors or ex-Directors or employees or ex-employees of the Company and their wives, widows and families or the dependants or any connection of such persons, by building or contributing to the building of houses, dwellings, or chawls, or by grants of moneys, pension, gratuities, allowances, bonus or other payments or by creating, and from time to time subscribing or contributing to provident fund and other associations, institutions, funds, trusts and by providing or subscribing or contributing towards places of instruction and recreation, hospital and dispensaries, medical and other attendance and other assistance as the Board shall think fit, and to subscribe or contribute or otherwise to assist or to guarantee to charitable, benevolent, religious, scientific, national or institutions or objects which shall have any moral or other claim to support or aid by the Company either by reason of locality of operation, or of public and general utility or otherwise.

(xvii) Before recommending any dividend, to set aside out of the profits of the Company such sums as they may think proper for depreciation or to Depreciation Fund or to an Insurance Fund or as a Reserve Fund or Sinking Fund or any special fund to meet contingencies or to repay debenture or 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 preceding clause), as the Board may, in their absolute discretion, think conducive to the interest of the Company and subject to Section 292 of the Act, invest the several sums to set aside for so much thereof as required to be invested, upon such investments (other than shares of the Company) as they may think fit, and from time to time to deal with and vary such investments and dispose of and apply and expend all or any part thereof for the benefit of the Company in such manner and for such purposes as the Board in their absolute discretion, think conducive to the interest of the Company notwithstanding that the matters to which the Board apply or upon which they expend the same, or any part thereof may be matters to or upon which the capital moneys of the Company might rightly be applied or expended, and to divide the Reserve Fund into such special funds as the Board may think fit with full power to transfer the whole or any portion of a Reserve Fund or division of a Reserve Fund to another Reserve Fund or Division of a Reserve Fund and with full power to employ the assets constituting all or any of the above funds, including the Depreciation Fund, in the business of the Company or in the purchase or repayment of Debenture or debenture stock and without being bound to keep the same separate from the other assets and without being bound to pay interest on the same with power however to the Board at their discretion to pay or allow to the credit of such funds interest at such rate as the Board may think proper, not exceeding nine percent per annum.

(xviii) To appoint, and at their discretion remove or suspend such general managers, managers, secretaries, assistants, supervisors, clerks, agents and servants for permanent, temporary or special services as they may from time to time think fit, and to determine their powers and duties and fix their salaries or emoluments or remuneration, and to require security in such instances and to such amount as they may think fit. And also from time to time to provide for the management and transaction of the affairs of the Company in any specified localities in India or elsewhere in such manner as they think fit and the provisions contained in the four next following sub-clauses shall be without prejudice to the general powers conferred by this sub-clause.

(xix) To comply with the requirements of any local law which in their opinion shall be in the interests of the Company necessary or expedient to comply with.

(xx) From time to time and at any time to establish any local Board for managing any of the affairs of the company in any specified locality in India or elsewhere and to appoint any persons to be members of such local Boards, and to fix their remuneration.

(xxi) Subject to Section 292 of the Act, from time to time and at any time to delegate to any persons so appointed any of the powers, authorities and discretion for the time being vested in the Board, other than their power to make calls or to make loans or borrow moneys, and to authorise the Members for the time being of any such local Board, or any of them to fill up any vacancies therein and to act notwithstanding vacancies and any such appointment or delegation may be made on such terms and subject to such conditions as the Board may think fit, and the Board may at any time remove any person so appointed, and may annul or vary any such delegation.

(xxii) At any time and from time to time by power of Attorney under the Seal of the Company, to appoint any person or persons to be the Attorney or Attorneys of the Company for such purposes and with such powers, authorities and discretion (not exceeding those vested in/or exercisable by the Board under these presents and excluding the power to make calls and excluding also except in their limits, authorised by the Board, the power to make loans and borrow moneys) and for such period and subject to such conditions as the Board may from time to time think fit; and any such appointment may (if the Board thinks fit) be made in favour of the members or any of the Members of any Local Board, established as aforesaid or in favour of any Company, or the shareholders, directors, nominees, or managers of any company or firms or otherwise in favour of any fluctuating body of persons whether nominated directly or indirectly by the Board and any such Power of Attorney may contain such Powers for the protection or convenience of persons dealing with such Attorneys as the Board

may think fit, and may contain powers enabling any such delegates or attorneys as aforesaid to sub-delegate all or any of the powers authorities and discretion for the time being vested in them.

(xxiii) Subject to Section 294 and 297 of the Act, for or in relation to any of the matters aforesaid or otherwise for the purposes of the Company to enter into all such 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.

(xxiv) From time to time to make, vary and repeal by-laws for the regulation of the business of the Company its officers and servants.

The Company in General Meeting may declare a dividend

173. The Company in General Meeting may declare dividends to be paid to members according to their respective rights, but no dividends shall exceed the amount recommended by the Board, but the Company in General Meeting may declare a smaller dividend.

Interim dividend

175. The Board may from time to time, pay to the Members such interim dividends as in their judgment the position of the Company justifies.

Dividends in proportion to amount paid-up

177. All dividends shall be apportioned and paid proportionately 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 share shall rank for dividend accordingly.

Retention of dividends until completion of transfer under Article 64

178. The Board may retain the dividends payable upon shares in respect of which any person is, under Article 64 entitled to become a Member or which any person under that Article is entitled to transfer, until such person shall become a member, in respect of such shares or shall duly transfer the same.

No member to receive dividend whilst indebted to the Company, and Company's right of reimbursement thereof

180. No member shall be entitled to receive payment of any interest or dividend in respect of his share or shares whilst any moneys may be due or owing from him to the Company in respect of such share or shares or otherwise howsoever, either alone or jointly with any other person or persons; and the Board may deduct from the interest or dividend payable to any member all sums of moneys so due from him to the Company.

Right to Dividend, rights shares and bonus shares to be held in abeyance pending registration of transfer of shares

181. Where any instrument of transfer of shares has been delivered to the Company for registration and the transfer of such shares has not been registered by the company, it shall.

(a) transfer the dividend in relation to such shares to the special account referred to in Section 205A of the Act, unless the Company is authorised by the registered holder of such shares in writing to pay such dividend to the transferee specified in such instrument of transfer; and

(b) keep in abeyance in relation to such shares any offer of rights shares under clause (a) of subsection (1) of Section 81 and any issue of fully paid up bonus shares in pursuance of sub-section (3) of Section 205 of the Act.

Capitalisation

186(a) The Company in General Meeting may by a special resolution resolve that any moneys, investments or other assets forming part of the undivided profits of the Company standing to the credit of the Reserve Account or Fund, or any Capital Redemption Reserve Account, 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 Shares 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 value or sum or fund be applied on behalf of such shareholders in paying up in full 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 distributed accordingly or in or towards payment of the uncalled liability on any issued shares or debentures or debenture-stock and that such distribution or payment shall be accepted by such shareholders in full satisfaction of their interest in the said capitalised sum, provided that a Share Premium account and a Capital Redemption Reserve Account

may, for the purpose of this Article, only be applied in the paying of any unissued shares to be issued to members of the Company as fully paid bonus shares.

(b) A General Meeting may resolve that any surplus moneys arising from the realisation 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 may be distributed among the members on the footing that they receive the same as capital.

(c) For the purpose of giving effect to any resolution under the preceding paragraphs of this article, the Board may settle any difficulty which may arise in regard to the distribution as it thinks expedient and in particular may issue fractional certificates and may fix the value for distribution of any specific assets, and may determine that such cash payments shall be made to any members upon the footing of the value so fixed or that fraction of less value than Rs. 10/- may be disregarded in order to adjust the rights of all parties and may vest any such cash or the specific assets in trustees upon such trusts for the person entitled to the dividends or capitalised funds as may seem expedient to the Board. Where requisite, 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 persons entitled to the dividend or capitalised fund, and such appointment shall be effective.

General Power

204. Wherever in the Companies Act, it has been provided that the Company shall have right, privilege or authority or that the Company could carry out any transaction only if the Company is so authorised by its articles, then and in that case this regulation hereto authorises and empowers the Company to have such rights, privilege or authority and to carry such transactions as have been permitted by the Act, without there being any specific regulation in that behalf herein provided.

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Company or contracts entered into more than two years before the date of filing of this Draft Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by the Company. These contracts, copies of which have been attached to the copy of this Draft Red Herring Prospectus have been delivered to the Registrar of Companies, Maharashtra for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of the Company located 24, Nirlon Complex, Off. Western Express Highway, Goregaon (East), Mumbai- 400 063 , from 10.00 a.m. to 4.00 p.m. on working days from the date of filing of this Draft Red Herring Prospectus until the date of closure of this Issue.

Material Contracts for Inspection

1. Letter of Engagement dated February 21, 2005 from the Company to Enam Financial Consultants Private Limited as BRLM and their acceptance thereto.
2. Memorandum of Understanding dated February 21, 2005 between the Company and the BRLM to this Issue.
3. Memorandum of Understanding dated January 4, 2005 between the Company and Intime Spectrum Registry Limited as Registrars to this Issue.
4. Escrow Agreement dated [] between the Company, the BRLM, Escrow Collection Bank and the Registrar to this Issue.
5. Underwriting Agreement dated [] between the Company, BRLM and the Syndicate Member.
6. Syndicate Agreement dated [] between the Company, BRLM and the Syndicate Member.

Material Documents for Inspection

1. The Memorandum and Articles of Association of the Company, as amended from time to time.
2. Certificate of Incorporation of the Company dated October 18, 1995.
3. Extraordinary General Meeting resolution dated December 14, 2004 and the resolution of the Board dated November 17, 2004 authorizing this Issue.
4. Copies of the Annual Reports of the Company and its Subsidiaries for the years ended March 31, 2000, 2001, 2002, 2003 and 2004 and audit report for the period ended September 30, 2004.
5. Copy of the tax benefit report dated February 18, 2005 from M/s. Sharp and Tannan Associates, Chartered Accountants.
6. Report of the Auditors dated February 18, 2005 from M/s. Sharp and Tannan Associates, Chartered Accountants.
7. Consents of Auditors, Bankers to the Company, BRLM, Syndicate Member, Legal Advisors to the Company, Legal Advisors to this Issue, Directors, Company Secretary, Registrar to this Issue, Bankers to this Issue, Compliance Officer as referred to, in their respective capacities.
8. General Powers of Attorney executed by Mr. R Venkataraman, Mr. Sat Pal Khattar, Mr. N. Srinivasan, Mr. Satish Ahuja and Mr. Kranti Sinha, Directors of the Company in favour of Mr. Nirmal Jain, Chairman and Managing Director for signing and making necessary changes in this Draft Red Herring Prospectus.
9. Listing application filed with the NSE and the BSE respectively.
10. In principal listing approvals from BSE and NSE respectively.
11. Tripartite agreement between the NSDL, our Company and Intime Spectrum Registry Limited dated [•]
12. Tripartite agreement between the CDSL, our Company and Intime Spectrum Registry Limited dated [•]
13. Due Diligence Certificate dated February 21, 2005 to SEBI from Enam Financial Consultants Private Limited
14. SEBI observation letter no. [•] dated [•]
15. Syndicate Agreement dated [•], Escrow Agreement dated [•] and Underwriting Agreement dated [•].
16. Resolution of the Members of our Company passed at the Annual General Meeting held on August 12, 2004 re-appointing M/s. Sharp and Tannan Associates, Chartered Accountants as statutory auditors for the year 2003-04.

17. Share Subscription and Shareholders Agreement dated October 7, 1999 between the Company and Mr. Nirmal Jain, Ms. Madhu Jain, Mr. Mansukh Jain, Mr. Anirudha Dutta, Mr. Raaz Bhuyan, Mr. R. Venkataraman and Nandi Investments Limited.
18. Share Subscription and Shareholder's Agreement dated March 6, 2000 between the Company and Mr. Nirmal Jain, Mr. Anirudha Dutta, Mr. R. Venkataraman, Mr. Mrugank Paranjpe and ICICI Limited.
19. Subscription Agreement dated March 22, 2000 between the Company and Intel Pacific Inc. and Nirmal Jain, Anirudha Dutta, R. Venkataraman and Mrugank Paranjpe.
20. Investor Rights Agreement dated March 22, 2000 between the Company and Intel Pacific Inc. and Nirmal Jain, Anirudha Dutta, R. Venkataraman and Mrugank Paranjpe.
21. Shareholder's Agreement dated April 7, 2000 between the Company with Nirmal Jain, Anirudha Dutta, R. Venkataraman, Mrugank Paranjpe, Madhu Jain, Mansukh Bhawarlal Jain and Flordia Properties Limited.
22. Share Subscription and Shareholder's Agreement dated September 14, 2001 between the Company and *Reeshanar* Investments Limited, Mauritius and Mr. Nirmal Jain, Anirudha Dutta, R. Venkataraman, Madhu Jain, Mansukh Bhawarlal Jain.
23. Supplemental Share Subscription and Shareholders Agreement dated September 24, 2001 between the Company and Nandi Investments Limited and Mr. Nirmal Jain, Anirudha Dutta, R. Venkataraman, Madhu Jain, Mansukh Bhawarlal Jain.
24. Share Sale Agreement dated January 28, 2005 between Nandi Investments Limited and Khattar Holdings Pte Limited and India Infoline Limited.
25. Any of the contracts or documents mentioned in this Draft Red Herring Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the GoI or the guidelines issued by the Securities and Exchange Board of India, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made there under or guidelines issued, as the case may be. We further certify that all the disclosures made in this Draft Red Herring Prospectus are true and correct.

Signed by all the Directors

Mr. Nirmal Jain

Mr. R. Venkataraman

Mr. Sat Pal Khattar

Mr. Sanjiv Ahuja

Mr. Kranti Sinha

Mr. Nilesh S. Vikamsey

SIGNED

CHAIRMAN AND MANAGING DIRECTOR

Place: Mumbai

Date: February 21, 2005