RED HERRING PROSPECTUS
Dated March 8, 2007
Please read section 60B of the Companies Act, 1956
100% Book Building Issue

ICRA LIMITED

(Originally incorporated as "Investment Information and Credit Rating Agency of India Limited" on January 16, 1991, under the Companies Act. On February 3, 1995 we changed our name to ICRA Limited. On February 18, 1993 our registered office was shifted from Scope Complex, Core V, 7 Lodhi Road, 1st Floor, New Delhi 110 003 to 4th Floor, Kailash Building, 26 Kasturba Gandhi Marg, New Delhi 110 001, and thereafter on July 18, 2006 to our present registered office.

Registered Office: 1105, Kailash Building, 11th Floor, 26 Kasturba Gandhi Marg, New Delhi 110 001, India.
Tel: +91 11 2335 7940, **Fax:** +91 11 2335 7014.
Corporate Office: Building No 8, 2nd Floor, Tower-A, DLF Cyber City, Phase II, Gurgaon 122 002, Haryana,
Tel: + 91 124 4545 300, **Fax:** + 91 124 4545 350
Contact Person: Mr. Vijay Wadhwa, **Tel:** +91 124 4545 300, **E-mail:** ipo@icraindia.com, **Website:** www.icra.in

PUBLIC OFFER OF 2,581,100 EQUITY SHARES OF Rs. 10 EACH ("EQUITY SHARES") OF ICRA LIMITED ("ICRA" OR "COMPANY") THROUGH AN OFFER FOR SALE BY IFCI LIMITED, ADMINISTRATOR OF THE SPECIFIED UNDERTAKING OF THE UNIT TRUST OF INDIA AND STATE BANK OF INDIA, ("SELLING SHAREHOLDERS") FOR CASH AT A PRICE OF RS. [·] PER EQUITY SHARE AGGREGATING RS. [●] MILLION ("OFFER"). THE OFFER SHALL CONSTITUTE 25.81% OF THE FULLY DILUTED POST-OFFER CAPITAL OF OUR COMPANY.

PRICE BAND: Rs. 275 TO Rs. 330 PER EQUITY SHARE OF FACE VALUE Rs. 10.

THE FACE VALUE OF THE EQUITY SHARES IS RS. 10 EACH AND THE OFFER PRICE IS 27.5 TIMES THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND 33.0 TIMES THE FACE VALUE AT THE HIGHER END OF THE PRICE BAND.

In case of revision in the Price Band, the Bidding/Offer Period will be extended for three additional working days after revision of the Price Band subject to the Bidding/Offer Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding/Offer Period, if applicable, will be widely disseminated by notification to National Stock Exchange of India Limited ("NSE") and Bombay Stock Exchange Limited ("BSE"), by issuing a press release, and also by indicating the change on the website of the BRLMs and at the terminals of the Syndicate.

The Offer is being made through the 100% Book Building Process wherein up to 50% of the Offer shall be allotted on a proportionate basis to Qualified Institutional Buyers ("QIBs"). 5% of the QIB Portion shall be available for allocation to Mutual Funds only and the remaining QIB Portion shall be available for allocation to the QIB Bidders including Mutual Funds, subject to valid Bids being received at or above the Offer Price. Further, at least 15% of the Offer shall be available for allocation on a proportionate basis to Non-Institutional Bidders and at least 35% of the Offer shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Offer Price. We have not opted for IPO grading of the Offer.

RISK IN RELATION TO FIRST OFFER

This being the first offer of our Equity Shares, there has been no formal market for our Equity Shares. The face value of our Equity Shares is Rs. 10 and the Offer Price is [●] times of the face value. The Offer Price as determined by our Company in consultation with the BRLMs, on the basis of assessment of market demand for our Equity Shares by way of Book Building and as stated under the section titled "Basis for Offer Price" on page 30 should not be taken to be indicative of the market price of our Equity Shares after our Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in our Equity Shares or regarding the price at which our 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 the Offer 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 the Offer. For taking an investment decision, investors must rely on their own examination of the Company and the Offer including the risks involved. The Equity Shares offered in the Offer have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of this Red Herring Prospectus. Specific attention of the investors is invited to the section titled "Risk Factors" on page xi.

COMPANY AND THE SELLING SHAREHOLDER'S ABSOLUTE RESPONSIBILITY

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

LISTING

The Equity Shares are proposed to be listed on the NSE and the BSE. We have received in-principle approvals from the NSE and the BSE for the listing of our Equity Shares pursuant to letters dated August 24, 2006 and August 21, 2006, respectively. NSE by its letter dated March 1, 2007 has extended its in-principle approval until May 26, 2007. BSE shall be the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGERS		REGISTRAR TO THE ISSUE
SBI CAPITAL MARKETS LIMITED 202, Maker Tower E Cuffe Parade Mumbai 400 005 Tel: +91 22 2218 9166 Fax: +91 22 2218 8332 Email: icraipo@sbicaps.com Website: www.sbicaps.com Contact Person: Mr. Akshay Dua	**KOTAK MAHINDRA CAPITAL COMPANY LIMITED** 3rd Floor, Bakhtawar 229, Nariman Point Mumbai 400 021 Tel: +91 22 6634 1100 Fax: +91 22 2284 0492 Email: icra.ipo@kotak.com Website: www.kotak.com Contact Person: Mr. Chandrakant Bhole	**INTIME SPECTRUM REGISTRY LIMITED** C-13, Pannalal Silk Mills Compound, L.B.S Marg Bhandup (West) Mumbai 400 078 Tel: +91 22 2596 0320-28 Fax: +91 22 2596 0329 Email: icraipo@intimespectrum.com Website: www.intimespectrum.com Contact Person: Mr. Salim Shaikh

BID/OFFER PROGRAMME	
BID/OFFER OPENS ON : TUESDAY, MARCH 20, 2007	**BID/OFFER CLOSES ON : FRIDAY, MARCH 23, 2007**

TABLE OF CONTENTS

DEFINITIONS AND ABBREVIATIONS

Company Related Terms

Term	Description
"ICRA" or "the Company" or "our Company"	ICRA Limited, a public limited company incorporated under the Companies Act, 1956.
"ICRA Group"	Refers to ICRA Limited and its Subsidiaries viz., ICRA Online, ICTEAS and IMaCS.
"We" or "us" or "our"	Refers to ICRA Limited and, where the context requires, its subsidiaries, which are enumerated in the section titled "History and Certain Corporate Matters" on page 66 and in the definition below.
ESOP Scheme	Employee Stock Option Scheme, 2006 of our Company.
ESOS Welfare Trust	The trust settled by our Company for the welfare of our employees and for administration of the ESOP Scheme.
Moody's Corporation	Moody's Corporation, a company incorporated in the U.S.A. under the laws of the State of Delaware, with its principal executive offices at 99 Church Street, New York 100 07.
Moody's Group	The group companies of Moody's Corporation.
Moody's India	Moody's Investment Company India Private Limited, a company incorporated under the Companies Act with its registered office at Electric Mansion, 3rd Floor, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025.
Moody's Investors Service	Moody's Investors Service, Inc., a company incorporated in the U.S.A. under the laws of the State of Delaware with its registered office at 99 Church Street, New York 100 07.
Promoter	Moody's Investment Company India Private Limited.
Shareholders Agreement	Shareholders agreement dated August 3, 1999 amongst ICRA Limited, Moody's India, Industrial Finance Corporation of India Limited, State Bank of India and Life Insurance Corporation of India.
Subsidiaries	The subsidiaries of ICRA Limited, being ICRA Management Consulting Services Limited, ICRA Techno Analytics Limited and ICRA Online Limited.
Technical Services Agreement	Technical services agreement dated August 3, 1999 between ICRA Limited and Moody's Investors Service.

Offer Related Terms

Term	Description
Allotment or Transfer	Unless the context otherwise requires, the transfer of Equity Shares, pursuant to the Offer.
Articles/Articles of Association	Articles of association of our Company.
Auditors	M/s. Vipin Aggarwal & Associates, Chartered Accountants.
Banker(s) to the Offer	HDFC Bank Limited, State Bank of India, ICICI Bank Limited, Kotak Mahindra Bank, Standard Chartered Bank and Yes Bank Limited.

Term	Description
Bid	An indication to make an offer during the Bidding Period by a Bidder to subscribe to our Equity Shares 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 in the Offer.
Bid cum Application Form	The form in terms of which the Bidder shall make an indication to make an offer to subscribe to our Equity Shares and which will be considered as the application for the offer of our Equity Shares pursuant to the terms of this Red Herring Prospectus.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Red Herring Prospectus and the Bid cum Application Form.
Bidding/Offer Period	The period between the Bid/Offer Opening Date and the Bid/Offer Closing Date inclusive of both days and during which prospective Bidders can submit their Bids, including any revisions thereof.
Bid/Offer Opening Date	The date on which the members of the Syndicate shall start accepting Bids for the Offer, which shall be the date notified in an English national newspaper and a Hindi national newspaper, both with wide circulation and a Hindi newspaper with wide circulation in New Delhi.
Bid/Offer Closing Date	The date after which the members of the Syndicate shall not accept any Bids for the Offer, which shall be the date notified in an English national newspaper and a Hindi national newspaper, both with wide circulation and a Hindi newspaper with wide circulation in New Delhi.
Board of Directors/Board	The board of directors of our Company or a committee constituted thereof.
Book Building Process	Book building route as provided in Chapter XI of the SEBI DIP Guidelines, in terms of which the Offer is being made.
BRLMs/ Book Running Lead Managers	SBI Capital Markets Limited and Kotak Mahindra Capital Company Limited.
BSE	Bombay Stock Exchange Limited earlier known as the Stock Exchange, Mumbai.
CAN/Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Offer Price in accordance with the Book Building Process.
CRA Regulations	SEBI (Credit Rating Agencies) Regulations, 1999.
Cap Price	The higher end of the Price Band, above which the Offer 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 Price	Any price within the Price Band. A Bid submitted at Cut-off Price is a valid Bid at all price levels within the Price Band.
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.

Term	Description
Designated Date	The date on which the Escrow Collection Banks transfer the funds from the Escrow Account to the Offer Account, which in no event shall be earlier than the date on which the Prospectus is filed with the RoC.
Designated Stock Exchange	Means the BSE where the securities of our Company are proposed to be listed and which we have chosen for the purpose of the Offer under the SEBI DIP Guidelines.
Director(s)	Director(s) on the Board of our Company, unless otherwise specified.
Draft Red Herring Prospectus	The draft red herring prospectus dated August 3, 2006 issued in accordance with Section 60B of the Companies Act and SEBI DIP Guidelines, which has been filed with SEBI.
Eligible NRI	NRI from such jurisdiction outside India where it is not unlawful to make an offer or invitation under the Offer and in relation to whom this Red Herring Prospectus constitutes an offer to sell or an invitation to subscribe to the Equity Shares Offered herein.
Equity Shares	Equity shares of our Company of face value of Rs. 10 each.
Escrow Account	Accounts opened with the Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid.
Escrow Agreement	Agreement dated [•] to be entered into amongst our Company, the Selling Shareholders, the Registrar, the Escrow Collection Bank(s), BRLMs and the Syndicate Members for collection of the Bid Amounts and for remitting refunds, if any, of the amounts collected, to the Bidders on the terms and conditions thereof.
Escrow Collection Bank(s)	The banks, which are clearing members and registered with SEBI as Banker to the Offer at which the Escrow Account will be opened, in this case being HDFC Bank Limited, State Bank of India, ICICI Bank Limited, Kotak Mahindra Bank, Standard Chartered Bank and Yes Bank Limited.
FEMA	The Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed thereunder.
FII	Foreign Institutional Investor (as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995) registered with SEBI under applicable laws in India.
FVCI	Foreign Venture Capital Investors (as defined under the Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000) 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.
Financial Year/Fiscal /FY	Means a period of 12 months ended March 31 of that particular year.
Floor Price	The lower end of the Price Band, below which the Offer Price will not be finalised and below which no Bids will be accepted.
Indian GAAP	Generally Accepted Accounting Principles in India.

Term	Description
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 10% to 100% of the Bid Amount.
Memorandum / Memorandum of Association	The memorandum of association of our Company.
Mutual Fund	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996.
Mutual Funds Portion	The portion of the QIB Portion being 64,527 Equity Shares that is available for allocation only to Mutual Funds.
NSE	National Stock Exchange of India Limited.
Non-Institutional Bidders	Bidders that are neither Qualified Institutional Buyers nor Retail Individual Bidders and who have Bid for an amount more than Rs. 100,000 (but not including NRIs other than Eligible NRIs).
Non-Institutional Portion	The portion of the Offer being at least 387,165 Equity Shares available for allocation to Non-Institutional Bidders.
NRI/Non-Resident Indian	A person resident outside India, who is a citizen of India or a person of Indian origin and shall have the same meaning as ascribed to such term in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.
Offer	Offer for sale of 2,581,100 Equity Shares by the Selling Shareholders for cash at a price of Rs. [•] per Equity Share aggregating Rs. [•] million.
Offer Account	Accounts opened with the Bankers to the Offer to receive monies from the Escrow Account for the Offer on the Designated Date.
Offer Price	The price, as determined by our Company in consultation with the BRLMs, on the Pricing Date, at which the Equity Shares will be Transferred.
OCB/Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.
Pay-in Date	Bid/Offer Closing Date or the last date specified in the CAN sent to the Bidders, as applicable.
Pay-in-Period	(i) With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/Offer Opening Date and extending until the Bid/Offer Closing Date, and (ii) With respect to Bidders who's Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid/Offer Opening Date and extending until the closure of the Pay-in Date.
Preferential Allotment	Issue of 288,900 Equity Shares to Moody's India and 906,000 Equity Shares to ESOS Welfare Trust at the Offer Price.
Price Band	The price band with a minimum price (Floor Price) of Rs. 275 and the maximum price (Cap Price) of Rs. 330, including any revisions thereof.

Term	Description
Pricing Date	The date on which the Offer Price shall be finalized in terms of this Red Herring Prospectus.
Prospectus	The prospectus, to be filed with the RoC after pricing containing, among other things, the Offer Price that is determined at the end of the Book Building Process, the size of the Offer and certain other information.
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds registered with SEBI, foreign institutional investors registered with SEBI, foreign venture capital investors registered with SEBI, venture capital funds registered with SEBI, state industrial development corporations, insurance companies registered with the 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 Margin Amount	An amount representing at least 10% of the Bid Amount.
QIB Portion	The portion of the Offer being at least 1,290,550 Equity Shares available for allocation to QIBs.
Refund Account	An account opened with a Refund Banker from which refunds of the whole or part of the Bid Amount, if any, shall be made.
Refund Banker	Kotak Mahindra Bank.
Registered Office	The registered office of our Company at 1105, Kailash Building, 11th Floor, 26 Kasturba Gandhi Marg, New Delhi 110 001.
Registrar/Registrar to the Offer	Intime Spectrum Registry Limited.
Retail Individual Bidders	Individual Bidders (including HUFs applying through their *karta* and Eligible NRIs) who have bid for Equity Shares for an amount less than or equal to Rs. 100,000, in any of the bidding options in the Offer.
Retail Portion	The portion of the Offer being at least 903,385 Equity Shares 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 their Bid cum Application Forms or any previous Revision Form(s).
RHP or Red Herring Prospectus	This Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which will not have complete particulars of the price at which the Equity Shares are offered and the size of the Offer and including any corrigendum thereof. This Red Herring Prospectus will be filed with the RoC at least three days before the Bid/Offer Opening Date and will become a Prospectus after filing with the RoC after determination of the Offer Price.
SEBI Act	The Securities and Exchange Board of India Act, 1992, as amended from time to time.
SEBI DIP Guidelines	The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI, as amended, including instructions and clarifications issued by SEBI from time to time.
Selling Shareholders	IFCI Limited, Administrator of the Specified Undertaking of the Unit Trust of India and State Bank of India.

Term	Description
Stock Exchanges	NSE and BSE.
Syndicate or members of the Syndicate	The BRLMs and the Syndicate Members.
Syndicate Agreement	The agreement dated [•] to be entered into among our Company, the Selling Shareholders, the Registrar to the Offer and the members of the Syndicate, in relation to the collection of Bids in the Offer.
Syndicate Members	Kotak Securities Limited and SBICAP Securities Limited.
Transfer	Unless the context otherwise requires, the transfer of Equity Shares pursuant to the Offer.
TRS/ Transaction Registration Slip	The slip or document issued by any of the members of the Syndicate to a Bidder as proof of registration of the Bid.
U.S. GAAP	Generally accepted accounting principles in the United States of America.
Underwriters	BRLMs and the Syndicate Members.
Underwriting Agreement	The agreement among the Underwriters, our Company and the Selling Shareholders to be entered into on or after the Pricing Date.
Venture Capital Funds	Venture capital funds as defined and registered with SEBI under the Securities and Exchange Board of India (Venture Capital Fund) Regulations, 1996, as amended from time to time.

Abbreviations

Term	Description
ADB	Asian Development Bank.
AGM	Annual General Meeting.
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India.
CAGR	Compounded Annual Growth Rate.
CARE	Credit Analysis and Research Limited.
CDSL	Central Depository Services (India) Limited.
CRISIL	CRISIL Limited.
DEA	Department of Economic Affairs, Ministry of Finance, GoI.
DIPP	The Department of Industrial Policy & Promotion, Ministry of Industry, GoI.
DIN	Director Identification Number
DFID	Department for International Development.
DP ID	Depository Participant's identity.
EBIT	Earnings before interest and tax.
EBITDA	Earnings before interest, tax, depreciation and amortization.
EGM	Extraordinary General Meeting.

Term	Description
EPS	Earnings per share.
FCNR Account	Foreign Currency Non Resident Account.
FIPB	Foreign Investment Promotion Board.
FITCH India or Fitch India	Fitch Ratings India Private Limited.
GDP	Gross Domestic Product.
GIC	General Insurance Corporation of India
FDI	Foreign Direct Investment.
GIR Number	General Index Registry Number.
GoI/Government	Government of India.
HUF	Hindu Undivided Family.
ICICI	ICICI Bank Limited.
ICRA Online	ICRA Online Limited.
ICTEAS	ICRA Techno Analytics Limited.
IFCI	IFCI Limited.
IMaCS	ICRA Management Consulting Services Limited.
IT	Information technology.
I.T. Act	Income Tax Act, 1961.
ITES	Information technology enabled services.
KMCC	Kotak Mahindra Capital Company Limited.
LIC	Life Insurance Corporation of India.
MICR	Magnetic Ink Character Recognition.
MOU	Memorandum of Understanding.
N.A.	Not Applicable.
NAV	Net Asset Value.
NBFC	Non Banking Financial Companies as defined under the RBI Act.
NEFT	National Electronic Fund Transfer.
NRE Account	Non-Resident External Account.
NRO Account	Non-Resident Ordinary Account.
NSDL	National Securities Depository Limited.
P.A./p. a. /pa	Per annum.
P/E Ratio	Price/Earnings Ratio.
PAN	Permanent Account Number.

Term	Description
PAT	Profit After Tax.
PNB	Punjab National Bank.
RBI	Reserve Bank of India.
RoC	Registrar of Companies.
ROE	Return on Equity.
RONW	Return on Net Worth.
RTGS	Real Time Gross Settlement.
SBI	State Bank of India.
SBICAP	SBI Capital Markets Limited.
SUUTI	Administrator of the Specified Undertaking of the Unit Trust of India.
US	United States of America.
UTI	Unit Trust of India.

PRESENTATION OF FINANCIAL AND MARKET DATA

Financial Data

Unless indicated otherwise, the financial data in this Red Herring Prospectus is derived from the restated consolidated financial statements as of and for the nine months ended December 31, 2006 and years ended March 31, 2002, 2003, 2004, 2005 and 2006, prepared in accordance with Indian GAAP, Companies Act, restated in accordance with applicable SEBI DIP Guidelines and included in this Red Herring Prospectus. Unless indicated otherwise, the operational data in this Red Herring Prospectus is presented on a stand-alone basis.

The consolidated statement of profit and loss for fiscals 2002, 2003, 2004 and 2005 are for ICRA Limited only on a stand alone basis as ICRA Management Consulting Services Limited, which was incorporated in fiscal 2005, started its operations in fiscal 2006 and ICRA Online and ICTEAS became subsidiaries of our Company in fiscal 2006. The financial information used in this Red Herring Prospectus in relation to ICTEAS and ICRA Online for fiscal 2005 is as per their audited financial statements and has not been restated.

The consolidated statement of assets and liabilities for fiscals 2002, 2003 and 2004 are for ICRA Limited only on a stand-alone basis, as our Company did not have any subsidiaries during such periods. The figures for fiscal 2005 are consolidated for ICRA and IMaCS as the latter became our subsidiary in fiscal 2005. The figures for fiscal 2006 and nine months ending December 31, 2006 are consolidated for ICRA, IMaCS, ICTEAS and ICRA Online, as the last two also became subsidiaries of our Company in fiscal 2006.

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

There are significant differences between Indian GAAP and U.S. GAAP, accordingly, the degree to which the Indian GAAP financial statements (consolidated or unconsolidated) included in this Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices, Indian GAAP, the Companies Act and SEBI DIP Guidelines. Any reliance by persons not familiar with Indian accounting practices, Indian GAAP, the Companies Act and SEBI DIP Guidelines on the financial disclosures presented in this Red Herring Prospectus should accordingly be limited. We have not attempted to quantify those differences or their impact on the financial data included herein, and our Company urges you to consult your own advisors regarding such differences and their impact on our financial data. For more information on these differences, see the section titled "Summary of Significant Differences between Indian GAAP and U.S. GAAP" on page 131.

Currency of Presentation

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

This Red Herring Prospectus contains translations of certain U.S. Dollar into Indian Rupees that have been presented solely to comply with the requirements of Clause 6.9.7.1 of the SEBI DIP Guidelines. These convenience translations should not be construed as a representation that that Indian Rupee or U.S. Dollar or other amounts could have been, or could be, converted into Indian Rupees, as the case may be, at any particular rate, the rate stated below or at all.

Market Data

Unless stated otherwise, industry data used throughout this Red Herring Prospectus has been obtained from various government and other public sources. The industry sources cited in this Red Herring Prospectus include the websites of International Monetary Fund, Prime Database, CMIE, RBI, NASSCOM, AMFI and Debt on Net. Neither we nor any other person connected with the Offer has verified this information. Industry sources and publications generally state that the information contained therein has been obtained from sources and publications generally believed to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assumed and accordingly investment decisions should not be based on such information.

FORWARD-LOOKING STATEMENTS

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

Similarly, statements that describe our objectives, strategies, plans or goals are also forward-looking statements.

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

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

a) General economic and business conditions in India and other countries;

b) Our ability to successfully implement our strategy, growth and expansion plans and technological initiatives;

c) Our ability to respond to technological changes;

d) Changes in laws and regulations relating to the industry in which we operate;

e) Our ability to retain management team and skilled personnel;

f) Our ability to successfully launch new products and services;

g) Any adverse outcome in legal proceedings in which our Company is involved;

h) Potential mergers, acquisitions or restructurings;

i) Occurrence of natural disasters or calamities affecting the areas in which we have operations; and

j) Changes in political and social conditions in India.

For a further discussion on factors that could cause our actual results to differ, see the sections titled "Risk Factors", "Our Business" and "Management's Discussion of Financial Condition and Results of Operations" on pages xi, 49 and 134, respectively. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated.

Neither our Company, any Selling Shareholder, the members of the Syndicate, 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. However, in accordance with SEBI requirements, our Company, the Selling Shareholders and the BRLMs will ensure that investors in India are informed of material developments until such time as the grant of trading permission by the Stock Exchanges for the Equity Shares transferred pursuant to the Offer.

RISK FACTORS

An investment in equity shares involves a high degree of risk. You should carefully consider all the information in this Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. To obtain a complete understanding you should read this section in conjunction with the sections titled "Our Business" on page 49 and "Management Discussion and Analysis on Results of Operations and Financial Conditions" on page 134. Any of the following risks as well as other risks and uncertainties discussed in this Red Herring Prospectus could have a material adverse effect on our business, financial condition and results of operations and could cause the trading price of our Equity Shares to decline which could result in the loss of all or part of your investment. Unless otherwise stated in the relevant risk factors set below, we are not in a position to specify or quantify the financial or other implications of any risk mentioned herein.

Internal Risk Factors and Risks Relating to Our Business

Our operating profit had declined during fiscal 2002 till fiscal 2005.

Our operating profits (being net profit before tax and extraordinary items) had declined during fiscal 2002 till fiscal 2005 and were Rs. 87.03 million, Rs. 104.20 million, Rs. 108.47 million and Rs. 121.63 million in fiscals 2005, 2004, 2003 and 2002, respectively, primarily on account of increase in our personnel expenses during such periods. Our operating profit in fiscal 2006 had increased to Rs. 164.87 million. We cannot assure that we will be able to sustain our operating profits in the future.

We have a high percentage of sundry debtors.

As per our consolidated financial statements, sundry debtors as on December 31, 2006 and March 31, 2006, 2005 and 2004 were Rs. 197.86 million, Rs. 129.46 million, Rs. 98.05 million and Rs. 70.51 million, respectively, which constitutes 38.61%, 23.16%, 25.62% and 20.18%, respectively, of our total revenue during such fiscal periods. As per the terms and conditions of the agreements with our clients, we raise invoices for annual surveillance fees after 365 days from the date of assigning the initial ratings or gradings for surveillance services to be rendered over next year. However, the payment is usually released only upon completion of the surveillance exercise. Since the invoices for consulting services and certain other services are raised after rendering the services, we have high sundry debtors. Some of our sundry debtors and persons to whom loans and advances are extended, from time to time, include persons with which our Directors and/or Promoter may be related. If our sundry debtors are unable to pay their dues on time or at all, our results of operations will be adversely affected to that extent.

An interpretation can be taken that we may have committed a technical violation under the Unlisted Public Companies (Preferential Allotment) Rules, 2003 ("Preferential Allotment Rules").

An issue of equity shares made under Section 81 (1A) of the Companies Act by an unlisted company has to comply with the requirements of the Unlisted Public Companies (Preferential Allotment) Rules, 2003 ("Preferential Allotment Rules"). Clause 6(f) of the Preferential Allotment Rules requires a company to disclose "shareholding pattern of the promoter and other classes of shares before and after the offer" in the explanatory statement to be circulated to the shareholders of the Company for the purposes of the general meeting. Since there is an ambiguity in the language of clause 6(f), the Company in consultation with its legal counsels had carefully considered the letter and spirit of clause 6(f) for the purposes of preparing the explanatory statement in relation to the Preferential Allotment and decided that clause 6(f) was not applicable to it. However, owning to the ambiguity in clause 6(f), alternate interpretation(s) of the said clause cannot be ruled out and there could be an interpretation that we may have committed a technical violation of the Preferential Allotment Rules. However, even assuming a technical violation of the clause 6(f), we believe that it would not affect the legality of the resolutions passed in relation to the Preferential Allotment, since they were unanimously passed by the shareholders in the AGM dated June 12, 2006. Further, we believe that such a technical violation, if any, would not affect the listing of the Equity Shares issued under the

Preferential Allotment or Equity Shares transferred pursuant to the Offer. Furthermore, we have received in-principle approvals from the Stock Exchanges for listing of Equity Shares.

The Offer proceeds will not be available to us.

The Offer is an offer for sale by existing shareholders of our Company, namely IFCI, SUUTI and SBI i.e. the Selling Shareholders. Therefore, the proceeds to the Offer shall be remitted to the Selling Shareholders and we will not benefit from the proceeds of the Offer.

We and one of our Directors are involved in certain legal and other proceedings in India and may face certain liabilities as a result.

We are involved in legal proceedings and claims in India in relation to certain civil matters, including consumer disputes. Set forth below are brief details of the pending legal proceedings involving us and our Directors:

We have received a letter dated May 12, 2000 on behalf of Leafin Depositors Association stating that a criminal complaint has been initiated in the criminal court at Nampally, Hyderabad, against our Company and Mr. Pranab Kumar Choudhury, our then Managing Director. However, we have not received any summons or similar documents from any court in this regard. Further a suit has been filed by one Mr. Deepak Jain against SEBI and certain of its officials including Mr. P.K. Choudhury in his capacity as a member of the SEBI Primary Markets Advisory Committee seeking a declaration that SEBI and its representatives be declared as “network service providers” within the meaning of the Information Technology Act, 2000 and a mandatory injunction against the defendants restraining them from clearing the draft red herring prospectus filed by Everonn Systems India Limited without, *inter alia*, conducting due diligence as per the requirements of the Information Technology Act. The matter is currently pending for hearing.

There are three cases/show cause notices pending against us raised by statutory authorities in relation to payment of service tax. The total amount of claims against us in these cases is approximately Rs. 2,199,706 along with interest and penalty.

There are three income tax related cases pending against us. The total amount of claims against us in these cases is approximately Rs. 244,478.

In addition, there are 11 civil cases involving our Company in which disputes have been raised against us.

Further, there are three proceedings against Mr. D.N. Ghosh, our Chairman, pending before a criminal court in Patna. The complainants had alleged non-payment of dues by IFB Finance Limited with respect to certain fixed deposit schemes and had filed complaints against IFB Finance Limited and directors (including Mr. Ghosh). Mr. Ghosh was a non-executive director of IFB Finance Limited and had resigned on May 26, 1997, prior to the receipt of deposits from the complainants by IFB Finance Limited and filing of the complaints. In two of the above proceedings, the complainants have filed withdrawal petitions to withdraw the complaints against Mr. Ghosh. Also, quashing petitions have been filed in this regard and are pending before Patna High Court. In the third proceeding, an application has been filed for personal exemption of Mr. Ghosh.

Lastly, our Company has filed a winding up petition against M/s. Captech Online Private Limited before the Bombay High Court. The parties have agreed to amicably settle the matter and have signed the consent terms and we have initiated steps to withdraw the matter before the Mumbai High Court.

These legal proceedings are pending at different levels of adjudication before various courts and tribunals. We cannot assure you that these legal proceedings will be decided in our favour. Any adverse decision may have an adverse effect on our business and results of operations.

For further details of the cases mentioned above, see the section titled "Outstanding Litigation and Material Developments" on page 152."

Our business and revenues are impacted by changes in the volume of debt securities issued in domestic capital markets and economic slowdown in India.

Our Company is primarily engaged in the business of providing rating services. A significant portion of our revenues i.e. 55.64% and 55.97% during nine months ended December 31, 2006 and in fiscal 2006, respectively, was on account of our rating services, which is primarily linked to the issuance of debt securities in the Indian capital markets. In the last three years, the Indian economy has experienced an average real GDP growth of 8.10%.

In India, the banks and financial institutions dominate the financial markets. Continued reliance on bank credit by domestic borrowers, could negatively impact the issuances in the domestic debt market.

Investors' preference in the domestic debt market is restricted to higher category ratings. This may continue to constraint the volumes of issuance of debt instruments in the Indian debt market.

A substantial part of our ratings business is dependent on volume and number of debt securities issuance in the capital markets in India. Currently, accessing overseas debt market by certain Indian borrowers/issuers is regulated, which includes end-use restrictions of such borrowings. Any change in such regulatory regime, which liberalizes accessing overseas market for raising debt funds, may adversely impact issuance of debt instruments in the domestic market.

Unfavourable financial or economic conditions in India, which either reduces investor demand for debt securities or reduce the issuers' willingness and ability to issue such securities, could reduce the issuance of debt securities in India. In the event there is a slow down of the Indian economy or reduction in the level of debt issuance in India, the results of our operations and our revenues may be adversely affected.

Our business and revenues are impacted by changes in the interest rates and volatility in the financial markets.

Our revenues and financial condition are primarily linked to our ability to render services in the domestic financial market. Our services such as credit ratings, consulting services, mutual funds based information services and outsourcing services are dependent on the condition of the financial markets in India and abroad.

Any variation in interest rates and credit spreads, volatility in the corporate bonds market or interest rate environment, foreign exchange fluctuations, defaults of significant issuers and other market and economic factors both domestically and globally may negatively impact the issuance of credit sensitive products and other financial services. A sustained period of volatility in the financial markets or a weakness or decline in the financial markets domestically or internationally could have a material adverse effect on our business and financial results.

Material changes in the regulations that govern us or our businesses could affect results of our operations.

A portion of our rating business is driven by regulatory requirements. In the event that there is a change in the requirements to compulsorily rate certain instruments or for certain investors to invest in rated instruments or change in regulations which may negatively impact the level of issuance of debt instruments in the domestic market, there may be a decrease in the demand for rating. This in turn may affect our business, revenues and financial condition.

Further, we are regulated by the Companies Act and are subject to detailed supervision and regulation by the SEBI for some of our activities. Also, we are subject generally to changes in Indian law, as well as to changes in regulation and government policies. The laws and regulations governing us could change in the future and any such changes could affect our business, our future financial performance and the price of our Equity Shares.

Our Subsidiary IMaCS is in consulting services, the demand for such service is vulnerable to fluctuations.

The consulting market is large and diversified across several industries/sectors, and the market is fragmented across several consulting firms. However, the demand for consulting services tends to fluctuate and skilled resources are expensive and difficult to source. In the event our subsidiary IMaCS faces excess demand and is unable to manage the same or if there is a lack of business opportunities, the same could adversely affect its reputation, revenue or operations.

Delay in implementation of Basel II norms may adversely impact our growth from new opportunities.

The Basel II norms are proposed to be implemented in India in fiscal 2008. As per such norms, banks in India would be required to maintain capital based on ratings of their underlying loan exposures under the standardized approach. Consequently, there may be an increase in the demand for rating of such loan exposures. This may provide future opportunities for expanding our business. However, the benefits from this opportunity may get adversely affected in case of any delay.

Competition may affect our market share or profitability.

The credit rating and financial services markets are constantly evolving and the market for such services is getting increasingly competitive. Our Company competes on the basis of rating- perceptions, sector-specific knowledge, methodologies, client service and our range of offerings on services. Our competitors and other financial services companies may introduce new products and services and sophisticated technological advancements to anticipate customer requirements and provide innovative solutions to our clients. Additionally, our Company has been facing increased pricing pressures from our competitors.

Inability on our part to provide constantly upgraded services and solutions may adversely affect our market share, business and operations. In the event our competitors invest and improve in any or all these aspects of the business or offer more competitive prices, we may not be able to maintain our market share, which may adversely affect our results of operations and financial condition.

Our business is largely dependent on our brand recognition and reputation.

Our business is largely dependent on our brand recognition and the credibility of our reputation. In this regard, prominent investment grade defaults or failure to assess the credit worthiness of instruments rated by us, or failure to provide adequate advisory or consulting services could result in the erosion of investor confidence in our services and could negatively affect our brand recognition and reputation. Consequently, a failure to maintain our brand recognition and reputation may adversely affect our business, operations and financial condition.

We depend on the clients/third parties for the adequacy and accuracy of information relating to such clients.

The quality of information made available to us sometimes may not be independently verifiable. While we have a systematic feedback method by which we gather this information but largely we have to depend on clients and third party sources to obtain information relating to them. We may also rely on representations as to the accuracy and adequacy of the information. Inadequacy or inaccuracy of information may expose us to the risk of giving an inappropriate grading or rating. This may in turn affect our business, reputation and operations.

Our success depends in large part upon our management team and skilled personnel and our ability to manage attrition as well as to attract and retain such persons. Further, we do not have keyman insurance policy.

Our performance and success depends largely on our ability to nurture and retain the continued service of our management team and skilled personnel who can perform functions such as sophisticated credit and financial analysis. We also face a continuing challenge to recruit a sufficient number of suitably skilled personnel, particularly as we continue to grow. There is significant competition for management and other skilled personnel in the financial services industry. Further, we do not have a keyman insurance policy to cover for loss of our skilled personnel.

Our annual attrition rates during nine months ended December 31, 2006 and in fiscals 2006, 2005 and 2004 were 22%, 23%, 23% and 24%, respectively. Our attrition levels may add to our increasing personnel expenditures. Further, our competitors and other financial services entities can offer better compensation packages and incentives. In the event we are not be able to attract a high degree of talented employees, or experience high attrition levels which are largely out of our control or are unable to motivate and retain our existing employees, the future of our business and operations may be affected.

Our reputation and business may be influenced by the reputation and business of Moody's Group, possibility of conflict with their interests or Moody's India ceasing to be our Promoter.

Our Promoter is part of the Moody's Group, is a reputed group in the international financial services and ratings market and there may be a potential conflict of interest between their businesses and ours. In addition, in the event there is any negative impact on the business and reputation of the Moody's Group in the international market or if Moody's India ceases to be our Promoter, there could be an adverse influence of such an event on our business and reputation.

We have recently undertaken significant acquisitions and consolidation of our business and introduced new products and services and may in the future continue to do so, which may prove to be difficult to manage or may not be successful.

In fiscal 2006 and Fiscal 2007, we acquired ICTEAS and ICRA Online, which are now subsidiaries of our Company. These are significant acquisitions and for fiscal 2006 the contribution of these Subsidiaries to our revenues has been 16.37% on a consolidated basis. Further ICTEAS and ICRA Online are contemplating a merger. In addition, in the last five years, we have introduced various rating and grading products such as corporate governance ratings, project finance ratings, issuer ratings and grading of maritime training institutes, healthcare institutions and real estate developers and projects. There can be no assurance that we will successfully integrate these acquisitions and consolidation with our existing facilities and operations or achieve success in the new products and services launched.

Part of our growth strategy includes pursuing strategic acquisitions and alliances. However, as of the date of this Red Herring Prospectus, we have not signed any letter of intent or entered into any definitive commitment or agreement for any material acquisition, strategic alliance or strategic investment. Further, we intend to continue expanding our service offerings. We cannot assure you that we will be able to consummate acquisitions or alliances in the future on terms acceptable to us, or at all and further that the integration of any future acquisitions will be successful or that the expected strategic benefits of any future acquisitions or alliances will be realised. In addition, there can be no assurance that we will be able to successfully launch and manage the new products and services we introduce.

Revenues from the top 10 clients of our Company contstitute substantial portion of the total revenue of our Company.

During the nine months period ended December 31, 2006, top 10 clients of our Company contributed 27.74% of total revenue of ICRA Limited (on a stand-alone basis). Further, the business of one of our Subsidiaries, ICTEAS is primarily dependent on the services it provides to certain key clients such as British Petroleum and Judge Technical Staffing. Termination of our agreements or arrangements with such clients or loss of business to competitors in this regard and our inability to get new clients, may adversely affect our business, operations and revenues.

We may not be able to recover the annual surveillance fees for our rating and grading business.

We are required to carry out periodical surveillance of certain ratings and grading already assigned by us for which we charge our clients an annual surveillance fees. There have been instances in the past when our clients have not paid all or part of the annual surveillance fees. During the nine months ended December 31, 2006 and fiscals 2006, 2005 and 2004, the amount of surveillance fees not recovered by us was Rs. 3.23 million, Rs. 5.75 million, Rs. 1.67 million and Rs. 0.33 million, respectively, which constituted 1.10%, 1.73%, 0.45% and 0.10% of the total operating income for such fiscal periods, respectively. We cannot assure you that we will be able to recover part or all of our surveillance fees in the future and failure to recover such fees may adversely affect our revenues and financial condition.

We have made investment in bonds, debentures and other marketable securities, the returns on which would be impacted by changes in the interest rates and volatility in the financial markets.

We have made and intend to continue making investments in mutual funds, bonds, debentures and other marketable securities. Such investments as on December 31, 2006 were Rs. 555.31 million and the income derived from such investments (comprising interest, dividend and net capital gains) aggregated to Rs. 40.58 million during nine months ended December 31, 2006, which accounted for 7.92% of our total income during nine months ended December 31, 2006. Changes in the interest rates and volatility in the financial markets may adversely affect our income and the market value of our securities portfolio.

Moody's India has certain affirmative voting rights under the Shareholders Agreement and Moody's Investors Service is entitled to certain restrictive covenants under the Technical Services Agreement.

Moody's India has certain rights under the Shareholders Agreement relating to affirmative voting in the shareholders meetings, including amendment to our Articles of Association, alteration of our authorised or paid up share capital and any public issue or private placement of equity shares, entering into any joint venture or acquiring any interest in any security of any other rating agency in the world, fresh issue of equity capital to any person carrying on any business or activities in competition with that of Moody's India or our Company. These affirmative rights have not been incorporated in our Articles of Association.

Additionally, as per the Technical Services Agreement entered into with Moody's Investors Service, we cannot obtain or provide to any person, services or information similar to the technical services under the Technical Services Agreement, without the prior written consent of Moody's Investors Service.

For further details of the Shareholders Agreement and the Technical Services Agreement, see the section titled "History and Certain Corporate Matters" on page 66.

Moody's India can block special resolutions.

Moody's India shall post Preferential Allotment and Offer hold 28.51% of our equity share capital. Consequently, Moody's India may be able to block any proposal that requires to be passed by special resolutions in a shareholders' meeting such as further issuance of Equity Shares and alteration of main objects.

Our Promoter and other major shareholders may be able to significantly affect the outcome of shareholder voting and sale of Equity Shares by them may adversely affect the market price of our Equity Shares.

Our Promoter and certain other shareholders hold substantial Equity Shares in our Company. Consequently, such shareholders may be able to, if they act together, control the outcome of any proposal that can be passed with a majority shareholder vote. Further, sales of large blocks of Equity Shares by any or all of them could adversely affect the market price of our Equity Shares. The perception that any such primary or secondary sale may occur also could adversely affect the market price of our Equity Shares.

We are bound by certain exclusivity restrictions.

We have entered into certain service contracts, which contain exclusivity restrictions pursuant to which we cannot undertake similar assignments or provide similar services to any other person or their competitors. Such restrictions may impact growth of such services or our ability to undertake similar assignments and may affect our results and operations. For further details on such restrictions, please see the section titled "Our Business" on page 49.

Some of our outsourcing contracts require us to comply with certain security obligations.

Certain contracts with our clients, to whom we provide outsourcing services, require us to comply with certain security obligations, such as ensuring that our software would be virus-free and maintaining back-up and confidentiality of data. We cannot assure you that we will be able to comply with all those obligations and not incur any liability. We may be required to expend capital and other resources to protect against the threat of security breaches or to alleviate problems caused by such breaches. There can be no assurances that any measures that we implement will not be circumvented in the future.

Our contingent liabilities could adversely affect our financial condition.

As of December 31, 2006, the ICRA Group had contingent liabilities of Rs. 11.49 million, including contingent liability on account of claims against us not acknowledged as debt amounting to Rs. 1.29 million and guarantees of Rs. 10.20 million given by banks against our counter guarantees. If these contingent liabilities fully materialize, our financial condition could be adversely affected.

Failure of our knowledge management and disaster recovery systems may affect our business.

We recognize that knowledge is core to the products and services we deliver. Accordingly, we have knowledge management systems that are mapped, documented and continually updated to ensure efficient delivery to our clients. We also undertake measures for disaster protection and downtime reduction, which includes close monitoring of backup processes and maintenance of redundancy of all critical hardware and applications.

However, in the event that such systems fail due to technical reasons or lack of efficient management of the same, we could lose data critical to our business and this in turn could affect our business, operations and financial condition.

We require certain regulatory approvals in the ordinary course of our business and some of our trademarks are pending registration.

We require certain regulatory approvals, sanctions, licences, registrations and permissions for operating our businesses. In connection with our business, we may require such approvals or their renewal from time to time. We may not receive such approvals or renewals in the time frames anticipated by us or at all, which could adversely affect our business.

Currently the following applications filed by us with the Trademark Registry for grant of certificates of registration of the following names and marks are pending registration:

Description of application for registration of trademark	**Filed on**	**Reference**
ICRA (Class 16)	September 27, 1999	878328
ICRA Limited (Class 16)	September 27, 1999	878329
ICRA Logo (Class 16)	September 27, 1999	878330
Rating Update (Class 16)	September 27, 1999	878332
Rating Profile (Class 16)	September 27, 1999	878333

Description of application for registration of trademark	Filed on	Reference
ICRA Corporate Review (Class 16)	September 27, 1999	878334
Industry Watch Series (Class 16)	September 27, 1999	878335
ICRA Bulletin: Money & Finance (Class 16)	September 27, 1999	878336
ICRA Advisory Services (Class 16)	September 27, 1999	878337
ICRA Rating Services (Class 16)	September 27, 1999	878338
ICRA Information Services (Class 16)	September 27, 1999	878339
www.IndiaCapital.com (Class 9)	June 19, 2000	932860
www.mutualfundsindia.com (Class 9)	June 19, 2000	932863
ICRA RiskOnNet (Class 16)	January 8, 2001	982127
RiskOnNet (Class 16)*	January 8, 2001	982128
ICRA CPRA (Class 16)	January 8, 2001	982129
ICRA Counter Party and Risk Assessment (Class 16)	January 8, 2001	982130
CPRA (Class 16)*	January 8, 2001	982131
INGRES (Class 16/36)	December 19, 2003	1256469
INGRES Logo (Class 16/36)	December 19, 2003	1256470
Earnings Prospectus and Risk Analysis (EPRA) (Class 36)	December 19, 2003	1256468
ICRA Logo (Class 36)	December 24, 2003	1257158
Counter Party Risk Assessment (Class 36)*	February 3, 2004	1264312
CPRA (Class 36)*	February 3, 2004	1264315
ICRA (Class 36)	August 1, 2005	1374690
ICRA Advisory Services (Class 35)	March 13, 2006	1433003
ICTEAS (Class 42)	May 22, 2006	1452790

**Please note the trademarks registered on 'RiskOnNet' (Class 36), logo of IMaCS and IMaCS and the trademark applications for 'RiskOnNet' (Class 16), 'Counter Party Risk Assessment' and 'CPRA' are required to be transferred to IMaCS pursuant to the scheme of demerger as mentioned in the section titled "History and Corporate Matters" on page 66. In this regard IMaCS has filed an application dated December 14, 2006 before the Trademark Registry for assigning the aforementioned trademarks to it.*

In the event we cannot register these trademarks, it may adversely affect our operations.

Grants of stock options under our ESOP Scheme will result in a charge to our profit and loss account and will to that extent reduce our profits.

We have adopted the ESOP Scheme, under which eligible employees of our Company and our Subsidiaries can participate, subject to such approvals as may be necessary. As per the ESOP Scheme, we are permitted to grant options up to a maximum of 906,000 Equity Shares, constituting 9.06% of our post Offer (including Preferential Allotment to Moody's India and ESOS Welfare Trust) paid-up equity capital. We propose to grant stock options at an exercise price, which shall be the same as the Offer Price.

Under Indian GAAP, the grant of these stock options may result in a charge to our profit and loss account due to amortisation of expenses, if any, relating to the grant of stock options over the vesting period of the stock options.

We are extending a loan to the ESOS Welfare Trust to purchase our Equity Shares for the ESOP Scheme.

We are making arrangements to avail a short-term loan facility of up to Rs. 500 million from a bank in order to fund the ESOS Welfare Trust for the acquisition of our equity shares for the ESOP Scheme.

As per the proposed arrangements with ESOS Welfare Trust, the ESOS Welfare Trust would be required to repay the loan to us, as and when funds are available with the ESOS Welfare Trust primarily through the options being exercised by the employees and the exercise price is paid to ESOS Welfare Trust by the employees. In the event such options are not exercised by the employees or the exercise price is not paid by the employees to the ESOS Welfare Trust or the ESOS Welfare Trust does not repay this loan to us, we would be required to write off the amount outstanding in relation to such loan.

Some of our agreements and memoranda of understanding may be inadequately stamped.

Some of our agreements and memoranda of understanding may be inadequately stamped as per the provisions of the Indian Stamp Act, 1899. This may render such documents as inadmissible as evidence in a court in India, unless such documents are adequately stamped. In addition, a penalty of up to 10 times the value of the stamp duty may be required to be paid by us.

Our net cash flow has been negative in the past. Any negative cash flow in the future may affect our liquidity and financial condition.

We have had a negative cash flow of Rs 36.53 million and 14.26 million for the Fiscal 2002 and 2004 respectively. Our net cash flow was negative on account of investments in securities made by our Company. In the event we report negative cash flows in the future, our results from operations may be adversely impacted. For further details on our cash flow, please refer to section titled financial statements-cash flow statement on page 93.

Valuation methodology and accounting practice in our businesses may change.

There is no standard valuation methodology or accounting practices in the industry in which we operate. The valuations in our industry are presently high and may not be sustained in future. Additionally, current valuations may also not be reflective of future valuations within the industry.

External Risk Factors

A slowdown in economic growth in India could cause our business to suffer.

Our performance and the quality and growth of our assets are necessarily dependent on the health of the overall Indian economy. A slowdown in the Indian economy could adversely affect our business, including our ability to grow our asset portfolio, the quality of our assets, and our ability to implement our strategy. India's economy could be adversely affected by a general rise in interest rates, weather conditions adversely affecting agriculture, commodity and energy prices or various other factors. In addition, the Indian economy is in a state of transition. The share of the services sector of the economy is rising while that of the industrial, manufacturing and agricultural sectors is declining. It is difficult to gauge the impact of these fundamental economic changes on our business. Any slowdown in the Indian economy or in the growth of industries we provide services or future volatility in global commodity prices could adversely affect our clients and other concerned parties. This in turn could adversely affect our business and financial performance and the price of our Equity Shares.

Volatility in the Indian stock market may affect the prices of our Equity Shares after listing.

Additionally, there has been significant volatility recently in the Indian stock markets and the Sensex, BSE's benchmark 30-share index, during the period between February 2006 and January 2007 has seen an average daily volatility of 1.63%. During this period, it has witnessed multiple peaks and has reached its all time high of 14,652.09 on February 8, 2007. The prices of our Equity Shares, upon listing on the Stock Exchanges, could fluctuate significantly as a result of market volatility.

Political instability or changes in the government could delay the liberalization of the Indian economy and adversely affect economic conditions in India generally, which could impact our financial results and prospects.

Since 1991, successive Indian governments have pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. Nevertheless, the role of the Indian central and state governments in the Indian economy as producers, consumers and regulators has remained significant. The leadership of India has changed many times since 1996. The current central government, which came to power in May 2004, is headed by the Indian National Congress and is a coalition of several political parties. Although the current government has announced policies and taken initiatives that support the economic liberalization policies that have been pursued by previous governments, the rate of economic liberalization could change, and specific laws and policies affecting banking and finance companies, foreign investment and other matters affecting investment in our securities could change as well. Additionally, as economic liberalization policies have been a major force in encouraging private funding of infrastructure development, any change in these policies could have a significant impact on infrastructure development, business and economic conditions in India.

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

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

Terrorist attacks, civil unrest and other acts of violence or war involving India and other countries could adversely affect the financial markets and our business.

Terrorist attacks and other acts of violence or war may negatively affect the Indian markets on which our equity shares trade and also adversely affect the worldwide financial markets. These acts may also result in a loss of business confidence, make travel and other services more difficult and ultimately adversely affect our business. In addition, any deterioration in relations between India and Pakistan might result in investor concern about stability in the region, which could adversely affect the price of our Equity Shares.

India has also witnessed civil disturbances in recent years and it is possible that future civil unrest as well as other adverse social, economic and political events in India could have a negative impact on us. Such incidents could also create a greater perception that investment in Indian companies involves a higher degree of risk and could have an adverse impact on our business and the price of our Equity Shares.

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

India has experienced natural calamities such as earthquakes, a tsunami, floods and drought in the past few years. The extent and severity of these natural disasters determines their impact on the Indian economy. For example, as a result of drought conditions in the country during fiscal 2003, the agricultural sector recorded a negative growth of 5.2%. The erratic progress of the monsoon in 2004 affected sowing operations for certain crops. Further prolonged spells of below normal rainfall or other natural calamities could have a negative impact on the Indian economy, adversely affecting our business and the price of our Equity Shares.

After the Offer, our Equity Shares may experience price and volume fluctuations or an active trading market for our Equity Shares may not develop.

The price of our Equity Shares may fluctuate after the Offer as a result of several factors, including volatility in the Indian and global financial markets, the results of our operations, the performance of our competitors, changing perceptions in the market about investments in India, adverse media reports on us, changes in the estimates of our performance or recommendations by financial analysts, significant developments in India's economic liberalisation and deregulation policies, and significant developments in India's fiscal regulations.

There has been no public market for our Equity Shares and an active trading market for our Equity Shares may not develop or be sustained after the Offer. Further, the price at which our Equity Shares are initially traded may not correspond to the Offer Price.

Conditions in the Indian securities market may affect the price or liquidity of our Equity Shares.

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

You will not be able to sell or transfer any of our Equity Shares till the date of listing of our Equity Shares.

Under the SEBI DIP Guidelines, we are required to allot/transfer Equity Shares within 15 days of the Bid/Offer Closing Date. Consequently, Equity Shares purchased in the Offer will not be credited to your demat account until approximately 15 days after the Bid/Offer Closing Date. Further, you will not be able to sell or otherwise transfer such Equity Shares till the date of listing of our Equity Shares on the Stock Exchanges.

Further, there can be no assurance that our Equity Shares allocated to you will be credited to your demat account, or that the trading in our Equity Shares will commence within the specified time period.

Notes to Risk factors

- Public offer of 2,581,100 Equity Shares for cash at a price of Rs. [•] per Equity Share, including a share premium of Rs. [•] per Equity Share, aggregating Rs. [•] million. The Offer will constitute 25.81% of our post Offer paid-up capital;
- Based on our restated consolidated financial statements, the net asset value per Equity Share based on our net worth of Rs. 1,065.31 million and Rs. 932.70 million as of December 31, 2006 and March 31, 2006, respectively, was Rs. 120.99 and Rs. 105.76 per Equity Share of face value of Rs. 10 each.
- The average cost of acquisition of our Equity Shares by our Promoter is Rs. 78.84 per Equity Share. For more information, see the section titled "Capital Structure" on page 18;
- We have not issued any Equity Shares for consideration other than cash;
- Except as disclosed in the sections titled "Capital Structure", "Our Management" on pages 18 and 73, respectively, none of our Directors and our key managerial employees have any interest in the Company except to the

extent of remuneration and reimbursement of expenses and to the extent of the Equity Shares held by them or their relatives and associates or held by the companies, firms and trusts in which they are interested as directors, member, partner or trustee and to the extent of the benefits arising out of such shareholding;

- Except any stock options that we may grant under the ESOP Scheme, none of our Directors hold any Equity Shares in our Company;
- We have entered into related party transactions during nine months ended December 31, 2006 and in fiscals 2006, 2005 and 2004. For more information, see the section titled "Financial Statements - Related Party Transactions" on page 109;
- Under-subscription, if any, in any category of investors would be met with spillover from other categories at the sole discretion of our Company in consultation with the BRLMs;
- Trading in our Equity Shares for all investors shall be in dematerialised form only;
- Investors may note that in the event of over-subscription of the Offer, allotment to Qualified Institutional Buyers, Non-Institutional Bidders and Retail Bidders shall be on a proportionate basis. For more information, see the section titled "Basis of Allocation" on page 189;
- Investors are advised to refer to the section titled "Basis for Offer Price" on page 30;
- Any clarification or information relating to the Offer shall be made available by the BRLMs and our Company to the investors at large and no selective or additional information would be available for a section of investors in any manner whatsoever; and
- Investors may contact the BRLMs and the Syndicate Members for any information, clarifications or complaints pertaining to the Offer.

SUMMARY OF OUR BUSINESS, STRENGTHS AND STRATEGIES

Overview

We are one amongst the four credit rating agencies in India providing a wide range of products and services. We were established in 1991 as a credit rating agency by a consortium of financial/ investment institutions, commercial banks and financial services companies. We operate as a professionally managed commercial entity with the objective of maximizing shareholder value.

Our Company is primarily engaged in the business of providing rating services. In addition, we, along with our Subsidiaries, provide (i) consulting services, (ii) information technology based services, (iii) information services, and (iv) outsourcing services.

Moody's India, which is part of the Moody's Group, is our Promoter. In addition, Moody's Investors Service, which is an international rating agency, has entered into the Technical Services Agreement with us pursuant to which it has been providing technical services to us.

Our business has grown consistently since we began operations in 1991. We had initially commenced our business as a credit rating agency in 1991. We have since expanded our portfolio of products and services. Besides the growth in our rating business, diversification of our products and services portfolio has resulted in increased revenues. Our total revenue has increased from Rs. 333.67 million in fiscal 2003 to Rs. 559.09 million in fiscal 2006, at a CAGR of 18.77%. During the same period, our profit after tax has increased from Rs. 97.05 million to Rs. 142.08 million, at a CAGR of 13.55%. In the nine months ended December 31, 2006 we received revenues of 512.50 million and our profit after tax was 135.87 million.

Our Group

Our Company has three wholly owned subsidiaries, namely, IMaCS, ICTEAS and ICRA Online. Our Company is engaged in the business of providing rating and grading services and research based information services. IMaCS provides management consulting services to clients based in India and abroad. ICTEAS is engaged in the business of providing business solutions and computer aided engineering services. ICRA Online provides mutual fund based information services and outsourcing services. ICRA Online, to complement its information services business, also provides technology solutions targeted at distributors of third party financial products, insurance brokers and stock broking houses.

Competitive Strengths

We believe that the following are our primary strengths:

One of the few credit rating agencies in India

We are one amongst the four credit rating agencies in India. In fiscal 2006, volume of debt rated by us was Rs. 1,389.49 billion and the number of published issuers rated by us outstanding as on March 31, 2006 were 398. For the nine months period ended December 31, 2006, the volume of debt rated by us was Rs. 988.64 billion and the number of published issuers rated by us outstanding as on December 31, 2006 was 399. In particular, we believe that we enjoy strong market position for credit ratings in the financial sector and structured finance.

For details, see the section titled "Industry Overview" on page 40.

Rich database and research support our products and services portfolio

Our in-depth industry knowledge in several sectors supplemented by knowledge management systems has enabled us to develop a comprehensive range of products in order to address the varied requirements of different sectors. Our diverse portfolio of products and services enable us to obtain additional business from existing clients as well as address a larger base of potential clients.

Product and service innovation

We believe that part of our success lies in our ability to successfully introduce new products and services. In the last five years, we have introduced various rating and grading products such as corporate governance ratings, project finance ratings, issuer ratings, mutual fund ratings and grading of maritime training institutes, healthcare institutions and real estate developers and projects. In addition, we have acquired Online India Capital.Com Private Limited (subsequently name changed to ICRA Online), which, in 1999, had launched MutualFundsIndia.com, a dedicated portal on mutual funds in India.

Demonstrated track record of our ratings

We believe that for ratings to be used as reliable indicators of credit risk, it is critical that a rating agency be able to demonstrate, over a period of time, strong correlation between the actual performance of the ratings it assigns and what the ratings themselves convey. Since 2001, we have been publishing our rating transition studies. We believe that the ratings assigned by us show that higher category ratings demonstrate a relatively lower likelihood of default and a higher degree of stability with greater resilience to change.

Experienced and strong management team and pool of high quality employee talent

The members of our management team and other professionals come from a diverse set of backgrounds including leading commercial banks and lending institutions, finance companies and other rating agencies and hold formal qualifications in varied disciplines, including engineering, academia, business management, law and accountancy. The diversity of experience helps us adapt a creative and cross-functional approach. Our managers and professional staff also have domain expertise of and experience in the various sectors we serve, which contributes to our understanding of the sector-specific aspects of our business. In addition, many of our key managerial personnel have continued with us for several years.

We have a close association with the Moody's Group

Moody's India, which is part of the Moody's Group, is our Promoter. In addition, Moody's Investors Service, which is an international rating agency, has entered into the Technical Services Agreement with us pursuant to which it has been providing technical services to us. Further, we provide certain outsourcing services to Moody's Investors Service.

Strategy

Our objective is to enhance our position as a leading provider of ratings, research, consulting and outsourced services. We are focused on enhancing shareholder value through pursuing strategies that increase our profitability and return on equity. The key elements of our business strategy are as follows:

Expand our business by using our brand name, core competencies and strategic relationship

To increase our market share, we intend to continue to concentrate on providing high quality service and plan to focus on our key businesses. Other initiatives may include improving our brand visibility and enhancing our service offering for and franchise amongst the investors, issuers and intermediaries. To this end, we may disseminate research, rating views and explore opportunities to benefit from our partnership with the Moody's Group in relation to providing high quality credit research and opinions.

With the proposed implementation of Basel II norms, we expect the requirement for rating loan exposures to increase given the dominance of bank credit in India this may provide future opportunities for expanding our business. We have initiated steps to benefit from this opportunity.

Expansion of our service offerings

We intend to continue expanding our range of products and services in order to increase business from our existing clients, acquire new clients and to capitalize on available opportunities.

Expansion of our global capabilities

For our consulting services, outsourcing services and information technology based services, we plan to supplement our internal growth through the formation of alliances and/or joint ventures outside India. We believe these alliances and joint ventures will allow us to develop new markets, enhance our services and increase our market presence. In addition, we may establish sales offices or representative offices outside India.

Continuing to attract, train and retain employees

We believe a key to our success will be our ability to continue to maintain and grow a pool of strong and experienced professionals. We have been successful in building a team of talented professionals and intend to continue placing special emphasis on managing attrition and attracting highly skilled employees. We will continue to invest in the career development and training of our employees, with the objective of further enhancing their technical skills and leadership capabilities. We believe we have created the right balance of performance bonuses, proposed stock options and other incentives for our employees.

SUMMARY FINANCIAL INFORMATION

The following table sets forth summary financial information (containing certain line items) derived from our restated consolidated financial statements as of the nine month period ended December 31, 2006 and for the fiscal years ended March 31, 2006, 2005 and 2004, which are included in this Red Herring Prospectus under the section titled "Financial Statements" on page 93. The restated consolidated financial statements have been prepared in accordance with Indian GAAP and the SEBI DIP Guidelines and have been restated as described in the auditors' report attached thereto. Some of the items presented below have been reclassified and should be read in conjunction with the financial statements included in this Red Herring Prospectus, the notes thereto and the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 134. Indian GAAP differs in certain significant respects from U.S. GAAP. For more information on these differences, see the section titled "Summary of Significant Differences Between Indian GAAP and U.S. GAAP" on page 131.

Summary Profit and Loss Information

(Rs. in million)

	Nine Months Ended December 31, 2006		Fiscal					
			2006		2005		2004	
	Rs. in million	%age of total revenue	Rs. in million	%age of total revenue	Rs. in million	%age of total revenue	Rs. in million	%age of total revenue
Revenues								
Rating services	285.18	55.64	312.94	55.97	256.16	66.94	244.88	70.07
Consulting services	87.52	17.08	121.33	21.70	95.07	24.84	71.75	20.53
Information technology based services	81.16	15.84	78.30	14.00	0.00	0.00	0.00	0.00
Information services	14.51	2.83	15.58	2.79	14.43	3.77	10.47	3.00
Outsourcing services	27.04	5.28	15.06	2.69	5.86	1.53	1.59	0.45
Other income	17.09	3.33	15.88	2.85	11.15	2.92	20.79	5.95
Total Revenues	**512.50**	**100.00**	**559.09**	**100.00**	**382.67**	**100.00**	**349.48**	**100.00**
Expenditure								
Personnel Expenses	214.08	41.77	238.19	42.60	169.42	44.27	132.43	37.89
Purchases	0.25	0.05	0.60	0.11	0.00	0.00	0.00	0.00
Administrative Expenses	53.29	10.40	58.64	10.49	54.25	14.18	45.80	13.11
Depreciation	20.38	3.98	23.12	4.14	14.25	3.72	13.74	3.93
Interest	0.02	0.00	1.35	0.24	0.00	0.00	0.00	0.00
Other Expenses	61.83	12.06	71.89	12.86	57.58	15.05	53.16	15.21
Miscellaneous expenditure written off	0.56	0.11	0.43	0.08	0.14	0.04	0.15	0.04
Total Expenditure	**350.41**	**68.37**	**394.22**	**70.52**	**295.64**	**77.26**	**245.28**	**70.18**

(Rs. in million)

	Nine Months Ended December 31, 2006		Fiscal					
			2006		2005		2004	
	Rs. in million	%age of total revenue	Rs. in million	%age of total revenue	Rs. in million	%age of total revenue	Rs. in million	%age of total revenue
Net profit before tax and extraordinary items	162.09	31.63	164.87	29.48	87.03	22.74	104.20	29.82
Extraordinary items	22.23	4.33	33.49	5.99	25.62	6.69	43.84	12.54
Provision for taxation	(48.45)	(9.45)	(56.27)	(10.06)	(31.70)	(8.28)	(37.46)	(10.72)
Minority interest	0.00	0.00	(0.01)	0.00	0.00	0.00	0.00	0.00
Profit after tax	**135.87**	**26.51**	**142.08**	**25.41**	**80.95**	**21.15**	**110.58**	**31.64**

Note

Figures for fiscals 2004 and 2005 are for ICRA Limited only on stand-alone basis as IMaCS started its operations during fiscal 2006 and both ICRA Online and ICTEAS became subsidiary companies in fiscal 2006. Therefore, the figures for fiscal 2006 are not comparable with the other previous years.

Summary Balance Sheet Information

(Rs. in million)

Sl. No.	Particulars	As at December 31, 2006	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004
A.	Assets				
	Fixed Assets-gross block	350.73	329.31	288.26	228.44
	Less: Depreciation	(129.85)	(132.73)	(102.20)	(90.56)
	Net Block	220.88	196.58	186.06	137.88
	Capital Work in Progress	4.05	2.33	0.00	0.00
	Total	224.93	198.91	186.06	137.88
B.	Goodwill on Consolidation	51.51	51.44	0.00	0.00
C.	Investments	555.31	589.59	596.15	643.90
D.	Current assets, loans and advances				
	Receivables	197.86	129.46	98.05	70.51
	Cash & bank balances	117.35	63.30	37.96	32.50
	Other current assets	2.17	2.54	2.32	5.32
	Loans and advances	85.93	89.02	58.07	59.41
	Total Current assets, loans and advances	403.31	284.32	196.40	167.74
	Total Assets	1,235.06	1,124.26	978.61	949.52
E.	Liabilities & Provisions				
	Loan funds				
	Secured loans	0.38	0.62	0.00	0.00
	Current liabilities & provisions				
	Sundry liabilities	93.75	77.36	56.81	52.03
	Provisions	69.11	107.11	80.70	102.36
	Deferred Tax	6.51	6.47	3.86	3.60
	Total Current liabilities & provisions	169.37	190.94	141.37	157.99
	Total Liabilities & Provisions	169.75	191.56	141.37	157.99
F.	Net worth	1,065.31	932.70	837.24	791.53
	Represented by:				
	Shareholders funds				
	Share Capital	88.05	88.05	88.05	88.05
	Reserves & surplus	980.25	848.20	749.87	704.06
	Minority Interest	0.00	0.07	0.00	0.00
	Less: miscellaneous expenditure not written off	(2.99)	(3.62)	(0.68)	(0.58)
	Total	1,065.31	932.70	837.24	791.53

Note:

The figures as at 31st March, 2002, 2003 and 2004 are for ICRA Limited (ICRA) only on stand alone basis as there were no subsidiary companies during that period. The figures for the financial year ended 31st March, 2005 are consolidated for ICRA and ICRA Management Consulting Services Limited (IMaCS) as IMaCS became subsidiary in the year 2004-05. The figures as at 31st March, 2006 and 31st December, 2006 are consolidated for ICRA, IMaCS, ICRA Techno Analytics Limited and ICRA Online Limited as ICRA Techno Analytics Limited and ICRA Online Limited became subsidiary companies in the year 2005-06.

Significant accounting ratios (For ICRA Limited)

(Rs. in million)

Particulars	As at December 31, 2006	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004
Networth (Rs. in million) (A)	1,038.01	923.73	837.48	791.53
Adjusted Profit after Tax (Rs. in million) (B)	117.44	126.26	80.95	110.58
No. of Shares outstanding at the end (C) (in Nos.)	8,805,100	8,805,100	8,805,100	8,805,100
Weighted average number of shares outstanding (D) (in Nos.)	8,805,100	8,805,100	8,805,100	8,805,100
Earnings per Share (EPS) (Rs.) (B/D)	13.34	14.34	9.19	12.56
Return on Net worth (%) (B/A)	11.31%	13.67%	9.67%	13.97%
Net Asset Value per Share (Rs.) (A/C)	117.89	104.91	95.11	89.89
Cash from Operating Activities (Rs. in million) (E)	101.01	71.71	30.80	64.93
Cash Earnings per Share (Rs.) (E/C)	11.47	8.14	3.50	7.37

Note: Adjusted Profit after Tax and Cash from Operating Activities for nine months ended December 31, 2006 are not annualised.

THE OFFER

Public Offer of our Equity Shares:

Offer for sale by the Selling Shareholders i.e., IFCI Limited,Administrator of the Specified Undertaking of the Unit Trust of India and State Bank of India:	2,581,100 Equity Shares.
Of which:	
Qualified Institutional Buyers Portion:	Up to 1,290,550 Equity Shares (allocation on proportionate basis) out of which 5% of the QIB Portion or 64,527 Equity Shares shall be available for allocation on a proportionate basis to Mutual Funds only (Mutual Funds Portion), and 1,226,023 Equity Shares shall be available for allocation to all QIBs, including Mutual Funds.
Non-Institutional Portion:	At least 387,165 Equity Shares available for allocation on proportionate basis.
Retail Portion:	At least 903,385 Equity Shares available for allocation on proportionate basis.
Equity Shares outstanding prior to the Offer and the Preferential Allotment*	8,805,100 Equity Shares
Equity Shares outstanding post Preferential Allotment but prior to the Transfer under the Offer	10,000,000 Equity Shares
Equity Shares outstanding post Offer and Preferential Allotment	10,000,000 Equity Shares*
Objects of the Offer:	See the section titled "Objects of the Offer" on page 27.

* Though the Offer does not include any fresh issuance of Equity Shares by our Company, our Company shall issue 288,900 Equity Shares to Moody's India and 906,000 Equity Shares to ESOS Welfare Trust at the Offer Price ("Preferential Allotment"). Since the Preferential Allotment shall be done at the Offer Price, the same shall be carried out after filing of this Red Herring Prospectus with the RoC and Bid/Offer Closing Date and upon determination of Offer Price, in terms of this Red Herring Prospectus. However, the Preferential Allotment shall be concluded prior to the date of Transfer of Equity Shares under the Offer. For details of undertakings of Moody's India and ESOS Welfare Trust in relation to the Preferential Allotment, see the section "Capital Structure" on page 18.

GENERAL INFORMATION

Registered Office of our Company:

ICRA Limited
1105, Kailash Building, 11th Floor
26 Kasturba Gandhi Marg
New Delhi 110 001

Our Company is registered at the office of the Registrar of Companies, NCT of Delhi & Haryana, situated at Paryavaran Bhavan, CGO Complex, Lodhi Road, New Delhi 110 003.

The registration number of our Company is 55-42749 and the company identification number of our Company is U74999DL1991PLC042749.

Board of Directors

The following persons constitute our Board of Directors:

1. Mr. Dhruba Narayan Ghosh, Chairman
2. Mr. Pranab Kumar Choudhury, Vice Chairman
3. Mr. Naresh Takkar, Managing Director
4. Dr. Uddesh Kohli
5. Prof. Deepak Nayyar
6. Mr. Piyush Gunwantrai Mankad
7. Mr. Amal Ganguli
8. Mr. Chester Van Alen Murray
9. Mr. Thomas John Keller, Jr.
10. Mr. Chetan Modi (alternate director for Mr. Chester Van Alen Murray)

For further details of our Chairman, Vice Chairman, Managing Director and other Directors, see section titled "Our Management" on page 73.

Company Secretary and Compliance Officer

Mr. Vijay Wadhwa
Address: Building no 8,
2nd Floor, Tower-A,
DLF Cyber City,
Phase II, Gurgaon 122 002,
Haryana,
Tel: + 91 124 4545 300,
Fax: + 91 124 4545 350
E-mail: ipo@icraindia.com

Investors can contact the Compliance Officer in case of any pre-Offer or post-Offer related problems such as non-receipt of letters of allotment, credit of allotted Equity Shares in the respective beneficiary account or refund orders, etc.

Book Running Lead Managers

SBI Capital Markets Limited
202, Maker Tower 'E'
Cuffe Parade,
Mumbai 400 005, India
Tel: +91 22 2218 9166
Fax: +91 22 2218 8332
E-mail: icraipo@sbicaps.com
Website: www.sbicaps.com
Contact person: Mr. Akshay Dua

Kotak Mahindra Capital Company Limited
Bakhtawar, 3rd Floor
229, Nariman Point
Mumbai 400 021, India
Tel: + 91 22 6634 1100
Fax: + 91 22 2284 0492
Email: icra.ipo@kotak.com
Website: www.kotak.com
Contact Person: Mr. Chandrakant Bhole

Registrar to the Offer

Intime Spectrum Registry Limited
C-13, Pannalal Silk Mills Compound,
L.B.S Marg, Bhandup (W).
Mumbai 400 078
Tel: +91 22 2596 0320-28
Fax: +91 22 2596 0329
Email: icraipo@intimespectrum.com
Website: www.intimespectrum.com
Contact Person: Mr. Salim Shaikh

Syndicate Members

Kotak Securities Limited
Bakhtawar, 1st Floor
229, Nariman Point
Mumbai 400 021, India
Tel: + 91 22 6634 1100
Fax: + 91 22 6630 3927
E-mail: umesh.gupta@kotak.com
Website: www.kotak.com
Contact Person: Mr. Umesh Gupta

SBICAP Securities Limited
191, Maker Tower 'F',
Cuffe Parade
Mumbai 400 005, India
Tel: + 91 22 30273300
Fax: + 91 22 22180196
Website: www.sbicaps.com
Contact Person: Mr. Animesh Shah

Domestic Legal Advisor to the Company

Luthra & Luthra Law Offices
103, Ashoka Estate
Barakhamba Road
New Delhi 110 001, India
Tel: +91 11 4121 5100
Fax: +91 11 2372 3909
E-mail: luthra@luthra.com

Domestic Legal Advisor to the Underwriters

Amarchand & Mangaldas & Suresh A. Shroff & Co.
Amarchand Towers
216, Okhla Industrial Estate
Phase III, New Delhi 110 020, India
Tel: +91 11 2692 050
Fax: +91 11 2692 4900
E-mail: am.delhi@amarchand.com

Bankers to the Offer and Escrow Collection Banks

HDFC Bank Limited
BTI Ops Dept
OLD Bldg., 3rd Floor,
26 – A Narayan Properties,
Off Saki Vihar Road, Chandivali,
Andheri –E Mumbai 400 072, India
Tel: + 91 22 2856 9228
Fax: + 91 22 2856 9256
E-mail: Clayton.Mendonca@hdfcbank.com
Website: www.hdfcbank.com
Contact Person: Mr. Clayton Mendonca /
Mr. Praveen Valiparambeth / Mr. Uday Dixit

ICICI Bank Limited
Capital Markets Division
30, Mumbai Samachar Marg
Mumbai 400 001, India
Tel: + 91 22 2262 7600
Fax: + 91 22 2261 1138
E-mail: sidhartha.routray@icicibank.com
Website: www.icicibank.com
Contact Person: Mr. Sidhartha Sankar Routray

State Bank of India
New Issues & Securities Services Division
Mumbai Main Branch
Mumbai Samachar Marg
P.B. No. 13, Fort
Mumbai 400 023, India
Tel: + 91 22 2265 1579/ 2266 2133/ 2265 1363
Fax: + 91 22 2267 0745/ 2269 5277
E-mail: mmbnewiss@sbi.co.in/ rajeev.kumar@sbi.co.in
Website: www.sbi.co.in/ and www.statebankofindia.com
Contact Person: Mr. Kannan Raj /
Mr. S.M. Das / Mr. Rajeev Kumar

Kotak Mahindra Bank
CMS Dept, 4th Floor,
Dani Coporate Park,
C.S.T. Road, Kalina,
Santacruz (E), Mumbai 400 098, India
Tel: + 91 22 6759 4876 / 4850
Fax: + 91 22 5648 2710
E-mail: mahendra.rao@kotak.com /
ibrahim.sharief@kotak.com
Website: www.kotak.com
Contact Person: Mr. Mahendra Rao / Mr. Ibrahim Sharief

Standard Chartered Bank
270 D. N. Road
Fort, Mumbai 400 001, India
Tel: + 91 22 2268 3831 / 2209 2213
Fax: + 91 22 2209 6067
Email:Rajesh.Malwade@in.standardchartered.com
Website: www.standardchartered.co.in
Contact Person: Mr. Rajesh Malwade

Yes Bank Limited
Nehru Centre, 4th Floor,
Discovery of India,
Dr. A. B. Road, Worli,
Mumbai 400 018, India
Tel: + 91 22 6669 9086
Fax: + 91 22 6669 9255
E-mail: rajesh.lahori@yesbank.in
Website: www.yesbank.in
Contact Person: Rajesh Lahori

Refund Banker

Kotak Mahindra Bank
CMS Dept, 4th Floor,
Dani Coporate Park,
C.S.T. Road, Kalina,
Santacruz (E),
Mumbai 400 098, India
Tel: + 91 22 6759 4876 / 4850
Fax: + 91 22 5648 2710
E-mail: mahendra.rao@kotak.com / ibrahim.sharief@kotak.com
Website: www.kotak.com
Contact Person: Mr. Mahendra Rao / Mr. Ibrahim Sharief

Auditors

M/s. Vipin Aggarwal & Associates
Chartered Accountant
E-4, Defence Colony
New Delhi 110 024, India
Tel: +91 11 4155 1479
Fax No: +91 11 4155 2062
E-mail: vna1974@indiatimes.com

Bankers to the Company

HDFC Bank Limited
G-3/4, Surya Kiran Building
19, Kasturba Gandhi Marg
New Delhi 110 001, India
Tel: +91 11 4151 4332
Fax: +91 11 2335 6976
E-mail: support@hdfcbank.com

ABN Amro Bank N.V
Hansalaya Building
15, Barakhamba Road
New Delhi 110 001, India
Tel: +91 112370 2555
Fax: +91 11 2370 2676
E-mail: monica.mehra@in.abnamro.com

State Bank of Hyderabad
106/110, Surya Kirna Building
19, Kasturba Gandhi Marg
New Delhi 110 001, India
Tel: +91 11 233 20581
Fax: +91 11 2331 3683
E-mail: sbhkgm@ndf.vsnl.net.in

Vijaya Bank
Ground Floor, Vijaya Building
17, Barakhamba Road
New Delhi 110 001, India
Tel: +91 11 2371 2241
Fax: +91 11 2371 3928
E-mail: del.barakhambaroad@vijayabank.co.in

State Bank of Hyderabad
Rachana Sansad Building, Ground Floor,
278 Shankar Ghanekar Marg,
Mumbai 400 025, India
Tel: +91 22 2430 2440
Fax: +91 22 2430 2440
E-mail: : prabhadevi@sbhyd.co.in

Centurion Bank of Punjab Limited
88, Chowringhee Road
Kolkata 700 020, India
Tel: +91 33 2223 4112
Fax: +91 33 2223 4191
E-mail: s.ramkumar@centurionbop.co.in

Canara Bank
Kundanbagh
Hyderabad 500 016, India
Tel: +91 40 23436948
E-mail: hyd1626@canbank.co.in

State Bank of Hyderabad
18, Victoria Road, Austin Town,
Bangalore 560 047, India
Tel: +91 80 2530 0029
Fax: +91 80 2530 0029
E-mail:sbhmis@hd1.vsnl.net.in

Yes Bank Limited
48, Nyaya Marg, Chanakyapuri,
New Delhi 110 021, India
Tel: +91 11 55569000
Fax: +91 11 41680144
E-mail:contactusdel@yesbank.in

State Bank of Hyderabad
488-489, Annasalai, Nandanam
Chennai 600 035, India
Tel: +91 44 2434 9029
Fax: +91 44 2434 9015
E-mail: sbh_mountroad@vsnl.net

UCO Bank
Near Sanyas Ashram
Ashram Road , Ellisbridge
Ahemdabad 380 006, India
Tel: +91 79 26579681
Fax: +91 79 26578477
E-mail: ucoashram@vsnl.net

ICICI Bank Limited
Gulmohar Park, Plot No 1A
ITI Road, Aundh
Pune 411 007, India
Tel: +91 20 25890902
Fax: +91 20 25890905
E-mail: corporatecare@icicibank.com

Kotak Mahindra Bank
7th Floor, Ambadeep
14 Kasturba Gandhi Marg
New Delhi 110 001, India
Tel: +91 11 41790000
Fax: +91 11 23357465
E-mail:bank@kotak.com

Deutsche Bank AG
DLF Infinity Tower, Ground Floor,
Sector 25-A, DLF Phase-II,
Gurgaon 122 002, Haryana, India.
Tel: +91 124 4338100
Fax: +91 124 4338181
E-mail:customer.care@db.com

Statement of Inter se Allocation of Responsibilities for the Offer

The following table sets forth the distribution of responsibility and coordination for various activities among the BRLMs:

S. No.	Activities	Responsibility	Co-ordinator
1.	Capital structuring with the relative components and formalities such as type of instruments, etc.	SBICAP, KMCC	SBICAP
2.	Due diligence of the Company's operations / management / business plans/legal etc. Drafting and design of this Offer Document and statutory advertisement including memorandum containing salient features of the Prospectus. The BRLMs shall ensure compliance with stipulated requirements and completion of prescribed formalities with Stock Exchange, Registrar of Companies and SEBI, including finalization of Prospectus and filing the same with the Registrar of Companies.	SBICAP, KMCC	SBICAP
3.	Drafting and approval of all publicity material other than statutory advertisement as mentioned in (2) above including corporate advertisement, brochure, corporate films etc	SBICAP, KMCC	SBICAP
4.	Appointment of registrar, bankers and advertising agency	SBICAP, KMCC	KMCC
5.	Appointment of printer	SBICAP, KMCC	SBICAP
6.	Non institutional and retail marketing of the Offer, which will cover inter alia, ■ Formulating marketing strategies, preparation of publicity budget ■ Finalize media and Public relations strategy ■ Finalizing centres for holding conferences for brokers, etc. ■ Finalize collection centres ■ Follow-up on distribution of publicity and Offer material including form, prospectus and deciding on the quantum of the Offer material	SBICAP, KMCC	SBICAP
7.	Institutional marketing of the Offer, which will cover, inter alia, finalize the list and division of investors for one to one meetings; and Finalize road show schedule and investor meeting schedules; Road show presentation and FAQ	SBICAP, KMCC	KMCC
8.	Assist the Company in finalization of Offer Price	SBICAP, KMCC	KMCC
9.	Post bidding activities including management of Escrow Accounts, co-ordination with registrar and banks, refund to bidders, etc.	SBICAP, KMCC	KMCC
10.	The post Offer activities of the Offer will involve essential follow up steps, which must include finalisation of listing of instruments and dispatch of certificates and refunds, with the various agencies connected with the work such as Registrars to the Offer, Bankers to the Offer and the bank handling refund business. BRLMs shall be responsible for ensuring that these agencies fulfil their functions and enable him to discharge this responsibility through suitable agreements with the issuer company.	SBICAP, KMCC	KMCC

Credit Rating

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

IPO Grading

We have not opted for IPO grading of the Offer.

Trustees

As the Offer for sale is of equity shares, the appointment of trustees is not required.

Book Building Process

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

The principal parties involved in the Book Building Process are:

(1) The Company;

(2) The Selling Shareholders;

(3) BRLMs;

(4) Syndicate Members who are intermediaries registered with SEBI or registered as brokers with NSE/BSE and eligible to act as underwriters. Syndicate Members are appointed by the Managers; and

(5) Registrar to the Offer.

The SEBI DIP Guidelines have permitted an offer for sale of securities to the public through the 100% Book Building Process, wherein up to 50% of Offer shall be allotted on a proportionate basis to QIBs. Of the QIB Portion, 5% would be available for allocation to Mutual Funds. Further, at least 15% of the Offer shall be available for allocation on a proportionate basis to Non-Institutional Bidders and at least 35% of the Offer shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Offer Price.

QIBs are not allowed to withdraw their Bid(s) after the Bid/Offer Closing Date. For further details, see the section titled "Terms of the Offer" on page 28.

Our Company shall comply with guidelines issued by SEBI for the Offer. In this regard, our Company has appointed SBI Capital Markets Limited and Kotak Mahindra Capital Company Limited as the Book Running Lead Managers to manage the Offer and to procure subscription to the Offer.

Illustration of Book Building and Price Discovery Process *(Investors may note that this illustration is solely for the purpose of easy understanding and is not specific to the Offer)*

Bidders can bid at any price within the price band. For instance, assuming a price band of Rs. 40 to Rs. 48 per share, offer for sale size of 6,000 equity shares and receipt of nine 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 website of the NSE (www.nseindia.com) and BSE (www.bseindia.com). The illustrative book as shown below, shows the demand for the shares of the company at various prices and is collated from bids from various investors.

Number of equity shares bid for	Bid Price (Rs.)	Cumulative equity shares bid	Subscription
500	48	500	8.33%
700	47	1,200	20.00%
1,000	46	2,200	36.67%
400	45	2,600	43.33%
500	44	3,100	51.67%
200	43	3,300	55.00%
2,800	42	6,100	101.67%
800	41	6,900	115.00%
1,200	40	8,100	135.00%

The price discovery is a function of demand at various prices. The highest price at which the selling shareholders are able to transfer the desired quantum of shares is the price at which the book cuts off i.e. Rs. 42 in the above example. The company, in consultation with the book running lead managers will finalise the offer price at or below such cut off price i.e. at or below Rs. 42. All bids at or above the offer price and cut-off bids are valid bids and are considered for allocation in respective category.

The investors are advised to make their own judgment about investment through the Book Building process prior to making a Bid or Application in the Offer.

Steps to be taken for bidding:

1. Check eligibility for making a Bid (see section titled "Offer Procedure - Who Can Bid" on page 172).
2. Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form.
3. If your Bid is for Rs. 50,000 or more, ensure that you have mentioned your PAN and attached copies of your PAN cards or PAN allotment letter to the Bid cum Application Form (see section titled "Offer Procedure —'PAN' or 'GIR' Number" on page 186).
4. Ensure that the Bid cum Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid cum Application Form.

Underwriting Agreement

After the determination of the Offer Price and allocation of our Equity Shares but prior to filing of the Prospectus with RoC, our Company and the Selling Shareholders will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through the Offer. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLMs shall be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfill their underwriting obligations. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters are subject to certain conditions to closing, as specified therein.

The 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	**Indicative Number of Equity Shares to be Underwritten**	**Amount Underwritten (Rs. in million)**
SBI Capital Markets Limited 202, Maker Tower 'E' Cuffe Parade Mumbai 400 005, India.	[•]	[•]
Kotak Mahindra Capital Company Limited Bakhtawar, 3rd Floor 229, Nariman Point Mumbai 400 021, India.	[•]	[•]
Kotak Securities Limited Bakhtawar, 1st Floor, 229, Nariman Point Mumbai 400 021, India.	[•]	[•]
SBICAP Securities Limited 191, Maker Tower 'F', Cuffe Parade Mumbai 400 005, India	[•]	[•]

The above-mentioned amount is indicative and this would be finalized after determination of Offer Price and actual allocation of the Equity Shares. The Underwriting Agreement is dated [•].

In the opinion of our Board of Directors (based on a certificates dated [•] given to them by the Underwriters), the resources of the 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 or registered as brokers with the stock exchanges. The above Underwriting Agreement has been accepted by our Board of Directors 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 Underwriters shall be severally responsible for ensuring payment with respect to the 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.

CAPITAL STRUCTURE

Our share capital as at the date of this Red Herring Prospectus is set forth below:

(Rs. in million)

		Aggregate nominal value	Aggregate Value at Offer Price
A.	**Authorised Capital** [1]		
	15, 000, 000 Equity Shares of Rs. 10 each	150.00	
B.	**Issued, subscribed and paid-up equity share capital prior to the Offer and the Preferential Allotment:**		
	8,805,100 Equity Shares of Rs. 10 each	88.05	
C.	**Equity Shares outstanding post Preferential Allotment* but prior to the Transfer under the Offer**		
	10,000,000 Equity Shares of Rs. 10 each.	100.00	
D.	**Offer in terms of this Red Herring Prospectus**		
	Offer for Sale of 2,581,100 Equity Shares [2]		
	Of which:	25.81	[•]
	QIB Portion of not more than 1,290,550 of which:	12.90	[•]
	Reservation for Mutual Funds is 64,527 Equity Shares	0.64	[•]
	Other QIBs is 1,226,023 Equity Shares	12.26	[•]
	Non Institutional Investors Portion of not less than 387,165 Equity Shares	3.87	[•]
	Retail Investors Portion of not less than 903,385 Equity Shares	9.03	[•]
E.	**Issued, Subscribed and Paid-Up Capital post the Offer:**		
	10,000,000 Equity Shares*	100.00	[•]
F.	**Share Premium Account**		
	Prior to the Offer	268.76	
	Post the Offer and Preferential Allotment	[•]	

* *Though the Offer does not include any fresh issuance of Equity Shares by our Company, our Company shall issue 288,900 Equity Shares to Moody's India and 906,000 Equity Shares to ESOS Welfare Trust at the Offer Price ("Preferential Allotment"). Since the Preferential Allotment shall be done at the Offer Price, the same shall be carried out after determination of the Offer Price, in terms of this Red Herring Prospectus. However, the Preferential Allotment shall be concluded prior to the date of Transfer of Equity Shares under the Offer.*

For the purpose of the Preferential Allotment, Moody's India and ESOS Welfare Trust have undertaken that they shall subscribe to 288,900 Equity Shares and 906,000 Equity Shares, respectively, at the Offer Price. In this regard, at least one day prior to the Bid/OfferOpening Date, Moody's India and ESOS Welfare Trust shall deposit with us an advance against the subscription. The advance against the subscription shall be an amount equivalent to number of Equity Shares proposed to be allotted to each of them multiplied by the Cap Price. We shall retain this amount in a no-lien account until the Offer Price is determined, after which the amount shall be adjusted towards consideration for the Preferential Allotment. In case the Price Band is upwardly revised, Moody's India and ESOS Welfare Trust shall pay an additional amount equivalent to the deficit.

(1) The authorized share capital of our Company was increased from Rs. 100 million divided into 10 million Equity Shares to Rs. 150 million divided into 15 million Equity Shares on May 24, 2000.

(2) The Selling Shareholders are together offering 2,581,100 Equity Shares, in the following manner:

Selling Shareholders	Equity Shares
IFCI Limited	1,860,600
Administrator of the Specified Undertaking of the Unit Trust of India	700,000
State Bank of India	20,500
Total	**2,581,100**

The Offer amounts to 25.81% of the post Offer and Preferential Allotment equity share capital of our Company.

Notes to the Capital Structure

1. **Share Capital History of our Company:**

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

Date of Allotment	Number of Equity Shares	Face Value per share (Rs.)	Issue price per Equity Share (Rs.)	Consideration	Reasons for allotment	Cumulative Share Capital (Rs.)
31.8.1991	7	10	10	Cash	Allotment pursuant to subscription to our Memorandum of Association	70
26.12.1991	3,429,993	10	10	Cash	Expansion of capital base by a further issue	34,300,000
26.3.1997	4,375,100	10	60	Cash	Rights issue in the ratio of 192:100	78,051,000
9.9.1999	1,000,000	10	60	Cash	Expansion of capital base by a further issue	88,051,000
[•]*	1,194,900	10	[•]	Cash	Expansion of capital base by a further issue	100,000,000

* *Our Company shall issue 288,900 Equity Shares to Moody's India and 906,000 Equity Shares to the ESOS Welfare Trust at the Offer Price. Since the Preferential Allotment shall be done at the Offer Price, the same shall be carried out after filing of This Red Herring Prospectus and Bid/Offer Closing Date and upon determination of the Offer Price, in terms of this Red Herring Prospectus. However, the Preferential Allotment shall be concluded prior to the date of Transfer of Equity Shares under the Offer.*

2. **Promoters' Contribution and Lock-in**

Promoters' Contribution

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

Name	Date of Allotment/ Acquisition	Nature of Consideration (Cash, bonus, kind, etc.)	No. of shares locked in	Face Value (Rs.)	Issue Price/ Purchase Price (Rs.)	Percentage of Post-Issue paid -up capital
Moody's Investment Company India Private Limited	28.8.2004	Cash	35,000	10	115	0.35%
	8.7.2004	Cash	612,000	10	115	6.12%
	22.7.2002	Cash	52,500	10	75	0.52%
	4.10.2001	Cash	792,500	10	75	7.93%
	8.6.2000	Cash	70,000	10	60	0.70%
	9.9.1999	Cash	438,000	10	60	4.38%
TOTAL			**2,000,000**			**20.00%**

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

Share Capital Locked in for One Year:

In terms of Clause 4.14.1 of the SEBI DIP Guidelines, in addition to 20% of post Offer shareholding of our Company, the entire pre Offer share capital constituting 5,418,900 Equity Shares including the Equity Shares to be allotted pursuant to the Preferential Allotment, excluding the number of Equity Shares, which are Transferred under the Offer, shall be locked in for a period of one year from the date of Transfer.

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

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

Locked in Equity Shares held by the Promoter, as specified above, can be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions provided that the pledge of the Equity Shares is one of the terms of the sanction of the loan.

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

3. **Shareholding Pattern of our Company**

(a) The table below presents our shareholding pattern before the Offer, post Preferential Allotment but prior to Transfer and post Transfer under the Offer.

S. No.	Name	Pre Offer and Pre Preferential Allotment		Post Preferential Allotment but prior to Transfer under the Offer		Post Preferential Allotment and Transfer under the Offer	
		No. of Equity Shares	Percentage of equity share capital (%)	No. of Equity Shares	Percentage of equity share capital (%)	No. of Equity Shares	Percentage of equity share capital (%)
	Promoter						
1.	Moody's Investment Company India Private Limited	2,562,000	29.10	2,850,900	28.51	2,850,900	28.51

S. No.	Name	Pre Offer and Pre Preferential Allotment		Post Preferential Allotment but prior to Transfer under the Offer		Post Preferential Allotment and Transfer under the Offer	
		No. of Equity Shares	Percentage of equity share capital (%)	No. of Equity Shares	Percentage of equity share capital (%)	No. of Equity Shares	Percentage of equity share capital (%)
	Promoter Group	Nil	Nil	Nil	Nil	Nil	Nil
	Others						
2.	IFCI Limited	1,860,600	21.13	1,860,600	18.60	NIL	NIL
3.	State Bank of India	1,020,400	11.59	1,020,400	10.20	999,900	9.99
4.	Life Insurance Corporation of India	765,300	8.69	765,300	7.65	765,300	7.65
5.	Administrator of the Specified Undertaking of Unit Trust of India	700,000	7.95	700,000	7.00	NIL	NIL
6.	Punjab National Bank	525,000	5.96	525,000	5.25	525,000	5.25
7.	General Insurance Corporation of India	510,200	5.80	510,200	5.10	510,200	5.10
8.	Central Bank of India	255,100	2.90	255,100	2.55	255,100	2.55
9.	Allahabad Bank	171,500	1.95	171,500	1.72	171,500	1.72
10.	Indian Bank	102,500	1.16	102,500	1.02	102,500	1.02
11.	Canara Bank	87,500	0.99	87,500	0.88	87,500	0.88
12.	UCO Bank	87,500	0.99	87,500	0.88	87,500	0.88
13.	Andhra Bank	87,500	0.99	87,500	0.88	87,500	0.88
14.	Oriental Bank of Commerce	35,000	0.40	35,000	0.35	35,000	0.35
15.	Mr. Ajay Kumar Kayan	35,000	0.40	35,000	0.35	35,000	0.35
16.	ESOS Welfare Trust	NIL	NIL	906,000	9.06	906,000	9.06
17.	Other public shareholders	NIL	NIL	NIL	NIL	2,581,100	25.81
	TOTAL	**8,805,100**	**100.00**	**10,000,000**	**100.00**	**10,000,000**	**100**

4. The list of our top 10 shareholders and the number of Equity Shares held by them is as under:

(a) As on the date of this Red Herring Prospectus and 10 days prior to the date of this Red Herring Prospectus:

S. No.	Name of Share Holder	No. of Equity Shares held	Percentage of Equity Share (%)
1.	Moody's Investment Company India Private Limited	2,562,000	29.10
2.	IFCI Limited	1,860,600	21.13
3.	State Bank of India	1,020,400	11.59
4.	Life Insurance Corporation of India	765,300	8.69
5.	Administrator of the Specified Undertaking of UTI	700,000	7.95
6.	Punjab National Bank	525,000	5.96
7.	General Insurance Corporation of India	510,200	5.80
8.	Central Bank of India	255,100	2.90
9.	Allahabad Bank	171,500	1.95
10.	Indian Bank	102,500	1.16

(b) Two years before the date of this Red Herring Prospectus:

S. No.	Name of Share Holder	No. of Equity Shares held	Percentage of Equity Share (%)
1.	Moody's Investment Company India Private Limited	2,562,000	29.10
2.	IFCI Limited	1,860,600	21.13
3.	State Bank of India	1,020,400	11.59
4.	Life Insurance Corporation of India	765,300	8.69
5.	Administrator of the Specified Undertaking of UTI	700,000	7.95
6.	Punjab National Bank	525,000	5.96
7.	General Insurance Corporation of India	510,200	5.80
8.	Central Bank of India	255,100	2.90
9.	Allahabad Bank	171,500	1.95
10.	Indian Bank	102,500	1.16

5. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into our Equity Shares, other than outstanding options that may be granted under our ESOP Scheme. For further details of our ESOP Scheme, see note 18 below.

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

7. In the case of over-subscription in all categories, not more than 12,90,550 equity shares of the Offer shall be available for Allocation on a proportionate basis to QIB Bidders, of which 64,527 equity shares shall be available for Allocation on a proportionate basis to Mutual Funds only, and the remainder of the QIB Portion would be available for Allocation on a proportionate basis to all QIB Bidders, including Mutual Funds, at least 387,165 Equity Shares of the Offer shall be available for Allocation on a proportionate basis to Non-Institutional Bidders and at least 903,385 Equity Shares of the Offer shall be

available for Allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Offer Price. Under-subscription, if any, in any category, would be met with spill over from other categories at the discretion of our Company in consultation with the BRLMs.

8. As on the date of this RHP none of our Directors and key managerial employees hold any Equity Shares.
9. Our Directors, Promoter and Promoter group have not purchased or sold any Equity Shares during a period of six months preceding the date of filing this RHP.
10. A Bidder cannot make a Bid for more than the number of Equity Shares offered through the Offer, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of Bidder.
11. Subject to the Preferential Allotment, there would be no issue of Equity Shares, whether by way of issue of bonus shares, rights issue or in any other manner during the period commencing from submission of this Red Herring Prospectus with SEBI until the Equity Shares have been listed.
12. Subject to the Preferential Allotment, we presently do not intend or propose to alter our capital structure for a period of six months from the date of filing of this Red Herring Prospectus, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) except that if we enter into acquisitions or joint ventures, we may, subject to necessary approvals, consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.
13. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
14. As on the date of this RHP the total number of holders of Equity Shares were 15.
15. We have not issued any Equity Shares out of revaluation reserves or for consideration other than cash.
16. As per RBI regulations, OCBs are not allowed to participate in the Offer.
17. The following are the details of our employees stock option:

    We have adopted the ESOP Scheme dated June 27, 2006 for the grant of options for 906,000 Equity Shares amounting to 9.06% of our post-Offer equity share capital to eligible employees (as defined therein). The ESOP Scheme shall be administered by the ESOP compensation committee of our Board and the ESOS Welfare Trust.

    The members of the ESOP compensation committee are:

    - Mr. Dhruba Narayan Ghosh
    - Prof. Deepak Nayyar; and
    - Mr. Chester V A Murray

    The members of the ESOS Welfare Trust are:

    - Mr. Dhruba Narayan Ghosh
    - Prof. Deepak Nayyar; and
    - Mr. P.R. Khanna

    We shall allot 906,000 Equity Shares to the ESOS Welfare Trust at the Offer Price as part of the Preferential Allotment disclosed above. The ESOP compensation committee has on its meeting dated September 29, 2006, decided to grant as the first tranche 679,500 options out of 906,000 options to eligible employees of our Company and the Subsidiaries ("**First Tranche Options**"). The ESOS compensation committee has further decided that the date of the grant of the First Tranche Options shall be the date of allotment of Equity Shares to the ESOS Welfare Trust ("**Grant Date**").

The following directors and key managerial personnel of our Company and directors of our Subsidiaries would be granted options under the First Tranche Option on the Grant Date:

Name	Designation	No. of Options
Mr Pranab Kumar Choudhury	Vice Chairman	50,000
Mr. Naresh Takkar	Managing Director	50,000
Mr. Vijay Wadhwa	Chief Financial Officer and Company Secretary	13,907
Mr. Vivek Mathur	General Manager	32,392
Mr. Vikas Aggarwal	General Manager	19,448
Mr. Subrata Ray	General Manager	15,742
Mr. L. Shivakumar	General Manager	35,338
Mr. Anjan Deb Ghosh	General Manager	32,392
Mr. Vineet Gupta	General Manager	29,448
Ms. Aunradha Ray	General Manager	17,827
Mr. Joydeep Bhattacharya	General Manager	10,580
Mr. Jayanta Chatterjee	General Manager	32,392
Mr. Rajender Singh Walia	Assistant General Manager	3,000
Mr. Raghavendra Raghuttama Rao	Director, ICRA Online and IMaCS	50,000
Mr. Prateep Guha	Director, ICRA Online and ICTEAS	5,000
Mr.Aditya Agarwal	Director, ICRA Online	3,500

The remaining 226,500 options will be granted in one or more tranches after the listing as the ESOS Compensation committee may determine from time to time.

As per the ESOP Scheme, the minimum and maximum vesting periods are one and three years, respectively. Accordingly, the First Tranche Options shall vest in the following manner:

No of Options	Percentage of First Tranche Options	Date of the Vesting
271,800	40%	Completion of one year from the date of Allotment/Transfer of Equity Shares to the public pursuant to the initial public offer
203,850	30%	Completion of 2 years form the Grant Date
203,850	30%	Completion of 3 years from the Grant Date

Accounting implications of grant of options: The Company shall calculate the fair value of the options granted as per Schedule III of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, using the Black-Scholes model. Depending upon the fair value, as on the date of grant of options, the exact accounting implications of grant of options will be ascertained.

Following are the salient features of the ESOP Scheme:

Number of Options to be granted	906,000 options
Criteria for identification of eligible employees	The options shall be granted under the ESOP Scheme to the eligible employees (i.e. an employee of the Company or a Subsidiary who, according to the ESOS Compensation Committee qualifies for issue of Options under ESOP Scheme and who fulfills the minimum condition of service and other conditions as decided by the ESOS

	Compensation Committee). The employees eligible to participate in the ESOP Scheme shall be identified/determined by the ESOS compensation committee based on the following criteria: (a) Performance of the employee in contributing to business results, organizational strength and market position of the Company; (b) Employee's potential and criticality to the role(s) assigned; (c) Level in the Company/Subsidiary; and (d) Any other criteria that may be determined by the ESOS Compensation Committee from time to time.
Maximum options that may be granted to an employee	No single employee shall be granted options to purchase more than 50,000 ESOS shares.
Exercise Period	Up to five years from the date of vesting, depending on the terms of the grant.
Exercise Process	Subject to the provisions of ESOP Scheme, each option shall be deemed exercised when ESOS Welfare Trust and the Company receives a written notice (in accordance with employee stock option agreement) from the optionee specifying the number of shares to be purchased, accompanied by payment in full of the exercise price. ESOS Welfare Trust shall transfer (or cause to be issued) such shares promptly after the option are exercised.
Lapse of Options	If an optionee ceases to be an employee, (whether by reason of resignation or otherwise, save certain exceptions), all options, whether vested or not, will lapse and become available for re-granting under the ESOP Scheme. Further, in the event employment of an optionee is terminated by the Company for certain specified causes; all options (vested or unvested) held by such optionee will lapse and become available for re-granting under the ESOP Scheme.
Mechanism for transfer of ESOS Shares through ESOS Welfare Trust	The Company proposes to issue the ESOS shares to the ESOS Welfare Trust pursuant to the Preferential Allotment. The ESOS Welfare Trust will transfer the ESOS Shares to the optionees upon exercise of the options in accordance with the provisions of the ESOP Scheme.

As presented below, we have not granted any options under our ESOP Scheme as on the date of this Red Herring Prospectus:

	Particulars	
a.	Options granted	Nil
b.	Exercise Price	[•]*
c.	Options vested	Nil
d.	Options exercised	Nil
e.	The total number of Equity Shares arising as a result of full exercise of options already granted	Nil
f.	Options lapsed	N.A.
g.	Variation of terms of options	Nil
h.	Money realized by exercise of options	Nil

i.	Total number of options in force		Nil
j.	Person-wise details of options granted to:		
	i)	Directors and key managerial employees	N.A.
	ii)	any other employee who received a grant in any one year of options amounting to 5% or more of option granted during that year	N.A.
	iii)	identified employees who are granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of our Company at the time of grant	N.A.
k.	Diluted EPS pursuant to Preferential Allotment (issue of Equity Shares to ESOS Welfare Trust and Moody's India)		Rs. 12.63#
l.	Vesting Schedule		N.A.

* To be determined prior to filing of the Prospectus.

\# For details of method of computation of the diluted EPS, please see the section titled "Basis for Offer Price" on page 30.

None of our employees and Directors who would be granted options under the First Tranche Options on the Grant Date would be entitled to exercise the same within three months after the date of listing of our Equity Shares, since the minimum vesting period under our ESOP Scheme is one year from the date of vesting.

The administration of the ESOP Scheme through the ESOS Welfare Trust is in compliance with the provisions of the Companies Act and SEBI (Employee Stock Option and Employee Stock Purchase Scheme) Guidelines, 1999.

Other than the details given above, our Company has had no previous employee stock option and/or employees stock purchase schemes.

18. Our Company had applied for approval from the FIPB/DIPP for the transfer of Equity Shares in the Offer to Eligible NRIs, FIIs, FVCIs and multilateral and bilateral development financial institutions. FIPB by its letter dated August 28, 2006 has clarified that FIBP approval is not required for the Offer. Our Company has received an approval from RBI (letter no. FE CO.FID/6183/ 10.21.047/2006-07) dated September 21, 2006 stating that RBI has no objection to Eligible NRIs, FIIs, FVCIs and multilateral and bilateral development financial institutions acquiring Equity Shares in the Offer.
19. Our Promoter and Promoter group will not participate in the Offer.

OBJECTS OF THE OFFER

The objects of the Offer are to achieve the benefits of listing on the Stock Exchanges and to carry out the sale of up to 2,581,100 Equity Shares by our Selling Shareholders. We believe that listing will enhance our brand name and provide liquidity to our existing shareholders and our employees who would be allotted Equity Shares under our ESOP Scheme. Listing will also provide a public market for our Equity Shares in India. Our Company will not receive any proceeds from the Offer.

TERMS OF THE OFFER

The Equity Shares being offered are subject to the provisions of the Companies Act, our Memorandum and Articles of Association, the terms of this Red Herring Prospectus, the Prospectus, the Bid cum Application Form, the Revision Form, the Confirmation of Allocation Note and other terms and conditions as may be incorporated in the allotment advices and other documents/ certificates that may be executed in respect of the Offer. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government of India, the Stock Exchanges, the RBI, the RoC and/or other authorities, as in force on the date of the Offer and to the extent applicable.

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of our Memorandum and Articles of Association and shall rank pari passu in all respects with the other existing Equity Shares including rights in respect of dividend, declaration of bonus shares, etc. The allottees will be entitled to dividend or any other corporate benefits, if any, declared by our Company after the date of Transfer.

Mode of Payment of Dividend

We shall pay dividend to our shareholders as per the provisions of the Companies Act.

Face Value and Offer Price

The Equity Shares with a face value of Rs. 10 each are being offered in terms of this Red Herring Prospectus at an Offer price of Rs. [•] per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares.

Rights of the Equity Shareholder

Subject to applicable laws, the equity shareholders of our Company shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability of shares; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and our Memorandum and Articles of Association.

For a detailed description of the main provisions of our Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, see the section the titled "Main Provisions of Articles of Association of the Company" on page 196.

Market Lot and Trading Lot

In terms of the existing SEBI DIP Guidelines, the trading in the Equity Shares shall only be in dematerialised form for all investors. Since trading of our Equity Shares is in dematerialised mode, the tradable lot is one Equity Share. In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form. Allotment through the Offer will be done only in electronic form in multiples of 20 Equity Shares subject to a minimum allotment of 20 Equity Shares.

Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidder(s), may nominate any one person in whom, in the event of death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the registered office of our Company or at the Registrar and transfer agent of our Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by our 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, our 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 90 days, our 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 the Offer will be made only in dematerialised mode, there is no need to make a separate nomination with us. Nominations registered with the respective Depository Participant of the applicant would prevail. If the investors require changing the nomination, they are requested to inform their respective Depository Participant.

Minimum Subscription

The requirement for minimum subscription is not applicable to the Offer.

BASIS FOR OFFER PRICE

The Offer Price will be determined by our Company in consultation with the BRLMs on the basis of assessment of market demand for the Equity Shares offered by way of Book Building Process.

Investors should read the following summary with the Risk Factors included from page number xi to xxii and the details about Company and its financial statements included in this Red Herring Prospectus. The trading price of our Equity Shares could decline due to these risks and you may lose all or part of your investments.

Qualitative Factors

- We are one amongst the four credit rating agencies in India. We were the second player to enter the credit rating agency business in India and have been in existence since 1991. We are recognised amongst investors, issuers and intermediaries. The reliability enjoyed by ratings is crucial for our business and growth.
- There are certain entry barriers for ratings business, which may render it difficult for new players to enter the sector. Such entry barriers are created by knowledge intensive nature of the business and need for proven track record and reputation of the players.
- Our Company focuses on product and service innovation, and has introduced innovative products in the market.
- Moody's India, which is part of the Moody's Group, is our Promoter. In addition, Moody's Investors Service, which is an international rating agency, has entered into the Technical Services Agreement with us pursuant to which it has been providing technical services to us.
- We are expanding global capabilities for our consulting and outsourcing services.

Quantitative Factors

1. A. Earning Per Share (EPS) before Preferential Allotment (i.e. allotment to Moody's India and ESOS Welfare Trust)

Year	EPS (Rs.)	Weight
March 31, 2004	12.56	1
March 31, 2005	9.19	2
March 31, 2006	14.34	3
Weighted Average	**12.33**	

Note:

a. The Earnings per Equity Share has been computed on the basis of adjusted profits/(losses) for the respective years/ periods after considering the impact of accounting changes and prior period adjustments / regroupings pertaining to the earlier years.

b. EPS calculations have been done in accordance with Accounting Standard 20- "Earnings Per Share" issued by the Institute of Chartered Accountants of India.

c. The denominator considered for the purpose of calculating earning per share is the weighted average number of Equity Shares outstanding during the period.

1. B. Earning Per Share (EPS) after Preferential Allotment (i.e. allotment to Moody's India and ESOS Welfare Trust)

Year	EPS (Rs.)	Weight
March 31, 2004	12.56	1
March 31, 2005	9.19	2
March 31, 2006	12.63*	3
Weighted Average	**11.47**	

Note:

The earnings per Equity Share has been computed on the basis of adjusted profits/(losses) for the respective years/periods after considering the impact of accounting changes and prior period adjustments / regroupings pertaining to the earlier years.

*The denominator considered for the purpose of calculating earning per share is the average number of Equity Shares outstanding during the period plus the Preferential Allotment to Moody's India and ESOS Welfare Trust (i.e. 8,805,100 Equity Shares plus issue of 288,900 Equity Shares to Moody's India + issue of 906,000 Equity Shares to ESOS Welfare Trust). Thus, number of Equity Shares considered for denominator is 10,000,000 Equity Shares.

2. Price/Earning Ratio (P/E)* in relation to Offer Price of Rs. [•]

a. Based on the yearly results of FY 2006 adjusted EPS of Rs. 14.34 (before allotment to Moody's India and ESOS Welfare Trust) on Equity Share of face value of Rs. 10 each-[•]

b. Based on the yearly results of FY 2006, EPS of Rs. 12.63 (after allotment to Moody's India and ESOS Welfare Trust) on Equity Share of face value of Rs. 10 each-[•]

c. Industry P/E - 43.8.

(Source: Capital Market Magazine January 01-14, 2007)

Note:

CRISIL is the only listed company out of the identified peer group, and hence taken for calculations.

* would be calculated after discovery of the Offer Price through the process of Book-building

3. Return on Net Worth (RONW)

Year	RONW	Weight
March 31, 2004	13.97%	1
March 31, 2005	9.67%	2
March 31, 2006	13.67%	3
Weighted Average	**12.39%**	

Note:

The average return on net worth has been computed on the basis of the adjusted profits and losses of the respective years drawn after considering the impact of accounting policy changes and material adjustments/regroupings pertaining to earlier years.

Return on Networth (%) = Adjusted Profit after tax / Networth

4. a) Minimum Return on Increased Net Worth to maintain pre-issue EPS (before Preferential Allotment) of 14.34% is [•]

b) Minimum Return on Increased Net Worth to maintain pre-issue EPS (after Preferential Allotment) of 12.63% is [•]

5. Net Asset Value (NAV) per share

Before Preferential allotment (i.e. allotment to Moody's India and ESOS Welfare Trust)

	Rs.
as on March 31, 2004	89.89
as on March 31, 2005	95.11
as on March 31, 2006	104.91
Offer Price	[•]
NAV after the Issue	[•]

Note:

Net Asset Value Per Share = Networth/No. of Equity Shares

After Preferential allotment (i.e. allotment to Moody's India and ESOS Welfare Trust)

	Rs.
As on March 31, 2004	89.89
As on March 31, 2005	95.11
As on March 31, 2006	**92.37***
Offer Price	**[•]**
NAV after the Issue	**[•]**

*Net Asset Value Per Share = Networth/No. of Equity Shares (outstanding at the year + preferential allotment to Moody's India and ESOS Welfare Trust i.e. 8,805,100 equity shares + issue of 288,900 equity shares to Moody's India + issue of 906,000 equity shares to ESOS Welfare Trust. Thus, number of shares considered for denominator is 10,000,000 equity shares.

6. **Comparison with Peer Group**

Our Company is in the business of credit rating and providing other investment information. Our competitors are CRISIL, CARE and Fitch Ratings India Private Limited.

Out of this peer group, only CRISIL is listed and hence provides the basis for industry comparison including ratios.

	EPS	**P/E**	**RONW**
CRISIL	31.7	43.8	19.5%

- For peer group, the data is taken from Capital Market Magazine Jan 01-14, 2007.
- For peer group, data is stand-alone and taken from audited figures for financial year

7. The face value of Equity Shares of ICRA is Rs. 10 and the offer price is [•] times of the face value.

The Offer Price will be determined by the Company in consultation with the BRLMs, on the basis of assessment of market demand for the Equity Shares by way of Book Building, and on the basis of the above factors.

STATEMENT OF TAX BENEFITS

The information provided below sets out the possible tax benefits available to the Company and its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Company and its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company and its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the Company faces in the future, it may or may not choose to fulfil. The benefits discussed below are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

STATEMENT OF POSSIBLE DIRECT TAX BENEFITS AVAILABLE TO ICRA LIMITED AND IT'S SHAREHOLDERS

1. Benefits available to the Company under the Income-tax Act, 1961 ("Act")

1.1 Dividends exempt under Section 10(34)

Dividends (whether interim or final) declared, distributed or paid by domestic companies are exempt in the hands of the Company as per the provisions of Section 10(34) of the Act.

1.2 Dividends exempt under Section 10(35)

The Company will be eligible for exemption of dividend income in accordance with and subject to the provisions of Section 10(35) of the Act.

1.3 Computation of capital gains

1.3.1 Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

1.3.2 Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition / improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index as prescribed from time to time.

1.3.3 As per the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

1.3.4 As per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares or units of an equity oriented fund where the transaction of sale is chargeable to Securities Transaction tax ("STT") shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and education cess).

1.3.5 Exemption of capital gain from income tax

- According to section 10(38) of the Act, long-term capital gains on sale of equity shares or units of an equity-oriented fund where the transaction of sale is chargeable to STT shall be exempt from tax.
- According to the provisions of section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the said bonds are transferred or converted into money

within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

2. Benefits available to resident shareholders

2.1 Dividends exempt under Section 10(34)

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.

2.2 Computation of capital gains

2.2.1 Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

2.2.2 Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition / improvement and expenses incurred in connection with the transfer of a capital assets, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition/improvement with the indexed cost of acquisition / improvement which adjusts the cost of acquisition / improvement by a cost inflation index as prescribed from time to time.

2.2.3 As per the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds, the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

2.2.4 As per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 10 percent (plus applicable surcharge and education cess).

2.2.5 Exemption of capital gain from income tax

- According to section 10(38) of the Act, long-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be exempt from tax.
- According to the provisions of section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

  Where the benefit of section 54EC has been availed of on investments in the notified bonds, a deduction from the income with reference to such cost shall not be allowed under section 80C of the Act.
- According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family ("HUF"), gains arising on transfer of a long term capital asset (not being a residential house), other than gains exempt under section 10(38), are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the

transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

2.3 Rebate under section 88E

Section 88E provides that where the total income of a person includes income chargeable under the head "Profits and gains of business or profession" arising from purchase or sale of an equity share in a company entered into in a recognised stock exchange, i.e. from taxable securities transactions, he shall get rebate equal to the securities transaction tax paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

3. Benefits available to Non-Resident Indian shareholders

3.1 Dividends exempt under Section 10(34)

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.

3.2 Computation of capital gains

3.2.1 Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

3.2.2 Section 48 of the Act contains special provisions in relation to computation of capital gains on transfer of an Indian company's shares by non-residents. Computation of capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e. sale proceeds less cost of acquisition/improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange.

3.2.3 In case investment is made in Indian rupees, the long-term capital gain is to be computed after indexing the cost.

According to the provisions of section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long-term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

3.2.4 As per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and education cess).

3.2.5 Options available under the Act

Where shares have been subscribed to in convertible foreign exchange –

Option of taxation under Chapter XII-A of the Act:

Non- Resident Indians (as defined in Section 115C(e) of the Act), being shareholders of an Indian Company, have the option of being governed by the provisions of Chapter XII-A of the Act, which inter alia entitles them to the following benefits in respect of income from shares of an Indian company acquired, purchased or subscribed to in convertible foreign exchange:

- According to the provisions of section 115D read with Section 115E of the Act and subject to the conditions specified therein, long term capital gains arising on transfer of an Indian company's shares, will be subject to tax at the rate of 10 percent (plus applicable surcharge and education cess), without indexation benefit.

- According to the provisions of section 115F of the Act and subject to the conditions specified therein, gains arising on transfer of a long term capital asset being shares in an Indian company shall not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of six months in any specified asset or savings certificates referred to in section 10 (4B) of the Act. If part of such net consideration is invested within the prescribed period of six months in any specified asset or savings certificates referred to in Section 10(4B) of the Act, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.
- Further, if the specified asset or savings certificate in which the investment has been made is transferred within a period of three years from the date of investment, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such specified asset or savings certificates are transferred.
- As per the provisions of Section 115G of the Act, Non-Resident Indians are not obliged to file a return of income under Section 139(1) of the Act, if their only source of income is income from investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.
- Under Section 115 H of the Act, where the Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under Section 139 of the Act to the effect that the provisions of the Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.
- As per the provisions of Section 115 I of the Act, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that assessment year under Section 139 of the Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

3.2.6 Exemption of capital gain from income tax

- According to section 10(38) of the Act, long-term capital gains on sale of equity shares, where the transaction of sale is chargeable to STT, shall be exempt from tax.
- According to the provisions of section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising on transfer of a long term capital assets shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

  Where the benefit of section 54EC has been availed of on investments in the notified bonds, a deduction from the income with reference to such cost shall not be allowed under section 80C of the Act.
- According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a HUF, gains arising on transfer of a long term capital asset (not being a residential house), other than gains exempt under section 10(38) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

3.3 Rebate under section 88E

Section 88E provides that where the total income of a person includes income chargeable under the head "Profits and gains of business or profession" arising from purchase or sale of an equity share in a company entered into in a recognized stock exchange, i.e. from taxable securities transactions, he shall get rebate equal to the securities transaction tax paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

4. Benefits available to other Non-residents

4.1 Dividends exempt under Section 10(34)

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.

4.2 Computation of capital gains

4.2.1 Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

4.2.2 Section 48 of the Act contains special provisions in relation to computation of capital gains on transfer of an Indian company's shares by non-residents. Computation of capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e. sale proceeds less cost of acquisition/improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange.

4.2.3 In case investment is made in Indian rupees, the long-term capital gain is to be computed after indexing the cost.

As per the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112 (1), if the tax on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

4.2.4 As per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares, where the transaction of sale is chargeable to STT, shall be subject to tax at a rate of 10 percent (plus applicable surcharge and education cess).

4.2.5 Exemption of capital gain from income tax

- According to section 10(38) of the Act, long-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be exempt from tax.
- According to the provisions of section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising to the assessee on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

  Where the benefit of section 54EC has been availed of on investments in the notified bonds, a deduction from the income with reference to such cost shall not be allowed under section 80C of the Act.
- According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a HUF, gains arising on transfer of a long term capital asset (not being a

residential house), other than gains exempt under section 10(38) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

4.3 Rebate under section 88E

Section 88E provides that where the total income of a person includes income chargeable under the head "Profits and gains of business or profession" arising from purchase or sale of an equity share in a company entered into in a recognised stock exchange, i.e. from taxable securities transactions, he shall get rebate equal to the securities transaction tax paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

5. Benefits available to Foreign Institutional Investors ('FIIs')

5.1 Dividends exempt under section 10(34)

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of section 10(34) of the Act.

5.2 Taxability of capital gains

As per the provisions of section 115AD of the Act, FIIs will be taxed on the capital gains that are not exempt under section 10(38) of the Act at the following rates:

Nature of income	Rate of tax (%)
Long-term capital gains	10
Short-term capital gains	30

The above tax rates would be increased by the applicable surcharge and education cess. The benefits of indexation and foreign currency fluctuation protection as provided by Section 48 of the Act are not available to an FII.

According to Section 111A of the Act, short term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and education cess).

5.3 Exemption of capital gain from income tax

According to section 10(38) of the Act, long-term capital gains on sale of shares where the transaction of sale is chargeable to STT shall be exempt from tax.

5.4 Rebate under section 88E

Section 88E provides that where the total income of a person includes income chargeable under the head "Profits and gains of business or profession" arising from purchase or sale of an equity share in a company entered into a recognised stock exchange, i.e. from taxable securities transactions, he shall get rebate equal to the securities transaction tax paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

6. Benefits available to Mutual funds

As per the provisions of Section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made thereunder, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorised by the Reserve Bank of India would be exempt from income tax, subject to the conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

7. Tax Treaty benefits

An investor has an option to be governed by the provisions of the Act or the provisions of a Tax Treaty that India has entered into with another country of which the investor is a tax resident, whichever is more beneficial.

8. Benefits available under the Wealth-tax Act, 1957

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

The above Statement of Possible Direct Tax Benefits sets out the provisions of law in a summary manner only and is not a complete analysis or list of all potential tax consequences of the purchase, ownership and disposal of equity shares. The statements made above are based on the tax laws in force and as interpreted by the relevant taxation authorities as of date. Investors are advised to consult their tax advisors with respect to the tax consequences of the purchase, ownership and disposal of equity shares.

Notes:

1. All the above benefits are as per the current tax law.
2. All the above benefits are as per the current tax law and will be available to the sole/ first named holder in case the shares are held by joint holders.
3. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the shares of the company.

INDUSTRY OVERVIEW

The information in this section is derived from various government and other public sources. The industry sources cited herein include the websites of International Monetary Fund, Prime Database, CMIE, Reserve Bank of India, NASSCOM, AMFI, and Debt on Net. Neither we nor any other person connected with the Offer has verified this information. Industry sources and publications generally state that the information contained therein has been obtained from sources and publications generally believed to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assumed and accordingly investment decisions should not be based on such information.

The information available in the Ratings Section on the site http://www.debtonnet.com/ has been obtained from sources that is considered reliable and every effort has been made to offer the most current, correct, clearly expressed information possible but Debt on Net & IL&FS Investment Securities Ltd. (IISL) does not guarantee its completeness or accuracy and inadvertent errors may occur. While Debt on Net endeavors to update the information discussed in this material on a reasonable basis, there may be regulatory, compliance or other reasons that prevent them from doing so. Debt on Net and IISL accept no liability for any loss, direct or indirect arising from the use of the material presented on its' site.

Global Credit rating Industry

Evolution

The credit rating business can trace its origins to the mercantile credit agencies in the United States of America. Their function was to rate merchants' ability to honour their financial obligations. The first such agency was established in New York in 1841 by Louis Tappan. Robert Dun subsequently acquired the agency and published its first ratings guide in 1859. A similar mercantile rating agency was formed by John Bradstreet in 1849.

The expansion of the ratings business to securities rating began in 1909 when John Moody started to rate US railroad bonds, and subsequently utility and industrial bonds. Poor's Publishing Company issued its first ratings in 1916, Standard Statistics Company in 1922, and the Fitch Publishing Company in 1924.

The Moody's Group and Standard & Poors are the leaders in the global credit rating industry. The international coverage of the major rating groups differs to some degree, with both of them having substantial coverage in the US and Europe. Other international rating agencies include Fitch, Japan Credit Rating Agency Ltd (JCRA) and A.M. Best amongst others.

The Moody's Group, Standard & Poors and the Fitch group have pursued a strategy of globalization, in part to reflect the growing international integration of fixed-income markets among the OECD countries and in part to pick up new business in local markets, especially in developing countries. Their contribution in creating both global consistency and setting local standards for credit analysis is significant.

With the rapid development of bond markets in Asia, these agencies have entered the market through their regional offices in Singapore, Hong Kong and Japan and through strategic tie-ups with local credit rating agencies.

Indian Credit Rating Industry

Evolution

In India, the first credit rating agency, CRISIL (Credit Rating and Information Services of India Limited), was set up in 1987. A second rating agency, ICRA (then known as, Investment Information and Credit Rating Agency of India Limited) was established in 1991 and a third agency CARE began operations in 1993. Fitch India, a wholly owned subsidiary of the Fitch group started operations in 1997.

In the initial stages, the rating agencies faced several challenges as corporate debt market in India was at an embryonic stage. In 1992, credit rating became mandatory for the issuance of debt instruments with maturity/convertibility of 18 months and above. Subsequently, the RBI guidelines made rating mandatory for issuance of commercial paper. RBI also made rating of public deposit schemes mandatory for NBFCs. Since then credit rating has made rapid strides in terms of the number and value of instruments which have been rated.

Further, in 2003, SEBI along with stock exchanges made ratings mandatory for debt instruments placed under private placement basis and having a maturity of one year or more, which are proposed to be listed.

Another reason for increase in demand for ratings is the requirement for certain investors to invest not more than a stipulated part of their portfolio in unrated bonds. The RBI by its circular dated November 12, 2003 (DBOD.BP.BC.44/ 21.04.141/ 2003-04) has mandated all commercial banks to make fresh investment only in rated non-SLR securities pursuant to issuance of the circular.

Similarly, non-government provident funds, superannuation funds, gratuity funds can invest in bonds issued by public financial institutions, public sector companies/banks and private sector companies only when they are dual rated. Further, such provident funds, superannuation funds, gratuity funds can invest in shares of companies which have investment grade debt rating from at least two credit rating agencies. Investment by mutual funds and insurance companies in unrated paper/non investment grade paper is also restricted.

Also, demand for rating services is derived from the overall resource mobilization in the economy particularly from the growth of debt markets viz. corporate bonds and commercial paper (or other market linked short term instruments) issuance. Economic growth fuels both investment and operational related funding demand. In a competitive business environment many industries are also increasingly witnessing trends like consolidation leading to demand for funding mergers and acquisitions. All these factors result in an increase in funding requirements for Indian corporate entities, which can be met through debt placement in the capital market, bank credit, cross border financing such as external commercial borrowing, foreign currency convertible bonds or equity placement.

In last few years bank credit has been a major source of funding for the corporates. Banks in India enjoy relative advantage of extending loans as different from investing in debt papers, which are not required to be 'marked to market'. This provides them with an advantage in the rising interest rate scenario. Banks in India also enjoy the benefit of lower cost of funding as the interest on savings deposits is regulated. This growth in bank credit has led to growth in issuance by banks. The banks have raised considerable amounts of debt from market to meet growing capital requirements either by issuing Tier-II bonds or by issuing hybrid bonds.

Internationally, the debt markets have also benefited with the increased penetration by pension funds and insurance companies, as these investors have an appetite for longer term investments. They are expected to drive the debt market activity levels in longer term buckets, which was hitherto slack. In last few years, India has seen emergence of private insurance companies who have grown rapidly.

Apart from these, the government has expressed its commitment to develop the domestic debt markets. It has also appointed high level committees to recommend measures to improve the buoyancy in both primary and secondary debt markets.

Development of corporate debt market

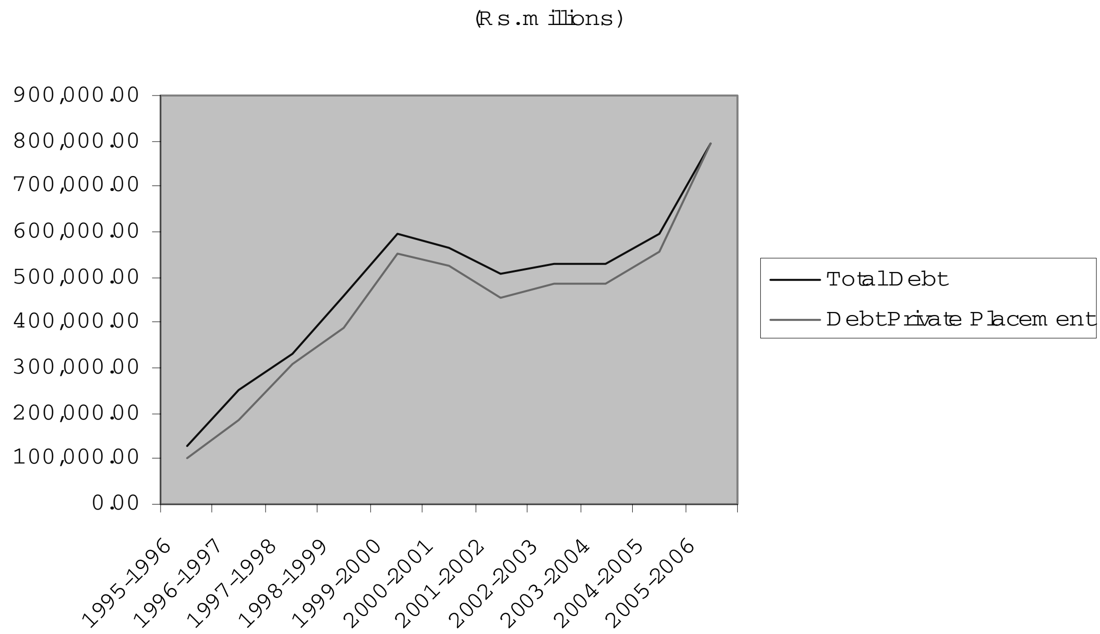
India's corporate bond market is relatively small at 5.3% of GDP vis-à-vis the other markets. The market size of debt securities as a percentage of GDP in other countries is given below.

Country	% of GDP
China	10.1%
Thailand	17.8%
Malaysia	51.9%
Korea	58.4%
Brazil	12.5%
Mexico	3.5%

Source: 'Developing Markets for Long-Term Finance' prepared by the World Bank and CRISIL Limited for FICCI's Capital Markets Conference "CAPAM 2007".

A study of the resource mobilization pattern in India over the decade of 1995-2005 reveals that the share of debt in the overall resource mobilization has increased from 59% in 1995-96 to 74% in 2004-05 and to 75.4% in 2005-06. A major part of the debt mobilization is through private placements.

The increasing share of private placement has been driven by the relatively lower cost of private placements, lesser time required to conclude the transactions, comparatively easier disclosure requirements and lesser regulatory oversight.



Corporate bonds with a tenor or put/call greater than one year

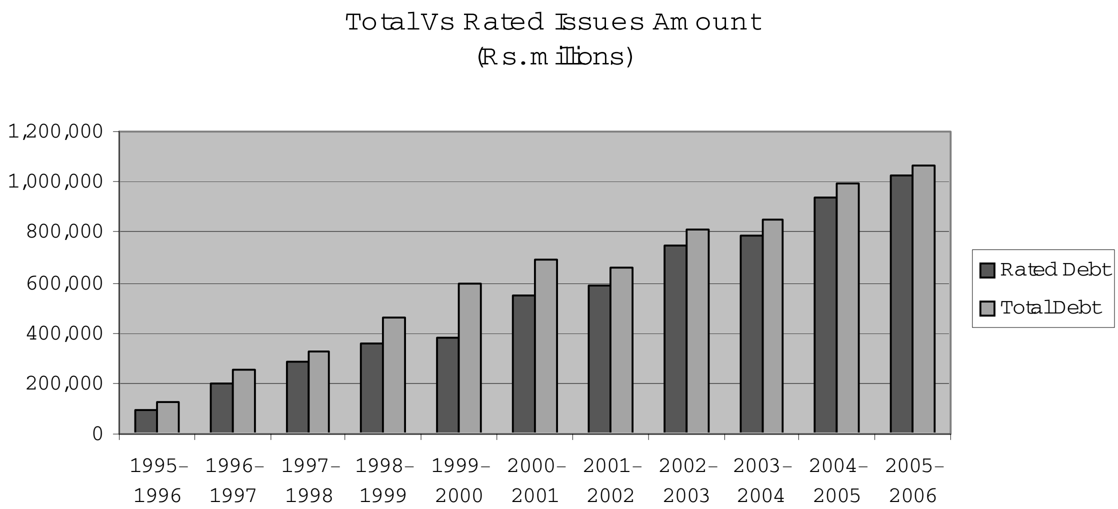
Source: Prime Database

Penetration of ratings in the domestic bond market

Ratings over the years have achieved market penetration across various industries and companies. Ratings for the non-regulated debt issuances stems from demands made by the investor community, comprising banks, mutual funds, and pension funds, which have restrictions on investment in unrated and unlisted bonds.

In 2004-05, of the total debt with tenor or put/call option of one year or above of Rs 55,384 crores that was placed privately, Rs 53,749 crores was credit rated. That is a credit rating penetration level of 97%[1]. For 2005-06 the total privately placed debt was Rs. 794,458.25 million, the rated amount was Rs. 764,633.25 million, leading to a penetration level of 96.25%.

1 Source:Finance Ministry report, December 2005, Prime Database



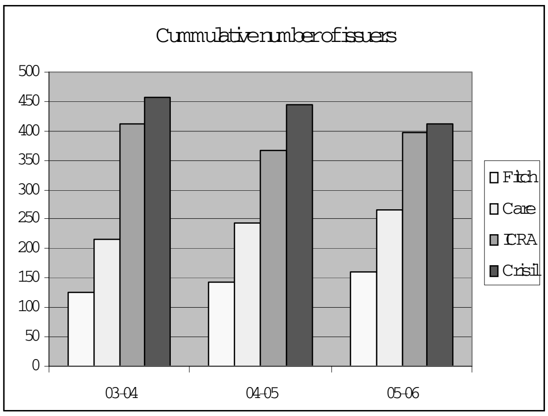
Total and rated debt instruments

Source: Prime Database

Market Size

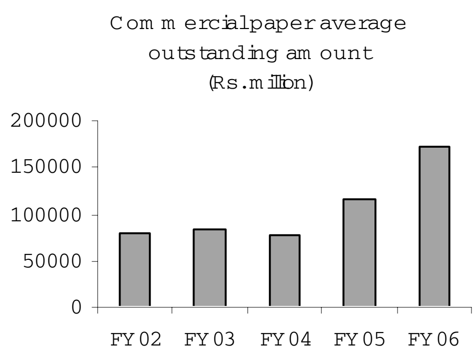
The rating industry in India has registered a growth in the last three years. The average outstanding rated commercial paper increased from Rs. 77,390 million in FY 2004 to Rs. 116,520 million in 2005 to Rs. 171,700 million in FY 2006. Similarly issuance of rated corporate bonds has increased from Rs. 503,484.59 million in FY 2004 to Rs. 578,691.55 million in FY 2005 to Rs. 764,633.25 million in FY2006.

Also the number of cumulative outstanding published issuers has also increased from 1,199 in FY05 to 1,237 in FY06. On November 30, 2006 the number of cumulative outstanding published issuers had gone up to 1,382



Number of cumulative issuers in India

(source : DebtonNet)



(source : RBI)

Market Segmentation

The instruments rated by the rating industry can be broadly classified into four major sectors.

Corporate Sector

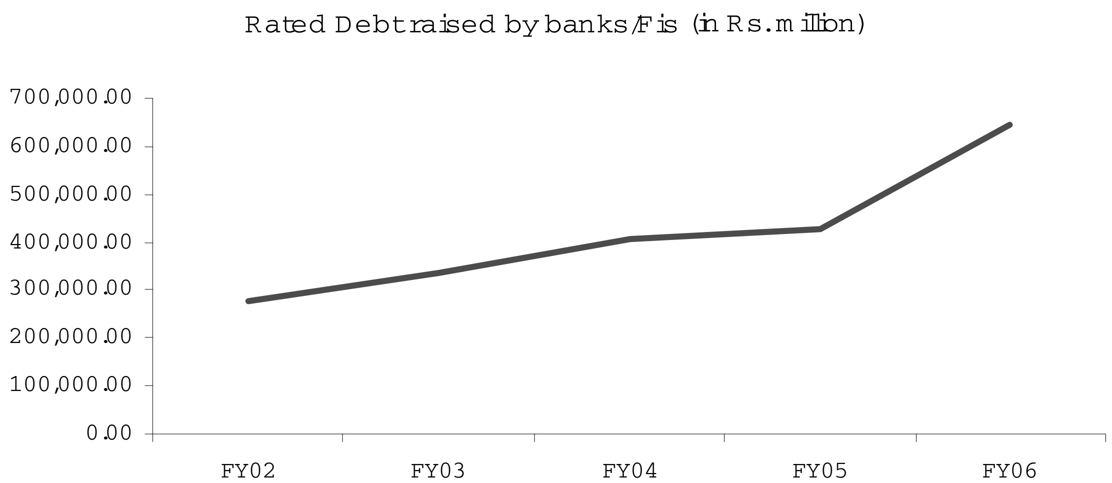
Rating agencies provide ratings of debt instruments such as bonds, debentures, preference capital, commercial paper and other short-term debt to Indian companies. They also assign issuer rating and line of credit ratings to companies. The demand for funds from the corporate sector has witnessed an increase due to increase in capital investment, capacity creation and business growth leading to working capital requirements.

The corporates can raise funds either by taking loans from banks, issuing bonds or commercial paper or by resorting to external commercial borrowing/ foreign currency convertible bonds. It is only when corporates raise funds through bonds or commercial papers that a demand for a credit rating is created. The demand for ratings is influenced by choice of sources of funding which in turn depends on liquidity condition in the banking system, prevailing interest rate and changes in currency expectations, etc.

Financial Sector

Financial sector ratings cover the credit ratings of banks, financial institutions and NBFCs (including asset financiers, capital market related entities and housing finance companies). The debt instruments for the banks are Tier II bonds, hybrid debt capital, certificate of deposits and fixed deposits programmes. For the NBFCs and financial institutions, the debt instruments are primarily long/short term debentures, commercial paper and certificate of deposits.

The growth prospects for the financial sector ratings are driven by the economic fundamentals. This in turn leads to increase in demand for funds by banks, financial institutions and NBFCs, for maintaining prescribed capital adequacy as well as financing growing disbursements.



Source: Prime Database

Structured Finance Ratings

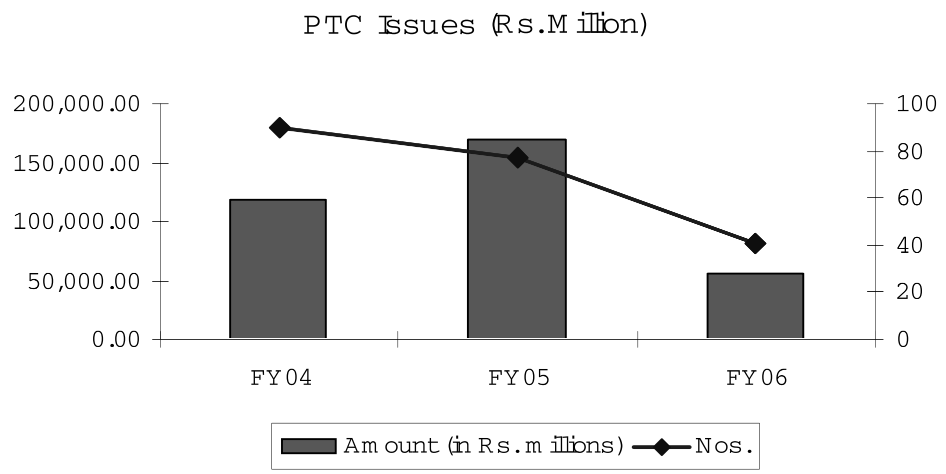
The structured finance segment comprises the asset backed securitisation (ABS), mortgage backed securtitisation (MBS), collateralised debt obligations (CDO), partial guaranteed (PG) structures, future flow transactions (FFT) and loan sell offs (LSO). Securitisation is done for one or many of the following reasons:

- Better utilization of the available capital
- Alternate funding
- Cheaper source of funding especially for lower rated originators

- Reducing credit concentration
- Risk management: interest rates and liquidity

The increased issuances in the domestic structured finance market in the last few years has been supported by these reasons, particularly, for leveraging on the available capital as some large private sector banks have grown rapidly. However, the investors in structured finance deals have so far been investing in highly rated pools, the markets for lower rated pools are yet to develop.

Asset backed securities dominate the overall market issuance in this sector, accounting for around 70% of the market. Mortgage backed securities share has been low due to investors' concerns on relatively longer tenure and higher complexity of structuring requirements to mitigate interest rate and prepayment risks leading to restricted secondary market liquidity.



Source: Prime Database

RBI has recently issued guidelines disallowing upfront profit booking and reduction in originators' capital to the extent of subordination. This has adversely affected the securitization market and there has been a decrease in the number of privately placed securitized instrument. However, direct assignment or bilateral deals including on-tap securitisation have increased.

Securitisation is being increasingly used to finance growth of retail assets which have shown a healthy growth in recent years. It also helps financiers to manage capital adequacy, balance sheet exposure and liquidity and ALM related risks besides providing an alternate source of funding.

Public Finance

Public finance rating revenues have largely been through ratings/assessments of local body borrowings (either standalone, credit enhanced by own resource structures, or pooled financing), state level entity borrowings (excluding power which is covered under infrastructure) and state guaranteed borrowings.

While the local body sector has seen some issuances, a large portion of debt issuance in the past has been from state supported borrowings. However, downgrade of some of these bonds coupled with a steady decline in bond ratings by state supported entities has affected issuance of fresh bonds by them.

Twelfth Finance Commission has allowed state governments to tap the markets directly through rated bonds. These borrowings may replace of central government loans, which were of the order of Rs. 100-150 billion annually over the last few years. Also, it has been recommended that states undertake credit risk assessment of their guarantee portfolio.

However, most states and local bodies in the country currently have relatively weak standalone credit quality, which limits fresh issuance of debt instruments to a few better credit quality states.

Recent Developments - IPO Grading

In an effort to improve investor protection through better transparency and disclosure by entities tapping the capital markets for funds, SEBI is encouraging an independent assessment of initial public offerings of equity issuers. In the 'Amendments to SEBI (Disclosure and Investor Protection) DIP Guidelines, 2000' released on April 24, 2006 SEBI has included a new clause on IPO grading. As per the clause, 'an unlisted company making an IPO of equity shares or any other security which may be converted into or exchanged with equity shares at a later date may opt to obtain grading for such an IPO from one or more credit rating agencies. Where an issuer opts to obtain IPO grading, it shall disclose all grades so obtained by it, including unaccepted grades, in the prospectus and abridged prospectus'. This has provided growth opportunity for domestic ratings agencies. However as it is a new concept which has been introduced recently its contribution to the business of rating agencies currently is insignificant. Its long term potential will be contingent on acceptance of the concept by the market participants.

The amount raised from IPOs has increased from Rs. 82,013.05 million in FY96 to Rs. 214,315.6 million in FY06.

	Equity issues	
	Number	Amount (in millions)
1995-1996	1350	52,596.50
1996-1997	715	43,458.67
1997-1998	51	8,828.96
1998-1999	18	3,793.04
1999-2000	52	25,939.44
2000-2001	114	24,737.61
2001-2002	6	10,820.53
2002-2003	6	10,386.84
2003-2004	19	31,911.01
2004-2005	23	146,623.20
2005-2006	76	108,078.81

Source: Prime Database

Diversification of activities

In addition to ratings of individual fixed income issues, the four rating agencies have expanded their product lines. They now offer comprehensive "borrower ratings" which looks at the financial strength of the issuer of debt as opposed to that of individual debt issues. They also offer university ratings, healthcare ratings, corporate governance rating, mutual fund ratings, project grading, maritime institute grading, real estate and construction gradings.

The rating agencies have gained expertise in various sectors and have accumulated sector specific data. They have leveraged this knowledge to create customized products. They have now expanded their range of services and are now offering:

1) Consulting services
2) Information services
3) Software and Outsourcing services

Consulting services

Rating agencies have diversified into consulting business and are providing a variety of advisory services. Some rating agencies focus on one or two areas while some are multi-line consulting service firms, and offer a range of services such as risk management, strategy, corporate advisory, IT, across various sectors. The clients for consulting services are from banking, government, corporate, and infrastructure sectors.

Governments are important consumers of consulting/advisory services in India and abroad. Consulting in government is at both central and state levels. Consulting mandates in government are driven by government's own budgets as well as by grants/loans from multilateral and bi-lateral funding institutions such as the ADB, DFID and World Bank. Consulting work for government often cuts across sectors along the theme of economic reforms.

In recent years, changes in the legal, regulatory and policy regimes in India have allowed for increased private involvement in infrastructure development. Some of these recent legislative reforms include the Airports Authority of India Act, 1994, as amended in 2003 and the Electricity Act, 2003, pursuant to which the Government has announced the National Electricity Policy articulating its resolve to make electricity available to all households and fully meet the demand for power by the year 2012.

These measures have allowed public-private partnerships where projects are developed, financed, constructed and operated by private sector sponsors with cooperation from the government. This opening up for the private sector provides opportunities for consulting and advisory services.

Increasing volatility in oil, coal, gas, and electricity prices is forcing utilities to manage price risks and credit risks by using new techniques and strategies. The flow of private investment into this sector and the need to stabilise earnings is also forcing various organisations to implement strategies and processes that improve risk management, transparency, and governance.

The current rate of infrastructure investment in India at 3.5% of GDP is well below the target rate of 8.0% proposed by the Expert Group on Commercialisation of Infrastructure Projects. (Source: ADB)

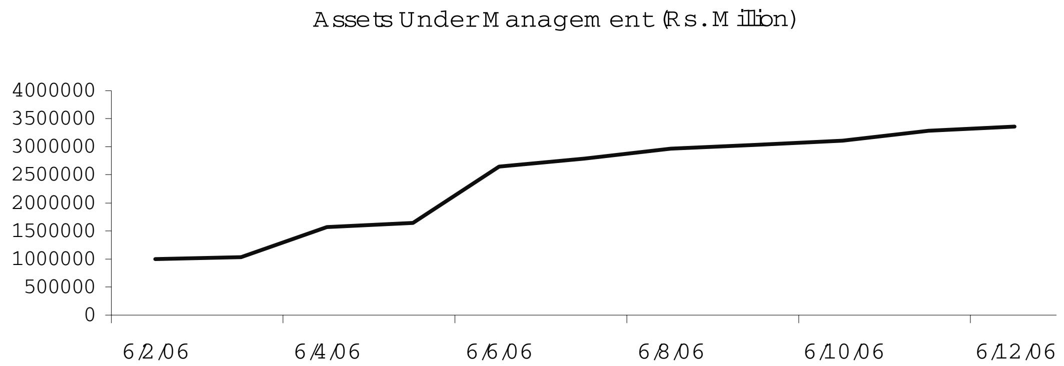
The banking and finance industry is a big consumer of consulting services in India and across the world. Deregulation of the banking sector and the implementation of Basel II norms is leading different entities to explore various strategies to enhance their competitive positions. This manifests in demand for consulting services in the areas of customer segmentation, competitive benchmarking of services, market studies, entry/ growth strategies, process improvement studies, organisational restructuring and training.

Information services

Rating agencies have set up teams to cater to the information needs of the financial services sector. In India, the financial services industry accounts for 13.50% approximately of the combined market capitalisation of BSE and NSE. These services are offered to banks, insurance companies, investment banks, brokerage houses and mutual fund operators.

Over the years, the financial services industry has seen the introduction of new financial products and services. Existing sectors have been opened to private players. This has given a strong impetus to the development and modernization of the financial services sector. The entry of new players has resulted in a more sophisticated range of financial services being offered. This has necessitated the need for dissemination of information.

Rating industries offer research based information services including sector or industry specific studies and publications, corporate reports and customized research. Rating companies provide various products to cater to asset management companies, financial intermediaries, banks, institutional and individual investors. The mutual fund industry, has witnessed impressive growth over the last few years. Its AUM was Rs. 2,655,350.8 million as on June 30, 2006. The industry has been growing consistently on year-on-year basis. In the last five year period, the industry assets have grown at a CAGR of around 27.4%.



Source: amfiindia.com

Over the last few years the industry has seen major changes in terms of new product offerings. Fund houses have been continuously improvising on the product range to suit specific requirements of the investors. More and more products are being launched tailor-made to suit investors' preferences making a wide range of products available to be effectively used for financial planning. The number of schemes offered has increased to over 581 at the end of June 2006, as against 466 schemes in June 05 and 404 schemes in June 04.

The increasing competition among the players, dynamic market conditions, increasing complexity of products, increasing number of distributors, and the varying needs of investors are the factors which are going to drive the demand for information services.

Software and Outsourcing Services

Rating agencies provide software and outsourcing services to various clients leveraging on their expertise in data analytics, research, risk assessment and management and domain knowledge. Rating agencies focus on high-end knowledge and research process outsourcing for global financial services industry, information vendors, and market research companies.

The size of the Indian IT services/software products industry was estimated at Rs. 981,000 million during FY2006, accounting for 3.1% of GDP. The industry reported a CAGR of 28% in revenue for the period FY2004-06. Within the IT industry, Software/ IT services constitute the largest segment with revenues of around Rs. 772,000 million. Software products segment reported a size of around Rs. 88,000 million and engineering and research and development services constitute a small but growing segment with revenues of around Rs. 124,000 million.

Indian IT-ITES industry is expected to exceed USD 36 billion in annual revenue in FY 2005-06, a growth of nearly 28 per cent. Over the same period, the industry's contribution to the national GDP has risen from 1.9 per cent in FY 1999-2000 to a projected 4.8 per cent in the current fiscal. As in the previous years, IT services contribute over 47 per cent of the total industry revenue in FY 2004-05.

Looking forward, global IT services spending is likely to increase at around 7-8% over the medium term to around US$470 billion in 2006, and US$500 billion in 2007. For Indian companies, growth is expected at around 28-30% in the medium term. Growth is also expected to be driven by the expansion of service portfolio to lower-cost, remote/virtual delivery models, thereby increasing the addressable market for service providers.

OUR BUSINESS

Overview

We are one amongst the four credit rating agencies in India providing a wide range of products and services. We were established in 1991 as a credit rating agency by a consortium of financial/investment institutions, commercial banks and financial services companies. We operate as a professionally managed commercial entity with the objective of maximizing shareholder value.

Our Company is primarily engaged in the business of providing rating services. In addition, we, along with our Subsidiaries, provide (i) consulting services, (ii) information technology based services, (iii) information services, and (iv) outsourcing services.

Moody's India, which is part of the Moody's Group, is our Promoter. In addition, Moody's Investors Service, which is an international rating agency, has entered into the Technical Services Agreement with us pursuant to which it has been providing technical services to us.

Our business has grown consistently since we began operations in 1991. We had initially commenced our business as a credit rating agency in 1991. We have since expanded our portfolio of products and services. Besides the growth in our rating business, diversification of our products and services portfolio has resulted in increased revenues. Our total revenue has increased from Rs. 333.67 million in fiscal 2003 to Rs. 559.09 million in fiscal 2006, at a CAGR of 18.77%. During the same period, our profit after tax has increased from Rs. 97.05 million to Rs. 142.08 million, at a CAGR of 13.55%. In the nine months ended December 31, 2006 we received revenues of 512.50 million and our profit after tax was 135.87 million.

Our Group

Our Company has three subsidiaries, namely, IMaCS, ICTEAS and ICRA Online. Our Company is engaged in the business of providing rating and grading services, research based information services and outsourcing Services. IMaCS provides management consulting services to clients based in India and abroad. ICTEAS is engaged in the business of providing business solutions and computer aided engineering services. ICRA Online provides mutual fund based information services and outsourcing services. ICRA Online, to complement its information services business, also provides technology solutions targeted at distributors of third party financial products, insurance brokers and stock broking houses.

Competitive Strengths

We believe that the following are our primary strengths:

One of the few credit rating agencies in India

We are one amongst the four credit rating agencies in India. In fiscal 2006, volume of debt rated by us was Rs. 1,389.49 billion and the number of published issuers rated by us outstanding as on March 31, 2006 were 398. For the nine months period ended December 31, 2006, the volume of debt rated by us was Rs. 988.64 billion and the number of published issuers rated by us outstanding as on December 31, 2006 was 399. In particular, we believe that we enjoy strong market position for credit ratings in the financial sector and structured finance.

For details, see the section titled "Industry Overview" on page 40.

Rich database and research support our products and services portfolio

Our in-depth industry knowledge in several sectors supplemented by knowledge management systems has enabled us to develop a comprehensive range of products in order to address the varied requirements of different sectors. Our diverse portfolio of products and services enable us to obtain additional business from existing clients as well as address a larger base of potential clients.

Product and service innovation

We believe that part of our success lies in our ability to successfully introduce new products and services. In the last five years, we have introduced various rating and grading products such as corporate governance ratings, project finance ratings, issuer ratings, mutual fund ratings and grading of maritime training institutes, healthcare institutions and real estate developers and projects. In addition, we have acquired Online India Capital.Com Private Limited (subsequently name changed to ICRA Online), which, in 1999, had launched MutualFundsIndia.com, a dedicated portal on mutual funds in India.

Demonstrated track record of our ratings

We believe that for ratings to be used as reliable indicators of credit risk, it is critical that a rating agency be able to demonstrate, over a period of time, strong correlation between the actual performance of the ratings it assigns and what the ratings themselves convey. Since 2001, we have been publishing our rating transition studies. We believe that the ratings assigned by us show that higher category ratings demonstrate a relatively lower likelihood of default and a higher degree of stability with greater resilience to change.

Experienced and strong management team and pool of high quality employee talent

The members of our management team and other professionals come from a diverse set of backgrounds including leading commercial banks and lending institutions, finance companies and other rating agencies and hold formal qualifications in varied disciplines, including engineering, academia, business management, law and accountancy. The diversity of experience helps us adapt a creative and cross-functional approach. Our managers and professional staff also have domain expertise of and experience in the various sectors we serve, which contributes to our understanding of the sector-specific aspects of our business. In addition, many of our key managerial personnel have continued with us for several years.

We have a close association with the Moody's Group

Moody's India, which is part of the Moody's Group, is our Promoter. In addition, Moody's Investors Service, which is an international rating agency, has entered into the Technical Services Agreement with us pursuant to which it has been providing technical services to us. Further, we provide certain outsourcing services to Moody's Investors Service.

Strategy

Our objective is to enhance our position as a leading provider of ratings, research, consulting and outsourced services. We are focused on enhancing shareholder value through pursuing strategies that increase our profitability and return on equity. The key elements of our business strategy are as follows:

Expand our business by using our brand name, core competencies and strategic relationship

To increase our market share, we intend to continue to concentrate on providing high quality service and plan to focus on our key businesses. Other initiatives may include improving our brand visibility and enhancing our service offering for and franchise amongst the investors, issuers and intermediaries. To this end, we may disseminate research, rating views and explore opportunities to benefit from our partnership with the Moody's Group in relation to providing high quality credit research and opinions.

With the proposed implementation of Basel II norms, we expect the requirement for rating loan exposures to increase given the dominance of bank credit in India this may provide future opportunities for expanding our business. We have initiated steps to benefit from this opportunity.

Expansion of our service offerings

We intend to continue expanding our range of products and services in order to increase business from our existing clients, acquire new clients and to capitalize on available opportunities.

Expansion of our global capabilities

For our consulting services, outsourcing services and information technology based services, we plan to supplement our internal growth through the formation of alliances and/or joint ventures outside India. We believe these alliances and joint ventures will allow us to develop new markets, enhance our services and increase our market presence. To expand its presence in the U.S., ICTEAS has initiated the process for incorporating a subsidiary in the U.S. In addition, we may establish sales offices or representative offices outside India.

Continuing to attract, train and retain employees

We believe a key to our success will be our ability to continue to maintain and grow a pool of strong and experienced professionals. We have been successful in building a team of talented professionals and intend to continue placing special emphasis on managing attrition and attracting highly skilled employees. We will continue to invest in the career development and training of our employees, with the objective of further enhancing their technical skills and leadership capabilities. We believe we have created the right balance of performance bonuses, proposed stock options and other incentives for our employees.

Overview of our Operations

Our Company is primarily engaged in the business of providing rating services. In addition, we, along with our Subsidiaries, provide (i) consulting services, (ii) information technology based services, (iii) information services and (iv) outsourcing services.

Rating Services

The primary users of credit ratings are investors. Credit rating is a symbolic indicator of the current opinion on the relative capability of the concerned entity to service debts and obligations in a timely manner, with reference to the instrument or issuer rated. Credit ratings purport to highlight the relative credit risk, which may be factored in by investors in their investment decisions.

We rate rupee-denominated debt instruments issued by entities including corporates, NBFCs, financial institutions, public sector undertakings and municipalities, among others. The financial instruments we rate include bonds and debentures, fixed deposit schemes, commercial papers, certificates of deposit and preference shares.

Structured Finance: We also rate structured financial obligations including asset backed securities, mortgage backed securities, partial/full guaranteed structures, future flow transactions and loan sell offs. Our structured finance ratings (SFRs) are an opinion on the likelihood of the timely servicing of debt obligations in accordance with the terms of the structure. An SFR, which is generally different from the corporate credit rating of the issuer, is based on the risk assessment of the individual components of the structured instrument. These components include legal risk, credit quality of the underlying asset, and the various features of the structure. Our major SFR products include asset-backed securitization (ABS), mortgage-backed securitization (MBS), collateralized debt obligation (CDO), and loan sell off (LSO) ratings. In addition, we also rate a number of other structured finance products like securitization of trade receivables and partial guarantee.

Line of Credit Rating: Our line of credit rating (LCR) service entails evaluation of the capability of an issuer to meet its debt obligations against a specific line of credit, in the light of the relevant terms, conditions and covenants, in a timely manner. This rating service is offered at the behest of either the borrower or lender. An LCR is not disclosed to the public, even if is accepted by our client.

Issuer Rating: Our issuer ratings provide an opinion on the general creditworthiness of the rated entities in relation to their senior unsecured obligations. These ratings are not specific to a particular debt instrument. The issuer ratings are particularly useful to corporate entities that do not have firm or immediate debt issue plans.

Project Finance Rating: Project financing usually involves setting up of a special purpose vehicle, which raises debt and services it from its own cash flows, without recourse to its sponsors. In our project finance ratings (PFRs), we evaluate the risks associated with such infrastructure or other projects from the perspective of a lender. The PFRs purport to enable banks and financial institutions to have an informed and independent opinion on the risks facing such projects, risk management by such entities and the capacity of the project to honour its debt obligations.

Debt Fund – Credit Risk Rating: This product, specifically targeted at debt mutual funds, reflects our assessment of a debt fund's published investment objectives and policies, its management characteristics and the creditworthiness of its investment portfolio. The objective of this product is to provide investors with a simple-to-use measure of credit risk.

Claims Paying Ability Rating: Specific to insurance companies, the claims paying ability ratings (CPRs) are an opinion on the ability of the concerned insurer to timely honour its obligations and claims made by policy-holders. Our CPR process involves analysis of an insurer's business fundamentals and its competitive position, and focuses primarily on the insurer's franchise value, its management, organizational structure/ownership, and underwriting and investment strategies. Besides, the analysis includes the assessment of the insurer's profitability, liquidity, operational and financial leverage, capital adequacy and asset/ liability management method.

Corporate Governance Rating: Our corporate governance ratings (CGRs) provide a current opinion on the level to which an organization accepts and agrees to codes and guidelines of corporate governance practices that serve the interests of various stakeholders such as shareholders, customers and creditors. For assigning a CGR, we examine various aspects, including ownership structure; financial stakeholder relations; financial transparency and information disclosure, and composition of the board of directors.

In this category, we have a product variant called 'Stakeholder Value & Governance Rating', which provides an opinion on the value creation and value management for all stakeholders of a body corporate. For assigning a SVG rating, we examine an entity's actual performance and the accrual of the benefits of such performance among all its stakeholders, apart from examining the quality of its corporate governance practices.

Rating Services Domains

Our rating services can also be classified based on the rating services domains, namely, (i) corporate and infrastructure; (ii) financial sector including mutual funds and insurance; (iii) structured finance and (iv) public finance.

The following table sets forth the revenue break-up of ratings provided by us in nine months ended December 31, 2006 and fiscals 2006 and 2005:

	Nine months ended December 31, 2006		**Fiscal 2006**		**Fiscal 2005**	
	Gross Revenue (Rs. in million)	**Percentage of Ratings Revenues**	**Gross Revenue (Rs. in million)**	**Percentage of Ratings Revenues**	**Gross Revenue (Rs. in million)**	**Percentage of Ratings Revenues**
Corporate and Infrastructure	86.22	30.57%	94.03	31.07%	105.04	41.00%
Financial sector	167.33	59.32%	162.31	53.63%	107.48	41.96%
Structured finance	22.98	8.15%	36.61	12.10%	34.31	13.40%
Public finance	5.53	1.96%	9.67	3.20%	9.33	3.64%
	282.06	**100.00%**	**302.62**	**100.00%**	**256.16**	**100.00%**

Corporate Sector: We cater to the rating needs of the corporate sector through (i) ratings of debt instruments such as bonds, debentures, preference capital, commercial papers and other short term debt, (ii) line of credit ratings and (iii) issuer ratings. We have rated corporate entities across sectors such as automobiles, auto components, building materials, cement, construction, pharmaceuticals and textiles. Some of the large and prominent issuers in the corporate sector which use our ratings are Tata Motors Limited, The Associated Cement Companies Limited, Gujarat Ambuja Limited, NALCO Limited, BALCO Limited, Aditya Birla Nuvo Limited, Hero Honda Motors, Nicholas Piramal India Limited.

Infrastructure Sector: In addition to the credit rating of debt instruments, lines of credit and issuers, our project finance ratings are particularly designed to evaluate the project risks involved in infrastructure transactions. We have rated several entities in the power and oil and gas sectors. In the energy sector, for instance, our clients include public sector undertakings like NTPC Limited, BHEL Limited, IOC Limited, ONGC Limited and GAIL Limited. Some of the private sector entities, in the infrastructure sector, rated by us are Tata Power Company Limited, Reliance Energy Limited, North Delhi Power Company Limited and CESC Limited.

Financial Sector: In the financial sector, we cover the credit ratings of banks, financial institutions and NBFCs (including asset financiers, capital market related entities and housing finance companies). The debt instruments for the banks include Tier II bonds, hybrid debt capital, certificate of deposits and fixed deposits programs. For the NBFCs and financial institutions, the debt instruments are primarily long/short term debentures, commercial paper and certificates of deposit.

Amongst public sector banks, our clients include Punjab National Bank, Bank of Baroda and Canara Bank. In private sector banking, our clients include ICICI Bank Limited, UTI Bank, HDFC Bank Limited and Kotak Mahindra Bank Limited. Amongst financial institutions, our clients include Power Finance Corporation Limited, National Housing Bank and IDFC Limited. For our debt fund ratings services, our clients include UTI Mutual Fund, Franklin Templeton Asset Management (I) Pvt. Limited and HDFC Asset Management Company Limited.

Structured Finance: We have rated the securitization programs of certain large originators like ICICI Bank Limited, Tata Motors Limited, Sundaram Finance Ltd., Cholamandalam DBS Finance Ltd., Standard Chartered Bank, Citigroup, GE Capital, HDFC Bank Limited, Kotak Mahindra Bank Limited and ABN Amro Bank N.V.

Public Finance: Our public finance rating revenues have largely been through ratings of (i) local body borrowings (either standalone, credit enhanced by own resource structures, or pooled financing), (ii) state level entity borrowings and (iii) state guaranteed borrowings. We have rated the pooled finance instruments (supported by USAID) issued in India. We have rated several state government owned entities in various states including Karnataka, Tamil Nadu, Andhra Pradesh, Maharashtra, Punjab and Haryana.

The aggregate revenue from providing credit rating services to the top 10 clients was Rs. 88.55 million for nine months ended December 31, 2006.

Rating Process and Methodology

Rating Process

The rating process of our Company is initiated on receipt of a formal request (or mandate) from the prospective issuer. For undertaking the assignment, we constitute a rating team comprising, usually, two analysts with the expertise and skills required to evaluate the business of the issuer. An issuer is provided a list of information required and the broad framework for discussions. These requirements are derived from our experience of the issuer's business, and broadly cover all aspects that, in our view, have a bearing on the rating.

Our Company also utilizes secondary sources of information, including our own research division. The rating involves assessment of a number of qualitative factors with a view to estimating the future earnings of the issuer. This requires extensive interactions with the issuer's management, specifically on subjects relating to plans, outlook, competitive position and funding policies. We undertake plant visits to better understand the production process, assess the state of equipment and main facilities, evaluate the quality of technical personnel and form an opinion on the key variables that influence the level, quality and cost of production. These visits also help in assessing the progress of projects under implementation.

After completing the analysis, we prepare a rating report, which is presented to the rating committee of our Company. The concerned rating team also makes a presentation on the issuer's business and management. Our rating committee is the final authority for assigning ratings on behalf of our Company.

The assigned rating, along with the key issues, is communicated to the issuer for acceptance. The non-accepted ratings are not disclosed and complete confidentiality is maintained in this regard. However, we may review the rating if it has not been accepted by the issuer. Such reviews are usually undertaken only if the issuer provides certain fresh inputs. During a review, the issuer's response is presented to our rating committee, which may revise the initial rating decision.

As part of a mandatory surveillance process, our Company monitors the accepted ratings over the tenure of the rated instrument. The ratings are generally reviewed once every year, unless the circumstances of the case warrant an earlier review. The rating outstanding may be retained or revised (that is, upgraded or downgraded) on surveillance.

Rating Methodology

Our Company considers all relevant factors that have a bearing on the future cash generation of the issuer. These factors include: industry characteristics, competitive position of the issuer, operational efficiency, management quality, commitment to new projects and other associate companies, and funding policies of the issuer. A detailed analysis of the past financial statements is made to assess the performance under the "real world" business dynamics. Estimates of future earnings under various sensitivity scenarios are formulated and evaluated against the claims and obligations that require servicing over the tenure of the instrument being rated. The primary reasons, which determine the ratings to be assigned, include relative comfort level of the issuers' cash flows to service obligations.

Consulting Services

IMaCS, our wholly owned subsidiary, provides management consulting services to clients based in India and abroad. IMaCS was incorporated on December 21, 2004, as a wholly owned subsidiary of our Company. The consulting services were provided by a division of our Company till fiscal 2005, when the consulting division was demerged into IMaCS. As a division of our Company, the consulting division adopted the brand name "IMaCS" on December 1, 2004, earlier to which it operated under the name 'ICRA Advisory Services'. IMaCS (alongwith the erstwhile consulting division of our Company) has executed over 600 consulting assignments since till date.

IMaCS' clients include banks, financial institutions, non-banking financial companies, manufacturing and services organizations, governments, government-owned organizations, debt and equity investors, regulators, and multilateral agencies. Multilateral agencies include the World Bank, International Finance Corporation, Commonwealth Development Corporation (CDC), United Nations Development Programme (UNDP), United States Agency for International Development (USAID), DFID, African Development Bank (AfDB), and Asian Development Bank (ADB).

IMaCS offers its services under five business areas namely, infrastructure, energy, banking and insurance, corporate advisory and government.

Infrastructure

IMaCS' infrastructure advisory group offers consulting services in relation to policy formulation and transactions to entities in the infrastructure sectors of transportation and urban and industrial infrastructure. IMaCS' clients in this practice area include Konkan Railway Corporation Limited and GMR Infrastructure Limited.

Public Policy: IMaCS seeks to serve governments, regulatory authorities and other organizations in relation to institutional reform and capacity building for public institutions, process improvement for public service delivery systems, economic regulation, tariffs and quality of service, among others.

Transaction: IMaCS' services include project identification, screening and pre-feasibility reports; techno-economic feasibility studies for infrastructure projects; structuring private sector participation and bid process management; comprehensive risk assessment of projects and financial modeling.

Energy

Under this practice, IMaCS focuses on both policy and transactional issues related to the electricity, renewable energy, and the oil and gas sectors. IMaCS provides regulatory assistance to governments, utilities, regulatory commissions, multi-lateral agencies, investors/lenders and project developers. The services offered by IMaCS include consulting on restructuring and privatization, formulating strategies and business plans for utilities, providing project advisory assistance to developers towards attaining financial closure and conducting bid process management. IMaCS' clients in this business area include Delhi Electricity Regulatory Commission and Rosa Power Supply Company Limited.

Banking and Insurance

IMaCS offers a wide range of consulting services to the banking and insurance sector, which can be grouped under five broad categories, namely, risk management, strategy, process improvement, transaction advisory and training. The services provided under the various categories are set forth below:

Risk Management	• Implementing good practices in risk management (credit risk, market risk, operational risk and risk based internal audit) • Designing and validating risk models for credit risk, market risk and operational risk in full compliance with the Basel II norms • Implementing software solutions for credit risk, market risk, operational risk and risk based internal audit
Strategy	• Formulating business strategies for entry or growth • Profitability improvement studies
Process improvement	• Business restructuring or re-engineering • Designing organisation structure • Designing management information system for regulatory and/or management reporting • Detailing specifications for information technology implementation
Transaction advisory	• Transactional assistance in mergers and acquisitions involving banks, companies or portfolios • Transactional assistance in relation to securitisation, derivatives or financial restructuring • Transactional assistance in evaluating and mitigating risks in project finance structures
Training	• Conducting training programs for capacity building and change in management

IMaCS' clients in this business area include State Bank of India, Canara Bank, Yes Bank Limited, Bank of India, Indian Bank, Karnataka Bank Limited and United Bank of India.

Corporate Advisory

IMaCS' corporate advisory group focuses on enhancing the competitiveness of a client's business across the different constituents of its value chain. IMaCS has executed assignments spread over various industrial sectors, including automotive, engineering, telecom and technology, healthcare, hospitality and tourism, textile and food processing. Under corporate advisory services, specific areas of consulting include strategy formulation, competitiveness studies at micro and macro levels, strategies for maximization of shareholder value, business process re-engineering and transactional advisory for mergers and acquisitions and financial restructuring. IMaCS' clients in this business area include Indian Paper Manufacturers Association, Society of Indian Automobile Manufacturers (SIAM) and Automotive Component Manufacturers Association of India (ACMA).

Government and Government Bodies

IMaCS' government consulting group focuses on increasing efficiency and outcomes of government initiatives, by assisting the process of institutional reform and capacity building in government departments/organizations. The services offered include sector reform and restructuring studies, improving public service delivery processes, improving governance and fiscal reform and expenditure management. IMaCS also advises governments, regulatory authorities and other organizations in policy formulation and reform and the service offerings include economic regulation, tariffs and quality of service; competition policy and developing efficient market making mechanisms and privatization and public private partnership mechanisms. The government bodies IMaCS has represented/advised include Delhi Electricity Regulatory Commission.

Information Technology Based Services

Business Solutions

We, through ICTEAS, provide information technology solutions in the realm of business applications and processes. The verticals addressed by ICTEAS in the realm of providing business solutions include sales and distribution management, franchisee service management, financial management and business analytics. The portfolio of business solutions division of ICTEAS can be categorized into two broad heads, namely, standard products and customized solutions.

Standard Products: The standard products can be further divided into two categories:

(i) Turf View Distribution: This is a solution to aid large organization to manage sales through a network of distributors. The solution aims to ensure implementation of a uniform sales and distribution policy across the channel partners.

(ii) Turf View Customer Care: This solution is aimed to manage service franchisee operations for consumer durables. For this product, ICTEAS targets large organization which uses a network of service franchisee to service customers to use this solution to bring about uniform service practices across their service franchisee network.

Customized Solutions: This service essentially covers development of tailor-made software solutions for business applications. Such solutions may be web-based or client server solutions.

The clients of our business solutions services business included BP Lubricants and Judge Technical Staffing.

Computer Aided Engineering Services

ICTEAS, with its team of engineers, offers computer aided engineering and design services. ICTEAS either deploys skilled resources to work on customer projects under the supervision of the customer at customer locations or design work is outsourced by the client and engineering team of ICTEAS works as a back office for the customer.

Online software

To complement its information services business, ICRA Online also provides technology solutions, both in the form of products and services, targeted at distributors of third party financial products, insurance brokers and stock broking houses.

The revenues from our information technology based services business accounted for 15.84% and 14.00% for nine months ended December 31, 2006 and fiscal 2006, respectively. There was no corresponding revenue in earlier fiscals, since ICTEAS and ICRA Online, which provide such services, became subsidiaries of our Company in fiscal 2006.

Information Services

Grading Services

Grading services offered by us employ pioneering concepts and methodologies designed for some of the key sectors of an economy, such as infrastructure, healthcare and education. Our gradings are independent opinions on the relative performance capability of the entities concerned and are designed to serve as tools for identifying and managing risks associated with these entities. Our grading services include gradings in relation to construction companies/entities, real estate developers and specific projects, healthcare and maritime institutions, equity shares and grading of small scale enterprises.

Some of the grading services have been formulated pursuant to statutory and regulatory regime applicable to a particular sector. For details, please see section titled "Regulations and Policies in India" on page 62.

Grading of Construction Entities and Real Estate Developers and Projects

For our grading of construction companies/entities, we use a methodology developed jointly by us with the Construction Industry Development Council (CIDC). Our gradings in this sector seeks to provide various players in the construction industry, including lenders, contractors, investors and customers, with an independent opinion on the competence of the entities graded.

Similarly, the grading of real estate developers and projects employs a methodology that seeks to make property buyers aware of the risks associated with real estate projects and with the developer's ability to deliver accordance with the terms, quality parameters, and time stipulated.

Other Grading Services

Our equity grading service (commonly referred to as IPO grading) is designed to comment on the fundamentals of a company offering the equity. Our healthcare grading indicates the healthcare institution's capability to deliver quality care, while maritime institute grading provides opinion on the quality of education imparted by an institute. Our small scale enterprises grading measures the performance capability and financial strength of an entity through a comprehensive methodology that covers operating, financial, business and management risks.

Other Information Services

Research based Information Services

We also provide financial data and value-added products to financial intermediaries, financial institutions, banks, asset managers, institutional and individual investors. Our products under research based information services include sector or industry specific studies and publications, corporate reports and customized research. These products, covering a diverse spectrum of industrial sectors, seek to facilitate investment decision making while providing a perspective on the underlying macro-variables. Our information services clients include Tata Services Limited.

Mutual Funds based Services

ICRA Online is a leading content provider to the Indian mutual funds industry. The information is delivered using variety of channels including desktop products, web based products, printed reports etc. In 1999, ICRA Online (then known as Online India Capital.Com Private Limited) had launched MutualFundsIndia.com, a dedicated portal on mutual funds in India. The following products and services are offered by ICRA Online:

- MFI Explorer – desktop mutual fund research and analytical product
- MFI Portfolio Tracker – mutual fund portfolio tracker for client assets
- MFI Office Manager – operations management (back office) software for mutual fund distributors
- MFI Portfolio Builder – asset allocation and financial planning tool
- Mutual fund reports, analysis and raw data

For our mutual fund ranking services, our Company has entered into an agreement dated February 10, 2004 with ICRA Online. The agreement deals with ranking of mutual funds, which shall be called "ICRA Online MF Ranking'. ICRA Online is responsible for carrying out the quarterly ranking of the mutual fund for which our Company pays ICRA Online a quarterly sum of Rs. 70,000 with effect from April 1, 2006. Further, revenues generated from the licensing of the ranking is shared by our Company and ICRA Online in the ratio of 85:15.

In addition, our Company and ICRA Online have entered into an agreement dated June 24, 2004 to market mutual fund based products and services offered by our Company. As a consideration, our Company pays ICRA Online 25% of the fee received from such clients.

ICRA Online's clients in this business area include Bajaj Capital Limited, ING Investment Management (India) Private Limited and Prudent Corporate Advisory Services Limited.

The revenues from our information services business accounted for 2.83%, 2.79%, 3.77% and 3.00% of our gross revenues in nine months ended December 31, 2006 and fiscals 2006, 2005 and 2004, respectively.

Outsourcing Services

1ICRA Online provides outsourcing services in the area of knowledge process outsourcing, research, data aggregation and technical services to financial services entities. ICRA Online's focus has been on high-end data or knowledge processing services where the existing research and analyses capabilities of its client may be supplemented by providing similar service at attractive costs.

ICRA Online has entered into another service agreement dated November 17, 2004 with Moody's Investors Service and Computer Exchange Private Limited (subsequently name changed to ICRA Techno Analytics Limited) and our Company. Under the services agreement ICRA Online provides information management services to Moody's Investors Service. The services to be provided by our Company and ICRA Online would be as specified in different work orders executed by Moody's Investors Service. The agreement is valid for a period of three years and shall automatically renew for successive two years period unless either party provides 365 days written notice to the other party prior to any renewal date.

Our Company has entered into a memorandum of understanding with Moody's Investors Service in February 2003. As per the memorandum of understanding our Company shall monitor the mutual funds rated by Moody's Investors Service in Europe and Asia (with the exception of India). We are entitled to a fee of US$ 14,400 per annum for monitoring rated mutual funds. The memorandum of understanding was for a period of three years. Even though the memorandum of understanding expired on February 2006 and has not been formally renewed, we continue to provide services under the memorandum of understanding and receive fee from Moody's Investors Service.

In addition, ICRA Online provides certain outsourcing services to BSE. The agreement between ICRA Online and BSE for outsourcing services stipulates that ICRA Online cannot undertake similar assignment with any other national level stock exchanges in India.

The revenues from outsourcing services accounted for 5.28%, 2.69%, 1.53% and 0.45% of our gross revenues for nine months ended December 31, 2006 and in fiscals 2006, 2005 and 2004, respectively.

Relationship with the Moody's Group

Moody's India, which is part of the Moody's Group, is our Promoter. In addition, Moody's Investors Service, which is an international rating agency, has entered into the Technical Services Agreement with us pursuant to which it has been providing technical services to us. Moreover, our Company and Subsidiaries provide certain outsourcing services to the Moody's Group.

Moody's Investors Service is an international credit rating agency. Its ratings and analysis track debt covering more than 100 countries, 11,000 company issuer, 25,000 public finance issuer and 70,000 structured finance obligations. In addition to its ratings business, the Moody's Corporation publishes credit opinions, deal research and commentary serving more than 7,300 customer accounts across the world. As of December 31, 2006, Moody's Corporation employs approximately 3,400 people in 24 offices worldwide.

We intend to further develop our relationship with the Moody's Group and to explore various business opportunities with them.

Alliance with Foreign Rating Agencies

In addition, we currently have entered into alliances with two rating agencies based outside India, namely Credit Rating Collection, Kuwait and Credit Rating Agency of Bangladesh Limited. Under these agreements, we provide certain services such as technical support, information and advisory services. The consideration payable to us under these agreements is either on a fixed fee basis or for a fee that may be mutually decided on project-to-project basis.

Knowledge Management and Information Technology System

Knowledge Management System

We recognize the importance of managing knowledge, for our businesses that are continuously growing in complexity, scale and functionality. Knowledge is core to the products and services delivered by us.

Accordingly, our Company relies on information technology to manage knowledge and has set up knowledge management systems that are mapped, documented and are continuously updated to ensure efficient delivery to our clients. Such knowledge management systems consist of a multi-layered design which aims to efficiently archive, index, and search knowledge resources.

Domain knowledge for various products and services offered by ICRA Online and for various solutions created by ICTEAS for their customers, typically resides in the documentation created for these solutions. The managers responsible for delivery of these products and services or solutions involve their team members in order to expand their knowledge on specific domains. Members of different teams are rotated with a view to transfer knowledge. This also acts as a useful backup mechanism in case of any critical employee leaving the organization.

ICRA Online has put in place operating manuals, guides and process flow documents to ensure that the operations remain process oriented and do not become dependent on specific personnel. Similarly, IMaCS maintains a knowledge bank for its documents such as marketing call reports, proposals, project deliverables, case vignettes, marketing and knowledge intensive presentations, profile of consultants and tools and templates.

The multi-tier architecture solutions give ICTEAS the ability to create reusable components for various layers. Technology components are created which can be used across the organization for various applications, thus encapsulating knowledge into a reusable form.

Information Technology System

We rely on information technology to manage knowledge and enhance delivery efficiency. The information technology enabled knowledge management systems, which operate on a virtual private network, integrate data and research both created by us as well as those obtained from external sources, which can be accessed from a core repository. While data and research documents exist in multiple software formats and versions, all such documents are consolidated in a central location integrated with a library system with dedicated teams to control, coordinate and manage access as well as updations, enabling optimal use of knowledge resources. In addition to the intranet backbone connecting all remote users within our Company, selective knowledge resources are made available externally through the internet as well.

While the use of technology has been guided by a strict internal discipline related to various procedures and practices, we conduct periodic reviews of the various aspects of the information technology infrastructure to maintain compliance and keep technology solutions and services updated. All the critical servers and applications are patched and updated at regular intervals to shield them from known vulnerabilities. Patches for critical applications are deployed automatically at frequent intervals and automated analysis of critical indicators ensures optimal availability of technology support. Measures of disaster protection and downtime reduction include close monitoring of backup processes and maintaining redundancy of all critical hardware and applications. Appropriate checks and access controls within the enterprise systems ensures data security and confidentiality as may be required with respect to both our data as well as client specific data.

Competition

We face competition in all our businesses, including those conducted through our Subsidiaries. For our rating services, we face competition from CRISIL, Fitch India and CARE and for our grading services, depending on the sector, we face competition from other rating agencies and certain specialised accreditation agencies.

In consulting services sector, IMaCS competes with various players including investment banks and consulting organizations. In mutual funds based services, ICRA Online faces competition from CRISIL, Value Research India Private Limited, Capital Market Publishers India Private Limited and Centre for Monitoring Indian Economy, among others. ICRA Online and ICTEAS face intense competition in the outsourcing services and software development and computer aided engineering activities.

Regulation

We are incorporated as a public limited company under the Companies Act. Additionally, we are registered with the SEBI as a credit rating agency and some of our credit rating activities are regulated by SEBI regulations. For more information on the regulatory regime applicable to our business, see the section titled “Regulation and Policies in India” on page 62.

Employees

Our success depends to a great extent on our ability to recruit, train and retain high quality professionals. Accordingly, we place special emphasis on the human resources function in our organisation. We believe that our strong brand name, industry leadership position, wide range of growth opportunities, focus on long-term professional development and performance linked compensation give us significant advantages in attracting and retaining highly skilled employees. We strive to instil our values of integrity, excellence, respect for individual, continuous learning and sharing and leading change in our employees through our organisational culture and training initiatives.

As of December 31, 2006 and March 31, 2006, 2005 and 2004, we had a total of 407, 388, 304 and 239 employees, respectively, including the employees of our Subsidiaries. Of our employees as of December 31, 2006, 66 were based in Delhi, 133 in Mumbai, 167 in Kolkata and remaining 41 spread over Chennai, Bangalore, Ahmedabad, Hyderabad, Pune and our clients' sites abroad. Of these employees, 352 are professionals holding formal qualifications in varied disciplines, including engineering, academia, business management, law and accountancy, and 55 are members of our support staff.

As a matter of practice, we recruit professionally qualified persons as our employees through advertisements and campus recruitments.

The annual attrition rate for employees of ICRA Limited (including employees for consulting division which was later demerged into IMaCS) and IMaCS for nine months ended December 31, 2006 and fiscals 2006, 2005 and 2004 was 22%, 23%, 23% and 24%, respectively. We calculate annual attrition rate on the basis of number of employees at the start and end of a particular fiscal.

The net profit per employee of ICRA Limited (including employees for consulting division which was later demerged into IMaCS) and IMaCS for nine months ended December 31, 2006 and fiscals 2006, 2005 and 2004 was Rs. 0.87 million, Rs. 1.06 million, Rs. 0.66 million and Rs. 0.84 million, respectively.

In addition to salary and allowance, we provide our employees medical and retirement benefits, including provident fund, gratuity and superannuation, and insurance. We also have a profit sharing scheme for the employees of our Company. For details, please see section titled "Our Management – Key Managerial Employees" on page 84.

We have been authorized by our shareholders to allot up to 9.06% of our post Offer issued equity share capital to our employees pursuant to our ESOP Scheme. The ESOP Scheme will be administered by our compensation committee and the ESOS Welfare Trust. We will allot 906,000 Equity Shares to the ESOS Welfare Trust for issuance of options to the employees. Generally, permanent employees and full-time Directors of our Company and Subsidiaries will be eligible for the ESOP Scheme. Though we have not granted any options under the ESOP Scheme, we might grant certain options to employees prior to the listing of our Equity Shares. The options granted under the ESOP Scheme shall have an exercise price equivalent to the Offer Price.

Training

We place special emphasis on the training of our employees to enable them to develop their skills and to meet our changing requirements. For the purpose of training our employees, our Company has an in-house structured training and development program, which is designed to keep our employees abreast with the latest developments in their respective areas of specialization. The training program(s) are conducted by in-house faculty of our Company covering sectoral and topical issues, which are important for the continuous development of our employees. We also encourage employees to attend training programs conducted by external professional bodies on certain specialized topics. Our analysts are also sent on a regular basis to attend training programs conducted by Moody's Investors Service and are also deputed to the offices of Moody's Investors Service for training.

The training initiatives at IMaCS are directed at building technical, inter-personal and leadership skills pertinent to consulting business. IMaCS imparts training to its employees based on an annual gap analysis for every employee using a detailed competency framework. Most of the training programs of IMaCS are externally organized.

ICRA Online and ICTEAS have divided their team in different divisions and impart adequate training to each team based on their requirements. If required, short professional training programs are organized in-house where domain experts impart knowledge on the intricacies of their products/industry. Knowledge sharing sessions and trouble-shooting sessions are organized by ICRA Online and ICTEAS whenever needed. In case ICRA Online or ICTEAS introduce any new technology or new product, their employees are trained on the same through formal training sessions. In addition, ICTEAS has been an authorized Microsoft training centre for more than five years. This allows ICTEAS to use the course curriculum used by Microsoft to train its employees.

Intellectual Property Rights

Our Company has obtained registration of two trademarks, which are 'ICRA Industry Flash Reports' and 'ICRA Industry Comments'. In addition, our Company has assigned three registered trademarks in favour of IMaCS (in accordance with the scheme of demerger).

Further, our Company has filed 24 applications for registration of various trademarks including 'ICRA', 'ICRA Limited', logo of ICRA, 'ICRA Corporate Review', 'Industry Watch Series' and 'ICRA Bulletin: Money & Finance'. These applications are currently pending before the Registrar of Trademarks. Out of these 24 applications filed by our Company, two trademarks, as and when registered, will be assigned to IMaCS (in accordance with the scheme of demerger).

In addition, ICRA Online has filed application for registration of trademark on 'www.IndiaCapital.com and 'www.mutualfundsindia.com' and ICTEAS has filed an application for registration of trademark on 'ICTEAS'. These applications are currently pending before the Registrar of Trademarks.

For details of the trademarks registration and application made by us and our Subsidiaries, see the section titled "Government Approvals" on page no 157.

Properties

Our Registered Office is located at 1105, Kailash Building, 11th Floor, 26 Kasturba Gandhi Marg, New Delhi 110 001. Our corporate office is situated at Building No 8, 2nd Floor, Tower-A, DLF Cyber City, Phase II, Gurgaon 122 002, Haryana. In addition, we have eight branch offices at Kolkata, Mumbai, Gurgaon, Bangalore, Chennai, Hyderabad, Ahmedabad, and Pune.

Set forth below is a brief summary of the properties on which our Registered Office and other offices are located:

Location	ADDRESS	Property Rights	Area (in square feet)
Delhi	1105, Kailash Building, 11th Floor, 26 Kasturba Gandhi Marg, New Delhi	Leasehold*	1,018
Gurgaon	Building No. 8, 2nd Floor, Tower –A, DLF Cyber City, Phase – II, Gurgaon	Leasehold**	20,792
Bangalore	Unit No. 1 and 2, Vayudoot Chambers, 2nd Floor, Trinity Circle, 15-16 MG Road, Bangalore.	Freehold	2,200
Ahmedabad	Unit No. 907 & 908, Ninth Floor, Sakar II, Ellisbridge, Plot No. 522/C, Taluka City, Ahmedabad.	Freehold	2,650
Chennai	Karumuttu Centre, 5th Floor, 634, Anna Salai, Nandanam, Chennai.	Freehold	4,715
Hyderabad	Flat Office No. 301, 3rd Floor, The Concourse Complex, Municipal No. 7-1-58, Ameerpet, Hyderabad.	Freehold	2,250
Pune	5A, 5th Floor, Symphony, SN 210, CTS 3202, Range Hills Road, Shivaji Nagar, Pune.	Freehold	2,080
Kolkata	Unit No. A 12, A11 and A10, third floor, Premise No. 234/3A, FMC Fortuna, Acharya Jagadish Chandra Bose Road, Kolkata	Freehold	3,660
Mumbai	3rd and 4th Floor, Electric Mansion, 1086, Appasaheb Marathe Marg, Prabhadevi, Mumbai.	Freehold	13,152

* Term ends on June 30, 2009.

** Terms ends on March 31, 2009.

In addition, we have certain other immovable properties in India, which we use for purposes of accommodation or storage.

REGULATIONS AND POLICIES IN INDIA

Our Company is primarily engaged in the business of providing rating services. In addition, we, along with our Subsidiaries, provide (i) consulting services, (ii) providing information technology based services, (iii) information services and (iv) outsourcing services.

Credit rating agencies are regulated by the regulations and guidelines promulgated by SEBI. The following is an overview of the key legislations which are relevant to a credit rating agency.

Securities and Exchange Board of India (Credit Rating Agencies) Regulations, 1999

Our Company is required to obtain a registration certificate from the Securities and Exchange Board of India under the provisions of the CRA Regulations. The registration under the CRA Regulations is valid for a period of three years and can be renewed thereafter.

The CRA Regulations prescribe a code of conduct that credit rating agencies must comply with to ensure honest, diligent and professional conduct of business and to protect the interests of investors. Credit rating agencies are also required to frame appropriate procedures to monitor trading by its employees in the securities of its clients, to prevent insider trading and fraudulent and unfair trade practices relating to the securities market.

The CRA Regulations also regulate the terms of agreement between credit rating agencies and their clients. This apart, the CRA Regulations require credit rating agencies to periodically monitor the securities rated by them during their lifetime, provide periodic reviews of the ratings published and disseminate information on any newly assigned ratings or any change in the ratings assigned earlier. Under the CRA Regulations, disclosures in relation to assigned ratings must be made through press releases and websites. Every credit rating agency must specify and disclose its rating process to the SEBI. Further, every credit rating agency is required to have a rating committee consisting of professionally qualified and knowledgeable members, and all ratings decisions are required to be taken by such a committee.

The CRA Regulations prohibit a credit rating agency from rating securities issued by it, its associate, subsidiaries, promoters or by a borrower, subsidiary or an associate of its promoters, subject to certain conditions.

Under the CRA Regulations, a compliance officer must be appointed by every credit rating agency, which officer is responsible for ensuring compliance with applicable laws. If a credit rating company fails to comply with conditions of certificate of registration or contravenes any provision of the SEBI Act or any rules or regulations made under the SEBI Act, it shall be liable for suspension of registration.

Foreign Investment Regulations

FEMA Regulations

FDI in securities of an Indian company is regulated by the FEMA and the rules, regulations and notifications made under the FEMA. The RBI, in exercise of its power under the FEMA, has notified the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 ("FEMA Regulations") to regulate the issue of Indian securities to persons resident outside India and the transfer of Indian securities by or to persons resident outside India. The FEMA Regulations provide that an Indian entity may issue securities to a person resident outside India or record in its books any transfer of security from or to such person only in the manner set forth in the FEMA and the rules and regulations made thereunder or as permitted by the RBI. Besides, FDI in India is also governed by the provisions of the Foreign Direct Investment Policy ("FDI Policy"), issued from time to time by the DIPP, the administering authority in respect of which is the FIPB.

FDI Policy

Under the FDI Policy, credit rating is one of the 19 activities included under the head non-banking financial activities for which FDI is permitted under the automatic route, subject to certain minimum capitalization norms, *inter alia*, as set out below:

a) If FDI is less than 51%, US$ 0.5 million to be brought in upfront;

b) If FDI is more than 51% and upto 75%, US$ 5 million to be brought in upfront; and

c) If FDI is more than 75% and upto 100%, US$ 50 million, out of which US$ 7.5 million to be brought in upfront and the balance in 24 months.

If the above mentioned minimum capitalization norms are not fulfilled by a foreign investor, then prior approval of the FIPB will be required.

Regulations mandating rating/grading of securities

Certain regulatory authorities such as the RBI, SEBI and the Insurance Regulatory and Development Authority, through various regulations and guidelines, render it mandatory for certain regulated entities to invest only in rated/graded securities/instruments.

Listed below are certain major regulations, which prescribe rating/grading of securities and/or the investee entity.

Regulations governing insurance companies

The Insurance Regulatory and Development Authority (Investment) Regulations, 2000 dated August 14, 2000 mandate every insurance company to invest all assets of pension business, general annuity business and group business, only in securities having a grading of not less than of 'very strong' rating by a reputed and independent rating agency. Further, every general insurance company and reinsurance company is required to invest its total assets only in securities having a grading of not less than of 'very strong' rating by a reputed and independent rating agency. Also, insurance companies when placing their term deposits and loans with NBFCs, are required to ensure that the credit rating of the borrower must not be less than of a 'very strong' rating by a reputed and independent rating agency.

Regulation governing NBFCs

The Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998, notified by the RBI vide Notification No.DFC.118/DG(SPT)-98 dated January 2, 1998 and duly updated by notification no. DNBS (PD) CC No.75 / 03.02.01/ 2006-07 dated July 1, 2006 provides that certain non-banking financial company having net owned fund of twenty five lakh of rupees and above cannot accept public deposit unless it has obtained minimum investment grade or other specified credit rating for fixed deposits from any one of the approved credit rating agencies at least once a year and a copy of the rating is sent to the RBI along with return on prudential norms.

The RBI by circular DNBS (PD) CC.No.65/04.18.001/2005-06 dated March 31, 2006 has mandated all residuary non-banking companies to invest not less than 10 percent of the aggregate amount of liabilities in fixed deposits or certificates of deposit of scheduled commercial banks or in certificates of deposit of specified financial institutions, only if such certificates are rated not less than AA+ or its equivalent by an approved credit rating agency, or partly in any of these fixed deposits/certificates of deposit so rated.

Further, residuary non-banking companies are also required to invest a minimum of 75 percent of the aggregate amount of liabilities in securities of any state government or central government or in bonds or debentures rated not less than AA+ or equivalent by an approved credit rating agency and listed on a recognized stock exchange.

Regulations governing Mutual Funds

The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 mandates that mutual funds schemes can invest up to 15% of its net asset value in debt instruments and mortgage backed securitised debt issued by a single issuer which are rated not below investment grade by a credit rating agency registered with the SEBI. Such investment limit may be extended to 20% of the net asset value of the scheme with the prior approval of the board of trustees and the board of asset management company. However, these limits are not applicable for investments in government securities and money market instruments. Further, a mutual funds scheme shall not invest more than 10% of its net asset value in unrated debt instruments issued by a single issuer and the total investment in such instruments shall not exceed 25% of the net asset value of the scheme.

1The SEBI by its notification dated August 3, 2006 has introduced 'capital protection oriented schemes'. A capital protection oriented scheme is a mutual fund scheme that endeavours to protect the capital invested therein through suitable orientation of its portfolio structure. The units of a capital protection oriented scheme must be compulsorily rated by a SEBI registered credit rating agency from the viewpoint of the ability of its portfolio structure to attain protection of the capital invested.

Further, as per a SEBI circular dated August 14, 2006, a Mutual Fund, proposing to offer a capital protection oriented scheme, is required to obtain rating from a SEBI registered credit rating agency for its proposed portfolio structure and the key information memorandum indicated in the offer document for such scheme. The rating must be from the viewpoint of assessing the degree of certainty for achieving the objective of capital protection. The rating should also be reviewed on a quarterly basis. The circular has also mandated that the debt component of the portfolio structure must have the highest investment grade rating.

Regulations governing Primary Dealers in Government Securities

The RBI by its circular dated March 8, 2004 (IDMD.PDRS.No.03/03.64.00/2003-04) has mandated all primary dealers in government securities to invest only in rated non-government securities which includes *inter alia* capital gains bonds, bonds eligible for priority sector status, bonds issued by central or state public sector undertakings with or without government guarantees and bonds issued by corporates, banks, financial institutions or state government or central government sponsored institutions. However, the primary dealers can invest in unlisted and unrated non-government securities to a limit of 10% of the size of their non-government securities portfolio on an on-going basis. The ceiling of 10% would be inclusive of investment in security receipts issued by securitization companies/reconstruction companies and also the investment in asset backed securities and mortgage backed securities.

Regulations governing commercial banks

The RBI by its circular dated November 12, 2003 (DBOD.BP.BC.44/ 21.04.141/ 2003-04) has mandated all commercial banks to make fresh investment only in rated non-SLR securities pursuant to issuance of the circular.

The RBI by its notification dated June 11, 2004 (DBOD No. BP.BC. 90 /21.01.002/ 2003-04) provides that long term bonds for infrastructure financing issued by scheduled commercial banks through public issue or private placement must be compulsorily rated by any of the credit rating agencies registered with the SEBI.

Regulations governing financial institutions

The RBI by its circular dated February 1, 2006 (DBOD.NO.BP.BC.60/21.04.048/ 2005-06) has notified all banks, financial institutions and non-banking financial companies that the securities issued by a special purpose vehicle in a securitization transaction should be compulsorily rated by a rating agency registered with SEBI and such rating at any time must not be more than 6 months old.

Investment in corporate debt securities

The SEBI by its circular dated September 30, 2003 (SEBI/MRD/SE/AT/36/2003/30/09) has mandated compulsory rating for debt securities having tenure of one year or above issued by listed companies.

IPO Grading

The SEBI by its circular dated April 24, 2006, (SEBI/CFD/DIL/DIP/21/2006/24/4) has given the option, to an unlisted company making an initial public offering of equity shares, or any other security which may be converted into or exchanged with equity shares, for grading of such an initial public offering, from one or more credit rating agencies.

Mortgage Backed Securities

The RBI by its master circular dated July 1, 2006 (DBOD No. BP.BC.13/21.01.002/2006-07) provides that all commercial banks should ensure that the housing loans which are securitised for the issue of mortgage backed securities, should be accorded an investment grade credit rating at the time of assignment to the special purpose vehicle for it to be eligible for a reduced risk weight of 75%.

Commercial Papers

The RBI by its circular IECD. 3/08.15.01/2000-2001 dated October 10, 2000 has made it compulsory for all eligible participants to obtain a minimum specified credit rating, for issuance of commercial papers.

Additionally, the RBI by its circular dated April 30, 2003 (IECD.No. 19 /08.15.01/2002-03) provides that all non-bank entities including corporates may provide unconditional and irrevocable guarantee for credit enhancement for an issue of commercial paper only if they have credit rating at least one notch higher than the issuer of commercial paper by an approved credit rating agency.

Regulations for issue of debt instruments

The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 provides that any company making a public issue or certain rights issue of convertible/non convertible debt instruments must compulsorily obtain investment grade rating for such debt instruments from not less than two credit rating agencies and the rating must be disclosed in the offer document.

Maritime training institutes

The Director General of Shipping, by circular dated January 1, 2004 (Training Circular No. 2 of 2004/ No. 11-TR (12)/2003 has made it optional for all existing maritime training institutes to grade themselves however for approval of new institute or course, weightage would be given if the institutes are graded.

HISTORY AND CERTAIN CORPORATE MATTERS

Our Company was incorporated on January 16, 1991 under the Companies Act as "Investment Information and Credit Rating Agency of India Limited" and obtained its certificate of commencement of business on March 15, 1991. The name of our Company was changed to ICRA Limited by a special resolution passed in the AGM held on September 29, 1994 and it obtained fresh certificate of incorporation consequent to change of name on February 3, 1995.

At the time of incorporation our registered office was situated at Scope Complex, Core V, 7 Lodhi Road, 1st Floor, New Delhi 110 003. However, on February 18, 1993 our registered office was shifted to 4th Floor, Kailash Building, 26 Kasturba Gandhi Marg, New Delhi 110 001, and thereafter to our present registered office at 1105, Kailash Building, 11th Floor, 26 Kasturba Gandhi Marg, New Delhi 110 001 on July 18, 2006.

Scheme of Demerger

By a scheme of arrangement between our Company and IMaCS, sanctioned by the High Court of Delhi by an order dated March 29, 2006, the whole of the consulting division of our Company was demerged and transferred on a going concern basis to IMaCS with retrospective effect from April 1, 2005 and in consideration for the same IMaCS has issued 5,164,786 equity shares of Rs. 10 each to our Company on September 11, 2006.

Key events and milestones relating to the Company

Year	Key events, milestones and achievements
1991	• Incorporation of our Company. • Launched credit rating service on September 1, 1991.
1996	• Entered into an agreement with Financial Proformas Inc., a part of the Moody's Group, to provide, *inter alia*, credit education, risk management software, credit research and consulting services to commercial banks, financial and investment institutions, financial service companies and mutual funds in India.
1997	• Started the consulting services business.
1999	• Moody's India, an indirect subsidiary of Moody's Corporation, invested in our Company. Moody's Investors Service, a wholly owned subsidiary of Moody's Corporation, entered into the Technical Services Agreement.
2001	• Entered into a technical services agreement with Credit Rating & Collection, Kuwait.
2003	• Acquired minority stakes in and entered into technical services agreement with Online India Capital.Com (subsequently, name changed to ICRA Online Limited). • Entered into a technical collaboration agreement with Credit Rating Agency of Bangladesh Limited.
2004	• Launched our Outsourced Services Division.
2005	• Entered into an MOU with National Small Industries Corporation Limited for launching NSIC-ICRA performance and credit rating scheme for small-scale enterprises in India.
2006	• Acquired Computer Exchange Private Limited (subsequently name changed to ICRA Techno Analytics Limited). • Acquired a majority stake in ICRA Online. • Demerged our consulting division and transferred to IMaCS, our wholly-owned subsidiary, with effect from April 1, 2005.

Main objects

Some of our main objects, as contained in our Memorandum of Association, are as follows:

1. to analyse, rate, evaluate, appraise the dues, obligations, commitment etc of companies, cooperative societies, government or statutory organizations etc. for its own use or for the use of investors, issuers, underwriters, agencies etc.
2. to act as analysts, evaluators, raters and appraisers and the like of the dues, obligations commitment etc of companies, cooperative societies, government or statutory organizations etc. about its creditworthiness, technical and managerial viability etc. for its own use or for the use of investors, issuers, underwriters, agencies etc.
3. to analyse, rate evaluate, appraise the dues, obligations commitment etc of companies, cooperative societies, government or statutory organizations etc for the purposes of joint ventures, promotion of international trade, development of business and commerce.
4. to make public the information, knowledge data details relating to any technical , managerial, financial commercial, trading, industrial and business enterprise for the use of business industry trade or commerce.
5. to collect, classify and collate information and data relating to investment, growth, credit, finance, resources, prospects etc. for firms organizations etc. for the overall benefit of industry, trade commerce research etc.
6. to provide or assist in providing counsel or advice on operational strategies relating to future business planning profits etc. for any organization, firm, etc. either in India or abroad, with or without consideration.

Amendments to our Memorandum of Association

On May 24, 2000, the authorized share capital of our Company was increased from Rs. 100 million divided into 10 million Equity Shares to Rs. 150 million divided into 15 million Equity Shares.

The following are the summaries of the key terms and conditions of the agreements executed between Moody's India and our Company.

Equity Share Subscription Agreement

We had entered into an equity share subscription agreement dated August 3, 1999 with Moody's India for fresh issue and allotment of 1,000,000 Equity Shares representing 11.36% of the then issued share capital of our Company in favour of Moody's India, at Rs. 60 per Equity Share.

Shareholders Agreement

We have entered into a Shareholders Agreement dated August 3, 1999 with Moody's India, IFCI, SBI and LIC.

The key provisions of the Shareholders Agreement are as follows:

Transfer of Equity Shares: In the event a party to the Shareholders Agreement intends to transfer its Equity Shares then the other parties will have the first right to purchase such Equity Shares. In the event the other parties do not offer to purchase the Equity Shares then the selling party may sell the Equity Shares to a third party on the same terms and conditions which were offered to the other parties. The selling party cannot however sell the Equity Shares to a competitor of our Company. The parties are prohibited from transferring their Equity Shares to any rating agency (other than Moody's India) or an affiliate thereof, without the prior written consent of Moody's India. Moody's India, by letters dated May 3, 2006 and January 23, 2007, has consented to an offer for sale of Equity Shares by State Bank of India and IFCI Limited in the Offer.

However, Moody's India may transfer any of its equity shares pursuant to a put option agreement (as discussed below).

Special invitee to the Board: Moody's India is entitled to appoint a nominee, who can attend the meeting of our Board in the capacity of an observer with a right to speak, but not vote.

Board Meeting: We are required to notify Moody's India at least 20 business days and consider its views prior to transacting on the following matters in a meeting of our Board:

(a) Fresh issue of Equity Shares, security, debt security, whether by way of rights, preferential allotment or otherwise.

(b) Assumption of any debts and charging any assets and/or undertaking of our Company.

(c) Removal of any Director.

(d) Merger or consolidation or any other manner of reorganization involving our Company.

(e) Any business, matter or undertaking, which is likely to have a material adverse effect on the reputation of Moody's India.

(f) Investing in securities of an entity, where such investment would give us more than 50% voting rights in relation to such entity.

(g) Winding up or dissolution by our Company or making composition or arrangement with creditors, whether generally or specifically.

General Meeting: As per the Shareholders Agreement, Moody's India shall have affirmative voting rights in relation to the following:

(a) Amendment to our Articles of Association.

(b) Alter our authorised or paid up share capital and any public issue or private placement of Equity Shares.

(c) Entering into any joint venture or acquiring any interest in any security of any other rating agency in the world.

(d) Fresh issue of equity capital to any person carrying on any business or activities in competition with that of Moody's India or our Company.

Voting Agreement: As per the Shareholders Agreement, the parties shall exercise their voting rights to ensure that our Company does not enter into any joint venture agreement with any other rating agency in the world, without the prior written consent of Moody's India.

Termination: the Shareholders Agreement would be terminated, inter alia, upon Moody's India or any of its affiliate ceasing to hold any interest in the Equity Shares.

The terms and conditions of the Shareholders Agreement have not been incorporated in our Articles of Association.

Put Option Agreement

We have entered into a put option agreement dated August 3, 1999 with Moody's India and SBI ("Put Option Agreement"). As per the Put Option Agreement, Moody's India has a right to require either, subject to the applicable laws, our Company or SBI to acquire all or some of 1,000,000 Equity Shares (subscribed by it under the Subscription Agreement). The price for acquisition of the said Equity Shares by us/SBI shall be calculated as per a formula enumerated under the Put Option Agreement. If we/SBI refuse to purchase the said Equity Shares then Moody's India may dispose of such Equity Shares to a third party on such terms as it considers fit. Upon listing of our Equity Shares, any such buy-back of our Equity Shares by us, if legally permitted, would be under the Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998, which requires that the buy-back offer be made to all our existing shareholders on a proportionate basis. Also, such buy-back of Equity Shares by us may result in reduction of our free reserves.

Technical Services Agreement

We have entered into a Technical Services Agreement dated August 3, 1999 (and last amended on July 19, 2004) for a term of 10 years with Moody's Investors Service. As per the Technical Services Agreement, Moody's Investors Services shall provide certain technical services 'on-the-job training' to our managers, analysts and marketing professionals for consideration of U.S.$ 40,000 per annum.

The technical services to be provided by Moody's Investors Service would also include Moody's global credit research product, which means the research, analysis and other information with respect to credit research and analysis and in relation to a particular or a class of securities and issuers thereof.

As per the Technical Services Agreement, we cannot be engaged with any other person with respect to obtaining or providing services or information similar to the technical services under the Technical Services Agreement without the prior written consent of Moody's Investors Service. Further, we are responsible for any use or disposition of the technical services and also undertake to indemnify Moody's Investors Service for any damage or liability, which may arise out of such use or disposition by us. Moody's Investors Service has no liability to us with respect to the technical services or any use of the same by us.

Additionally, we have been granted a non-exclusive, non-transferable license to use "Moody's Investors Service" name and logo in India in connection with the provisions of services by us under the Technical Service Agreement for the sole purpose of projecting ourselves as an associate of Moody's Investors Service. We pay a fee of US$10,000 per annum to MIS Quality Management Corp., an affiliate of Moody's Investors Service for such licence of name and logo.

Subsidiaries

The following are our subsidiaries:

1. ICRA Management Consulting Services Limited
2. ICRA Techno Analytics Limited
3. ICRA Online Limited

ICRA Management Consulting Services Limited

IMaCS was incorporated on December 21, 2004 and obtained its certificate of commencement of business on March 4, 2005. the registered office of IMaCS is situated at 1105, Kailash Building, 11th Floor, 26 Kasturba Gandhi Marg, New Delhi 110 001 and its corporate office is situated at Building No 8, 2nd Floor, Tower-A, DLF Cyber City, Phase II, Gurgaon 122 002, Haryana. The main business of IMaCS is to render management consultancy and advisory services.

The consulting services were provided by a division of our Company till Fiscal 2005, when the consulting division was demerged into IMaCS by the Delhi High Court order dated March 29, 2006. As a division of our Company, the consulting division adopted the brand name "IMaCS" on December 1, 2004, earlier to which it operated under the name 'ICRA Advisory Services'.

IMaCS offers consultancy services and derives revenues from five business areas namely, infrastructure, energy, banking and insurance, corporate advisory and the government. For details of its business areas, please see the section titled "Our Business" on page 49.

IMaCS' clients include banks, financial institutions, non-banking financial companies, manufacturing and services organizations, governments, government-owned organizations, debt and equity investors, regulators, and multilateral agencies.

An indicative list of clients of IMaCS is given below:

1. World Bank,
2. International Finance Corporation,
3. Commonwealth Development Corporation (CDC),
4. United Nations Development Programme (UNDP),
5. United States Agency for International Development (USAID),
6. DFID,
7. African Development Bank (AfDB),
8. Asian Development Bank (ADB),
9. State Bank of India,
10. Canara Bank,
11. Yes Bank Limited,
12. Bank of India,
13. Indian Bank,
14. Karnataka Bank Limited,
15. United Bank of India,

16. Konkan Railway Corporation Limited,
17. GMR Infrastructure Limited,
18. Delhi Electricity Regulatory Commission,
19. Rosa Power Supply Company Limited,
20. Indian Paper Manufacturers Association,
21. Society of Indian Automobile Manufacturers (SIAM),
22. Automotive Component Manufacturers Association of India (ACMA).

It may be clarified that by a scheme of arrangement between our Company and IMaCS, sanctioned by the High Court of Delhi by an order dated March 29, 2006, the consulting division of our Company was demerged and transferred on a going concern basis to IMaCS. The advsiory services division was in existence since fiscal 1998 as part of ICRA till it was demerged. As the business of the consulting division of ICRA was assigned to IMaCS, the revenue for the fiscal 2006 of IMaCS was Rs. 121.48 million in the first year of operation. As the consulting business is competitive and operating expenses are high, the margin of profit of IMaCS is low at Rs. 10.77 million.

Shareholding Pattern

IMaCS is a wholly owned subsidiary of our Company.

Board of Directors

The board of directors of IMaCS comprises the following:

1. Mr. Dhruba Narayan Ghosh
2. Mr. Pranab Kumar Choudhury
3. Mr. Raghavendra Raghuttama Rao
4. Mr. Deba Prasad Roy
5. Mr. Panemangalore Srinivasa Shenoy, and
6. Mr. Chander Mohan Vasudev

Financial Performance

Since IMaCS was incorporated in December 2004, the financial results of IMaCS for the last three fiscals are not available. Following are the details of fiscals 2005 and 2006.

(Rs. in million, as restated)

	Nine months ended December 31, 2006	***Fiscal 2006***	***Fiscal 2005***
Total Income	87.95	121.48	NIL
Profit/(Loss) after tax	(0.06)	10.77	NIL
Equity share capital (paid up)	150.00	0.50	0.50
Reserves and Surplus (excluding revaluation reserves)	10.10	10.77	NIL
Earnings/(Loss) per share (diluted) (Rs.)	0.004	215.37	NIL
Book Value per share (Rs.)	10.67	225.40	5.20

ICRA Techno Analytics Limited

ICTEAS was originally incorporated as Computer Exchange Private Limited on July 27, 1992 by Mr. Naresh Kumar Bothra and Mr. Prateep Guha. In the fiscal 2006, our Company acquired the entire shareholding of Computer Exchange Private Limited for a consideration of Rs. 44.89 million and subsequently it was renamed as ICTEAS and a fresh certificate of incorporation was issued on March 24, 2006. The main business of ICTEAS is to provide software and engineering services.

The registered office of ICTEAS was situated at 75 C Park Street, 3rd Floor, Kolkata 700 016. However pursuant to a shareholders resolution on March 4, 2006, the registered office was shifted to FMC Fortuna, A-10 & A-11, 3rd Floor, 234/3A, A.J.C Bose Road, Kolkata 700 020. The board of directors of ICTEAS have in their meeting dated November 17, 2006 resolved to set up a wholly owned subsidiary in US to carry on such lawful activities as may be permitted in US. However, ICTEAS is still considering the feasibility or otherwise of setting up a wholly owned subsidiary in US.

Shareholding Pattern

ICTEAS is a wholly owned subsidiary of our Company.

Board of Directors

The board of directors ICTEAS comprises the following:

1. Mr. Pranab Kumar Choudhury
2. Mr. Prateep Kumar Guha, and
3. Mr. Naresh Takkar

Financial Performance

The financial results of ICTEAS for the last three fiscal years are as follows:

(Rs. in million, as restated)

	Nine months ended December 31, 2006	***Fiscal 2006***	***Fiscal 2005***	***Fiscal 2004***
Total Income	70.43	66.27	41.99	22.86
Profit / (Loss) after Tax	5.48	3.15	4.67	0.13
Equity Share Capital (Paid – up)	50.00	30.00	7.50	7.50
Reserve & Surplus (Excluding revaluation reserves)	5.92	0.37	0.00	0.00
Earning / (Loss) per Shares (Diluted) (Rs.)	1.10	1.05	6.23	0.17
Book Value per Share (Rs.)	11.18	10.06	9.96	3.84

ICRA Online Limited

ICRA Online was originally incorporated as Online India Capital.Com Private Limited on January 22, 1999 by Mr. Anurag Garg, Mr. Aditya Agarwal and Mr. Sanjaya Gupta. It became a deemed public company on June 3, 2000 and was subsequently converted into a public company and obtained a fresh certificate of incorporation on November 20, 2003. It was renamed as ICRA Online Limited and obtained a fresh certificate of incorporation on January 16, 2004. The main business of ICRA Online is to provide information services and technology solutions to the financial service sector in India. Our Company acquired 99.37% of shareholding of ICRA Online over a period of time for a total consideration of Rs. 22.04 million which includes shares of face value of Rs. 4.32 million allotted for consideration other than cash. The balance of 0.63% of shareholding of ICRA Online has been acquired at par value from the existing shareholders.

The registered office of ICRA Online was initially situated at B-14, Shashi Gardens, Mayur Vihar-1, New Delhi 110 091 and thereafter was shifted to 502 B, Wing A, Great Eastern Chambers, Plot No. 28, Sector XI, C.B.D.Belapur, Navi Mumbai 400 614 and subsequently to FMC Fortuna, A-10 & A-11, 3rd Floor, 234/3A, A.J.C Bose Road, Kolkata 700 020 on May 1, 2006.

Shareholding Pattern

ICRA Online is a wholly owned subsidiary of our Company.

Board of Directors

The board of directors ICRA Online comprises the following:

1. Mr. Pranab Kumar Choudhury
2. Mr. Prateep Guha
3. Mr. Raghavendra Raghuttama Rao
4. Mr. Asit Kumar Basu, and
5. Mr. Aditya Agrawal

Financial Performance

The financial results of ICRA Online for the last three fiscal years are as follows:

(Rs. in million, as restated)

	Nine months ended December 31, 2006	***Fiscal 2006***	***Fiscal 2005***	***Fiscal 2004***
Total Income	46.79	29.62	20.73	9.33
Profit/(Loss) after tax	13.01	1.91	0.25	(1.37)
Equity share capital (paid up)	22.18	22.18	22.18	22.18
Reserves and Surplus (excluding revaluation reserves)	2.34	2.34	2.34	2.34
Earnings/(Loss) per share (diluted) (Rs.)	5.87	0.86	0.11	0.00
Book Value per share (Rs.)	10.92	4.93	4.24	3.93

ICTEAS and ICRA Online are contemplating a merger. ICTEAS has in this regard appointed a consultant on December 13, 2006 after taking approval of its board of directors to ascertain the feasibility or otherwise of the merger with ICRA Online.

OUR MANAGEMENT

Board of Directors

Under our Articles of Association we are required to have at least three Directors and cannot have more than 12 Directors. We currently have nine Directors.

The following table sets forth details regarding our current Directors:

Name, Father's Name, Designation, Occupation and DIN	Age	Address	Other Directorships
Mr. Dhruba Narayan Ghosh S/o Late Mr. R.K. Ghosh Designation: Chairman (Independent Director) Occupation: Professional DIN: 00012608	78 years	BC 148, Sector I, Salt Lake, Kolkata 700 064 India.	● ICRA Management Consulting Services Limited ● Sundaram BNP Paribas Asset Management Company Limited ● Ismart Global Private Limited ● Housing Development Finance Corporation Limited
Mr. Pranab Kumar Choudhury S/o. Mr. S.K. Choudhury Designation: Vice Chairman (Non-independent Director) Occupation: Professional DIN: 00015470	60 Years	Flat No 799, Block A-5, C.A Apartments, Paschim Vihar, New Delhi 110 063 India.	● ICRA Management Consulting Services Limited ● ICRA Online Limited ● ICRA Techno Analytics Limited ● Oil and Natural Gas Corporation Limited
Mr. Naresh Takkar S/o Mr. S.L. Takkar Designation: Managing Director (Non-independent Director) Occupation: Professional DIN: 00253288	43 Years	B-301, Stellar Park Apartment, C-58/24, Sector 62, NOIDA Uttar Pradesh India.	● ICRA Techno Analytics Limited.
Dr. Uddesh Kohli S/o. Mr. G.C. Kohli Designation: Director (Independent Director) Occupation: Professional DIN: 00183409	66 Years	S 50, Greater Kailash 1, New Delhi 110 048, India.	● Cybiz Call (International) Limited ● National Research Development Corporation Limited ● National Mineral Development Corporation Limited ● Alstom Projects India Limited ● Lanco Infratech Limited ● J & K Mineral Development Corporation Limited ● West Bengal Consultancy Organization Limited

Name, Father's Name, Designation, Occupation and DIN	Age	Address	Other Directorships
Prof. Deepak Nayyar S/o. Mr. Sohan Lal Nayyar Designation: Director (Independent Director) Occupation: University Professor DIN: 00348529	60 Years	5- B Friends Colony (West) New Delhi – 110 065 India.	● Steel Authority of India Limited
Mr. Piyush Gunwantrai Mankad S/o Late Mr. G.N. Mankad Designation: Director (Independent Director) Occupation: Retired Civil Servant DIN: 00005001	65 Years	C-II/95, Motibagh, New Delhi 110 021 India.	● Tata International Limited ● Tata Elxsi Limited ● DSP- Merrill Lynch Fund Managers Limited ● Mahindra & Mahindra Financial Services Limited ● Max India Limited ● Noida Toll Bridge Company Limited ● U.B (Holdings) Limited ● Kingfisher Airlines Limited ● Mysore Cement Limited
Mr. Amal Ganguli S/o Late Mr. H.P. Ganguli Designation: Director (Independent Director) Occupation: Chartered Accountant DIN: 00013808	67 Years	J-6/7, DLF, Qutab Enclave, Phase II, Gurgaon-122 002, Haryana, India.	● HCL Technologies Limited. ● Samtel Color Limited ● Tube Investments of India Limited. ● Flextronics Software Systems Limited. ● Hughes Communications and Information Limited. ● Century Textiles and Industries Limited ● New Delhi Television Limited. ● Maruti Udyog Limited. ● AVTEC Limited. ● ML Infomap Private Limited. ● Videsh Sanchar Nigam Limited
Mr. Chester Van Alen Murray S/o Mr. Emmet Van Alen Murray Designation: Director (Non-independent Director) Occupation: Analyst DIN: 00194588	51 Years	96 Louises Lane, New Canaan, Connecticut 06840	● Moody's Investors Service Cyprus Limited ● Moody's Italia S.r.1 ● Moody's Japan K.K ● Korea Investors Service Inc. ● Korea Investors Service Pricing Inc. ● Moody's Central Europe A.S. ● Moody's Interfax Rating Agency (MIRA) ● Moody's Interfax Rating Agency (MIRA) Ukraine ● Moody's Interfax Rating Agency (MIRA) Kazakhstan ● Moody's Taiwan Corporation ● Moody's India ● Moody's Investors Service Pty Limited ● Moody's Investors Service Funds Pty Limited ● Moody's China (B.V.I) Limited ● Moody's Investors Service Beijing Limited ● China Cheng Xin International Credit Rating Company Limited (CCXI)

Name, Father's Name, Designation, Occupation and DIN	Age	Address	Other Directorships
Mr. Chetan Modi S/o Chiman Modi Designation: Director (Non-independent alternate Director for Mr. Chester Van Alen Murray) Occupation: Professional DIN: 00513815	41 years	Flat 41, Sherman, Narayan Dhabolkar Road, Mumbai 400 006	● Moody's India
Mr. Thomas John Keller, Jr. S/o Mr. Thomas John Keller Designation: Director (Non-independent Director) Occupation: Business Executive DIN: 00194502	47 Years	14 Harbour Drive, Westerly, Rhode Island 02891, USA 20 Tai Tam Road, House 1, Tai Tam, Hong Kong	● Moody's Investors Service Pty. Limited ● Moody's Investors Service Funds Pty Limited ● Moody's Investors Service (Beijing) Limited ● Moody's China (B.V.I) Limited ● Moody's Asia Pacific Limited ● PT Moody's Indonesia ● Moody's Japan K.K ● Moody's Investors Service (Korea) Inc. ● Korea Investors Service ● Moody's Mauritius Holdings Limited ● Moody's Singapore Pte. Limited. ● Moody's Taiwan Corporation ● Moody's Investment Company (India) Private Limited

Details of the Directors

Mr. Dhruba Narayan Ghosh, aged 78 years, is the non-executive Chairman and independent director of our Company and has been associated with us since February 11, 1991. He has vast and varied experience in the fields of finance and administration; as Additional Secretary & Financial Advisor to the Ministry of Steel & Mines and Secretary, Department of Production & Supplies, Ministry of Defence. He was Chairman of State Bank of India, (1985-89), Chairman of the Board of Directors of Philips India Limited, (1989-99), Larsen & Toubro, (1990-91), Chairman of the Board of Governor of the Indian Institute of Management, Lucknow, (1986-91), Chairman of Management Development Institute (1989-93) and Chairman of the Peerless Group of Companies, (1996-2006). Currently, he is associated as chairman and director of a number of companies.

Mr. Pranab Kumar Choudhury, aged 60 years, is the Vice Chairman of our Company. He holds a bachelor's and a master's degree in commerce from the University of Calcutta. He is a chartered accountant from the Institute of Chartered Accountants of India and also holds a post-graduate diploma in advanced financial management from the Maastricht School of Management, Netherlands. His 35 years of experience includes working with IFCI, UCO Bank, Crompton Greaves Limited and Dunlop India Limited. He is also the Vice Chairman of the Association of Credit Rating Agencies of Asia. He is incharge of our overall management, development of our rating services and provides guidance to rating analysts in carrying out rating assignments. He joined our Board on June 30, 1993.

Mr. Naresh Takkar, aged 43 years, is the Managing Director of our Company. He is a chartered accountant from the Institute of Chartered Accountants of India and holds a bachelors degree in commerce from Delhi University. He has been associated with the Company for about 15 years. He joined our Company as a business analyst in 1991, was promoted as a Manager in 1994, General Manager in 1996, Executive Director in 1999 and Joint Managing Director in the year 2003. He currently heads the rating services of the Company with the overall responsibility of rating business and operations. He is a member of the our Rating Committee and Management Committee. He has led the team for rating India's many first time transactions including the first future flow securitisation, collateralized debt obligations, partial guarantee structure, whole business secrutization transactions and corporate governance rating. He has led teams for developing analytical criteria for various sectors including, rating of corporate, banks, projects finance, structures finance and corporate governance and has experience of handling rating assignment in diverse sectors including structured finance, power, telecom, roads, utilities, public finance, real estate, hotels, automobiles and building materials among others. He joined our Board on July 1, 2006.

Dr. Uddesh Kohli, aged 66 years, is an independent Director of our Company. He holds a bachelor's degree in Engineering from the University of Roorkee, a postgraduate diploma in industrial administration from the University of Manchester and a Ph D. in economics from the Delhi School of Economics, Delhi University. His vast experience of 40 years include working as the chairman and Managing Director of the Power Finance Corporation of India, advisor to the Planning Commission, Government of India, United Nation Expert to Ministry of Planning, Human Resource & Environment, Maldives, ADB Advisor to Government of Papua New Guinea, advisor to Asian Development Bank. He has also worked as an engineer in various public sector organisations. He has also undertaken various international assignments. He specializes in the areas of developing, planning, finance and project formulation, appraisal, sustainability and monitoring, energy planning, training and employer-labour relations. Dr. Kohli has a number of publications on various aspects of project planning, appraisal, monitoring, management information system management, training and development. He joined our Board on October 15, 2001.

Prof. Deepak Nayyar, aged 60 years, is an independent Director of our Company. He is Professor of Economics at Jawaharlal Nehru University, New Delhi. Earlier, he has taught at the University of Oxford, the University of Sussex, and the Indian Institute of Management, Calcutta. He was, until recently, Vice Chancellor of the University of Delhi. He served as Chief Economic Adviser to the Government of India and Secretary in the Ministry of Finance. He was educated at St. Stephen's College, University of Delhi. Thereafter, as a Rhodes Scholar, he went on to study at Balliol College, University of Oxford, where he obtained a B. Phil and a D. Phil in Economics. He has published several books and articles in professional journals. His books include India's Exports and Export Policies, Migration, Remittances and Capital Flows, The Intelligent Person's Guide to Liberalization, and Governing Globalization: Issues and Institutions. He has been a Member of the World Commission on the Social Dimension of Globalization. He is an Honorary Fellow of Balliol College, Oxford. Professor Nayyar is Chairman of the Board of Governors of the UNU World Institute for Development Economics Research, Helsinki, a Member of the Board of Directors of the Social Science Research Council in the United States, and Chairman of the Advisory Council for the Department of International Development, Queen Elizabeth House, University of Oxford. He is a member of the recently constituted National Knowledge Commission in India. He is also Vice President of the International Association of Universities, Paris. He has also been a director of State Trading Corporation, State Bank of India, Export Import Bank of India and Maruti Udyog Limited. He joined our Board on February 4, 2002.

Mr. Piyush Gunwantrai Mankad, aged 65 years, is an independent Director of our Company. He holds a bachelor's degree in Arts and a master's degree in history from the University of Delhi. He also holds a diploma in development studies from the University of Cambridge. He topped the Indian Administrative Services examination in the year 1964. His extensive work experience of 42 years includes working in the areas related to finance and investment, industry, development, international economic relations and co-operation. He has held senior positions in the Governments including those of Controller of Capital Issues; Secretary Industrial Policy & Planning Commission; Chairman of the Foreign Investment Promotion Board; Finance Secretary, and Executive Director for India, Bangladesh, Bhutan, Laos and Tajikistan in the Asian Development Bank, Manila. Mr. Mankad is also a member of the Advisory Boards/Governing Councils of the Army Group Insurance Fund, Delhi; Lady Shriram College, Delhi; Society for Capital Market Development and Research, Delhi and Asia Pacific Advisory Committee of Barclays, London. He has been a director of ICICI, IDBI, IFCI, UTI, CRISIL, Exim Bank etc. in the past and is currently on a few select Corporate Boards including those from the Tata and Mahindra Groups. He joined our Board on March 30, 2006.

Mr. Amal Ganguli, aged 67 years, is an independent Director of our Company. He is a Fellow Member of the Institute of Chartered Accountants of England and Wales, as well as the Institute of Chartered Accountants of India. He has more than 39 years of professional experience, which includes working with Griffin Stone Moscrop & Company and Peat Marwick Mitchell and Company in London as Assistant Manager, Price Waterhouse Peat & Company, India as a Manager and later on as a Partner. Mr. Ganguli is a member of several study groups formed by the Institute of Chartered Accountants for formulating accounting standards. He has worked as an independent consultant to the World Bank during 2003 and 2004. He joined our Board on March 30, 2006.

Mr. Chester Van Alen Murray, aged 51 years, is a non-independent Director of our Company. He is a Bachelor of Arts in international relations from Brown University. Mr. Murray is working as Executive Vice President-International for Moody's Investors Service since January 2004. He is responsible for Moody's Investors Service's ratings and research business internationally. Mr. Murray's career with Moody's Investors Service began in 1985 as a Senior Analyst in the Financial Institutions Group. In 1990, he was named Associate Director of that group. The following year he was named Associate Director for Moody's Insurance Group and in 1993 he was promoted to Managing Director, with responsibility for the Life Insurance Group and Managed Funds worldwide. He was transferred to London in 1996 as Group Managing Director-Europe. In 2001, he returned to New York to assume the role of Senior Managing Director in charge of Investor Services, Managed Funds, Corporate and Rating Communications and relation with Associates of Moody's Group in Russia and India. In October 2002, Mr. Murray was named Senior Vice President and Chief Human Resources Officer of Moody's Corporation, having responsibilities for Human Resources and Communications globally. He joined our Board on May 9, 2006.

Mr. Chetan Modi, aged 41 years, is a non-independent alternate Director for Mr. Chester Murray. He holds a Bachelor of Arts from Christ College, Cambridge University and a MBA from Warwick University. Mr. Modi joined Moody's London office as a senior corporate and project finance analyst in 2001. He was transferred to Moody's India in the year 2006. He has 20 years of work experience. His prior experiences include various diverse roles such as covering project finance, international power project development, energy trading, oil and exploration and space science with Roll Royce, Powergen, Halliburton and the British Antractic Survey. He was appointed as an alternate director by our Board on February 14, 2007.

Mr. Thomas John Keller, Jr., aged 47 years, is a non-independent Director of our Company. He is a graduate from the University of Rhode Island and holds a BBA degree in Finance. He also holds a MBA degree from Iona College. He has over 23 years of professional experience. Mr. Keller, Jr. has worked at Chemical Bank and Manufacturers Hanover Trust Company before joining the Moody's Group in 1992. His vast experience covers a broad range of sectors, including high grade corporate, and high yield industrials and financial services. He has worked in Tokyo for five years, first as the Managing Director of the ratings group and then as the Representative Director of Moody's Japan K.K. Presently, Mr. Keller, Jr. is the Group Managing Director responsible for offices and ratings of the Moody's Group in Asia Pacific. He joined our Board on May 9, 2006.

None of our Directors are related to each other.

Borrowing Powers of the Directors in our Company

Pursuant to a resolution dated May 9, 2006 passed by our Board in accordance with provisions of the Companies Act, our Board has been authorised to borrow sums of money for the purpose of the Company. Our Company may borrow money up to Rs. 500 million from any lending entity including financial institutions/ banks on such terms and conditions as may be mutually agreed upon.

Appointment of our Directors

Name of Directors	Resolution	Term
Mr. Dhruba Narayan Ghosh	Appointed as the Chairman by resolution passed in the AGM dated July 29, 2005	Liable to retire by rotation
Mr. Pranab Kumar Choudhury	Appointed as the Vice Chairman and Group Chief Executive Officer by resolution passed in the AGM dated June 12, 2006	Appointed for a term ending June 30, 2009.
Mr. Naresh Takkar	Appointed as the Managing Director by resolution passed in the AGM dated June 12, 2006 with effect from July 1, 2006.	Appointed for a term ending June 30, 2011.
Dr. Uddesh Kohli	Appointed as a Director by resolution passed in the AGM dated June 12, 2006	Liable to retire by rotation

Name of Directors	Resolution	Term
Prof. Deepak Nayyar	Appointed as a Director by resolution passed in the AGM dated June 12, 2006	Liable to retire by rotation
Mr. Piyush Gunwantrai Mankad	Appointed as a Director by resolution passed in the AGM dated June 12, 2006	Liable to retire by rotation
Mr. Amal Ganguli	Appointed as a Director by resolution passed in the AGM dated June 12, 2006	Liable to retire by rotation
Mr. Chester Van Alen Murray	Appointed as a Director by resolution passed in the AGM dated June 12, 2006	Liable to retire by rotation
Mr. Thomas John Keller, Jr.	Appointed as a Director by resolution passed in the AGM dated June 12, 2006	Liable to retire by rotation
Mr. Chetan Modi	Appointed as alternate director for Mr. Chester Van Alen Murray by resolution passed in the Board meeting dated February 14, 2007.	Liable to vacate his office in accordance with section 313 of the Companies Act

Terms and Conditions of the Appointment of our Whole Time Directors

Mr. Pranab Kumar Choudhury: The terms of Mr. Choudhury's employment are set out in the appointment letter dated June 12, 2006, which are as under

Salary (per month)	Starting salary of Rs. 1,75,000 per month in the pay scale of Rs. 1,50,000 – 25,000 – 2,25,000.
Commission	Commission as approved by our Board on yearly basis, subject to a maximum of 1% of the net profits of our Company, calculated in accordance with the provisions of sections 349 and 350 of the Companies Act.
Allowances	Such other allowances as applicable to the members of the staff under the staff rules of our Company including city compensatory allowance, value allowance, etc., subject to the terms and conditions as approved by the remuneration committee of our Company from time to time.
Housing	Furnished accommodation or house rent allowance not exceeding 60% of salary.
Medical	Reimbursement of all medical and hospitalisation expenses for self and family as per the staff rules of our Company.
Leave travel benefit	Leave travel benefit as per the staff rules of our Company.
Mediclaim and accidental insurance	Premium in respect of mediclaim and accidental insurance policies as per the staff rules of our Company.
Provident Fund and Superannuation Fund	Contribution to provident and superannuation funds as per the staff rules of our Company.
Leaves, gratuity and leaves encashment	As per the staff rules of our Company.
Provision of car	Provision of car with driver (subject to recovery of an amount from salary as per the provisions of Income Tax Act, 1961 for personal use of the car) or conveyance allowance not exceeding Rs. 50,000 p.m. or official vehicle with allowances as per vehicle scheme of our Company.
Provision of telephone at residence	Telephone at residence for use on Company business.

Club fees	Annual fees of upto three clubs, excluding admission and life membership fees.
Minimum remuneration	Where in any financial year, during the currency of the tenure, our Company has no profits or its profits are inadequate, the remuneration by way of salary and perquisites shall not exceed the limits specified in Schedule XIII of the Companies Act, or any subsequent modification thereof.
Revision in remuneration	The aforesaid remuneration including salary, allowances, commission, perquisites, etc. may be increased by our Board as may be considered appropriate from time as well as in the event of any statutory amendment, modification or relaxation by the Central Government to Schedule XIII of the Companies Act, 1956, within such prescribed limits.
Termination of appointment	The appointment shall be terminable by three months' notice or by three months' salary in lieu of notice by either party.
Retirement by rotation and sitting fees	The appointment shall not be subject to retirement by rotation during the tenure. No sitting fees shall be paid for attending meetings of our Board or any committee thereof.

Mr. Naresh Takkar: The terms of Mr. Takkar's employment are set out in the appointment letter dated June 12, 2006, which are as under:

Salary (per month)	Starting salary of Rs. 1,45,000 per month in the pay scale of Rs. 1,25,000 – 20,000 – 2,25,000.
Commission	Commission as approved by our Board on yearly basis, subject to a maximum of 1% of the net profits of our Company, calculated in accordance with the provisions of sections 349 and 350 of the Companies Act.
Allowances	Such other allowances as applicable to the members of staff under the staff rules of our Company including city compensatory allowance, value allowance, etc. subject to the terms and conditions as approved by the remuneration committee of our Company from time to time;
Housing	Furnished accommodation or house rent allowance not exceeding 60% of salary;
Medical	Reimbursement of all medial and hospitalisation expenses for self and family as per the staff rules of our Company;
Leave Travel Benefit	Leave travel benefit as per staff rules of our Company;
Mediclaim and Accidental Insurance	Premium in respect of mediclaim and accidental insurance policies as per the staff rules of our Company;
Provident Fund and Superannuation Fund	Contribution to provident and superannuation funds as per the staff rules of our Company;
Leaves, Gratuity and Leaves encashment	As per the staff rules of our Company;
Provision of Car	Provision of car with driver (subject to recovery of an amount from salary as per the provisions of Income Tax Act, 1961 for personal use of the car) or conveyance allowance not exceeding Rs. 50,000 p.m. or official vehicle with allowances as per vehicle scheme of our Company;
Provision of Telephone at residence	Telephone at residence for use on Company business;
Club Fees	Annual fees of up to three clubs, excluding admission and life membership fees.

Minimum Remuneration	Where in any financial year, during the currency of the tenure, our Company has no profits or its profits are inadequate, the remuneration by way of salary and perquisites shall not exceed the limits specified in Schedule XIII of the Companies Act, or any subsequent modification thereof.
Revision in Remuneration	The aforesaid remuneration including salary, allowances, commission, perquisites, etc. may be increased by our Board as may be considered appropriate from time to time as well as in the event of any statutory amendment, modification or relaxation by the Central Government to Schedule XIII of the Companies Act, within such prescribed limits.
Termination of Appointment	The appointment shall be terminable by three months' notice or by three months' salary in lieu of notice by either party.
Retirement by Rotation and Sitting Fees	The appointment shall not be subject to retirement by rotation during the tenure. No sitting fees shall be paid for attending meetings of our Board or any committee thereof.

Corporate Governance

The provisions of the listing agreements to be entered into with NSE and BSE with respect to corporate governance and the SEBI DIP Guidelines in respect of corporate governance will be applicable to our Company immediately upon the listing of our 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 on listing.

Our Board currently comprises nine directors. Our Chairman is a non-executive director and we have five independent directors, including our Chairman. IMaCS is a 'material unlisted subsidiary' as per clause 49 of the Listing Agreement and one of the independent directors of our Company is a member on the board of directors of IMaCS.

Also, for compliance with clause 49 of the Listing Agreement, we have appointed independent Directors and constituted the following committees:

(a) Audit Committee;

(b) Shareholders'/ Investors' Grievance Committee;

(c) Remuneration Committee;

Audit Committee

The members of the Audit Committee of our Board are:

1. Mr. Dhruba Narayan Ghosh, Chairman
2. Dr. Uddesh Kohli
3. Prof. Deepak Nayyar
4. Mr. Amal Ganguli, and
5. Mr. Thomas John Kellar, Jr.

The Company Secretary of our Company is the secretary to the audit committee.

Terms of reference/scope of our audit committee include:

a) Oversight of the Company's financial reporting process, disclosure of financial information, to ensure accuracy of information.

b) Recommending to the Board appointment, reappointment, replacement, removal of statutory auditors and fixation of audit fees.

c) Approval of payment of statutory auditors for any other service so rendered.

d) Reviewing, with the management, the annual financial statement before submission to our Board for approval, with particular reference to:

- Matters required to be included in the director's responsibility statement to be included in our Board's report under section 217 (2AA) of the Companies Act
- Changes, if any, in accounting policies and practices and the reason for the same
- Major accounting entries involving estimates based on the exercise of judgment by management
- Significant adjustment made in the financial statement arising out of audit findings
- Compliance with listing and other legal requirements relating to financial statements
- Disclosure of any related party transactions, and
- Qualification in the draft audit report.

e) Reviewing with the management the quarterly financial statement before submission, performance of statutory and internal auditors and adequacy of internal control.

f) The audit committee shall mandatory review the following information

- management discussion and analysis of financial condition and results of operation
- statement of significantly related party transactions
- management letters/ letters of internal control weakness issued by statutory auditors
- internal audit report relating to internal control weakness, and
- appointment, removal and terms of remuneration of chief internal auditor

Shareholders'/Investors' Grievance Committee

The shareholders'/investors' grievance committee of our Board comprises:

1. Dr. Uddesh Kohli, Chairman
2. Prof. Deepak Nayyar, and
3. Mr. Pranab Kumar Choudhury.

The Company Secretary of our Company is the secretary to this Committee.

Terms of reference/scope of our Shareholders/ Investors Grievance Committee include:

1. Approving or rejecting allotment/registration of transfer/ transmission of Equity Shares.
2. Redressing shareholders grievances.
3. Approving issue of duplicate certificate on completion of necessary formalities.
4. Governing issuance of Equity Shares through depositories.
5. Approving requests of shareholders for dematerialisation and rematerialisation of the shares of the Company as and when the facility becomes available.

Remuneration Committee

The remuneration committee of our Board comprise:

1. Mr. Dhruba Narayan Ghosh, Chairman
2. Prof. Deepak Nayyar
3. Mr. Piyush Gunwantrai Mankad, and
4. Mr. Chester Van Alen Murray.

The Company Secretary of our Company is the Secretary to this Committee.

The Remuneration Committee determines the Company's policy on specific remuneration packages for the executive directors including pension rights and compensation payment.

Other Committees

In addition, our Board has constituted an ESOP compensation committee for administering the ESOP Scheme and an IPO committee for the purpose of the Offer.

Shareholding of Directors

Subject to the Equity Shares that may be granted pursuant to the ESOP Scheme to our eligible employees, none of our Directors hold any Equity Shares in our Company.

Interest of our Directors

All our Directors, including independent Directors, may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a committee thereof as well as to the extent of other remuneration, reimbursement of expenses, if any, payable to them. Our whole-time Directors are also interested to the extent of remuneration paid to them for services rendered as an officer or employee of our Company, commission, and entitlement, if any, under the profit sharing scheme.

All our Directors, including independent directors, may also be deemed to be interested to the extent of Equity Shares that may be transferred to them under the Offer and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares. Additionally, our whole time directors may also be deemed to be interested to the extent of Equity Shares that may be granted to them pursuant to the ESOP Scheme. Our Directors, including independent directors, may also be regarded as interested in the Equity Shares, if any, held by or that may be subscribed by and allotted to the companies, firms and trust, in which they are interested as directors, members, partners or trustees.

Some of our Directors may be deemed to be interested to the extent of consideration received/paid or any loans or advances provided to any body corporate including companies and firms, and trusts, in which they are interested as directors, members, partners or trustees.

Our directors have no interest in any property acquired by us within two years of the date of filing of this Red Herring Prospectus. For details of related party transaction see the section titled "Financial Statements – Related Party Transactions" on page 109.

None of our Directors are related to each other.

Changes in our Board of Directors

The changes in our Board of Directors during the last three years are as follows:

Name	Date of change	Reason
Dr. Raja J. Chelliah	July 14, 2004	Resigned
Mr. M.V. Subbiah	February 11, 2005	Resigned
Mr. Piyush Gunwantrai Mankad	March 30, 2006	Appointed
Mr. Amal Ganguli	March 30, 2006	Appointed
Mr. Chester V.A.Murray	May 9, 2006	Appointed
Mr. Thomas J. Keller	May 9, 2006	Appointed
Dr. Pritam Singh	May 9, 2006	Resigned*
Mr. John Rutherfurd Jr.	May 9, 2006	Resigned**
Mr. Naresh Takkar	July 1, 2006	Appointed
Mr. Chetan Modi	Febraury 14, 2007	Appointed ***

* Dr. Pritam Singh resigned from the Board on account of personal reasons as was stated in his resignation letter dated April 10, 2006.

** Mr. John Rutherfurd Jr. resigned from our Board in April 2005 as he no longer was associated with Moody's India.

*** Mr. Chetan Modi has been appointed as an alternate director for Mr. Chester Van Alen Murray.

Remuneration

The following table sets forth the details of the remuneration for the whole-time Directors for the fiscal 2006.

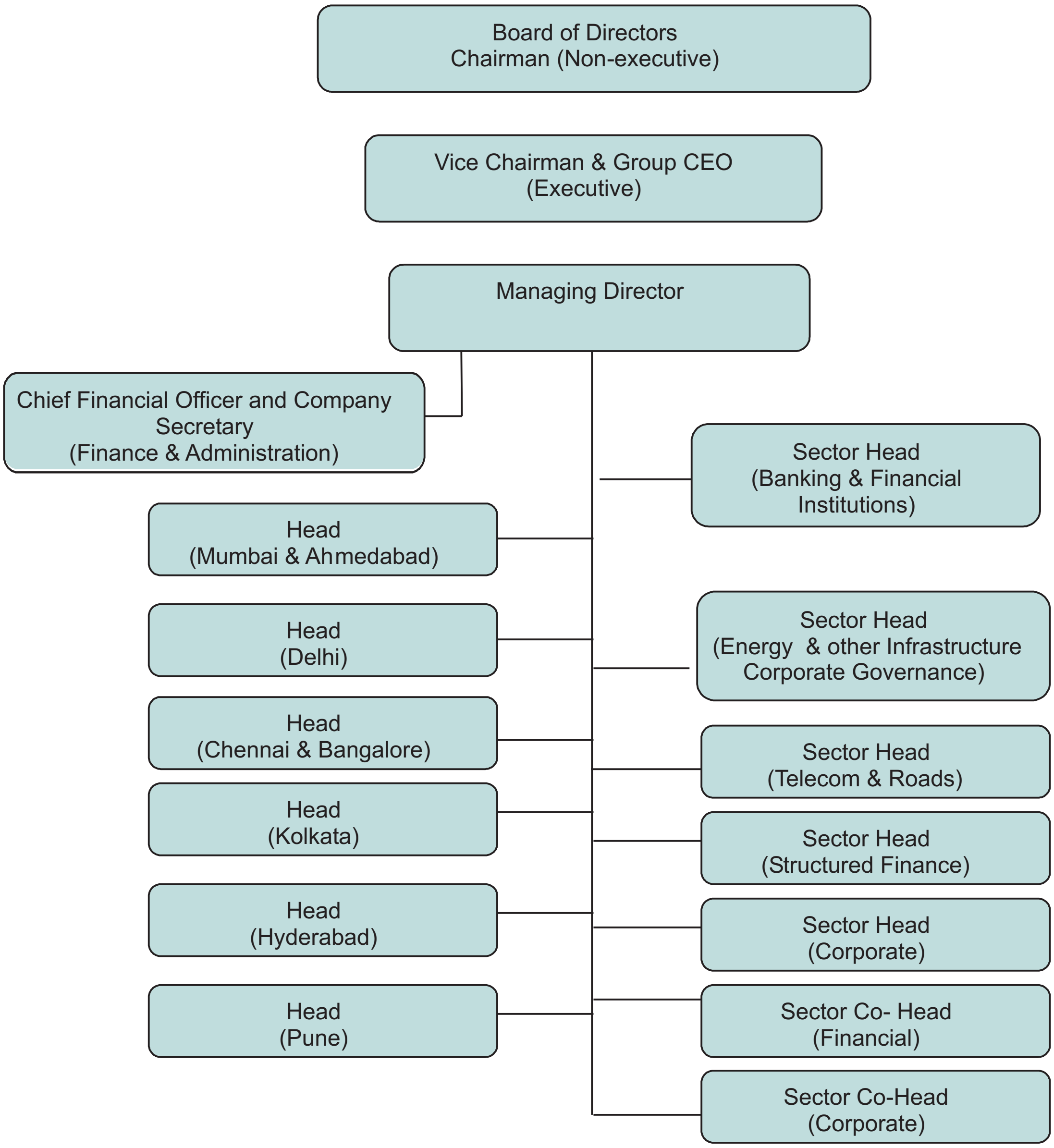
	Name	Basic Salary (Rs.)	Commission/ Profit Sharing Scheme ("PSS") (Rs.)	Medical (Rs.)	Perquisites (Rs.)	Provident Fund (Rs.)	Total (Rs.)
1	Mr. P.K. Choudhury	1,815,000	1,406,480 (Commission)	81,129	1,643,344	217,800	5,163,753
2	Mr. Naresh Takkar	1,380,000	1,148, 908 (PSS)	90,097	1,671,725	165,600	4,456,330

We pay our non-executive Directors sitting fees of Rs. 10,000 for every meeting of our Board and committee of Directors including audit committee, investor grievance committee and remuneration committee.

Except for our whole-time Directors who are entitled to statutory benefits upon termination of their employment with our Company, no other Director is entitled to any benefit upon termination of his employment with our Company.

Management Organisation Structure

Our management organisation structure is set forth below



Key Managerial Employees

In addition to our whole-time Directors, following are our key managerial employees. All of our key managerial employees are permanent employees of our Company. Our key managerial employees are of the ranks of branch heads, general managers and above. The selection of our key managerial employees may not be in accordance with Accounting Standard 18:

Mr. Anjan Deb Ghosh, aged 42 years, is General Manager, Mumbai branch and member of the rating committee of our Company. He is responsible for ratings in the energy sector (including power, oil and gas) and also for conceptualizing and launch of corporate governance ratings product. He holds a bachelor's degree in technology specializing in mechanical engineering from Indian Institute of Technology, Kharagpur, and a Post Graduate Diploma in Management from Indian Institute of Management, Kolkata. Mr. Ghosh has an aggregate work experience of 17 years out of which he has been associated with our

Company for a period of 13 years. Prior to joining our Company he was employed as Deputy Manager, Tata Steel Limited and has also served on deputation at the London office of Moody's Investors Service. He joined our Company on November 1, 1993 but left our Company on July 31, 2000 and then he rejoined our Company on August 14, 2000. His compensation for the Fiscal 2006 was Rs. 3,325,319.

Ms. Anuradha Ray, aged 41 years, is General Manager, in-charge of Kolkata branch of our Company and regional head of operations and Business Analyst of our Company. She is responsible for business development of rating and grading services in the Eastern Region. She also supervises execution of credit rating mandates and monitors outstanding ratings of industrials, utilities, insurance companies, government undertakings and financial intermediaries. She is also a member of Editorial Committee of the Company, responsible for editing rationales before publication, to ensure appropriate dissemination of key rating issues. She holds a bachelor's degree in economics from St. Xaviers College, Kolkata, and a master's degree in economics from Clark University, Massachusetts, USA. She has pursued an Executive Development Programme from London School of Economics, and an Advanced Management Programme from Administrative Staff College, Hyderabad. Ms. Ray has an aggregate work experience of 16 years out of which she has been associated with our Company for a period of 12 years. Prior to joining our Company she was employed as an Executive Assistant to the Managing Director, Jenson and Nicholson (India) Limited. She joined our Company on October 20, 1994. Her compensation for fiscal 2006 was Rs. 3,127,253.

Mr. Jayanta Chatterjee, aged 43 years, is General Manager, in-charge of Chennai and Bangalore branches of our Company. He is also responsible for credit rating of debt instruments with primary focus on corporate sector and infrastructure projects. He holds a bachelor's degree in technology specializing in mechanical engineering from Indian Institute of Technology, Kharagpur and a Post Graduate Diploma in Management specializing in Finance/Marketing from Indian Institute of Management, Kolkata. Mr. Chatterjee has an aggregate work experience of 18 years out of which he has been associated with our Company for a period of 11 years. Prior to joining our Company he was employed as Deputy Manager, Tata Steel Limited. He joined our Company on March 1, 1995. His compensation for Fiscal 2006 was Rs. 3,315,126.

Mr. L. Shivakumar, aged 40 years, is General Manager and in-charge of the Mumbai branch of our Company. He holds a bachelor's degree in technology from the Indian Institute of Technology, New Delhi and a Post Graduate Diploma in Management from the Indian Institute of Management, Bangalore. Mr. Shivakumar has an aggregate work experience of 16 years out of which he has been associated with our Company for a period of 12 years. Prior to joining our Company he was employed as a Consultant in A.F. Fergusson & Co. He joined our Company on June 3, 1994. His compensation for Fiscal 2006 was Rs. 3,481,339.

Mr. Rajender Singh Walia, aged 43 years, is Assistant General Manager and in-charge of Hyderabad branch of our Company. He holds a bachelor's degree in technology specializing in mechanics from the Indian Institute of Technology, New Delhi and a master's degree in business administration, from Faculty of Management Studies, University of Delhi. Mr. Walia has an aggregate work experience of 19 years out of which he has been associated with our Company for a period of 11 years. Prior to joining our Company, he was employed as an Executive Assistant to the Chairman and Managing Director, DCM Shriram Industries Limited. He joined our Company on June 26, 1995. His compensation for Fiscal 2006 was Rs. 1,948,900.

Mr. Subrata Ray, aged 41 years, is General Manager, Mumbai branch and sector head-Corporate Ratings of our Company. He holds a bachelors degree in technology specialising in Electronics and Telecommunication Engineering from Jadavpur University, Calcutta and holds a Fellowship in Management from the Indian Institute of Management, Bangalore. He also holds the CFA charter awarded by CFA Institute, USA. He was awarded the Financial Risk Manager charter by the Global Association of Risk Professionals. Mr. Ray has an aggregate work experience of 16 years out of which he has been associated with our Company for a total period of eight years. Prior to joining us he was heading the equity research division of DBS Capital Trust Securities India Private Limited, the Indian subsidiary of DBS Securities Holdings of Singapore. He joined our Company on November 20, 2001. His compensation for Fiscal 2006 was Rs. 2,027,438

Mr. Vijay Wadhwa, aged 46 years, is the Chief Financial Officer and Company Secretary of the Company. He is responsible for handling finance, accounts, secretarial, treasury and administrative activities of our Company. He is also responsible for implementation of internal control systems of our Company. He holds a bachelor's degree in commerce from Sri Ram College of Commerce, Delhi, and is a qualified chartered accountant from the Institute of Chartered Accountants of India. He is also a qualified company secretary from the Institute of Company Secretaries of India. Mr. Wadhwa has an aggregate work experience of 23 years out of which he has been associated with our Company for a period of 11 years. Prior to joining our Company he was employed as Deputy Manager, Mahanagar Telephone Nigam Limited. He joined our Company on May 9, 1995. His compensation for Fiscal 2006 was Rs. 3,631,441.

Mr. Vikas Aggarwal, aged 39 years, is General Manager, Delhi branch and head of the telecom, roads, ports and construction sectors of our Company. He holds a bachelor's degree in technology from the Indian Institute of Technology, Powai, and a Post Graduate Diploma in Management from the Indian Institute of Management, Bangalore. Mr. Aggarwal has an aggregate work experience of 14 years out of which he has been associated with our Company for a period of 10 years. Prior to joining our Company he was employed in the management consultancy division of A.F. Fergusson & Co. He joined our Company on August 1, 1996. His compensation for Fiscal 2006 was Rs. 2,945,098.

Mr. Vineet Gupta, aged 38 years, is General Manager, Mumbai branch and head of bank & financial institution ratings of our Company. He is responsible for managing the portfolio of financial sector clients including banks, financial institutions and non-banking finance companies. He holds a bachelor's degree in technology specializing in textiles from Indian Institute of Technology, New Delhi and a master's degree in business administration, specializing in marketing, from the Faculty of Management Studies, University of Delhi. Mr. Gupta has an aggregate work experience of 15 years out of which he has been associated with our Company for a period of 10 years. Prior to joining our Company he was employed as a member of the business development team of Pertech Computers Limited. He joined our Company on July 1, 1996. His compensation for Fiscal 2006 was Rs. 3,143,898.

Mr. Vivek Mathur, aged 40 years, is General Manager and in-charge of Delhi branch of our Company. He leads a team of rating analysts engaged in rating and surveillance of the debt instruments issued by corporate in North India. He is also responsible for business development, which includes maintaining relationship with clients. He holds a bachelor's degree in commerce from the University of Delhi. He is also a chartered accountant from the Institute of Chartered Accountants of India. Mr. Mathur has an aggregate work experience of 15 years out of which he has been associated with our Company for a period of 12 years. Prior to joining our Company he was employed in the audit division of Price Waterhouse Coopers. He joined our Company on October 10, 1994. His compensation for Fiscal 2006 was Rs. 3,386,943.

None of our key managerial employees are related to each other or to our Directors.

Shareholding of the Key Managerial Employees

Except for the Equity Shares to be granted pursuant to ESOP Scheme to the eligible employees, none of our key managerial employees hold our Equity Shares.

Bonus or Profit Sharing Plan for our Key Managerial Employees

Our Company has a profit sharing scheme for our employees, the key terms and conditions of which are as below:

- The employees eligible to participate in the scheme are all existing full time members of staff who have completed a minimum service period of six months with our Company, during the accounting year for which share of profit is being distributed. A member of staff shall be eligible for the share of profit for the full year if he has served our Company as an employee for a period of at least nine months during the financial year for which profit is to be shared.
- The amount to be appropriated to the divisible pool of the scheme shall be decided by our Board from profit before tax, which may range between 5% and 15% of the profit before tax. The Board however has the discretion to increase/ decrease or skip the profit sharing in any year.
- The profit share of each employee would be on the basis of profit sharing points ("**PSP**") earned by him on the basis of a standard methodology during the accounting year for which profit is bring shared. The maximum PSPs, which an employee would be entitled, varies from 8 to 20 depending on the designation of that employee.

- The PSP earned by each employee would be multiplied by a weightage factor ("**WF**"), depending upon the grade to which the employee belongs on the date of closing of the accounting year previous to the year during which amount is being disbursed.
- The multiple of PSP and WF would be further multiplied by a performance weightage factor ("**PW**") depending upon the categorization of the employee on the basis of merit and performance.
- The share of profit of each employee in the divisible pool would be decided as under

  Shares of profits of a employee = $\frac{\text{(PSP X WF X PW) of the individual employee}}{\text{(PSP X WF X PW) of all the eligible employees}}$

- The disbursement of the amount under the scheme shall be made at anytime within 15 days from the date of AGM of our Company.

In addition, IMaCS, our Subsidiary, has adopted a profit sharing scheme for its employees.

Changes in our Key Managerial Employees

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

Name	Designation	Date of Change	Reason
Mr. Subrata Ray	General Manager	October 1, 2006	Promotion
Mr. Amul Gogna	Executive Director (Research & Corporate Affairs)	September 11, 2006	Resignation
Mr. Nitesh Shanbhag	Assistant General Manager	November 15, 2006	Resignation
Ms. Anuradha Ray	General Manager	April 1, 2003	Promotion
Mr. Vineet Gupta	General Manager	April 1, 2004	Promotion
Mr. Vikas Aggarwal	General Manager	October 1, 2004	Promotion
Mr. Raghavendra Raghuttama Rao	Joint Managing Director	April 1, 2005*	Transferred to IMaCS
Mr. Dhruba Purkayastha	General Manager	April 1, 2005*	Transferred to IMaCS
Mr. Indranil Dasgupta	General Manager	April 1, 2005*	Transferred to IMaCS
Mr. V. Sriram	General Manager	April 1, 2005*	Transferred to IMaCS
Mr. Rohit D. Kumar	General Manager	August 25, 2005	Resignation
Mr. Arun Agrawal	General Manager	October 26, 2005	Resignation
Mr Joydeep Bhattacharya	General Manager	#	Resignation

* The consulting division of our Company was demerged into IMaCS by an order of the High Court of Delhi dated March 29, 2006. The demerger was with effect from April 1, 2005.

\# Mr Joydeep Bhattacharya has resigned from the company, and is currently under notice period.

Employee Stock Option Scheme

For details of our ESOP Scheme, see the section titled "Capital Structure – Notes to Capital Structure" on page 19.

Interest of Key Managerial Employees

Subject to the Equity Shares that may be granted pursuant to the ESOP Scheme to our eligible employees, none of our key managerial employees have any interest in the Company except to the extent of remuneration and reimbursement of expenses.

Payment or benefit to officers of our Company

Except statutory benefits upon termination of their employment in our Company or superannuation, no officer of our Company is entitled to any benefit upon termination of his employment in our Company.

CORRIGENDUM

Submitted to SEBI via letter numbered CMG/AD/ICRA/4602, dated March 09, 2007

This is to inform you that Mr. Amal Ganguli has resigned from Samtel Color Limited. In light of the above, the directorships of Mr Amal Ganguli, as given on page 74 in the section titled Our Management, may be read as under:

Name, Father's Name, Designation, Occupation and DIN	**Age**	**Address**	**Other Directorships**
Mr. Amal Ganguli S/o Late Mr. H.P. Ganguli Designation: Director (Independent Director) Occupation: Chartered Accountant DIN: 00013808	67 Years	J-6/7, DLF, Qutab Enclave, Phase II, Gurgaon-122 002, Haryana, India.	● HCL Technologies Limited. ● Tube Investments of India Limited. ● Flextronics Software Systems Limited. ● Hughes Communications and Information Limited. ● Century Textiles and Industries Limited ● New Delhi Television Limited. ● Maruti Udyog Limited. ● AVTEC Limited. ● ML Infomap Private Limited. ● Videsh Sanchar Nigam Limited

PROMOTERS AND PROMOTER GROUP

Our Company was set up by IFCI Limited and other financial institutions. For this purpose, IFCI Limited had obtained an approval dated September 19, 1990 bearing number Letter No-1 (120) SE/89 from the DEA, Ministry of Finance, Government of India.

As a credit rating agency, we are registered under the CRA Regulations. As per the provisions of the CRA Regulations, promoter has been defined as a person holding 10% or more of the share capital of the credit rating agency. In our application dated August 12, 2005 for renewal of our registration under the CRA Regulations, we have mentioned SBI, IFCI and Moody's India as our promoters, since each of them held more than 10% of our then share capital.

Post Offer, among the existing shareholders of our Company, only Moody's India's shareholding in our Company will exceed 10% of our post-Offer paid-up Equity Share capital and therefore, as per the definition of the term "promoter" under the CRA Regulations, Moody's India will be the "promoter" of the Company. Hence, Moody's India is being considered as the promoters of our Company for the purpose of SEBI DIP Guidelines.

Moody's Investment Company India Private Limited

Moody's India was incorporated on July 14, 1999 under the Companies Act as a wholly owned subsidiary of Dun & Bradstreet Information Services India Private Limited. The registered office of Moody's India is situated at Electric Mansion, 3rd Floor, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025 (company registration No: 11-120795, permanent account no: AABCM8576F, bank account no: 0008488002 (Citibank)). In 2000, Moody's India became a wholly owned subsidiary of Moody's Mauritius Holdings.

Moody's India is indirectly promoted by Moody's Corporation which is listed on New York Stock Exchange, through Moody's Investors Service Inc, which holds the entire shareholding of Moody's Overseas Holding Inc, which in turn is the holding company of Moody's Mauritius Holdings Limited. Moody's India was set up to provide technical and financial collaboration to our Company and provides liaison services to other companies within the Moody's Investors Service Group.

Details of Promoters of Moody's Investment Company India Private Limited

a) *Moody's Mauritius Holdings Limited*: As given below under the section titled "promoter group company".

b) *Moody's Corporation*: Moody's Corporation was incorporated on April 8, 1998. Its office is situated at 99 Church Street, New York, New York 10007. Moody's Corporation is a provider of (i) credit ratings, research and analysis covering fixed income securities, other debt instruments and the entities that issue such instruments in the global capital markets, and credit rating services and (ii) quantitative credit risk assessment products and services and credit processing software for banks, corporations and investors in credit sensitive assets. The equity shares of Moody's Corporation are listed on the New York Stock Exchange. The financial results of Moody's Corporation as of and for years ended December 31, 2006 2005, 2004 and 2003 are as follows:

(US Dollars, in millions, except per share data) (See Notes below)

	For the year ended December 31, 2006	For the year ended December 31, 2005	For the year ended December 31, 2004	For the year ended December 31, 2003
Revenues	2,037.1	1,731.6	1,438.3	1,246.6
Net Income	753.9	560.8	425.1	363.9
Shareholder's Equity (Deficit)	167.4	309.4	317.5	(32.1)
Retained Earnings	2,091.4	1,419.2	939.3	558.9
Diluted earnings per share	2.58	1.84	1.40	1.19
Book Value per diluted share	0.57	1.01	1.04	(0.11)

Note: Except for book value per diluted share, the fiscal 2006, 2005,2004 and 2003 financial information is obtained from the Moody'sCorporation consolidated financial statements filed on Form 10-K with the United States Securities and

Exchanges Commission ("SEC"). The bookvalue per diluted share is calculated by dividing ending shareholders equity by weighted average diluted shares outstanding

Stock Market Data:

The highest and lowest closing market price of shares of Moody's Corporation on the New York Stock Exchange during the preceding six months is as given below:

Period	Highest (US$)	Lowest (US$)
June 14 – July 13, 2006	55.03	50.34
July 14 – August 13, 2006	59.98	50.19
August 14 – September 13, 2006	63.31	56.90
September 14 – October 13, 2006	65.31	60.85
October 14 – November 13, 2006	67.90	62.79
November 14 – December 13, 2006	71.49	67.76

Source: Yahoo Finance

The market capitalization of Moody's Corporation based on the closing price of US$ 70.28 per share common stock on the New York Stock Exchange on December 13, 2006 was US$19.6 billion.

c) Moody's Investors Service, Inc: Moody's Investors Service, Inc. was founded in 1900. Its office is situated at 99, Chruch Street, New York, New York 10007. It publishes rating opinions on a broad range of credit obligors and credit obligations issued in domestic and international markets, including various corporate and governmental obligations, structured finance securities and commercial paper programs. It also publishes investor-oriented credit research, including in-depth research on major debt issuers, industry studies, special comments and credit opinion handbooks.

d) Moody's Overseas Holdings, Inc: Moody's Overseas Holdings, Inc. was incorporated on March 4, 1994. Its office is situated at 99, Chruch Street, New York, New York 10007. It is currently solely a holding company which holds the shares of certain entities and does not conduct any business.

Shareholding pattern:

The shareholding pattern of Moody's India as on December 15, 2006 is as under:

Name of Shareholder	Number of Equity Shares	% of Issued Equity Share Capital
Moody's Mauritius Holdings Limited	8,599,990	100.00
Moody's Asia Pacific Limited**	10	0.00

** *Holding shares as nominee of Moody's Mauritius Holdings Limited*

The shares of Moody's India are not listed on any stock exchange. There has been no change in the capital structure of Moody's India during in the last six months.

Change in Management: There has been no change in the management of Moody's India in the last six months.

Board of Directors

As on December 11, 2006 the board of directors of Moody's India comprises the following:

1. Mr. Thomas John Keller, Jr.
2. Mr. Chetan Modi, and
3. Mr. Chester Murray

Financial Performance

The financial results of Moody's India for the years ended March 31, 2006, 2005 and 2004 are set forth below:

(Rs .in Million, unless otherwise stated)

	Fiscal ended March 31, 2006	Fiscal ended March 31, 2005	Fiscal ended March 31, 2004
Total Income	8.97	12.64	5.75
Profit/(loss) after tax	7.18	11.45	5.14
Equity share capital (paid up)	86.00	86.00	86.00
Reserves and Surplus (excluding revaluation reserves)	73.60	66.42	54.97
Earnings/(Loss) per share (diluted)	0.84	1.33	0.66
Book value per share	28.10	27.26	25.94

Interest in Promotion of our Company

Our Company was set up by IFCI Limited and other financial institutions. Moody's India did not have any interest in setting up of our Company.

Interest in the property of our Company

Moody's India has entered into a Leave and Licence Agreement dated October 12, 2006 with our Company to use and occupy a carpet area of 265 square feet (approximately) in Electric Mansion, 3rd floor, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025.

Except as stated above, Moody's India does not have any interest in any property acquired by our Company within two years preceding the date of this Red Herring Prospectus or proposed to be acquired by our Company.

Payment of Benefits to our Promoters

Except as stated in the section titled "Financial Statements" beginning on page 93 and payment of dividend (of Rs. 10,248,000.00 in June 2006 and Rs. 8,967, 000.00 in August 2005) on Equity Shares by our Company, there has been no payment of benefits to Moody's India during the last two years from the date of filing of this Red Herring Prospectus.

Related Party Transaction

For details of related party transactions, see section titled "Financial Statements" beginning on page 93.

Other Confirmations

We confirm that the details of the permanent account numbers, bank account numbers, company registration number and the addresses of the registrar of companies where our Promoter is registered will be submitted to the Stock Exchanges at the time of filing this Red Herring Prospectus with the Stock Exchanges.

Promoter Group Company

In addition to our Promoter, Moody's Mauritius Holdings Limited is our promoter group company. The details of Moody's Mauritius Holdings Limited are as below:

Moody's Mauritius Holdings Limited was incorporated on August 3, 2000. The office of Moody's Mauritius Holdings Limited is situated at IFS Court, TwentyEight, Cybercity, Ebene, Mauritius. Moody's Mauritius Holdings Limited is the holding company of Moody's India and does not conduct any business.

Shareholding Pattern:

The shareholding pattern of Moody's Mauritius Holdings Limited as on December 15, 2006 is as follows:

Name of Shareholder	Number of Equity Shares	% of Issued Equity Share Capital
Moody's Overseas Holdings, Inc.	10,000	100

The equity shares of Moody's Mauritius Holdings Limited are not listed on any stock exchange. There has been no change in the capital structure of Moody's Mauritius Holdings Limited in the last six months.

Board of Directors

The board of directors of Moody's Mauritius Holdings Limited comprises the following:

1. Mr. Thomas Keller,
2. Mr. Couldip Basanta Lala; and
3. Mr. Kapil Dev Joory

Financial Performance

The financial results of Moody's Mauritius Holdings Limited for the years ended December 31, 2005, 2004 and 2003 are set forth below:

(in thousands of US dollars, unless marked)

	2005	2004	2003
Total Income	0	0	0
Profit/(Loss) after tax	(13)	(10)	(10)
Equity Share Capital (paid up)	10	10	10
Reserves and Surplus (Excluding revaluation reserves)	4,603	4,616	2,788
Earnings/(Loss) per share (diluted)	$(1.30)	$(1.05)	$(1.05)
Book value per share	$461	$463	$280

Other Confirmations:

Moody's India and Moody's Mauritius Holdings Limited have confirmed that neither they nor the companies with which they are associated have been detained as wilful defaulter by the Reserve Bank of India or any other governmental authority and there are no violations of securities laws committed by it in the past or are pending against them.

DIVIDEND POLICY

The declaration and payment of dividends on our Equity Shares will be recommended by our Board and approved by our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial condition.

The table below provides information of dividends declared by our Company during the last five fiscal years.

	Fiscal 2006	Fiscal 2005	Fiscal 2004	Fiscal 2003	Fiscal 2002
Face value of Equity Shares (Rs. per share)	10.00	10.00	10.00	10.00	10.00
Dividend (Rs. in million)	35.22	30.82	44.02	26.42	22.02
Dividend Tax (Rs. in million)	4.94	4.32	5.64	3.38	0.00
Dividend per Equity Share (in Rs.)	4.00	3.50	5.00	3.00	2.50
Dividend Rate (in %)	40.00	35.00	50.00	30.00	25.00

FINANCIAL STATEMENTS

Date: February 8, 2007

The Board of Directors
ICRA Limited
Kailash Building, 11th Floor
26, Kasturba Gandhi Marg
New Delhi 110001

Dear Sirs,

We have examined the annexed financial statements as prepared by the Management and approved by the Board of Directors and the same had been prepared as required by Part II of Schedule II of the Companies Act, 1956 and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 ('the Guidelines') issued by the Securities and Exchange Board of India (SEBI) in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992 and prepared in accordance with generally accepted accounting principles in India ("Indian GAAP"); and as per your request and terms of reference given to us vide letter dated May 22, 2006, to carry out the work, which are proposed to be included in the Offer Document of the ICRA Limited ("the Company"); and We report that:

1.1 We have examined the 'Statement of Profits and Losses as Restated' of the Company for the financial years ended 31st March, 2002, 2003, 2004, 2005, 2006 and for the period ended 31st December, 2006 & the 'Statement of Assets and Liabilities as Restated' as at 31st March, 2002, 2003, 2004, 2005, 2006 and 31st December, 2006 alongwith 'Cash Flow Statement as Restated', the 'Significant Accounting Policies' and the 'Significant Notes to the Accounts'; being the last date up to which the accounts have been made up and audited by us as enclosed in Annexure I to V. We report that these statements reflect the profits, the assets and liabilities and cash flows of the Company for each of the relevant periods as extracted from the Audited Profit and Loss Account and the Balance Sheet after charging all expenses including depreciation and after making such adjustments/restatements and regroupings to the individual financial statements of the Company which are appropriate.

1.2 We have examined the 'Statement on Disclosure of Segment Information' of the Company for each of the financial years ended 31st March, 2002, 2003, 2004, 2005, 2006 and for the period ended 31st December, 2006 as extracted from the 'Notes to the Financial Statements" for each of the relevant periods audited by us, after making therein the adjustments required to be made in accordance with the provisions of paragraph 6.10.2.7 of the Guidelines and such regroupings, enclosed as Annexure VI and which is appropriate.

1.3 We have examined the 'Statement of Related Party Disclosures' of the Company for each of the financial years ended 31st March, 2002, 2003, 2004, 2005, 2006 and for the period ended 31st December, 2006 as extracted from the 'Notes to the Financial Statements' for each of the relevant periods audited by us, enclosed as Annexure VII and which is appropriate.

1.4 We have examined the 'Statement of Accounting Ratios' of the Company for each of the financial years ended 31st March, 2002, 2003, 2004, 2005, 2006 and for the period ended 31st December, 2006 enclosed as Annexure VIII to this report and are computed from the figures stated in the 'Statement of Profits and Losses as Restated' and the 'Statement of Assets and Liabilities as Restated' of the Company referred to in paragraph 1.1 above and which is appropriate.

1.5 We have examined the 'Capitalisation Statement' of the Company as at 31st December 2006 enclosed as Annexure IX and which is appropriate.

1.6 We have examined the 'Statement of Tax Shelter' of the Company for each of the financial years ended 31st March, 2002, 2003, 2004, 2005, 2006 and for the period ended 31st December, 2006 enclosed as Annexure X and which is appropriate in reflecting the 'Tax Shelter' for each of those periods.

1.7 We have examined the 'Statement of Dividend Paid' by the Company in respect of each of the financial years ended 31st March, 2002, 2003, 2004, 2005, 2006 and for the period ended 31st December, 2006 on the Shares of the Company, enclosed as Annexure XI and which is appropriate in reflecting the dividend paid in respect of each of those periods.

2.1 We have examined the 'Statement of Profits and Losses' of M/s. ICRA Management Consulting Services Limited, which became a wholly-owned subsidiary of the Company on 21st December, 2004, for the financial year ended 31st March, 2006 and for the period ended 31st December, 2006 & the 'Statement of Assets and Liabilities' of the said subsidiary as at 31st March, 2005, 2006 and December 31, 2006 along with the 'Statement of Significant Accounting Policies' enclosed as Annexure XII to XIV which have been audited by M/s. L.B. Jha & Co., Chartered Accountants. We have not carried out any audit tests or review procedures on the said financial statements since we did not perform the audit of the said company.

2.2 We have examined the 'Statement of Profits and Losses' of M/s. ICRA Techno Analytics Limited, which became a wholly-owned subsidiary of the Company on 26th August, 2005, for the financial year ended 31st March, 2006 and for the period ended 31st December, 2006, the 'Summary Statement of Assets and Liabilities' of the said Company as at 31st March, 2006 and 31st December, 2006 & the 'Statement of Significant Accounting Policies' enclosed as Annexure XV to XVII which have been audited by M/s. Pijush Gupta & Co., Chartered Accountants. We have not carried out any audit tests or review procedures on the said financial statements since we did not perform the audit of the said company.

2.3 We have examined the 'Statement of Profits and Losses' of M/s. ICRA Online Limited, which became a wholly-owned subsidiary of the Company on 23rd June, 2005, for the financial year ended 31st March, 2006 and for the period ended 31st December, 2006, the 'Statement of Assets and Liabilities' of the said subsidiary as at 31st March, 2006 and 31st December, 2006 & the 'Statement of Significant Accounting Policies' enclosed as Annexure XVIII to XX which have been audited by M/s. N.M. Raiji & Co., Chartered Accountants. We have not carried out any audit tests or review procedures on the said financial statements since we did not perform the audit of the said company.

3.1 We have examined the 'Statement of Consolidated Profit and Losses as Restated', 'Statement of Consolidated Assets and Liabilities as Restated' and the 'Consolidated Cash Flow Statement as Restated' of the Company and its subsidiaries, ("the Group") as prepared by the company and approved by the board of Directors, for each of the financial years ended 31st March, 2002, 2003, 2004, 2005, 2006 and for the period ended 31st December, 2006 (figures for the financial years ended 31st March, 2002, 2003, and 2004 are for ICRA Limited only as there were no subsidiary companies during that period), the 'Significant Accounting Policies' and 'Notes to Accounts' adopted by the Group for the said periods are enclosed as Annexure XXI to XXV.

We report that these statements reflect the Profits and Losses, Assets and Liabilities and Cash Flows of the group for each of the relevant periods as extracted from the Consolidated Profit and Loss Account and the Consolidated Balance Sheet for the financial year ended 31st March, 2002, 2003, 2004, 2005, 2006 and for the period ended 31st December, 2006 & the Consolidated Cash Flow Statements for the financial year ended 31st March, 2006 and for the period ended 31st December, 2006; audited by us for the limited purpose of inclusion in the offered document; after making such adjustments/ restatements and regroupings to the Consolidated financial statements. As stated earlier, we did not audit the financial statements of the three subsidiaries (as referred in paras 2.1,2.2 & 2.3) and those financial statements and other financial informations have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors in respect of those subsidiaries.

3.2 Based on our examination of these Consolidated Statements of Assets and Liabilities and Profits and Losses as restated, we confirm that

- the Consolidated Statements of Assets and Liabilities and Profits and Losses as restated of the group have been restated with retrospective effect for changes in Significant Accounting Policies.
- the prior period items which need to be adjusted in the Consolidated Statements of Assets and Liabilities and Profits and Losses as restated have been adjusted in the period to which they relate;

4.1 Further to our comments above, we have examined that the financial information contained in the annexed statements have been prepared in accordance with Part II of Schedule II of the Companies Act, 1956 and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 ('the Guidelines') issued by the Securities and Exchange Board of India (SEBI) in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992 and prepared in accordance with Guidance Note on the Report in Company Prospectus and the Guidance Note on Audit Reports/ Certificates on financial information in Offer Document issued by The Institute of Chartered Accountants of India ('ICAI') and prepared in accordance with generally accepted accounting principles in India ("Indian GAAP")

5.1 In respect of financial information of the subsidiary companies and consolidated financial information of the Group contained in this report, we have relied upon the audited financial statements of the respective subsidiary companies for the years ended 31st March 2005, 2006 and for the period ended 31st December, 2006 which were audited by other firms of Chartered Accountants as referred in paragraph 2.1, 2.2 and 2.3;

5.2 The sufficiency of the procedures as set forth in the above paragraphs is the sole responsibility of the company. We make no representation regarding the sufficiency of the procedures described above for the purposes for which this report has been requested or for any other purpose.

5.3 This report should not be in any way construed as a re-issuance or re-dating of any of the previous audit reports issued by us or by any other firm of chartered accountants nor should it be construed as a new opinion on any of the financial statements referred therein.

5.4 This report is intended solely for your information and for inclusion in the Offer Document in connection with specific public offer of the company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

Yours faithfully,

For Vipin Aggarwal & Associates
Chartered Accountants

(Partner)

Annexure No. - I

STATEMENT OF PROFIT AND LOSS, AS RESTATED

The Statement of restated Profits of the Company for the financial years ended 31st March, 2002, 2003, 2004, 2005, 2006 and for the nine months ended 31st December, 2006 together with the Schedules appearing hereunder, are as set out below:

(Rs. in million)

Particulars	Schedule No.	Nine months ended 31/12/2006	Year ended 31/03/2006	Year ended 31/03/2005	Year ended 31/03/2004	Year ended 31/03/2003	Year ended 31/03/2002
Income							
Rating Services Fees		285.18	312.94	256.16	244.88	243.78	234.28
Information Services Fees		4.18	6.74	14.43	10.47	8.21	7.69
Outsourcing Services Fees		3.58	12.45	5.86	1.59	0.00	0.00
Consulting Services Fees		0.00	0.00	95.07	71.75	55.89	34.80
Total Operating Income		292.94	332.13	371.52	328.69	307.88	276.77
Other income	1	26.23	19.86	11.15	20.79	25.79	38.52
Total Income		319.17	351.99	382.67	349.48	333.67	315.29
Expenditure							
Personnel Expenses		100.70	121.22	169.42	132.43	112.58	95.39
Administrative Expenses		33.54	37.93	54.25	45.80	45.51	44.50
Other Expenses		31.76	37.83	57.58	53.16	52.46	37.72
Depreciation		11.54	15.23	14.25	13.74	14.51	15.90
Miscellaneous expenditure written off		0.11	0.15	0.14	0.15	0.14	0.15
Total Expenditure		177.65	212.36	295.64	245.28	225.20	193.66
Net Profit before tax and extraordinary items		141.52	139.63	87.03	104.20	108.47	121.63
Extraordinary items (net)		22.80	34.02	25.62	43.84	25.20	4.83
Provision for taxation		(46.88)	(47.39)	(31.70)	(37.46)	(36.62)	(36.85)
Profit after tax		117.44	126.26	80.95	110.58	97.05	89.61
Appropriations							
Transfer to general reserve		114.17	86.10	45.81	60.92	60.06	67.59
Proposed dividend		0.00	35.22	30.82	44.02	26.42	22.02
Tax on proposed dividend		0.00	4.94	4.32	5.64	3.38	0.00
Deferred Tax liability created		0.00	0.00	0.00	0.00	7.19	0.00
Transitional Incremental Provision for Employees' Benefits		3.27	0.00	0.00	0.00	0.00	0.00
Balance carried to Balance sheet		0.00	0.00	0.00	0.00	0.00	0.00
Notes to Adjustments carried out in restated Financial Statements	2						

Schedule No - 1

STATEMENT OF OTHER INCOME FOR LAST FIVE YEARS AND FOR THE NINE MONTHS ENDED 31ST DECEMBER, 2006, AS RESTATED

(Rs. in million)

Particulars	**Nine months ended 31/12/2006**	**Year ended 31/03/2006**	**Year ended 31/03/2005**	**Year ended 31/03/2004**	**Year ended 31/03/2003**	**Year ended 31/03/2002**
Interest	3.81	5.30	9.24	13.65	19.42	20.04
Dividend on Non Trade Investments	11.50	9.38	0.00	2.26	3.94	13.44
Interest on Staff Loans	0.09	0.11	0.12	0.18	0.00	0.00
Foreign Exchange Gain	0.06	0.09	0.30	0.00	0.00	0.00
Technical Services Income	0.29	0.39	0.39	0.30	0.00	0.00
Miscellaneous Incomes	10.48	4.05	0.83	4.40	2.43	5.04
Royalty Income	0.00	0.54	0.27	0.00	0.00	0.00
Total	26.23	19.86	11.15	20.79	25.79	38.52

Note: The above incomes are of recurring nature.

Schedule No. - 2

NOTES TO ADJUSTMENTS CARRIED OUT IN RESTATED PROFIT AND LOSS

1 Restated financial statements have been prepared in respect of five years commencing from the financial year 2001-2002 to 2005-2006 and for the nine months ended December 31, 2006. As a result of restatement, adjustments pertaining to the period prior to financial year 2001-2002 have been adjusted against the reserve as on March 31, 2001.

2 Details of various items adjusted in the restated accounts.

a) **Prior period items**

These represent material adjustments in respect of items relating to a specific year but booked in a subsequent year. These have been adjusted to the year to which these pertained to.

b) **Tax impact of adjustments / Impact of prior period Tax adjustments**

Adjustment of Income Tax provision upon finalisation of the assessment has been restated in the concerned year to which it pertained to.

3 Earnings per share is calculated in accordance with Accounting Standard 20 "Earnings per share' issued by the Institute of Chartered Accountants of India.

4 **Auditors Qualification**

There were no qualification in respect of the years/ period under review having impact on the profitability and statement of assets and liabilities. Therefore, no adjustment in this respect has been made in the restated financial statement.

5 The impact of Adjustments carried out in the Restated Accounts are as provided below:-

(Rs. in million)

Particulars	Nine months ended 31/12/2006	Year ended 31/03/2006	Year ended 31/03/2005	Year ended 31/03/2004	Year ended 31/03/2003	Year ended 31/03/2002
Profit after tax as per attached accounts	117.44	126.51	80.99	110.59	98.64	91.92
Impact of Adjustments						
Rating Services Fees				0.08	0.08	0.08
Information Services Fees					(0.12)	
Consulting Services Fees					(0.84)	(0.52)
Other Incomes			0.27	0.02		
Personnel Expenses			(0.01)			
Administrative Expenses		(0.25)	(0.34)	(0.34)	(0.49)	(0.30)
Other Expenses			0.02	(0.03)		
Depreciation					(0.17)	(1.70)
Provision for taxes			0.02	0.26	(0.05)	0.13
Profit after tax as per restated accounts	117.44	126.26	80.95	110.58	97.05	89.61

Annexure No - II

STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

The Statement of Assets and Liabilities of the Company, as restated as at 31st March, 2002, 2003, 2004, 2005, 2006 and 31st December, 2006, together with the Schedules appearing hereunder, are as set out below:

(Rs. in million)

	Particulars	Schedule No.	As at 31/12/2006	As at 31/03/2006	As at 31/03/2005	As at 31/03/2004	As at 31/03/2003	As at 31/03/2002
A.	Assets							
	Fixed Assets-gross block		285.48	282.18	288.26	228.44	224.20	209.20
	Less: Depreciation		(101.34)	(109.77)	(102.20)	(90.56)	(81.75)	(67.98)
	Net Block		184.14	172.41	186.06	137.88	142.45	141.22
B.	Investments	1	749.53	684.17	596.65	643.90	512.00	447.57
C.	Current assets, loans and advances							
	Receivables	2	93.41	49.25	98.05	70.51	56.95	44.53
	Cash & bank balances		60.99	39.16	37.69	32.50	69.03	65.34
	Other current assets		1.91	2.49	2.32	5.32	6.61	7.30
	Loans and advances	3	75.60	138.10	58.07	59.41	59.15	61.35
	Total Current assets, loans and advances		231.91	229.00	196.13	167.74	191.74	178.52
	Total Assets		1,165.58	1,085.58	978.84	949.52	846.19	767.31
D.	Liabilities & Provisions							
	Current liabilities & provisions							
	Sundry liabilities		59.25	59.69	56.80	52.03	37.50	34.63
	Provisions		62.02	95.33	80.70	102.36	70.82	62.42
	Deferred Tax		6.30	6.83	3.86	3.60	7.41	0.00
	Total Liabilities & Provisions		127.57	161.85	141.36	157.99	115.73	97.05
E.	Net worth		1,038.01	923.73	837.48	791.53	730.46	670.26
	Represented by:							
	Shareholders funds							
	Share Capital		88.05	88.05	88.05	88.05	88.05	88.05
	Reserves & surplus		950.14	835.97	749.87	704.06	643.14	583.08
	Less: miscellaneous expenditure not written off		(0.18)	(0.29)	(0.44)	(0.58)	(0.73)	(0.87)
	Total		1,038.01	923.73	837.48	791.53	730.46	670.26

Schedule No - 1

INVESTMENTS, AS RESTATED

(Rs. in million)

Sl. No.		Particulars	As at 31/12/2006	As at 31/03/2006	As at 31/03/2005	As at 31/03/2004	As at 31/03/2003	As at 31/03/2002
	Non Trade Investments - at cost (Long Term)							
1	Quoted & fully paid up in							
	a	Shares	6.01	6.01	6.01	6.01	6.01	6.01
	b	Taxable Bonds	0.00	9.93	9.93	9.93	9.93	25.13
	c	Taxable Bonds (Capital Gain Exemption Scheme)	0.00	0.00	0.00	0.00	9.98	9.98
	d	Debentures	0.00	0.00	0.00	0.00	0.00	20.00
	e	Mutual Funds	437.17	531.52	546.01	559.97	369.96	296.91
		Total (1)	443.18	547.46	561.95	575.91	395.88	358.03
		Aggregate Market Value of Quoted Investments	476.65	586.74	578.74	615.57	440.05	392.77
2	Unquoted & fully paid up in							
	a	Taxfree Bonds	21.88	21.88	21.88	51.67	102.47	80.89
	b	Shares	3.00	3.00	10.32	10.32	3.00	3.00
	c	Shares in subsidiaries	264.47	94.83	0.50	0.00	0.00	0.00
	d	Taxable Bonds (Capital Gain Exemption Schemes)	20.00	20.00	5.00	9.00	10.65	5.65
		Sub Total	309.35	139.71	37.70	70.99	116.12	89.54
		Provision for Diminution in Value of Investments	(3.00)	(3.00)	(3.00)	(3.00)	0.00	0.00
		Total (2)	306.35	136.71	34.70	67.99	116.12	89.54
	Grand Total (1 + 2)		749.53	684.17	596.65	643.90	512.00	447.57

Schedule No. – 2

SUNDRY DEBTORS, AS RESTATED

(Rs. in million)

Particulars	As at 31/12/2006	As at 31/03/2006	As at 31/03/2005	As at 31/03/2004	As at 31/03/2003	As at 31/03/2002
Over six months						
- Unsecured						
- Considered Good	22.17	5.92	9.30	12.86	10.32	10.48
- Considered Doubtful	2.16	4.15	9.01	7.45	3.76	1.51
	24.33	10.07	18.31	20.31	14.08	11.99
Others						
- Unsecured						
- Considered Good	71.07	42.99	88.31	57.33	46.57	34.05
- Considered Doubtful	0.00	0.00	0.20	0.06	0.00	0.00
	95.40	53.06	106.82	77.70	60.65	46.04
Less Provision for Doubtful Debts {Exclusive of Service Tax}	(1.99)	(3.81)	(8.77)	(7.19)	(3.70)	(1.51)
Total	93.41	49.25	98.05	70.51	56.95	44.53

Schedule No. - 3

LOANS AND ADVANCES, AS RESTATED

(Unsecured Considered Good)

(Rs. in million)

Particulars	As at 31/12/2006	As at 31/03/2006	As at 31/03/2005	As at 31/03/2004	As at 31/03/2003	As at 31/03/2002
Loan to the Directors of the company	0.00	0.00	0.00	0.06	0.14	0.21
Staff Advances	3.86	4.32	4.96	6.13	5.14	5.93
Advances Recoverable in cash or kind or for value to be received	22.66	76.24	17.53	14.72	11.93	15.03
Loans and Advances to Subsidiary Companies						
- ICRA Management Consulting Services Limited *	7.68	2.56	0.00	0.00	0.00	0.00
- ICRA Techno Analytics Limited**	0.00	2.50	0.00	0.00	0.00	0.00
- ICRA Online Limited **	6.04	3.73	0.22	0.10	0.00	0.00
Prepaid Expenses	0.86	1.78	1.94	2.12	2.06	2.47
Advance Tax Paid	16.50	22.00	15.50	20.00	24.10	22.20
Income Tax deducted at source	17.41	23.22	17.92	16.28	15.78	15.51
Fringe Benefit Tax paid in advance	0.59	1.75	0.00	0.00	0.00	0.00
Total	75.60	138.10	58.07	59.41	59.15	61.35

* M/s. ICRA Management Consulting Services Limited became subsidiary in 2004-05

** M/s. ICRA Techno Analytics Limited and M/s. ICRA Online Limited became subsidiary in 2005-06

Annexure No. - III

CASH FLOW STATEMENT, AS RESTATED

(Rs. in million)

	Particulars	Nine months ended 31/12/2006	Year ended 31/03/2006	Year ended 31/03/2005	Year ended 31/03/2004	Year ended 31/03/2003	Year ended 31/03/2002
A.	**Cash Flow from Operating Activities**						
	Profit Before Tax	**164.32**	**170.38**	**112.65**	**148.04**	**133.67**	**126.46**
	Adjustments for:						
	Depreciation	11.54	15.23	14.25	13.74	14.51	15.90
	Provision for Retirement Benefits	3.86	(0.17)	2.94	6.76	1.19	2.16
	Transitional Incremental Provision for Employees' Benefits	(3.27)	0.00	0.00	0.00	0.00	0.00
	(Profit) / Loss on sale of fixed assets	2.18	(0.02)	0.28	0.37	0.26	0.12
	Miscellaneous Expenditure written off	0.11	0.15	0.14	0.15	0.14	0.15
	Profit on sale of Investments (Net)	(24.98)	(34.00)	(25.90)	(44.21)	(25.46)	(4.95)
	Interest received on Securities	(3.81)	(5.30)	(9.24)	(13.65)	(19.42)	(20.04)
	Interest received on Loans	(0.09)	(0.11)	(0.12)	(0.18)	0.00	0.00
	Dividend Income	(11.50)	(9.37)	0.00	(2.26)	(3.94)	(13.44)
	Non Operating Income (Other than Interest and Dividend)	(10.83)	(5.08)	(1.52)	(8.21)	(3.67)	(3.10)
	Operating Profit before Working Capital changes	**127.53**	**131.71**	**93.48**	**100.55**	**97.28**	**103.26**
	Adjustments for:						
	Trade & other Receivables						
	Sundry Debtors	(44.16)	48.80	(27.54)	(13.56)	(12.42)	(13.45)
	Loans	0.46	(1.94)	1.38	1.51	(0.02)	(5.26)
	Advances	49.79	(60.17)	(0.70)	(5.21)	4.45	6.59
	Sundry Deposits	(0.23)	(4.66)	(1.93)	(0.14)	(0.05)	(3.81)
	Trade Payables						
	Sundry Creditors	2.59	(3.79)	2.64	1.83	(2.33)	1.73
	Advances	0.73	(5.10)	2.86	7.01	0.88	(3.79)
	Other Liabilities	(3.76)	11.78	(0.73)	5.69	4.32	4.15
	Cash generated from operations	**132.95**	**116.63**	**69.46**	**97.68**	**92.11**	**89.42**
	Taxes Paid	(31.94)	(44.92)	(38.66)	(32.75)	(39.15)	(40.97)
	Net Cash from Operating Activities	**101.01**	**71.71**	**30.80**	**64.93**	**52.96**	**48.45**

(Rs. in million)

	Particulars	Nine months ended 31/12/2006	Year ended 31/03/2006	Year ended 31/03/2005	Year ended 31/03/2004	Year ended 31/03/2003	Year ended 31/03/2002
B.	**Cash Flow from Investing Activities:**						
	Purchase of Fixed Assets	(28.54)	(6.77)	(63.37)	(9.80)	(16.33)	7.75
	Capital Work in Progress during the year	0.00	0.00	0.00	0.00	0.00	0.00
	Sale of Fixed Assets	3.09	5.21	0.66	0.26	0.33	(15.29)
	Investments made	(396.54)	(633.53)	(672.32)	(384.82)	(321.67)	(111.70)
	Sale of Investments	331.18	546.01	719.57	252.92	257.24	39.79
	Profit on sale of Investments (Net)	24.98	34.00	25.90	44.21	25.46	4.95
	Interest received on Securities	3.81	5.30	9.24	13.65	19.42	20.04
	Dividend Income	11.50	9.37	0.00	2.26	3.94	13.44
	Other Income	10.83	5.08	1.52	8.21	3.67	3.10
	Income accrued on investments	0.58	0.12	2.73	1.27	0.69	(0.53)
	Net Cash used in Investing Activities	**(39.11)**	**(35.21)**	**23.93**	**(71.84)**	**(27.25)**	**(38.45)**
C.	**Cash Flow from Financing Activities:**						
	Dividend & Dividend Tax paid	(40.16)	(35.14)	(49.66)	(29.80)	(22.02)	(24.26)
	Interest received on Loans	0.09	0.11	0.12	0.18	0.00	0.00
	Net Cash from Financing Activities	**(40.07)**	**(35.03)**	**(49.54)**	**(29.62)**	**(22.02)**	**(24.26)**
	Net Increase/(decrease) in Cash and Cash Equivalents	**21.83**	**1.47**	**5.19**	**(36.53)**	**3.69**	**(14.26)**
	Cash and Cash Equivalents (Opening balance)	39.16	37.69	32.50	69.03	65.34	79.60
	Cash and Cash Equivalents (Closing balance)	60.99	39.16	37.69	32.50	69.03	65.34
	Net Increase/(decrease) in Cash and Cash Equivalents	**21.83**	**1.47**	**5.19**	**(36.53)**	**3.69**	**(14.26)**

Annexure No. - IV

SIGNIFICANT ACCOUNTING POLICIES:-

a) **System of Accounting: -** The Financial Statements are prepared on accrual basis of accounting and in accordance with Generally Accepted Accounting Principles and the provisions of the Companies Act, 1956.

b) **Revenue Recognition: -**

   i) Income from Rating / Grading Services is recognised as income when the Ratings / Gradings are assigned by the Rating / Grading Committee of the Company.

   ii) Income from Surveillance Fees is recognised in the year in which it becomes due. The first annual surveillance fees on accepted Ratings / Gradings becomes due after 365 days from the date of assigning the Ratings/ Gradings. However, the Surveillance Fees on the Rating assignments of Commercial Papers, Liquefied Petroleum Gas, Superior Kerosene Oil, Collective Investment Schemes and Grading assignments become due only on carrying out the surveillance exercise.

   iii) Income from Information Services is recognised in the year in which such assignments are carried out.

   iv) The income, if any, from Investment in shares / units is accounted for in the year in which it is declared. Interest income is recognised on accrual basis.

c) **Fixed Assets: -** Fixed Assets are stated at cost which comprises of purchase price, duties and any directly attributable cost of bringing the asset to its working condition for intended use.

d) **Depreciation: -** The depreciation on the assets is provided on the written down value of the assets at the prevailing rates and in the manner prescribed in the Schedule XIV of the Companies Act, 1956. The depreciation is provided on pro-rata basis on the assets acquired, sold or disposed off during the year. Individual assets costing less than Rs. 5,000 are depreciated in full in the year of acquisition.

e) **Investments: -** Investments are stated at lower of Cost and Fair Market Value. Provision for diminution in case of long term investments is made if the decline in value is other than temporary in nature.

f) **Employees' Benefits: -** Employees' benefits are provided in the form of Provident Fund, Pension Scheme, Leave Encashment and Gratuity. At present, contributions to Provident Fund and Pension Fund are being deposited with the Provident Fund Department, Provisions for Gratuity and Leave Encashment are made in the accounts on actuarial valuation basis as per AS15.

g) **Miscellaneous Expenditure: -** Shares Issue & Other Miscellaneous Expenses are amortised equally over a period of ten years starting from the year in which such expenses are incurred.

h) **Deferred Tax: -** The Company has provided for Deferred Tax Liability as per Accounting Standard No. 22 relating to "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India.

i) **Foreign Currency Transactions: -** Transactions in foreign currencies are recognised at the prevailing exchange rates on the date of the transactions. The gains or losses arising out of fluctuations at the date of Balance Sheet are recognised in the Profit and Loss Account.

Annexure No. - V

NOTES FORMING PART OF THE ACCOUNTS

1 Contingent Liabilities not provided for:-

i) Contingent Liability on account of claims against the company not acknowledged as debt by the company are as under:

As at	Amount
December 31, 2006	1.29
March 31, 2006	1.29
March 31, 2005	1.29
March 31, 2004	1.29
March 31, 2003	1.29
March 31, 2002	5.65

ii) Guarantees given by Bank against Counter Guarantee of the Company are as under:

As at	Amount
December 31, 2006	4.84
March 31, 2006	4.84
March 31, 2005	4.13
March 31, 2004	0.63
March 31, 2003	0.49
March 31, 2002	0.00

2 Expenditure in foreign currency during the previous years are as under:-

	Particulars	Nine months ended 31/12/2006	Year ended 31/03/2006	Year ended 31/03/2005	Year ended 31/03/2004	Year ended 31/03/2003	Year ended 31/03/2002
(i)	Technical Know How	1.41	1.83	2.61	3.65	3.82	2.36
(ii)	Professional Services	0.00	0.00	0.00	0.00	0.36	2.44
(iii)	Foreign Travel	2.22	2.88	6.43	3.01	2.61	1.47
(iv)	Others	0.15	0.36	0.18	0.32	0.30	0.39
	Total	3.78	5.07	9.22	6.98	7.09	6.66

3 Earnings in foreign exchange during the previous years as under:-

	Particulars	Nine months ended 31/12/2006	Year ended 31/03/2006	Year ended 31/03/2005	Year ended 31/03/2004	Year ended 31/03/2003	Year ended 31/03/2002
(i)	Professional & Consultancy Fees	3.81	12.46	34.54	18.99	5.40	1.66
(ii)	Income from Publications	0.01	0.43	0.14	0.08	0.24	0.00
(iii)	Others	0.00	0.16	0.16	0.18	0.09	0.00
	Total	3.82	13.05	34.84	19.25	5.73	1.66

4 Income from grading services has been regrouped under the rating services fees for the year ended 31st March, 2006 and nine months ended 31st December, 2006. The statements of profit and loss, as restated for the years ended 31st March, 2002, 2003, 2004 and 2005 have not been adjusted for re-grouping of grading services revenues under rating services fees and has been included under the information services fees, as the Company does not have detailed data or documentation to regroup the figures for such earlier years.

5 Figures are expressed in terms of decimals of millions.

Annexure No. - VI

DISCLOSURE OF SEGMENT INFORMATION, AS RESTATED

(Rs. in million)

	Particulars	Nine months ended 31/12/2006	Year ended 31/03/2006	Year ended 31/03/2005	Year ended 31/03/2004	Year ended 31/03/2003	Year ended 31/03/2002
	Operating Revenue from:						
a)	Rating Services	285.18	312.94	256.16	244.88	243.78	234.28
b)	Consulting Services (See Note)	0.00	0.00	95.07	71.75	55.89	34.80
c)	Information Services	7.76	19.19	20.29	12.06	8.21	7.69
	Segment Total	292.94	332.13	371.52	328.69	307.88	276.77
	Segment Results						
a)	Rating Services Division	179.39	186.60	162.54	166.40	169.94	174.17
b)	Consulting Services Division (See Note)	0.00	0.00	5.69	8.16	(3.59)	(9.81)
c)	Information Services Division	(8.97)	(13.54)	(25.33)	(17.46)	(20.51)	(17.52)
	Total of all Segments	170.42	173.06	142.90	157.10	145.84	146.84
	Non Operating Income over Expenses	5.44	15.82	(16.00)	4.68	2.34	(4.48)
	Profit Before Depreciation & Tax	175.86	188.88	126.90	161.78	148.18	142.36
	Depreciation	(11.54)	(15.23)	(14.25)	(13.74)	(14.51)	(15.90)
	Profit Before Tax	164.32	173.65	112.65	148.04	133.67	126.46
	Provision for Taxes	(46.88)	(47.39)	(31.70)	(37.46)	(36.62)	(36.85)
	Profit After Tax	117.44	126.26	80.95	110.58	97.05	89.61

Note:

The transactions relating to the Consulting Services Division of the Company during the year 2005-06 have been transferred to IMaCS due to demerger of the said Division of the Company to a wholly owned subsidiary company namely ICRA Management Consulting Services Limited (IMaCS) with the approval of Hon'ble Delhi High Court.

RELATED PARTY DISCLOSURES:

The statement of Related Party disclosures of the Company as at and for the financial years ended March 31, 2005, March 31, 2006 and for the nine months ended December 31, 2006 are as set out below:

A The following are the related parties as per Accounting Standard '18' on "Related Party Disclosure"

(i) **Subsidiaries**
ICRA Management Consulting Services Limited (w.e.f. December 21, 2004)
ICRA Techno Analytics Limited (w.e.f. August 26, 2005)
ICRA Online Limited (w.e.f. June 23, 2005)

(ii) **Key Management Personnels**
Mr. P. K. Choudhury, Vice Chairman & Group CEO (ICRA Limited)
Mr. Naresh Takkar, Managing Director (ICRA Limited)

B The following transactions were carried out with the above parties:

(Rs. in million)

Particulars	Nine months ended 31/12/2006	Year ended 31/03/2006	Year ended 31/03/2005
Subsidiaries:			
(a) Services taken from Subsidiaries:			
ICRA Techno Analytics Limited	0.28	0.00	0.00
ICRA Online Limited	0.75	4.59	0.00
(b) Services rendered to Subsidiaries:			
ICRA Management Consulting Services Limited	11.06	3.47	0.00
ICRA Techno Analytics Limited	0.11	0.16	0.00
ICRA Online Limited	0.38	3.04	0.00
(c) Loan given to Subsidiaries:			
ICRA Management Consulting Services Limited	4.00	0.00	0.00
Interest Rate	11.25%		
ICRA Techno Analytics Limited	0.00	2.50	0.00
Interest Rate	11.25%	0.00	
ICRA Online Limited	5.80	1.80	0.00
Interest Rate	11.25%	11.25%	0.00
(d) Receivables (including loan) as at the year end:			
ICRA Management Consulting Services Limited (including Purchase Consideration of Rs. 51.65 million on 31/03/2006)	7.68	54.21	0.00
ICRA Techno Analytics Limited	0.00	2.50	0.00
ICRA Online Limited	6.04	3.73	0.00
(e) Payables as at the year end:			
ICRA Management Consulting Services Limited	0.00	8.81	0.00
ICRA Techno Analytics Limited	0.14	0.00	0.00
(f) Investment in Equity Shares:			
ICRA Management Consulting Services Limited	149.50	0.00	0.50
ICRA Techno Analytics Limited	20.00	67.39	0.00
ICRA Online Limited	0.12	14.72	0.00
(g) Investment in Preference Shares:			
ICRA Online Limited	0.00	4.90	0.00
Key Management Personnel:			
Remuneration			
ICRA Limited	8.40	5.16	4.37

Annexure No. - VIII

KEY ACCOUNTING RATIOS, AS RESTATED

Particulars	Nine months ended 31/12/2006	Year ended 31/03/2006	Year ended 31/03/2005	Year ended 31/03/2004	Year ended 31/03/2003	Year ended 31/03/2002
Networth (Rs. in million) (A)	1,038.01	923.73	837.48	791.53	730.46	670.26
Adjusted Profit after Tax (Rs. in million) (B)	117.44	126.26	80.95	110.58	97.05	89.61
No. of Shares outstanding at the end (C) (in Nos.)	8,805,100	8,805,100	8,805,100	8,805,100	8,805,100	8,805,100
Weighted average number of shares outstanding (D) (in Nos.)	8,805,100	8,805,100	8,805,100	8,805,100	8,805,100	8,805,100
Earnings per Share (EPS) (Rs.) (B/D)	13.34	14.34	9.19	12.56	11.02	10.18
Return on Net worth (%) (B/A)	11.31%	13.67%	9.67%	13.97%	13.29%	13.37%
Net Asset Value per Share (Rs.) (A/C)	117.89	104.91	95.11	89.89	82.96	76.12
Cash from Operating Activities (Rs. in million) (E)	101.01	71.71	30.80	64.93	52.96	48.45
Cash Earnings per Share (Rs.) (E/C)	11.47	8.14	3.50	7.37	6.01	5.50

Note: Adjusted Profit after Tax and Cash from Operating Activities for nine months ended December 31, 2006 are not annualised.

Annexure No. -IX

CAPITALISATION STATEMENT, AS RESTATED

(Rs. in million)

Particulars	Pre-issue as at 31/12/2006	Pre-issue as at 31/03/2006	Adjusted for the Public Issue
Borrowing			
Short - Term debt	0.00	0.00	0.00
Long-term debt	0.00	0.00	0.00
Total Debt	0.00	0.00	0.00
Shareholders' funds			
Share Capital			
- Equity	88.05	88.05	***
Share premium	268.75	268.75	***
Reserves & surplus	681.39	567.22	***
Less: Miscellaneous Expenditure not written off	(0.18)	(0.29)	***
Total Shareholders Funds	1,038.01	923.73	***
Long-term Debt/Equity ratio	0.00	0.00	***

*** Post issue Capitalisation can not be determined till the book building process is completed

Note:

In addition to the offer for sale of 2,581,100 shares, ICRA proposes to allot shares as mentioned below at the price discovered through Book Building:

1. Moody's Investment Company India Private Limited - 288,900 shares
2. ESOS Welfare Trust - 906,000 shares

Annexure No. - X

TAX SHELTER, AS RESTATED

(Rs. in million)

Particulars	Nine months ended 31/12/2006	Year ended 31/03/2006	Year ended 31/03/2005	Year ended 31/03/2004	Year ended 31/03/2003	Year ended 31/03/2002
Net Profit before tax and extraordinary items	141.52	139.63	87.03	104.20	108.47	121.63
Tax Rate	33.66%	33.66%	36.59%	35.88%	36.75%	35.70%
Tax at Notional Rate	47.64	47.00	31.85	37.38	39.86	43.42
Less Adjustments:						
(A) Permanent Differences:						
i) Income exempt from tax	(4.24)	(3.62)	(1.54)	(4.08)	(4.12)	(7.10)
ii) Donations	0.05	0.04	0.08	0.03	0.03	0.01
iii) Other Adjustments	0.30	0.41	0.11	(0.07)	0.52	0.95
Sub Total (A)	(3.89)	(3.17)	(1.35)	(4.12)	(3.57)	(6.14)
(B) Timing Differences:						
i) Depreciation	(0.79)	(0.56)	(1.97)	(0.93)	(1.47)	(1.10)
ii) Provisions	(0.39)	(1.73)	1.68	4.76	1.23	0.49
iii) Other Adjustments	(0.02)	0.10	0.00	(0.19)	0.19	0.00
Sub Total (B)	(1.20)	(2.19)	(0.29)	3.64	(0.05)	(0.61)
Net Adjustments (A) + (B)	(5.09)	(5.36)	(1.64)	(0.48)	(3.62)	(6.75)
Provision for Income Tax	42.55	41.64	30.21	36.90	36.24	36.67
Provision for Deferred Tax	(0.53)	2.98	0.26	(3.81)	0.23	0.00
Provision for Wealth Tax	0.05	0.09	0.17	0.13	0.15	0.18
Provision for Fringe Benefit Tax	1.06	2.13	0.00	0.00	0.00	0.00
Provision for tax on extraordinary items	3.75	0.55	1.06	4.24	0.00	0.00
Total Tax Provision	46.88	47.39	31.70	37.46	36.62	36.85

Annexure No. - XI

DIVIDEND PAID FOR LAST FIVE YEARS AND NINE MONTHS ENDED 31ST DECEMBER, 2006, AS RESTATED

(Rs. in million)

Particulars	Nine months ended 31/12/2006	Year ended 31/03/2006	Year ended 31/03/2005	Year ended 31/03/2004	Year ended 31/03/2003	Year ended 31/03/2002
No. of Equity Shares @ Rs. 10 each	8,805,100	8,805,100	8,805,100	8,805,100	8,805,100	8,805,100
Rate (%)	0%	40%	35%	50%	30%	25%
Amount of Dividend	0.00	35.22	30.82	44.02	26.42	22.02
Dividend Tax	0.00	4.94	4.32	5.64	3.38	0.00
Total Payout	0.00	40.16	35.14	49.66	29.80	22.02

Annexure No. - XII

ICRA MANAGEMENT CONSULTING SERVICES LIMITED
(Wholly Owned Subsidiary Company)

STATEMENT OF PROFIT AND LOSS, AS RESTATED

(Rs. in million)

Particulars	**Nine months ended 31/12/2006**	**Year ended 31/03/2006**
Income		
Consulting Services Fees	87.52	121.33
Total Operating Income	87.52	121.33
Other income	0.43	0.15
Total Income	87.95	121.48
Expenditure		
Personnel Expenses	49.60	56.28
Administrative Expenses	18.28	16.78
Other Expenses	17.68	29.07
Interest	0.10	0.00
Depreciation	2.20	1.20
Miscellaneous expenditure written off	0.00	0.24
Total Expenditure	87.86	103.57
Net Profit before tax and extraordinary items	0.09	17.91
Extraordinary items (net)	(0.01)	0.01
Provision for taxation	(0.14)	(7.15)
Profit Available for Appropriations	(0.06)	10.77
Appropriations		
Transfer to general reserve	(0.67)	10.77
Proposed dividend	0.00	0.00
Tax on proposed dividend	0.00	0.00
Deferred Tax liability created	0.00	0.00
Transitional Incremental Provision for Employees’ Benefits	0.61	0.00
Balance carried to Balance sheet	0.00	0.00

Note

The financial year 2005-06 was the first year of operation for ICRA Management Consulting Services Limited. Therefore, corresponding figures for 2004-05 are not available.

Annexure No. - XIII

ICRA MANAGEMENT CONSULTING SERVICES LIMITED
(Wholly Owned Subsidiary Company)

STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

(Rs. in million)

	Particulars	As at 31/12/2006	As at 31/03/2006	As at 31/03/2005
A.	Assets			
	Fixed Assets-gross block	17.45	3.20	0.00
	Less: Depreciation	(3.34)	(1.15)	0.00
	Net Block	14.11	2.05	0.00
	Capital Work in Progress	3.38	1.66	0.00
	Total	17.49	3.71	0.00
B.	Investments	70.00	0.00	0.00
C.	Current assets, loans and advances			
	Receivables	67.57	52.50	0.00
	Cash & bank balances	14.26	13.60	0.27
	Other current assets	0.15	0.06	0.00
	Loans and advances	13.01	13.31	0.00
	Total Current assets, loans and advances	94.99	79.47	0.27
	Total Assets	182.48	83.18	0.27
D.	Liabilities & Provisions			
	Loan funds			
	Unsecured loans	4.00	0.00	0.00
	Current liabilities & provisions			
	Sundry liabilities	15.96	63.61	0.01
	Provisions	4.03	9.80	0.00
	Deferred Tax	(1.61)	(1.50)	0.00
	Total Current liabilities & provisions	18.38	71.91	0.01
	Total Liabilities & Provisions	22.38	71.91	0.01
E.	Net worth	160.10	11.27	0.26
	Represented by:			
	Shareholders funds			
	Share Capital	150.00	0.50	0.50
	Reserves & surplus	10.10	10.77	0.00
	Profit & Loss Account	0.00	0.00	0.00
	Less: miscellaneous expenditure not written off	0.00	0.00	(0.24)
	Total	160.10	11.27	0.26

Note

M/s. ICRA Management Consulting Services Limited became wholly owned subsidiary company of M/s. ICRA Limited during the financial year 2004-05. Hence, the balance sheet details are disclosed for two years as at March 31, 2005 and March 31, 2006 alongwith details as at December 31, 2006.

Annexure No.-XIV

ICRA MANAGEMENT CONSULTING SERVICES LIMITED
(Wholly Owned Subsidiary Company)

SIGNIFICANT ACCOUNTING POLICIES:-

a) **System of Accounting: -** The Financial Statements are prepared on accrual basis of accounting and in accordance with Generally Accepted Accounting Principles and the provisions of the Companies Act, 1956.

b) **Revenue Recognition: -** Income from operations includes income from Advisory Services and Special Assignments etc.

   i) Income from Advisory Services is recognised in the year in which such assignments are carried out. However, in case of assignments which are in the process as at the end of the year, the revenue is recognised on the basis of percentage of completion of assignments and the bills are raised for the recovery of fees.

   ii) The income, if any, from Investment in shares / units is accounted for in the year in which it is declared. Interest income is recognised on accrual basis.

c) **Fixed Assets: -** Fixed Assets are stated at cost which comprises of purchase price, duties and any directly attributable cost of bringing the asset to its working condition for intended use.

d) **Depreciation: -** The depreciation on the assets is provided on the written down value of the assets at the prevailing rates and in the manner prescribed in the Schedule XIV of the Companies Act, 1956. The depreciation is provided on pro-rata basis on the assets acquired, sold or disposed off during the year. Individual assets costing less than Rs. 5,000 are depreciated in full in the year of acquisition.

e) **Investments: -** Investments are stated at lower of Cost and Fair Market Value. Provision for diminution in case of long term investments is made if the decline in value is other than temporary in nature.

f) **Retirement Benefits: -** Retirement benefits are provided in the form of Provident Fund, Pension Scheme, Leave Encashment and Gratuity. At present, contributions to Provident Fund and Pension Fund are being deposited with the Provident Fund Department, Provisions for Gratuity and Leave Encashment are made in the accounts on actuarial valuation basis.

g) Expenses incurred towards increase in Authorised Capital of the Company from Rs. 1 crore to Rs. 25 crores have been fully charged to Profit and Loss Account as per Accounting Standard No. 26 relating to “Accounting for Intangible Assets” issued by the Institute of Chartered Accountants of India.

h) **Deferred Tax: -** The Company has provided for Deferred Tax Liability as per Accounting Standard No. 22 relating to “Accounting for Taxes on Income” issued by the Institute of Chartered Accountants of India.

i) **Foreign Currency Transactions: -** Transactions in foreign currencies are accounted for at the prevailing exchange rates on the date of the transaction. The gains or losses arising out of subsequent fluctuations are accounted for on the date of Balance Sheet and on actual payments / realisations.

j) **Capital Work in Progress:-** Capital Work in Progress represents expenditure incurred on development of various softwares used for licensing, which are under development, at the end of the year. On completion of the such software, cost incurred is capitalised under Intangible Assets.

Annexure No. - XV

ICRA TECHNO ANALYTICS LIMITED
(Wholly Owned Subsidiary Company)

STATEMENT OF PROFIT AND LOSS, AS RESTATED

(Rs. in million)

Particulars	Nine months ended 31/12/2006	Year ended 31/03/2006
Income		
Professional Services Fees	59.51	64.90
Sales & Services Charges	9.87	1.16
Total Operating Income	69.38	66.06
Other income	1.05	0.21
Total Income	70.43	66.27
Expenditure		
Purchases	0.25	0.60
Personnel Expenses	41.68	42.58
Administrative Expenses	6.36	5.15
Other Expenses	9.25	6.00
Interest	0.13	1.51
Depreciation	5.10	5.08
Miscellaneous expenditure written off	0.45	0.04
Total Expenditure	63.22	60.96
Net Profit before tax and extraordinary items	7.21	5.31
Extraordinary items (net)	(0.44)	(0.54)
Provision for taxation	(1.29)	(1.62)
Profit after tax	5.48	3.15
Appropriations		
Transfer to general reserve	0.00	0.00
Proposed dividend	0.00	0.00
Tax on proposed dividend	0.00	0.00
Deferred Tax liability created	0.00	0.00
Transitional Incremental Provision for Employees' Benefits	(0.07)	0.00
Balance carried to Balance sheet	5.55	3.15

Note

M/s. ICRA Techno Analytics Limited became wholly owned subsidiary company of M/s. ICRA Limited during the financial year 2005-06.

Annexure No. - XVI

ICRA TECHNO ANALYTICS LIMITED
(Wholly Owned Subsidiary Company)

STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

(Rs. in million)

	Particulars	As at 31/12/2006	As at 31/03/2006
A.	Assets		
	Fixed Assets-gross block	33.90	31.53
	Less: Depreciation	(16.25)	(12.40)
	Net Block	17.65	19.13
B.	Current assets, loans and advances		
	Receivables	9.14	15.44
	Cash & bank balances	32.78	8.98
	Other current assets	0.11	0.00
	Loans and advances	14.09	4.28
	Total Current assets, loans and advances	56.12	28.70
	Total Assets	73.77	47.83
C.	Liabilities & Provisions		
	Loan funds		
	Secured loans	0.39	0.62
	Unsecured loans	0.00	2.50
	Current liabilities & provisions		
	Sundry liabilities	13.44	11.96
	Provisions	2.21	1.44
	Deferred Tax	1.81	1.14
	Total Current liabilities & provisions	17.46	14.54
	Total Liabilities & Provisions	17.85	17.66
D.	Net worth	55.92	30.17
	Represented by:		
	Shareholders funds		
	Share Capital	50.00	30.00
	Reserves & surplus	5.92	0.37
	Less: miscellaneous expenditure not written off	0.00	(0.20)
	Total	55.92	30.17

Note

M/s. ICRA Techno Analytics Limited became wholly owned subsidiary company of M/s. ICRA Limited during the financial year 2005-06.

ICRA TECHNO ANALYTICS LIMITED
(Wholly Owned Subsidiary Company)

SIGNIFICANT ACCOUNTING POLICIES:-

a) **System of Accounting: -** The Financial Statements are prepared on accrual basis of accounting and in accordance with Generally Accepted Accounting Principles and the provisions of the Companies Act, 1956.

b) i) **Revenue Recognition : -** Revenue from professional services consists of revenue earned from services performed for software development, sub-licencing fee, web Development & hosting, etc. which is recognised as and when services are performed. However, in case of assignments which are in process at the end of the period, the revenue is recognised using the percentage of completion method of accounting.

ii) Revenue from Sales and Service Charges are recognised at the time of sales or services rendered.

c) **Fixed Assets: -** Fixed Assets are stated at cost which comprises of purchase price, duties and any directly attributable cost of bringing the asset to its working condition for intended use.

d) **Depreciation : -** Depreciation on the assets is provided on written down value method at the prevailing rates and in the manner as prescribed in Schedule XIV of the Companies Act, 1956 except the cost of softwares used for licensing which is amortised on Straight Line Method in three years from the date of capitalisation. Depreciation is provided on pro-rata basis on the assets acquired, sold or disposed off during the year. Individual assets costing less than Rs. 5,000 are depreciated in full in the year of acquisition. Depreciation on Time share Sterling Holiday Resorts has been provided on the basis of duration of the rights.

e) **Employee Benefits: -** Employment benefits are provided in the form of Provident Fund, Pension Scheme and Gratuity. At present, contributions to Provident Fund and Pension Fund are being deposited with the Regional Provident Fund Commissioner, EPFO, Park Street, Kolkata. Provision for Gratuity is made on the basis of Actuarial Valuation Certificate as per AS-15 (revised 2005).

f) **Deferred Tax:-** The Company has provided for Deferred Tax Liability as per Accounting Standard No. 22 relating to "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India.

g) **Foreign Currency Transactions:-** Transactions in foreign currencies are accounted for at the prevailing exchange rates on the date of the transaction. The gains or losses arising out of subsequent fluctuations are accounted for on the date of Balance Sheet and on actual payments / realisations.

Annexure No. - XVIII

ICRA ONLINE LIMITED (Subsidiary Company)

STATEMENT OF PROFIT AND LOSS, AS RESTATED

(Rs. in million)

Particulars	**Nine months ended 31/12/2006**	**Year ended 31/03/2006**
Income		
Information Services Fees	10.58	10.58
Outsourcing Services Fees	23.94	6.42
Professional Services Fees	9.11	7.97
Sales & Services Charges	3.09	4.58
Total Operating Income	46.72	29.55
Other income	0.07	0.07
Total Income	46.79	29.62
Expenditure		
Personnel Expenses	22.10	18.12
Administrative Expenses	4.80	2.25
Other Expenses	4.30	5.11
Interest	0.51	0.12
Depreciation	1.53	1.61
Miscellaneous expenditure written off	0.29	0.39
Total Expenditure	33.53	27.60
Net Profit before tax and extraordinary items	13.26	2.02
Extraordinary items (net)	(0.12)	0.00
Provision for taxation	(0.13)	(0.11)
Profit after tax	13.01	1.91
Appropriations		
Transfer to general reserve	0.00	0.00
Proposed dividend	0.00	0.00
Tax on proposed dividend	0.00	0.00
Deferred Tax liability created	0.00	0.00
Transitional Incremental Provision for Employees' Benefits	0.01	0.00
Balance carried to Balance sheet	13.00	1.91

Note

M/s. ICRA Online Limited became subsidiary company of M/s. ICRA Limited during the financial year 2005-06.

Annexure No. - XIX

ICRA ONLINE LIMITED (Subsidiary Company)

STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

(Rs. in million)

	Particulars	As at 31/12/2006	As at 31/03/2006
A.	Assets		
	Fixed Assets-gross block	13.91	12.39
	Less: Depreciation	(8.92)	(9.40)
	Net Block	4.99	2.99
	Capital Work in Progress	0.67	0.67
	Total	5.66	3.66
B.	Investments	0.25	0.25
C.	Current assets, loans and advances		
	Receivables	27.74	12.27
	Cash & bank balances	9.32	1.56
	Loans and advances	3.20	2.58
	Total Current assets, loans and advances	40.26	16.41
	Total Assets	46.17	20.32
D.	Liabilities & Provisions		
	Loan funds		
	Unsecured loans	10.00	1.80
	Current liabilities & provisions		
	Sundry liabilities	11.07	7.06
	Provisions	0.85	0.54
	Total Current liabilities & provisions	11.92	7.60
	Total Liabilities & Provisions	21.92	9.40
E.	Net worth	24.25	10.92
	Represented by:		
	Shareholders funds		
	Share Capital	25.22	25.22
	Reserves & surplus	2.34	2.34
	Profit & Loss Account	(0.51)	(13.51)
	Less: miscellaneous expenditure not written off	(2.80)	(3.13)
	Total	24.25	10.92

Note

M/s. ICRA Online Limited became subsidiary company of M/s. ICRA Limited during the financial year 2005-06.

Annexure No. - XX

ICRA ONLINE LIMITED (Subsidiary Company)

SIGNIFICANT ACCOUNTING POLICIES:-

a) **System of Accounting: -** The Financial Statements are prepared on accrual basis of accounting and in accordance with Generally Accepted Accounting Principles and the provisions of the Companies Act, 1956.

b) i) **Revenue Recognition : -** Revenue from professional services consists of revenue earned from services performed for software development, sub-licencing fee, web Development & hosting, etc. which is recognised as and when services are performed. However, in case of assignments which are in process at the end of the year, the revenue is recognised using the percentage of completion method of accounting. Unbilled revenue is included in debtors which represents amounts recognised based on services performed in advance of billings, in accordance with contract terms.

ii) Revenue from Content Sales and Service Charges variable License Fees are recognised over the period in which such services are rendered.

iii) Income from Information Services is recognised in the year in which such assignments are carried out.

iv) Income from BPO Services are recognised in the year in which such assignments are carried out.

v) The income, if any, from Investment in shares / units is accounted for in the year in which it is declared.

c) **Fixed Assets: -** Fixed Assets are stated at cost which comprises of purchase price, duties and any directly attributable cost of bringing the asset to its working condition for intended use.

d) **Depreciation : -** Depreciation on the assets is provided on written down value method at the prevailing rates and in the manner as prescribed in Schedule XIV of the Companies Act, 1956 except the cost of softwares used for licensing which is amortised on Straight Line Method in three years from the date of capitalisation. Depreciation is provided on pro-rata basis on the assets acquired, sold or disposed off during the year. Individual assets costing less than Rs. 5,000 are depreciated in full in the year of acquisition.

e) **Investments: -** Investments are stated at lower of Cost and Fair Market Value. Provision for dimunition in case of long term investments is made if the decline in value is other than temporary in nature.

f) **Retirement Benefits: -** Retirement benefits are provided in the form of Provident Fund, Pension Scheme, Gratuity and Leave Encashment. At present, contributions to Provident Fund and Pension Fund are being deposited with the Provident Fund Department, Provisions for Gratuity and Provision for Leave Encashment are made in the accounts on actuarial valuation basis.

g) **Miscellaneous Expenditure: -** Preliminary Expenses are amortised equally over a period of ten years starting from the year in which such expenses are incurred.

h) **Deferred Tax:-** The Company has provided Deferred Tax Liability as per Accounting Standard No. 22 relating to "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India.

i) **Foreign Currency Transactions:-** Transactions in foreign currencies are accounted for at the prevailing exchange rates on the date of the transaction. The gains or losses arising out of subsequent fluctuations are accounted for on the date of Balance Sheet and on actual payments / realisations.

Annexure No. - XXI

ICRA GROUP

CONSOLIDATED STATEMENT OF PROFIT AND LOSS, AS RESTATED

(Rs. in million)

Particulars	Nine months ended 31/12/2006	Year ended 31/03/2006	Year ended 31/03/2005	Year ended 31/03/2004	Year ended 31/03/2003	Year ended 31/03/2002
Income						
Rating Services Fees	285.18	312.94	256.16	244.88	243.78	234.28
Information Services Fees	14.51	15.58	14.43	10.47	8.21	7.69
Outsourcing Services Fees	27.04	15.06	5.86	1.59	0.00	0.00
Consulting Services Fees	87.52	121.33	95.07	71.75	55.89	34.80
Professional Services Fees	68.20	72.59	0.00	0.00	0.00	0.00
Sales & Services Charges	12.96	5.71	0.00	0.00	0.00	0.00
Total Operating Income	495.41	543.21	371.52	328.69	307.88	276.77
Other income	17.09	15.88	11.15	20.79	25.79	38.52
Total Income	512.50	559.09	382.67	349.48	333.67	315.29
Expenditure						
Purchases	0.25	0.60	0.00	0.00	0.00	0.00
Personnel Expenses	214.08	238.19	169.42	132.43	112.58	95.39
Administrative Expenses	53.29	58.64	54.25	45.80	45.51	44.50
Other Expenses	61.83	71.89	57.58	53.16	52.46	37.72
Interest	0.02	1.35	0.00	0.00	0.00	0.00
Depreciation	20.38	23.12	14.25	13.74	14.51	15.90
Miscellaneous expenditure written off	0.56	0.43	0.14	0.15	0.14	0.15
Total Expenditure	350.41	394.22	295.64	245.28	225.20	193.66
Net Profit before tax and extraordinary items	162.09	164.87	87.03	104.20	108.47	121.63
Extraordinary items (net)	22.23	33.49	25.62	43.84	25.20	4.83
Provision for taxation	(48.45)	(56.27)	(31.70)	(37.46)	(36.62)	(36.85)
Profit after tax	135.87	142.09	80.95	110.58	97.05	89.61
Minority Interest	0.00	(0.01)	0.00	0.00	0.00	0.00
Profit for the Year	135.87	142.08	80.95	110.58	97.05	89.61
Capital Profit	(0.03)	6.59	0.00	0.00	0.00	0.00
Profit Available for Appropriations	135.84	148.67	80.95	110.58	97.05	89.61

(Rs. in million)

Particulars	Nine months ended 31/12/2006	Year ended 31/03/2006	Year ended 31/03/2005	Year ended 31/03/2004	Year ended 31/03/2003	Year ended 31/03/2002
Appropriations						
Transfer to general reserve	132.05	101.92	45.81	60.92	60.06	67.59
Proposed dividend	0.00	35.22	30.82	44.02	26.42	22.02
Tax on proposed dividend	0.00	4.94	4.32	5.64	3.38	0.00
Capital Reserve	(0.03)	6.59	0.00	0.00	0.00	0.00
Deferred Tax liability created	0.00	0.00	0.00	0.00	7.19	0.00
Transitional Incremental Provision for Employees' Benefits	3.82	0.00	0.00	0.00	0.00	0.00
Balance carried to Balance sheet	0.00	0.00	0.00	0.00	0.00	0.00

Note:

Figures for the financial years ended 31st March, 2002, 2003, 2004 and 2005 are for ICRA Limited only on stand alone basis as M/s. ICRA Management Consulting Services Limited started its operations during the year 2005-06 and M/s. ICRA Online Limited and M/s. ICRA Techno Analytics Limited became subsidiary companies in the year 2005-06. Therefore, the figures for the year 2005-06 are not comparable with the other previous years.

Annexure No. - XXII

ICRA GROUP

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

(Rs. in million)

Sl. No.	Particulars	As at 31/12/2006	As at 31/03/2006	As at 31/03/2005	As at 31/03/2004	As at 31/03/2003	As at 31/03/2002
A.	Assets						
	Fixed Assets-gross block	350.73	329.31	288.26	228.44	224.20	209.20
	Less: Depreciation	(129.85)	(132.73)	(102.20)	(90.56)	(81.75)	(67.98)
	Net Block	220.88	196.58	186.06	137.88	142.45	141.22
	Capital Work in Progress	4.05	2.33	0.00	0.00	0.00	0.00
	Total	224.93	198.91	186.06	137.88	142.45	141.22
B.	Goodwill on Consolidation	51.51	51.44	0.00	0.00	0.00	0.00
C.	Investments	555.31	589.59	596.15	643.90	512.00	447.57
D.	Current assets, loans and advances	197.86	129.46	98.05	70.51	56.95	44.53
	Receivables						
	Cash & bank balances	117.35	63.30	37.96	32.50	69.03	65.34
	Other current assets	2.17	2.54	2.32	5.32	6.61	7.30
	Loans and advances	85.93	89.02	58.07	59.41	59.15	61.35
	Total Current assets, loans and advances	403.31	284.32	196.40	167.74	191.74	178.52
	Total Assets	1,235.06	1,124.26	978.61	949.52	846.19	767.31
E.	**Liabilities & Provisions**						
	Loan funds						
	Secured loans	0.38	0.62	0.00	0.00	0.00	0.00
	Current liabilities & provisions						
	Sundry liabilities	93.75	77.36	56.81	52.03	37.50	34.63
	Provisions	69.11	107.11	80.70	102.36	70.82	62.42
	Deferred Tax	6.51	6.47	3.86	3.60	7.41	0.00
	Total Current liabilities & provisions	169.37	190.94	141.37	157.99	115.73	97.05
	Total Liabilities & Provisions	169.75	191.56	141.37	157.99	115.73	97.05
F.	Net worth	1,065.31	932.70	837.24	791.53	730.46	670.26
	Represented by:						
	Shareholders funds						
	Share Capital	88.05	88.05	88.05	88.05	88.05	88.05
	Reserves & surplus	980.25	848.20	749.87	704.06	643.14	583.08
	Minority Interest	0.00	0.07	0.00	0.00	0.00	0.00
	Less: miscellaneous expenditure not written off	(2.99)	(3.62)	(0.68)	(0.58)	(0.73)	(0.87)
	Total	1,065.31	932.70	837.24	791.53	730.46	670.26

Note:

The figures as at 31st March, 2002, 2003 and 2004 are for ICRA Limited (ICRA) only on stand alone basis as there were no subsidiary companies during that period. The figures for the financial year ended 31st March, 2005 are consolidated for ICRA and ICRA Management Consulting Services Limited (IMaCS) as IMaCS became subsidiary in the year 2004-05. The figures as at 31st March, 2006 and 31st December, 2006 are consolidated for ICRA, IMaCS, ICRA Techno Analytics Limited and ICRA Online Limited as ICRA Techno Analytics Limited and ICRA Online Limited became subsidiary companies in the year 2005-06.

Annexure No. - XXIII

ICRA GROUP

CASH FLOW STATEMENT, AS RESTATED

(Rs. in million)

	Particulars	Nine months ended 31/12/2006	Year ended 31/03/2006	Year ended 31/03/2005	Year ended 31/03/2004	Year ended 31/03/2003	Year ended 31/03/2002
A.	**Cash Flow from Operating Activities**						
	Profit Before Tax	184.32	198.36	112.65	148.04	133.67	126.46
	Adjustments for:						
	Depreciation	20.38	23.12	14.25	13.74	14.51	15.90
	Provision for Retirement Benefits	5.13	0.67	2.94	6.76	1.19	2.16
	Transitional Incremental Provision for Employees's Benefits	(3.83)					
	(Profit) / Loss on sale of fixed assets	2.75	0.51	0.28	0.37	0.26	0.12
	Miscellaneous Expenditure written off	0.63	0.87	0.14	0.15	0.14	0.15
	Profit on sale of Investments (Net)	(24.98)	(34.00)	(25.90)	(44.21)	(25.46)	(4.95)
	Interest received on Securities	(4.10)	(5.35)	(9.24)	(13.65)	(19.42)	(20.04)
	Interest received on Loans	(0.09)	(0.11)	(0.12)	(0.18)	0.00	0.00
	Dividend Income	(11.50)	(9.37)	0.00	(2.26)	(3.94)	(13.44)
	Non Operating Income	(1.41)	(1.05)	(1.52)	(8.21)	(3.67)	(3.10)
	Interest Paid on Loans	0.02	1.35	0.00	0.00	0.00	0.00
	Operating Profit before Working Capital changes	**167.32**	**175.00**	**93.48**	**100.55**	**97.28**	**103.26**
	Adjustments for:						
	Trade & other Receivables						
	Sundry Debtors	(68.40)	(19.08)	(27.54)	(13.56)	(12.42)	(13.45)
	Loans	0.00	(2.64)	1.38	1.51	(0.02)	(5.26)
	Advances	(3.62)	(1.47)	(0.70)	(5.21)	4.45	6.59
	Sundry Deposits	0.67	(6.45)	(1.93)	(0.14)	(0.05)	(3.81)
	Preliminary Expenses not written off		(0.23)	(0.24)			
	Trade Payables						
	Sundry Creditors	(2.24)	3.09	2.65	1.83	(2.33)	1.73
	Advances	9.66	(1.89)	2.86	7.01	0.88	(3.79)
	Other Liabilities	8.97	11.05	(0.73)	5.69	4.32	4.15
	Cash generated from operations	**112.36**	**157.38**	**69.23**	**97.68**	**92.11**	**89.42**
	Taxes Paid	(45.33)	(49.39)	(38.66)	(32.75)	(39.15)	(40.97)
	Net Cash from Operating Activities	**67.03**	**107.99**	**30.57**	**64.93**	**52.96**	**48.45**

(Rs. in million)

	Particulars	Nine months ended 31/12/2006	Year ended 31/03/2006	Year ended 31/03/2005	Year ended 31/03/2004	Year ended 31/03/2003	Year ended 31/03/2002
B.	**Cash Flow from Investing Activities:**						
	Purchase of Fixed Assets	(50.69)	(31.30)	(63.37)	(9.80)	(16.33)	7.75
	Capital Work in Progress during the year	(1.72)	6.53	0.00	0.00	0.00	0.00
	Sale of Fixed Assets	3.26	6.32	0.66	0.26	0.33	(15.29)
	Investments made	(307.04)	(611.03)	(672.32)	(384.82)	(321.67)	(111.70)
	Sale of Investments	341.18	546.01	719.57	252.92	257.24	39.79
	Profit on sale of Investments (Net)	24.98	34.00	25.90	44.21	25.46	4.95
	Interest received on Securities	4.10	5.35	9.24	13.65	19.42	20.04
	Dividend Income	11.50	9.37	0.00	2.26	3.94	13.44
	Other Income	1.41	1.05	1.52	8.21	3.67	3.10
	Income accrued on investments	0.37	0.06	2.73	1.27	0.69	(0.53)
	Net Cash used in Investing Activities	**27.35**	**(33.64)**	**23.93**	**(71.84)**	**(27.25)**	**(38.45)**
C.	**Cash Flow from Financing Activities:**						
	Increase in Share Capital	0.00	0.00	0.50	0.00	0.00	0.00
	Dividend & Dividend Tax paid	(40.16)	(35.14)	(49.66)	(29.80)	(22.02)	(24.26)
	Decreased in Secured Loan	(0.24)	(0.30)	0.00	0.00	0.00	0.00
	Decreased in Unsecured Loan		(16.36)	0.00	0.00	0.00	0.00
	Interest received on Loans	0.09	0.11	0.12	0.18	0.00	0.00
	Interest Paid on Loans	(0.02)	(1.35)	0.00	0.00	0.00	0.00
	Net Cash from Financing Activities	**(40.33)**	**(53.04)**	**(49.04)**	**(29.62)**	**(22.02)**	**(24.26)**
	Net Increase/(decrease) in Cash and Cash Equivalents	**54.05**	**21.31**	**5.46**	**(36.53)**	**3.69**	**(14.26)**
	Cash and Cash Equivalents (Opening balance)	63.30	41.99	32.50	69.03	65.34	79.60
	Cash and Cash Equivalents (Closing balance)	117.35	63.30	37.96	32.50	69.03	65.34
	Net Increase/(decrease) in Cash and Cash Equivalents	**54.05**	**21.31**	**5.46**	**(36.53)**	**3.69**	**(14.26)**

Note:- Figures for the financial years ended 31st March, 2002, 2003 and 2004 are for ICRA Limited only as there were no subsidiary companies during that period.

Annexure No. - XXIV

ICRA GROUP

SIGNIFICANT ACCOUNTING POLICIES:-

a) **System of Accounting: -** The Company adopts the accrual concept in the preparation of the accounts. The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

b) **Fixed Assets: -** Fixed Assets are stated at cost which comprises of purchase price, duties and any directly attributable cost of bringing the asset to its working condition for intended use.

c) **Depreciation: -** The depreciation on the assets is provided on the Written Down Value Method of the assets at the prevailing rates and in the manner prescribed in the Schedule XIV of the Companies Act, 1956. The depreciation is provided on pro-rata basis on the assets acquired, sold or disposed off during the year. Individual assets costing less than Rs. 5,000 are depreciated in full in the year of acquisition. Depreciation on Time share Sterling Holiday Resorts has been provided on the basis of duration of the rights.

d) **Investments: -** Investments are stated at lower of Cost and Fair Market Value. Provision for diminution in case of long term investments is made if the decline in value is other than temporary in nature.

e) **Employees' Benefits: -** Employees' benefits are provided in the form of Provident Fund, Pension Scheme, Leave Encashment and Gratuity. At present, contributions to Provident Fund and Pension Fund are being deposited with the Provident Fund Department, Provisions for Gratuity and Leave Encashment are made in the accounts on actuarial valuation basis as per AS15.

f) **Miscellaneous Expenditure: -** Preliminary Expenses, Shares Issue & Other Miscellaneous Expenses are amortised equally over a period of ten years starting from the year in which such expenses are incurred.

g) **Deferred Tax:-** The Company has provided for Deferred Tax Liability as per Accounting Standard No. 22 relating to "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India.

h) **Foreign Currency Transactions:-** Transactions in foreign currencies are recognised at the prevailing exchange rates on the date of the transactions. The gains or losses arising out of fluctuations at the date of Balance Sheet are recognised in the Profit and Loss Account.

i) **Capital Work in Progress:-** Capital Work in Progress represents expenditure incurred on development of various softwares used for licensing, which are under development, at the end of the year. On completion of the such software, cost incurred is capitalised under Intangible Assets.

ICRA GROUP

NOTES FORMING PART OF THE ACCOUNTS

1 **Principles of Consolidation:-**

a) The Consolidated Financial Statements include the accounts of ICRA Limited consolidated with the accounts of its subsidiaries.

b) The Financial Statements of the Company & its subsidiaries have been combined on a line by line basis by adding together the book value of like items of assets, liabilities, income and expenses, after duly eliminating intra-group balances and intra-group transactions as per Accounting Standard 21 on Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.

c) The Notes to Accounts and Significant Accounting Policies to the Consolidated Financial Statements are intended to serve as a guide for better understanding of the Group's position. In this respect, the Group has disclosed such notes and policies, which represent the required disclosure.

d) The excess of Company's portion of investments over the net assets of M/s. ICRA Techno Analytics Limited and M/s. ICRA Online Limited acquired as at the dates of investments have been recognised as Goodwill on consolidation.

e) "Minority Interests" represents the minority shareholders' proportionate share of the net assets and the net income in M/s. ICRA Online Limited.

f) Intra-group balances & intra-group transactions resulting in unrealised profits have been eliminated.

2 The Holding Company viz. ICRA's holdings in the subsidiary companies is as under:-

Name of the Company	Date of becoming subsidiary	Ownership in %
ICRA Management Consulting Services Limited	21/12/2004	100%
ICRA Techno Analytics Limited	26/08/2005	100%
ICRA Online Limited	23/06/2005	100%

All the subsidiary companies are incorporated in India.

3 **Contingent Liabilities not provided for:-**

i) Contingent Liability on account of claims against the Group not acknowledged as debt by the company for Rs. 1.29 million as at December 31, 2006.

ii) Guarantees of Rs. 10.20 million given by Bank against Counter Guarantee of the Group as at December 31, 2006.

4 **Related Party Disclosure for the nine months ended December 31, 2006:-**

Name	Name of the Company	Relationship	Nature of Transaction	Amount
Mr. P.K. Choudhury	ICRA Limited	Whole-time Director	Managerial Remuneration	4.64
Mr. Naresh Takkar	ICRA Limited	Whole-time Director	Managerial Remuneration (w.e.f. 01/07/2006)	3.76
Mr. R. Raghuttama Rao	ICRA Management Consulting Services Limited	Whole-time Director	Managerial Remuneration (w.e.f. 26/08/2006)	1.44
Mr.Prateep Kumar Guha	ICRA Techno Analytics Limited	Whole-time Director	Managerial Remuneration	1.26
Mr. Aditya Agarwal	ICRA Online Limited	Jt. Managing Director	Managerial Remuneration	1.21

5 In respect of subsidiaries, uniform accounting policies have been followed except in case of M/s. ICRA Management Consulting Services Limited and ICRA Techno Analytics Limited where expenditure incurred prior to commencement of commercial activities and preliminary expenses respectively are fully charged to the Profit and Loss Account during the period.

6 Income from grading services has been regrouped under the rating services fees for the year ended 31st March, 2006 and nine months ended 31st December, 2006. The statements of profit and loss, as restated for the years ended 31st March, 2002, 2003, 2004 and 2005 have not been adjusted for re-grouping of grading services revenues under rating services fees and has been included under the information services fees, as the Company does not have detailed data or documentation to regroup the figures for such earlier years.

7 Figures are expressed in terms of decimals of millions.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN INDIAN GAAP AND U.S. GAAP

The summarized financial information and financial statements included in this Red Herring Prospectus have been prepared in accordance with the requirements of the Companies Act and accounting principles generally accepted in India (collectively "Indian GAAP"), which differ in certain respects from the accounting principles generally accepted in the United States (or "U.S. GAAP").

The following table summarizes significant differences between U.S. GAAP and Indian GAAP insofar as they affect financial information reported in this Red Herring Prospectus.

Particulars	Indian GAAP	U.S.GAAP
Format and content of Financial statement	Entities are required to present balance sheets, profit and loss accounts and, if listed or proposing listing, cash flows for two years together with accounting policies, schedules and notes. Entities seeking a listing are required to present five years of adjusted financial information. Format for presentation of financial statements is as prescribed by the relevant statute.	All entities are required to present balance sheets, income statements, statements of shareholders' equity, cash flows and comprehensive income, together with accounting policies and notes to the financial statements. No specific format is mandated, generally items are presented on the face of the balance sheet in decreasing order of liquidity. Income statement items may be presented using a single-step or a multiple step format. Expenditure must be presented by function.
Changes in Accounting Policies	Any change in an accounting policy which has a material effect should be disclosed. The impact of, and the adjustments resulting from such change, if material, should be shown in the financial statements of the period in which such change is made, to reflect the effect of such change. Where the effect of such change is not ascertainable, wholly or in part, the fact should be indicated. If a change is made in the accounting policies which has no material effect on the financial statements for the current period but which is reasonably expected to have a material effect in later periods, the fact of such change should be appropriately disclosed in the period in which the change is adopted.	US GAAP requires recognition and disclosure of the cumulative amount of the change in the income statement for the period of change. The entity discloses pro-forma comparatives as if the change had been applied to those periods. However, retrospective adjustments are required in certain cases. Under US GAAP change in depreciation method for previously recorded assets are considered as change in accounting principle.
Depreciation Accounting	The Company provides for depreciation using the written down value method as per rates prescribed in Schedule XIV of the Companies Act, 1956. These are the minimum rates and companies are permitted to charge depreciation at higher rates in order to write-off the cost of the assets over their useful lives, if shorter.	Depreciation is provided in a systematic and rational manner over the estimated useful economic life of the asset.
Revenue Recognition – Interest	Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.	Interest income is recognised using the effective interest method.

Particulars	Indian GAAP	U.S.GAAP
Prior Period Items	Adjust the error or omission in the period in which it is discovered and corrected with appropriate disclosure.	No concept of prior period items. Financials have to be restated, i.e. errors or omission has to be adjusted to the period to which it relates. Prior period items/ adjustments can go directly to retained earnings and do not affect income statement of the current period. Disclosure of nature and effect for all periods presented.
Extraordinary Items	Extraordinary items of such size and nature that requires separate disclosure to explain the performance of the entity, is disclosed separately, net of income taxes, on the face of the income statement or in the notes, provided the total of all such items is shown on the face of the income statement. Exceptional items usually shown on the face of the income statement or in the notes.	Disclosure of individual extraordinary items; including gains or losses from the early extinguishments of debt if material, net of income taxes, is made either on the face of the income statement or in the notes, provided the total of all such items is shown on the face of the income statement. Disclosure of tax impact is either on the face of income statement or in the notes to financial statements.
Deferred Taxation	Deferred tax resulting from "timing differences" between accounting and taxable income is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date. Deferred tax assets relating to carry forward losses and unabsorbed depreciation should be recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. All other deferred tax assets should be recognised to the extent that there is reasonable certainty that future taxable income will be available for such deferred tax assets to be realised.	Deferred tax liabilities and assets are recorded for the tax effect of all temporary differences between the accounting and tax base of assets and liabilities, and operating loss carry-forwards, at enacted rates. Changes in tax rates are reported in the income statement in the period of enactment. A valuation allowance is made against deferred taxes, if based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realised.
Foreign exchange translation	AS11 "The Effects of Changes in Foreign Exchange Rates" deals with accounting for foreign exchange transactions. Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction. Monetary items are restated at year-end exchange rates. Exchange differences arising on transactions and translation of monetary items are recognized as income or expense in the year in which they arise. Foreign exchange losses that relate to foreign borrowings incurred to finance an asset are treated as a part of borrowing cost and are capitalised.	Under US GAAP gains or losses arising from foreign currency transactions are included in determining net income. Foreign exchange gains or losses are not included in interest cost. For the purposes of consolidating a foreign subsidiary, its financial statements are translated into the parent's reporting currency. Assets and liabilities are translated using the balance sheet rate of exchange. Amounts in the income statements are translated using the weighted average rate for the period. Translation differences that arise are reported in a separate component of shareholders' equity.

Particulars	Indian GAAP	U.S.GAAP
Vacation accrual	Vacation accrual, or leave encashment, is viewed as a retirement entitlement and is generally reported at the actuarially determined present value of future benefits.	Vacation earned but not taken is reported as a liability based on the number of days entitlement, priced at the balance sheet salary rate.
Retirement benefits	The liability for defined benefit retirement plans is reported at an actuarial valuation. Several alternative methodologies are considered acceptable for the purposes of the valuation, and the actuary has considerable latitude in selecting assumptions to be used. Expenditure incurred on voluntary retirement scheme may be deferred.	The liability for defined benefit retirement plans is reported at the present value of future benefits using the projected unit credit method, with a stipulated method to determine assumptions. Expenditure incurred on voluntary retirement scheme should be expensed in the period incurred.
Off-balance sheet items	There is no specific guidance or the accounting and reporting for of-balance sheet items. Commitments and contingencies are required to be disclosed.	Securities Exchange Commission registrants are required to provide extensive disclosures of material off-balance sheet items, contingent liabilities and financial guarantees. Commitments and contingencies are required to be disclosed.
Fair values of financial instruments	There is no requirement to disclose the fair value of financial instruments.	Extensive disclosures are required of the fair values of financial instruments and the methodologies or determining fair values.
Proposed Dividends	These are recognised in the financial statements of the period to which they relate, even if they are subject to shareholders' approval.	Dividends are recorded in the year when declared.
Guarantees	These are required to be disclosed as contingent liabilities.	A guarantor is required to recognize at inception a liability for the fair value of the obligation undertaken in issuing the guarantee, except for certain types of guarantees that are accounted as derivatives or are reported as equity or guarantees between parents and subsidiaries.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations together with our restated Indian GAAP financial statements for the fiscal years ended March 31, 2004, 2005 and 2006 and nine months ended December 31, 2006, including the significant accounting policies and notes thereto and reports thereon which begin on page 139. These financial statements are based on Indian GAAP, which differs in certain significant respects from US GAAP. For more information on these differences, see the section titled "Summary of Significant Differences between Indian GAAP and US GAAP" on page 134. You should also read the section titled "Risk Factors" on page xi. Our fiscal year ends on March 31 of each year. Accordingly, all references to a particular fiscal year are to the twelve-month period ended March 31 of that year.

Our consolidated financial statements for each of fiscal 2002, 2003, 2004, 2005 and 2006 and nine months ended December 31, 2006 have been restated in compliance with the SEBI DIP Guidelines. The effects of the restatement are shown as restatements of individual line items in our statement of profit and loss rather than as a cumulative effect on our adjusted profit after tax. However, in the comparison of our results of operations from fiscal period to fiscal period, we have also provided a discussion of the effects of the restatement on our profit after tax at the end of each such comparison.

The consolidated statement of profit and loss for fiscals 2002, 2003, 2004 and 2005 are for ICRA Limited only on stand alone basis as ICRA Management Consulting Services Limited started its operations in fiscal 2006 and ICRA Online and ICTEAS became subsidiaries of our Company in fiscal 2006. Therefore, the financial information derived from consolidated statement of profit and loss for fiscal 2006 and nine months ended December31, 2006 may not be comparable with the other previous fiscals. The financial information used in this section in relation to ICTEAS and ICRA Online for fiscal 2005 is as per their audited financial statements and has not been restated.

The consolidated statement of assets and liabilities for fiscals 2002, 2003 and 2004 are for ICRA Limited only on stand alone basis as there were no subsidiaries of our Company during such periods. The figures for fiscal 2005 are consolidated for ICRA Limited and ICRA Management Consulting Services Limited as the latter became our subsidiary in fiscal 2005. The figures for fiscal 2006 and as on December 31, 2006 are consolidated for ICRA, IMaCS, ICTEAS and ICRA Online as the last two also became subsidiaries of our Company in fiscal 2006.

Certain industry, technical and financial terms with initial capitals used in this discussion shall have the meanings ascribed to such terms in the section titled "Definition and Abbreviations" on page i. The term "revenues" as used in this discussion refers to the item titled "income" in our financial statements. The "professional service charges" and "sales and service charges" are collectively referred to as revenues from "information technology based services" in this discussion.

OVERVIEW

We are one amongst the four credit rating agencies in India providing a wide range of products and fee-based services. We were established in 1991 as a credit rating agency by a consortium of financial/investment institutions, commercial banks and financial services companies. We operate as a professionally managed commercial entity with the objective of maximizing shareholder value.

We, along with our Subsidiaries, provide (i) rating services, (ii) consulting services, (iii) information technology based services, (iv) information services, and (v) outsourcing services. Our Company has three subsidiaries, namely, IMaCS, ICTEAS and ICRA Online. Our Company is engaged in the business of providing rating and grading services and research based information services. IMaCS provides management consulting services to clients based in India and abroad. ICTEAS is engaged in the business of providing business solutions and computer aided engineering services. ICRA Online provides mutual fund based information services and outsourcing services. ICRA Online, to complement its information services business, also provides technology solutions targeted at distributors of third party financial products, insurance brokers and stock broking houses.

Our business has grown consistently since we began operations in 1991. We had initially commenced our business as a credit rating agency in 1991. We have since expanded our portfolio of products and services. Diversification of our products and services portfolio has resulted in increased revenues. Our total revenue has increased from Rs. 333.67 million in fiscal 2003 to Rs. 559.09 million in fiscal 2006, at a CAGR of 18.77%. During the same period, our profit after tax has increased from Rs. 97.05 million to Rs. 142.08 million, at a CAGR of 13.55%.

FACTORS AFFECTING OUR FINANCIAL RESULTS

Our financial condition and results of operations are affected by numerous factors and the following is a discussion of certain factors that have had, and we expect will continue to have, a significant effect on our financial results:

Volume of debt securities issued in domestic capital markets

Our revenues are largely linked to financial services that we render in the Indian market. A significant portion of our revenues i.e. 55.97% in fiscal 2006 was on account of our rating services, which is primarily linked to the issuance of debt securities in the Indian capital markets. In the last three years, the Indian economy has experienced an average real GDP growth of 8.10%. A substantial part of our business is dependent on volume and number of debt securities issuance in the capital markets in India.

Changes in the interest rates and volatility in the financial markets

Our revenues and financial condition are primarily linked to our ability to render services in the domestic financial market. Our services such as credit ratings, consulting services, mutual funds based information services and outsourcing services are dependent on the condition of the financial markets in India and abroad. Any variation in interest rates and credit spreads, volatility in corporate bonds market or interest rate environment, foreign exchange fluctuations, defaults of significant issuers and other market and economic factors both domestically and globally may negatively impact the issuance of credit sensitive products and other financial services.

Competition

The credit rating and financial services markets are constantly evolving. We face competition in all our businesses, including those conducted through our Subsidiaries, and we have been facing increased pricing pressures from our competitors. In addition for the consulting services business, IMaCS competes with various players including investment banks and consulting organizations.

Acquisitions and consolidation

During fiscal 2006, we acquired majority of equity shares of ICTEAS and ICRA Online, pursuant to which these companies became subsidiaries of our Company. In addition, in fiscal 2006, the consulting division of our Company was demerged into IMaCS. Moreover, IMaCS had commenced its operations in fiscal 2006 and had not prepared the statement of profit and loss till then. Further, in fiscal 2007, we have acquired the remaining equity shares of ICRA Online, consequent to which it has become our wholly owned subsidiary. The acquisition and consolidation has substantially affected the results of our operations in fiscal 2006.

Cyclical nature of consulting business

The consulting market is large and diversified across several industries/sectors, and the market is fragmented across several consulting firms. However, the demand for consulting services tends to fluctuate and skilled resources are expensive and difficult to source.

Fluctuations in interest and dividend and market value of the investments

As an investing/treasury function, we make substantial investments in mutual funds, bonds, debentures and other marketable securities. Our income from such investments and the market value of our securities portfolio may be affected by changes in the interest rates and volatility in the financial markets.

Offering of new services and products

Our Company had been set up to undertake credit rating business. We have since expanded our portfolio of products and services, both organically and through acquisitions. Diversification of our products and services portfolio has resulted in increased revenues. We intend to continue expanding our range of products and services.

Employee Stock Option Plan

We have adopted the ESOP Scheme, under which eligible employees of our Company and our Subsidiaries can participate, subject to such approvals as may be necessary. As per the ESOP Scheme, we are permitted to grant options up to a maximum of 906,000 Equity Shares, constituting 9.06% of our post-Offer (including Preferential Allotment to Moody's India and ESOS Welfare Trust) paid-up equity capital. We propose to grant stock options at an exercise price, which shall be the same as the Offer Price. Under Indian GAAP, the grant of these stock options may result in a charge to our profit and loss account due to amortisation of expenses, if any, relating to the grant of stock options over the vesting period of the stock options.

Significant Accounting Policies

Accounting policies are particularly important because of their significance to the financial statements. All our significant accounting policies are more fully described under notes to audited restated consolidated financial statements under the section titled "Financial Statements" on page 93. We have identified the following critical accounting policies, out of the significant accounting policies disclosed in our financial statements.

System of Accounting: We adopt the accrual concept in the preparation of the accounts. The preparation of financial statements requires our management to make estimates and assumptions considered in the financial statements. Future results could differ from these estimates.

Fixed Assets: Fixed Assets are stated at cost, which comprises of purchase price, duties and any directly attributable cost of bringing the asset to its working condition for intended use.

Depreciation: The depreciation on the assets is provided on the written down value method of the assets at the prevailing rates and in the manner prescribed in the Companies Act.

Investments: Investments are stated at lower of cost and fair market value.

Miscellaneous Expenditure: Preliminary expenses, shares issue & other miscellaneous expenses are amortized equally over a period of ten years starting from the year in which such expenses are incurred.

Foreign Currency Transactions: Transactions in foreign currencies are recognised at the prevailing exchange rates on the date of the transactions.

Capital Work in Progress: Capital work in progress represents expenditure incurred on development of various softwares used for licensing, which are under development, at the end of the year.

For details, please see the section titled "Financial Statements" on page 93.

Changes in accounting policies in the last three years

There has been no change in the accounting policies of our Company. However, with effect from fiscal 2006, we have regrouped our income from grading services under the rating services fees. The statements of profit and loss, as restated for fiscal 2002, 2003, 2004 and 2005 have not been adjusted for re-grouping of grading services revenues under rating services fees and has been included under the information services fees, as the Company does not have detailed data or documentation to regroup the figures for such earlier years.

Further, upon becoming our Subsidiaries in fiscal 2006, ICRA Online and ICTEAS have changed their accounting policy in relation to 'depreciation' to fall in line with that of our Company.

RESULTS OF OPERATIONS

The following table sets forth certain information with respect to our revenues, expenditures and profits, as a percentage of total revenues, on a consolidated basis for the ICRA Group for the periods indicated.

	Nine Months Ended December 31, 2006		Fiscal 2006		Fiscal 2005		Fiscal 2004	
	Rs. in million	%age of total revenue	Rs. in million	%age of total revenue	Rs. in million	%age of total revenue	Rs. in million	%age of total revenue
Revenues								
Rating services	285.18	55.64	312.94	55.97	256.16	66.94	244.88	70.07
Consulting services	87.52	17.08	121.33	21.70	95.07	24.84	71.75	20.53
Information technology based services	81.16	15.84	78.30	14.00	0.00	0.00	0.00	0.00
Information services	14.51	2.83	15.58	2.79	14.43	3.77	10.47	3.00
Outsourcing services	27.04	5.28	15.06	2.69	5.86	1.53	1.59	0.45
Other income	17.09	3.33	15.88	2.85	11.15	2.92	20.79	5.95
Total Revenues	**512.50**	**100.00**	**559.09**	**100.00**	**382.67**	**100.00**	**349.48**	**100.00**
Expenses								
Personnel Expenses	214.08	41.77	238.19	42.60	169.42	44.27	132.43	37.89
Purchases	0.25	0.05	0.60	0.11	0.00	0.00	0.00	0.00
Administrative Expenses	53.29	10.40	58.64	10.49	54.25	14.18	45.80	13.11
Depreciation	20.38	3.98	23.12	4.14	14.25	3.72	13.74	3.93
Interest	0.02	0.00	1.35	0.24	0.00	0.00	0.00	0.00
Other Expenses	61.83	12.06	71.89	12.86	57.58	15.05	53.16	15.21
Miscellaneous expenditure written off	0.56	0.11	0.43	0.08	0.14	0.04	0.15	0.04
Total Expenditure	**350.41**	**68.37**	**394.22**	**70.52**	**295.64**	**77.26**	**245.28**	**70.18**
Net profit before tax and extraordinary items	162.09	31.63	164.87	29.48	87.03	22.74	104.20	29.82
Extraordinary items	22.23	4.33	33.49	5.99	25.62	6.69	43.84	12.54
Provision for taxation	(48.45)	(9.45)	(56.27)	(10.06)	(31.70)	(8.28)	(37.46)	(10.72)
Minority interest	0.00	0.00	(0.01)	0.00	0.00	0.00	0.00	0.00
Profit after tax	**135.87**	**26.51**	**142.08**	**25.41**	**80.95**	**21.15**	**110.58**	**31.64**

COMPONENTS OF INCOME AND EXPENDITURE

Income

Historically, our revenue has primarily consisted of revenues from our rating services and consulting services. The other components of our revenue are revenues from information technology based services, information services, outsourcing services and other income.

The following sets forth the components of our revenues from each of the above heads:

- Revenues from our rating services comprise fees for issuance of fresh ratings and gradings and surveillance of existing ratings and gradings by our Company. The rating services offered by us include credit rating of debt instruments, line of credit rating, issuer ratings, rating of claims paying ability of insurance companies, project finance rating, corporate governance rating, stakeholder value and governance rating and mutual funds related ratings. Starting fiscal 2006, we have re-grouped our grading services revenues under rating services revenues, which was earlier a part of our information services revenues.
- Revenues from our consulting services, provided by IMaCS, comprise project-wise fees earned from five practice areas, namely, strategy, risk, operation improvement, public policy and transaction advisory.
- Revenues from our information technology based services comprise revenues from design, development, training and deployment of software and websites, and sales and service charges received by ICTEAS and ICRA Online, for providing services on various computer aided business and engineering solutions.
- Revenues from our information services primarily comprise revenues from providing sectoral research, economic research and subscriptions to rating profile provided by our Company and mutual funds based information services provided by ICRA Online. Starting fiscal 2006, we have re-grouped our grading services revenues under rating services revenues, which was earlier a part of our information services revenues.
- Revenues from our outsourcing services comprise revenues from such services provided by our Company and ICRA Online.
- Other income refers to income on account of interest, dividend, royalty and other miscellaneous income (which primarily comprises rental income).

Expenditure

The largest component of our expenditure is personnel expenses. Other components of expenditure include administrative expenses, depreciation, interest, other expenses and miscellaneous expenditure written off.

The following sets forth the components of our expenditure under each of the above heads:

- Personnel expenses comprise salaries, contributions to provident fund, training expenses, recruitment expenses, profit sharing with our employees and staff welfare expenses.
- Purchases comprise purchase of software by ICTEAS for resale of the same as part of software/business solutions to its clients.
- Administrative expenses primarily comprise rent, rates and taxes, postage and telephone, and printing and stationery.
- Depreciation comprises depreciation on our fixed assets as per written down value method of the assets at the prevailing rate and in the manner prescribed under the Companies Act, 1956.
- Interest comprises interest paid on our borrowings.
- Other expenses primarily comprise traveling and conveyance, legal and professional fees, business development, technical know how fees, bad debts and doubtful debts.
- Miscellaneous expenditure written off comprises expenses relating to increase in authorized share capital and certain issuances of our Equity Shares (incurred by our Company), preliminary expenses (incurred by IMaCS, ICTEAS and ICRA Online) and deferred revenue expenses (incurred by ICTEAS and ICRA Online).

Nine Months ended December 31, 2006

Revenues

Our total revenues during the nine months ended December 31, 2006 were Rs. 512.50 million. The total revenues during this period have been driven by increase in ratings in the financial services sector, our information technology based service and outsourcing services.

Rating Services

Our revenues from rating services were Rs. 285.18 million during the nine months ended December 31, 2006 or 55.64% of our total revenues compared with 55.97% of our total revenues in fiscal 2006.

Consulting Services

Our revenues from consulting services were Rs. 87.52 million during the nine months ended December 31, 2006 or 17.08% of our total revenues compared with 21.70% of our total revenues in fiscal 2006. This decrease in the percentage contribution of the consulting services revenues was primarily due to increase in total revenues during the nine months ended December 31, 2006.

Information Technology based Services

Our revenues from information technology based services were Rs. 81.16 million during the nine months ended December 31, 2006 or 15.84% of our total revenues compared with 14.00% of our total revenues in fiscal 2006. The increase in revenues from our information technology based services was primarily on account of increase in revenues from sales and services charges and professional services, which were attributable to increase in business from our existing clients.

Information Services

Our revenues from information services were Rs. 14.51 million during the nine months ended December 31, 2006 or 2.83% of our total revenues compared with 2.79% of our total revenues in fiscal 2006.

Outsourcing Services

Our revenues from outsourcing services were Rs. 27.04 million during the nine months ended December 31, 2006 or 5.28% of our total revenues compared with 2.69% of our total revenues in fiscal 2006. The increase in revenues from our outsourcing services was primarily on account of additional services provided to Moody's Investors Service.

Other Income

Our other income was Rs. 17.09 million during the nine months ended December 31, 2006 or 3.33% of our total revenues compared with 2.84% of our total revenues in fiscal 2006.

Expenditure

Our total expenditure was Rs. 350.41 million for the nine months ended December 31, 2006.

Personnel Expenses

The personnel expenses were Rs. 214.08 million for the nine months ended December 31, 2006 or 41.77% of our total revenues compared with 42.60% of our total revenues in fiscal 2006.

Purchases

The purchases were Rs. 0.25 million for the nine months ended December 31, 2006 or 0.05% of our total revenues compared with 0.11% of our total revenues in fiscal 2006.

Administrative Expenses

The administrative expenses were Rs. 53.29 million during the nine months ended December 31, 2006 or 10.40% of our total revenues compared with 10.49% of our total revenues in fiscal 2006.

Depreciation

The depreciation was Rs. 20.38 million for the nine months ended December 31, 2006 or 3.98% of our total revenues compared with 4.14% of our total revenues in fiscal 2006.

Interest

The interest paid by us was Rs. 0.02 million during the nine months ended December 31, 2006 or 0.00% of our total revenues compared with 0.24% of our total revenues in fiscal 2006.

Other Expenses

The other expenses were Rs. 61.83 million during the nine months ended December 31, 2006 or 12.06% of our total revenues compared with 12.86% of our total revenues in fiscal 2006.

Miscellaneous Expenditure Written Off

The miscellaneous expenditure written off were Rs. 0.56 million for the nine months ended December 31, 2006 or 0.11% of our total revenues compared with 0.08% of our total revenues in fiscal 2006.

Net profit before tax and extraordinary items

Our net profit before tax and extraordinary items for the nine months ended December 31, 2006 was Rs. 162.09 million.

Extraordinary Items

Extraordinary items for the nine months ended December 31, 2006 was Rs. 22.23 million and primarily comprised capital gains on account of disposal of investments.

Provision for Taxation

Our provision for taxation was Rs. 48.45 million during the nine months ended December 31, 2006 or 9.45% of our total revenues compared with 10.06% of our total revenues in fiscal 2006.

Profit after Tax

Our profit after tax for the nine months ended December 31, 2006 was Rs. 135.87 million.

Impact of Restatement

There is no impact of restatement on our profit after tax for the nine months ended December 31, 2006.

Comparison of Fiscal 2006 with Fiscal 2005

Revenues

Our total revenues in fiscal 2006 amounted to Rs. 559.09 million, which represents an increase of 46.10% over our total revenues of Rs. 382.67 million in fiscal 2005. Our revenues increased mainly because of increase in the revenues from rating and consulting services and due to consolidation of revenues of ICTEAS and ICRA Online, upon becoming our Subsidiaries in fiscal 2006.

Rating Services

Our revenues from rating services were Rs. 312.94 million in fiscal 2006, an increase of 22.17% over our revenues from rating services of Rs. 256.16 million in fiscal 2005. Starting fiscal 2006, we have re-grouped our grading services revenues under rating services revenues, which was earlier a part of our information services revenues. As a result, Rs. 10.32 million of grading services revenues was re-grouped under rating services revenues for fiscal 2006. For the sake of better comparison, our rating services revenues (including grading services revenues for both the periods) were Rs. 312.94 million in fiscal 2006 as compared to Rs. 262.49 million in fiscal 2005, an increase of 19.22%.

Our revenues from rating services provided by ICRA Limited increased during fiscal 2006 primarily on account of significant growth in financial sector ratings business and increase in the number of ratings assigned by us. This growth can be primarily attributed to an increase in the issuance of subordinated debt instruments and certificate of deposits by financial institutions and banks. Our Company rated 312 debt instruments amounting to Rs. 1,389.49 billion during fiscal 2006 as against 283 debt instruments amounting to Rs. 880.00 billion rated during fiscal 2005. In particular, our rating revenues from financial sector in fiscal 2006 was Rs. 161.40 million as against Rs. 107.48 million in fiscal 2005, an increase of 50.17%.

Consulting services

Our revenues from consulting services were Rs. 121.33 million in fiscal 2006, an increase of 27.62% over our revenues from consulting services of Rs. 95.07 million in fiscal 2005.

Our revenues from consulting services increased mainly because of increase in the number of new projects mandated and realizations from existing and new projects. The number of new projects mandated in fiscal 2006 was 116 as opposed to 102 in fiscal 2005, an increase of 13.73%. The growth in the revenue was also on account of better economies of scale in operations as well as streamlining of business processes in fiscal 2006.

Information Technology based Services

Our revenues from information technology based services were Rs. 78.30 million in fiscal 2006. There was no corresponding revenue in fiscal 2005, since ICTEAS and ICRA Online, which provide such services, became subsidiaries of our Company in fiscal 2006. Revenues of ICTEAS and ICRA Online from information technology based services were Rs. 66.06 million and Rs. 12.55 million, respectively, in fiscal 2006, an increase of 55.11% and 36.86%, respectively, over Rs. 42.59 million and Rs. 9.17 million, respectively, in fiscal 2005. The growth in the revenue of ICTEAS from information technology based services was due to increased revenues from existing clients and acquisition of new clients for both business solutions as well as computer aided engineering services and that of ICRA Online was due to increase in the client base and higher value of contracts.

Information Services

Our revenues from information services were Rs. 15.58 million in fiscal 2006, an increase of 7.97% over our revenues from information services of Rs. 14.43 million in fiscal 2005. Starting fiscal 2006, we have re-grouped our grading services revenues under rating services revenues, which was earlier a part of our information services revenues. As a result, Rs. 10.32 million of grading services revenues were re-grouped under our rating services revenues for fiscal 2006. For the sake of better comparison, our information services revenues (excluding grading services revenues for both the periods) were Rs. 15.58 million in fiscal 2006 as compared to Rs. 8.10 million in fiscal 2005, an increase of 92.35%. Such revenues from information services increased mainly because of ICRA Online becoming our Subsidiary in fiscal 2006, during which period its revenue from information services was Rs. 10.58 million. However, though ICRA Online was not our Subsidiary in fiscal 2005, our Company received Rs. 0.74 million on account of revenue sharing agreement with ICRA Online in relation to mutual fund based information services. Revenue of ICRA Online from information services has increased to Rs. 10.58 million in fiscal 2006 from Rs. 8.26 million in fiscal 2005, an increase of 28.09%, largely on account of increase in number of clients. During the period, ICRA Online had focused on providing customized studies for banks, financial sector and industry participants.

Outsourcing Services

Our revenues from outsourcing services were Rs. 15.06 million in fiscal 2006, an increase of 157.00% over our revenues from outsourcing services of Rs. 5.86 million in fiscal 2005. Our revenues from outsourcing services increased mainly because of increase in the revenue from services provided to Moody's Investors Service. Also, ICRA Online became our Subsidiary in fiscal 2006 and its revenue from outsourcing services in fiscal 2006 was Rs. 6.42 million (including Rs. 3.81 million paid by our Company).

Other Income

Our other income was Rs. 15.88 million in fiscal 2006 as compared to Rs. 11.15 million in fiscal 2005, which was an increase of 42.42%. The increase is primarily due to increase in dividend to Rs. 9.38 million in fiscal 2006 from Rs. 0.003 million in fiscal 2005, which was on account of shifting of our investments in mutual funds from growth to dividend schemes. During the same period, our income from interest decreased to Rs. 5.30 million from Rs. 9.24 million, which was due to maturity of certain bonds.

Expenditures

Our total expenditure was Rs. 394.22 million in fiscal 2006, which represents an increase of 33.34% over our total expenditure of Rs. 295.64 million for fiscal 2005. Our expenditure increased mainly because of increase in the personnel expenses, other expenses and depreciation incurred during fiscal 2006. However, as a percentage of our total income, our expenditures decreased to 70.52% in fiscal 2006 compared to 77.26% in fiscal 2005.

Personnel Expenses

The personnel expenses increased by 40.59% to Rs. 238.19 million in fiscal 2006 as compared to Rs. 169.42 million in fiscal 2005. The increase in personnel expenses was primarily due to consolidation of such expenses incurred by ICTEAS and ICRA Online, upon becoming our Subsidiaries in fiscal 2006. The personnel expenses of ICTEAS and ICRA Online for fiscal 2006 were Rs. 42.58 million and Rs. 18.12 million, respectively, as compared to Rs. 25.54 million and Rs. 11.89 million, respectively, in fiscal 2005, an increase of 66.72% and 52.40%, respectively. This increase in personnel expenses of ICTEAS was on account of increase of number of employees to address the growth in business from computer aided engineering services and that of ICRA Online was due to increase in number of employees for the outsourcing services and an overall increase in levels of remuneration.

In addition, the personnel expenses increased due to increase in profit sharing by our Company, which increased to Rs. 15.17 million in our Company and Rs. 2.22 million in IMaCS, in fiscal 2006 from Rs. 9.96 million in fiscal 2005 (including employees for consulting division which was later demerged into IMaCS). The increase in the profit sharing was due to increased profitability. During the corresponding period, profit per employee of our Company went up to Rs. 1.68 million in fiscal 2006 from Rs. 1.02 million in fiscal 2005 (excluding employees for consulting division which was later demerged into IMaCS), an increase of 64.71%.

As a percentage of total revenues, the personnel expenses were 42.60% in fiscal 2006 and 44.27% in fiscal 2005.

Purchases

The purchases for fiscal 2006 were for Rs. 0.60 million on account of purchase of software by ICTEAS for resale of the same as part of software/business solutions to its clients. There was no corresponding expenditure in fiscal 2005, since ICTEAS, for which these expenses have been incurred, became our Subsidiary in fiscal 2006.

Administrative Expenses

The administrative expenses increased by 8.09%, to Rs. 58.64 million in fiscal 2006 from Rs. 54.25 million in fiscal 2005. The increase in administrative expenses was primarily due to consolidation of such expenses incurred by ICTEAS and ICRA Online, upon becoming our Subsidiaries in fiscal 2006.

The administrative expenses of ICTEAS and ICRA Online for fiscal 2006 were Rs. 5.15 million and Rs. 2.25 million, respectively, as compared to Rs. 3.05 million and Rs. 2.68 million, respectively, in fiscal 2005 an increase of 68.85% and decrease of 16.04%, respectively. The increase in administrative expenses of ICTEAS was primarily on account of increase in rent paid for new office premises.

As a percentage of total revenues, the administrative expenses were 10.49% in fiscal 2006 and 14.18% in fiscal 2005.

Depreciation

The depreciation increased by 62.25%, to Rs. 23.12 million in fiscal 2006 from Rs. 14.25 million in fiscal 2005. The increase in depreciation was primarily due to consolidation of such expenses of ICTEAS and ICRA Online, upon becoming our Subsidiaries in fiscal 2006 and increase in depreciation in our Company. The depreciation in ICRA Limited in fiscal 2006 was Rs. 15.23 million as against Rs. 14.25 million in fiscal 2005, an increase of 6.88%. This increase was primarily on account of depreciation of the office property in Mumbai acquired by our Company in March 2005. The depreciation of ICTEAS and ICRA Online, were Rs. 5.08 million and Rs. 1.61 million, respectively, in fiscal 2006, an increase of 247.95% and decrease of 2.42%, respectively, over Rs. 1.46 million and Rs. 1.65 million, respectively, for fiscal 2005. The increase in depreciation of ICTEAS was primarily on account of increase in fixed assets to Rs. 31.53 million in fiscal 2006 from Rs. 14.33 million in fiscal 2005. Further there was a change in depreciation policy (from straight line method to written down value method) of ICTEAS and ICRA Online, which, in fiscal 2006, resulted in an additional depreciation of Rs. 0.36 million for ICTEAS and a reduction in depreciation of Rs. 0.26 million for ICRA Online.

As a percentage of total revenues, these expenses were 4.14% in fiscal 2006 and 3.72% in fiscal 2005.

Interest

The interest paid by ICTEAS for its borrowings amounted to Rs. 1.35 million in fiscal 2006 as compared to Rs. 2.55 million in fiscal 2005. As a percentage of total revenues, interest paid was 0.24% in fiscal 2006. Since these expenses pertain to ICTEAS, which became our Subsidiary in fiscal 2006, no interest was paid by our Company in fiscal 2005.

Other Expenses

The other expenses increased by 24.85%, to Rs. 71.89 million in fiscal 2006 from Rs. 57.58 million in fiscal 2005. The increase in the other expenses was primarily due to increase in expenses on travelling and conveyance by our Company and IMaCS. The expenses incurred on travelling and conveyance by our Company and IMaCS in fiscal 2006 were an aggregate of Rs. 33.76 million as opposed to Rs. 30.35 million in fiscal 2005 by our Company (including for consulting division which was later demerged into IMaCS), an increase of 11.24%. In addition, the other expenses increased due to consolidation of such expenses incurred by ICTEAS and ICRA Online, upon becoming our Subsidiaries in fiscal 2006.

As a percentage of total revenues, the other expenses were 12.86% in fiscal 2006 and 15.05% in fiscal 2005. The decrease in percentage of total revenues was due to increase in our total income, which increased to Rs. 559.09 million from Rs. 382.67 million, i.e. by 46.10%, in the corresponding period.

Miscellaneous Expenditure Written Off

The miscellaneous expenditure written off increased by 207.14%, to Rs. 0.43 million in fiscal 2006 from Rs. 0.14 million in fiscal 2005.

The increase in miscellaneous expenditure written off was due to consolidation of the following expenses of IMaCS, ICTEAS and ICRA Online, upon becoming our Subsidiaries:

	Nature of Expense	**Amount (Rs. in million)**
IMaCS	Preliminary expenses	0.24
ICTEAS	Deferred revenue and preliminary expenses	0.04
ICRA Online	Deferred revenue and preliminary expenses	0.39

As a percentage of total revenues, these expenses were 0.08% in fiscal 2006 and 0.04% in fiscal 2005.

Net profit before tax and extraordinary items

As a result of the foregoing, our net profit before tax and extraordinary items increased by 89.44% to Rs. 164.87 million in fiscal 2006 from Rs. 87.03 million in fiscal 2005.

Extraordinary Items

Extraordinary items comprise capital gain and loss incurred on sale of investments and other assets. Our extraordinary items were Rs. 33.49 million in fiscal 2006 consisting of the following:

	Nature of Extraordinary Items	**Amount (Rs. in million)**
ICRA	Capital gain on redemption, maturity or sale of investments	34.00
	Capital gain on sale of fixed assets	0.15
	Capital loss on sale of fixed assets	(0.13)
IMaCS	Capital gain on sale of fixed assets	0.01
ICTEAS	Capital loss on sale of fixed assets	(0.54)

Provision for Taxation

Our provision for taxation has increased to Rs. 56.27 million in fiscal 2006 from Rs. 31.70 million in fiscal 2005, an increase of 77.51%. This increase was on account of increased net profit before tax and extraordinary items and levy of fringe benefit tax, although income tax rates for fiscal 2006 in relation to companies had decreased. There was also an adjustment on account of exemption on taxation of capital gains.

Profit after Tax

As a result of the foregoing, our profit after tax increased by 75.52% to Rs. 142.08 million in fiscal 2006 from Rs. 80.95 million in fiscal 2005.

Impact of Restatement

Our profit after tax for fiscal 2006 has been restated due to prior period items relating to specific year but provided for in subsequent year. As a result, our profit after tax for fiscal 2006 as per restated financial statements has decreased to Rs.142.08 million from profit after tax prior to restatement of Rs. 142.29 million. The adjustments in net profit pursuant to restatement in line items pertain to the following:

Line Item Restated	Adjustment Amount (Rs. in million)
Personnel expenses	(0.01)
Administrative expenses	(0.26)
Depreciation	0.06

Comparison of Fiscal 2005 with Fiscal 2004

Revenues

Our total revenues in fiscal 2005 amounted to Rs. 382.67 million, which represents an increase of 9.50% over our total revenues of Rs. 349.48 million in fiscal 2004. Our revenues increased mainly because of increased revenues from rating services and consulting services. Decline in other income was offset by increase in revenues from rating services and consulting services.

Rating Services

Our revenues from rating services were Rs. 256.16 million in fiscal 2005, an increase of 4.61% over our revenues from rating services of Rs. 244.88 million in fiscal 2004.

Our revenues from rating services increased mainly because of increase in revenue from credit ratings services. Our Company rated 283 debt instruments amounting to Rs. 880.00 billion during the fiscal 2005 as against 262 debt instruments amounting to Rs. 735.37 billion rated during the fiscal 2004.

The growth in ratings revenues during fiscal 2005 can be primarily attributed to the growth in the structured finance business, besides moderate growth in the financial sector and corporate sector issuances.

Consulting Services

Our revenues from consulting services were Rs. 95.07 million in fiscal 2005, an increase of 32.50% over our revenues from consulting services of Rs. 71.75 million in fiscal 2004. Our revenues from consulting services increased mainly because of certain high value mandates in fiscal 2005 than in fiscal 2004. The growth in revenues from consulting services was in spite of decrease in the number of new projects mandated to 102 in fiscal 2005 from 105 in fiscal 2004.

Information Services

Our revenues from information services were Rs. 14.43 million in fiscal 2005, an increase of 37.82% over our revenues from information services of Rs. 10.47 million in fiscal 2004. Our revenues from information services increased mainly because of:

- increase in grading revenues to Rs. 6.33 million in fiscal 2005 from Rs. 4.57 million in fiscal 2004 and revenues from research activity to Rs. 8.05 million in fiscal 2005 from Rs. 5.88 million in fiscal 2004, an increase of 38.51% and 36.90%, respectively. Increase in grading revenues can be attributed primarily due to introduction of grading of maritime training institutes in fiscal 2005 which contributed Rs. 1.34 million to our grading revenues. Additionally, there has been increase in the number of gradings for which we undertook surveillance during fiscal 2005. This was on account of increase in the number of gradings awarded to 30 fiscal 2005 from 17 in fiscal 2004. This increase in the number of gradings was primarily on account of greater penetration in the segment of grading real estate developers and projects.

- Increase in revenue from research activity to Rs. 8.05 million in fiscal 2005 from Rs. 5.88 million in fiscal 2004, an increase of 36.90%. The growth is primarily due to increase in revenues from sale of customized reports and sale of publications to Rs. 6.24 million in fiscal 2005 from Rs. 3.80 million in fiscal 2004.

Outsourcing Services

Our revenues from outsourcing services were Rs. 5.86 million in fiscal 2005, an increase of 268.55% over our revenues from outsourcing services of Rs. 1.59 million in fiscal 2004. Our revenues from outsourcing services are primarily on account of revenue services provided Moody's Investors Service. We have started rendering services to Moody's in September 2003, i.e. fiscal 2004. The increase in revenues from outsourcing services were primarily due to services provided for full year in fiscal 2005 as against for part of the year in fiscal 2004.

Other Income

Our other income was Rs. 11.15 million in fiscal 2005, which was lower than our other income of Rs. 20.79 million in fiscal 2004 by 46.37%. The decrease was primarily due to following:

- Decrease in interest on investment to Rs. 9.24 million in fiscal 2005 from Rs. 13.65 million in fiscal 2004, decrease of 32.31%. This was primarily attributed to net redemption in bonds of Rs. 33.79 million in fiscal 2005. The dividend in fiscal 2005 was Nil as compared to Rs. 2.26 million in fiscal 2004. This was due to redemptions of dividend bearing mutual funds in fiscal 2005.
- Decrease in miscellaneous income to Rs. 0.83 million in fiscal 2005 from Rs. 4.40 million in fiscal 2004. This was primarily due to reduction in advance rating fees outstanding for more than three years transferred to income during fiscal 2005. We recognized advance rating fees as other income upon the same being outstanding for more than three fiscals.

Expenditures

Our total expenditures were Rs. 295.64 million in fiscal 2005, which represents an increase of 20.53% over our total expenditures of Rs. 245.28 million for fiscal 2004. Our expenditures increased mainly because of increase in the personnel expenses and administrative expenses incurred during fiscal 2005. As a percentage of our total income, our expenditures increased to 77.26% in fiscal 2005 from 70.18% in fiscal 2004.

Personnel Expenses

The personnel expenses increased by 27.93% to Rs. 169.42 million in fiscal 2005 from Rs. 132.43 million in fiscal 2004. Even though the number of employees had decreased to 123 in fiscal 2005 from 132 in fiscal 2004, the increase in personnel expenses was due to revision in the remuneration of our employees in January 2004. Hence, the impact of the revision (for three months) was included in our personnel expenses for fiscal 2004 as against the impact of full year in our personnel expenses for fiscal 2005. As a percentage of total revenues, these expenses were 44.27% in fiscal 2005 and 37.89% in fiscal 2004.

Administrative Expenses

The administrative expenses increased by 18.45%, to Rs. 54.25 million in fiscal 2005 from Rs. 45.80 million in fiscal 2004. The increase in administrative expenses was primarily due to following:

- Rent paid for additional space procured in Kolkata to meet growing needs of outsourcing services in fiscal 2005. Rent paid on account of same was Rs. 2.17 million in fiscal 2005. Additionally, the increase in the rent was due to annual increase in rental cost for utilization of Delhi premises.
- Rates and taxes have gone up by Rs. 4.68 million to Rs. 6.71 million in fiscal 2005 from Rs. 2.03 million in fiscal 2004. This

was due to payment of arrears of property tax for period 1998-99 to 2004-05 raised by local government authorities at enhanced tax rate in fiscal 2005.

As a percentage of total revenues, these expenses were 14.18% in fiscal 2005 and 13.11% in fiscal 2004.

Depreciation

The depreciation increased by 3.71%, to Rs. 14.25 million in fiscal 2005 from Rs. 13.74 million in fiscal 2004. The increase in depreciation was due to increase in fixed assets (gross block) of our Company, which increased to Rs. 288.26 million in fiscal 2005 from Rs. 228.44 million in fiscal 2004. The increase in fixed asset was primarily due to our Company purchasing additional space in Mumbai for Rs. 50.36 million in March 2005, i.e. fiscal 2005. As a percentage of total revenues, these expenses were 3.72% in fiscal 2005 and 3.93% in fiscal 2004.

Other Expenses

The other expenses increased by 8.31%, to Rs. 57.58 million in fiscal 2005 from Rs. 53.16 million in fiscal 2004. The increase in the other expenses was primarily due to increase in conveyance and travelling expenses, professional charges incurred due to services rendered to Moody's. As a percentage of total revenues, these expenses were 15.05% in fiscal 2005 and 15.21% in fiscal 2004.

Miscellaneous Expenditure Written Off

The miscellaneous expenditure written off was Rs. 0.14 million in fiscal 2005 compared to Rs. 0.15 million in fiscal 2004. Miscellaneous expenditure written off for both fiscal 2004 and 2005 comprised expenses relating to increase in authorized share capital and certain issuances of Equity Shares by our Company. As a percentage of total revenues, these expenses were 0.04% both in fiscal 2005 and in fiscal 2004.

Net profit before tax and extraordinary items

Even though the total income increased to Rs. 382.67 million in fiscal 2005 from Rs. 349.48 million in fiscal 2004, our net profit before tax and extraordinary items decreased by 16.48% to Rs. 87.03 million in fiscal 2005 from Rs. 104.20 million in fiscal 2004. The net profit before tax and extraordinary items decreased primarily due to increase in personnel expenses and administrative expenses. Our personnel expenses increased to Rs. 169.42 million in fiscal 2005 from Rs. 132.43 million in fiscal 2004, an increase of 27.93%, whereas administrative expenses increased to Rs. 54.25 million in fiscal 2005 from Rs. 45.80 million in fiscal 2004, an increase of 18.45%.

Extraordinary Items

Our extraordinary items were Rs. 25.62 million in fiscal 2005 consisting of the following:

Nature of Extraordinary Items	Amount (Rs. in million)
Capital gain on sale of investments	30.81
Capital gain on sale of assets	0.04
Capital loss on sale of investments	(4.91)
Capital loss on sale of assets	(0.32)

Provision for Taxation

Our provision for taxation has decreased to Rs. 31.70 million in fiscal 2005 from Rs. 37.46 million in fiscal 2004, a decrease of 15.38%. Inspite of marginal increase in tax rates to 36.59% in fiscal 2005 from 35.88% in fiscal 2004, the decrease in provision for taxation was on account of decrease in net profit before tax and extraordinary items to Rs. 87.03 million in fiscal 2005 from Rs. 104.20 million in fiscal 2004 and decrease in extraordinary items to Rs. 25.62 million in fiscal 2005 from Rs. 43.84 million in fiscal 2004.

Profit after Tax

As a result of foregoing our profit after tax decreased by 26.80% to Rs. 80.95 million in fiscal 2005 from Rs. 110.58 million in fiscal 2004.

Impact of Restatement

Our profit after tax for fiscal 2005 has been restated due to prior period items relating to specific year but provided for in subsequent year. As a result, our profit after tax for fiscal 2005 as per restated financial statements has decreased to Rs. 80.95 million from profit after tax prior to restatement of Rs. 80.99 million. The adjustments in net profit pursuant to restatement in line items pertain to the following:

Line Item Restated	**Adjustment Amount (Rs. in million)**
Other income	0.27
Personnel expenses	(0.01)
Administrative expenses	(0.34)
Other expenses	0.02
Provision for taxation	0.02

CASH FLOWS

(Rs. in million)

	Nine months ended December 31, 2006		**Fiscal**	
		2006	**2005**	**2004**
Net cash generated by operating activities	67.03	107.99	30.57	64.93
Net cash (used in)/generated by investing activities	27.35	(33.64)	23.93	(71.84)
Net cash (used in)/generated by financing activities	(40.33)	(53.04)	(49.04)	(29.62)
Cash and cash equivalents at the beginning	63.30	41.99	32.50	69.03
Cash and cash equivalents at the end	117.35	63.30	37.96	32.50
Total increase (decrease) in cash and cash equivalents	**54.05**	**21.31**	**5.46**	**(36.53)**

Net cash from operations

The (consolidated) net cash generated from operations for the nine months ended December 31, 2006, was Rs. 67.03 million. Our net profit before tax was Rs. 184.32 million, the key adjustments being depreciation, net profit on sale of investments and dividend income. As a result, our operating profit before working capital changes for the same period was Rs. 167.32 million. The net cash from operations decreased to Rs. 112.36 million, primarily due to increase in sundry debtors by Rs. 68.40 million.

The (consolidated) net cash generated from operations was Rs. 107.99 million in fiscal 2006 and was higher than the corresponding amount for fiscal 2005, which amounted to Rs. 30.57 million. The net cash generated from our operations for fiscal 2005 comprised amounts in relation to our Company (including for consulting division which was later demerged into IMaCS) and IMaCS. The increase in net cash generated from operations for fiscal 2006 was primarily due to consolidation of financial statements upon ICTEAS and ICRA Online becoming subsidiaries of our Company. In addition, increase in net cash generated from operations was due to increased cash operating profit and working capital. Our cash operating profit increased to Rs. 175.00 million in fiscal 2006 from Rs. 93.48 million in fiscal 2005. Our working capital increased by Rs. 17.62 million in fiscal 2006 primarily on account of increase in sundry debtors by Rs. 19.08 million and sundry deposits by Rs. 6.45 million, although our other liabilities also increased by Rs. 11.05 million. In addition, taxes paid by us increased to Rs. 49.39 million in fiscal 2006 from Rs. 38.66 million in fiscal 2005.

The net cash generated from our operations was Rs. 30.57 million in fiscal 2005 and was lower than the corresponding amount for fiscal 2004, which amounted to Rs. 64.93 million, primarily on account of decrease in operating profit and resulting changes in the working capital. Our operating profit decreased to Rs. 93.48 million in fiscal 2005 from Rs. 100.55 million in fiscal 2004. Our working capital increased by Rs. 24.25 million in fiscal 2005 primarily on account of increase in sundry debtors by an amount of Rs. 27.54 million. Further, taxes paid by us increased from Rs. 32.75 million in fiscal 2004 to Rs. 38.66 million in fiscal 2005.

Net cash used in or generated by our investing activities

Our net cash used in investing activities in fiscals 2004 and 2006 was Rs. 71.84 million and Rs. 33.64 million, respectively. For the nine months ended December 31, 2006 and in fiscal 2005, net cash generated from our investing activities was Rs. 27.35 million and Rs. 23.93 million, respectively.

Our net cash used in or generated from investing activities is determined primarily by purchase or sale of investments and fixed assets.

Our net cash generated by our investing activities for the nine months ended December 31, 2006 was primarily on account of sale of investments and receipt of dividend income.

Our net cash used in investing activities increased in fiscal 2006 as compared to fiscal 2005 primarily on account of purchase of securities and fixed assets of Rs. 611.03 million and Rs. 31.30 million, respectively whereas securities and fixed assets of Rs. 580.01 million and Rs. 6.32 million were sold in fiscal 2006.

Our net cash generated from investing activities increased in fiscal 2005 as compared to fiscal 2004 primarily on account of sale of securities of Rs. 745.47 million as against purchase of securities of Rs. 672.32 million. In fiscal 2005, we had also acquired an office property in Mumbai for an amount of Rs. 50.36 million.

Net cash used in/generated by financing activities

Our net cash from financing activities is determined by the level of principal and interest payments on our outstanding debt and payment of dividends on our Equity Shares.

For nine months ended December 31, 2006, net cash used in our financing activities amounted to Rs. 40.33 million and comprised primarily payment of dividend and dividend tax.

In fiscal 2006, net cash used in our financing activities amounted to Rs. 53.04 million, which reflects payment of interest of Rs. 1.35 million, repayment of loan amounting to Rs. 16.66 million and payment of dividends (including dividend tax) of Rs. 35.14 million.

In fiscal 2005, net cash used in our financing activities amounted to Rs. 49.04 million, which primarily reflects payment of dividends (including dividend tax) of Rs. 49.66 million and increase in our equity share capital by Rs. 0.50 million.

In fiscal 2004, our net cash flow used in financing activities amounted to Rs. 29.62 million, which primarily reflects payment of dividends (including dividend tax) of Rs. 29.80 million.

REVIEW OF ASSETS AND LIABILITIES

Fixed Assets

Fixed assets (gross block) increased to Rs. 350.73 million as on December 31, 2006 from Rs. 329.31 million as on March 31, 2006. The increase in fixed assets was primarily on account of acquisition of furniture and fixture and office equipment for our offices at Gurgaon and Mumbai.

Fixed assets (gross block) increased to Rs. 329.31 million as on March 31, 2006 from Rs. 288.26 million as on March 31, 2005. The increase in fixed assets was primarily on account of consolidation of our financial statements upon ICTEAS and ICRA Online becoming subsidiaries of our Company in fiscal 2006, due to which our fixed assets increased by Rs. 31.53 million and Rs. 12.39 million, respectively.

Fixed assets (gross block) increased to Rs. 288.26 million as on March 31, 2005 from Rs. 228.44 million as on March 31, 2004. The increase in fixed assets was primarily on account of acquisition of an office property in Mumbai for an amount of Rs. 50.36 million.

Investments

Our investments primarily consist of investments in shares, bonds and mutual funds.

Our investments decreased to Rs. 555.31 million as on December 31, 2006 from Rs. 589.59 million as on March 31, 2006, primarily on account of sale of investments.

Our investments decreased to Rs. 589.59 million as on March 31, 2006 from Rs. 596.15 million as on March 31, 2005, primarily on account of consolidation of our financial statements. As on March 31, 2005, ICRA Online was not a subsidiary of our Company, but our Company held substantial shares in ICRA Online amounting to Rs. 7.32 million, which was reflected in our investments as on March 31, 2005. Since ICRA Online became a subsidiary of our Company in fiscal 2006, upon consolidation of our financial statements, the shares of ICRA Online held by our Company were not included in our consolidated investments as on March 31, 2006.

Current assets, sundry debtors and loans and advances

Some of our sundry debtors and persons to whom loans and advances are extended, from time to time, include persons with which our Directors and/or Promoter may be related by way of being their directors and/or employees, in case of our Directors, or subsidiary or group company, in case of the Promoter. Such sums are payable to us in the ordinary course of business.

Current assets, loans and advances increased to Rs. 403.31 million as on December 31, 2006 from Rs. 284.32 million as on March 31, 2006, primarily on account of increase in sundry debtors and increase in cash and bank balances. During the period, the sundry debtors had increased to Rs. 197.86 million from Rs. 129.46 million.

Current assets, loans and advances increased to Rs. 284.32 million as on March 31, 2006 from Rs. 196.40 million as on March 31, 2005 primarily on account of consolidation upon ICTEAS and ICRA Online becoming subsidiaries of our Company.

The loans and advances of our Company (including for consulting division which was later demerged into IMaCS) and IMaCS as on March 31, 2005 were Rs. 58.07 million compared to Rs. 89.02 million, as on March 31, 2006. The increase is primarily on account of (i) increase in income tax paid in advance by Rs. 11.80 million, (ii) increase in deposits by Rs. 4.65 million (iii) increase in loans to the employees by Rs. 1.94 million and (iv) consolidation of ICTEAS and ICRA Online becoming subsidiaries of our Company.

The sundry debtors have increased to Rs. 129.46 million as on March 31, 2006 from Rs. 98.05 million as on March 31, 2005. The increase in sundry debtors was primarily on account of consolidation upon ICTEAS and ICRA Online becoming subsidiaries of our Company. The sundry debtors of ICTEAS and ICRA Online, as on March 31, 2006, on stand-alone were Rs. 15.44 million and Rs. 12.27 million, respectively.

The cash and bank balances have increased to Rs. 63.30 million as on March 31, 2006 from Rs. 37.96 million as on March 31, 2005. The increase in cash and bank balances was primarily on account of consolidation upon ICTEAS and ICRA Online becoming subsidiaries of our Company and increase in cash and bank balances of IMaCS. The cash and bank balances of ICTEAS and ICRA Online, as on March 31, 2006, on stand-alone were Rs. 8.98 million and Rs. 1.56 million, respectively. The cash and bank balances of IMaCS, as on March 31, 2006, on stand-alone basis was Rs. 13.60 million as against Rs. 0.27 million, as on March 31, 2005.

Liabilities and provisions

Our liabilities and provisions decreased to Rs. 169.75 million as on December 31, 2006 from Rs. 191.56 million as on March 31, 2006, primarily on account of decrease in provisions for dividend and dividend tax as a result of discharge of such liabilities.

Our liabilities and provisions increased to Rs. 191.56 million as on March 31, 2006 from Rs. 141.37 million as on March 31, 2005 primarily on account of increase in sundry liabilities and provisions.

The sundry liabilities have increased to Rs. 77.36 million as on March 31, 2006 from Rs. 56.81 million as on March 31, 2005. The increase in the sundry liabilities was primarily due to consolidation, upon ICTEAS and ICRA Online becoming subsidiaries of our Company, which accounted for Rs. 19.02 million.

Our provisions have increased to Rs. 107.11 million as on March 31, 2006 from Rs. 80.70 million as on March 31, 2005. The increase in the provisions was primarily on account of increase in provision for taxes of our Company and provision for proposed dividend (including dividend tax) of our Company. The provision for taxes and provision for proposed dividend (including dividend tax) as on March 31, 2006 were Rs. 56.27 million and Rs. 40.16 million, respectively, and as on March 31, 2005, were Rs. 31.70 million and Rs. 35.14 million, respectively.

Secured and Unsecured Loans

Details of our secured and unsecured loans as on March 31, 2004, 2005, 2006 and December 31, 2006 are as below:

(Rs. in million)

Type	**As on December 31, 2006**	**As on March 31, 2006**	**As on March 31, 2005**	**As on March 31, 2004**
Secured Loans	0.38	0.62	0.00	0.00
Unsecured Loans	0.00	0.00	0.00	0.00

Off balance sheet arrangements

Contingent liabilities

As on March 31, 2004, 2005 and 2006 and December 31, 2006, we had the following contingent liabilities:

(Rs. in million)

Particulars	**As on December 31, 2006**	**As on March 31, 2006**	**As on March 31, 2005**	**As on March 31, 2004**
Contingent liability on account of claims not acknowledged as debt	1.29	1.54	1.29	1.29
Guarantees given by banks against counter guarantees	10.20	6.64	4.13	0.63
Total	**11.49**	**8.18**	**5.42**	**1.92**

Qualitative and quantitative disclosures about market risk

Currency exchange risk

Changes in currency exchange rates influence our results of operations. While our principal revenues are in Indian Rupees, IMaCS, our subsidiary, has executed consulting projects outside India and IMaCS plans to continue its focus on expanding its global presence. In addition, our Company and ICRA Online provide certain services to clients outside India. For nine months ended December 31, 2006, our revenue generated in foreign currency amounted to Rs. 101.69 million. We are therefore vulnerable to any fluctuation in the exchange rates, which could affect our profit margins in respect to such projects and assignments.

Volatility in financial markets

We are subject to risks arising from volatility in the financial markets. Our investments in mutual funds, bonds, debentures and other marketable securities as on December 31, 2006 were Rs. 555.31 million and the income derived from such investments (comprising interest, dividend and net capital gains) aggregated to Rs. 40.58 million during nine months ended December 31, 2006. Any volatility in the financial markets may impact our income from the investments and the market value of our investments.

Significant developments after December 31, 2006 that may affect our future results of operations

Except as stated below, to our knowledge, no circumstances have arisen since the date of the last financial statements as disclosed in this Red Herring Prospectus, which materially and adversely affect or are likely to affect, the trading and profitability of our Company, or the value of our consolidated assets or our ability to pay our material liabilities within the next 12 months.

Loan to ESOS Welfare Trust

We are making arrangements to take a temporary loan facility of up to Rs. 500 million from a bank in order to fund the ESOS Welfare Trust for the acquisition of our equity shares for the ESOP Scheme. As per the proposed arrangements with ESOS Welfare Trust, the ESOS Welfare Trust would be required to repay the loan to us, as and when funds are available with the ESOS Welfare Trust, which would be primarily on account of exercise of options by the employees and payment of the exercise price to the ESOS Welfare Trust by the employees.

Proposed merger of ICTEAS and ICRA Online

ICTEAS and ICRA Online are contemplating a merger. ICTEAS has in this regard appointed a consultant on December 13, 2006 after taking approval of its board of directors to ascertain the feasibility or otherwise of the merger with ICRA Online.

Unusual or infrequent events or transactions:

To our knowledge there have been no unusual or infrequent events or transactions that have taken place during the last three years, except as disclosed as extraordinary items and fixed assets in this section.

Significant Regulatory Changes

Except as described in the section titled "Regulations and Policies" on page 62, there have been no significant regulatory changes that could affect our income from continuing operations.

Known trends or uncertainties

Except as described in this Red Herring Prospectus in general and the section titled "Risk Factors" on page xi and this section, in particular, to the best of our knowledge and belief, there are no known trends or uncertainties that have or had or are expected to have any material adverse impact on revenues or income of our Company from continuing operations.

Future relationship between expenditure and revenues

Except as described in "Risk Factors", "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page xi, 49 and 134, respectively, to the best of our knowledge, there is no future relationship between expenditure and income that will have a material adverse impact on the operations and finances of our Company.

New products or business segment

There are currently no publicly announced new products or business segments. However, our business strategy entails exploring our products and services portfolio.

Dependence on a few clients

During nine months ended December 31, 2006, top 10 clients of our Company contributed around 27.74% of total revenue of ICRA Limited (on a stand-alone basis). Further, the business of one of our Subsidiaries, ICTEAS is primarily dependent on the services it provides to certain key clients such as British Petroleum and Judge Technical Staffing.

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as described below, there are no outstanding litigations, suits or criminal or civil prosecutions, proceedings or tax liabilities against our Company, our Directors, Promoters and our Subsidiaries that would have a material adverse effect on our business and there are no defaults, non payment or overdue of statutory dues, institutional/bank dues and dues payable to holders of debentures, bonds and fixed deposits that would have a material adverse effect on our business other than unclaimed liabilities against our Company or Directors or our Subsidiaries as of the date of this Red Herring Prospectus.

I. Contingent Liabilities and Litigation involving our Company

A. Contingent liabilities

As on December 31, 2006 our contingent liabilities not provided for was Rs 1.29 million on account of claims against our Company not acknowledged as debt by our Company and Rs 4.84 million on account of guarantees given by banks against counter guarantees given by the Company.

B. Pending litigation against our Company

1. Criminal Case

   We received a notice dated April 19, 2000 from the Leafin Depositors Association. The notice stated that accounts of Leafin India Limited, one of our credit rating clients, were fabricated. It was alleged that despite the glaring irregularities committed by Leafin India Limited our Company had been giving favorable credit rating to it thereby inducing the investors to deposit in Leafin India Limited and we had thus colluded with Leafin India Limited to give it a positive rating. The notice required us to explain the basis on which the credit rating was given to Leafin India Limited during fiscal 1999. On May 4, 2000, we replied to the notice giving out the basis of the credit rating given by us. On May 12, 2000, we received a letter stating that one of the members of Leafin Depositors Association, has already filed a complaint in the criminal court at Nampally, Hyderabad, against us and Mr. Pranab Kumar Choudhury, our then Managing Director, in his personal capacity for various offences under the Indian Penal Code, 1860 and the said complaint was referred to C.B-C.I.D for investigation and the matter is under investigation. However, we have not received any intimation from C.B-C.I.D or any summons regarding the criminal compliant from the court till date.

2. Service tax

   a) We received a show cause cum demand notice (F.No. M/s ICRA/MIV/ST/2878) dated August 13, 2003 from the Deputy Commissioner of Service Tax, Mumbai IV. As per the notice, it has been alleged that we had provided management consultancy/services/advisory services to various clients for which we failed to pay service tax/ short paid service tax amounting to Rs. 1,167,434 during the period 1998 to March 2003 and also failed to get ourselves registered for service tax as a management consultant. The notice required us to show cause as to why i) an amount of Rs. 1,167,434 being the service tax not paid/short paid for the period 1998-March 2003 should not be recovered from us, ii) penalty for failure to obtain registration for service tax under the category 'Management Consultant' under the Finance Act, 1994 and to pay the service tax by the due dates and for suppressing the value of the taxable services with an intent to evade payment of service tax should not be imposed upon us, and iii) interest at 1.5% p.m, upto July 16, 2001, 24% p.a after July 16, 2001 till August 16, 2002 and 15% p.a thereafter should not be imposed for the period during which the credit of the service tax is taxed.

      We replied to the above mentioned show cause by our letter dated August 25, 2003 denying that the advisory services provided by us falls under the definition of "management consultancy". On March 23, 2006, our representative Mr. L. Shivakumar appeared for a personal hearing before Deputy Commissioner of Service Tax Unit pursuant to which we have also filed our written submissions before the Deputy Commissioner of Service Tax Unit.

      The Joint Commissioner, Service Tax, Division III, Mumbai by it order dated August 31, 2006 confirmed the demand of Rs 1,140,099 on us along with the following penalties:

      1. penalty of Rs 1,140,099
      2. penalty of Rs 1,000 for each ST-3 returns which the Company failed to file in respect of management consultant services for the period from October 1998 to March 2002,

3. penalty of Rs 500 under section 75A of the Finance Act, 1994,

4. penalty under section 75 of the Finance Act, 1994 and

5. penalty of Rs 100 (subject to a maximum of Rs. 11,40,099) for every day during which the failure on part of the Company in making payment of services continued.

We have filed an appeal before the Commissioner of Central Excise (Appeals), Mumbai on December 13, 2006 against the order of Joint Commissioner, Service dated August 31, 2006. The service tax amount to Rs 1,140,099 has been deposited by us under protest. The matter is currently pending.

(b) We received a show cause cum demand notice dated April 20, 2004 requiring us to show cause as to why an amount of Rs. 860,507 being the service tax payable for advisory services rendered for the period October 1998-March 2002 should not be demanded from us along with penalty and interest. We by our letter dated May 12, 2004 replied to the show cause notice denying that the advisory services provided by us are taxable services falling under the category of services provided by a management consultant. However, by an order dated December 30, 2004 (49/2004) the Deputy Commissioner, Service Tax, III Division, Chennai upheld the demand of the service tax of Rs. 860,507 in accordance with the show cause notice along with penalty of Rs 100 per day for the period from October 1998 till payment and a further penalty of Rs 1,000 for the failure to file the ST3 return in time for the period from October 1998 till March 2002. The service tax of Rs. 860,507 has been deposited by us under protest. Against the aforesaid order we have preferred an appeal before the Commissioner of Central Excise (Appeals) (Appeal No 2/2005 dated March 3, 2005 (M-ST)) contending that as per the CBEC circular F.No.B-11/3/98 TRU dated October 7, 1998 and the Mumbai trade notice no 7/1998 ST dated October 13, 1998, the advisory and information services rendered by the credit rating agencies are not liable to service tax. The Commissioner of Central Excise (Appeals) by its order (No 35/2005 (M-ST) dated August 17, 2005 upheld the order dated December 30, 2004 but the court set aside the penalty imposed by Adjudicating Authority under section 76 and 77 of the Central Excise Act.

Aggrieved by the aforesaid order we have filed an appeal (Appeal No S/110.05) before the Customs, Excise and Service Tax Appellate Tribunal, Chennai. The Customs, Excise and Service Tax Appellate Tribunal, Chennai by its order dated April 10, 2006 granted stay of the order (i.e., recovery of the interest demanded) (No. S/PD/77/2005 in S/110/2005). The matter has been posted for final hearing. The date of the final hearing will be communicated to us in due course.

c) We received a notice dated July 20, 2006 from the Assistant Commissioner of Service Tax Division-III, Mumbai (F.No.ST/DN-III/ICRA/G.r.V/06) alleging that we have not discharged service tax liabilities to the extent of the gross income received from the taxable services rendered by us during the period 2001-02 to 2004-05 and further from May 2003 onwards we have short paid the service tax due from us. The notice required us to clarify the difference in the taxable income received during the period from 2001-2002 to 2004-2005 and also the difference in the payment of service tax from 2001-2002 to 2004-2005. We have replied to the notice by our letter dated July 28, 2006. Thereafter, we received a show cause cum demand notice from the Assistant Commissioner, Service Tax, Division III- Mumbai dated October 18, 2006 requiring us to show cause as to why service tax amounting to Rs 199,100 on the taxable value received by us during the period from March 12, 2002 to March 31, 2002 should not be levied on us along with interest and penalty. We have replied to the said show cause notice by our letter dated November 17, 2006. The matter is currently pending before the Assistant Commissioner, Service Tax, Division III- Mumbai.

3. Income tax

a) We received an assessment order dated January 30, 2004 from Deputy Commissioner of Income Tax, Circle – 11(1), New Delhi, disallowing administrative expenses of Rs. 2,776,579 for the assessment year 2001-2002 stating that the same has been incurred to earn exempted income and further disallowing foreign travel expenses of Rs.238,622 and issued a notice of demand for a sum of Rs. 1,810,123 as payable by the Company along with interest and a notice requiring us to show cause why penalty should not be imposed on us under the provisions the Income Tax Act, 1961. Aggrieved by the aforesaid order we filed an appeal before the Commissioner of Income Tax (Appeals)-XIV on March 26, 2004. The Commissioner of Income Tax, (Appeals) -XIV, New Delhi, by its order dated November 19, 2004 confirmed the disallowance of Rs. 100,000 on adhoc basis out of the disallowance made by the Assessing Officer on account of expenses which could be related to earning the exempt income and the balance Rs. 2,676,579 was deleted. Further, the disallowance of foreign travel expenses of Rs. 238,622 by the Assessing Officer was also deleted. The Deputy Commissioner of Income Tax, Circle 11(1), New Delhi has on February 28, 2005 adjusted the refund of Rs 1,443,135 payable to our Company for assessment year 2003-2004 against the above mentioned demand and balance of Rs 366,988 was demanded from our Company. Further the Deputy Commissioner of Income Tax, Circle 11(1), New Delhi has appealed (Appeal No 514/Del/05) on February 3, 2006 before the Income Tax Appellate Tribunal, New Delhi against the order of Commissioner of Income Tax, (Appeals) –XIV. The matter is pending for hearing.

b) We received an assessment order dated January 27, 2006 from Assistant Commissioner of Income Tax, Circle – 11(1), New Delhi disallowing administrative expenses of Rs. 1,379,550 for assessment year 2003-2004 stating that the same has been incurred to earn exempted income and issued a demand notice for a sum of Rs. 562,747 along with interest and a notice requiring us to show cause why penalty should not be imposed on the us under the provisions the Income Tax Act, 1961. Aggrieved by the aforesaid order we preferred an appeal (270/05-06/ CIT(A)-XIV/DEL) dated March 10, 2006 before the Commissioner of Income Tax (Appeals)-XIV. The Commissioner of Income Tax, (Appeals) -XIV, New Delhi, by its order dated May 19, 2006 confirmed the disallowance of only Rs. 100,000 on adhoc basis and deleted the balance. Thereafter, the Deputy Commissioner recomputed the income tax liability of the Company aggregating to Rs 44,465 and a demand letter dated January 24, 2007 was sent by the Tax Recovery officer for Rs 44,465. The Deputy Commissioner of Income Tax, Circle 11(1) has filed an appeal (No 2573-DEL/06) dated August 1, 2006 before the Income Tax Appellate Tribunal, Delhi Branch, New Delhi, against the order of the Commissioner of Income Tax (Appeals). We are yet to receive the notice of hearing from the Income Tax Appellate Tribunal, Delhi Branch.

c) The Deputy Commissioner of Income Tax passed an assessment order dated November 29, 2006 agaisnt us disallowing administrative expenses to the extent of Rs. 1,295,228 and foreign exchange loss of Rs. 244,840 for the assessment year 2004-2005 claimed by the Company and sent a demand notice for Rs. 200,013 along with interest and a notice requiring us to show cause why penalty should not be imposed on the us under the provisions the Income Tax Act, 1961.

Aggrieved by the aforesaid order and the show cause notice the Company has appealed before the Commissioner of Income Tax (Appeals)-XIV on January 11, 2007. The matter has not come up for hearing as yet.

4. Civil Cases

(a) Ten cases were filed by the investors of Leafin India Limited before District Consumer Disputes Redressal Forum-II, Hyderabad against Leafin India Limited and our Company contending that they deposited money with Leafin India Limited on the basis of the credit rating given by our Company to Leafin India Limited, however, Leafin India Limited failed to refund the money even after the maturity date. The complainants alleged that there was deficiency in service provided by our Company. The District Consumer Disputes Redressal Forum, Hyderabad-II by its orders dated January 28, 2005 held that there was a deficiency of service on our part and directed our Company to pay Rs 10,000 towards compensation to each complainant. Our company has preferred appeals against all the 10 orders before the Andhra Pradesh State Consumer Disputes Redressal Commission, Hyderabad contending that, inter alia, there is no deficiency in the services provided by our Company and there is no privity of contract between the complainants and our Company and no service was rendered by our Company to the complainants and as such the complainants are not our consumer and praying that the order of the District Consumer Disputes Redressal Forum, Hyderabad be set aside. The matters are listed on April 2, 2007 for hearing.

(b) Our company has filed a suit for recovery of Rs 4,672,500 against Associated Journals Limited and others before the High Court of Delhi (Suit No 2461/1998). The company had entered into an agreement for lease with the Associated Journals Limited for grant of space lease of office space at Herald House, 5-A, Bahadur Shah Zafar Marg, New Delhi for which it had deposited with Associated Journals Limited an amount of Rs. 6,675,000 (i.e, 12 months rent) as security deposit which amount was to be returned to the Company upon termination of the lease. The lease agreement was terminated on November 18, 1997 however the Associated Journals Limited failed to return the security deposit despite repeated requests of the Company.

Associated Journals Limited and others filed their written statement and counter claim contending that our Company had paid rent only till October 1997 while we vacated the premise on December 7, 1998. Thus, the amount of security deposit was used to adjust the rental due from our Company upto October 1998 and for the period thereafter it submitted a counter claim for recovery of Rs 1,285,383.06 along with interest and cost. During the pendency of this case our Company has also filed a winding up petition against the Associated Journals Limited (company petition No 158 of 1998) before the High Court of Allahabad which has now been transferred to the Lucknow Bench (company petition No 18 of 2006). The recovery suit before the Delhi High Court is pending for final hearing.

A. Pending litigation by our Company

Our Company has filed a winding up petition against M/s. Captech Online Private Limited (Company Petition No. 805/2004) before the Bombay High Court. A principal sum of Rs. 4,213,734 along with interest thereon is receivable from M/s. Captech Online Private Limited towards professional services rendered by us. As Captech Online Private Limited was unable to pay the same inspite of repeated demand made by the Company, the Company filed the said winding up petition. The parties have agreed to amicably settle the matter and have signed the consent terms and we have initiated steps to withdraw the matter before the Mumbai High Court.

II. Contingent Liabilities and Litigation against our Subsidiaries

A. ICRA Techno Analytics Limited

1. Contingent Liabilities

As on December 31, 2006, ICTEAS' contingent liabilities not provided for was Rs. 0.12 million on account of bank guarantee against counter guarantee given by ICTEAS.

B. IMaCS

Contingent Liabilities

As on December 31, 2006, IMaCS' contingent liabilities not provided for was Rs. 5.23 million on account of a bank guarantees against counter guarantees given by IMaCS.

III. Litigation against our Directors

A. Pranab Kumar Choudhury

a) Mr. Pranab Kumar Choudhury received a notice dated May 12, 2000 stating that one of the members of Leafin Depositors Association, has filed a criminal complaint in the criminal court at Nampally, Hyderabad, against him and our Company for various offences under the India Penal Code in connection with the rating given by our Company to Leafin India Limited. The said notice stated that the said complaint was referred to C.B-C.I.D for investigation and the matter is under investigation. However, Mr. Choudhury has not received any intimation from C.B-C.I.D or any summons regarding the criminal compliant from the court till date. For further details of the notice see criminal case under the heading of 'Pending Litigation against our Company' on page 152.

b) Deepak Jain has filed a suit (Suit No. S-1816/06) on December 1, 2006 before the Court of Senior Civil Judge, Tis Hazari Courts, Delhi against the Securities and Exchange Board of India ("SEBI"), certain officials of SEBI and members of the SEBI Primary Markets Advisory Committee seeking a declaration that SEBI and its representatives be declared as "network service providers" within the meaning of section 79 of the Information Technology Act, 2000 ("the Information Technology Act") and a mandatory injunction against the defendants restraining them from clearing the draft red herring prospectus filed by Everonn Systems India Limited ("Everonn") without, *inter alia*, conducting due diligence as per the requirements of the section 79 of the Information Technology Act. Deepak Jain has also impleaded our Director, Mr. P.K. Choudhury in his capacity as a member of the SEBI Primary Markets Advisory Committee which advises SEBI on various issues concerning, iter alia, the primary markets. The plaintiff has claimed that Everonn has suppressed material facts in its draft red herring prospectus filed with SEBI in order to mislead investors and generate a demand for its equity shares proposed to be listed on various stock exchanges and has contended that the defendants have failed to exercise due diligence under the provisions of section 79 of the Information Technology Act whilst hosting the draft red herring prospectus on their website. The plaintiff has also contended that SEBI and its representatives qualify as "network service providers" under the Information Technology Act and they are liable for all false and misleading third party information made available by them to the public by virtue of them hosting the false and misleading draft red herring prospectus filed by Everonn without conducting any examination or due diligence on Everonn. Further, the plaintiff has also claimed that the defendants have not taken up any action against Everonn despite serving them with legal notices on October 10, 2006, October 16, 2006 and October 29, 2006 in relation to the above matter. The matter is currently pending for hearing.

B. Mr. Dhruba Narayan Ghosh

Two complaints were filed against Mr. Dhruba Narayan Ghosh and others by Mr. Anil Kumar (No 785/C/2003) and Mrs. Bimla Singh (No 1853/C/2003) before a criminal court in Patna alleging non-payment of dues by IFB Finance Limited with respect to the fixed deposit. Mr. Ghosh was a non-executive director of IFB Finance Limited. However, Mr. Ghosh had resigned as a non-executive director from IFB Finance Limited on May 26, 1997 i.e., prior to the receipt of deposits from the complainants by IFB Finance Limited and filing of the complaints. The complainants have filed withdrawal petitions to withdraw the complaints against Mr. Ghosh. Additionally, two petitions [Cr.Mis No 3126/2003 and Cr.Mis.No 6938/2006] have also been filed before the Patna High Court for dismissal of proceedings against Mr. Ghosh. The said petitions are pending hearing.

Mr. Ajit Kumar filed a complaint (No 692/C/2003) before a criminal court in Patna, against Mr. Dhruba Narayan Ghosh and others alleging non-payment of dues by IFB Finance Limited with respect to the fixed deposit. Mr. Ghosh was a non-executive director of IFB Finance Limited. However, Mr. Ghosh had resigned as a non-executive director from IFB Finance Limited on May 26, 1997 prior to the receipt of deposits from the complainant by IFB Finance Limited and filing of the complaints. Accordingly, an application had been filed for personal exemption of Mr. Ghosh. The matter is pending for hearing. The court, while not granting exemption to Mr. Ghosh from appearing in person, has in its order of August 30, 2006 taken note of the fact that Mr. Ghosh was no longer a non-executive director of IFB Finance Limited at the time when the company received the deposits from the complainant. Mr. Ghosh along with the other accused had filed an application before the High Court, Patna (Crl. Misc. No 55053 of 2006) for quashing the order of cognizance taken by the court below. The Patna High Court has admitted the said application and has stayed all proceedings of the lower court till further order.

IV. Litigation against our Promoter

There are no pending litigations, disputes, defaults, non-payment of statutory dues and proceedings initiated for offences against our Promoter.

V. Material Developments

Except as disclosed in the section titled 'Management's Discussion and Analysis of Financial Condition and Results of Operations' on page 134, in the opinion of our Board, there have not arisen, since the date of the last financial statements disclosed in this Red Herring Prospectus, any circumstances that materially or adversely affect or are likely to affect our profitability taken as a whole or the value of its consolidated assets or its ability to pay its material liabilities within the next 12 months.

GOVERNMENT AND OTHER APPROVALS

In view of the approvals listed below, we can undertake the Offer and our current business activities and no further major approvals from any governmental or regulatory authority or any other entity are required to undertake the Offer or continue our business activities. Unless otherwise stated, these approvals are all valid as of the date of this Red Herring Prospectus.

A. Approvals for the Offer

We have received the following approvals relating to the Offer:

a. The Board of Directors have, pursuant to resolutions passed at its meeting held on May 9, 2006 authorized the Offer subject to the approval by the shareholders of our Company under the provisions of the Companies Act, any regulatory or other approval as may be necessary.

b. Our shareholders have, pursuant to resolutions dated June 12, 2006 under the provisions of the Companies Act, authorized the Offer in accordance with law.

c. Our Company had applied for approval from the FIPB/DIPP for the transfer of Equity Shares in the Offer to Eligible NRIs, FIIs, FVCIs and multilateral and bilateral development financial institutions. FIPB by its letter dated August 28, 2006 has clarified that FIBP approval is not required for the Offer. Our Company has received an approval from RBI (letter no. FE CO.FID/6183/ 10.21.047/2006-07) dated September 21, 2006 stating that RBI has no objection to Eligible NRIs, FIIs, FVCIs and multilateral and bilateral development financial institutions acquiring Equity Shares in the Offer.

d. The Selling Shareholders have consented to the Offer. The details of the authority of each of the Selling Shareholder for the Offer is as follows:

Sl. No.	Name of Selling Shareholder	Date of Authorization Letter
1.	IFCI Limited	July 12, 2006
2.	Administrator of the specified undertaking of the Unit Trust of India	July 31, 2006
3.	State Bank of India	July 22, 2006

C. IFCI and SBI have received approvals dated May 3, 2006 and January 23, 2007 from Moody's India consenting to the proposed disinvestment of the shareholdings of IFCI and SBI in the Company through the Offer.

B. Approvals for our Business

1. *Registration under the CRA Regulations*

We are registered under the CRA Regulations (Registration No.-IN/CRA/003/1999) to carry on business as a credit rating company. Our registration is valid till November 4, 2008. Under the CRA Regulations, our Company has to apply for renewal of registration with SEBI every three years.

2. *Tax Approvals*

Described below are the various tax registrations obtained by us:

Description	Reference	Issue Date/ Effective Date	Expiry Date
Permanent Account Number under the Income Tax Act, 1961	AAACI0218B	NA	N.A
Tax Deduction Account Number under the Income Tax Act, 1961	DELI04002F	July 19, 2004	N.A
Registration with the Central Excise Department, Gurgaon	AAACI0218BST010.	September 27, 2006	Valid until the holder carries on the activities for which it is issued

Description	Reference	Issue Date/ Effective Date	Expiry Date
Registration with the Central Excise Department, Delhi.	(IV) (16) 1/ST/CRA/ MOD-1/98-99	November 30, 1998	Valid until the holder carries on the activities for which it is issued
Registration with the Central Excise Department, Mumbai.	G-II/M IV/CRA/110/99	May 25, 1999	Valid until the holder carries on the activities for which it is issued
Registration with the Central Excise Department, Chennai.	CRA/Chennai-II/ 001/STC	November 18, 1998	Valid until the holder carries on the activities for which it is issued
Registration with the Central Excise Department, Ahmedabad.	CRA/AHD-1/246	March 9, 1999	Valid until the holder carries on the activities for which it is issued
Registration with the Central Excise Department, Bangalore.	CRA/BGI/01/ICRA/98	October 28, 1998	Valid until the holder carries on the activities for which it is issued
Registration with the Central Excise Department, Hyderabad.	CRA/HYD-IX/01/98(ST)	November 28, 1998	Valid until the holder carries on the activities for which it is issued
Registration with the Central Excise Department, Kolkata.	AAACI0218BST012	December 29, 2006	Valid until the holder carries on the activities for which it is issued
Registration with the Central Excise Department, Pune.	CRA/PVIA/001/ICRA	November 26, 1998	Valid until the holder carries on the activities for which it is issued

3 *Trademarks*

Approvals/Registration Received

Our Company and our Subsidiaries have received certificates of registration in relation to the following names and marks, issued by the Trademark Registry:

Description	Reference	Filed on	Registered On	Expires on
www.FinanceSamachar.com (Class 9)	932861	June 19, 2000	August 25, 2005	June 18, 2010
WWW.INDIANIPOS.COM (Class 9)	932862	June 19, 2000	October 10, 2005	June 18, 2010
ICRA Industry Flash Reports (Class 16)	1256466	December 19, 2003	December 23, 2005	December 19, 2013
ICRA Industry Comments (Class 16)	1256467	December 19, 2003	December 23, 2005	December 19, 2013
RiskOnNet (Class 36)*	1267002	February 16, 2004	March 17, 2006	February 16, 2014
IMaCS-Logo (Class 35*)	1264314	February 3, 2004	December 23, 2005	February 3, 2014
IMaCS (Class 35)*	1264313	February 3, 2004	December 23, 2005	February 3, 2014

Pending approvals

Our Company and our Subsidiaries have filed the following applications with the Trademark Registry for grant of certificates of registration of the following names and marks, all of which are currently pending registration:

Description of application for registration of trademark	**Filed on**	**Reference**
ICRA (Class 16)	September 27, 1999	878328
ICRA Limited (Class 16)	September 27, 1999	878329
ICRA Logo (Class 16)	September 27, 1999	878330
Rating Update (Class 16)	September 27, 1999	878332
Rating Profile (Class 16)	September 27, 1999	878333
ICRA Corporate Review (Class 16)	September 27, 1999	878334
Industry Watch Series (Class 16)	September 27, 1999	878335
ICRA Bulletin: Money & Finance (Class 16)	September 27, 1999	878336
ICRA Advisory Services (Class 16)	September 27, 1999	878337
ICRA Rating Services (Class 16)	September 27, 1999	878338
ICRA Information Services (Class 16)	September 27, 1999	878339
www.IndiaCapital.com (Class 9)	June 19, 2000	932860
www.mutualfundsindia.com (Class 9)	June 19, 2000	932863
ICRA RiskOnNet (Class 16)	January 8, 2001	982127
RiskOnNet (Class 16)*	January 8, 2001	982128
ICRA CPRA (Class 16)	January 8, 2001	982129
ICRA Counter Party and Risk Assessment (Class 16)	January 8, 2001	982130
CPRA (Class 16)*	January 8, 2001	982131
INGRES (Class 16/36)	December 19, 2003	1256469
INGRES Logo (Class 16/36)	December 19, 2003	1256470
Earnings Prospectus and Risk Analysis (EPRA) (Class 36)	December 19, 2003	1256468
ICRA Logo (Class 36)	December 24, 2003	1257158
Counter Party Risk Assessment (Class 36)*	February 3, 2004	1264312
CPRA (Class 36)*	February 3, 2004	1264315
ICRA (Class 36)	August 1, 2005	1374690
ICRA Advisory Services (Class 35)	March 13, 2006	1433003
ICTEAS (Class 42)	May 22, 2006	1452790

* Please note the trademarks registered on 'RiskOnNet' (Class 36), logo of IMaCS and IMaCS and the trademark applications for 'RiskOnNet' (Class 16), 'Counter Party Risk Assessment' and 'CPRA' are required to be transferred to IMaCS pursuant to the scheme of demerger as mentioned in the section titled "History and Corporate Matters" on page 66. In this regard IMaCS has filed an application dated December 14, 2006 before the Trademark Registry for assigning the

aforementioned trademarks to it.

4. *Labour Law Registrations*

Approvals/Registration Received

Description	Reference	Issue Date/ Effective Date	Expiry Date
Registration under the Employees' Provident Fund and Miscellaneous Provisions Act, 1952	Code No DL/17754	June 5, 1996	N.A
Registration under the Employee State Insurance Act, 1948	11-30810	April 30, 1993	N.A
Registration under the Punjab Shops and Commercial Establishment Rule Act, 1958 for our Gurgaon office.	R.No/ 54	January 31, 2007	March 31, 2009
Registration under the Bombay Shops and Establishment Act, for our Pune office	KIRKI/II/746	February 10, 1999	December 31, 2009
Registration under the Bombay Shops and Establishment Act, for our office at Mumbai	GS-II/011221	June 20, 1992	December 31, 2007
Registration under the Karnataka Shops and Commercial Establishments Act, 1961 for our office at Bangalore	61/CE/2344.30	July 30, 1997	December 31, 2008
Registration under Andhra Pradesh Shops and Establishment Act for our office at Hyderabad	AL026/HYD/11/1999	January 12, 1999	December 31, 2007
Registration under the Shops and Establishment Act for our office at Ahmedabad	PII/EL/00/0007061	February 27, 1996	December 31, 2008
Registration under West Bengal Shops and Establishment Act for our office at Kolkata	Cal/Bhow/P-11/ 33255/98	May 15, 1998 D/7312/09	May 14, 2007
Registration under the Delhi Shops and Establishment Act, for our office at Delhi	13916	December 30, 1993	Till change of status of ownership
Registration under the Shops and Establishment Act, for our office at Chennai	R.DIS.394/01	October 6, 2001	Till change of status of ownership

5. *Miscellaneous Approvals*

In addition, we have obtained the following approvals:

Description	Reference	Issue Date/ Effective Date	Expiry Date
Approval to IFCI Limited from the DEA for the establishment of a credit rating and information agency.	Letter No-1 (120) SE/89	September 19, 1990	N.A
RBI approval granting our Company the status of approved agency for issuance	Letter No- D.O.IECD No.1386/87/(CP)/91-92	October 30, 1991	N.A
Approval from the DIPP allowing Dun & Bradstreet Information Service India Private Limited ("**DBIS**") to set up a wholly owned subsidiary and allowing the wholly owned subsidiary to subscribe to one million Equity Shares of our Company.	No-FC II 314(93)/ 426(93)-Amend	July 19, 1999	N.A
Approval from the DIPP permitting assignment by DBIS of the above approval in favour of Moody's India	No-FC II.314(93)/ 426(93)-Amend	August 4, 1999	N.A
Approval from the RBI permitting our Company to enter into a foreign technology transfer agreement with Moody's Investors Service (Registration No- FT99NDR0035)	EC.DEL.FID-II/623/ 06.01.1-1861/1999-2000	August 16, 1999	10 years from the date of the agreement or 7 years from the date of the commencement of commercial production whichever is earlier.
Approval from the RBI to increase the number of instalments for payment of technical service fees from five to ten instalments.	EC.DEL.FID.II/2384/ 06.01.I-1861/1999-2000	January 17, 2000	N.A
Clarification from RBI that the duration of the technical services agreement with Moody's Investors Service will be five years from the date of the said agreement subject to a maximum period of ten years.	N.A	March 1, 2000	N.A
Approval from the DIPP for increase in the foreign equity participation by Moody's India in our Company from 13.84% to 22.84%.	FC.II.314(93)/ 426(93)-Amend	September 7, 2001	N.A
Approval from the DIPP for increase in the foreign equity participation by Moody's India in our Company from 23.44% to 31.045%.	FC.II.317(1993)/ 426(1993)-Amend	January 19, 2004	N.A
Certificate of Importer Exporter Code under the Foreign Trade Development and Regulation Act, 1992	IEC No: 0504041649	September 13, 2004	N.A

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Offer

The Board of Directors have, pursuant to resolutions passed at its meetings held on May 9, 2006 authorised the Offer, subject to the approval by the shareholders of our Company under the provisions of the Companies Act.

Our shareholders have authorised the Offer by special resolutions in accordance with the provisions of the Companies Act, passed at our AGM held on June 12, 2006.

Our Company had applied for approval from the FIPB/DIPP for the transfer of Equity Shares in the Offer to Eligible NRIs, FIIs, FVCIs and multilateral and bilateral development financial institutions. FIPB by its letter dated August 28, 2006 has clarified that FIBP approval is not required for the Offer. Our Company has received an approval from RBI (letter no. FE CO.FID/6183/ 10.21.047/2006-07) dated September 21, 2006 stating that RBI has no objection to Eligible NRIs, FIIs, FVCIs and multilateral and bilateral development financial institutions acquiring Equity Shares in the Offer.

The Selling Shareholders have consented to the Offer. The details of the authority of each of the Selling Shareholders for the Offer are as follows:

Sl. No.	Name of Selling Shareholder	Date of Authorization Letter
1.	IFCI Limited	July 12, 2006
2.	Administrator of the Specified Undertaking of the Unit Trust of India	July 31, 2006
3.	State Bank of India	July 22, 2006

Prohibition by SEBI

Our Company, our Directors, our Subsidiaries and companies with which our Directors are associated with as directors, our Promoter and Promoter Group, have not been prohibited from accessing or operating in capital markets under any order or direction passed by SEBI.

Eligibility for the Offer

We are eligible for the Offer as per Clause 2.2.1 of the SEBI DIP Guidelines

Clause 2.2.1 of the SEBI DIP Guidelines states as follows:

"An unlisted company may make an initial public offering (IPO) of equity shares or any other security which may be converted into or exchanged with equity shares at a later date, only if it meets all the following conditions:

(a) The company has net tangible assets of at least Rs. 30 million in each of the preceding 3 full years (of 12 months each), of which not more than 50% is held in monetary assets:

__Provided that__ if more than 50% of the net tangible assets are held in monetary assets, the company has made firm commitments to deploy such excess monetary assets in its business/project;

(b) The company has a track record of distributable profits in terms of Section 205 of the Companies Act, 1956, for at least three (3) out of immediately preceding five (5) years;

__Provided further that__ extraordinary items shall not be considered for calculating distributable profits in terms of Section 205 of Companies Act, 1956;

(c) The company has a net worth of at least Rs. 10 million in each of the preceding 3 full years (of 12 months each);

(d) In case the company has changed its name within the last one year, atleast 50% of the revenue for the preceding 1 full year is earned by the company from the activity suggested by the new name; 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 the offer document), does not exceed five (5) times its pre-issue networth as per the audited balance sheet of the last financial year".

We satisfy the eligibility criteria under clause 2.2.1 of the SEBI DIP Guidelines as explained under:

- We have net tangible assets of at least Rs. 30 million in each of the preceding three full years (of 12 months each), of which not more than 50% is held in monetary assets;
- We have a track record of distributable profits as per Section 205 of Companies Act for at least three out of the immediately preceding five years;
- We have a pre-Offer net worth of not less than Rs. 10 million in each of the three preceding full years (of 12 months each);
- We have not changed our name during the last one-year.
- The aggregate of the Offer size and all previous issuances of Equity Shares made by us in the current fiscal in terms of size (i.e., Offer + firm allotment + promoters' contribution through the offer document), does not exceed five times our pre-Offer net worth as per the audited accounts for fiscal 2006;

The distributable profits as per Section 205 of the Companies Act and net worth for the last five years as per our restated unconsolidated financial statements are as under:

(Rs. in million)

	Fiscal 2006	Fiscal 2005	Fiscal 2004	Fiscal 2003	Fiscal 2002
Distributable Profits(1)	92.24	55.33	66.74	71.85	84.78
Net Worth(2)	923.73	837.48	791.53	730.46	670.26
Net Tangible Assets (3)	930.56	841.34	795.13	737.87	670.26
Monetary Assets(4)	39.16	37.69	32.50	69.03	65.34
Monetary Assets as a % of Net Tangible Assets	4.21	4.48	4.09	9.36	9.75

(1) *Distributable profits = Net Profit as restated excluding Extraordinary items (net).*

(2) *Net Worth = (shareholders funds + share capital + reserves & surplus) - miscellaneous expenditure not written off.*

(3) *Net tangible assets are defined as the sum of fixed assets (including capital work in progress and excluding revaluation reserves), investments, current assets excluding deferred tax assets) less current liabilities (excluding deferred tax liabilities and long term liabilities), net of provision for diminution in value.*

(4) *Monetary assets comprise cash an*d bank balances.

We shall ensure that the number of allottees, i.e., persons receiving Allotment in the Offer shall be at least 1,000 otherwise the entire application money will be refunded forthwith. In case of delay, if any, in refund, our Selling Shareholders 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 THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE OFFER IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BRLMS HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 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 OFFER.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY AND THE SELLING SHAREHOLDERS ARE PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BRLMS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY AND THE SELLING SHAREHOLDERS DISCHARGE THEIR RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND

TOWARDS THIS PURPOSE, THE BRLMS HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED AUGUST 3, 2006 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

(I) 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 OFFER.

(II) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE OFFER, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY,

WE CONFIRM THAT:

a. THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE OFFER;

b. ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID OFFER 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 OFFER.

(III) BESIDE OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID.

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

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

All legal requirements pertaining to the Offer will be complied with at the time of filing of this Red Herring Prospectus with the RoC in terms of section 60B of the Companies Act. All legal requirements pertaining to the Offer will be complied with at the time of registration of the Prospectus with the RoC in terms of section 56, section 60 and section 60B of the Companies Act.

Disclaimer from our Company, the Selling Shareholders and the BRLMs

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

The BRLMs accept no responsibility, save to the limited extent as provided in the Memorandum of understanding entered into among the BRLMs, Selling Shareholders and us dated August 3, 2006 and the Underwriting Agreement to be entered into among the Underwriters, Selling Shareholders and us.

All information shall be made available by the Selling Shareholders, the BRLMs and us 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.

We shall not be liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Disclaimer in Respect of Jurisdiction

The Offer 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), or trusts under the applicable trust law and who are authorised under their constitution to hold and invest in shares, permitted insurance companies and pension funds and to Eligible NRIs and FIIs). This Red Herring Prospectus does not, however, constitute an invitation to subscribe to Equity Shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Red Herring Prospectus comes is required to inform himself or herself about and to observe, any such restrictions. Any dispute arising out of the Offer will be subject to the jurisdiction of appropriate court(s) at New Delhi, India only.

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

The Equity Shares have not been and will not be registered under the US Securities Act, 1933 (the "**Securities Act**") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. Persons" (as defined in Regulation S 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 outside the United States to certain Persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

Disclaimer Clause of the NSE

As required, a copy of the Draft Red Herring Prospectus has been submitted to NSE. NSE has given by its letters dated August 24, 2006 (Ref: NSE/LIST/28132-4) permission to the Company to use NSE's name in this Red Herring Prospectus as one of the stock exchanges on which the Company's securities are proposed to be listed. The NSE has scrutinized the Draft Red Herring Prospectus for its limited internal purpose of deciding on the manner of granting the aforesaid permission to the 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 the Draft Red Herring Prospectus; nor does it warrant that the Company's securities will be listed or will continue to be listed on NSE; nor does it take any responsibility for the financial or other soundness of the Company, its promoters, its management or any scheme or project of the Company.

Every person who desires to apply for or otherwise acquire any securities of the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated therein or any other reason whatsoever.

Disclaimer Clause of the BSE

BSE has given by its letter dated August 21, 2006 permission to the Company to use BSE's name in this Red Herring Prospectus as one of the stock exchanges on which the Company's securities are proposed to be listed. The BSE has scrutinised the Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. The BSE does not in any manner (i) warrant, certify or endorse the correctness of completeness of any of the contents of this Red Herring Prospectus (ii) warrant that the Company's securities will be listed or will continue to be listed on the BSE (iii) take any responsibility for the financial or other soundness of the Company, its promoters, its management or any scheme or project of this Company; and it should not for any reason be deemed or construed that this Red Herring Prospectus has been cleared or approved by the BSE.

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 claims against BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Filing

A copy of the Draft Red Herring Prospectus had been filed with SEBI at the Division of Issues and Listing, 29th Floor, Centre 1, World Trade Centre, Cuffe Parade, Mumbai 400 005.

A copy of this Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, has been delivered for registration to the RoC and a copy of the Prospectus required to be filed under Section 60 of the Companies Act will be delivered for registration to the RoC.

Listing

Applications have been made to the NSE and BSE for permission to deal in and for an official quotation of the Equity Shares. BSE shall be the Designated Stock Exchange with which the basis of allocation will be finalised for the Offer.

If the permission to deal in and for an official quotation of the Equity Shares is not granted by any of the Stock Exchanges, the Selling Shareholders shall forthwith repay, without interest, all moneys received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid within eight days after the Selling Shareholders become liable to repay it (i.e., from the date of refusal or within 15 days from the date of Bid/Offer Closing Date, whichever is earlier), then the Selling Shareholders shall, on and from expiry of 8 days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

Our Company and the Selling Shareholders shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at both the Stock Exchanges mentioned above are taken within seven working days of finalisation of the basis of Transfer for the Offer.

Consents

Consents in writing of (a) our Directors, the Company Secretary and Compliance Officer, the Auditors, the Legal Advisors, the Bankers to the Offer; and (b) the BRLMs, the Syndicate Members, the Escrow Collection Bankers, the Refund Bankers and the Registrar to the Offer to act in their respective capacities, have been obtained and would be filed along with a copy of this Red Herring Prospectus with the RoC 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 Red Herring Prospectus.

M/s. Vipin Aggarwal & Associates, Chartered Accountants, our auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Red Herring Prospectus.

Expert Opinion

Except as stated in the sections titled "Statement of Tax Benefits" and "Financial Statements" on pages 33 and 93 respectively, we have not obtained any expert opinions.

Expenses of the Offer

The expenses of the Offer include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The estimated expenses of the Offer are as follows:

Activity	**Expenses (Rs. in Million)**	**% of Total Expenses**	**% of the Offer size**
Lead management, underwriting and selling commission*	[●]	[●]	[●]
Advertisement and marketing expenses**	[●]	[●]	[●]
Printing, stationery including transportation of the same**	[●]	[●]	[●]
Others (Registrar's fees, legal fees, listing fees, etc.)**	[●]	[●]	[●]
Total Estimated Offer Expenses	[●]	[●]	[●]

** Will be incorporated after finalisation of the Offer Price*

*** Will be incorporated at the time of filing of the Prospectus.*

Other than the listing fees, which will be paid by us, all expenses with respect to the Offer shall be borne pro rata by the Selling Shareholders.

Fees Payable to the BRLMs and Syndicate Members

The total fees payable to the BRLMs and the Syndicate Members (including underwriting commission and selling commission) will be as stated in the engagement letter with the BRLMs, a copy of which is available for inspection at the registered office of our Company.

Fees Payable to the Registrar to the Offer

The fees payable to the Registrar to the Offer for processing of application, data entry, printing of CAN/refund order, preparation of refund data on magnetic tape, printing of bulk mailing register will be as per the memorandum of understanding signed with our Company and the Selling Shareholders, a copy of which is available for inspection at the registered office of our Company.

The Registrar to the Offer will be reimbursed for all out-of-pocket expenses including cost of stationery, postage, stamp duty and communication expenses. Adequate funds will be provided to the Registrar to the Offer to enable them to send refund orders or allotment advice by registered post/speed post/under certificate of posting.

Previous Public or Rights Issues

There have been no public or rights issue by the Company during the last five years.

Issues otherwise than for Cash

We have not issued any Equity Shares for consideration otherwise than for cash.

Commission and Brokerage paid for Previous Issues

There has not been any previous public issue of our Equity Shares.

Companies under the Same Management

There are no companies under the same management within the meaning of erstwhile section 370 (IB) of the Companies Act.

Promise vs. Performance – Last Three Issues

There has not been any previous public issue of our Equity Shares.

Promise vs. Performance – Last Public Issue by Promoter group companies

There have not been any public issue of equity shares by our Promoter and promoter group.

Outstanding Debentures and Bonds

There are no outstanding debentures and bonds of our Company.

Outstanding Preference Shares

There are no outstanding preference shares of our Company.

Stock Market Data of our Equity Shares

The Equity Shares are not currently listed on any stock exchange in India and thus there is no stock market data for the same.

Other Disclosures

Our Directors have not purchased or sold any securities of our Company during the six months preceding the date on which this Red Herring Prospectus is filed with SEBI.

Mechanism for Redressal of Investor Grievances by our Company

The memorandum of understanding between the Registrar to the Offer, the Selling Shareholders and us, will provide for retention of records with the Registrar to the Offer for a period of at least one year from the last date of dispatch of letters of allotment, demat credit, refund orders to enable the investors to approach the Registrar to the Offer for redressal of their grievances.

All grievances relating to the Offer may be addressed to the Registrar to the Offer, giving full details such as name, address of the applicant, application number, number of shares applied for, amount paid on application, Depository Participant, and the bank branch or collection center where the application was submitted.

Disposal of Investor Grievances

We estimate that the average time required by the Registrar to the Offer, the Selling Shareholders and us for the redressal of routine investor grievances would be 15 days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, our Company and the Selling Shareholders will seek to redress these complaints as expeditiously as possible.

Our Company and the Selling Shareholders have appointed Mr. Vijay Wadhwa as the Compliance Officer and he may be contacted in case of any pre-Offer or post-Offer-related problems. He can be contacted at the following address:

Mr. Vijay Wadhwa
Address: Building No. 8,
2nd Floor, Tower-A,
DLF Cyber City,
Phase II,
Gurgaon 122 002,
Haryana,
Tel: + 91 124 4545 300,
Fax: + 91 124 4545 350
E-mail: ipo@icraindia.com

Mechanism for Redressal of Investor Grievances by Companies under the Same Management

We do not have any company under the same management within the meaning of erstwhile section 370 (1B) of the Companies Act.

Changes in Auditors

There has been no change in our auditors in the last three years.

Capitalization of Reserves or Profits

We have not capitalized our reserves or profits at any time during last five years.

Revaluation of Assets

There has been no revaluation of assets of our Company since our incorporation.

OFFER STRUCTURE

The present Offer of 2,581,100 Equity Shares for cash at a price of Rs. [●] aggregating Rs. [●] million is being made through the Book Building Process. The Offer would constitute 25.81% of the fully diluted post Offer paid-up capital of our Company.

	QIB Bidders	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares available for allocation*	Up to 1,290,550 Equity Shares or Offer less allocation to Non-Institutional Bidders and Retail Individual Bidders.	At least 387,165 Equity Shares or Offer less allocation to QIB Bidders and Retail Individual Bidders.	At least 903,385 Equity Shares or Offer less allocation to QIB Bidders and Non-Institutional Bidders.
Percentage of Offer size available for allocation	Up to 50% of Offer or Offer less allocation to Non Institutional Bidders and Retail Individual Bidders.	At least 15% of Offer or Offer less allocation to QIB Bidders and Retail Individual Bidders.	At least 35% of Offer or Offer less allocation to QIB Bidders and Non Institutional Bidders.
Basis of Allocation if respective category is oversubscribed	Proportionate as follows: (a) Equity Shares shall be allocated on a proportionate basis to Mutual Funds in the Mutual Funds Portion; (b) Equity Shares shall be allocated on a proportionate basis to all QIB Bidders including Mutual Funds receiving allocation as per (a) above.	Proportionate.	Proportionate.
Minimum Bid	Such number of Equity Shares in multiples of 20 Equity Shares so that the Bid Amount exceeds Rs 100,000.	Such number of Equity Shares in multiples of 20 Equity Shares so that the Bid Amount exceeds Rs 100,000.	20 Equity Shares.
Maximum Bid	Such number of Equity Shares in multiples of 20 Equity Shares so that the Bid does not exceed the Offer, subject to applicable limits.	Such number of Equity Shares in multiples of 20 Equity Shares so that the Bid does not exceed the Offer, subject to applicable limits.	Such number of Equity Shares in multiples of 20 Equity Shares so that the Bid Amount does not exceed Rs. 100,000.
Mode of Allotment	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.
Bid / Allotment Lot	20 Equity Shares in multiples of 20 Equity Shares.	20 Equity Shares in multiples of 20 Equity Shares.	20 Equity Shares in multiples of 20 Equity Shares.
Trading Lot	One Equity Share.	One Equity Share.	One Equity Share.
Who can Apply **	Public financial institutions as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds registered with SEBI, foreign institutional investors registered with SEBI, foreign	Resident Indian individuals, Eligible NRIs and HUF (in the name of Karta), companies, corporate bodies, scientific institutions societies and trusts.	Individuals, including Eligible NRIs and HUF (in the name of Karta) applying for Equity Shares such that the Bid Amount does not exceed Rs. 100,000 in value.

	QIB Bidders	Non-Institutional Bidders	Retail Individual Bidders
	venture capital investors registered with SEBI, venture capital funds registered with SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million.		
Terms of Payment	QIB Margin Amount shall be payable at the time of submission of the Bid cum Application Form.	Margin Amount shall be payable at the time of submission of the Bid cum Application Form.	Margin Amount shall be payable at the time of submission of the Bid cum Application Form.
Margin Amount	10% of Bid Amount	100% of Bid Amount	100% of Bid Amount

* Subject to valid Bids being received at or above the Offer Price. Under subscription, if any, in any category would be met with spill over to other categories at the sole discretion of our Company in consultation with the BRLMs. However, if the aggregate demand by Mutual Funds is less than 64,527 Equity Shares (QIB Portion is up to 50% of the Offer size, i.e. 1,290,550 Equity Shares), the balance Equity Shares available for allocation in the Mutual Funds Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders.

** In case the Bid Cum Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the Bid Cum Application Form.

Withdrawal of the Offer

Our Company, in consultation with the BRLMs, reserve the right not to proceed with the Offer at anytime after the Bid/Offer Opening Date but before Transfer, without assigning any reason therefore.

Letters of Allotment or Refund Orders

We shall give credit to the beneficiary account with depository participants within two working days from the date of the finalisation of basis of allocation. Applicants residing at 15 centres where clearing houses are managed by the RBI, will get refunds through ECS only except where applicant is otherwise disclosed as eligible to get refunds through direct credit, RTGS and NEFT. We shall ensure despatch of refund orders, if any, of value up to Rs.1,500 by "Under Certificate of Posting", and shall dispatch refund orders above Rs.1,500, if any, by registered post or speed post or ECS, direct credit, RTGS or NEFT at the sole or First Bidder's sole risk within 15 days of the Bid/Offer Closing Date. Applicants to whom refunds are made through electronic transfer of funds will be send a letter through ordinary post intimating them about the mode of credit of refund within 15 days of closure of Offer.

Interest in Case of Delay in Despatch of Allotment Letters/ Refund Orders

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI DIP Guidelines, we and the Selling Shareholders undertake that:

- Transfer shall be made only in dematerialised form within 15 days from the Bid/ Offer Closing Date;
- Despatch of refund orders, except for Bidders who shall receive refunds through ECS, direct credit, RTGS or NEFT, shall be done within 15 days from the Bid/ Offer Closing Date; and

- The Selling Shareholders shall pay interest at 15% per annum, if the Transfer is not made, refund orders are not despatched and/ or demat credits are not made to investors within the 15 day time prescribed above or if, in a case where the refund or portion thereof is made in electronic manner through ECS, direct credit, RTGS or NEFT, the refund instructions have not been given to the clearing system in the disclosed manner within 15 days from the Bid/Offer Closing Date.

The Selling Shareholders will provide adequate funds required for despatch of refund orders or Transfer advice to the Registrar to the Offer.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Refund Banks and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Bid/Offer Programme

Bidding Period/Offer Period

BID/OFFER OPENS ON	:	**TUESDAY,**	**MARCH 20, 2007**
BID/OFFER CLOSES ON	:	**FRIDAY,**	**MARCH 23, 2007**

Bids and any revision in Bids shall be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form and uploaded till such time as permitted by the NSE and the BSE on the Bid/Offer Closing Date.

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

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

OFFER PROCEDURE

The Offer is being made through the 100% Book Building Process wherein up to 50% of the Offer shall be available for allocation on a proportionate basis to QIB Bidders, including up to 5% of the QIB Portion which shall be available for allocation to the Mutual Funds only. Further, at least 35% of the Offer shall be available for allocation on a proportionate basis to Retail Individual Bidders and at least 15% of the Offer shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Offer Price.

Bidders are required to submit their Bids through a member of the Syndicate. In case of QIB Bidders, our Company in consultation with BRLMs may reject Bid at the time of acceptance of the Bid cum Application Form provided that the reasons for rejecting the same are provided to such Bidders in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, our Company in consultation with the BRLMs would have a right to reject the Bids only on technical grounds.

Investors should note that Equity Shares would be allotted to all successful Bidders only in dematerialized form. Bidders will not have the option of having the Equity Shares Transferred to them in a physical form. The Equity Shares on Transfer shall be traded only in the dematerialized segment of the Stock Exchanges.

Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorized our Company and the Selling Shareholders to make the necessary changes in this 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 and Eligible NRIs applying on a non-repatriation basis	[White]
Eligible NRIs applying on a repatriation basis or FIIs.	[Blue]

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. Eligible NRIs on a repatriation basis or a non-repatriation basis subject to applicable laws. NRIs, other than Eligible NRIs, are not permitted to participate in the Offer;
4. Companies and corporate bodies registered under the applicable laws in India and authorized to invest in equity shares;
5. Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/societies and who are authorized under their constitution to hold and invest in equity shares;
6. Scientific and/or industrial research authorized to invest in equity shares;
7. Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to the RBI regulations and the SEBI DIP Guidelines and regulations, as applicable);
8. Mutual funds registered with SEBI;
9. FIIs registered with SEBI on a repatriation basis;

10. Multilateral and bilateral development financial institutions;
11. Venture capital funds registered with SEBI;
12. Foreign venture capital investors registered with SEBI;
13. State industrial development corporations;
14. Insurance companies registered with the Insurance Regulatory and Development Authority, India;
15. As permitted by the applicable laws, provident funds with minimum corpus of Rs. 250 million and who are authorized under their constitution to invest in equity shares; and
16. Pension funds with a minimum corpus of Rs. 250 million and who are authorized under their constitution to invest in equity shares.

Participation by Associates of the BRLMs

The BRLMs shall not be entitled to participate in the Offer in any manner except towards fulfilling their underwriting obligation. However, associates and affiliates of the BRLMs and Syndicate Members are entitled to bid and subscribe to Equity Shares in the Offer either in the QIB Portion or in Non Institutional Portion as may be applicable to such investors, where the allotment will be on a proportionate basis. Such bidding and subscription may be on their own account or on behalf of their clients.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limit or maximum number of Equity Shares that can be held by them under the applicable law.

Maximum and Minimum Bid Size

(a) **For Retail Individual Bidders:** The Bid must be for a minimum of 20 Equity Shares and in multiples of 20 Equity Shares thereafter and it must be ensured that the Bid Amount payable by the Bidder does not exceed Rs. 100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 100,000. In case the Bid Amount is over Rs. 100,000 due to revision of the Bid, the Bid would be considered for allocation under the Non Institutional Portion. The option to bid at Cut-off Price is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase Equity Shares at the Offer Price as determined at the end of the Book Building Process.

(b) **For Non-Institutional Bidders and QIB Bidders**: The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 20 Equity Shares thereafter. A Bid cannot be submitted for more than the Offer size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. Under existing SEBI DIP Guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Offer Closing Date and is required to pay the QIB Margin Amount upon submission of the Bid.

In case of revision in Bids, the Non Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non Institutional Bidder's Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non Institutional Bidders who are eligible for allocation in the Retail Investor's Portion would be considered for allocation under the Retail Investor's portion. Non Institutional Bidders and QIB Bidders are not entitled to the option of bidding at Cut-off Price.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Red Herring Prospectus.

Information for the Bidders:

(a) Our Company will file this Red Herring Prospectus with the RoC at least three days before the Bid/Offer Opening Date.

(b) The Company and the BRLMs shall declare the Bid/Offer Opening Date, Bid/Offer Closing Date and Price Band at the time of filing this Red Herring Prospectus with RoC and also publish the same in two widely circulated national newspapers (one each in English and Hindi) and a newspaper in Hindi with wide circulation in New Delhi i.e., the place where our Registered Office is situated. This advertisement, subject to the provisions of Section 66 of the Companies Act shall be in the format prescribed in Schedule XX–A of the SEBI DIP Guidelines, as amended by SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.

(c) The members of the Syndicate will circulate copies of this Red Herring Prospectus along with the Bid cum Application Form to potential investors. Any investor (who is eligible to invest in our Equity Shares) who would like to obtain this Red Herring Prospectus and/or the Bid cum Application Form can obtain the same from our Registered Office or from any of the members of the Syndicate.

(d) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of a member of the Syndicate. Bid cum Application Forms, which do not bear the stamp of a member of the Syndicate will be rejected.

(e) The Bidding/Offer Period shall be a minimum of three working days and shall not exceed seven working days. The members of the Syndicate shall accept Bids from the Bidders during the Bidding/Offer Period in accordance with the terms of the Syndicate Agreement.

(f) The Price Band has been fixed at Rs. 275 to Rs. 330 per Equity Share. The Bidders can bid at any price within the Price Band, in multiples of Re. 1 (Rupee One). In accordance with the SEBI DIP Guidelines, our Company, in consultation with the BRLMs and in consultation with or upon approval of the Selling Shareholders, reserves the right to revise the Price Band during the Bidding Period. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band.

(g) In case the Price Band is revised, the Bidding/Offer Period may be extended, if required, by an additional three days, subject to the total Bidding/Offer Period not exceeding 10 working days. The revised Price Band and Bidding/Offer Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, and by issuing published in two national newspapers (one each in English and Hindi) and a regional language newspaper of wide circulation in the place where our Registered Office is situated and also by indicating the change on the websites of the BRLMs and at the terminals of the members of the Syndicate.

(h) We, in consultation with the BRLMs, can finalise the Offer Price within the Price Band, without the prior approval of, or intimation to, the Bidders.

Method and Process of Bidding

(a) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details, see the section titled "Offer Procedure - Bids at Different Price Levels" on page 175) within the Price Band and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Offer Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Offer Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.

(b) The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to a member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in the Offer. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the section titled "Offer Procedure - Build up of the Book and Revision of Bids" on page 176.

(c) The members of the Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip ("**TRS**"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.

(d) During the Bidding Period, Bidders may approach a member of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the Bids, subject to the terms of the Syndicate Agreement and this Red Herring Prospectus.

(e) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph titled "Offer Procedure - Terms of Payment" on page 178.

Bids at different price levels and Revision of Bids

(a) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB Bidders and Non Institutional Bidders and such Bids from QIB Bidders and Non Institutional Bidders shall be rejected.

(b) Retail Individual Bidders who bid at Cut-off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding only at Cut-Off Price 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, who Bid at Cut-off Price (i.e. the total number of Equity Shares allocated in the Offer multiplied by the Offer Price), such Bidders, who Bid at Cut-off Price, shall receive the refund of the excess amounts from the Escrow Account or the Refund Account, as the case may be.

(c) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders, who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band (such that the total amount i.e. original Bid Amount plus additional payment does not exceed Rs. 100,000 if the Bidder wants to continue to bid at Cut-off Price), with the member of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 100,000, the Bid by a Retail Individual Bidder will be considered for allocation under the Non-Institutional Portion in terms of this Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Offer Price is higher than the Cap Price prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of allotment, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

(d) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders, who have bid at Cut-off Price, could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account or the Refund Account, as the case may be.

(e) In the event of any revision in the Price Band, whether upwards or downwards, the minimum Bid Amount payable shall continue to remain in the range of Rs. 5,000 to Rs. 7,000.

(f) During the Bidding/Offer 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 during the Bidding/Offer Period using the printed Revision Form which is a part of the Bid cum Application Form.

(g) Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the Revision Form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed in the Revision Form. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.

(h) The Bidder can make revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid.

(i) Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.

(j) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of upward revision of the Bid at the time of one or more revisions by the QIB Bidders.

(k) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.

Bids and revisions of Bids must be:

(a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white coloured for Resident Indians and non residents applying on a non repatriation basis and blue coloured for Eligible NRIs applying on a repatriation basis and FIIs).

(b) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).

(c) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form.

(d) The Bids from the Retail Individual Bidders must be for a minimum of 20 Equity Shares and in multiples of 20 Equity Shares thereafter subject to a maximum Bid Amount of Rs. 100,000.

(e) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares in multiples of 20 Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 20 Equity Shares. Bids cannot be made for more than the Offer. 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) 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.

(g) Bids by Eligible NRIs on a repatriation basis and FIIs shall be in the names of individuals or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding Eligible NRIs) or their nominees.

Bids by Mutual Funds

A separate Bid can be made in respect of each scheme of a Mutual Fund and such Bids shall not be treated as multiple Bids; see the description under the heading "Multiple Bids", below.

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Funds Portion. In the event that the demand is greater than 64,527 Equity Shares, allocation shall be made to Mutual Funds on proportionate basis to the extent of the Mutual Funds portion. The remaining demand by Mutual Funds shall, as part of the aggregate demand by QIB Bidders, be made available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Funds Portion.

The Bids made by the asset management companies or custodian of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. 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 for which the Bid has been made.

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 equity shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No Mutual Fund under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights.

The above information is given for the benefit of the Bidders. Our Company, the Selling Shareholders and the BRLMs, are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

Bids by Eligible NRIs

Eligible NRI Bidders to comply with the following:

1. Individual Eligible NRIs can obtain the Bid cum Application Forms from our Registered Office, members of the Syndicate or the Registrar to the Offer.

2. Eligible NRI Bidders may note that only such Bids as are accompanied by payment in free foreign exchange shall be considered for allotment. Eligible NRIs who intend to make payment through NRO accounts shall use the Bid cum Application Form meant for resident Indians (white in color).

Bids by FIIs:

As per the current regulations, the following restrictions are applicable for investments by FIIs:

The Offer of Equity Shares to a single FII should not exceed 10% of our post-Offer issued capital (i.e. 10% of 10,000,000 Equity Shares) Equity Shares. In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. Under the current foreign investment policy applicable to us foreign equity participation up to 100% is permissible under the automatic route. As of now, the aggregate FII holding in our Company cannot exceed 24% of our total issued capital. However, 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 sectoral cap as prescribed in the FDI policy. As on this date, no such resolution has been recommended to the shareholders of our Company for adoption.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended, an FII or its sub account may issue, deal or hold, off shore derivative instruments such as participatory notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of “know your client” requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

Bids and revision of the Bids by Eligible NRIs and FIIs must be made:

1. 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.
2. In a single name or joint names (not more than three and in the same order as their Depository Participant details).
3. Eligible NRIs for a Bid Amount of up to Rs. 100,000 would be considered under the Retail portion for the purposes of allocation and for a Bid Amount of more than Rs. 100,000 would be considered under Non-Institutional Bidder’s portion for the purposes of allocation. Other Non-Resident Bidders must Bid for a minimum of such number of Equity Shares and in multiples of 20 thereafter that the Bid Amount exceeds Rs. 100,000. For further details, see the section titled “Offer Procedure - Maximum and Minimum Bid Size” on page 173.
4. Bids by Eligible NRIs on a repatriation basis and FIIs shall be in the names of individuals or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding Eligible NRIs) or their nominees.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only, net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company and the Selling Shareholders 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 and they will be treated on the same basis with other categories for the purpose of allocation.

As per the existing policy of the Government of India, OCBs cannot participate in the Offer. Further, NRIs, who are not Eligible NRIs, are not permitted to participate in the Offer.

The above information is given for the benefit of the Bidders. Our Company, the Selling Shareholders and the BRLMs, are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Red Herring Prospectus. Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

PAYMENT INSTRUCTIONS

Escrow Mechanism

Our Company, the Selling Shareholders and the members of the Syndicate shall open Escrow Accounts with the Escrow Collection Banks for collection of Margin/Bid Amounts payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Offer. The Escrow Collection Banks will act in terms of this Red Herring Prospectus and the 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 Offer Account with the Banker(s) to the Offer. The balance amount after transfer to the Offer Account shall be held for the benefit of the Bidders who are entitled for refunds. Payments of refunds to the Bidders shall also be made from the Refund Account(s) with the Refund Banker(s) as per the terms of the Escrow Agreement and this Red Herring Prospectus. Bankers to the Offer have been appointed in all mandatory collection centres as specified in the SEBI DIP Guidelines.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between us, the Selling Shareholders, the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Offer to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Accounts

Each Bidder shall pay the applicable Margin Amount at the time of submission of the Bid cum Application Form by way of a cheque or demand draft in favour of the Escrow Account as per the below terms. For details of the payment methods for application under the Offer, see the section titled "The Offer – Payment Methods" on page 178:

(a) The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Offer from the Escrow Account, as per the terms of the Escrow Agreement, into the Offer Account. The balance amount after transfer to the Offer Account shall be transferred to the Refund Account.

(b) Each category of Bidders i.e. QIB Bidders, Non Institutional Bidders and Retail Individual Bidders would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form by way of a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) and submit the same to the member of the Syndicate to whom the Bid is being submitted. (For details, see the section titled "Issue Procedure - Payment Instructions" on page 178). The Margin Amount payable by each category of Bidders is mentioned in the section titled "Offer Structure" on page 169. Bid cum Application Forms accompanied by cash 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.

(c) 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 Offer Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled.

(d) 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 Transfer, will be refunded to such Bidder in terms of this Red Herring Prospectus. Any expense incurred by our Company on behalf of the Selling Shareholders with regard to refunds, interest for delays, etc for the Equity Shares being offered through the Offer, will be reimbursed by the Selling Shareholders to our Company.

(e) The payment instruments for payment into the Escrow Account should be drawn in favour of:

    (i) In case of resident QIB Bidders: **"Escrow Account-ICRA Public Offer-QIB-R"**.

    (ii) In case of non-resident QIB Bidders: **"Escrow Account-ICRA Public Offer-QIB-NR"**.

(iii) In case of other resident Bidders: **"Escrow Account-ICRA Public Offer-R"**.

(iv) In case of Eligible NRIs Bidders: **"Escrow Account-ICRA Public Offer-NR"**.

(f) In case of Bids by Eligible NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in NRE accounts or FCNR accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE or FCNR account.

(g) 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 bank certificate confirming that the draft has been issued by debiting to a Special Rupee Account.

(h) Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Refund Account.

(i) The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Public Offer Account.

(j) On the Designated Date and not later than 15 days from the Bid/Offer Closing Date, the Refund Banks shall refund all amounts payable to unsuccessful Bidders and the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.

(k) 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 banker's clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/stockinvest/money orders/postal orders will not be accepted.

Payment by Stockinvest

In terms of the Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn.

Electronic registration of Bids

(a) The members of the Syndicate will register the Bids using the on-line facilities of the NSE and the BSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.

(b) The NSE and the BSE will offer a screen-based facility for registering Bids for the Offer. This facility will be available on the terminals of the members of the Syndicate and their authorized agents during the Bidding/ Offer Period. The members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a regular basis. On the Bid / Offer Closing Date, the members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges.

(c) The aggregate demand and price for Bids registered on the electronic facilities of the NSE and the BSE will be displayed on-line at all bidding centers and at the websites of the NSE and the BSE. A graphical representation of consolidated demand and price would be made available at the bidding centers during the Bidding Period.

(d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

- Name of the Bidder(s): Bidder(s) should ensure that the name given in the Bid cum Application Form is exactly the same as the name in which the depositary account is held. In case the Bid cum Application Form is submitted in joint names, investors should ensure that the depository account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form;

- Investor category – individual, corporate, or Mutual Fund etc.
- Numbers of Equity Shares bid for
- Bid price
- Bid cum Application Form number
- Whether Margin Amount, as applicable, has been paid upon submission of Bid cum Application Form
- Depository Participant Identification Number and Client Identification Number of the beneficiary account of the Bidder.

(e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or our Company.

(f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(g) Incase of QIB Bidders, members of the Syndicate have the right to accept the bid or reject it. A rejection can be made only at the time of receiving the bid and only after assigning a reason for such rejection in writing. In case on Non-Institutional Bidders and Retail Individual Bidders, Bids should not be rejected except on the technical grounds as listed on page 186.

(h) It is to be distinctly understood that the permission given by the NSE and the 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 or the BRLMs are cleared or approved by the NSE and the BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our management or any scheme or project of our Company.

(i) It is also to be distinctly understood that the approval given by the NSE and the BSE should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the NSE and the BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that our Equity Shares will be listed or will continue to be listed on the NSE and the BSE.

(j) Only Bids that are uploaded on the Online IPO system of the NSE and BSE shall be considered for allocation. In case of discrepancy of data between the NSE or the BSE and the members of the Syndicate, the decision of the BRLMs, based on the physical records of Bid cum Application Forms, shall be final and binding on all concerned.

Price Discovery and Allocation

(a) After the Bid/ Offer Closing Date, the BRLMs will analyse the demand generated at various price levels.

(b) We, in consultation with the BRLMs shall finalise the Offer Price and the number of Equity Shares to be allocated in each investor category.

(c) The allocation under the Offer shall be on proportionate basis, in the manner specified in the SEBI DIP Guidelines and this Red Herring Prospectus and in consultation with Designated Stock Exchange.

(d) Under-subscription, if any, in any category of the Offer, would be allowed to be met with spill over from any of the other categories at the discretion of our Company in consultation with the BRLMs. However, if the aggregate demand by Mutual Funds is less than 64,527 Equity Shares, the balance Equity Shares available for allocation in the Mutual Funds Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders.

(e) The BRLMs shall notify the other members of the Syndicate of the Offer Price once the same is finalized. In the event that the aggregate demand in the QIB Portion has been met, under-subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company in consultation with the BRLMs and the Designated Stock Exchange.

(f) Our Company reserves the right to cancel the Offer any time after the Bid/ Offer Opening Date but before the Transfer without assigning any reasons whatsoever.

(g) Allocation to FIIs and Eligible NRIs applying on repatriation basis will be subject to the applicable laws.

(h) In terms of the SEBI DIP Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/ Offer Closing Date.

Signing of Underwriting Agreement and RoC Filing

(a) We, the Selling Shareholders, the BRLMs and the Syndicate Members shall enter into an Underwriting Agreement upon finalisation of the Offer Price.

(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 Offer Price and Offer size and would be complete in all material respects.

(c) We will file a copy of the Prospectus with the RoC in terms of Section 56, Section 60, and Section 60B of the Companies Act.

(d) After filing of the Prospectus with the RoC, a statutory advertisement will be issued by our Company in widely circulated English and Hindi national newspaper and a newspaper in Hindi with wide circulation in New Delhi i.e., the place where our Registered Office is situated. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Offer Price. Any material updates between the date of this Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of CAN

(a) Upon approval of the basis of Transfer by the Designated Stock Exchange, the BRLMs or the Registrar to the Offer shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Offer. The approval of the basis of allocation by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail and Non-Institutional Bidders. Investors should note that our Company shall ensure that the demat credit of Equity Shares pursuant to Transfer shall be made on the same date to all investors in the Offer;

(b) The BRLMs or members of the Syndicate would then send the CAN to their Bidders who have been allocated Equity Shares in the Offer. The dispatch of CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Offer Price for all the Equity Shares allocated to such Bidder. Those Bidders who have paid the Margin Amount into the Escrow Account at the time of bidding shall pay the balance amount payable into the Escrow Account by the Pay-in Date specified in the CAN; and

(c) Such Bidders who have been allocated Equity Shares and who have already paid the Margin Amount for the said Equity Shares into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Offer subject, however, to realisation of their cheque or demand draft paid into the Escrow Accounts. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder.

(d) The issuance of CAN is subject to "Allotment Reconciliation and Revised CANs" as set forth below.

Allotment Reconciliation and Revised CANs

After the Bid/Offer Closing Date, an electronic book will be prepared by the Registrar to the Offer on the basis of Bid applications received. Based on the electronic book, QIBs will be sent a CAN indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Transfer, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar to the Offer. Subject to the SEBI DIP Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and the basis of Transfer as approved by the Designated Stock Exchange and specified in the physical book. As a result, a revised CAN may be sent to QIBs and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Offer Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

Designated Date and Allotment of Equity Shares

(a) Our Company will ensure that the Transfer of Equity Shares is done within 15 days of the Bid/Offer Closing Date. After the funds are transferred from the Escrow Account to the Offer Account and the Refund Account on the Designated Date, our Company would ensure the credit to the successful Bidders' depository accounts of the allotted Equity Shares to the allottees within two working days from the date of Transfer.

(b) As per the SEBI DIP Guidelines, **Equity Shares will be Transferred only in the dematerialised form to the allottees**. Allottees will have the option to re-materialise the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to the Offer.

PAYMENT OF REFUND

Mode of making refunds

The payment of refund, if any, would be done through the following various modes:

1. ECS – Payment of refund would be done through ECS for applicants having an account at any of the following fifteen centres: Ahmedabad, Bangalore, Bhubaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for applicants having a bank account at any of the abovementioned fifteen centres, except where the applicant, being eligible, opts to receive refund through NEFT, direct credit or RTGS.
2. NEFT– Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method. The Process flow in respect of refunds by way of NEFT is at an evolving stage hence use of NEFT is subject to operational feasibility, cost and process efficiency.
3. Direct Credit – Applicants having bank accounts with the Refund Banker(s) as mentioned in the Bid cum Application Form, shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company.
4. RTGS – Applicants having a bank account at any of the abovementioned fifteen centres and whose refund amount exceeds Rs. 1 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid-cum-application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.
5. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be despatched under certificate of posting for value up to Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Please note that only Bidders having a bank account at any of the 15 centres where the clearing houses for the ECS are managed by the RBI are eligible to receive refunds through the modes stated above. For all the other Bidders, including Bidders who have not updated their bank particulars, alongwith the nine-digit MICR code, the refund orders shall be dispatched "Under Certificate of Posting" for refund orders less than Rs. 1,500 and through speed post/registered post for refund orders exceeding Rs. 1,500.

GENERAL INSTRUCTIONS

Do's:

(a) Check if you are eligible to apply.

(b) Read all the instructions carefully and complete the Bid cum Application Form (white or blue in colour) as the case may be.

(c) Ensure that the details about your Depository Participant and beneficiary account are correct and the beneficiary account is activated 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 member of the Syndicate.

(e) Ensure that you have been given a TRS for all your Bid options.

(f) Submit Revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS.

(g) Where Bid(s) is/are for Rs. 50,000 or more, each of the Bidders, should mention their PAN allotted under the I.T. Act. The copies of the PAN card or PAN allotment letter should be submitted with the Bid cum Application Form. If you have mentioned "Applied For" or "Not Applicable", in the Bid cum Application Form in the section dealing with PAN number, ensure that you submit Form 60 or 61, as the case may be, together with permissible documents as address proof.

(h) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form.

(i) Ensure that the Demographic Details are updated, true and correct, in all respects.

Don'ts:

(a) Do not Bid for lower than the minimum Bid size.

(b) Do not Bid/revise Bid price for less than Floor Price or higher than the Cap Price.

(c) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate.

(d) Do not pay the Bid amount in cash, by money order or by postal order or by stockinvest.

(e) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only.

(f) Do not Bid at Cut-off Price (for QIB Bidders and Non-Institutional Bidders).

(g) Do not fill up the Bid cum Application Form such that the Equity Shares bid for exceeds the Offer size and/or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations.

(h) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.

Bidder's Depository Account Details and Bank Account Details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THE EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name and identification number and beneficiary account number provided by them in the Bid cum Application Form, the Registrar to the Offer will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders or give credit through ECS, direct credit, RTGS or NEFT, 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 CANs/Allocation Advice and printing of Bank particulars on the refund orders or for refunds through electronic transfer of funds, as applicable. The Demographic Details given by Bidders in the Bid cum Application Form would not be used for any other purpose by the Registrar to the Offer.

By signing the Bid cum Application Form, the Bidder would deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Offer, the required Demographic Details as available on its records.

In case of Bidders receiving refunds through electronic transfer of funds, delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Company, the Selling Shareholders, the Registrar, Escrow Collection Bank(s) nor the BRLMs shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the DP ID and the beneficiary account number, then such Bids are liable to be rejected.

Our Company, in its absolute discretion, reserves the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice/ refunds through electronic transfer of funds, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. The Company or the Selling Shareholders will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

Bidder's Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name and identification number and the beneficiary account number provided by them in the Bid cum Application Form, the Registrar to the Offer will obtain from the Depository the details of the Bidder's bank account. These bank account details would be printed on the refund order, if any, to be sent to Bidders or used for sending the refunds through ECS, direct credit, RTGS or NEFT. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLMs nor the Selling Shareholders shall have any responsibility and undertake any liability for the same.

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, our Company reserves the right to reject such Bids in whole or in part, without assigning any reasons therefor.

In case of the 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 reject such Bid.

In case of the Bids made pursuant to a power of attorney by Mutual Funds, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to reject such Bid in whole or in part, without assigning any reasons therefor.

We, in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application Form, subject to such terms and conditions that we or the BRLMs may deem fit.

Bids made by Insurance Companies

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, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

Bids made by Provident Funds

In case of Bids made by provident funds with minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with minimum corpus of Rs. 250 million, a certified copy of 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, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

SUBMISSION OF BID CUM APPLICATION FORM

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts equivalent to the Margin Amount shall be submitted to the members of the Syndicate at the time of submission of the Bid.

Separate receipts shall not be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection center of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in case of Individuals

Bids may be made in single or joint names (not more than three). In case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communication will be addressed to the first Bidder and will be dispatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In this regard, the procedures which would be followed by the Registrar to the Offer to detect multiple applications are given below:

1. All applications with the same name and age will be accumulated and taken to a separate process file which would serve as a multiple master.
2. In this master, a check will be carried out for the same PAN. In cases where the PAN is different, the same will be deleted from this master.
3. The Registrar will obtain, from depositories, details of the applicants' address based on the DP ID and Beneficiary Account Number provided in the Bid-cum-Application Form and create an address master.
4. The addresses of all the applicants in the multiple master will be strung from the address master. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of addresses and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the application processed. A print-out of the addresses will be taken to check for common names. The application with same name and same address will be treated as multiple applications.

5. The applications will be scrutinized for their DP ID and Beneficiary Account Numbers. In case applications bear the same DP ID and Beneficiary Account Numbers, these will be treated as multiple applications.

6. Subsequent to the aforesaid procedures, a print out of multiple master will be taken and applications physically verified to tally signatures as also father's/husband's names. On completion of this, the applications will be identified as multiple applications.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

The Company reserves the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

Permanent Account Number

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her PAN allotted under the I.T. Act. **The copy of the PAN card(s) or PAN allotment letter(s) is required to be submitted with the Bid cum Application Form. Applications without this information and documents will be considered incomplete and are liable to be rejected. I**t 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 of the Income Tax Rules, 1962), 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 of the Income Tax Rules, 1962), 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 licence (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 by a notification issued on December 1, 2004 by the Central Board of Direct Taxes, Department of Revenue, Ministry of Finance. All Bidders are requested to furnish, where applicable, the revised Form 60 or Form 61 as the case may be.**

Unique Identification Number ("UIN") - MAPIN

With effect from July 1, 2005, SEBI had decided to suspend all fresh registrations for obtaining UIN and the requirement to contain/quote UIN under the SEBI MAPIN Regulations/Circulars by its circular MAPIN/Cir-13/2005. However, in a recent press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UINs in a phased manner. The press release states that the cut off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs.100,000 to Rs.500,000 or more. The limit will be reduced progressively. For trade order value of less than Rs.500,000, an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of this Red Herring Prospectus and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations.

Grounds for Rejections

In case of QIB Bidders, our Company in consultation with BRLMs may reject Bid at the time of acceptance of Bid cum Application Form provided that the reasons for rejecting the same are provided to such Bidders in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, our Company would have a right to reject the Bids only on technical grounds.

Bidders are advised to note that Bids are liable to be rejected on, inter alia, the following technical grounds:

1. Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
2. Age of first Bidder not given;

3. In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no such partnership firm, shall be entitled to apply;
4. Bids by Non Residents, if compliance with the appropriate foreign and Indian laws;
5. Bids by persons not competent to contract under the Indian Contract Act, 1872, including minors and insane persons;
6. **PAN photocopy, PAN communication, Form 60 or Form 61 declarations alongwith documentary evidence in support of address given in the declaration, not given if Bid is for Rs. 50,000 or more;**
7. Bids for lower number of Equity Shares than specified for that category of investors;
8. Bids at a price less than lower end of the Price Band;
9. Bids at a price more than the higher end of the Price Band;
10. Bids at Cut-off Price by Non-Institutional Bidders and QIB Bidders;
11. Bids for number of Equity Shares, which are not in multiples of 20;
12. Category not ticked;
13. Multiple Bids as defined in this Red Herring Prospectus;
14. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
15. Bids accompanied by stockinvest/money order/postal order/cash;
16. Signature of sole and/or joint Bidders missing;
17. Bid cum Application Form does not have the stamp of the BRLMs or the Syndicate Members;
18. Bid cum Application Form does not have the Bidder's depository account details;
19. Bid cum Application Form is not delivered by the Bidder within the time prescribed as per the Bid cum Application Form and this Red Herring Prospectus and as per the instructions in this Red Herring Prospectus and the Bid cum Application Form;
20. 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 DP ID and the beneficiary account number;
21. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. For details see the section titled "Offer Procedure – Bids at Different Price Levels" on page 175;
22. Bids by OCBs;
23. Bids by US persons other than in reliance on Regulation S under the Securities Act;
24. Bids by QIBs not submitted through BRLMs or members of the Syndicate; and
25. Bids by any person resident outside India, if not in compliance with applicable foreign and Indian laws.

Equity Shares in dematerialised form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Shares in the Offer shall be allotted only in a dematerialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among our Company, the respective Depositories and the Registrar to the Offer:

a. an agreement dated September 23, 2006 between NSDL, us and Registrar to the Offer;
b. an agreement dated September 1, 2006 between CDSL, us and Registrar to the Offer.

All Bidders can seek Allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

(a) A Bidder applying for Equity Shares must have at least one beneficiary account with 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 with the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details with the Depository.

(e) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.

(f) The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.

(g) 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.

(h) The trading of the Equity Shares would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

COMMUNICATIONS

All future communication in connection with Bids made in the Offer should be addressed to the Registrar to the Offer quoting the full name of the sole or First Bidder, Bid cum Application Form number, details of Depository Participant, number of Equity Shares applied for, date of Bid cum Application Form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

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

Disposal of Investor Grievances by our Company

We estimate that the average time required by us or the Registrar to the Offer for the redressal of routine investor grievances shall be seven 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.

We have appointed Mr. Vijay Wadhwa as the Compliance Officer and he may be contacted in case of any pre-Offer or post-Offer-related problems. He can be contacted at the following address:

Mr. Vijay Wadhwa
Address: Building No 8,
2nd Floor, Tower-A,
DLF Cyber City,
Phase II,
Gurgaon 122 002,
Haryana,
Tel: + 91 124 4545 300,
Fax: + 91 124 4545 350
E-mail: ipo@icraindia.com

IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

"Any person who:

(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or

(b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years."

Basis of Allocation

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Offer Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Retail Individual Bidders will be made at the Offer Price.
- The Offer size less allocation to Non-Institutional Bidders and QIB Bidders shall be available for allocation to Retail Individual Bidders who have bid in the Offer at a price that is equal to or greater than the Offer Price.
- If the valid Bids in this category is for less than or equal to 903,385 Equity Shares at or above the Offer Price, full allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.
- If the valid Bids in this category are for more than 903,385 Equity Shares at or above the Offer Price, the allocation shall be made on a proportionate basis up to a minimum of 20 Equity Shares and in multiples of 20 Equity Shares thereafter. For the method of proportionate basis of allocation, refer below.

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Offer 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 Offer Price.
- The Offer size less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation to Non-Institutional Bidders who have bid in the Offer at a price that is equal to or greater than the Offer Price.
- If the valid Bids in this category is for less than or equal to 387,165 Equity Shares at or above the Offer Price, full allotment shall be made to Non-Institutional Bidders to the extent of their valid Bids.
- In case the valid Bids in this category are for more than 387,165 Equity Shares at or above the Offer Price, allocation shall be made on a proportionate basis up to a minimum of 20 Equity Shares and in multiples of 20 Equity Shares thereafter. For the method of proportionate basis of allocation refer below.

C. For QIB Bidders

- Bids received from the QIB Bidders at or above the Offer Price shall be grouped together to determine the total demand under this category. The Allotment to all the QIB Bidders will be made at the Offer Price.
- The Offer size less allocation to Non-Institutional Portion and Retail Portion shall be available for proportionate allocation to QIB Bidders who have bid in the Offer at a price that is equal to or greater than the Offer Price.
- However, eligible Bids by Mutual Funds only shall first be considered for allocation proportionately in the Mutual Funds Portion. After completing proportionate allocation to Mutual Funds for an amount of up to 64,527 Equity Shares (the Mutual Funds Portion), the remaining demand by Mutual Funds, if any, shall then be considered for allocation proportionately, together with Bids by other QIBs, in the remainder of the QIB Portion (i.e. after excluding the Mutual Funds Portion). For the method of allocation in the QIB Portion, see the paragraph titled "Illustration of Allotment to QIBs" appearing below. If the valid Bids by Mutual Funds are for less than 64,527 Equity Shares, the balance Equity Shares available for allocation in the Mutual Funds Portion will first be added to the QIB Portion and allocated

proportionately to the QIB Bidders. For the purposes of this paragraph it has been assumed that the QIB Portion for the purposes of the Offer amounts to 50% of the Offer size, i.e. 2,581,100 Equity Shares.

- Allotment shall be undertaken in the following manner:

  (a) In the first instance allocation to Mutual Funds for 5% of the QIB Portion shall be determined as follows:

    (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.

    (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full allotment to the extent of valid bids received above the Offer Price.

    (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available to all QIB Bidders as set out in (b) below;

  (b) In the second instance allocation to all QIBs shall be determined as follows:

    (i) In the event that the over-subscription in the QIB Portion, all QIB Bidders who have submitted Bids at or above the Offer Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.

    (ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.

    (iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

    Except for any Equity Shares allocated to QIB Bidders due to under-subscription in the Retail Portion and/or Non Institutional Portion, the aggregate allocation to QIB Bidders shall be made on a proportionate basis of up to 1,290,550 Equity Shares. For the method of proportionate basis of allocation refer below.

Illustration of Allotment to QIBs and Mutual Funds ("MF")

A. Offer details

Sr. No	Particulars	Offer details
1	Offer size	200 million Equity Shares
2	Allocation to QIB (up to 50% of the Offer)	100 million Equity Shares
	Of which:	
	a. Reservation For Mutual Funds, (5%)	5 million Equity Shares
	b. Balance for all QIBs including Mutual Funds	95 million Equity Shares
3	Number of QIB applicants	10
4	Number of Equity Shares applied for	500 million Equity Shares

B. Details of QIB Bids

S.No	Type of QIB bidders#	No. of shares bid for (in million)
1	A1	50
2	A2	20
3	A3	130
4	A4	50
5	A5	50
6	MF1	40
7	MF2	40
8	MF3	80
9	MF4	20
10	MF5	20
	TOTAL	**500**

 # A1-A5: (QIB Bidders other than Mutual Funds), MF1-MF5 (QIB Bidders which are Mutual Funds)

C. Details of Allotment to QIB Bidders/Applicants

(Number of equity shares in million)

Type of QIB bidders	Shares bid for	Allocation of 5 million Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 95 million Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
(I)	(II)	(III)	(IV)	(V)
A1	50	0	9.60	0
A2	20	0	3.84	0
A3	130	0	25.95	0
A4	50	0	9.60	0
A5	50	0	9.60	0
MF1	40	1	7.48	8.48
MF2	40	1	7.48	8.48
MF3	80	2	14.97	16.97
MF4	20	0.5	3.74	4.24
MF5	20	0.5	3.74	4.24
	500	**5**	**95**	**42.42**

Please note:

1. The illustration presumes compliance with the requirements specified in this Red Herring Prospectus in the section titled "Offer Structure" on page 169.
2. Out of 100 million Equity Shares allocated to QIBs, 5 million (i.e. 5%) will be allocated on proportionate basis among five Mutual Fund applicants who applied for 200 shares in the QIB Portion.

3. The balance 95 million Equity Shares [i.e. 100 - 5 (available for Mutual Funds only)] will be allocated on proportionate basis among 10 QIB Bidders who applied for 500 Equity Shares (including 5 Mutual Fund applicants who applied for 200 Equity Shares).
4. The figures in the fourth column titled "Allocation of balance 95 million Equity Shares to QIBs proportionately" in the above illustration are arrived as under:
   1. For QIBs other than Mutual Funds (A1 to A5)= Number of Equity Shares Bid for X 95/495
   2. For Mutual Funds (MF1 to MF5)= [(No. of shares bid for (i.e., in column II of the table above) less Equity Shares allotted (i.e., column III of the table above)] X 95/495
   3. The numerator and denominator for arriving at allocation of 95 million Equity Shares to the 10 QIBs are reduced by 5 million shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

Method of Proportionate basis of allocation in the Offer

In the event of the Offer being over-subscribed, the Company shall finalize the basis of Transfer in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLMs, and the Registrar to the Offer shall be responsible for ensuring that the basis of Transfer is finalized in a fair and proper manner.

Bidders will be categorized according to the number of Equity Shares applied for by them and the allotment shall be made on a proportionate basis as explained below.

(a) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

(b) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

(c) In all Bids where the proportionate allotment is less than 20 Equity Shares per Bidder, the allotment shall be made as follows:

- Each successful Bidder shall be allotted a minimum of 20 Equity Shares; and
- The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.

(d) If the proportionate allotment to a Bidder is a number that is more than 20 but is not a multiple of one (which is the market 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.

(e) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted Equity Shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS

We shall ensure dispatch of allotment advice, refund orders (except for Bidders who receive refunds through electronic transfer of funds) and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within 2 (two) working days of date of Allotment. 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 and adequate funds for this purpose shall be made available to the Registrar for this purpose. In case of Bidders, who receive refunds through ECS, direct credit, RTGS or NEFT, the refund instructions will be given to the clearing system and a suitable communication shall be sent to such Bidders within 15 days from the Bid/Offer Closing Date.

We shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven working days finalsation of the basis of Transfer.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI DIP Guidelines, we further undertake that:

- Transfer of Equity Shares shall be done only in dematerialised form within 15 (fifteen) days of the Bid / Offer Closing Date;
- dispatch of refund orders within 15 (fifteen) days of the Bid/Offer Closing Date would be ensured; and
- we shall pay interest at 15% (fifteen) per annum (for any delay beyond the 15 (fifteen)-day time period as mentioned above), if Allotment is not made and refund orders are not dispatched and/or demat credits are not made to investors within the 15 (fifteen)-day time prescribed above as per the guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI DIP Guidelines.

Save and except refunds effected through an electronic mode, refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Undertaking by our Company

We undertake as follows:

- that the complaints received in respect of the Offer shall be attended to by us 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 finalisation of the basis of Transfer;
- that the funds required for dispatch of refund orders or allotment advice as per the modes disclosed shall be made available to the Registrar to the Offer by us;
- that the refund orders or allotment advice to the Eligible NRIs or FIIs shall be dispatched within the specified time;
- that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of the Bid/Offer Closing Date, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund; and
- that other than the Preferential Allotment, no further issue of Equity Shares shall be made till the Equity Shares transferred through this Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

Undertakings by the Selling Shareholders

Each of the Selling Shareholders undertake as follows:

- the Equity Shares being sold pursuant to the Offer are free and clear of any liens or encumbrances, and shall be transferred to the successful Bidders within the specified time; and
- that no further offer of Equity Shares shall be made till the Equity Shares offered through this Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

Utilisation of Offer proceeds

The Selling Shareholders shall not have recourse to the Offer proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

Withdrawal of the Offer

The Company, in consultation with the BRLMs, reserves the right not to proceed with the Offer at anytime including after the Bid/ Offer Opening Date, without assigning any reason thereof.

Restrictions on Foreign Ownership of Indian Securities

Foreign investment in Indian securities is regulated through the Industrial Policy and FEMA. While the Industrial Policy prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investments. Under the foreign direct investment policy credit rating agencies have been covered under the heads "NBFC" for which 100 % foreign direct investment under automatic route is permitted subject to certain minimum capitalization norms, *inter alia*, as set out below:

1. If foreign direct investment is less than 51%, US $ 0.5 million to be brought in upfront.
2. If foreign direct investment is more than 51% and upto 75%, US$ 5 million to be brought in upfront.
3. If foreign direct investment is more than 75% and upto 100%, US$ million, US $ 7.5 million to be brought in upfront and the balance in 24 months.

Subscription by Non-Residents

The Equity Shares have not been and will not be registered under the US Securities Act, 1933 (the "**Securities Act**") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. Persons" (as defined in Regulation S 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 outside the United States to certain Persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

There is no reservation for any FIIs or Eligible NRIs and such FIIs or Eligible NRIs will be treated on the same basis with other categories for the purpose of allocation.

As per the current regulations, the following restrictions are applicable for investments by FIIs:

No single FII can hold more than 10% of our post-Offer paid up capital (i.e. 10% of 10,000,000 Equity Shares).

In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. As of now, the aggregate FIIs holding in our Company cannot exceed 26% of the total issued capital of our Company.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of regulation 15A(1) of the SEBI (Foreign Institutional Investors) Regulations, 1995, an FII or its sub account may issue, deal or hold, offshore derivative instruments such as participatory notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "know your client" requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

As per the current regulations, the following restrictions are applicable for investments by SEBI registered VCFs and FVCIs:

The SEBI (Venture Capital) Regulations, 1996, and the SEBI (Foreign Venture Capital Investor) Regulation, 2000, prescribe investment restrictions on venture capital funds and foreign fund venture capital investors registered with SEBI. Accordingly, while the holding by any VCF in one company should not exceed 25% of the corpus of the VCF, a FVCI can invest its entire committed funds in a company. Further, VCF and FVCI can invest only up to one-third of the investible funds by way of subscription to an initial public offer.

As per the current regulations, OCBs cannot participate in the Offer.

The above information is given for the benefit of the Bidders. Our Company, the Selling Shareholders and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations. However, we shall update this Red Herring Prospectus and keep the public informed of any material changes in matters concerning our business and operations till the listing and commencement of trading of the Equity Shares.

MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF OUR COMPANY

Pursuant to Schedule II of the Companies Act and the SEBI DIP Guidelines, the main provisions of the Articles of Association relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares or debentures and/or on their consolidation/splitting are detailed below. Please note that each provision herein below is numbered as per the corresponding article number in the Articles of Association and capitalized/defined terms herein have the same meaning given to them in the Articles of Association.

SHARE CAPITAL

5. The authorised Share capital of the Company is Rs.150,000,000/- (Rupees one hundred and fifty million) divided into 15,000,000 (Fifteen million) equity Shares of Rs.10/- (Rupees ten) each capable of being increased or decreased in accordance with the Company's regulation and legislative provisions for the time being in force in that behalf.

9. Subject to the provisions of Section 80 any preference Shares may with the sanction of an Ordinary Resolution, be issued on the terms that they are, or at the option of the Company, are liable to be redeemed on such terms and in such manner as the Company before the issue of the Share may by resolution determine.

10. If at any time the Share capital is divided into different classes of Shares the rights attached to any class (unless otherwise provided by the terms of issue of the Shares of that class) may, subject to the provision of Section 106 and 107, and whether or not the Company is being wound up, be varied with the consent in writing of the holders of three fourth of the issued Shares of that class, or with the sanction of Special Resolution passed at a separate Meeting of holders of the Shares of that class. To every such separate Meeting, the provisions of these regulations relating to General Meetings shall mutatis mutandis apply, but so that the necessary quorum shall be five persons at least holding or representing by Proxy one third of issued Shares of the class in question.

11. The rights conferred upon the holders of the Shares of any class issued with preferential or other rights shall not, unless otherwise expressly provided by the terms of issue of the Shares of that class, be deemed to be varied by the creation or issue of further Shares ranking pari passu therewith.

12. Except as required by law, no person shall be recognized by the Company as holding any Share upon trust, and the Company shall not be bound by, or be compelled in any way to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any Share or any interest in any fractional part of a Share, or (except only as by these regulations or by law otherwise provided) any other rights in respect of any Share except an absolute right to the entirety thereof in the registered holder.

SHARES

18. Subject to the provisions of Section 81 of the Act and these presents, the Shares in the capital of the Company for the time being shall be under the control of the Board who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the Company in the General Meeting to give to any person or persons the option or right to call for any Shares either at par or premium during such time and for such consideration as the Board think fit, and may issue and allot Shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered to the Company in the conduct of its business and any Shares which may so be allotted may be issued as fully paid up Shares and if so issued, shall be deemed to be fully paid Shares. Provided that option or right to call for Shares shall not be given to any person or persons without the sanction of the Company in the General Meeting. Fully paid up Shares may also be allotted to minors through their guardian.

19. An application signed by or on behalf of an applicant for Shares in the Company followed by an allotment of any Shares therein, shall be an acceptance of Shares within the meaning of these Articles and every person who, thus or otherwise agrees to accept in writing the Shares and whose name is entered on the Register shall for the purpose of these Articles, be a shareholder.

20. If, by the conditions of allotment of any Shares, the whole or a part of the amount or issue price thereof shall be payable by installments, every such installment shall, when due, be paid to the Company by the person who, for the time being

and from time to time shall be the registered holder of the Shares of his heirs, executors, administrators and legal representatives.

21. Every Member or his heirs, executors, assignees or other representatives shall pay to the Company the portion of the capital represented by his Share or Shares which may for the time being remain unpaid thereon, in such amounts at such time or times and in such manner as the Board shall, from time to time, in accordance with the Company's regulations require or fix for the payment thereof and so long as any moneys are due, owing and unpaid to the Company by any Member on any account. Howsoever, such Member in default shall not be entitled at the option of the Board, to exercise any rights or privileges available to him.

22. If any Shares stand in the name of two or more persons, the one first named in the Register shall as regards receipt of dividend bonus or service of notice and all or any other matters connected with the Company, except voting at Meetings and the transfer of Shares, be deemed the sole-holder thereof but joint – holder of Shares shall be severally as well as jointly liable for the payment of the installments and calls in respect of such Shares and for all incidents thereof according to the Company's regulations.

23. Where at the time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of Shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further Shares either out of the unissued capital or out of the increased Share capital then:

    (a) Such further Shares shall be offered to the persons who at the date of the offer, are holders of the equity Shares of the Company, in proportion, as near as circumstances admit, to the capital paid up on these Shares at the date;

    (b) Such offer shall be made by a notice specifying the number of Shares offered and limiting a time not less than thirty days from the date of the offer and the offer if not accepted, will be deemed to have been declined;

    (c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the Shares offered to them in sub clause (b) hereof shall contain a statement of this right. Provided that the Board may decline, without assigning any reason to allot any Shares to any person in whose favour any Member may renounce the Shares offered to him;

    (d) After expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is giving that he declines to accept the Shares offered, the Board may dispose off them in such manner and to such person(s) as they may think, in their sole discretion, fit.

24. Notwithstanding anything contained in Article 23 thereof, the further Shares aforesaid may be offered to any person (whether or not those persons include the persons referred to in clause (a) of Article 23 hereof in any manner whatsoever.

    (a) If a Special Resolution to that affect is passed by the Company in General Meeting, or

    (b) Where no such Special Resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the General Meeting (including the casting vote, if any, by the Chairman) by the Members who, being entitled to do so, 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 in this behalf that the proposal is most beneficial to the Company.

25. Nothing in Article 23 (c) hereof shall be deemed:

    (a) To extend the time within which the offer should be accepted; or

    (b) To authorise any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the Shares comprised in the renunciation.

26. Nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debenture issued or loans raised by the Company.

    (a) To convert such debentures or loans into Shares in the Company; or

    (b) To subscribe for Shares in the Company (whether such option is conferred in these Articles or otherwise)

Provided that the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

(i) either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with rules, if any, made by that government in this behalf; and

(ii) in the case of debentures or loans or other than debentures issued to or loans obtained from Government or any institution specified by the Central Government in this behalf, has also been approved by a Special Resolution passed by the Company in General Meeting before the issue of the debentures or raising of the loans.

27. Any unclassified Shares (whether forming part of the original capital or any increased capital of the Company) may subject to the provisions of the Act and these presents, be issued either with the sanction of the Company in General Meeting or by the Directors and upon such terms and conditions and with such rights and privileges annexed thereto as by the General Meeting sanctioning the issue of such Shares be directed and, if no such direction be given, and in all other cases, as the Directors shall determine; and in particular such Shares may be issued with a preferential or qualified right to dividends and in distribution of the assets of the Company and any preference Shares may be issued on the terms that they are or at the option of the Company are to be liable to be redeemed, provided however that:-

(a) no Shares shall be issued pursuant to this Article without the sanction of the Company in General Meeting unless they shall, subject to the provisions of Section 81 of the Act, be offered to the persons who are holders of equity Shares of the Company in proportion, as nearly as circumstances admit to the capital paid up on those equity Shares; and

(b) no unclassified Shares shall, without the sanction of the Company in General Meeting, be issued as preference Shares if the aggregate nominal amount of issued preference Shares would thereby exceed the aggregate nominal amount of the issued equity Shares of the Company.

28. Where any calls for further Share capital are made on Shares, such calls shall be made on a uniform basis on all Shares falling under the same class. For the purposes of this Article, Shares of the same nominal value on which different amounts have been paid up shall not be deemed to fall under the same class.

29. Except to the extent permitted by Section 77 of the Act, no part of the funds of the Company shall be employed in the purchase of or lent on the security of the Shares of the Company.

30. Except as ordered by a court of competent jurisdiction or as provided by the Act, no notice of any trust, expressed or implied or constructive, shall be entered on the Register of Members or of debenture holders of the Company.

CALLS

33. Subject to the provisions of Section 91 of the Act, Board may, from time make calls upon the Members in respect of all moneys unpaid on the Shares (whether on account of the nominal value of the Shares or by way of premium) and not by conditions of allotment thereof made payable at fixed times. A call shall be deemed to have been made when the resolution of the Board authorizing such call was passed and may be required to be paid by installments.

34. No call shall exceed one-fourth of the nominal amount of a Share, or be made payable within one month after the last preceding call was payable. Each Member shall, subject to receiving at least fourteen days notice specifying the time or times and place of payment, pay to the Company, at the time or times and places so specified, the amount called on his Shares.

35. A call may be revoked or postponed at the discretion of the Board.

36. The joint holders of a Share shall be jointly and severally liable to pay all calls in respect thereof.

37. If the sum called in respect of a Share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest thereon from the day appointed for payment thereof to the time of actual payment at five percent per annum or at such lower rate, if any, as the Board may determine. The Board shall be at liberty to waive payment of any of such interest wholly or in part.

38. Any sum which by the terms of issue of a Share becomes payable on allotment or at any fixed date, whether on account of the nominal value of the Share or by way of premium, shall, for the purposes of these regulations, be deemed to be a call duly made and payable on the date on which by the terms of issue such sum becomes payable. In case of non –

payment of such sum, all the relevant provisions of these regulations 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.

39. The Board may, if it thinks fit, receive from any Member willing to advance the same, all or any part of the moneys uncalled and unpaid upon any Shares held by him, and upon all or any of the moneys so advanced, may (until the same would, but for such advance, become presently payable) pay interest at such rate not exceeding, unless the Company in General Meeting shall otherwise direct, six percent per annum, as may be agreed upon between the Board and the Member paying the sum in advance.

40. On the trial or hearing of any action or suit brought by the Company against any Member or his representatives for the recovery of any money claimed to be due to the Company in respect of his Shares, it shall be sufficient to prove that the name of the Member, in respect of whose Shares, the money is sought to be recovered appears entered on the Register as the holder, at or subsequently to the date at which the money is sought to be recovered, is alleged to have become due on the Shares in respect of such money is sought to be recovered; that the resolution making the call is duly recorded in the minute book; and that notice of such call was duly given to the Member or his representatives used in pursuance of these Articles and that it shall not be necessary to prove the appointment of the Directors who made such call, nor that a quorum of Directors was present at the Board at which any call was made nor that the Meeting at which any call was made duly convened or constituted nor any other matters whatsoever, but the proof of the matter aforesaid shall be conclusive evidence of the debt.

41. Neither the receipt by the Company of a portion of any money which shall from time to time be due from any Member to the Company in respect of his Shares, either by way of principal or interest, nor any indulgence granted by the Company in respect of the payment of any such money, shall preclude the Company from thereafter proceeding to enforce a forfeiture of such Shares as hereinafter provided.

42. The Board may, if they think fit, subject to the provisions of Section 92 of the Act, agree to and receive from any Member willing to advance the same, all or any part of the accounts 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 Member paying the sum in advance and the Board agree upon. The Board may agree to repay at any time an amount 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 profit. No Member paying any such sum in advance shall be entitled to voting rights in respect of the moneys so paid by him until the same would but for such payment become presently payable. The provision of this Article shall mutatis mutandis apply to the calls on debentures.

LIEN

43. The Company shall have a first and paramount lien upon all the Shares/debentures (other than fully paid-up Shares/debentures) registered in the name of each Member (whether solely or jointly with others) and upon the proceeds of sale thereof, for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such Shares and no equitable interest in any Shares shall be created except upon the footing, and upon the condition that this Article is to have full effect. Any such lien shall extend to all dividends and bonuses from time to time declared in respect of such Shares. Unless otherwise agreed, the registration of a transfer of Shares shall operate as a waiver of the Company's lien, if any, on such Shares. The Board may at any time declare any Shares wholly or in part to be exempt from the provisions of this clause.

44. For the purpose of enforcing such lien, the Board may sell the Shares subject thereto in such manner as they shall think fit, and for that purpose may cause to be issued a duplicate certificate in respect of such Shares and may authorise one of their Member to execute a transfer thereof on behalf of and in the name of such Member. No sale shall be made until such period as aforesaid shall have arrived, and until notice in writing of the intention to sell shall have been served on such Member or his representatives and default shall have been made by him or them in payment, fulfillment, or discharge of such debts, liabilities or engagements for seven days after such notice.

45. The net proceeds of any such sale shall be received by the Company and applied in or towards payment of such part of the amount in respect of which the lien exists as is presently payable and the residue, if any, shall (subject to a like lien

for sums not presently payable as existed upon the Shares before the sale) be paid to the persons entitled to the Shares at the date of the sale.

FORFEITURE

46. If any Member fails to pay any call, or installment of a call, on the day appointed for the payment thereof, the Board may, at any time thereafter during such time as any part of the call or installment remains unpaid, serve a notice on such Member requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued.

47. The notice aforesaid shall name a further day (not being earlier than the expiry of fourteen days for the date of service of the notice) on or before which the payment required by the notice is to be made; and state that, in the event of non payment on or before the day so named, the Share in respect of which the call was made will be liable to be forfeited

48. If the requisitions on any such notice as aforesaid are not complied with, any Share in respect of which such notice has been given may, at any time thereafter, before payment of all calls or installments, interest and expenses, due in respect thereof, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited Share and not actually paid before the forfeiture subject to Section 205A of the Act.

49. Any Share so forfeited shall be deemed to be the property of the Company and the Board may, sell, re-allot or otherwise dispose of the same on such terms and in such manner as it thinks fit, subject to the same restrictions and conditions as for transfer of Shares provided by these Articles.

50. The Board may at any time before any Share so forfeited shall have been sold, re-allot or otherwise dispose of, cancel the forfeiture thereof upon such conditions as it thinks fit.

51. Any Member whose Shares have been forfeited shall, notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company all calls, installments, interests, expenses and other moneys 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 as may be prescribed by the Directors and the Directors may enforce the payment of the whole or a portion thereof if they think fit but shall not be under any obligation to do so.

52. A duly verified declaration in writing that the declarant is a Director, the manager or the secretary of the Company and that certain Shares in the Company, have been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the Shares. Where any Shares have been so forfeited, an entry of the forfeiture with the date thereof shall be entered into the Register of Members.

53. The Company may receive the consideration, if any, given for the Share on any sale or disposal thereof from any person the Board may appoint and nominate and execute a transfer of the Share in favour of the person to whom the Share is sold or disposed of. The transferee shall thereupon be registered as holder of the Share.

54. The transferee shall not be bound to see the application of the purchase money, if any, nor shall his title to the Share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the Shares.

55. Where any Member whose Shares have been forfeited has failed to deliver to the Company the relative certificate or certificates within fourteen days from the date of being called upon to do so, the Board may cause such certificate or certificates to be cancelled and issue a new certificate or certificates for the Shares comprised therein distinguishing it or them in such manner as the Board may think fit from the certificate or certificates not so delivered and cancelled.

56. The provisions of these regulations as forfeiture shall apply in the case of non-payment of any sum, which by the terms of issue of a Share becomes payable at a fixed time, whether on account of the nominal value of the Shares or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

CERTIFICATE OF SHARES

57. Every Member shall be entitled, without payment, to one or more certificates in marketable lots, for all the Shares of each class or denomination registered in his name, or if the Board so approves of one rupee or any other amount as the Board may determine for every certificate after the first) to several certificates, each for one or more of such Shares and the Company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within one months of the receipt of applications of registration

of transfer, transmission, sub-division, consolidation or renewal of any of its Shares as the case may be, every certificate of Shares shall be under the Seal of the Company and shall specify the number and distinctive numbers of Shares in respect of which it is issued and amount paid-up thereon and shall in such form as the Board may prescribe or approve, provided that in respect of a Share or Shares held jointly by several persons, the Company shall not be borne to issue more than one certificate and delivery of a certificate and delivery of a certificate of Shares to one of several joint holders shall be sufficient delivery to all such holder.

58. If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the Company, a new certificate may be issued in lieu thereof and if any certificate is lost or destroyed then upon proof thereof to the satisfaction of the Company and on execution of such indemnity as the Company deems adequate, being given, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate. Every certificate under this Article shall be issued without payment of fees if the Board so decides, or on payment of such fees (not exceeding Rs. 2/- for each certificate) as the Board shall prescribe. Provided that no fee shall be charged for issue of a new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement or transfer.

59. Provided that notwithstanding what is stated above, the Board shall comply with such Rules or Regulation or requirements of any stock exchange under the Act or the Rules made under the Securities Contracts (Regulation) Act, 1956 or any other Act, or Rules applicable in this behalf.

60. The provisions of these Articles shall mutatis mutandis apply to debentures of the Company.

TRANSFER AND TRANSMISSION OF SHARES

61. Every holder of Shares in, or debentures of the Company may at any time nominate, in the manner prescribed under the Act, a person to whom his Shares in or debentures of the Company shall vest in the event of death of such holder. Where the Shares in, or debentures of the Company are held by more than one person jointly, the joint holders may together nominate, in the prescribed manner, a person to whom all the rights in the Shares or debentures of the Company, as the case may be, held by them shall vest in the event of death of all joint holders.

    Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, or in these Articles, in respect of such Shares in or debentures of the Company, where a nomination made in the prescribed manner purports to confer on any person the right to vest the Shares in, or debentures of the Company, the nominee shall, on the death of the shareholders or holder of debentures of the Company or, as the case may be, on the death of all the joint holders become entitled to all the rights in the Shares or debentures of the Company to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner under the provisions of the Act.

    Where the nominee is a minor, it shall be lawful for the holder of the Shares or holder of debentures to make the nomination to appoint, in the prescribed manner under the provisions of the Act, any person to become entitled to the Shares in or debentures of the Company, in the event of his death, during the minority.

62. Any person who becomes a nominee by virtue of the provision of the Article 61, upon production of such evidence as may be required by the Board and subject as hereinafter provided, elect, either:

    (a) to be registered himself as holder of the Shares or debentures, as the case may be; or

    (b) to make such transfer of the Shares or debentures, as the case may be, as the deceased shareholder or debenture holder, as the case may be, could have made.

    If the nominee, so becoming entitled, elects himself to be registered as holder of the Shares or debentures, as the case may be, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects and such notice shall be accompanied with death certificate of the deceased shareholder or debenture holder and the certificate(s) of Shares or debentures, as the case may be, held by the deceased in the Company.

    Subject to the provisions of Section 109B(3) of the Act and these Articles, the Board may register the relevant Shares or debentures in the name of the nominee of the transferee as if the death of the registered holder of the Shares or debentures had not occurred and the notice or transfer were a transfer signed by that shareholder or debenture holder, as the case may be.

A nominee on becoming entitled to Shares or debentures by reason of the death of the holder, or joint holders shall be entitled to the same dividend and other advantages to which he would be entitled if he were the registered holder of the Share or debenture, except that he shall not before being registered as holder of such Shares or debentures, be entitled in respect of them to exercise any right conferred on a Member or debenture holder in relation to Meetings of the Company.

The Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the Shares or debentures, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses, interest or other moneys payable or rights accrued or accruing in respect of the relevant Shares or debentures, until the requirements of the notice have been complied with.

63. Subject to the provisions of Articles 61 and 62, any person becoming entitled to Shares in consequence of the death, lunacy, bankruptcy or insolvency of any Member, or by any lawful means other than by a transfer in accordance with These presents, may with the consent of the Board (which it shall not be under any obligation to give) upon producing such evidence that he sustains the character in respects of which he proposes to act under this Article of his title, as the holder of the Shares or elect to have some person nominated by him and approved by the Board, registered as such holder, provided nevertheless, that if such person shall elect to have his nominee registered he shall testify the election by executing to his nominee an instrument of transfer in accordance with the provisions herein contained and until he does so, he shall not be freed from any liability in respect of the Shares.

64. A person entitled to a Share by transmission shall, subject to the right of the Directors to retain such dividends or money as hereinafter provided, be entitled to receive and may give discharge for any dividends or other moneys payable in respect of the Share.

65. An instrument of transfer shall be in writing and all the provisions of Section 108 of the Act and of any statutory modification thereof for the time being, shall be duly complied with in respect of all transfer of Shares and the registration thereof.

66 Every instrument of transfer duly stamped must be accompanied by the certificate of Shares proposed to be transferred and such other evidence as the Board may require to prove the title of the transferor or his right to transfer the Shares.

67. No fee shall be charged for registration of transfer, transmission, probate, succession certificate and letters of administration, certificate of death or marriage, power of attorney or similar other document.

68. Every such instrument of transfer shall be executed both by transferor and the transferee and the transferor shall be deemed to remain the holder of such Share until the name of the transferee shall have been entered in the Register in respect thereof. The Board shall not issue or register a transfer of any Share in favour of a minor (except in cases when they are fully paid up).

69. The Board shall have power on giving seven days previous notice by advertisement in some newspaper circulating in the district in which the Office of the Company is situated to close the transfer books, the Register or Register of debenture holders at such time or times and for such period or periods, not exceeding thirty days at a time and not exceeding in the aggregate forty-five days in each year, as it may deem expedient.

70. The Company shall incur no liability or responsibility whatsoever in consequence of its registering or giving effect to any transfer of Shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register) to the prejudice of persons having or claiming any equitable right, title or interest to or in the said Shares, notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer, and may have entered such notice, or deferred thereto, in any book of the Company, and the Company shall not be bound or required to regard or attend or give effect to any notice which may be given to it of any equitable right tide or interest, or be under any liability whatsoever for refusing or neglecting so to do, though it may have been entered or referred to in some book of the Company; but the Company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereto, if the Board shall so think fit.

71. (a) Subject to the provisions of Section 111A of the Act, the Board may, at its own absolute and uncontrolled discretion and by giving reasons, decline to register or acknowledge any transfer of Shares whether fully paid or not and the right of refusal shall not be affected by the circumstances that the proposed transferee is already a Member of the Company, but in such case the Board shall within one month from the date on which the instrument

of transfer was lodged with the Company, send to the transferee and the transferor notice of the refusal to register such transfer provided that registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons, indebted to the Company on any account whatsoever, except when the Company has lien on Shares. The transfer of Shares or debentures in whatever lot shall not be refused.

(b) A Member intending to sell any Share or Shares shall give notice of his intention to the Board, who shall offer any such Shares to all the Members and may thereupon find one or more Members willing to purchase the same. This shall be done within one month of receipt of such notice.

(c) In case there are more than one purchaser's, they shall be entitled to purchase the Shares in proportion to their respective holdings in the Company on the date of such notice.

72. The price payable for the purchase of Shares, unless otherwise agreed, in such case shall be their fair value. This value will be determined by the Board.

73. In the event the Board fails to find a purchaser within the period, it shall register transfer of such Shares.

74. The right of pre-emption shall not be enforced in case of transmission or transfer of Shares in favour of the heirs of a Member or mother, father, brother, sister, daughter-in-law of a Member but shall apply if the transmission is in favour of third parties.

75. The Company shall keep at its Office the Register and therein shall firmly and distinctly enter the particulars of every transfer or transmission of Shares. Subject to the provisions of Section 154 of the Act, the Board shall have power to close the Register for such periods, not exceeding forty-five days in aggregate in a year and thirty days at any one time, as may seem expedient to them.

ALTERATION OF CAPITAL

76. The Company may, from time to time, in General Meeting increase its share capital by the creation of new Shares of such amount as it thinks expedient.

77. The new Shares (except such of them as shall be unclassified Shares, subject to the provisions of Article 27) shall, subject to the provisions of the Act and These presents, be issued upon such terms and conditions and with such rights and privileges annexed thereto as by the General Meeting creating the same 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 rights to dividends and in distribution of assets of the Company and any preference Shares may be issued on the terms that they are or at the option of the Company are to be liable to be redeemed.

78. The new Shares (resulting from an increase of capital as aforesaid) may, subject to the provisions of the Act and These presents, be issued or disposed of by the Company in General Meeting or by the Directors under their powers in accordance with the following provisions:-

(A) (a) Such new 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, the capital paid up on those Shares at that date;

(b) The offer aforesaid shall be made by notice specifying the number of Shares offered and limiting a time not being less than 15 days from the date of the offer, within which the offer, if not accepted, will be deemed to have been declined;

(c) The offer aforesaid shall be deemed to include a right exercisable by the persons concerned to renounce the Shares offered to him or any of them in favour of any other person; and the notice referred to in sub-clause (b) shall contain a statement of this right;

(d) After the expiry of 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 of Directors may dispose of them in such manner as they think most beneficial to the Company;

(B) Nothing in clause (c) of sub article (A) shall be deemed: -

(a) to extend the time within which the offer should be accepted; or

(b) to authorise any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the Shares comprised in the renunciation.

79. In addition to and without derogating from the powers for the purpose conferred on the Directors, the Company in General Meeting may in accordance with the provisions of Section 81 of the Act determine that any Shares (whether forming part of the original capital of the Company or not) shall be offered to such persons (whether Members or holders of debentures of the Company or not) in such proportion and on such terms and conditions and either at a premium or at par or (subject to compliance with the provisions of Section 79 of the Act) at a discount, as such General Meeting shall determine.

80. Except so far as otherwise provided by the conditions of issue or by These presents any capital raised by the creation of new Shares shall be considered part of the original capital and shall be subject to the provisions herein contained with reference to the payment of calls and installments, transfer and transmissions, forfeiture, lien, surrender, voting and otherwise.

81. On the issue of redeemable preference Shares the following provisions shall take effect.

(a) No such Shares shall be redeemed except out of the profits of the Company which would otherwise be available for dividend or out of the proceeds of a fresh issue of Shares made for the purposes of the redemption;

(b) No such Shares shall be redeemed unless they are fully paid up;

(c) The premium, if any, payable on redemption shall have been provided for out of the profits of the Company or out of the Company's Share premium account, before the Shares are redeemed;

(d) Where any such Shares are redeemed otherwise than out of the proceeds of a fresh issue there shall out of profits which would otherwise have been available for dividend be transferred to a reserve fund to be called "the Capital Redemption Reserve Account", a sum equal to the nominal amount of the Shares redeemed and the provisions of the Act relating to the reduction of the Share capital of a company shall except as provided under Section 80 of the Act or by these Articles apply as if the Capital Redemption Reserve Account were paid up Share capital of the Company;

(e) Subject to the provisions of Section 80 of the Act and this Article the redemption of preference Shares under These presents shall be effected in accordance with the terms and conditions of their issue and failing that in such manner as the Directors may think fit.

82. The Company may, from time to time, by Special Resolution reduce its Share capital (including the Capital Redemption Reserve Account, if any) in any way authorised by law and in particular may pay off any paid up Share capital upon the footing that it may be called up again or otherwise and may and if and so far as necessary alter its Memorandum by reducing the amount of its Share capital and of its Shares accordingly.

83. The Company may in General Meeting by Ordinary Resolution alter the conditions of its Memorandum as follows: -

(a) Consolidate and divide all or any of its Share capital into Shares of larger amount than its existing Shares.

(b) Sub-divide Shares or any of them into Shares of smaller amount than originally fixed by the Memorandum of Association subject nevertheless to the provisions of the Act in that behalf. Subject to These presents the resolution by which any Shares are sub-divided may determine that as between the holders of the Shares resulting from such sub-division one or more of such Shares may be given any preference or advantage or otherwise over the others or any other such Shares.

(c) Cancel Shares which at the date of such General Meeting have not been taken or agreed to be taken by any person and diminish the amount of the Shares so cancelled.

DIVIDENDS

93. The profits of the Company, subject to any special rights relating thereto created or authorized to be created by these Articles, and subject to the provisions of these Articles shall be divisible among the Members in proportion to the amount of capital paid-up on the Shares held by them respectively.

94. The Company in General Meeting may declare dividends to be paid to Members according to their respective rights, but no dividend shall exceed the amount recommended by the Board, but the Company in General Meeting may declare a smaller dividend.

95. No dividend shall be declared or paid otherwise than out of the profits of the financial year arrived at after providing for depreciation in accordance, with the provisions of Section 205 of the Act or out of the profits of the Company for any previous financial year or years arrived at after providing for depreciation in accordance with these provisions and remaining undistributed or out of both, provided that:

(a) if the Company has not provided for depreciation for any previous financial year or years, it shall, before declaring or paying a dividend for any financial year, provide for such depreciation out of the profits of the financial year or years.

(b) if the Company has incurred any loss in any previous financial year or years, the amount of the loss or any amount which is equal to the amount provided for depreciation for that year or those years whichever is less, shall be set off against the profits or the Company in the year for which the dividend is proposed to be declared or paid or against the profits of the Company for any previous financial year or years arrived at in both cases after providing for depreciation in accordance with the provisions of sub-section (2) of Section 205 of the Act, or against both.

96. The Board may, from time to time, pay to the Members such interim dividend as in their judgment, the position of the Company justifies.

97. Where capital is paid in advance of calls, such capital may carry interest but shall not in respect thereof confer a right to dividend or participate in profits.

100. No Member shall be entitled to receive payments of any interest or dividend in respect of his Share or Shares, while any money may be due or owing from him to the Company in respect of such Share or Shares or otherwise howsoever, either alone or jointly with any other person or persons and the Board may deduct from the interest or dividend payable to any Member all sums of money so due from him to the Company.

102. Unless otherwise directed, any dividend may be paid by cheque or warrant or by a pay-slip or receipt having the force of a cheque or warrant sent through the post to the registered address of the Member or person entitled or in case of joint-holders to that one of them first named in the Register in respect of the joint-holdings. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. The Company shall not be liable or responsible for any cheque or warrant or pay-slip or receipt lost in transmission, or for any dividend lost to the Member of person entitled thereto by the forged endorsement of any cheque or warrant or the forged signature of any pay-slip or receipt or the fraudulent recovery of the dividend by any other means.

106. Any debentures, bonds, or other Securities may be issued at a discount, premium or otherwise and may be issued on the condition that they shall be convertible into Shares of any denomination and with any privileges and conditions as to redemption, surrender, drawing, allotment of Shares, attending (but not voting) at General Meetings of the Company, appointment of directors and otherwise. Provided that debentures with a right of conversion into or allotment of Shares shall be issued only with sanction of the Company in General Meeting.

107. Debentures, debenture stock, bonds or other Securities may be assignable free from any equity between the Company and the person to whom the same may be issued.

108. Subject to the provision of Section 108 of the Act, no transfer of registered debentures shall be registered unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee has been delivered to the Company together with the certificate or certificates, of the debentures.

109. If the Board refuse to register the transfer of any debentures, the Company shall within two months from the date on which the instrument of transfer was lodged with the Company, send to the transferee and transferor notice of the refusal

JOINT HOLDERS

114. Where two or more persons are registered as the holders of any Share the person first named in the Register shall be deemed the sole holder for matters connected with the Company subject to the following and other provisions contained in these Articles:-

(a) The Company shall be entitled to decline to register more than 4 persons as the joint holders of any Share.

(b) The joint holders of any Share shall be liable severally as well as jointly for and in respect of all calls and other payments which ought to be made in respect of such Share.

(c) On the death of any such joint holders, the survivor or survivors shall be the only person or persons recognised by the Company as having any title to the Share but the Directors may require such evidence of death as they may deem fit and nothing herein contained shall be taken to release the estate of a deceased joint holder from any liability on Shares held by him jointly with any other person.

(d) Any one of such joint holders may give effectual receipts for any dividends or other moneys payable in respect of such Share.

(e) Only the person whose name stands first in the Register of Members as one of the joint holders of any Share shall be entitled to delivery of the certificate relating to such Share or to receive document from the Company and any notice given to or documents served on such person shall be deemed service on all the joint holders.

(f) Any one of two or more joint holders may vote at any Meeting either personally or by attorney or by Proxy in respect of such Shares as if he/ they were solely entitled thereto and if more than one of such joint holders be present at any Meeting personally or by Proxy or by attorney then that one of such persons so present those name stands first or higher (as the case may be) on the Register in respect of such Shares shall alone be entitled to vote in respect thereof but the other or others of the joint holders shall be entitled to be present at the Meeting provided always that a joint holder present at any Meeting personally shall be entitled to vote in preference to a joint holder present by attorney or by Proxy although the name of such joint holder present by attorney or Proxy stands first or higher (as the case may be) in the Register in respect of such Shares. Several executors or administrators of a deceased Member in whose (deceased Member's) sole name any Share stands shall for the purposes of this clause be deemed joint holders

GENERAL MEETINGS

116. (a) The first Annual General Meeting shall be held by the Company within 18 months of its incorporation.

(b) Subsequent Annual General Meetings of the Company shall be held in each calendar year and not more than 15 months shall elapse between the date of one Annual General Meeting and that of the next.

117. 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 either at the Registered Office of the Company or at some other place within the Union Territory of Delhi and the notices calling the Meeting shall specify it as the Annual General Meeting.

118. All General Meetings other than Annual General Meetings shall be called Extraordinary General Meetings.

119. (a) The Board of Directors may, whenever they think fit, and shall, on the requisition of such number of Members of the Company as is hereinafter specified, forthwith proceed to call an Extraordinary General Meeting of the Company and in case of such requisition the following provisions shall apply;

(b) The requisition shall set out the matters for the consideration of which the Meeting is to be called shall be signed by the requisitionists and shall be deposited at the Registered Office of the Company;

(c) The requisition may consist of several documents in like form, each signed by one or more requisitionists;

(d) The number of Members entitled to requisition a Meeting in regard to any matter shall be such number of them as hold at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company as at the date carries the right of voting in regard to that matter;

(e) Where two or more distinct matters are specified in the requisition, the provisions of sub-article (d) shall apply separately in regard to each such matter, and the requisition shall accordingly be valid only in respect of those matters in regard to which the condition specified in that sub-article is fulfilled;

(f) If the Board does not, within 21 days from the date of the deposit of a valid requisition in regard to any matters, proceed duly to call a Meeting for the consideration of those matters on a day not later than 45 days from the date of deposit of the requisition, the Meeting may be called by such of the requisitionists as represent either majority in value of the paid up Share capital held by all of them or not less than one-tenth of such of the paid up Share capital of the Company as is referred to in sub-article (d) whichever is less. However, for the purpose of this sub-article, the Directors shall, in the case of a Meeting at which a resolution is to be proposed as a Special Resolution give, such notice thereof as is required by the Act.

(g) A Meeting called under sub-article (f) by the requisitionist or any of them:-

(i) shall be called in the same manner, as nearly as possible, as that in which Meetings are to be called by the Board, but

(ii) shall not be held after the expiration of 3 months from the date of the deposit of the requisition; provided that nothing contained in this sub-clause

(iii) shall be deemed to prevent a Meeting duly commenced before the expiry of the period of 3 months aforesaid, from adjourning to some day after the expiry of that period;

(h) Where two or more persons hold any Shares or interest in the Company jointly, a requisition, or a notice calling a Meeting, signed by one or some only of them shall, for the purposes of this Article have same force and effect as if it had been signed by all of them;

(i) Any reasonable expenses incurred by the requisitionists by reason of the failure of the Board to call a Meeting shall be reimbursed to the requistionists by the Company; and any sum so reimbursed shall be retained by the Company out of any sums due or to become due from the Company by way of fees or other remuneration for their services to such of the Directors as were in default.

120 (a) A General Meeting of the Company may be called by giving not less than 21 days notice in writing;

(b) A General Meeting may be called after giving shorter notice than that specified in sub-article (a) if consent is accorded thereto: -

(i) in the case of an Annual General Meeting by all the Members entitled to vote thereat and

(ii) in the case of any other Meeting by Members of the Company holding not less than 95% (ninety five per cent) of such part of the paid-up Share capital of the Company as gives them a right to vote at the Meeting.

Provided that where any Members of the Company are entitled to vote only on some resolution or resolutions to be moved at a Meeting and not on the others, those Members shall be taken into account for the purposes of these sub-articles in respect of the former resolution or resolutions and not in respect of the latter.

121 (a) Every notice of a Meeting of the Company shall specify the place and the day and hour of the Meeting and shall contain a statement of the business to be transacted thereat;

(b) Notice of every Meeting of the Company shall be given:

(i) to every Member of the Company in any manner authorised by Section 53 of the Act;

(ii) to the persons entitled to a Share in consequence of the death or insolvency of a Member by sending it through the post in a prepaid letter addressed to them by name, or by the title of representatives of the deceased, or assignees of the insolvent or by any like description, at the address, if any, in India supplied for the purpose by the persons claiming to be so entitled or until such an address has been supplied, by giving the notice in any manner in which it might have been given if the death or insolvency had not occurred; and

(iii) to the Auditor or Auditors for the time being of the Company in any manner authrorised by Section 53 of the Act in the case of any Member or Members of the Company.

(c) The accidental omission to give notice to, or the non-receipt of notice by, any Member or other person to whom it should be given shall not invalidate the proceedings at the Meeting.

122. (a) In the case of an Annual General Meeting, all business to be transacted at the Meeting shall be deemed special, with the exception of business relating to:-

(i) the consideration of accounts, balance sheet and reports of the Board of Directors and Auditors;

(ii) the declaration of a dividend;

(iii) the appointment of Directors in the place of those retiring; and

(iv) the appointment of and the fixing of remuneration of the Auditors; and

(b) In the case of any other Meeting all business shall be deemed special.

(c) Where any items of business to be transacted at the Meeting are deemed to be special as aforesaid, there shall be annexed to the notice of the Meeting a statement setting out all material facts concerning each item of business, including in particular the nature of the concern or interest, if any, therein, of every Director, and the manager, if any.

Provided that where any item of special business as aforesaid to be transacted at a Meeting of the Company relates to, or affects any other company, the extent of shareholding interest in that other company of every Director, and the manager, if any, of the Company shall also be set out in the statement if the extent of such shareholding interest is not less than 20% (twenty per cent) of the paid-up capital of that other company.

(d) Where any item of business consists of the according of approval to any document by the Meeting, the time and place where document can be inspected shall be specified in the statement aforesaid.

123. (1) A resolution shall be an Ordinary Resolution when at a General Meeting of which the notice required under the Act has been duly given, the votes cast (whether on a show of hands, or on a poll, as the case may be), in favour of the resolution (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 resolution by Members so entitled and voting.

(2) A resolution shall be a Special Resolution when:-

(a) the intention to propose the resolution as Special Resolution has been duly specified in the notice calling the General Meeting or other intimation given to the Members of the resolution;

(b) the notice required under the Act has been duly given of the General Meeting; and

(c) the votes cast in favour of the resolution (whether on a show of hands, or on a poll as the case may be), by Members who, being entitled so to vote in person, or where proxies are allowed, by Proxy, are not less than 3 times the numbers of the votes, if any, cast against the resolution by the Members so entitled and voting.

124. (1) Where, by any provisions contained in the Act or in These presents, special notice is required of any resolution, notice of the intention to move the resolution shall be given to the Company not less than 14 days before the Meeting at which it is to be moved, exclusive of the day on which the notice is served or deemed to be served and the day of the Meeting.

(2) The Company shall immediately after the notice of the intention to move any such resolution has been received by it, give its Members notice of the resolution in the same manner as it gives notice of the Meeting, or if that is not practicable, shall give them notice thereof, either by advertisement in a newspaper having an appropriate circulation or in any other mode allowed by These presents, not less than seven days before the Meeting.

PROCEEDINGS AT GENERAL MEETING

125. Five Members personally present shall be a quorum for a General Meeting and no business shall be transacted at any General Meeting unless the requisite quorum is present at the commencement of the business.

126. No business shall be discussed at any General Meeting except the election of a Chairman whilst the chair is vacant.

127. The Chairman of the Directors shall be entitled to take the chair at every General Meeting. If there be no Chairman or if at any Meeting he shall not be present within fifteen minutes after the time appointed for holding such Meeting, or is unwilling to act, the Directors present may choose one of their Members to act as Chairman of the Meeting and in default of their doing so, the Members present shall choose one of the Directors to take the chair and if no Directors present be willing to take the chair, the Members present shall choose one of their number to be the Chairman of the Meeting.

128. If within half an hour after the time appointed for the holding of a General Meeting a quorum be not present the Meeting if convened on the requisition of shareholders shall be dissolved and in any other case shall stand adjourned to the same day in the next week, at the same time and place or to such other day and at such other time and place as the Directors may determine. If at such adjourned Meeting also a quorum be not present within half an hour from the time appointed for holding the Meeting the Members present shall be a quorum and may transact the business for which the Meeting was called.

129. The Chairman with the consent of Meeting may adjourn any Meeting, from time to time, and from place to place; but no business shall be transacted at any adjourned Meeting other than business which might have been transacted at the Meeting from which the adjournment took place. No notice of an adjourned Meeting shall be necessary to be given unless the Meeting is adjourned for more than 30 days.

130. At any General Meeting a resolution put to the vote of the Meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result on the show of hands) demanded in the manner hereinafter mentioned, and unless a poll is so demanded, a declaration by the Chairman that a resolution has, on a show of hands, been carried or carried unanimously, or by a particular majority, or lost and an entry to that effect in the book of the proceedings of the Company shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against such resolution.

131. (a) Before or on the declaration of the result of the voting on any resolution on a show of hands, a poll may be ordered to be taken by the Chairman of the Meeting of his own motion, and shall be ordered to be taken by him on a demand made in that behalf by the person or persons specified below that is to say:-

(i) by at least 5 Members having the right to vote on the resolution and present in person or by Proxy;

(ii) by any Member or Members present in person or by Proxy and having not less than one-tenth of the total voting power in respect of the resolution; or

(iii) by any Member or Members present in person or by Proxy and holding the Shares in the Company conferring a right to vote on the resolution, being the Shares on which an aggregate sum has been paid up which is not less than one-tenth of the total sum paid up on all the Shares conferring that right.

(b) The demand for a poll may be withdrawn at any time by the person who made the demand.

132. (a) If a poll is demanded on the election of a Chairman or on a question of adjournment, it shall be taken forthwith and without adjournment.

(b) A poll demanded on any other question shall be taken at such time not being later than 48 hours from the time when the demand was made, as the Chairman may direct.

133. On a poll taken at a Meeting of the Company, a Member entitled to more than one vote, or his Proxy or other person entitled to vote for him as the case may be, need not, if he votes, use all his votes or cast in the same way all the votes he uses.

134 (a) Where a poll is to be taken, the Chairman of the Meeting shall appoint two scrutineers to scrutinise the votes given on the poll and to report thereon to him;

(b) The Chairman shall have power, at any time before the result of the poll is declared, to remove a scrutineer from office and to fill vacancies in the office of the scrutineer arising from such removal or from any other cause;

(c) Of the two scrutineers appointed under this Article, one shall always be a Member (not being an officer or employee of the Company) present at the Meeting, provided that such a Member is available and willing to be appointed.

135. (a) Subject to the provisions of the Act, the Chairman of the Meeting shall have power to regulate the manner in which a poll shall be taken.

(b) The result of the poll shall be deemed to be the decision of the Meeting on the resolution on which the poll was taken.

136. In the case of an equality of votes, whether on show of hands or on a poll, the Chairman of the Meeting at which the show of hands takes place or at which the poll is demanded, shall be entitled to a casting vote in addition to his own vote or votes to which he may be entitled as a Member.

137. The demand for a poll shall not prevent the continuance of a Meeting for the transaction of any business other than the question on which the poll has been demanded.

138. The Company shall cause minutes of all proceedings of General Meetings to be entered in books kept for that purpose. The minutes of each Meeting shall contain a fair and correct summary of the proceedings thereat. All appointments of officer made at any of the Meetings shall be included in the minutes of the Meetings. Any such minutes, if purporting to be signed by the Chairman of the Meeting at which the proceedings took place or in the event of the death or inability of that Chairman, by a Director duly authorised by the Board for the purpose, shall be evidence of the proceedings.

139. The books containing minutes of proceedings of General Meetings of the Company shall be kept at the Registered Office of the Company and shall be open to the inspection of any Member without charge, between 11 a.m. and 1 p.m. on all working days.

VOTE OF MEMBERS

140. No Member shall be entitled to vote either personally or by Proxy, at any General Meeting or meeting of a class of shareholders, either upon a show of hands or upon a poll in respect of any Shares registered in his name on which any calls or other sums presently payable by him have not been paid or, in regard to which the Company has, and has exercised any right of lien.

Subject to the provisions of these Articles and without prejudice to any special privileges or restrictions as to voting for the time being attached to any class of Shares for the time being forming part of the capital of the Company, every Member not disqualified by the last preceding Article shall be entitled to be present, and to speak and vote at such Meeting, and on a show of hands every Member present in person shall have one vote and upon a poll the voting rights of every Member present in person or by Proxy shall be in proportion to his Shares of the paid-up equity Share capital of the Company. Provided, however, if any preference shareholder be present at any Meeting of the Company, save as provided in clause (b) of sub-section (2) of Section 87, he shall have a right to vote only on resolutions placed before the Meeting which directly affect the rights attached to his preference Shares.

141. On a poll taken at Meeting of the Company a Member entitled to more than one vote, or his Proxy or other person entitled to vote for him, as the case may be, need not, if he votes, use all his votes or cast in the same way all the votes he used or may abstain from voting.

142. A Member of unsound mind or in respect of whom an order has been made by any Court having jurisdiction in lunacy may vote whether on a show of hands or on a poll, by his committee or other legal guardian and any such committee or guardian may on poll vote by Proxy, if any Member be a minor, the vote in respect of his Share or Shares shall be by his guardian, or any of his guardians, if more than one, to be selected in case of dispute by the Chairman of the Meeting.

143. If there be joint holders of any Shares, anyone of such person may vote at any Meeting or may appoint another person (whether a Member or not) as his Proxy in respect of such Shares, as if he were solely entitled thereto by the Proxy so appointed shall not have any right to speak at the Meeting and, if more than one of such joint holders be present at any Meeting that one of the said persons so present whose name stands higher on the Register shall alone be entitled to speak and to vote in respect of such Shares, but the other joint-holder(s) shall be entitled to be present at the Meeting. Several executors or administrators of a deceased Member in whose name Shares stand shall for the purpose of these Articles to be deemed joint holders thereof.

144. Subject to the provisions of these Articles, votes may be given either personally or by Proxy. A body corporate being a Member may vote either by a Proxy or by a representative duly authorised in accordance with Section 187 of the Act, and such representative shall be entitled to exercise the same rights and powers (including the rights to vote by Proxy) on behalf of the body corporate which he represents as the body could exercise if it were an individual Member.

145. Any person entitled to transfer any Share may vote at any General Meeting in respect thereof in the same manner, as if he were the registered holder of such Shares, provided that forty eight hours at least before the time of holding the Meeting or adjourned Meeting, as the case may be at which he proposes to vote he shall satisfy the Directors of his right to transfer such Shares and give such indemnity (if any) as the Directors may require or the Directors shall have previously admitted his right to vote at such Meeting in respect thereof.

146. Every Proxy (whether a Member or not) shall be appointed in writing under the hand of the appointer or his attorney, or if such appointer is a corporation under the common seal of such corporation, or be signed by an officer or any attorney duly authorised by it, and any committee or guardian may appoint such Proxy. The Proxy so appointed shall not have any right to speak at the Meeting.

147. An instrument of Proxy may appoint a Proxy either for the purpose of a particular Meeting specified in the instrument and any adjournment thereof or it may appoint for the purpose of every Meeting of the Company, or of every Meeting to be held before a date specified in the instrument and every adjournment of any such Meeting.

148. A Member present by Proxy shall be entitled to vote only on a poll.

149. The instrument appointing a Proxy and the power of attorney or other authority (if any) under which it is signed or a notarised copy of that power or authority shall be deposited at the Office not later than forty eight hours before the time for holding the Meeting at which the person named in the instrument proposes to vote, and in default the instrument of Proxy shall not be treated as valid. No instrument appointing a Proxy shall be valid after the expiration of twelve months from the date of its execution.

150. Every instrument of Proxy whether for a specified Meeting or otherwise shall, as nearly as circumstances will admit, be in any of the forms set out in Schedule IX of the Act.

151. A vote given in accordance with the terms of an instrument of Proxy shall be valid notwithstanding the previous death or insanity of the principal, or revocation of the Proxy of any power of attorney under which such Proxy was signed, or the transfer of the Share in respect of which the vote is given, provided that no intimation in writing of the death or insanity, revocation or transfer shall have been received at the Office before the Meeting.

152. No objection shall be made to the validity of any vote, except at any Meeting or poll at which such vote shall be tendered, and every vote whether given personally or by Proxy, not disallowed at such Meeting or poll shall be deemed valid for all purposes of such Meeting or poll whatsoever.

153. Notwithstanding any thing contained in the foregoing, the Company shall transact such business, as may be specified by the Central Government from time to time, through the means of postal ballot. In case of resolutions to be passed by postal ballot, no Meeting need to be held at a specified time and space requiring physical presence of Members to form a quorum. Where a resolution will be passed by postal ballot the Company shall, in addition to the requirements of giving requisite clear days notice, send to all the Members the following:

(a) Draft resolution and relevant explanatory statement clearly explaining the reasons thereof.

(b) Postal ballot for giving assent or dissent, in writing by Members and

(c) Postage prepaid envelope (by registered post) for communicating assents or dissents on the postal ballot to the Company with a request to the Members to send their communications within 30 days from the date of dispatch of notice.

154. The Company shall also follow such procedure, for conducting vote by postal ballot and for ascertaining the assent or dissent, as may be prescribed by the Act and the relevant Rules made thereunder.

155. The Chairman of any Meeting shall be the sole judge of the validity of every vote tendered at such Meeting. The Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.

DIRECTORS

159. The number of Directors shall not be less than 3 (three) or more than 12 (twelve).

161. Any trust deed covering the issue of debentures of the Company may provide for the appointment of a Director (in These presents referred to as "the Debenture Director") for and on behalf of the debenture holders for such period as is therein provided not exceeding the period for which the debentures or any of them shall remain outstanding and for the removal from office of such Debenture Director and on a vacancy being caused whether by resignation, death, removal or otherwise for appointment of a Debenture Director in the vacant place. The Debenture Director shall not be liable to retire by rotation or be removed from office except as provided as aforesaid.

162. The Board shall have power at any time and from time to time to appoint any other qualified person either to fill a casual vacancy or as an addition to the Board but so that the total number of Directors shall not at any time exceed the maximum number fixed. Any Director so appointed shall hold office only until the following Annual General Meeting of the Company and shall then be eligible for re-election.

163. No Director shall be required to hold any Share or qualification Shares of the Company.

164. Subject to Section 313 of the Act, the Board may appoint any person to act as alternate Director for a Director during his absence for period of not less than three months from the state in which meetings of the Board are ordinarily held and the alternate Director so appointed shall not hold office as such for a period longer than that permissible to the original Director in whose place he had been appointed and shall vacate the office if and when the original Director returns. The alternate Director shall be entitled to notice of the Meeting of the Board and to attend and vote there accordingly but he shall not be required to hold any qualification Share.

165. Each Director other than a whole time Director or the Managing Director, or a Director who is a Government servant, shall be paid out of the funds of the Company by way of remuneration for his services such sum as may be prescribed by the Act or by the Central Government from time to time and applicable to the Company or such lower amount as may be determined by the Board of Directors.

POWERS OF DIRECTORS

182. Subject to the provisions of the Act, the Board shall be entitled to exercise all such powers and to do all such acts and things as the Company is authorized to exercise and do.

Provided that the Board shall not exercise any power or do any act or thing which is directed or required by the Act to be exercised or done by the Company in General Meeting.

Provided further that in exercising any such power or doing any such act or thing, the Board shall be subject to the provisions in that behalf, contained in the Act or in the Memorandum or Articles of the Company or in any regulation not inconsistent therewith and made thereunder including regulations made by the Company in General Meeting.

183. The Board shall exercise the following powers on behalf of the Company, and it shall do so only by means of resolutions passed at its meetings:-

(a) the power to make calls on shareholders in respect of money unpaid on their Shares;

(b) the power to issue debentures;

(c) the power to borrow moneys otherwise than by debentures;

(d) the power to invest the funds of the Company; and

(e) the power to make loans;

Provided that the Board may, by a resolution passed at a meeting, delegate to any committee of Directors, the managing Director, the manager, or any other principal officer or in the case of a branch office of the Company, the principal officer of the branch office, of the Company the powers specified in clauses (c) (d) and (e) to the extent specified in Section 292 of the Act.

MANAGING DIRECTOR

186. The Board may, from time to time, subject to Section 197A of the Act, appoint one or more of their body to the office of the Managing Director (by whatever name called) for such period and on such terms as they think fit and subject to the terms that any arrangement entered into in any particular case may revoke such appointment. His/ their appointment shall be automatically terminated if he/ they cease to be Director/Directors.

187. The Managing Director shall, subject to the control and supervision of the Directors undertake the management of the Company and perform all the administrative functions and other duties of the Company necessary for the effective transaction of its business with full powers to do all acts, matters and things deemed necessary, proper and expedient thereof and generally to exercise all the power and authorities of the Company except such of them as by the Act or any statutory modifications thereof for the time being in force or by These presents are or may be expressly directed to be exercised by the Company in a General Meeting or by the Board, provided that on subsequent regulation it shall invalidate any prior act of the Managing Director which would have been valid if such regulation had not been made.

188. A Managing Director may not be paid any remuneration or may be paid such remuneration (whether by way of salary, commission or participation in profits or partly in one way and partly in another) as the Board may determine.

189. Subject to the provisions of the Act, the Directors may from time to time entrust to and confer upon the Managing Director or the whole time Director, for the time being, such of the powers exercisable under These presents by the Directors as they may think fit, and may confer such powers for such time and to be exercised for such objects and purposes and upon such terms and conditions, and with such restrictions as think expedient, and they may confer such powers, either collaterally with or to the exclusion of and in substitution for, all or any of the powers of the Directors, in that behalf, and may from time to time revoke, withdraw, alter or vary all or any of such powers.

WHOLE TIME DIRECTORS

190 (a) The Board may also appoint one or more Whole Time Directors to look after the carrying of the day to day business operations of the Company and their remuneration shall also be fixed by the Board, subject to Section 314 of the Companies Act,1956.

(b) The whole time Directors shall work under the control and supervision of the Board and shall exercise such powers as may be determined by the Board. However, in case the Board does not appoint a Managing Director, the whole time Director or Directors shall have the powers as are conferred by these Articles on the Managing Director.

CAPITALISATION OF RESERVES

205. Any General Meeting may resolve that any moneys, investments or other assets forming part of the undivided profits [including profits or surplus moneys arising from the realisation and (where permitted by law) from the appreciation in value of any capital assets of the Company] standing to the credit of the reserve or reserve fund or any other fund of the Company or in the hands of the Company and available for dividend or representing premium received on the issue of Shares and standing to the credit of the Share premium account be capitalised:-

(1) by the issue and distribution of fully paid up Shares, debentures, debenture stock, bonds or other obligations of the Company, or

(2) by crediting Shares of the Company which may have been issued to and are not fully paid up, with the whole or any part of sum remaining unpaid thereon.

Such issue and distribution under (1) above and such payment to the credit of unpaid Share capital under (2) above shall be made to among and in favour of the Members, or any class of them or any of them entitled thereto and in accordance with their respective rights and interests and in proportion to the amount of capital paid up on the Shares held by them respectively in respect of which such distribution under (1) or payment under (2) above shall be made on the footing that such Members become entitled thereto as capital.

The Directors shall give effect to any such resolution and apply such portion of the profits or reserve or reserve fund or any other fund on account as aforesaid and may be required for the purpose of making payment in full for the Shares, debentures or debenture-stock, bonds or other obligations of the Company so distributed under (1) above or (as the case may be) for the purpose of paying, in whole or in part, the amount remaining unpaid on the Shares which may have been issued and are not fully paid up under(2) above: Provided that no such distribution or payment shall be made unless recommended by the Directors and if so recommended, such distribution and payment shall be accepted by such Members as aforesaid in full satisfaction of their interest in the said capitalised sum. For the purpose of giving effect to any such resolution, the Directors may settle any difficulty which may arise in regard to the distribution or payment as aforesaid as they think expedient and in particular they may issue fractional certificates and may fix the value for distribution of any specified assets and may determine that cash payments be made to any Members on the footing of the value so fixed and may vest any such cash Shares, debentures, debenture-stock, bonds or other obligations in trustees upon such trusts for the person entitled thereto as may seem expedient to the Directors and generally may make such arrangements for the acceptance, allotment and sale of such Shares, debentures, debenture-stock, bonds or other obligations and fractional certificates or otherwise as they may think fit. Subject to the provisions of the Act and These presents, in cases where some of the Shares of the Company are fully paid up and others are partly paid up only such capitalisation may be effected by the distribution of further Shares in respect of the fully paid up Shares, and by crediting the partly paid up Shares with the whole or part of the unpaid liability thereon but so that as between the holders of the fully paid up Shares, and the partly paid up Shares the sums so applied in the payment of such further Shares and in the extinguishment or diminution of the liability on the partly paid up Shares shall be so applied pro rata in proportion to the amount then already paid or credited as paid on the existing fully paid up and partly paid up Shares respectively. When deemed requisite a proper contract shall be filed in accordance with the Act and the Board may appoint any person to sign such contract on behalf of the holders of the Shares of the Company which shall have been issued prior to such capitalisation and such appointment shall be effective.

WINDING UP

214. If the Company shall be wound up and the assets available for distribution among the Members as such shall be insufficient to repay the whole of the paid up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up, on the Shares held by them respectively, and if in a winding up the assets available for distribution among the Members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the Members in proportion to the capital at the commencement of the winding up paid up or which ought to have been paid up on the Shares held by them respectively. But this Article is to be without prejudice to the rights of the holders of Shares issued upon special terms and conditions.

215. (1) If the Company shall be wound up whether voluntarily or otherwise, the liquidators may, with the sanction of a Special Resolution, and any other sanction required by the Act divide amongst the contributories in specie or kind, the whole or any part of the assets of the Company and may, with the like sanction, vest the whole or any part of the assets of the Company in trustees upon such trusts for the benefit of the contributories as the liquidator with the like sanction, shall think fit, but so that no Member shall be compelled to accept any Shares or other Securities where on there is any liability.

(2) If thought expedient any such division may subject to the provisions of the Act be otherwise than in accordance with the legal rights of the contributories (except where unaltered) and in particular any class may be given preference or special rights or may be excluded altogether or in part but in case any division otherwise than in accordance with the legal rights of the contributories shall be determined on, any contributory who would be prejudiced thereby shall have a right to dissent and ancillary rights as if such determination were a Special Resolution passed pursuant to Section 494 of the Act.

(3) In case any Shares to be divided as aforesaid involve a liability on calls or otherwise any person entitled under such division to any of the said Shares may within 10 days after the passing of the Special Resolution by notice in writing direct the liquidators to sell his proportion and pay him the net proceeds and the liquidators shall, if practicable, act accordingly.

216. A Special Resolution sanctioning a sale to any other company duly passed pursuant to Section 494 of the Act may in like manner as aforesaid determine that any Shares or other consideration receivable by the liquidators shall be distributed amongst existing Members otherwise than in accordance with their rights and any such determination shall be binding upon all the Members, subject to the rights of dissent and consequential rights conferred by the said Section.

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These contracts, copies of which have been attached to the copy of this Red Herring Prospectus, delivered to the Registrar of Companies for registration and also the documents for inspection referred to hereunder, may be inspected at our Registered Office from 10.00 a.m. to 4.00 p.m. on working days from the date of this Red Herring Prospectus until the Bid/ Offer Closing Date.

Material Contracts

1. Engagement letter dated April 1, 2006 for appointment of SBI Capital Markets Limited and Kotak Mahindra Capital Company Limited as the BRLMs.
2. Memorandum of understanding dated August 3, 2006 amongst our Company, the Selling Shareholders and the BRLMs.
3. Appointment letter dated July 26, 2006 for appointment of the Registrar to the Offer.
4. Memorandum of understanding dated August 11, 2006 executed by our Company, the Selling Shareholders, with Registrar to the Offer.
5. Escrow agreement dated [●] between us, the Selling Shareholders, the BRLMs and BRLMs, Escrow Collection Banks and the Registrar to the Offer.
6. Syndicate agreement dated [●] between us, the Selling Shareholders, the BRLMs, Syndicate Members and the Registrar to the Offer.
7. Underwriting agreement dated [●] between us, the Selling Shareholders, the BRLMs and Syndicate Members.
8. Agreement between NSDL, our Company and the Registrar to the Offer dated September 23, 2006.
9. Agreement between CDSL, our Company and the Registrar to the Offer dated September 1, 2006.
10. Shareholders agreement dated August 3, 1999 between our Company, Moody's India, IFCI, SBI and LIC.
11. Technical services agreement dated August 3, 1999 between our Company and Moody's Investors Service.

Material Documents

1. Our Memorandum and Articles of Association as amended till date.
2. Shareholders' resolutions dated June 12, 2006 in relation to the Offer and other related matters.
3. Resolutions of the Board dated May 9, 2006 authorising the Offer.
4. Authorizations from the Selling Shareholders in relation to the Offer.
5. Resolutions of the general body for appointment and remuneration of our whole-time Directors.
6. Report of the Auditors, Chartered Accountants, prepared as per Indian GAAP and mentioned in this Red Herring Prospectus and letters from the auditors dated February 8, 2007.
7. Copies of annual reports of our Company for the past five financial years.
8. Consent letter dated February 19, 2007 from M/s. Vipin Aggarwal & Associates, Chartered Accountants, for inclusion of their report on accounts and statement of tax benefits in the form and context in which they appear in this Red Herring Prospectus.
9. General powers of attorney executed by our Directors in favour of person(s) for signing and making necessary changes to this Red Herring Prospectus and other related documents.
10. Consents of Auditors, Bankers to the Company, BRLMs, Syndicate Members, Registrar to the Offer, Banker to the Offer, Domestic Legal Counsel to the Company, Domestic Legal Counsel to the BRLMs, Directors of our Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities.
11. Letter dated June 12, 2006 by our Company regarding appointment and remuneration of Mr. Pranab Kumar Choudhury.

12. Letter dated June 12, 2006, by our Company regarding appointment of Mr. Naresh Takkar as our Managing Director.
13. Applications dated August 4, 2006 for in-principle listing approval from NSE and BSE respectively.
14. In-principle listing approval dated August 24, 2006 and August 21, 2006 from NSE and BSE, respectively. NSE by its letter dated March 1, 2007 has extended its in-principle approval until May 23, 2007.
15. Due diligence certificate dated August 4, 2006 to SEBI from the BRLMs.
16. SEBI observation letter CFD/DIL/ISSUES/SC/84031/2007 dated January 10, 2007 and our in-seriatim reply to the same dated February 20, 2007.
17. Clarifications/approvals from the DIPP dated August 28, 2006 and the RBI dated September 21, 2006 (bearing number FE CO.FID/6183/10.21.047/2006-07) respectively.
18. Certificate from the Compliance Officer that the observations received from SEBI by letter no CFD/DIL/ISSUES/SC/84031/2007 dated January 10, 2007 have been incorporated in the RHP.

Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

All the relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government of India or the guidelines issued by the Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this 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 or guidelines issued thereunder, as the case may be. We further certify that all statements in this Red Herring Prospectus are true and correct.

Signed by the Directors

Mr. Dhruba Narayan Ghosh, Chairman

Mr. Pranab Kumar Choudhury, Vice Chairman

Mr. Naresh Takkar, Managing Director

Mr. Piyush Gunwantrai Mankad

Dr. Uddesh Kohli

Prof. Deepak Nayyar

Mr. Amal Ganguli

Mr. Chester Van Alen Murray

Mr. Thomas John Keller, Jr.

(*through the constituted power of attorney)

Signed by the Selling Shareholders

IFCI Limited*

Administrator of the Specified Undertaking of the Unit Trust of India.*

State Bank of India*

Mr. Chetan Modi (Alternate Director)

Mr. Vijay Wadhwa, Chief Financial Officer

Date : March 08, 2007

Place : Delhi