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RED HERRING PROSPECTUS
Please read Section 60B of the Companies Act, 1956
Dated November 21, 2005
100% Book Building Issue

PVR LIMITED

(Incorporated under the Companies Act, 1956 on April 26, 1995 as Priya Village Roadshow Limited and obtained certificate of commencement of business on December 4, 1995. On June 28, 2002 the name of our Company was changed from Priya Village Roadshow Limited to PVR Limited. For details of change in name, please see the section titled "History and Certain Corporate Matters" beginning on page 105.)

Registered Office: Changed from 50, West Regal Building, Connaught Place, New Delhi 110 001, India to 61, Basant Lok, Vasant Vihar, New Delhi 110 057, India with effect from August 5, 2005.
Tel: +91 11 5166 3787; **Fax:** +91 11 5166 5787.
Corporate Office: Block 2A, 2nd Floor, DLF Corporate Park, DLF Qutab Enclave - III, Gurgaon 122 002, Haryana, India.
Tel: +91 124 2549 300; **Fax:** +91 124 5063 273. **Contact Person:** Mr. N.C. Gupta; **Tel:** +91 124 2549 300
E-mail: ipo@pvrcinemas.com; **Website:** www.pvrcinemas.com

Public Issue of 7,700,000 Equity Shares of Rs. 10 each for cash at a price of Rs. [●] per Equity Share aggregating Rs. [●] million (the "Issue"), by PVR Limited ("PVR Cinemas", the "Company" or "the Issuer"), consisting of a Fresh Issue of 5,700,000 Equity Shares of Rs. 10 each, and an Offer for Sale of 2,000,000 Equity Shares of Rs. 10 each by The Western India Trustee and Executor Company Limited ("WITEC" or the "Selling Shareholder"), in its capacity as trustee of India Advantage Fund – I, a trust registered under the Indian Trusts Act, 1882 acting through its investment manager ICICI Venture Funds Management Company Limited. The Issue comprises of Promoter's Contribution of 300,000 Equity Shares brought in by our Promoter, PEPL, a reservation for Employees of 150,000 Equity Shares of Rs. 10 each and a net issue to the public of 7,250,000 Equity Shares of Rs. 10 each (the "Net Issue"). The Issue will constitute 33.66% of the fully diluted post-Issue capital of our Company.

PRICE BAND: RS. 200 TO RS. 240 PER EQUITY SHARE OF FACE VALUE RS. 10.

ISSUE PRICE IS 20 TIMES THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND 24 TIMES THE FACE VALUE AT THE HIGHER END OF THE PRICE BAND.

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

The Issue is being made through the 100% Book Building Process wherein upto 50% of the Net Issue to the public shall be allocated on a proportionate basis to Qualified Institutional Buyers, out of which 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only, and the remaining QIB Portion shall be available for allocation on a proportionate basis to all Qualified Institutional Buyers, including Mutual Funds, subject to valid Bids being received at or above Issue Price. Further, at least 15% of the Net Issue to the public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and at least 35% of the Net Issue to the public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further, upto 150,000 Equity Shares shall be available for allocation to the Employees, subject to valid Bids being received at or above the Issue Price and subject to a maximum Bid Amount of Rs. 2,500,000 by each Employee.

RISK IN RELATION TO FIRST ISSUE

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

GENERAL RISKS

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

COMPANY AND SELLING SHAREHOLDER'S ABSOLUTE RESPONSIBILITY

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

LISTING

The Equity Shares offered through this Red Herring Prospectus are proposed to be listed on the NSE and the BSE. We have received in-principle approval from the NSE and the BSE for the listing of our Equity Shares pursuant to letters dated November 7, 2005 and November 4, 2005, respectively. BSE shall be the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGERS		REGISTRAR TO THE ISSUE
ICICI SECURITIES LIMITED ICICI Centre, H.T. Parekh Marg, Churchgate, Mumbai 400 020, India. Tel: + 91 22 2288 2460 Fax: + 91 22 2283 7045 E-mail: pvr_ipo@isecltd.com Website: www.iseconline.com	**KOTAK MAHINDRA CAPITAL COMPANY LIMITED** Bakhtawar, 3rd Floor, 229, Nariman Point, Mumbai 400 021, India. Tel: +91 22 5634 1100 Fax: +91 22 2284 0492 E-mail: pvr.ipo@kotak.com Website: www.kotak.com	**KARVY COMPUTERSHARE PRIVATE LIMITED** Karvy House, 46, Avenue 4, Street no.1, Banjara Hills, Hyderabad 500 034, India. Tel: +91 40 2343 1546/49 Fax: +91 40 2343 1551 E-mail: pvrcinemas.ipo@karvy.com Website: www.karvycomputershare.com

BID / ISSUE PROGRAMME

BID/ISSUE OPENS ON : THURSDAY, DECEMBER 8, 2005	BID/ISSUE CLOSES ON : WEDNESDAY, DECEMBER 14, 2005

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TABLE OF CONTENTS

DEFINITIONS AND ABBREVIATIONS

Definitions

Term	**Description**
"PVR" or "PVR Cinemas" or "the Company" or "our Company" or "PVR Limited"	PVR Limited, a public limited company incorporated under the Companies Act, 1956, with its registered office at 61, Basant Lok, Vasant Vihar, New Delhi 110 057.
"we" or "us" or "our"	Refers to PVR Limited and, where the context requires, its subsidiaries, namely, PVR Pictures Limited and CR Retail Malls (India) Private Limited.

Issue Related Terms

Term	**Description**
Allotment	Unless the context otherwise requires, the issue and the transfer/ allotment of Equity Shares, pursuant to the Issue.
Allottee	The successful Bidder to whom the Equity Shares are/ have been issued or transferred.
Article/ Articles of Association	Articles of Association of our Company, as amended.
Auditors	S.R. Batliboi & Co., Chartered Accountants.
Banker(s) to the Issue	ICICI Bank Limited, Kotak Mahindra Bank Limited, Standard Chartered Bank and Yes Bank Limited.
Bid	An indication to make an offer during the Bidding/ Issue 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 pursuant to the Bid in the Issue.
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to subscribe to/ purchase the Equity Shares offered for subscription pursuant to this Issue, and which will be considered as the application for Allotment in terms of the Red Herring Prospectus.
Bid/ Issue Closing Date	The date after which the Syndicate Members will not accept any Bids for the Issue, which date shall be notified in a widely circulated English national newspaper, a Hindi national newspaper of wide circulation and a regional language newspaper of wide circulation.
Bid/ Issue Opening Date	The date on which the Syndicate Members shall start accepting Bids for the Issue, which shall be notified in a widely circulated English national newspaper, a Hindi national newspaper of wide circulation and a regional language newspaper of wide circulation.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form.
Bidding/ Issue Period	The period between the Bid/ Issue Opening Date and the Bid/ Issue Closing Date, inclusive of both days, during which the Bidders can submit their Bids.

Board of Directors/ Board	The board of directors of our Company or a committee constituted thereof.
Book Building Process	The book-building route as provided in Chapter XI of the SEBI Guidelines, in terms of which the Issue is being made.
BRLMs/ Book Running Lead Managers	The Book Running Lead Managers to the Issue, in this case being ICICI Securities Limited and Kotak Mahindra Capital Company Limited.
CAN/ Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process.
Cap Price	The higher end of the Price Band, as may be revised.
Cut-off Price	Any price within the Price Band finalised by us and the Selling Shareholder in consultation with the BRLMs.
Depository	A body corporate registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.
Designated Date	The date on which the Escrow Collection Banks transfer the funds from the Escrow Account to the Issue Account after the Prospectus is filed with the ROC.
Depository Participant	A depository participant as defined under the Depositories Act.
Designated Stock Exchange	The Bombay Stock Exchange Limited.
Director(s)	Director(s) of PVR Limited, unless otherwise specified.
Draft Red Herring Prospectus	The Draft Red Herring Prospectus dated October 4, 2005 issued in accordance with Section 60B of the Companies Act, which did not have complete particulars of the price at which the Equity Shares are offered and the size of the Issue.
Employees	The permanent employees on the rolls of the Company as on and of September 1, 2005.
Employees Reservation Portion	The portion of the Fresh Issue being a maximum of 150,000 Equity Shares available for allocation to Employees, subject to a maximum Bid Amount in respect of each Employee of upto Rs. 2,500,000.
Equity Shares	Equity shares of the Company of face value of Rs. 10 each, unless otherwise specified.
Escrow Account	Account to be opened with an 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 to be entered into amongst the Company, the Selling Shareholder, the Registrar, the Escrow Collection Bank(s), the 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 Issue with which the Escrow Account will be opened and in this case being ICICI Bank Limited, Kotak Mahindra Bank Limited, Standard Chartered Bank and Yes Bank Limited.

ESOP/ESPS Guidelines	The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended from time to time.
ESOS/ Employees' Stock Option Scheme	The employees' stock option scheme of our Company approved by the Directors by their resolution dated September 8, 2005 and the shareholders of our Company by their resolution dated September 15, 2005.
ESPS/Employees' Share Purchase Scheme	The employees' share purchase scheme of our Company approved by the Directors by their resolution dated September 8, 2005 and the shareholders of our Company by their resolution dated September 15, 2005.
Eligible Employees	(i) in respect of the ESPS it refers to permanent employees of grade M4 or above and who are on the rolls of the Company as permanent employees on or prior to March 31, 2003; (ii) in respect of Part I Options it refers to permanent employees of grade M4 or above and who are on the rolls of the Company as permanent employees on or prior to March 31, 2003; (iii) in respect of Part II Options it refers to permanent employees of grade M5, who are on the rolls of the Company as on and of or prior to March 31, 2003 and (iv) in respect of Part III Options it refers to permanent employees of grade M5 and above who are on the rolls of the Company as permanent employees with effect from April 1, 2003 or later.
Financial Year/ fiscal/ FY	Period of 12 months ended March 31 of that particular year, unless otherwise stated.
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form.
Fresh Issue	The issue of 5,700,000 Equity Shares at the Issue Price by the Company pursuant to the Red Herring Prospectus.
Indian GAAP	Generally accepted accounting principles in India.
Issue	Public issue of 7,700,000 Equity Shares at a price of Rs. [●] each for cash aggregating upto Rs. [●] million comprising the Fresh Issue and the Offer for Sale.
Issue Account	Account opened with the Banker(s) to the Issue to receive monies from the Escrow Account for the Issue on the Designated Date.
Issue Price	The final price at which Equity Shares will be allotted/ transferred in terms of the Red Herring Prospectus, as determined by the Company and the Selling Shareholder in consultation with the BRLMs, on the Pricing Date.
Margin Amount	The amount paid by the Bidder at the time of submission of his/ her Bid, which may be 10% to 100% of the Bid Amount.
Memorandum/Memorandum of Association	The memorandum of association of our Company, as amended.
Mutual Funds	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996.
Mutual Funds Portion	5% of the QIB Portion or 181,250 Equity Shares (assuming the QIB Portion is for 50% of the Issue size) available to allocation to Mutual Funds only, out of the QIB Portion.
Net Issue/Net Issue to the public	The Issue less the Promoter's Contribution and the Allocation to the Employees under the Employees Reservation Portion and aggregating to 7,250,000 Equity Shares.

Non-Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders and who have bid for an amount more than Rs. 100,000.
Non-Institutional Portion	The portion of the Issue being upto 1,087,500 Equity Shares available for allocation to Non-Institutional Bidders.
Non-Resident	A person resident outside India, as defined under FEMA.
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.
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 the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000. OCBs are not allowed to participate in this Issue.
Offer for Sale	The offer for sale by the Selling Shareholder of 2,000,000 Equity Shares at the Issue Price pursuant to the Red Herring Prospectus.
Part I Options	The part of the ESOS equivalent to 80,000 Equity Shares amounting to 0.35% of the post Issue paid up equity capital, at Rs. 20 per option and whose vesting date is March 31, 2007.
Part II Options	The part of the ESOS equivalent to 38,000 Equity Shares amounting to 0.17% of the post Issue paid up equity capital of our Company at Rs. 20 per Equity Share and whose vesting date is October 10, 2006.
Part III Options	The part of the ESOS equivalent to 52,000 Equity Shares amounting to 0.23% of the post Issue paid up equity capital, at Rs. 47.50 per option and whose vesting date is March 31, 2007.
Pay-in Date	The Bid/ Issue 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/ Issue Opening Date; and extending until the Bid/ Issue Closing Date; and (ii) With respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date and extending until the closure of the Pay-in Date.
Price Band	The price band of Rs. 200 to Rs. 240, including revisions thereof.
Pricing Date	The date on which the Company and the Selling Shareholder finalise the Issue Price in consultation with the BRLMs.
Promoter Group	The Amritsar Transport Company Private Limited, ATC Carriers Private Limited and Leisure World Limited.

Promoter's Contribution	300,000 Equity Shares subscribed to by our Promoter, PEPL, at the Cap Price, and which shall be locked in for a period of one year from the date of allotment of the Equity Shares, the funds in respect of which shall be brought in one day prior to Bid/ Issue Opening Date.
Promoters	Mr. Ajjay Bijli, Priya Exhibitors Private Limited and Bijli Investments Private Limited.
Prospectus	The prospectus, filed with the ROC containing, among other things the price that is determined at the end of the Book Building Process, the size of the Issue and certain other information.
QIB Margin Amount	An amount representing atleast 10% of the Bid Amount.
QIB Portion	The portion of the Issue being upto 3,625,000 Equity Shares available for allocation to QIBs.
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIIs, scheduled commercial banks, Mutual Funds, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with 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.
Refund Account	Account opened with an Escrow Collection Bank, from which refunds of the whole or part of the Bid Amount, if any, shall be made.
Registered Office of the Company	The registered office of our Company situated at 61 Basant Lok, Vasant Vihar, New Delhi 110 057, India.
Registrar/ Registrar to the Issue	Karvy Computershare Private Limited.
Retail Individual Bidders	Individual Bidders and HUFs (in the name of *karta*) 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 Issue.
Retail Portion	The portion of the Issue, being atleast 2,537,500 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 any of their Bid cum Application Forms or any previous Revision Form(s).
RHP or Red Herring Prospectus	This document issued in accordance with Section 60B of the Companies Act, which does not have complete particulars of the price at which the Equity Shares are offered and the size of the Issue and which has been filed with the ROC at least three days before the Bid/ Issue Opening Date.
Scheduled Commercial Bank	A bank that is listed in the second schedule to the Reserve Bank of India Act, 1934.
Selling Shareholder	The Western India Trustee and Executor Company Limited, acting in the capacity as trustee of India Advantage Fund – I, a trust registered under the Indian Trusts Act, 1882, acting through its investment manager ICICI Venture Funds Management Company Limited.

Shareholders Agreement	The agreement dated March 12, 2003, as amended, entered into by our Company, the Selling Shareholder and our Promoters, among others.
Stock Exchanges	NSE and BSE.
Subsidiaries	PVR Pictures Limited and CR Retail Malls (India) Private Limited.
Syndicate	The BRLMs and the Syndicate Members.
Syndicate Agreement	The agreement to be entered into among the Company, the Selling Shareholder and the members of the Syndicate, in relation to the collection of Bids in this Issue.
Syndicate Members	ICICI Brokerage Services Limited and Kotak Securities Limited.
Takeover Code	The SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended from time to time.
TRS or Transaction Registration Slip	The slip or document issued by the Syndicate Members to the Bidder as proof of registration of the Bid.
Underwriters	The BRLMs and the Syndicate Members.
Underwriting Agreement	The agreement among the members of the Syndicate, the Selling Shareholder and the Company to be entered into on or after the Pricing Date.
Industry Related Terms	
Term	**Description**
CII	Confederation of Indian Industry
Digital Cinema Initiatives	Digital Cinema Initiatives (LLC) was established in March 2002, as a joint venture of Disney, Fox, MGM, Paramount, Sony Pictures Entertainment, Universal and Warner Bros. Studios, to create and document voluntary specifications for an open architecture for digital cinema that ensures a uniform and high level of technical performance, reliability and quality control.
DVD	Digital video disc.
FICCI	Federation of Indian Chambers of Commerce and Industry.
IT	Information Technology.
MP3	A compressed audio format.
MPAA	The Motion Picture Association of America.
Multiplex/Multiplex Cinemas/Multiplexes	A cinema with two or more screens.
VAT	Value added tax.
VCD	Video compact disc.
VHS	Video home system, a trademark used for a video tape format.

Abbreviations	
Abbreviation	**Full Form**
Ad-spend	Advertisement spending.
AP Act	The Andhra Pradesh Cinemas (Regulation) Act, 1955.
AP Rules	The Andhra Pradesh Cinemas (Regulation) Rules, 1970.
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India.
ATC Carriers	ATC Carriers Private Limited.
ATCL	The Amritsar Transport Company Private Limited.
BIPL	Bijli Investments Private Limited.
Bombay Entertainment Act	The Bombay Entertainments Duty Act, 1923.
BSE	The Bombay Stock Exchange Limited.
CAGR	Compounded Annual Growth Rate.
CDSL	Central Depository Services (India) Limited.
Certification Rules	The Cinematograph (Certification) Rules, 1983.
Cinematograph Act	The Cinematograph Act, 1952.
Cinematograph Rules	The Cinematograph Film Rules, 1948.
Companies Act	The Companies Act, 1956, as amended from time to time.
CR Retail	CR Retail Malls (India) Private Limited.
Delhi Rules	The Delhi Cinematograph Rules, 1981.
Depositories Act	The Depositories Act, 1996, as amended from time to time.
EPS	Earnings per share.
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.
Film Board	Board of Film Certification in accordance with the Cinematograph (Certification) Rules, 1983.
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.
GDP	Gross Domestic Product.
Haryana Act	The Punjab Cinemas (Regulation) Act, 1952, as applicable to the state of Haryana.
Haryana Rules	The Punjab Cinemas (Regulation) Rules, 1952, as applicable to the state of Haryana.

HUF	Hindu Undivided Family.
I.T. Act	The Income Tax Act, 1961, as amended from time to time.
IT Department	Income Tax Department.
Karnataka Act	The Karnataka Cinemas (Regulation) Act, 1964.
Karnataka Rules	The Karnataka Cinemas (Regulation) Rules, 1971.
KMCC	Kotak Mahindra Capital Company Limited.
LWL	Leisure World Limited.
Maharashtra Act	The Bombay Cinemas (Regulation) Act, 1953.
Maharashtra Rules	The Maharashtra Cinemas (Regulation) Rules, 1966.
MP Act	The Madhya Pradesh Cinemas (Regulation) Act, 1952.
MP Entertainment Act	The Madhya Pradesh Entertainments Duty and Advertisements Tax Act, 1936.
MP Rules	The Madhya Pradesh Cinemas (Regulation) Rules, 1972.
NAV	Net Asset Value.
NSDL	National Securities Depository Limited.
NSE	National Stock Exchange of India Limited.
p.a.	per annum.
PAN	The permanent account number allotted under the I.T. Act.
P/ E Ratio	Price/ Earnings Ratio.
PEPL	Priya Exhibitors Private Limited.
PVR Pictures	PVR Pictures Limited.
RBI	The Reserve Bank of India.
ROC	The Registrar of Companies, National Capital Territory of Delhi and Haryana, located at New Delhi.
RoNW	Return on Net Worth.
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992.
SEBI Act	The Securities and Exchange Board of India Act, 1992, as amended from time to time.
SEBI Guidelines	The SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time.
UP Act	The Uttar Pradesh Cinemas (Regulation) Act, 1955.
UP Rules	The Uttar Pradesh Cinematograph Rules, 1951.

PRESENTATION OF FINANCIAL AND MARKET DATA

The financial data in this Red Herring Prospectus is derived from our restated consolidated and unconsolidated financial statements prepared in accordance with Indian GAAP and included in this Red Herring Prospectus. Unless stated otherwise, the operational data in this Red Herring Prospectus is presented on an unconsolidated basis. Our fiscal year commences on April 1 and ends on March 31 of the next year, so all references to a particular fiscal year are to the twelve-month period ended March 31 of that year. 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 US GAAP. We have not attempted to explain those differences or quantify their impact on the financial data included herein, and we urge you to consult your own advisors regarding such differences and their impact on our financial data. Accordingly, the degree to which the Indian GAAP financial statements included in this Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Red Herring Prospectus should accordingly be limited.

All references to "India" contained in this Red Herring Prospectus are to the Republic of India. All references to "Rupees" or "Rs." are to Indian Rupees, the official currency of the Republic of India. All references to "US$" or "U.S. Dollars" are to United States Dollars, the official currency of the United States of America.

For additional definitions, please see the section titled "Definitions and Abbreviations" beginning on page i.

Industry data used throughout this Red Herring Prospectus has been obtained from industry and company sources including the following publications:

- *Indian Entertainment Industry Focus 2010: Dreams to Reality*, Confederation of Indian Industry - KPMG, 2005;
- *The Indian Entertainment Industry - An Unfolding Opportunity*, FICCI - PricewaterhouseCoopers, 2005;
- *Bollywood – Emerging Business Trends and Growth Drivers*, Yes Bank, 2005;
- *The Indian Entertainment Industry: Emerging Trends and Opportunities*, FICCI - Ernst & Young, 2004; and
- *BW Marketing Whitebook, 2005.*

Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe that industry data used in this Red Herring Prospectus is reliable, it has not been independently verified.

FORWARD-LOOKING STATEMENTS

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

All forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our expectations include, among others:

- Competition within the Indian film exhibition sector and other forms of entertainment;
- The popularity of the films we exhibit;
- Our ability to acquire films on competitive terms;
- Our ability to successfully implement our strategy and growth plans;
- Our ability to attract and retain advertising revenue;
- Obsolesce of film projection technologies;
- Changes in laws and regulations that apply to us in India, particularly in respect of entertainment taxes;
- Changes in interest rates;
- Performance of the film, entertainment and retail industries in India and general economic conditions in India;
- The occurrence of natural disasters or calamities affecting the areas in which we have operations; and
- Changes in political conditions in India.

For further discussion of factors that could cause our actual results to differ, please see the section titled "Risk Factors" beginning on page xi. The Company, the members of the Syndicate and their respective affiliates do not have any obligation to, and do not intend to, update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company and the BRLMs will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges in respect of the Equity Shares allotted in this Issue.

RISK FACTORS

An investment in equity shares involves a 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 of our Company, you should read this section in conjunction with the sections titled "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations on an unconsolidated basis" beginning on pages 61 and 210 as well as the other financial information contained in the Red Herring Prospectus. If the following risks occur, our business, results of operations and financial condition could suffer and the price of our Equity Shares and the value of your investment in our Equity Shares could decline. The following risks could have a material impact, the financial implications of which cannot be quantified.

Internal Risk Factors

There are two first information reports filed against certain employees of our Company which may have an impact on our Company.

There is a first information report dated September 19, 2005 filed with the station house officer, Indirapuram, Ghaziabad, in relation to alleged misbehaviour with the wife and sister of a patron at PVR EDM. There is a first information report filed by the Censor Board officials in respect of our cinema in Bangalore. The matter is on board before the Additional Magistrate, Bangalore Urban District.

For further details please see the section titled "Outstanding Litigation and Material Developments" beginning on page 225.

We face intense competition and if we are not able to compete effectively, our business, results of operations and financial condition will be adversely affected.

We face competition from other companies in the Indian film exhibition sector. Some of our competitors have greater financial resources than us and therefore they may be in a better position than us to invest in Multiplex Cinema projects or to sustain losses from such developments in the start-up stage. In the future, we may also face competition from global entertainment companies if and when such companies make their foray into the Indian exhibition sector.

In addition, we face competition from other forms of entertainment including, television, film DVDs, newspapers, magazines, radio, internet and theatre and advances in technology related to entertainment, such as MP3 and multimedia messaging etc. These other forms of entertainment compete with cinemas for the discretionary spending of patrons and for the ad-spend of advertisers.

In the event that we are unable to compete effectively, we may lose some of our cinema audiences or our advertising revenue to these competitors and our results of operations and financial condition could be adversely affected.

Our business is dependent on the popularity of the films we exhibit.

Our ability to attract patrons to our cinemas is dependent on the popularity of the films we display on our screens. From time to time, the film industry fails to produce blockbuster films or films with widespread audience appeal. If the films we exhibit are not popular, the number of our patrons will decline, which would adversely affect our business and results of operations.

We face risks associated with the implementation of new cinemas.

In addition to our existing cinema screens, we are in the process of establishing 18 new cinemas with a total of 82 screens throughout India by the end of fiscal 2008. We face several risks in developing new cinemas, including the following:

- The cinemas that we propose to implement are capital intensive. The budgeted resources for implementation of these new projects may be inadequate and we may incur cost overruns, which could adversely affect our financial position and our results of operations.

- Delays in the scheduled implementation of the proposed projects for any reason, including construction delays, delays in receipt of government approvals or delays in delivery of equipment by suppliers, could adversely affect our financial position.
- Our new cinemas may not achieve the requisite levels of patronage projected by us at the project evaluation stage, which could adversely affect our results of operations and financial condition.

In addition, if we are unable to manage the growth we achieve from our new cinemas, our results of operations, financial conditions and the implementation of our business strategy may be adversely affected.

Digital projection technologies may render our traditional film projection equipment obsolete, requiring us to incur significant capital expenditure.

Traditionally, motion pictures are filmed using 35 millimetre celluloid film cameras and screened using traditional projectors. Currently, all our cinemas are using celluloid projection technologies. Digital cinema, on the other hand, departs from the traditional film-based technology and relies on emerging digital technology which may eventually replace traditional celluloid projection technologies in cinemas. In order to have a digital picture quality as good as the current celluloid film quality in A-grade cinemas, as well as to meet Digital Cinema Initiative standards, we would need to use projectors that cost more than the cost of celluloid film projectors. In order to remain competitive we may be required to make incremental capital investments in digital projectors, failing which our business and results of operations may be adversely affected. For more information on digital cinema, see the section titled "Industry–Film Exhibition Sector–Digital Cinema" beginning on page 56.

Piracy and home-viewing may reduce the number of cinema patrons.

On account of inadequate enforcement of anti-piracy laws in India, and on account of increasing home-viewing options, the number of cinema patrons may reduce in the future, which may have a material adverse effect on our revenues and our results of operations.

The withdrawal of or refusal to grant entertainment tax incentives or the grant of entertainment tax incentives on commercially unviable terms for our existing and proposed Multiplex Cinemas would have a material adverse effect on our results of operations and financial position.

One of the considerations influencing our decision to open certain new Multiplex Cinemas is the availability of entertainment tax holidays and incentives announced by various state governments. We 'or the developers from whom we propose to take new cinema properties' have filed applications for grant of entertainment tax exemptions in respect of the relevant cinema property. For details of the entertainment tax exemptions available in the states where we operate, please see the section titled "Regulations and Policies" beginning on page 95.

Entertainment tax rates vary from state to state and are as high as 60% (in Uttar Pradesh) in the territories where we currently operate. The withdrawal of the announced tax holidays and incentives or the refusal by relevant authorities to grant entertainment tax exemptions for our existing or proposed Multiplex Cinemas would have a material adverse effect on our results of operations and financial conditions and may also affect our decision to proceed with such Multiplex Cinemas, thus hampering our expansion plans. Further, if the terms of such entertainment tax exemptions are not favorable to us, we may not be able to avail of these exemptions, which may materially affect our business and results of operations. For instance, for PVR Bangalore, we have been granted an entertainment tax exemption on certain terms and conditions in light of which, as on and of the date of filing of this Red Herring Prospectus, we have not availed of this exemption. Further, in some territories like Mumbai and Uttar Pradesh, in order to avail of the entertainment tax exemption we are required to operate our Multiplex Cinemas for a fixed period of time. In the event we fail to meet this condition, we will be required to return the amount of entertainment tax exemption availed of by us, together with penal interest.

A reduction in our advertisement revenues could have a material adverse affect on our results of operations.

During fiscal 2005 and the six months ended September 30, 2005, we had Rs. 87.21 million and Rs. 46.4 million in advertisement revenue respectively. This constituted 12.4% and 8.3% respectively of the total income during the same period. We generally utilize our existing cinema infrastructure to display advertisements for our advertising customers. Our gross margin on advertisement revenue is high as we do not incur significant additional cost for each Rupee of additional advertisement revenue we earn. Consequently, changes in our advertisement revenue will have a larger percentage impact on our profit before tax than changes in some of our other sources of revenue.

The cost of exhibition of a film varies across films and cinemas and if we are unable to obtain films on competitive terms our results of operations may be adversely affected.

The film exhibition industry in India relies on distributors to obtain films for exhibition. For hiring a film, the distributor's share is normally a percentage of ticket receipts (net of entertainment taxes) and the applicable percentage is negotiated on a film to film basis in respect of movies produced in India and periodically for film releases by international studios. Distributors work on a non-exclusive basis and there is competition between exhibitors to acquire films. Competitive pressures may result in increasing the cost at which we acquire the rights to exhibit films. If we are unable to recover such increased costs through higher box office collections or other forms of revenue generation, our results of operations would be adversely affected.

We are dependant on our senior management team and the loss of key members or failure to attract skilled personnel may adversely affect our business.

We believe we have a team of professionals to oversee the operations and growth of our business. Our success is substantially dependent on the expertise and services of our management team. Except in case of our Chairman cum Managing Director, Mr. Ajjay Bijli, we do not maintain key man insurance policies for any of the senior members of our management team or other key personnel. While we have introduced an employees' stock option scheme to encourage employee retention, we cannot assure you that we will be able to retain any or all of the key members of our management team. The loss of the services of such key members of our management team could have an adverse effect on our business and the results of our operations.

Further, our ability to maintain our leadership position in the Multiplex Cinema exhibition business depends on our ability to attract, train, motivate, and retain highly skilled personnel. In the event we fail to meet these requirements, it could have an adverse effect on our business and results of operations.

For further details of our senior management team, please see the section titled "Our Management" beginning on page 111.

We rely extensively on our IT systems and failures could adversely impact our business.

We rely extensively on our IT systems to provide us connectivity across our business functions through our software, hardware and network systems. Our business processes are IT enabled, and any failure in our IT systems or loss of connectivity or any loss of data arising from such failure can impact us adversely.

We rely extensively on our standard operating procedures and failures could adversely impact our business.

We rely extensively on our standard operating procedures for the effective functioning of our cinemas, and any deviation from these procedures may disrupt the functioning of our cinemas, affecting the performance and financial condition of our Company.

After completion of the Issue, our Promoters may not have control over decisions in the Company requiring shareholders consent.

After completion of this Issue, our Promoters will collectively own 40.44% of our Equity Shares on a fully diluted basis, including the Equity Shares subscribed as Promoter's Contribution. The rest of the shareholding will be held by the Selling Shareholder and the public. Despite Mr. Ajjay Bijli, a whole time director, holding the post of Chairman cum Managing Director and being a non retiring Director as per the terms of the Shareholders Agreement, the Promoters, post the Issue, may not hold more than 50% of the Equity Shares in our Company and consequently may not be able to determine decisions requiring more than 50% shareholding in the Company, solely on the basis of their shareholding. This may affect the business and operations of our Company.

Post the Issue, the non promoter shareholding in our Company would be 59.56% and any acquisition by an acquirer of more than 15% or more than 5% of our Equity Shares in a particular year (by an acquirer who holds more than 15% but less than 55% of our Equity Shares), may trigger a change in control under the Takeover Code.

Even though our Promoters have nominees on the Board who are non retiring directors, in the event any person or body corporate ("acquirer") who, along with persons acting in concert, acquires more than 15% of our Equity Shares or while holding 15% or more but less than 55% of our Equity Shares acquires more than 5% of our Equity Shares in a particular year, the change in control provisions under the Takeover Code would be triggered. In the event the Takeover Code is triggered, it is possible that the acquirer may, together with persons acting in concert gain control of our Company and such change in control may affect our ability to continue our business in the manner directed under our Promoters or present management.

Any future sale of Equity Shares by our current shareholders may affect market price.

The shareholding of the Selling Shareholder post the Issue will amount to 22.37% of the post Issue fully diluted paid up Equity Share capital. The Selling Shareholder is a venture capital fund registered with SEBI and consequently would be exempt from the lock-in requirements in respect of pre-Issue equity share capital under the SEBI Guidelines and the SEBI (Venture Capital Funds) Regulations, 1996 and the Equity Shares held by them would be freely transferable post the Issue.

Our Promoters will collectively hold 40.44% of the post Issue fully diluted equity share capital of our Company. Though 20% of the pre-Issue shareholding held by our Promoters will be locked in for three years, and their entire shareholding in our Company will be locked in for a year, including the amount brought in as Promoter's Contribution, they will be entitled to freely transfer their shareholding once the lock-in period has expired. Any sale of Equity Shares by our existing shareholders or by our Promoter could adversely impact the market price of our Equity Shares. For details of post Issue shareholding of our Promoter and the Selling Shareholder and lock-in arrangements please see the section titled "Capital Structure" beginning on page 19.

The objects of the Issue have not been appraised by any bank or financial institution. Except in certain cases, we have not entered into definitive agreements or placed orders for construction or for purchase of machinery and equipment required to operate our proposed cinemas.

The deployment of funds as stated in the section titled "Objects of the Issue" beginning on page 31 is entirely at our discretion and is not subject to monitoring by any independent agency. All the figures included under the "Objects of the Issue" are based on our own estimates. There has been no independent appraisal of the projects. Except in certain cases, we have not entered into definitive agreements or placed orders for the construction or for purchase of machinery and equipment required to operate our proposed cinemas. There can be no assurance that we will be able to conclude such definitive agreements on terms acceptable to us, or if at all. The estimated expenditure of Rs. [●] towards these objects will be financed out of the proceeds of this Issue.

There could be changes in implementation schedule of projects.

Our estimated fund requirement is based on our current business plan. However, we operate in a highly competitive and dynamic industry and may have to revise our business plan from time to time on account of new projects that we may pursue including any industry consolidation initiatives. We may also need to alter our capital outlay plans in order to accommodate newer and fast track completion projects or projects which may be delayed by the developer.

We are subject to restrictive covenants in certain short-term and long-term debt facilities provided to us by our lenders.

There are restrictive covenants in agreements we have entered into with certain banks and financial institutions for short-term loans and long-term borrowings. These restrictive covenants require us to seek the prior permission of the said banks/ financial institutions for various activities, including, amongst others, alteration of our capital structure, raising of fresh capital, undertaking new projects, undertaking any merger/ amalgamation/restructuring, and change in management. Under the terms of some of these agreements, encumbrances on our brand, PVR, have been created in favour of the concerned lenders. Though we have received approvals from all our lenders for this Issue, these restrictive covenants may also affect some of the rights of our shareholders, including the payment of the dividends. For details of these restrictive covenants, please see the section titled "Financial Indebtedness" beginning on page 81.

We have not obtained certain approvals for our proposed cinemas.

We require statutory and regulatory permits in order for us to operate our business. We have applied for a few of these approvals, for example, for our cinema at PVR Juhu, Mumbai, we have filed an application dated August 4, 2005 for grant of no objection certificate by the Electrical Inspector, and an application dated August 16, 2005 for grant of no objection certificate by the Chief Fire Officer, Mumbai Fire Brigade.

In the future, we will be required to apply for fresh approvals and permits in respect of our proposed cinemas. While we believe we will be able to obtain such permits or approvals at such times as may be required, there can be no assurance that the relevant authorities will issue any of such permits or approvals in the time frames anticipated by us or at all. Any failure to obtain the required permits or approvals may result in the interruption of our operations or impede our expansion plans.

We do not own any of our existing cinema premises.

We do not own any of our cinemas and hence we do not have rights in the immovable property in respect of the cinemas operated by us. We obtain the right to operate or manage cinemas through various contractual arrangements, which we execute with the developer/owner of the concerned cinema. Some of these contractual arrangements contain provisions permitting termination of these arrangements on account of non-compliance with their terms and failure to cure such non-compliance within specified time frames, by us. Any defect in the title, ownership rights, development rights of the owners whose real estate premises we operate in, or any non-compliance with applicable rules and regulations relating to these premises by those developers or any termination of these contractual arrangements, may impede our business and operations.

Our business is seasonal and our results of operations fluctuate from quarter-to-quarter.

Historically, our revenues have been higher during the first half of the fiscal year due to summer vacations and release of big budget Indian movies during this period. As a result of this, our quarter-to-quarter results may not be comparable or a meaningful indicator of our future performance. It is possible that in the future some of our quarterly results of operations may be below expectations of market analysts and our investors and which adversely impact our market price of our Equity Shares.

Some our trademarks and service marks have not been registered.

We have filed applications for registration of our trademarks and service marks and these applications are pending with the relevant authorities. For a list of the applications made by us please see the section titled "Government and Other Approvals" beginning on page 232.

In the event we are not able to obtain registrations in respect of the trademark applications filed by us we may not obtain statutory protections available in respect of a registered trademark.

Our Company, our Promoters and the Selling Shareholder have entered into a shareholders agreement

Our Company, our Promoters and Mr. Sanjeev Kumar and Mrs. Sandhuro Rani, had entered into the Shareholders Agreement with the Selling Shareholder on March 12, 2003. This agreement was amended pursuant to an amendment letter dated September 8, 2005. Further, our Company, our Promoters and the Selling Shareholder have entered into an amendment agreement dated September 8, 2005, which records certain amendments to the investment and shareholders agreement dated March 12, 2003. Some of the salient provisions of the Shareholders Agreement as modified are as under:

(i) While the Selling Shareholder holds more than 5% of the total issued, paid up and subscribed share capital of our Company, it is entitled to appoint one director on the Board, and has the right to be represented on all committees of our Board. Further, till such time as the Selling Shareholder holds more than 5% of the total issued, paid up and subscribed capital of our Company, in proportion to its shareholding in our Company, it is entitled to nominate directors on the boards of our present and future subsidiaries.

(ii) Whilst the Selling Shareholder holds more than 5% of our total issued, subscribed and paid up share capital, resolutions regarding the following issues, among others, require the prior written consent of the Selling Shareholder: amendment to articles of association or memorandum of association, change in authorized or issued share capital or issue of any equity shares or equity linked instruments, reconstitution of the board, acquisition or disposition of shares or any other investments or investment in any project whose value individually exceeds Rs. 250 million in a financial year, borrowings of debt or arranging of finances for any projects or borrowings in excess of the amounts approved in the annual budget, approval of the aggregate remuneration of any of the directors, or key managerial personnel in excess of Rs. 4 million for each such individual, related party transactions, resolutions for liquidation, winding up, amalgamation or merger with any other entity, appointment/changes in statutory and/or internal auditors, commencement or settlement of litigation where the amount claimed is in excess of Rs. 2.5 million.

(iii) The Shareholders Agreement would be automatically terminated if the shareholding of the Selling Shareholder in our Company falls below 5% of our total issued, subscribed and paid up share capital.

The Selling Shareholder will hold 22.37% of the post Issue fully diluted paid up equity share capital of our Company and consequently will be able to exercise its rights as enumerated above pursuant to the Shareholders Agreement.

For further information on the Shareholders Agreement and the amendments thereto please see the section titled "History and Certain Corporate Matters" beginning on page 105.

We are involved in a number of legal and tax proceedings that, if determined against us, could have a material adverse impact on us.

The Additional Commissioner of Customs, Indira Gandhi International Airport, New Delhi, issued a showcause dated September 16, 2002 against our Company, requiring us to show cause why the feature film Chocolat should not be assessed to customs duty at a value of Rs. 389,148 and why penalty should not be imposed under the Customs Act, 1962. We have replied to the notice and written to the Additional Commissioner.

We have filed a second appeal against the order of the Commissioner of Income Tax, New Delhi in respect of disallowance of expenditure in respect of returns filed for assessment year 1999-00. We have already deposited the entire amount under protest. In the event that the claim is decided against us, the tax liability would be calculated on an assessable income of Rs. 384,116 and would be adjustable against the amount paid by us. Our income tax returns in respect of assessment year 2003-04 and 2004-05 have been taken up for scrutiny by the Deputy Commissioner of Income Tax.

The inspector under the Employees' State Insurance Act, 1948, Okhla, New Delhi is scrutinizing our records for the period 1997 to 2002.

We have received two summons from the Courts of the Special Metropolitan Magistrate, New Delhi, in respect of complaints filed by the Weights And Measures Department, Legal Meterology.

We have filed an appeal against a decree of the Additional District Judge, Delhi, ordering us to pay a sum of Rs. 246,875 together with future interest at the rate of nine percent per annum from the date of filing the suit till realisation.

We have four consumer disputes pending before District Consumer Dispute Redressal Forum. The total amount of the claims is approximately Rs. 295,300.

The Consumer Grievance Redressal Forum has, through a speaking order dated October 18, 2005, laid down guidelines on the basis of which a bill, the amount of which was disputed, has to be revised by BSES. We are awaiting the revised bill, which has to be adjusted against the deposit of Rs. 1,500,000 already made by us.

We have a miscellaneous case pending before the District Magistrate, Bangalore Urban District, in respect of which a payment of Rs. 854,000 has already been made with the court.

In addition, our Chairman cum Managing Director, Mr. Ajjay Bijli has a pending income tax case against him in respect of a return filed by his late father Mr. K. M. Bijli pertaining to the assessment year 1982-83. The matter is pending before the High Court of Delhi.

For further details of these cases and information about the status of these cases please see the section titled "Outstanding Litigation and Material Developments" beginning on page 225.

Our Promoters, Promoter Group companies and Subsidiaries have cases pending against them.

Our Promoter, PEPL, has disputes pending before the Labour Court in Delhi in respect of five workmen who have contested their dismissal and have claimed back wages with full salary from the date of dismissal and other benefits with interest thereon. In the event these disputes are decided against PEPL, the financial obligation arising therefrom, would as per our arrangement with PEPL, have to be borne by us.

There are some other pending claims and disputes in respect of some of our Promoters, Promoter Group Companies and Subsidiaries. For further details of these cases and information about the status of these cases please see the section titled "Outstanding Litigation and Material Developments" beginning on page 225.

Restrictions on ticket prices imposed in certain states may affect our results of operations.

Cinemas in the states of Delhi, Punjab and Haryana are governed by the provisions of the Punjab Cinemas (Regulation) Act, 1952, as amended, under which the licensee must comply with ticket prices approved by the licensing authority, and such prices may be increased only with the prior sanction of the licensing authority. Currently, nine of the 10 cinemas operated or managed by us are located in these states, representing 28 out of a total of 39 screens and 7,305 out of a total of 9,316 seats. In respect of our proposed cinemas, seven out of a total of 18 proposed cinemas will be located in these states, representing 25 out of a total of 82 screens and 6,380 out of a total of 22,071 seats. In the event these restrictions prevent us from increasing the ticket prices as may be required by us, it may affect the results of our operations.

Any further issuance of Equity Shares may dilute the holding of investors in our Company and may affect market price.

Any future issuance of Equity Shares or convertible securities by us may dilute the shareholding of investors in Equity Shares and adversely affect the market price of our Equity Shares.

Our contingent liabilities could adversely affect our financial condition.

As of September 30, 2005, we had contingent liabilities not provided for amounting to Rs. 1.29 million. If these contingent liabilities materialize, fully or partly, our financial condition could be adversely affected. For more details of our contingent liabilities, please see the section titled "Outstanding Litigation and Material Developments" beginning on page 225.

We may be exposed to claims for infringement of intellectual property rights of third parties.

While we take all possible care to ensure that necessary consents are obtained from third parties for acquiring intellectual property rights relevant for exhibition of films and undertaking promotions thereof, we may be exposed to infringement claims by such third parties, which if determined against us, may impact our results of operation and our financial condition.

There is no standard valuation methodology in the film exhibition industry.

There is no standard valuation methodology or accounting practice in the emerging film exhibition industry. The financials of our Company are not comparable with other players in the film exhibition industry. Valuations in the film exhibition industry may presently be high and may not be sustained in future and may also not be reflective of future valuations for the industry. Further, since there are limited numbers of listed companies in the film exhibition industry, current valuations of other listed companies may not be comparable with our Company.

Our Company has issued Equity Shares in the last 12 months.

Our Company has issued 80,000 Equity Shares to eight employees of our Company pursuant to our ESPS, at a price of Rs. 20 per Equity Share which may be less than the Issue Price. For details of the issue of Equity Shares pursuant to the ESPS, please see the section titled "Capital Structure" beginning on page 19.

We have applied for but are yet to receive certain approvals/ renewals of licenses in relation to certain of our cinemas.

We have filed an application dated May 30, 2003 for the grant of permission for the computerization of cinema tickets in PVR Gurgaon, which expired on June 15, 2003.

In the event this approval is not granted to us it may adversely affect our ability to sell computerized tickets at our cinema, PVR Gurgaon.

We have applied for, but are yet to receive renewed film storage licenses for our cinemas at PVR Anupam and PVR Priya.

Our subsidiaries, PVR Pictures and CR Retail, incurred losses in last three financial years.

Our subsidiary, PVR Pictures, incurred a loss of Rs. 3.38 million in fiscal 2003 and a loss of Rs. 1.21 million in fiscal 2004. Further, our subsidiary, CR Retail incurred a loss of Rs. 0.77 million in fiscal 2004 and a loss of Rs. 2.26 million in fiscal 2005. For more details, see the section titled "History and Certain Corporate Matters" beginning on page 105. In the event that PVR Pictures or CR Retail incur losses in the future our consolidated results of operation and financial condition will be adversely affected.

Some of our Promoter Group companies have incurred losses.

Some of our Promoter Group companies have incurred losses within the last three fiscal years, details of which are set forth below:

(Rs. in million)

Promoter Group Company	fiscal 2005 Profit after Tax	fiscal 2004 Profit after Tax	fiscal 2003 Profit after Tax
The Amritsar Transport Company Private Limited	6.96	3.00	(5.46)
ATC Carriers Private Limited	0.23	(0.03)	(0.51)
Leisure World Limited	0.27	(0.68)	(0.01)

For more details, please see the section titled "Our Promoters and Promoter Group Companies" beginning on page 122.

Certain of our Promoters and Directors have interests in our Company, other than reimbursement of expenses incurred or normal remuneration or benefits.

We have given an inter corporate deposit of Rs. 2,000,000 to our subsidiary PVR Pictures, in which Mr. Ajjay Bijli, Mr. Sanjeev Kumar and Mr. Sumit Chandwani are directors and also hold 100 equity shares each, the beneficial interest in which lies with our Company. Our Promoter, PEPL owns the premises on which our cinema PVR Priya is situated.

The moratorium periods stated in certain loans have been extended.

We have been permitted to extend the moratorium periods in respect of the repayment obligations with respect to certain loans, namely the loans granted by Small Industries Development Bank of India, Infrastructure Leasing and Financial Services Limited and United Bank of India. For details of these loans please see the section titled "Financial Indebtedness" beginning on page 81. The extension was sought since the projects in respect of which we had sought the loans had not commenced before the repayment dates prior to the roll over.

External Risk Factors

The Indian film exhibition sector is highly regulated and changes in regulations may have an adverse effect on our business.

The Indian film exhibition sector is highly regulated by both the central and the state governments. These regulations and policies are highly detailed and extend to all aspects of building and safety requirements, specify preconditions to be met for licensing requirements, show tax and entertainment tax registrations and the pre-conditions for grant of exemptions from the payment of entertainment tax.

These regulations and policies have an important impact on our ability to operate cinemas and the viability of our cinemas in different states. Changes in these regulations may have an adverse effect on our business or render the same unviable by increasing compliance requirements and compliance costs.

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

The Indian economy has shown sustained growth over the last few years. The estimate of GDP released by the Central

Statistical Organisation ("CSO") has placed the GDP growth at 6.9% in fiscal 2005. GDP in India grew at 8.5% in fiscal 2004, 4.0% in fiscal 2003 and 5.8% in fiscal 2002. Any slowdown in the Indian economy and the consequent impact on disposable income could adversely affect the number of patrons at our cinemas as well as the ad-spend by our advertising customers, which could adversely affect our results of operations.

A significant change in the Government of India's economic liberalization and deregulation policies could disrupt our business and cause the price of our Equity Shares to decline.

Our assets and customers are located in India. The government of India has traditionally exercised and continues to exercise a dominant influence over many aspects of the economy. Its economic policies have had and could continue to have a significant effect on private sector entities, including us, and on market conditions and prices of Indian securities, including our Equity Shares. The present government, which was formed after the Indian parliamentary elections in April-May 2004, is headed by the Indian National Congress and is a coalition of several political parties. Any significant change in the government's policies or any political instability in India could adversely affect business and economic conditions in India and could also adversely affect our business, our financial performance 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 has also adversely affected sowing operations for certain crops. Further prolonged spells of rainfall below normal levels or other natural calamities could have a negative impact on the Indian economy, adversely affecting our business and our results of operations.

Accidents in our cinemas may lead to public liability consequences.

Though we take all possible steps to ensure adoption and compliance with high standards of safety and fire control in our cinemas, we cannot assure you that these mechanisms will be adequate to contain safety risks that may arise in the future. Though we maintain public liability insurance cover for our cinemas, in the event of an accident, we may be exposed to civil, tort and criminal liabilities.

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

Public places like cinemas could and have in the past been targets for terrorist attacks and rioting. Any violence in public places such as cinemas could cause damage to life and property, and also impact customer sentiment and their willingness to visit cinemas, which would have a material adverse effect on our business and results of operations. Our insurance policies for assets cover, among other things, terrorism, fire and earthquakes. However, our insurance policies may not be adequate to cover the loss arising from these events, which could adversely affect our results of operations and financial condition.

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 an adverse impact on us. Regional or international hostilities, terrorist attacks or other acts of violence of war could have a significant adverse impact on international or Indian financial markets or economic conditions or on Government policy. 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.

The price of the Equity Shares may be volatile, and you may be unable to resell your Equity Shares at or above the Issue Price or at all.

Prior to the Issue, there has been no public market for our Equity Shares, and an active trading market on the Indian Stock Exchanges may not develop or be sustained after the Issue. The Issue Price of the Equity Shares may bear no relationship to the market price of the Equity Shares after the Issue. The market price of the Equity Shares after this Issue may be subject to significant fluctuations in response to, among other factors, our results of operations and performance, subsequent corporate actions taken by us, performance of our competitors, market conditions specific to the Indian film industry, and the market perception about investments in the film exhibition industry.

Any downgrading of India's debt rating by an independent agency.

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

Notes:

- The net worth of our Company as of September 30, 2005 was Rs. 769.10 million based on unconsolidated financial statements of our Company.
- We had entered into certain related party transactions. For details, see the section titled "Related Party Transactions" beginning on page 129.
- The book value per Equity Share of the Company as on September 30, 2005 is Rs. 33.26.
- The average cost of acquisition of Equity Shares by our Promoters is Rs. 14.47 per Equity Share. The average cost of acquisition of Equity Shares by our Promoters has been calculated by taking the average of the amount paid by them to acquire the Equity Shares issued by us and the amount paid by them to acquire the shareholding of Village Roadshow Limited. For details please see the section titled "Capital Structure" beginning on page 19.
- Investors may contact the BRLMs for any complaints, information or clarifications pertaining to the Issue.
- Investors are advised to see the section titled "Basis for Issue Price" beginning on page 40.
- This is a public issue of 7,700,000 Equity Shares of Rs. 10 each for cash at a price of Rs. [●] per Equity Share aggregating Rs. [●] million, by PVR Limited, consisting of a Fresh Issue of 5,700,000 Equity Shares of Rs. 10 each, and an Offer for Sale of 2,000,000 Equity Shares of Rs. 10 each by the Western India Trustee and Executor Company Limited, in its capacity as trustee of India Advantage Fund – I, a trust registered under the Indian Trusts Act, 1882 acting through its investment manager ICICI Venture Funds Management Company Limited. The Issue comprises a Net Issue to the public of 7,250,000 Equity Shares of Rs. 10 each, and a reservation for Employees of 150,000 Equity Shares of Rs. 10 each, subject to a maximum Bid of Rs. 2,500,000 by each Employee. The Promoter's Contribution in the Issue is to the extent of 300,000 Equity Shares. The Issue will constitute 33.66% of the fully diluted post-Issue capital of our Company.
- Our Company has on September 22, 2005, issued 80,000 Equity Shares to eight employees pursuant to the ESPS. Our Company has on October 10, 2005 granted 170,000 stock options to Eligible Employees in accordance with the terms and conditions of our ESOS. For details please see the section titled "Capital Structure" beginning on page 19.
- Mr. Ajjay Bijli, our Chairman cum Managing Director, has on September 23, 2005 subscribed to 10,642,000 preference shares of our Company at an issue price of Rs. 10 per preference share and and the Selling Shareholder has on September 23, 2005 subscribed to 9,358,000 preference shares of our Company at an issue price of Rs. 10 per preference share. Our Promoter, BIPL transferred 116,600 Equity Shares to the Selling Shareholder, on September 30, 2005 at a price of Rs. 10 per Equity Share. PEPL sold 30,000 Equity Shares to certain persons on September 2, 2005 at a price of Rs. 10 per Equity Share. For details please see the section titled "Capital Structure" beginning on page 19. Except for the transactions mentioned above, none of the persons listed in our Promoter or Promoter Group, or the directors of our Promoter companies or our Directors have purchased or sold any Equity Shares, during a period of six months preceding the date on which this Red Herring Prospectus is filed with the ROC.
- On October 28, 2005 the Selling Shareholder sold 1,000,000 Equity Shares to T Rowe Price New Asia Fund ("T Rowe") at a price of Rs. 230 per Equity Share. The purchase was made by T Rowe in its capacity as a foreign company under the foreign direct investment ("FDI") scheme.

You should note that in case of oversubscription in the Issue, Allotment will be made on a proportionate basis to Qualified Institutional Bidders, Retail Individual Bidders and Non-Institutional Bidders. For details please see the section titled "Issue Procedure - Basis of Allocation" beginning on page 275.

SUMMARY

We are India's largest Multiplex Cinema operator by number of screens. (Source: Yes Bank Report.) We established the first Multiplex Cinema in India, PVR Anupam, in Saket, Delhi in 1997 and the largest Multiplex Cinema in India, PVR Bangalore in 2004. As of August 31, 2005, our geographically diverse cinema circuit in India consisted of 10 cinemas with a total of 39 screens in five A-class centers. Of these 10 cinemas, we operated seven Multiplex Cinemas and two single-screen cinemas and we managed one Multiplex Cinema with three screens.

Our brand, *PVR,* is one of India's recognized film exhibition brands. Across our various cinemas, we had 4.9 million patrons in fiscal 2005 and 4.5 million patrons for the six months ended September 30, 2005.

As part of our strategy to grow our film exhibition business on a national footprint, we plan to launch 18 cinemas with a total of 82 screens by the end of fiscal 2008. Of these, five Multiplex Cinemas will be in Mumbai in the prime catchments of Juhu, Mulund, Phoenix Mills, Goregaon and Ghatkopar. Mumbai is the hub of the Hindi film industry and a prime market for film exhibition. A total of 11 cinemas will be launched in Hyderabad, Delhi, Indore, Gurgaon, Lucknow, Chennai and Ludhiana. In addition, we plan to target B and C-class centers through the establishment of lower cost cinemas and have signed memorandums of understanding for three-screen Multiplex Cinemas in both Latur and Aurangabad in the state of Maharashtra.

We are the only film exhibition company in India to have had an international film exhibition operator as a strategic investor. We were incorporated in April 1995 pursuant to a joint venture agreement between Priya Exhibitors Private Limited and Village Roadshow Limited, one of the largest non-U.S. cinema exhibition companies in the world with more than 1,000 screens under operation. Village Roadshow's international experience enabled us to begin our film exhibition business operations at PVR Saket, the first Multiplex Cinema in India, using international best practices. PVR Saket achieved an occupancy rate of more than 70% in its first year, demonstrating the growth potential for Multiplex Cinemas in India. Village Roadshow also designed our 11-screen Multiplex Cinema PVR Bangalore at Bangalore, Karnataka and assisted us in designing and implementing our Multiplexes namely, PVR Anupam, PVR Priya, PVR Naraina and PVR Vikas Puri.

In November 2002, as part of Village Roadshow's planned divestment of its investments in 18 countries, it sold its entire shareholding in our Company to Priya Exhibitors Private Limited.

In March 2003, the India Advantage Fund-I managed by ICICI Venture Funds Management Company Limited, one of the largest private equity funds in India, invested Rs. 380 million in our Company, of which Rs. 50 million was a secondary transaction with one of our Promoters, Bijli Investments Private Limited, and Rs. 330 million of which was received by us to assist us in funding our expansion plans. Prior to the closing of the Issue, our Promoters owned 52.11% of our issued Equity Shares, and the Selling Shareholder owned 41.43% of our issued Equity Shares and allocation of shares/options under Employee Stock Purchase Scheme. On September 15, 2005, our shareholders approved our ESPS. Under our ESPS, 80,000 Equity Shares have been issued to the eligible employees as defined in the scheme on September 22, 2005. Further, on September 15, 2005 our shareholders approved our ESOS. Under our ESOS, up to 170,000 Equity Shares may be issued to the eligible employees as defined in the scheme, out of which all Options have been granted as on the date of filing this Red Herring Prospectus. Our ESOS will be administered by our Compensation Committee, a committee of our Board of Directors, which shall determine the terms and conditions of the stock options granted from time to time. Our issued, paid up and subscribed equity capital upon completion of the Issue, assuming full exercise of all the outstanding options issued or to be issued under our ESOS, will comprise 23,047,370 Equity Shares. For further details please see the section titled "Capital Structure" beginning on page 19.

Our unconsolidated total income was Rs. 706.7 million and Rs. 557.1 million in fiscal 2005 and the six months ended September 30, 2005, respectively. Box office revenue (sale of tickets of films, less state entertainment taxes and plus revenue share of sale of tickets of films) and food and beverages revenue (income from sales of food and beverages, less sales tax/VAT), represented approximately 66.3% and 20.7% of our unconsolidated net operating income during the six months ended September 30 , 2005, respectively. Advertisement revenue, and royalty income (pouring rights) constituted

8.3% and 1.0% respectively of our total income, and are important sources of income as we earn significantly higher margins on those revenues.

We also operate a small film distribution business through our wholly-owned subsidiary, PVR Pictures, which acquires and distributes Indian and international films. Our strategy is to continue to distribute Hindi films in the same territories where our cinemas are located, and to purchase the entire suite of distribution rights including the theatrical, satellite/television and DVD rights for international films on an all India basis. Since PVR Pictures commenced its operations in August, 2001, it has acquired rights to distribute 64 English titles and 17 Indian titles (as of September 30, 2005). PVR Pictures was acquired by us in April 2005 and PVR Pictures' financial results were consolidated with our financial results only for the six months ended September 30, 2005. Our consolidated total income was Rs. 561.7 million in the six month ended September 30, 2005.

Our Competitive Strengths

Our cinemas are in prime locations.

Our cinemas are in prime locations, with large catchment areas, surrounded by a good mix of retail and food and beverages outlets and with adequate car parking facilities, making them attractive destinations.

We are considered a preferred anchor tenant and have strong relationships with mall developers.

We are considered a preferred anchor tenant by shopping mall developers because our Multiplex Cinemas generate significant footfalls. Our presence in a development helps the developer to market the mall to other retail businesses. As a result, we are able to obtain prime locations for our Multiplex Cinemas on attractive terms.

Strong relationships within the film industry.

Our position as the largest Multiplex Cinema operator in India, our transparency in reporting box office collections and our emphasis on film marketing have helped us to build strong relationships within the film industry, in both Indian and Hollywood, enabling us to obtain an assured supply of films at competitive rates.

Largest Multiplex Cinema operator in India.

As the largest Multiplex Cinema operator in India, we are able to reap the benefits of economies of scale for our operations. We obtain discounted rates on our capital equipment, food and beverage supplies and for advertisements in newspapers. The size and geographical spread of our cinemas enables us to offer a wide cinema footprint to advertisers and sponsors.

Strong brand equity.

Our brand, PVR, is one of India's most recognized film exhibition brands. Our cinemas have been designed with an emphasis on ambience and customer delight, with quality fit-outs, comfortable seating and state-of-the art audio and projection equipment. This coupled with our customer-focused approach has made our brand name synonymous with high quality cinema viewing in Delhi, Gurgaon, Faridabad, Ghaziabad and Bangalore. This has positioned us an exhibitor of choice for movie patrons, enabling us to maintain stable occupancy rates at ticket prices that are significantly higher than the industry average. Our strong brand equity has also allowed us to enter into corporate alliances and co-marketing exercises with leading companies such as Pepsi, Samsung, Hero Honda, Hyundai, LVMH, Airtel, Master Card, LG Electronics, Nokia, Seagram, General Motors, Hindustan Times, and Lipton.

Emphasis on film marketing.

We believe that one of the factors contributing to our success has been our use of innovative techniques in the Indian film exhibition context to market films shown at our cinemas. We organize movie screenings with film stars, conduct preview screenings for film critics, conduct movie-based promotions, distribute movie memorabilia and information and publish an in-house movie magazine called *Movies First*. We also have a customer loyalty program. We focus on local area marketing and sales, which allows us to build loyalty with customers in the immediate catchments.

Promoter focus on film exhibition and innovative management.

Mr. Ajjay Bijli, our Chairman cum Managing Director and one of our Promoters, is a pioneer in the Multiplex Cinema segment in India and has over 15 years' experience in the film exhibition sector. He is focused on the film exhibition business and has contributed to our development and growth. He was awarded with the 'Theatre World Newsmaker of the Year Award for 2003' at FRAMES 2004, a global convention on the business of entertainment organised by FICCI. In 2004, CineAsia, a prominent Asian film industry convention, gave him a special award for his significant contribution to India's Multiplex Cinema segment. He was recognized as "Entrepreneur of the Year – Entertainment" by the Indian Retail Forum held in Mumbai in September 2005 and "Delhi Ratna" by the PHD Chamber of Commerce and Industry in August 2005.

Our management team, led by Mr. Bijli and Mr. Sanjeev Kumar, our Executive Director, has demonstrated its ability to think ahead of our competition and remain innovative. Our current executive management team has a blend of film exhibition and hospitality industry experience and professional expertise drawn across different industries. Some of our current key employees have received formal training at cinemas in Australia and Singapore operated by Village Roadshow.

Project selection, development and implementation skills.

We have evolved and implemented a structured system of project evaluation and approval. Decisions on projects are taken on the basis of extensive market research undertaken on the location and quality of the development by our business development team and leading specialized research organizations. We frequently reject opportunities for cinema developments that do not meet our stringent project selection criteria.

We have an in-house specialized team for cinema design and implementation. This team is supported by international and domestic project consultants. We have successfully managed the development and implementation of 10 cinema projects.

Scalable systems and processes and uniform staff training.

Our uniform operational systems, processes and staff training procedures will enable us to replicate our high operating standards across all future cinemas. We use Vista software, which is used worldwide, across all our cinemas to capture box office sales, food and beverage sales and sale of tickets on the internet. We use the same rigorous cash and inventory control systems, and procedures for film scheduling, contracting, advertising and management for all of our cinemas. All our systems and processes are documented in a single manual. We have also developed robust and uniform staff training systems.

Our Strategy

With a strong appetite for movies and an upward migration of household income levels in India, we believe that the Indian film industry, and the film exhibition sector in particular, will continue to experience strong growth.

Our main goals are to remain India's largest and most preferred cinema exhibition company. To achieve these goals, our business strategy emphasizes the following elements:

- Continue to provide the highest exhibition standards to achieve customer delight.
- Increase the number of cinemas under our operation on a pan India basis. Our strategy is to adopt a price-based differentiation model, offering our patrons a superior cinema-going experience at each price point.
    - o We shall continue to establish and/or acquire cinemas in line with our goal to remain India's largest and most preferred film exhibition company.
    - o We also plan to open lower cost cinemas using digital technology along with the refurbishment and remodeling of the cinema to give patrons a superior movie experience at an affordable price

  For further details, please see section titled "Our Business-New Cinema Projects" beginning on page 64.
- Capitalise on our market leader position and source consulting, development, operating and management business under the management fee/franchise model.

- Continue to maximise revenue from our existing cinemas.
  - o We plan to increase box office revenue from our existing cinemas through flexible pricing to attract patrons at various points in time of the day and by the week, by maximizing the number of screenings of popular movies, corporate bulk sales of tickets, and making the purchase of tickets easier through our website, the telephone and electronic ticket kiosks.
  - o Increase sales of food and beverages through product incentives, "combo" products at a cheaper price, which increases the average value of each transaction; and
  - o Utilise additional areas adjacent to a few of our cinemas for restaurants/food courts and sale of music CDs and cassettes. These additional areas are available in our existing Multiplex Cinema, PVR Gurgaon, at Metropolitan Mall, Gurgaon and in our properties under development at Juhu, Mulund and Sahara Mall in Gurgaon. We have already sub-let the additional spaces at the MGF Mall to food and beverages outlets on higher rentals.
- Increase revenue from advertisers. As we increase our number of cinema screens there will be an increase in the number of our patrons, which will increase the attractiveness of our cinema circuit to advertisers. This should enable us to increase our advertisement revenue.
- Utilise economies of scale as we grow in size and expand our reach.

Our goal for our film distribution business is to be the preferred distributor for both English and Hindi movies. Our strategy is to distribute Hindi films in the same territories where our cinemas are located, whilst our strategy for international films is to purchase the entire suite of distribution rights including the theatrical, satellite/television and DVD rights for international films on an all India basis. With respect to international movies, we intend to position PVR Pictures as the distributor of choice for independent production houses that do not have a base in India for distributing their movies. We intend to continue to follow primarily a de-risked distribution model, which will be based on commission and/or revenue sharing.

THE ISSUE

Issue:	7,700,000 Equity Shares
Which comprises a:	
Fresh Issue:	5,700,000 Equity Shares.
Offer for Sale by the Selling Shareholder:	2,000,000 Equity Shares.
Total:	7,700,000 Equity Shares.
Of which:	
Promoter's Contribution:	300,000 Equity Shares
Reservation for Employees:	Upto 150,000 Equity Shares
Net Issue to the Public:	7,250,000 Equity Shares
Of which:	
Qualified Institutional Buyers Portion:	Upto 3,625,000 Equity Shares (allocation on proportionate basis), out of which 5% of the QIB Portion or 181,250 Equity Shares (assuming the QIB Portion is 50% of the Net Issue) shall be available for allocation on a proportionate basis to Mutual Funds only (Mutual Funds Portion), and 3,443,750 Equity Shares (assuming the QIB Portion is 50% of the Net Issue) shall be available for allocation to all QIBs, including Mutual Funds.
Non-Institutional Portion:	At least 1,087,500 Equity Shares (allocation on proportionate basis).
Retail Portion:	At least 2,537,500 Equity Shares (allocation on proportionate basis).
Equity Shares outstanding prior to the Issue:	17,177,370 Equity Shares.
Equity Shares outstanding after the Issue:	22,877,370 Equity Shares.
Objects of the Issue:	Please see the section titled "Objects of the Issue" beginning on page 31. The Company will not receive any proceeds from the Offer for Sale.

SUMMARY FINANCIAL AND OPERATING INFORMATION

The following table sets forth the selected historical unconsolidated financial information of PVR Limited derived from its restated and audited unconsolidated financial statements for the fiscal years ended March 31, 2003, 2004, 2005 and for the six month ended September 31, 2005, all prepared in accordance with Indian GAAP, the Companies Act, and SEBI guidelines, and restated as described in the auditor's report of M/s S.R. Batliboi & Co., included in the section titled "Financial Statements" beginning on page 131 and should be read in conjunction with those financial statements and notes thereon.

SUMMARY STATEMENT OF UNCONSOLIDATED PROFIT AND LOSS ACCOUNT, AS RESTATED

Amount (Rs in million)

Particulars	Six months period ended 30-Sep-05	Year ended 31-Mar-05	Year ended 31-Mar-04	Year ended 31-Mar-03
INCOME				
Turnover				
Sale of Tickets of Films	464.11	603.19	417.07	395.81
Income from Revenue Sharing	27.62	-	-	-
Sale of Film Rights and Distribution of Films	1.96	0.50	1.40	2.69
Sale of Food and Beverages	129.56	155.83	110.50	86.99
Royalty income (to the extent of pouring fee, from a customer)	5.60	8.74	6.60	5.44
Advertisement Revenue	47.70	91.13	60.35	45.95
Management fees	4.91	1.01	-	-
Gross Operating Income	**681.46**	**860.40**	**595.92**	**536.88**
Less Entertainment tax on Sale of Tickets	**122.36**	**156.99**	**105.29**	**148.17**
Less Sales Tax & Service Tax on other revenues	**15.91**	**17.01**	**8.97**	**5.36**
Net Operating Income	**543.19**	**686.40**	**481.66**	**383.35**
Other Income	**13.92**	**20.26**	**15.71**	**10.30**
Total Income	**557.11**	**706.66**	**497.37**	**393.65**
EXPENDITURE				
Direct Cost	186.85	226.56	176.58	130.90
Personnel Cost	55.47	74.39	58.85	40.37
Employee Compensation Expenses Under Employee Share Purchase Scheme	4.46	-	-	-
Operating Cost	143.49	189.27	127.91	95.12
Selling Cost	23.36	41.27	19.00	25.61
Administrative and Other Cost	31.47	43.40	31.19	25.16
Total Expenditure	**445.10**	**574.89**	**413.53**	**317.16**
Profit (EBITDA)	**112.01**	**131.77**	**83.84**	**76.49**
Interest charges	16.15	23.87	19.10	18.81
Profit before Depreciation and Tax	**95.86**	**107.90**	**64.74**	**57.68**
Depreciation/amortization	33.39	55.18	38.42	30.29

Amount (Rs in million)

Particulars	**Six months period ended 30-Sep-05**	**Year ended 31-Mar-05**	**Year ended 31-Mar-04**	**Year ended 31-Mar-03**
Profit before Tax	**62.47**	**52.72**	**26.32**	**27.39**
Current Tax Expense	(20.50)	(7.60)	(1.68)	(3.92)
Fringe Benefit Tax	(1.60)	-	-	-
Deferred Tax charge	(1.65)	(8.63)	(9.03)	(5.18)
Total Tax expense	23.75	16.23	10.71	9.09
Net profit for the year/period	**38.72**	**36.49**	**15.61**	**18.30**
Brought Forward Profit from Previous Year	86.68	58.24	57.20	38.90
Amount available for appropriation	**125.40**	**94.73**	**72.81**	**57.20**
Appropriations				
- Interim Dividend (Subject to deduction of Tax)	-	-	-	-
- Transfer to Debenture Redemption Reserve	-	8.05	14.57	-
Profit carried to Balance Sheet	**125.40**	**86.68**	**58.24**	**57.20**

SUMMARY STATEMENT OF UNCONSOLIDATED ASSETS AND LIABILITIES, AS RESTATED

Amount (Rs in million)

As at	September 30, 2005	March 31, 2005	March 31, 2004	March 31, 2003
APPLICATION OF FUNDS				
Fixed Assets :				
Gross Block	848.32	828.98	480.65	316.69
Less : Depreciation	190.64	159.45	111.72	74.12
Net Block	657.68	669.53	368.93	242.57
Capital work in progress including capital advances	530.60	137.55	84.63	109.06
Expenditure during construction period (Pending Allocation)	97.34	37.74	32.17	31.89
	1,285.62	844.82	485.73	383.52
Intangible Assets (net of amortisation and including capital work in progress, capital advances and expenditure during development stage)	2.78	2.91	2.81	0.48
Total	**1,288.40**	**847.73**	**488.54**	**384.00**
Investments:	**27.10**	**12.10**	**5.00**	**-**
Current Assets, Loans and Advances:				
Interest Accrued on Long Term Investments	0.69	0.47	0.05	-
Inventories	6.98	6.78	3.08	3.56
Sundry Debtors	38.89	24.60	25.95	4.83
Cash & Bank Balances	183.26	94.94	26.20	96.54
Other Current Assets	0.42	0.81	0.66	0.62
Loans and Advances	244.87	203.08	177.01	96.92
Total (A)	**475.11**	**330.68**	**232.95**	**202.47**
Current Liabilities and Provisions:				
Current Liabilities	208.70	145.57	87.09	101.89
Provisions	32.36	10.59	2.61	10.20
Total (B)	**241.06**	**156.16**	**89.70**	**112.09**
Net Current Assets (A-B)	**234.05**	**174.52**	**143.25**	**90.38**
Total	**1,549.55**	**1,034.35**	**636.79**	**474.38**
SOURCES OF FUNDS				
Deferred Tax Liabilities (Net)	44.57	42.92	34.94	26.49
Loan Funds				
Secured Loans	685.88	455.07	233.34	176.64
Unsecured Loans	50.00	10.00	69.00	67.88
Total	**780.45**	**507.99**	**337.28**	**271.01**
Net worth	**769.10**	**526.36**	**299.51**	**203.37**

Amount (Rs in million)

As at	**September 30, 2005**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
Represented by				
Equity Share Capital	171.77	170.97	133.12	101.50
Preference Share Capital	200.00	-	-	-
Advance against Share Capital	-	-	-	50.00
Securities Premium Account	257.13	251.53	104.33	-
Debenture Redemption Reserve	22.60	22.60	14.56	-
Profit & Loss Account	125.40	86.68	58.24	57.20
Miscellaneous Expenditure	(7.80)	(5.42)	(10.74)	(5.33)
(To the extent not Written off or adjusted)				
Net worth	**769.10**	**526.36**	**299.51**	**203.37**

GENERAL INFORMATION

Registered Office of our Company

The registered office of our Company changed from 50, West Regal Building, Connaught Place, New Delhi 110 001, India to 61 Basant Lok, Vasant Vihar, New Delhi 110 057 with effect from August 5, 2005. The registration number of the Company is 055-67827.

Our Company is registered at the office of the Registrar of Companies, National Capital Territory of Delhi and Haryana, located at Pariyavaran Bhavan, CGO Complex, New Delhi 110 003.

Board of Directors

The following persons constitute our Board of Directors:

1. Mr. Ajjay Bijli (Chairman cum Managing Director, Whole time Director);
2. Mr. Sanjeev Kumar (Whole time Director);
3. Mr. Sumit Chandwani (Nominee Director of the Selling Shareholder);
4. Mr. Vikram Bakshi (Independent Director);
5. Mr. Amit Burman (Independent Director);
6. Mr. Renaud Jean Palliere (Independent Director).

For further details of our Chairman cum Managing Director, the Whole time Director and other Directors, please see the section titled "Our Management" beginning on page 111.

Company Secretary and Compliance Officer

Mr. N. C. Gupta
PVR Limited
Block 2A, 2nd Floor
DLF Corporate Park
DLF Qutab Enclave- III
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Haryana, India.
Tel: +91 124 254 9300
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E-mail: ipo@pvrcinemas.com

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

Book Running Lead Managers

ICICI Securities Limited
ICICI Centre
H.T. Parekh Marg, Churchgate
Mumbai 400 020, India.
Tel: + 91 22 2288 2460
Fax: + 91 22 2283 7045
Contact Person: Mr. Vivek Shah
E-mail: pvr_ipo@isecltd.com
Website: www.iseconline.com

Kotak Mahindra Capital Company Limited
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Fax: +91 22 2284 0492
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Website: www.kotak.com

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Website: www.kotak.com

Legal Advisors

Domestic Legal Counsel to the Company

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International Legal Counsel to the Issue

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Fax: +44 20 7588 0555
Email: chrisman.john@dorsey.com

Registrar to the Issue

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Tel: +91 40 2343 1546/49
Fax: +91 40 2343 1551
Contact Person: Mr. Murali Krishna
E-mail: pvrcinemas.ipo@karvy.com
Website: www.karvycomputershare.com

Bankers to the Issue and Escrow Collection Banks

Kotak Mahinda Bank Limited
7th Floor, Ambadeep Building
14, K.G. Marg,
New Delhi 110 001, India
Tel: +91 11 5179 0075
Fax: 91 11 2332 8014
Contact Person: Mr. Sanjiv Uppal
E-mail: sanjiv.uppal@kotak.com
Website: www.kotak.com

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Fax: +91 22 2261 1138
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Website: www.icicibank.com

Standard Chartered Bank
270, D.N. Road, Fort
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Contact Person: Mr. Banhid Bhattacharya
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Fax: 91 22 2494 7639
Contact Person: Mr. Rajesh Lahori
E-Mail: rajesh.lahori@yesbank.in
Website: yesbank.co.in

Auditors

S.R. Batliboi & Co., Chartered Accountants
B-26, Qutab Institutional Area
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E-Mail: ey.ind@in.ey.com
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Bankers to the Company

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Tel: +91 11 2923 2696
Fax: +91 11 2924 2697
E-Mail: nivedita.katial@in.standardchartered.com

ICICI Bank Limited
CIBD, 9A Phelps Building, Connaught Place
New Delhi, India.
Tel: +91 11 5531 0335
Fax: +91 11 5531 0410
E-Mail: adil.sidduqi@icicibank.com

State Bank of Bikaner and Jaipur
16, Community Centre, Saket
New Delhi, India.
Tel: +91 11 2652 6090
Fax No: +91 11 2686 1701
E-Mail: Not applicable

Monitoring Agency

IL & FS Trust Company Limited
C-22, Block G, Bandra Kurla Complex
Bandra (East)
Mumbai 400 051, India.
Tel: +91 22 26533333
Fax No: +91 22 26533297
E-Mail: varad.mallya@ilfsindia.com, adrish.ghosh@ilfsindia.com
Website: www.itclindia.com

Statement of Inter-Se Allocation of Responsibilities for the Issue

The BRLMs shall be jointly and severally responsible to SEBI for all the activities described below:

Activity	Responsibility	Co-ordination
Capital structuring with the relative components and formalities such as type of instruments etc.	I-Sec, Kotak	I-Sec
Due diligence of the Company's operations/management /business Plans/legal etc. Drafting and design of Red Herring Prospectus and the Prospectus and of statutory and non-statutory advertisement including memorandum containing salient features of the Prospectus and any other publicity material. The BRLMs shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, ROC and SEBI including finalisation of the prospectus and filing with the Stock Exchanges/ ROC.	I-Sec, Kotak	I-Sec
Appointment of other intermediaries, viz. Registrar to the Issue, printers, advertising agency and Bankers to the Issue.	I-Sec, Kotak	Kotak
Retail and Non-Institutional marketing strategy, which will cover inter alia: Formulating marketing strategies, preparation of publicity budget; Finalise media and public relations strategy; Finalise centers for holding conferences for press and brokers; Finalise collection centers; Follow-up on distribution of publicity and issue material; Including form, prospectus and deciding on the quantum of the Issue material.	I-Sec, Kotak	Kotak
Institutional marketing strategy, which will cover inter alia: Finalize the list and division of investors for one-on-one meetings; Managing the book, co-ordination with Stock Exchanges and pricing and institutional allocation in consultation with the Company and the BRLMs; Finalize roadshow presentations.	I-Sec, Kotak	Kotak
The post bidding activities including management of Escrow Accounts, coordination of non-institutional allocation, intimation of allocation and dispatch of refunds to Bidders etc. The post Issue activities will involve essential follow up steps, including finalization of trading and dealing instruments and dispatch of certificates and demat delivery of Equity Shares, with the various agencies connected with the work such as the Registrar to the Issue and Bankers to the Issue and the banks handling refund business. The BRLMs shall be responsible for ensuring that these agencies fulfill their functions and enable them to discharge this responsibility through suitable agreements with the Company.	I-Sec, Kotak	Kotak

Credit Rating

As the Issue is of Equity Shares, a credit rating is not required.

Trustees

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

Book Building Process

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

The principal parties involved in the Book Building Process are:

1. The Company;
2. The Selling Shareholder;
3. The Book Running Lead Managers;
4. The Syndicate Members, who are intermediaries registered with SEBI or registered as a broker with NSE/ BSE and eligible to act as underwriters. The Syndicate Members are appointed by the BRLMs; and
5. The Registrar to the Issue.

SEBI, through its guidelines, has permitted issue of securities to the public through 100% Book Building Process, wherein: (i) upto 50% of the Net Issue to the public shall be allocated on a proportionate basis to QIBs, including upto 5% of the QIB Portion that shall be available for allocation on a proportionate basis to Mutual Funds only and the remaining QIB Portion shall be available for Allocation on a proportionate basis to all QIB Bidders, including Mutual Funds; (ii) at least 15% of the Net Issue to the public shall be available for allocation on a proportionate basis to the Non-Institutional Bidders and (iii) at least 35% of the Net Issue to the public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

QIBs are not allowed to withdraw their Bid(s) after the Bid /Issue Closing Date. For further details please see the section titled "Issue Procedure" beginning on page 258.

Our Company shall comply with guidelines issued by SEBI for this Issue. In this regard, our Company has appointed ICICI Securities Limited and Kotak Mahindra Capital Company Limited as the BRLMs to manage the Issue and to procure subscription to the Issue.

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 Issue).*

Bidders can bid at any price within the price band. For instance, assuming a price band of Rs. 40 to Rs. 48 per share, issue 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 BSE (www.bseindia.com) and NSE (www.nseindia.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 issuer is able to issue the desired quantum of shares is the price at which the book cuts off i.e. Rs. 42 in the above example. The issuer, in consultation with the BRLMs will finalise the issue price at or below such cut off price i.e. at or below Rs. 42. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in respective category.

Steps to be taken for Bidding:

1. Check eligibility for making a Bid (see section titled "Issue Procedure - Who can Bid" beginning on page 258);
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 card to the Bid cum Application Form (see section titled "Issue Procedure - 'PAN' or 'GIR' Number" beginning on page 272);
4. Ensure that the Bid cum Application Form is duly completed as per instructions given in the Red Herring Prospectus and in the Bid cum Application Form.

Withdrawal of the Issue

Our Company, in consultation with the BRLMs, reserves the right not to proceed with the Issue at anytime after the Bid /Issue Opening Date but before Allotment, without assigning any reason therefor.

Bid/Issue Programme

Bidding /Issue Period

BID/ISSUE OPENS ON	**Thursday,**	**December 8,**	**2005**
BID/ISSUE CLOSES ON	**Wednesday,**	**December 14,**	**2005**

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 centers mentioned on the Bid cum Application Form except that on the Bid / Issue Closing Date, the Bids shall be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) and uploaded till such time as permitted by the BSE and the NSE on the Bid /Issue Closing Date.

The Company and the Selling Shareholder reserve the right to revise the Price Band during the Bidding/Issue Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band advertised at least one day prior to the Bid /Issue Opening Date.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional days after revision of Price Band subject to the Bidding Period/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, 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.

Underwriting Agreement

After the determination of the Issue Price and allocation of our Equity Shares but prior to filing of the Prospectus with the ROC, our Company and the Selling Shareholder will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through this Issue. 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.

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)**
ICICI Securities Limited ICICI Centre H.T. Parekh Marg, Churchgate, Mumbai 400 020, India. Tel: + 91 22 2288 2460 Fax: + 91 22 2283 7045 E-mail: pvr_ipo@isecltd.com	3,699,900	[●]
Kotak Mahindra Capital Company Limited Bakhtawar, 3rd Floor 229, Nariman Point, Mumbai 400 021, India. Tel: +91 22 5634 1100 Fax: +91 22 2284 0492 E-mail: pvr.ipo@kotak.com	3,699,900	[●]
ICICI Brokerage Services Limited ICICI Centre H.T. Parekh Marg, Churchgate, Mumbai 400 020, India. Tel: + 91 22 2288 2460 Fax: + 91 22 2283 7045 E-mail : pvr_ipo@isecltd.com	100	[●]
Kotak Securities Limited Bakhtawar, 1st Floor, 229, Nariman Point, Mumbai 400 021, India. Tel: +91 22 5634 1100 Fax: +91 22 5630 3927 E-mail: ulhas.sawant@kotak.com	100	[●]

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

In the opinion of the BRLMs and the Board of Directors (based on certificates given to them by the BRLMs and the Syndicate Members), 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 the 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 filing of Red Herring Prospectus with SEBI (before and after the Issue) is set forth below. Unless otherwise indicated, the data in the tables presented below assumes that none of the outstanding stock options granted under our ESOS have been exercised.

(Rs. in million, except share data)

		Aggregate nominal value	Aggregate Value at Issue Price
A.	Authorised Capital [1]		
	30,000,000 Equity Shares of Rs. 10 each	300.00	
	20,000,000 preference shares of Rs 10 each	200.00	
B.	Issued, Subscribed and Paid-Up Capital before the Issue		
	17,177,370 Equity Shares of Rs 10 each	171.77	
	20,000,000 preference shares of Rs. 10 each	200.00	
C.	Present Issue in terms of this Red Herring Prospectus		
	Issue of:		
	5,700,000 Equity Shares of Rs. 10 each	57.00	[●]
	Offer for Sale of:		
	2,000,000 Equity Shares of Rs. 10 each	20.00	[●]
	Consisting of:		
	300,000 Equity Shares of Rs. 10 each as Promoter's Contribution	3.00	[●]
	Reservation for Employees of :		
	Upto 150,000 Equity Shares of Rs. 10 each	1.50	[●]
	Net Issue to the Public of 7,250,000 Equity Shares of Rs. 10 each:	72.50	[●]
	Of Which:		
	Qualified Institutional Buyers Portion of Upto 3,625,000 Equity Shares:	36.25#	[●]
	Non-Institutional Portion of at least 1,087,500 Equity Shares:	10.88	[●]
	Retail Portion of at least at least 2,537,500 Equity Shares:	25.38	[●]
D.	**Equity Capital after the Issue**		
	22,877,370 Equity Shares of Rs. 10 each	228.77	[●]
E	**Share Premium Account**		
	Before the Issue#	257.13	[●]
	After the Issue	[●]	[●]

[1]The authorized equity share capital of our Company was increased from Rs. 20 million to Rs. 40 million on June 5, 1996 and Rs. 40 million to Rs. 60 million on July 7, 1999, from Rs. 60 million to Rs. 80 million on August 3, 2000, from Rs. 80 million to Rs. 120 million on May 11, 2001, from Rs. 120 million to Rs. 200 million on February 26, 2003, from Rs. 200 million to Rs. 250 million on April 19, 2005 and from Rs. 250 million to Rs. 300 million on August 18, 2005.

The share premium account of our Company as stated in the audited accounts of our Company dated March 31, 2005 is Rs 251.53 million.

The authorized preference share capital of our Company was increased from Nil to Rs. 200 million on September 15, 2005.

The Selling Shareholder has offered two million Equity Shares as part of the Issue. This amounts to 11.64% of the pre-Issue equity capital of the Company.

Equity Shares being offered by the Selling Shareholder as part of the Offer for Sale, have been held by it for a minimum period of one year at the time of filing this Red Herring Prospectus with SEBI.

5% of the QIB Potion, i.e. Rs. 1.81 million (at nominal value, assuming that 50% of the Net Issue is the QIB Portion) is available for allocation on a proportionate basis to Mutual Funds only, and the remaining QIB Portion, i.e. Rs. 34.44 million (at nominal value, assuming that 50% of the Net Issue is the QIB Portion) is available for allocation on a proportionate basis to all QIBs, including Mutual Funds.

Notes to the Capital Structure

1. Share Capital History of our Company:

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

Date of Allotment	Number of Equity Shares (of face value of Rs. 10)	Issue Price per share (Rs.)	Consideration (cash, bonus, consideration other than cash)	Reasons for allotment	Cumulative Share Premium (Rs.)	Cumulative Share Capital (Rs.)
May 17, 1995	700	10	Cash	Subscription on signing of the Memorandum of Association	Nil	7,000
February 15, 1996	300,000	10	Cash	Allotment to Village Roadshow Limited	Nil	3,007,000
February 15, 1996	450,000	10	Cash	Allotment to BIPL	Nil	7,507,000
June 15, 1996	500,000	10	Cash	Allotment to Village Roadshow Limited	Nil	12,507,000
June 15, 1996	749,300	10	Cash	Allotment to BIPL	Nil	20,000,000
January 20, 1997	500,000	10	Cash	Allotment to Village Roadshow Limited	Nil	25,000,000
January 20, 1997	750,000	10	Cash	Allotment to BIPL	Nil	32,500,000
May 31, 1997	160,000	10	Cash	Allotment to Village Roadshow Limited	Nil	34,100,000
May 31, 1997	240,000	10	Cash	Allotment to BIPL	Nil	36,500,000
December 21, 1999	200,000	10	Cash	Allotment to Village Roadshow Limited	Nil	38,500,000
December 21, 1999	300,000	10	Cash	Allotment to BIPL	Nil	41,500,000
April 16, 2001	1,200,000	10	Cash	Allotment to Village Roadshow Limited	Nil	53,500,000
April 16, 2001	1,800,000	10	Cash	Allotment to BIPL	Nil	71,500,000

Date of Allotment	Number of Equity Shares (of face value of Rs. 10)	Issue Price per share (Rs.)	Consideration (cash, bonus, consideration other than cash)	Reasons for allotment	Cumulative Share Premium (Rs.)	Cumulative Share Capital (Rs.)
August 1, 2001	1,200,000	10	Cash	Allotment to Village Roadshow Limited	Nil	83,500,000
August 1, 2001	1,800,000	10	Cash	Allotment to BIPL	Nil	101,500,000
May 19, 2003	2,736,850	47.50	Cash	Allotment to WITEC	102,631,875	128,868,500
January 28, 2004	425,000	47.50	Cash	Allotment to WITEC	118,569,375	133,118,500
August 30, 2004	630,000	47.50	Cash	Allotment to WITEC	142,194,375	139,418,500
March 9, 2005	839,730	47.50	Cash	Allotment to WITEC	173,684,250	147,815,800
March 22, 2005	1,791,850	47.50	Cash	Conversion of optionally convertible debentures held by WITEC	240,878,625	165,734,300
March 22, 2005	523,940	47.50	Cash	Allotment to WITEC	260,526,375	170,973,700
September 22, 2005$	80,000	20	Cash	Allotment to certain employees under ESPS	261,326,375	171,773,700

$ For details please see the section titled "**Capital Structure**" beginning on page 19.

(b) The following is the history of the preference share capital of our Company:

Date of Allotment and date on which fully paid up	No. of preference shares	Face Value	Issue Price	Consideration	Person to whom allotted	% of Preference Share Capital
September 23, 2005	9,358,000	10	10	Cash	The shares were issued to WITEC. These are 5% redeemable preference shares, redeemable at the end of three years with a put and call option for redemption at the end of two years from the date of allotment.	46.79
September 23, 2005	10,642,000	10	10	Cash	Mr. Ajjay Bijli our Promoter and Chairman cum Managing Director. These are 5% redeemable preference shares, redeemable at the end of three years with a put and call option for redemption at the end of two years from the date of allotment.	53.21
Total	20,000,000					100

2. Promoters' contribution and lock-in

(a) Details of Promoters contribution locked in for 3 years*

Name of Shareholder	Date of Allotment/ Acquisition	Date when made fully paid-up	Consideration	No. of Equity Shares (Face Value Rs.10)	% of Post-Issue, post ESOS paid-up Capital
Bijli Investments Private Limited	August 1, 2001	August 1, 2001	Cash	1,800,000	11.32
	April 16, 2001	April 16, 2001	Cash	809,474	
Priya Exhibitors Private Limited	November 20, 2002	Acquired as fully paid up shares	Cash	2,000,000	8.68
Total				**4,609,474**	**20.00**

*Lock-in period shall start from the date of allotment of the Equity Shares in terms of this Red Herring Prospectus. The post Issue paid up Equity Share capital for the purposes of the above table has been calculated assuming full grant, vesting and conversion of all the options under the ESOS.

All the Equity Shares which have been locked in are not ineligible for computation of Promoter's contribution under Clause 4.6 of the SEBI Guidelines.

b. Details of pre-Issue Equity Share capital locked in for one year

In terms of Clause 4.14.1 of the SEBI Guidelines, in addition to the lock-in of 20% of post Issue shareholding of the Promoters for three years, as specified above, the entire pre-Issue share capital (including the Promoter's Contribution) less the number of Equity Shares for which transfer is made under the Offer for Sale shall be locked-in for a period of one year from the date of Allotment in this Issue.

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

The total number of Equity Shares, excluding Equity Shares issued under the ESPS, which are locked in for one year (including Promoter's Contribution) is 4,671,294. However in terms of Clause 22.4 of the Stock Option/Purchase Guidelines and Clause 4.14.2 of the SEBI Guidelines, the Equity Shares issued pursuant to the ESPS will not be subject to lock-in under the terms of the SEBI Guidelines. However, in terms of clause 18.2 of the SEBI Employee Stock Option/Purchase Guidelines, Equity Shares allotted under our ESPS shall be locked in for a period of one year from September 22, 2005. In terms of Clause 4.14.2 of the SEBI Guidelines, the requirements of Clause 4.14.1 of the SEBI Guidelines shall not be applicable to venture capital funds registered with SEBI. Consequently, 5,116,602 Equity Shares remaining in the hands of the Selling Shareholder post the Issue, representing 22.37% of our post Issue fully diluted equity share capital shall not be subject to lock-in under Clause 4.14.1 of the SEBI Guidelines.

In terms of Clause 4.16.1(b) of the SEBI Guidelines, the Equity Shares held by the Promoter may be transferred to and amongst the Promoter Group or to new promoters or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

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

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

Additionally, Equity Shares representing 11.64% of the Pre-Issue paid up capital of our Company held by the Selling Shareholder have been placed in escrow in terms of an escrow agreement dated October 5, 2005 executed by the Selling Shareholder. The aforesaid Equity Shares will be released from escrow upon the BRLMs providing a certificate of the completion of this Issue to the Escrow Agent.

c. Details of Promoter's Contribution locked-in for one year

Out of the present Issue 300,000 Equity Shares of Rs. 10 each, constituting 1.31% of our post Issue paid up Equity Share capital shall be brought in by our Promoter, PEPL, as Promoter's Contribution. In terms of Clause 4.9.1 of the SEBI Guidelines, PEPL would bring in the full amount of the Promoter's Contribution computed as 300,000 Equity Shares multiplied by the Cap Price atleast one day prior to the Bid/Issue Opening Date. This amount shall be kept in an escrow account with one of the Escrow Collection Bank(s) (and which shall be a Scheduled Commercial Bank) and shall be released to the Public Issue Account together with the rest of the issue proceeds. In case of upward revision of Price Band, the difference will be brought in by PEPL immediately on the day of revision.

d. The shareholding of our Promoters before and after the Issue is as follows:

	Before the Issue		After the Issue	
	Equity Shares	**%**	**Equity Shares**	**%**
Priya Exhibitors Private Limited	4,030,000	23.45	4,330,000$	18.93
Bijli Investments Private Limited (along with seven nominee shareholders) #	4,920,768	28.65	4,920,768	21.51
Total	8,950,768	52.10	9,250,768	40.44

Including 100 Equity Shares held by Mr. Ajjay Bijli, our Chairman cum Managing Directors, the beneficial interest of which lies with BIPL.

$ Due to subscription of 300,000 Equity Shares by PEPL as part of Promoter's Contribution.

3. **Shareholding Pattern of our Company**

Shareholding pattern of our Company before and after the Issue is as follows:

Name of Shareholders	**Pre-Issue**		**Post-Issue#**	
	Number of Equity Shares share capital (%)	**Percentage of equity**	**Number of Equity Shares capital (%)**	**Percentage of equity share**
A. Promoters				
Bijli Investments Private Limited (along with 7 nominee shareholders* each of whom hold 100 Equity Shares)	4,920,768	28.65	4,920,768	21.51
Priya Exhibitors Private Limited	4,030,000	23.46	4,330,000$	18.93
Sub Total (A)	8,950,768	52.11	9,250,768	40.44
B. Selling Shareholder				
The Western India Trustee and Executor Company Limited (India Advantage Fund-I)	7,116,602	41.43	5,116,602	22.37
C. Other shareholders				
T Rowe Price New Asia Fund^^	1,000,000	5.82	1,000,000	4.37
Employees (pursuant to our ESPS)	80,000	0.47	80,000	0.35
Mr. Hira Lal Khanna	7,500	0.04	7,500	0.03
Mr. Sanjay Khanna	7,500	0.04	7,500	0.03
Mr. Jagdish Khanna	5,000	0.03	5,000	0.02
Mr. Ravi Khanna	5,000	0.03	5,000	0.02
Mrs. Neelam Kapoor	5,000	0.03	5,000	0.02
Other public shareholders	Nil	Nil	7,400,000	32.35
Sub Total (C)	1,110,000	6.46	8,510,000	37.19
Total (after rounding off) (A + B + C)	**17,177,370**	**100**	**22,877,370**	**100**

Assuming that no Equity Shares are subscribed to by the respective categories (except in the public category where full subscription has been assumed) in the Issue.

* Mr. Ajjay Bijli, Mrs. Sandhuro Rani, Mrs. Seleena Bijli, Mr. Sanjeev Kumar, Mr. Hira Lal Khanna, Mr. Sanjay Khanna and Mr. Jagdish Khanna.

$ Due to subscription of 300,000 Equity Shares by PEPL as part of Promoter's Contribution.

^^ On October 28, 2005 the Selling Shareholder sold 1,000,000 Equity Shares to T Rowe Price New Asia Fund ("**T Rowe**") at a price of Rs. 230 per Equity Share. The purchase was made by T Rowe in its capacity as a foreign company under the foreign direct investment ("**FDI**") scheme.

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

5. In the case of over-subscription in all categories, upto 50% of the Net Issue to the public shall be available for Allocation on a proportionate basis to Qualified Institutional Buyers, of which 5% shall be available for Allocation on a proportionate basis to Mutual Funds only, and the remaining QIB Portion would be available for Allocation on a proportionate basis to all QIB Bidders, including Mutual Funds, atleast 35% of the Net Issue to the public shall be available for Allocation on a proportionate basis to Non-Institutional Bidders and atleast 15% of the Net Issue to the public shall be available for Allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in any category, would be met with spill over from other categories at the sole discretion of our Company and the Selling Shareholder in consultation with the BRLMs.

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

(a) The top 10 shareholders of our Company as on November 21, 2005, are as follows:

Sr. No.	Name of Shareholders	Number of Equity Shares
1.	The Western India Trustee and Executor Company Limited (India Advantage Fund-I)	7,116,602
2.	Bijli Investments Private Limited (along with 7 nominee shareholders each of whom hold 100 Equity Shares)	4,920,768
3.	Priya Exhibitors Private Limited	4,030,000
4.	T Rowe Price New Asia Fund	1,000,000
5.	Mr. Sanjay Malhotra	14,500
6.	Mr. N.C.Gupta	11,500
	Mr. Pramod Arora	11,500
8.	Mr. Ashish Shukla	9,000
9.	Mr. Kamal Gianchandani	9,000
10.	Mr. Ashish Saxena	8,750
	Mr. Tushar Dhingra	8,750
	Total	**17,140,370**

(b) Top shareholders of our Company as on November 21, 2003 are as follows:

Sr. No.	Name of Shareholders	Number of Equity Shares
1.	Bijli Investments Private Limited (along with 7 nominee shareholders)	5,036,668
2.	Priya Exhibitors Private Limited	4,060,000
3.	The Western India Trustee and Executor Company Limited (India Advantage Fund-I)	3,789,482
	Total	**12,886,850**

(c) Top 10 shareholders as on November 11, 2005, 10 days before the date of filing of this Red Herring Prospectus are as follows:

Sr. No.	Name of Shareholders	Number of Equity Shares
1.	The Western India Trustee and Executor Company Limited (India Advantage Fund-I)	7,116,602
2.	Bijli Investments Private Limited (along with 7 nominee shareholders each of whom hold 100 Equity Shares)	4,920,768
3.	Priya Exhibitors Private Limited	4,030,000
4.	T Rowe Price New Asia Fund	1,000,000
5.	Mr. Sanjay Malhotra	14,500
6.	Mr. N.C.Gupta	11,500
	Mr. Pramod Arora	11,500
8.	Mr. Ashish Shukla	9,000
9.	Mr. Kamal Gianchandani	9,000
10.	Mr. Ashish Saxena	8,750
	Mr. Tushar Dhingra	8,750
	Total	**17,140,370**

(d) The list of preference shareholders of our Company and the number of preference shares held by them is as under:

Sr. No.	Name of Shareholders	Number of preference shares
1.	The Western India Trustee and Executor Company Limited (India Advantage Fund-I)	9,358,000
2.	Mr. Ajjay Bijli	10,642,000

7. Our Promoter, BIPL transferred 116,600 Equity Shares to the Selling Shareholder, on September 30, 2005 at a price of Rs. 10 per Equity Share. PEPL sold 30,000 Equity Shares to the following persons on September 2, 2005 in the following quantities at a price of Rs. 20 per Equity Share:

Name of Person	Number of Equity Shares
Mr. Hira Lal Khanna	7,500
Mr. Sanjay Khanna	7,500
Mr. Jagdish Khanna	5,000
Mr. Ravi Khanna	5,000
Ms. Neelam Kapoor	5,000
Total	**30,000**

Except for the transactions mentioned above, none of the persons listed in our Promoter or Promoter Group, or the directors of our Promoter companies or our Directors have purchased or sold any Equity Shares, during a period of six months preceding the date on which this Red Herring Prospectus is filed with SEBI. It may however be noted that our Chairman cum Managing Director Mr. Ajjay Bijli was allotted 10,642,000, 5% redeemable preference shares of our Company at a price of Rs. 10 each on September 23, 2005 and the Selling Shareholder has on September 23, 2005 subscribed to 9,358,000, 5% redeemable preference shares of our Company at an issue price of Rs. 10 per preference share. These investments were made in order to address immediate capital requirements of the Company.

8. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into our Equity Shares, except in respect of the stock options issued under the terms of the ESOS as detailed below.

9. On September 15, 2005, our shareholders approved our ESPS. Under our ESPS, 80,000 Equity Shares have been issued to the eligible employees as defined in the scheme on September 22, 2005. Further, on September 15, 2005 our shareholders approved our ESOS. Under our ESOS, up to 1,70,000 Equity Shares have been issued to the Eligible Employees as defined in the scheme on October 10, 2005 as per the terms of the scheme. Our ESOS Scheme contemplated that the options under our ESOS would be of three types, one, equivalent to 80,000 Equity Shares amounting to 0.35% of the post-Issue paid up equity capital, at Rs. 20 per option ("**Part I Options**") and whose vesting date is March 31, 2007, another equivalent to 38,000 Equity Shares amounting to 0.17% of the post Issue paid up equity capital of our Company at Rs. 20 per Equity Share ("**Part II Options**") and whose vesting date is October 10, 2006 and the last type, equivalent to 52,000 Equity Shares amounting to 0.23% of the post-Issue paid up equity capital, at Rs. 47.50 per option ('**Part III Options**") and whose vesting date is March 31, 2007. Part I Options were granted to permanent employees of grade M4 or above and who are on the rolls of the Company as permanent employees on or prior to March 31, 2003. Part II Options were granted to permanent employees of grade M5, who are on the rolls of the Company as on and of or prior to March 31, 2003, and Part III Options were granted to permanent employees of grade M5 and above who are on the rolls of the Company as permanent employees with effect from April 1, 2003 or later. The exercise period for all the options granted pursuant to our ESOS Scheme is three months. Our ESOS is administered by our Compensation Committee, a committee of the Board of Directors, which determines the terms and conditions of the stock options granted from time to time. Our issued, paid up and subscribed equity capital upon completion of the Issue, assuming full exercise of all the outstanding options issued or to be issued under our ESOS, will comprise 23,047,370 Equity Shares.

Pursuant to our ESPS, we have allotted the following Equity Shares as on the date of filing of this Red Herring Prospectus:

Particulars (as at the date of filing of this Red Herring Prospectus)

a. Number of Equity Shares issued	80,000
b. Price at which Equity Shares were issued	Rs. 20
c. Employee-wise details of Equity Shares issued to:	
i) Directors and key managerial employees	Refer Note 1 below. No Equity Shares have been allotted under the ESPS to Directors as they are not eligible under the ESPS as per the scheme.
ii) any other employee who is issued Equity Shares in any fiscal year amounting to 5% or more of Equity Shares issued during a fiscal year	Nil*
iii) identified employees who are issued Equity Shares, during any fiscal year equal to or exceeding 1% of the issued capital of our Company at the time of issuance	Nil
d. Diluted EPS pursuant to issuance of Equity Shares under ESPS (not annualized)	Rs. 2.12
e. Consideration received against the issuance of Equity Shares	Rs. 1,600,000

* Assuming full subscription in this Issue.

We have issued the following options under our ESOS:

Particulars (as at the date of filing of the is Red Herring Prospectus)

a.	Options granted	170,000
b.	Exercise Price	Refer Note 1 below
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	170,000
f.	Options lapsed	Not Applicable
g.	Variation of terms of options	Nil
h.	Money realized by exercise of options	Nil
i.	Total number of options in force	170,000
j.	Person-wise details of options granted to:	
i)	Directors and key managerial employees	Refer Note 1 below. Directors are not eligible for ESOS under the terms of the scheme.
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	Nil
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	Nil
k.	Diluted EPS pursuant to issue of Equity Shares on exercise of options granted	N.A.*
l.	Vesting Schedule	Both Part I Options representing 80,000 Equity Shares and Part III Options representing 52,000 Equity Shares shall vest in the respective eligible employee on March 31, 2007. Part II Options representing 38,000 Equity Shares shall vest in the respective eligible employees on October 10, 2006.

** Not relevant as the options granted under the ESOS can only be exercised in fiscal 2007.*

Note 1: Details regarding shares granted to our key managerial employees are set forth below:

Sr. No.	Name of Key Managerial Personnel	No. of shares allotted under ESPS
1.	Mr. Sanjay Malhotra	14,500
2.	Mr. Pramod Arora	11,500
3.	Mr. N C Gupta	11,500
4.	Mr. Kamal Gianchandani	9,000
5.	Mr. Ashish Shukla	9,000
6.	Mr. Ashish Saksena	8,750
	Total	**64,250**

Details regarding options granted to our key managerial personnel are set forth below:

Sr. No.	Name of Key Managerial Personnel	Part I Options	Part II Options	Part III Options
1.	Mr. Sanjay Malhotra	14,500	Nil	Nil
2.	Mr. Pramod Arora	15,250	Nil	Nil
3.	Mr. Amitabh Vardhan	Nil	Nil	20,000
4.	Mr. Ashish Saksena	8,750	Nil	Nil
5.	Mr. Ashish Shukla	11,000	Nil	Nil
6.	Mr. N. C. Gupta	14,500	Nil	Nil
7.	Dr. Sunil Patil	Nil	Nil	10,000
8.	Mr. Kamal Gianchandani	9,000	Nil	Nil
	Total	**73,000**	**Nil**	**30,000**

The Equity Shares issued to our employees under our ESPS are in compliance with the SEBI Employee Stock Option/ Purchase Guidelines, to the extent applicable. The options granted under our ESOS will be granted in compliance with the SEBI Employee Stock Option/Purchase Guidelines, to the extent applicable, and the issuance of Equity Shares pursuant to exercise of these options shall be in compliance with SEBI Employee Stock Option/Purchase Guidelines, to the extent applicable.

10. A Bidder cannot make a Bid for more than the number of Equity Shares offered through the Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of Bidder.

11. Under-subscription, if any, in the Employees Reservation Portion will be added back to the Net Issue to the Public, and the ratio amongst the investor categories will be at the discretion of the Company, the Selling Shareholder and BRLMs. In case of under-subscription in the Net Issue, spill-over to the extent of under-subscription shall be permitted from the Employees Reservation Portion.

12. Except as disclosed in this Red Herring Prospectus, none of our Directors and key managerial personnel holds any Equity Shares.

13. There would be no further issue of Equity Shares, whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Red Herring Prospectus with SEBI until the Equity Shares have been listed. We may issue non convertible debentures to meet our funding requirements during such period.

14. We presently do not intend or propose to alter our capital structure for a period of six months from the Bid/Issue Opening Date, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity

Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise, except that if we enter into acquisitions, joint ventures or other property arrangements, 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.

15. 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.

16. As on November 21, 2005 the total number of holders of Equity Shares was 21.

17. We have not issued any Equity Shares out of revaluation reserves or for consideration other than cash.

18. An over subscription to the extent of 10% of the Issue can be retained for the purposes of rounding to the nearest multiple of 25 while finalizing the basis of Allotment.

19. We have on November 11, 2005 received approval of the RBI in permitting transfer of shares from the Selling Shareholder to non residents in terms of the A.P. (Dir Series) Circular number 16 dated October 4, 2004. As per RBI regulations, OCBs are not allowed to participate in this Issue.

OBJECTS OF THE ISSUE

The objects of the Issue are to raise capital to finance new cinema projects, expand our film distribution business, the technological upgradation and renovation of our cinemas, and achieve the benefits of listing. We believe that listing of our Equity Shares will also enhance our visibility and brand name. As on the date of filing of this Red Herring Prospectus, we have crystallized plans to set up cinemas in Mumbai, Hyderabad, Delhi, Indore, Gurgaon, Lucknow, Chennai, Ludhiana, Aurangabad and Latur and plan to further expand our film exhibition business to new locations and cities in keeping with our business and growth strategy. For details of our existing and proposed cinemas and our business strategy please see the section titled "Our Business" beginning on page 61.

The net proceeds of the Issue after deducting Issue expenses payable by us are estimated at approximately Rs. [●] million. We intend to utilize the net proceeds for the Issue for meeting the objects of the Issue mentioned above.

The main object clause of our Memorandum of Association and the objects incidental and ancillary to the main objects enable us to undertake our existing activities as well as activities for which the funds are being raised by us in the Issue. The details of the utilisation of proceeds of the Fresh Issue, along with the year wise break-up of utilisation of proceeds from the Fresh Issue are summarized in the table below:

Funds Required and Deployed to Meet the Objects of the Issue

The total funds required and funds already deployed to meet the Objects of the Issue are as follows:

(In Rs. million)

Balance Amount

Proposed Head of Expenditure	Total Estimated Project Cost	Already spent upto November 9, 2005	November 10, 2005 to March 31, 2006	April 1, 2006 to March 31, 2007	April 1, 2007 to March 31, 2008
Setting up New Cinemas	1,380	96	597	650	37
Equity Investment in CR Retail, a wholly owned subsidiary for setting up a Multiplex.	300	219*	81		
Equity Investment in PVR Pictures, a wholly owned subsidiary for Film Distribution Business	70	Nil	20	50	
General Corporate Purposes	[●]	Nil	[●]	[●]	
Issue Expenses	[●]	Nil	[●]	[●]	
Total	[●]	**315#**	[●]	[●]	

 # Of the total amount of Rs. 315 million spent till November 9, 2005, Rs. 308 million has been spent towards setting up of our new cinema projects and on behalf of CR Retail for the Phoenix Mills project, which has been certified by M/s. Narender Singh & Co., Chartered Accountants, by their letters dated November 11, 2005.

* Includes Rs. 7.1 million invested by our Company in the equity share capital of CR Retail, a wholly owned subsidiary. The remaining expenditure of Rs. 212 million has been incurred by our Company on behalf of CR Retail. This amount shall be reimbursed by CR Retail to our Company after the equity investment of Rs. 300 million by our Company in CR Retail is completed.

The fund requirements stated above are based on the current business plan of our Company. We operate in a highly competitive and dynamic industry, and may have to revise our business plan from time to time on account of new projects that we may pursue including any industry consolidation initiatives i.e., potential merger and acquisition opportunities for existing cinemas or cinemas under development. We may also switch capital expenditure to newer and early completion date projects in case of delays by the property developer in the handover of specific projects. Consequently, our fund requirements may also change accordingly. This change in business plan may include rescheduling of capital expenditure programs, starting projects which are not currently envisaged, discontinuing projects currently planned and increase or decrease in the capital expenditure for a particular cinema vis-à-vis current plans at the discretion of the Company.

In case of any shortfall / cost overrun, we intend to meet our estimated expenditure from our cash flow from operations and fresh debt. For the six months ended September 30, 2005 and fiscal 2005, our cash flow from operations were Rs. 106 million and Rs 176.8 million respectively.

Setting up new cinemas:

We are in the process of setting up several cinemas in various locations around India. For details of cinemas that we plan to set up till fiscal 2008, please refer to section titled "Our Business" beginning on page 61. The anticipated expenditures we propose to incur shall be in the following manner:

(In Rs. million)

S. No.	Proposed Activity	Estimated Expenditure till March 31, 2008
1.	Civil and interiors related works including architectural, interiors & services consultants fee	325
2.	Plant and machinery	400
3.	Furniture, Fixtures and Equipment	270
4.	Preoperative and Interest costs	145
5.	Contingencies	110
6.	Security deposits / earnest money	130
	Total (a)	**1,380**
	Less Already spent (b)#	**(96)**
	Net expenditure (a) – (b)	**1284**

#The expenditure already incurred amounting to Rs. 96 million as November 9, 2005 has been certified by M/s. Narender Singh & Co., Chartered Accountants by their letter dated November 11, 2005.

Project implementation schedule for establishing cinemas

The status of implementation of setting up and establishing new cinemas, as per our current business strategy are as follows:

Sr. No.	Project	No. of Seats	Screens	Expected Opening	Stage of Development
1.	Rivoli, Delhi	361	1	fiscal 2006	Fit outs under progress
2.	Indore	1140	5	fiscal 2006	Fit outs under progress
3.	Prashant Vihar, Delhi	800	3	fiscal 2006	Fit outs under progress
4.	Sahara, Gurgaon	450	2	fiscal 2006	Developer completing Building and license related work due to change in plans

Sr. No.	Project	No. of Seats	Screens	Expected Opening	Stage of Development
5.	Sahara Lucknow	920	4	fiscal 2006	Fit outs under progress
6.	Latur	1050	3	fiscal 2006	Developer completing the building shell, expected to be handed over for fit outs over the next 3 months
7.	Aurangabad	1100	3	fiscal 2006	Developer completing the building shell, expected to be handed over for fit outs over the next 3 months
8.	Goregaon, Mumbai	2200	8	fiscal 2007	Developer completing Building and handover for fit outs expected over the next 3 months
9.	DDA Saket Place, Delhi	1269	6	fiscal 2007	Developer completing Building and handover for fit outs expected over the next 3 months
10.	Odeon, Mumbai	1250	4	fiscal 2007	Developer completing Building
11.	Ampa, Chennai	1600	7	fiscal 2007	Developer constructing the Building
12.	Flamez, Ludhiana	1000	4	fiscal 2007	Developer constructing the Building

The above-mentioned projects include two lower cost digital cinemas of three screens each in Latur and Aurangabad, which we intend to open in fiscal 2006. We have already finalized the design and business models and have also recently signed memorandums of understanding with developers for these projects.

We estimate the total fund requirements for our proposed 10 new cinemas and two lower cost digital cinemas till fiscal 2008 at Rs 1,380 million. Capital expenditures in respect of our new cinemas would include civil and interior works (flooring, false ceilings, acoustic treatment, wall finishes, painting and polishing, waterproof treatment, woodwork, steel works, architects, interiors and services consultants' fee, etc), plant and machinery (electrical installations, air-conditioning, plumbing and fire fighting works, screen and sound projection equipment, etc), furniture, fixtures and equipment (foyer furniture, signs, seats, carpets, show windows, computers, concession and other office equipment) and pre-operative and interest costs.

While we have estimated the cost of the required plant, machinery and other services and equipment based on the rates in our existing contracts and projects and our anticipated scope of work in the new cinemas, the actual costs could vary in the course of implementation.

For the projects listed above, we will apply for necessary statutory and governmental approvals at appropriate stages of the development of the project. We intend to enter into definitive contractual arrangements with the developers / property owners in respect of our new cinemas simultaneous to handover of the cinemas to us for fit outs. Since we do not own any of the premises in which our cinemas are located, we are required to pay deposits at the time of entering into the commercial arrangement with the developers / property owners. We have already entered into preliminary contractual arrangements with the developers / property owners for all the above properties and paid them deposits aggregating to Rs. 41 million.

We have already incurred an amount of Rs. 96 million till November 9, 2005 on the setting up of our new cinemas. Mr. Narender Singh & Co., chartered accountants, has certified this amount by their letter dated November 11, 2005.

Equipment

The details of the equipment with the respective suppliers and consultants, already tied up by us for our future projects are as follows:

S. Nos	Works / Equipment	Contractors / Suppliers / Vendors
1.	Civil and Interior Works	Indore - M/s Vadehra Builders Pvt. Ltd. Lucknow - M/s New Era Furnishers Pvt. Ltd. Prashant Vihar - M/s New Era Furnishers Pvt. Ltd. Rivoli - M/s Vistar Constructions Pvt. Ltd
2.	Architectural and Design	Indore - M/s Spazzio Design Architecture Pvt. Ltd, Jestico + Whiles Lucknow - M/s Spazzio Design Architecture Pvt. Ltd . Rivoli - M/s Design and Development Sahara Gurgaon - M/s Bobby Mukherjee & Associates (Sahara Gurgaon) Prashant Vihar M/s SWBI Architects Saket - M/s Spazzio Design Architecture Pvt. Ltd, Jestico & Whiles Goregaon - M/s Era Architects, Jestico + Whiles Phoenix – M/s Era Architects, R204 Design
3.	Plant and Machinery	Electrical Works Indore - Sterling and Wilson Electricals Pvt. Ltd. Lucknow - Sterling and Wilson Electricals Pvt. Ltd. Rivoli - MEC Electric Contracts Pvt. Ltd. Prashant Vihar - MEC Electric Contracts Pvt. Ltd . Air-conditioning Works Rivoli - M/s Unique Plumbing & Fire Fighting works Rivoli - M/s Petra Sanitations Indore - M/s Petra Sanitations Sound and Projection equipment for Rivoli, Indore, Prashant Vihar, Sahara Gurgaon, Lucknow - Modern Radio House Pvt. Ltd.
4.	Furniture and Fixture	Seats Indore - M/s Krishna Quintet Seats Pvt. Ltd. Sahara Gurgaon - M/s Krishna Quintet Seats Pvt. Ltd. Rivoli - M/s Krishna Quintet Seats Pvt. Ltd . Indore - M/s Kinden Furniture’s (Gold Class)

The tie up with respective suppliers and consultants for the equipment for the other projects will be done at the appropriate stage of project implementation.

Setting up a seven-screen multiplex at the Phoenix Mills, Mumbai through our 100% subsidiary CR Retail

We are developing a seven-screen Multiplex in the Phoenix Mills compound, a key retail, commercial and entertainment hub in Lower Parel, Mumbai. The project is being executed by our wholly owned subsidiary, CR Retail. Phoenix Mills will be a large and prime retail destination in Mumbai with approximately one million square feet when fully developed and will be a large-scale retail and entertainment development format in South Mumbai. Upon its completion the project will be a prestigious and prime multiplex for the Company.

The Multiplex will have a seating capacity of 2,050 seats and is expected to be operational by fiscal 2007. The total estimated project cost is Rs. 720 million, which includes Rs. 466 million being paid as a one time premium for acquisition of perpetual (900 years) sub lease rights on the Multiplex building, which will bear a nominal rent of Re. 1 per annum. We intend to fund this project through a mix of debt and equity. We intend to invest Rs. 300 million in the equity of CR Retail, and the remaining fund requirements shall be funded through debt to be raised by CR Retail. We have obtained an in-principal approval for Rs. 500 million from a financial institution to fund this Multiplex project. Of the total project cost of Rs. 720 million, we have already incurred expenditure amounting to Rs. 219 million as on November 9, 2005. Of this amount, expenditure of Rs. 212 million has been certified by M/s. Narendra Singh & Co., Chartered Accountants by their letter dated November 11, 2005.

In addition we have invested Rs. 7.1 million in the equity of CR Retail. This fund has been utilized by CR Retail for purchasing National Security Certificates (NSCs) to be deposited with the Additional District Collector, Mumbai suburban district, as part of the security arrangement for availing entertainment tax exemption for the project as per the terms of the conditional letter of intent dated September 29, 2004 issued to CR Retail under Government Order No. ENT1099/CR76/T-1 dated September 20, 2004 and Government resolution number CR76/T-1 dated January 4, 2003 of the Forest and Revenue Department. These NSCs have been purchased in the name of a Director of CR Retail, since NSCs are issued by the Post Office only in the name of individuals. CR Retail has entered into an agreement with the concerned director for the repayment of the principal amount alongwith accrued interest on these NSCs on maturity.

As the project is still under development, CR Retail would apply for necessary statutory and governmental approvals at appropriate stages of the development of the project. It will also enter into contracts with various vendors and contractors for supplying equipments and furniture and fixtures shortly. We have not entered into any arrangements with CR Retail which assure any dividend returns from CR Retail to our Company.

Investment in subsidiary "PVR Pictures" for film distribution

PVR Pictures Limited, our wholly owned subsidiary, is engaged in the business of distribution of English and Hindi language films in India. PVR Pictures is a strategic business unit aimed at solidifying our exhibition growth and strength by widening the content available in our cinemas across India, thereby increasing the customer base whilst also satisfying some of our programming needs.

PVR Pictures is currently a leading Hollywood films distributor in India. PVR Pictures currently acquires and distributes Hindi films in territories where we have an exhibition presence. We aim to establish an all India distribution network for Hindi films and to be the market leader in the Hindi film distribution business. We have distribution offices in Delhi (Delhi-UP territory) and Bangalore (Mysore territory). We plan to set up distribution offices in Mumbai, Hyderabad (Nizam territory) and Jullunder (East Punjab territory) this year. The estimated expenditure we propose to incur for entering new territories for distribution where we have an exhibition presence; and purchasing films for distribution is Rs. 70 million which would be funded by our Company as an equity investment in our subsidiary PVR Pictures.

General corporate purposes and strategic investments

We seek to further enhance our position as a leading Indian film exhibitor. In addition to continued investments for the expansion of our cinema circuit by setting up new cinemas, we intend to expand our cinema circuit by exploring viable acquisition opportunities, and enhance our capabilities through the technological upgradation and refurbishment of our existing cinemas. Our management, in accordance with the policies of the Board, will have the flexibility in utilizing these proceeds.

We also intend to invest a portion of the proceeds toward sales and marketing expenditures for the launch of our new cinemas and sustained visibility of our brand across India.

We intend to use Rs. [●] million till March 31, 2007 for our general corporate purposes.

Issue expenses

The expenses for this Issue include lead management fees, selling commissions, printing and distribution expenses, legal fees, advertisement expenses, registrar fees, depository charges and listing fees to the Stock Exchanges, among others. The total expenses for this Issue are estimated to be approximately Rs. [●] million

The expenses incurred in connection with the Issue shall be borne by us and the Selling Shareholder, to reflect the incremental cost pursuant to the Offer for Sale.

Means of finance

The objects of this Issue are proposed to be funded by a combination of proceeds of the Issue, preference share capital infusion by Mr. Ajjay Bijli and the Selling Shareholder, cash flow from operations and debt.

In Rs. million

Particulars		Capital Cost
Equity	Proceeds of the Issue	[●]
	Less: Issue Expenses	[●]
	Net Proceeds of the Issue	[●]
Preference Capital	Issued to one of our Promoters and the Selling Shareholder	200
Debt	Total debt arranged *	450

* We have received a sanction letter dated July 8, 2005 read with letters dated November 11, 2005 and November 14, 2005 from ICICI Bank for a secured term loan of Rs. 200 million.

We also have a sanction letter dated October 17, 2005 from Yes Bank for a short term facility of Rs. 250 million for a tenure of 24 months, in respect of which facility, Yes Bank will have a put option on the facility at the end of the $6^{th}/12^{th}/18^{th}$ month from the date of first disbursement. At the end of this two year period, the facility will be replaced by a medium term loan of Rs. 250 million for a tenure of 60 months, granted under the terms of sanction letter dated November 11, 2005.

However, no money has been drawn down on the basis of these sanction letters till date. We believe that the the loans amounting to Rs. 450 million tied up in the manner described above represents 75% of the stated funds requirement, excluding the amount to be raised through this Issue and the amount raised through issue of preference shares described above. We intend to draw down these debts progressively over the project execution period.

For further details of our total borrowings, please see section titled "Financial Indebtedness" beginning on page 81.

Appraisal

Our fund requirements and deployment thereof are based on internal management estimates, and have not been appraised by any bank or financial institution. In case of any variations in the actual utilization of funds earmarked for the above activities, increased fund deployment for a particular activity may be met with by surplus funds, if any available in respect of the other activities. The balance proceeds of this Issue in addition to the abovementioned requirements, if any, will be used for general corporate purposes.

Funds utilised

The total expenditure already incurred by us for our new cinema projects and on behalf of CR Retail for the Phoenix Mills project, amounting to Rs. 308 million as of November 9, 2005 has been certified by Narender Singh & Co, Chartered Accountants by their letter dated November 11, 2005. The expenditure already incurred has been used in the following manner:

(Rs. in Million)

Nature of Expenditure	
Phoenix Building Sub lease premium plus stamp duty, which is being acquired on perpetual sub-lease basis by our subsidiary CR Retail	203
Civil and Interiors Related Works for Phoenix Mills Project	4
Preoperative costs & Interest for Phoenix Mills project	5
Civil and Interiors Related Works for cinema projects of PVR	50
Preoperative costs & Interest for cinema projects of PVR	5
Security Deposits for cinema projects of PVR	41
Total	**308**

In addition, the Company has invested Rs. 7.1 million in the equity of CR Retail. This fund has been utilized by CR Retail for purchasing National Security Certificates (NSCs) to be deposited with the Additional District Collector, Mumbai suburban district, as part of the security arrangement for availing entertainment tax exemption for the project as per the terms of the conditional letter of intent dated September 29, 2004 issued to CR Retail under Government Order No. ENT1099/CR76/T-1 dated September 20, 2004 and Government resolution number CR76/T-1 dated January 4, 2003 of the Forest and Revenue Department. These NSCs have been purchased in the name of a Director of CR Retail, since NSCs are issued by the post office only in the name of individuals. CR Retail has entered into an agreement with the concerned director for the repayment of the principal amount alongwith accrued interest on these NSCs on maturity.

Sources of Funds

Particulars	Rs Million
Preference Capital	104
Internal Accruals	104
Debt	100
Total deployed	**308**

Objects of the Offer for Sale

The object of the Offer for Sale is to carry out disinvestment of upto 2,000,000 Equity Shares by the Selling Shareholder. The Company will receive no proceeds from the Offer for Sale.

Interim use of proceeds

The management, in accordance with the policies set up by the Board, will have flexibility in deploying the proceeds received from the Issue. Pending utilisation for the purposes described above, we intend to temporarily invest the funds in high quality interest bearing liquid instruments including deposits with banks, for the necessary duration or for reducing overdraft. These investments shall be in accordance with investment policies approved by our Board of Directors from time to time.

Monitoring of utilisation of funds

We have appointed IL & FS Trust Company Limited as the monitoring agency for the purposes of monitoring the utilization of the proceeds of the Issue. In addition, our Board will also monitor the utilization of the proceeds of the Issue. We will disclose the utilization of the proceeds of the Issue under a separate head in our balance sheets for fiscal 2006, fiscal 2007 and fiscal 2008 clearly specifying the purpose for which such proceeds have been utilized. We will also, in our balance sheets for fiscal 2006, fiscal 2007 and fiscal 2008 provide details, if any, in relation to all such proceeds of the Issue that have not been utilized thereby also indicating investments, if any, of such unutilized proceeds of the Issue.

No part of the proceeds of the Issue will be paid by us as consideration to our Promoters, our Directors, Key Management Personnel or companies promoted by our Promoters except in the usual course of business.

TERMS OF THE ISSUE

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 Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government of India, the Stock Exchanges, the RBI, ROC and/ or other authorities, as in force on the date of the Issue and to the extent applicable.

Ranking of Equity Shares

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

Mode of Payment of Dividend

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

Face Value and Issue Price

The face value of the Equity Shares is Rs. 10 each and the Issue Price is Rs. [●] each. At any given point of time there shall be only one denomination for the Equity Shares.

Rights of the Equity Shareholders

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;
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and the terms of the listing agreements with the Stock Exchanges; and
- Such other rights as may be available to our shareholders under 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, pledge see the section titled "Main Provisions of Articles of Association of the Company" beginning on page 282.

Market Lot and Trading Lot

In terms of existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialised form for all investors and hence, 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 in multiples of one Equity Share subject to a minimum Allotment of 25 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. A 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 Issue 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 to change the nomination, they are requested to inform their respective Depository Participant.

Minimum Subscription

If we do not receive the minimum subscription of 90% of the Fresh Issue to the extent of the amount including devolvement of the members of the Syndicate, if any, within 60 days from the Bid/ Issue Closing Date, we shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after we become liable to pay the amount, we shall pay interest as per Section 73 of the Companies Act.

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

In case of under-subscription in the Issue, the Equity Shares in the Fresh Issue will be issued prior to the sale of Equity Shares in the Offer for Sale. Any expense incurred by the Company on behalf of the Selling Shareholder with regard to refunds, interest for delays, etc for the Equity Shares being offered through the Offer for Sale, will be reimbursed by the Selling Shareholder to the Company.

Further, in accordance with Clause 2.2.2A of the SEBI Guidelines we, and the Selling Shareholder shall ensure that the number of prospective Allottees to whom the Equity Shares will be Allotted will be not less than 1,000.

BASIS FOR ISSUE PRICE

Investors should read the following summary along with the sections titled "Risk Factors" and "Financial Statements" beginning on pages xi and 131, respectively and other details about the Company, and its Subsidiaries included in this Red Herring Prospectus.

Qualitative Factors

Our cinemas are in prime locations with large catchment areas, surrounded by a good mix of retail and food and beverages outlets and with adequate car parking facilities, making them attractive destinations.

We are considered a preferred anchor tenant and have strong relationships with mall developers since our Multiplex Cinemas generate significant footfalls, which in turn help the developer to market the mall to other retail businesses.

We have strong relationships within the film industry built over the years as a result of our transparency in reporting box office collections and our emphasis on film marketing.

Being the largest Multiplex Cinema operator in India we reap the benefits of economies of scale for our operations. We obtain discounted rates on our capital equipment, food and beverages supplies and for advertisements in newspapers. This also enables us to offer a wide cinema footprint to our advertisers and sponsors.

We have strong brand equity. Our brand, PVR, is one of India's most recognized film exhibition brands. This coupled with our customer-focused approach has made our brand name synonymous with high quality cinema viewing and has positioned us an exhibitor of choice for movie patrons.

Our emphasis on film marketing and our innovative techniques in the Indian film exhibition context to market films shown at our cinemas have contributed to our success.

Our innovative management has demonstrated its ability to think ahead of our competition. Our current executive management team has a blend of film exhibition and hospitality industry experience and professional expertise drawn across different industries.

We have project selection, development and implementation skills wherein projects are taken on the basis of extensive market research undertaken on the location and quality of the development by our business development team and leading specialized research organizations.

Our scalable systems and processes and uniform staff training enables us to replicate our high operating standards across all future cinemas. All our systems and processes are documented in a single manual.

Quantitative Factors

Information presented in this section is derived from our unconsolidated restated financial statements, prepared in accordance with Indian GAAP.

1. Earning Per Share (EPS) (as adjusted for changes in capital)

	Rupees	**Weight**
Year ended March 31, 2003	1.80	1
Year ended March 31, 2004	1.24	2
Year ended March 31, 2005	2.64	3
Weighted Average	2.03	

Notes:

(1) The earning per share has been computed on the basis of adjusted profits and losses for the respective years/ periods after considering the impact of accounting policy changes, prior period adjustments/ regroupings pertaining to earlier years before extraordinary items (net of taxes) as per the Auditor's Report.

(2) The face value of each Equity Share is Rs. 10.

2. Price/Earning (P/E) ratio in relation to the Issue Price of Rs. *[●]*

   a. Based on year ended March 31, 2005, EPS is Rs. 2.64

   b. P/E based on twelve months ended March 31, 2005: *[●]*

   c. P/E based on weighed average EPS: *[●]*

   d. Industry P/E[1]

      i) Highest - 71.8

      ii) Lowest - 1.2

      iii) Industry Composite – 34.3

      [1] *Source: Capital Market Volume XX/ 18 dated November 7 – November 20, 2005. Category – Entertainment/ Electronic Media Software*

3. Return on Average Net Worth:

Year	RONW %	Weight
Year ended March 31, 2003	8.99	1
Year ended March 31, 2004	5.21	2
Year ended March 31, 2005	6.93	3
Weighted Average	6.70	

Note: The RoNW has been computed on the basis of adjusted profits and losses for the respective years/ periods after considering the impact of accounting policy changes, prior period adjustments/ regroupings pertaining to earlier years and before extraordinary items (net of taxes) as per the Auditor's Report.

4. *Minimum Return on Increased Net Worth required to maintain pre-issue EPS*: *[●]*

5. Net Asset Value,

   Net Asset Value per Equity Share represents shareholders' equity less miscellaneous expenses as divided by weighted average number of Equity Shares.

   (i) Net Asset Value per Equity Share as at March 31, 2005 is Rs. 38.15

   (ii) The Net Asset Value per Equity Share after the Issue is Rs. *[●]*

   (iii) Issue price Rs. *[●]*

6. Based on the nature of the services we provide, the comparison of accounting ratios for the closest comparable listed competitor in India is given below:

Company	Year ended	Face Value per share (Rs.)	Basic EPS (Rs.)	P/E	RONW (%)	Book Value/ Share (Rs.)
PVR Limited	March 31, 2005*	10	2.64	[ ]	6.93	38.15
Adlabs Films Limited^^	March 31, 2005	5	5.5	41.5	18.6	100.7

* Unconsolidated audited financial results as restated.

^^*Source: Capital Market Volume XX/ 18 dated November 7, 2005. Category – Entertainment/ Electronic Media Software.* Adlabs Films Ltd. has been identified as the comparable Indian listed entity.

7. The face value of each Equity Share is Rs. 10 per Equity Share and the Issue Price of Rs. [●] per Equity Share is [●] times of the face value.

The Issue Price will be determined on the basis of the demand from Bidders. The BRLMs believe that the Issue Price of Rs. [●] is justified in view of the above qualitative and quantitative parameters. See the section titled "Risk Factors" beginning on page xi and the financials of the Company including important profitability and return ratios, as set out in the Auditor's Report beginning on page 166 to have a more informed view.

STATEMENT OF TAX BENEFITS

The tax benefits listed below are the possible benefits available under the current tax laws in India. Several of these benefits are dependent on the Company or its Shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence the ability of the Company or its Shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives it faces in the future, it may not choose to fulfill.

The following tax benefits shall be available to the Company and the prospective shareholders under Direct Tax.

1. To the Company - Under the Income-tax Act, 1961 ("the Act")

1.1 There is no additional benefit arising to the Company under The Income Tax Act, 1961, by proposed Initial Public Offer of Equity Shares.

2. To the Members of the Company – Under the Act

2.1 Resident Members

a) Under Section 10(34) of the Act, income earned by way of dividend from domestic company referred to in Section 115-O of the Act is exempt from income-tax in the hands of the shareholders.

b) Under Section 10(38) of the Act, long term capital gain arising to the shareholder from transfer of a long term capital asset being an equity share in the company or unit of an equity oriented mutual fund (i.e. capital asset held for the period of twelve months or more) entered into in a recognized stock exchange in India and being such a transaction, which is chargeable to Securities Transaction Tax, shall be exempt from tax.

c) In terms of Section 88 E of the Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of the business would be eligible for rebate from the amount of income-tax on the income chargeable under the head 'Profits and Gains under Business or Profession' arising from taxable securities transactions.

d) As per the provisions of Section 10(23D) of the Act, all mutual funds set up by public sector banks, public financial institutions or mutual funds registered under the Securities and Exchange Board of India (SEBI) or authorized by the Reserve Bank of India are eligible for exemption from income-tax, subject to the conditions specified therein, on their entire income including income from investment in the shares of the company.

e) Under Section 54EC of the Act, capital gain arising from transfer of long term capital assets (other than those exempt under section 10(38)) shall be exempt from tax, subject to the conditions and to the extent specified therein, if the capital gain are invested within a period of six months from the date of transfer in the bonds issued by –

(i) National Bank for Agriculture and Rural Development established under Section 3 of the National Bank for Agriculture and Rural Development Act, 1981;

(ii) National Highways Authority of India constituted under Section 3 of National Highways Authority of India Act, 1988;

(iii) Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956;

(iv) National Housing Bank established under Section 3(1) of the National Housing Bank Act, 1987; and

(v) Small Industries Development Bank of India established under Section 3(1) of the Small Industries Development Bank of India Act, 1989.

If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. However, the amount so exempted shall be chargeable to tax subsequently, if the new bonds are transferred or converted into money within three years from the date of their acquisition.

f) Under Section 54ED of the Act, capital gain arising from transfer of long term capital assets, being listed securities or units (other than those exempt u/s 10(38)), shall be exempt from tax, subject to the conditions and to the extent specified therein, if the capital gain is invested in public issue of equity shares issue of an Indian public company within a period of six months from the date of such transfer. If only a part of the capital gain is so reinvested, the exemption shall be proportionately reduced. However, the amount so exempted shall be chargeable to tax subsequently, if the new equity shares are transferred or converted into money within one year from the date of their acquisition.

g) Under Section 54F of the Act, where in the case of an individual or HUF capital gain arise from transfer of long term assets (other than a residential house and those exempt u/s 10(38)) then such capital gain, subject to the conditions and to the extent specified therein, will be exempt if the net sales consideration from such transfer is utilized for purchase of residential house property within a period of one year before or two year after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

h) Under Section 111A of the Act, capital gains arising from transfer of short term capital assets, being an equity share in a company or unit of an equity oriented mutual fund, which is subject to securities transaction tax will be taxable under the Act at the rate of 10% (plus applicable surcharge and educational cess).

i) Under Section 112 of the Act and other relevant provisions of the Act, long term capital gains (not covered under Section 10(38) of the Act) arising on transfer of shares in the Company, if shares are held for a period exceeding 12 months, shall be taxed at a rate of 20% (plus applicable surcharge and educational cess on income-tax) after indexation as provided in the second proviso to Section 48 or at 10% (plus applicable surcharge and educational cess on income-tax) (without indexation), at the option of the Shareholders.

2.2 Non Resident Indians/Members other than Foreign Institutional Investors and Foreign Venture Capital Investors

a) By virtue of Section 10(34) of the Act, income earned by way of dividend income from a domestic company referred to in Section 115-O of the Act, is exempt from tax in the hands of the recipients.

b) **Taxation of Income from investment and Long Term Capital Gains on its transfer**

(i) A non-resident Indian, i.e. an individual being a citizen of India or person of Indian origin has an option to be governed by the special provisions contained in Chapter XIIA of the Act, i.e. "Special Provisions Relating to certain incomes of Non-Residents".

(ii) Under Section 115E of the Act, where shares in the company are subscribed for in convertible Foreign Exchange by a non-resident Indian, capital gains arising to the non resident on transfer of shares held for a period exceeding 12 months shall (in cases not covered under Section 10(38) of the Act) be concessionally taxed at a flat rate of 10% (plus applicable surcharge and educational cess on Income-tax) without indexation benefit but with protection against foreign exchange fluctuation under the first proviso to Section 48 of the Act.

(iii) Under provisions of section 115F of the Act, long term capital gains (not covered under section 10(38) of the Act) arising to a non-resident Indian from the transfer of shares of the company subscribed to in convertible Foreign Exchange shall be exempt from income tax if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition.

2.3 Return of Income not to be filed in certain cases

Under provisions of Section 115-G of the Act, it shall not be necessary for a non-resident Indian to furnish his return of income if his only source of income is investment income or long term capital gains or both arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted therefrom.

2.4 Other Provisions of the Act

a) Under Section 115-I of the Act, a non resident Indian may elect not to be governed by the provisions of Chapter XII-A of the Act for any assessment year by furnishing his return of income under section 139 of the Act declaring therein that the provisions of the Chapter shall not apply to him for that assessment year and if he does so the provisions of this Chapter shall not apply to him. In such a case the tax on investment income and long term capital gains would computed as per normal provisions of the Act.

b) Under the first proviso to section 48 of the Act, in case of a non resident, in computing the capital gains arising from transfer of shares of the company acquired in convertible foreign exchange (as per exchange control regulations), protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case.

c) Under Section 54EC of the Act, capital gain arising from transfer of long term capital assets [other than those exempt u/s 10(38)] shall be exempt from tax, subject to the conditions and to the extent specified therein, if the capital gain are invested within a period of six months from the date of transfer in the bonds issued by –

   (i) National Bank for Agriculture and Rural Development established under Section 3 of the National Bank for Agriculture and Rural Development Act, 1981;

   (ii) National Highways Authority of India constituted under Section 3 of National Highways Authority of India Act, 1988;

   (iii) Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956;

   (iv) National Housing Bank established under Section 3(1) of the National Housing Bank Act, 1987; and

   (v) Small Industries Development Bank of India established under Section 3(1) of the Small Industries Development Bank of India Act, 1989.

   If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. However, the amount so exempted shall be chargeable to tax subsequently, if the new bonds are transferred or converted into money within three years from the date of their acquisition.

d) Under Section 54ED of the Act, capital gain arising from transfer of long term capital assets, being listed securities or units (other than those exempt under section 10(38)), shall be exempt from tax, subject to the conditions and to the extent specified therein, if the capital gain is invested in public issue of equity shares issue by of an Indian Public Company within a period of six months from the date of such transfer. If only a part of the capital gain is so reinvested, the exemption shall be proportionately reduced. However, the amount so exempted shall be chargeable to tax subsequently, if the new equity shares are transferred or converted into money within one year from the date of their acquisition.

e) Under Section 54F of the Act, where in the case of an individual or HUF capital gain arise from transfer of long term assets (other than a residential house and those exempt under section 10(38)) then such capital gain, subject to the conditions and to the extent specified therein, will be exempt if the net sales consideration from such transfer is utilized for purchase of residential house property within a period of one year before or two year after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

f) Under Section 111A of the Act, capital gains arising from transfer of short term capital assets, being an equity share in a company or unit of an equity oriented mutual fund, which is subject to securities transaction tax will be taxable under the Act at the rate of 10% (plus applicable surcharge and educational cess).

g) Under Section 112 of the Act and other relevant provisions of the Act, long term capital gains (not covered under Section 10(38) of the Act) arising on transfer of shares in the Company, if shares are held for a period exceeding 12 months, shall be taxed at a rate of 20% (plus applicable surcharge and educational cess on income-tax) after indexation as provided in the second proviso to Section 48 or at 10% (plus applicable surcharge and educational cess on income-tax) (without indexation), at the option of the Shareholders..

2.5 Foreign Institutional Investors (FIIs)

a) By virtue of Section 10(34) of the Act, income earned by way of dividend income from another domestic company referred to in Section 115-O of the Act, are exempt from tax in the hands of the institutional investor.

b) Under section 115AD capital gain arising on transfer of short capital assets, being shares and debentures in a company, are taxed as follows:

   (i) Short term capital gain on transfer of shares/debentures entered in a recognized stock exchange which is subject to securities transaction tax shall be taxed at the rate of 10% (plus applicable surcharge and educational cess); and

   (ii) Short term capital gains on transfer of shares/debentures other than those mentioned above would be taxable at the rate of 30% (plus applicable surcharge and educational cess).

c) Under section 115AD capital gain arising on transfer of long term capital assets, being shares and debentures in a company, are taxed at the rate of 10% (plus applicable surcharge and educational cess). Such capital gains would be computed without giving effect to the first and second proviso to section 48. In other words, the benefit of indexation, direct or indirect, as mentioned under the two provisos would not be allowed while computing the capital gains.

d) Under Section 54EC of the Act, capital gain arising from transfer of long term capital assets [other than those exempt u/s 10(38)] shall be exempt from tax, subject to the conditions and to the extent specified therein, if the capital gain are invested within a period of six months from the date of transfer in the bonds issued by –

   (i) National Bank for Agriculture and Rural Development established Section 3 of the National Bank for Agriculture and Rural Development Act, 1981;

   (ii) National Highways Authority of India constituted under Section National Bank for Agriculture and Rural Development established under 3 of National Highways Authority of India Act, 1988;

   (iii) Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956;

   (iv) National Housing Bank established under Section 3(1) of the National Housing Bank Act, 1987; and

   (v) Small Industries Development Bank of India established under Section 3(1) of the Small Industries Development Bank of India Act, 1989.

   If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. However, the amount so exempted shall be chargeable to tax subsequently, if the new bonds are transferred or converted into money within three years from the date of their acquisition.

e) Under Section 54ED of the Act, capital gain arising from transfer of long term capital assets, being listed securities or units (other than those exempt u/s 10(38)), shall be exempt from tax, subject to the conditions and to the extent specified therein, if the capital gain is invested in public issue of equity shares issue by of an Indian Public Company within a period of six months from the date of such transfer. If only a part of the capital gain is so reinvested, the exemption shall be proportionately reduced. However, the amount so exempted shall be chargeable to tax subsequently, if the new equity shares are transferred or converted into money within one year from the date of their acquisition.

2.6 Venture Capital Companies/Funds

As per the provisions of section 10(23FB) of the Act, income of

- Venture Capital Company which has been granted a certificate of registration under the Securities and Exchange Board of India Act, 1992 and notified as such in the Official Gazette; and
- Venture Capital Fund, operating under a registered trust deed or a venture capital scheme made by Unit Trust of India, which has been granted a certificate of registration under the Securities and Exchange Board of India Act, 1992 and notified as such in the Official Gazette set up for raising funds for investment in a Venture Capital Undertaking is exempt from income tax.

2.7 Infrastructure Capital Companies/Funds or Co-operative Bank

As per the provisions of section 10(23G) of the Act, income by way of dividends, interest or long term capital gains of

- Infrastructure Capital Company;
- Infrastructure Capital Fund; and
- Co-operative Bank

from investment made in share or long term finance in undertakings specified therein shall be exempt from tax. However, such income earned by an Infrastructure Capital Company shall not be exempt for the purpose of computing tax on book profits u/s 115JB of the Act.

3. Wealth Tax Act, 1957

Shares in a company held by a shareholder will not be treated as an asset within the meaning of Section 2(ea) of Wealth-tax Act, 1957; hence, wealth tax is not leviable on shares held in a company.

4. The Gift Tax Act, 1957

Gift of shares of the company made on or after October 1, 1998 are not liable to tax.

Notes

a) All the above benefits are as per the current tax law and will be available only to the sole/ first named holder in case the shares are held by joint holders.

b) In respect of non-residents, taxability of capital gains mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreement, if any between India and the country in which the non-resident has fiscal domicile.

c) In view of the individual nature of tax consequence, each investor is advised to consult his/ her own tax adviser with respect to specific tax consequences of his/ her participation in the scheme.

INDUSTRY

Unless otherwise indicated, industry data used throughout this Red Herring Prospectus has been obtained from industry and company sources including the following publications:

- *Indian Entertainment Industry Focus 2010: Dreams to Reality*, Confederation of Indian Industry - KPMG, 2005;
- *The Indian Entertainment Industry - An Unfolding Opportunity*, FICCI - PricewaterhouseCoopers, 2005;
- *Bollywood – Emerging Business Trends and Growth Drivers*, Yes Bank, 2005;
- *The Indian Entertainment Industry: Emerging Trends and Opportunities*, FICCI - Ernst & Young, 2004; and
- *BW Marketing Whitebook, 2005.*

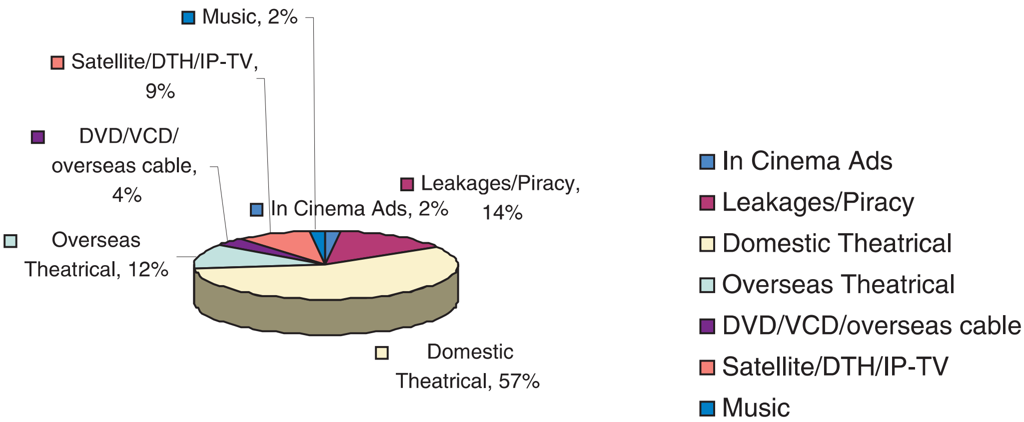
Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe that industry data used in this Red Herring Prospectus is reliable, it has not been independently verified.

Industry Overview

The Indian film industry is the largest film industry in the world in terms of the number of films produced and admissions each year. (Source: *Indian Entertainment Industry Focus 2010: Dreams to Reality*, Confederation of Indian Industry - KPMG, 2005 ("CII - KPMG Report, 2005")[1] .)

The Indian film industry revenue for 2004 was estimated at Rs. 59 billion (US$1.3 billion), which was less than 1% of global film industry revenue and a fraction of the U.S. film industry revenue, which was US$9.49 billion in 2003. (Sources: CII - KPMG Report, 2005 and MPAA.) The pie chart below sets forth the percentage contribution of various revenue sources to the total revenue of the Indian film industry in 2004.

Distribution of Film Industry Revenues



Source: CII - KPMG Report, 2005

[1] Disclaimer in the CII - KPMG Report, 2005. "This information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. The content provided here treats the subjects covered here in condensed form. It is intended to provide a general guide to the subject matter and should not be relied on as a basis for business decisions. Although we endeavour to provide accurate and timely, information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation. Specialist advice should be sought with respect to any individual circumstances."

Going to the cinema is one of the most popular entertainment options in India. In 2004, the total admissions in cinemas in India were 3,100 million. The second largest number of admissions is in the United States, which had 1,500 million admissions in 2004. (Source: *The Indian Entertainment Industry - An Unfolding Opportunity,* FICCI - PricewaterhouseCoopers, 2005 (“FICCI - PwC Report, 2005”)[1] .)

The Indian film industry currently realizes almost 70% of its total revenues (around 80% of legitimate revenues) from domestic and overseas box office sales compared with the U.S. film industry, which earns only 35% of its revenue from box office sales and the remaining 65% of revenue is derived from other revenue sources such as sales of DVDs and VHS tapes and the sale of cable and satellite television rights. (Source: CII - KPMG Report, 2005.)

The film federation of India estimates that the Indian film industry loses revenues worth Rs. 10 million daily due to piracy.

Although over 90 years old, the Indian film industry was only accorded the status of an industry in 2000. Consequently, it is only during the last five years that the Indian film industry has been able to attract financing from banks, financial institutions, private equity investors and corporations. Prior to 2000, the industry was almost solely reliant on private and largely individual financing. (Source: CII - KPMG Report, 2005.) Although corporatisation of the film industry has started, the film industry is currently largely unorganized and fragmented.

India is one of the few markets globally where U.S. produced films (Hollywood) have not been able to dominate. Hollywood films only have a 4% market share in India, arguably the lowest amongst all other film exporting countries. (Source: CII - KPMG Report, 2005.)

The film industry comprises three industry sectors:

- film production, which involves the making of movies;
- film distribution, which involves the distribution of movies to cinemas, television and video stores; and
- film exhibition, which involves the exhibiting of movies in cinemas.

Over 900 Indian produced films were released in 2004. Hindi films constituted the bulk of films produced in India closely followed by regional films in Telugu, Tamil, Kannada and Malyalam. (Source: FICCI - PwC Report, 2005.) Hindi films are the most popular films in India and account for over 40% of the total revenues of the Indian film industry. The majority of Hindi films are made in Mumbai, popularly referred to as “Bollywood”. Around 30% of the films made in India generate 90% of the Indian film industry’s revenue. (Source: FICCI - KPMG Report, 2005.)

The film distribution system in India is territory-based. The country is geographically divided into 14 distribution territories and film producers tend to sell distribution rights for each territory. Most film distributors in India are small businesses. This has resulted in the film industry being highly fragmented, with each territory having 50-75 distributors, while 8-10 distributors operate on an all India basis. A distributor generally sells its rights to sub distributors who cover certain sections in a territory.

The Indian film exhibition sector can be divided into two segments: single and double-screen cinemas and multiplex cinemas, i.e., a cinema complex with three screens or more. As of March 2005, there were approximately 12,000 cinemas in India of which 73 were multiplexes with a total of 276 screens. (Source: *Bollywood – Emerging Business Trends and Growth Drivers*, Yes Bank, 2005 (“Yes Bank Report”)[3]

[2] Disclaimer in the FICCI - PwC Report, 2005. “This Report has been prepared on the basis of information obtained from key industry players, trade associations, government agencies, trade publications and various industry sources specifically mentioned in the report. While due care has been taken to ensure the accuracy of the information contained in this Report, no warranty, expressly or implied, is being made or will be made, by FICCI or PricewaterhouseCoopers Pvt. Ltd., India (PwC) as regards the accuracy or adequacy of the information contained in the report. No responsibility is being accepted or will be accepted by FICCI or PwC, for any consequences, including loss of profits, that may arise as a result of any consequences, including loss of profits, that may arise as a result of errors or omissions in this report. This Report is only intended to be a general guide and professional advice should be sought before taking any action on any matter.”

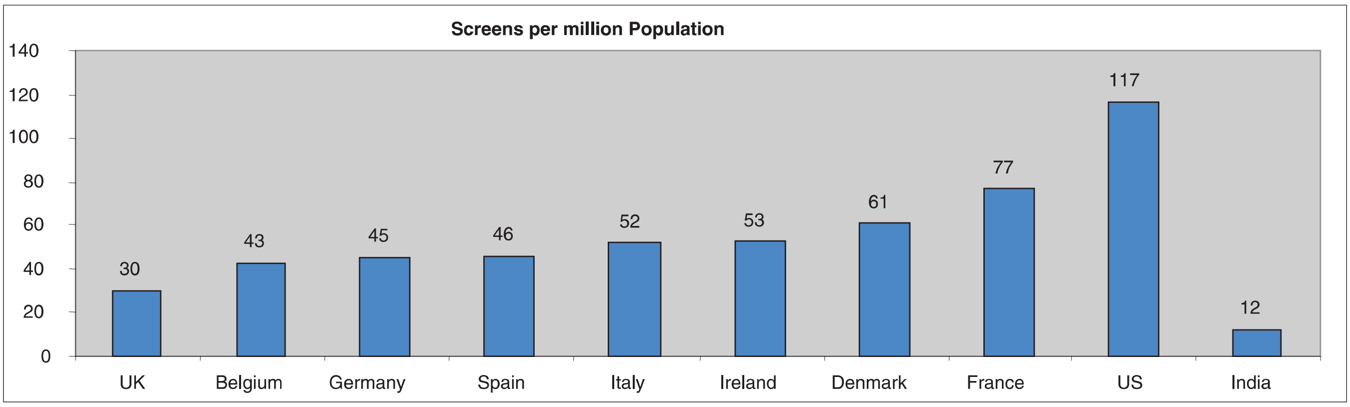
[3] It may be noted except in the case of a reference to the Yes Bank Report, where cinemas in India have been classified as single screen, double screen and multiplexes i.e. a cinema with three screens or more, reference to “multiplex” or “multiplex cinemas” in this Draft Red Herring Prospectus is a reference to cinemas which have two or more screens.

Indian Film Exhibition Sector

The Indian film exhibition sector had revenues of Rs. 34 billion in 2004. (Source: CII - KPMG Report, 2005). Despite the higher number of tickets sold in India, the total reported box office revenue is significantly lower in India compared with the United States. This is primarily due to the fact that ticket prices are much lower in India, with an average of Rs. 15 (Source: FICCI - PwC Report, 2005.) The lower ticket prices in India are due to lower income levels, especially in rural and semi urban parts of the country, and the lack of good quality cinemas. The average price of a ticket for a multiplex cinema is Rs. 75 - 85 but the number of screens in multiplexes represented only 2.3% of total screens in India as of March 2005. (Source: Yes Bank Report) An increase in the number of Multiplex screens should result in an increase in film exhibition revenues, so the opening of new Multiplexes represents a significant growth opportunity for the industry. The total reported box office revenue in India is also lower because the amount of revenue collected at the box office is under reported due to the fragmented and non-transparent nature of the film exhibition sector.

Inadequate Number of Screens

In India, the number of screens per million of population is just 12 whereas the average in western countries is approximately 40. A UNESCO study estimated that India needs 20,000 screens to cater for the entire cinema viewing population. Set forth below is a table showing the number of cinema screens per million people in selected countries.



Source: The Indian Entertainment Industry – FICCI 2001 & CII – KPMG Report 2005(UNESCO 2001).

Concentration of Cinemas in Southern India

Southern India accounts for a majority of the cinemas in India. Andhra Pradesh has the most number of cinemas in India followed by Tamil Nadu, Kerala and Karnataka. (Source: Film and Television Producers Guild of India.) Whilst Southern India accounts for the majority of all cinemas in India, as of March 31, 2005, only five out of 73 multiplex cinemas in India were in Southern India. (Source: Yes Bank Report)

Subject to Legal Restrictions

The Indian film exhibition sector is currently regulated by a numerous laws some of which were written at a time when Multiplex Cinemas were not common and hence these laws may not necessarily be relevant for Multiplex Cinemas. Some of the provisions of these laws include:

- Requiring a minimum distance between the screen and the front row seats, which distances were set based on large screens used in single-screen cinemas and not the smaller screens used at most Multiplex Cinemas.
- The permissible pressure at which the electrical current may be supplied to a projector, which provision does not reflect the technological advances in respect of Multiplex Cinemas.
- The reservation of playing times for a scientific film, educational film, news reel or documentary.

- Restrictions on ticket prices in certain states.

We believe that these and other laws place a significant burden on the Indian film exhibition sector and increase compliance costs.

Film Distribution Holdups

One of the main features of the Indian film industry that differentiates it from those in western countries is the limited initial release of films. Due to the high print costs for films (approximately Rs. 70,000 per print) as a percentage of the average ticket price in India, distributors have adopted a policy of releasing a limited number of prints in each territory and rotating them in the territory, starting with A-grade cinemas in A-class centers. The bigger movies are released with 300 – 400 prints to satisfy a potential market of 12,000 cinemas. The practice of rotating prints and the resultant delay of the release of films in B and C-class centers creates three major problems for film exhibitors in B and C-class centers:

- pirated DVD/VCD copies of the film are generally available by the time the film is released in B and C-class centers, which reduces demand;
- If the film was not a hit on its initial release in the A-class centers it is unlikely to do well on its delayed release; and
- the quality of the celluloid film print is negatively affected each time it is played, so poor picture quality is also an issue - often the dark and scratchy print is hardly visible on the screen.

The above factors result in the box office potential of movies not being realized. Many cinemas in B and C-class centers operate on a 7% to 8% occupancy ratio. (Source: *The Indian Entertainment Industry: Emerging Trends and Opportunities*, FICCI - Ernst & Young, 2004 ("FICCI - EY Report, 2004")[1].)

To counter this issue of low first instance release, digital cinemas are being opened in B and C-class centers in India and movies are being released in those cinemas at the same time as movies are released in the A-class centers. Digital copies of films cost significantly less than film copies (approximately Rs. 3,000 for digital compared with Rs. 70,000 for film) and the cost of digital projection equipment being used in India is also significantly less than that of film projection equipment (approximately Rs. 800,000 for digital compared with Rs. 1.5 million for film). The significant reduction in the cost of digital cinema compared with celluloid film makes an India-wide simultaneous release of a movie economic. As of March 2005, 100 digital cinemas had been opened in India, of which an estimated 65 were in operation. (Source: FICCI - PwC Report, 2005.)

Single-Screen Cinemas

Historically, cinemas in India were set up as single-screen theatres with large seating capacities (generally 500-1,500 seats). Single-screen cinemas are normally characterized by deficient infrastructure, old technology and poor quality food and beverage. Because of the poor quality of the average single screen cinema, the average ticket price for a single screen cinema is only Rs. 15.

The average occupancy for stand-alone single-screen cinemas is 30-35%, compared with an average of 50-60% occupancy per screen for multiplex cinemas (Source: Yes Bank Report.) When occupancy falls below these relatively low average occupancy levels, single-screen cinemas would ordinarily find it uneconomical to continue to screen films. As a result, even though there still may be demand for a movie, many movies experience a short run in single-screen cinemas. Therefore, the full revenue potential of a film is not exploited in a single-screen cinema.

Due to the dominance of single-screen cinemas, which are generally owned by a small businesses or sole proprietorships, the film exhibition industry has been characterized by poor management skills and a lack of transparency in reporting box office revenue, which has resulted in risk transference rather than risk sharing being the predominant business model in the film exhibition industry to date.

[1] Disclaimer by FICCI with respect to the FICCI - EY Report, 2004. "The report has been prepared on the basis of information obtained from Industry players and discussion with them. While due care has been taken to ensure the accuracy of the information contained in the reports, no warranty, expressed or implied, is being made, by FICCI as regards the accuracy or adequacy of the information contained in the report. No responsibility is being accepted, or will be accepted by, FICCI for any consequences, including loss of profits, that may arise as a result of errors or omissions in the report. The report is only intended to be a general guide and professional advice should be sought before taking any action on any matter.

Multiplex Cinemas

Multiplex Cinemas have an average of approximately 250 seats per screen and are often characterized by a good ambience, comfortable seating, air conditioning, modern infrastructure and good quality food and beverages. They are normally owned by corporations and are usually professionally managed.

Multiplex Cinemas offer significant economic advantages over similar size single-screen theaters. The key economic advantages are as follows:

- Better occupancy ratios: Multiplex Cinemas have multiple screens with different seating capacities. The Multiplex Cinema operator can choose to show a movie in a larger or a smaller theater based on its expected potential. This enables the Multiplex Cinema operator to maintain higher capacity utilization compared with a single-screen cinema.
- Greater number of shows: Each movie has a different screening duration. A Multiplex Cinema operator has the flexibility to decide on the screening schedule so as to maximize the number of shows in the Multiplexes, thus enabling it to generate a higher number of patrons.
- Better exploitation of a movie: Typically, a movie has a large audience in the first week of release. A Multiplex Cinema operator could therefore commence screening it by showing the movie on multiple screens in the first week, and then gradually reduce it to one screen in the largest cinema and finally moving it to the smallest cinema within the complex. This enables better exploitation of the revenue potential of the movie.
- Better cost management: A Multiplex Cinema benefits from a set of shared facilities, such as the box office, toilets, food and beverage facilities and common manpower, resulting in a lower cost of overhead per screen.

Multiplexes are gaining increased acceptance from producers and distributors. In the past, the producers and distributors had no way of verifying the collections of cinemas and had to rely on information from exhibitors. Now all three segments of the value chain, i.e., the producers, the distributors and the exhibitors are working together for transparent information sharing and are increasingly using a risk - revenue sharing model rather than a risk transfer model.

Despite the significant advantages of multiplex cinemas, the percentage of cinema screens that are in multiplexes in India is negligible. Of an estimated 12,900 active screens, over 95 percent are stand-alone, single-screens. (Source: CII - KPMG Report, 2005.)

As of March 2005, there were 73 multiplexes operating in India with 276 screens. The table below shows the number of multiplexes classified on the basis of geographic region and city.

Region	Number of multiplexes
West	42
North	23
South	5
East	3

City	Number of multiplexes
Mumbai and Suburbs	12
Delhi	6
Ahmedabad	5
Ghaziabad	4
Kolkata	4
Gurgaon	3
Nasik	3
Pune	3

Source: Yes Bank Report

Multiplex Cinemas are concentrated in Northern and Western India as the states in those areas were the first states to announce entertainment tax incentives and exemptions, which catalyzed the development of Multiplexes in those states.

Expected Significant Increase in Number of Multiplexes

The Multiplex Cinema segment is in its nascent stage of growth. More than 60 additional multiplexes with more than 220 additional screens are slated to commence operations by the end of 2006, a growth rate of 80-100%. (Source: Yes Bank Report.)

The key growth drivers responsible for the expected increase in the number of Multiplex Cinemas are as follows:

- an increase in disposable income in the hands of an ever expanding Indian middle class;
- favourable demographic changes;
- organised retail boom;
- entertainment tax benefits for Multiplex Cinemas; and
- increase in the number of high grade Hindi films.

A. Increase in disposable income in the hands of an ever expanding Indian middle class

Multiplex Cinemas generally cater to middle and high income households. The emergence of the Indian middle class with greater earning power and a higher disposable income is one of the key factors that will drive the growth of the Multiplex Cinema segment. The table below shows the growth in the number of middle and high income households in India.

Classes	Fiscal 1995	Fiscal 2000	Fiscal 2006 (Estimate)
Rich (above US$4,600)	1 million households	3 million households	6 million households
Consuming (US$970-4,600)	29 million households	66 million households	75 million households
Climbers (US$470-970)	48 million households	66 million households	78 million households
Aspirants (US$340-470)	48 million households	32 million households	33 million households
Destitutes (less than US$340)	32 million households	24 million households	17 million households

Source: CII - KPMG Report, 2005, attributed to NCAER

In general, the more a person's income increases the greater percentage he or she will spend on discretionary items such as movies and theatre. From 1999 to 2003, the average Indian household increased its spending on movies and theatre as a percentage of its disposable income from 1% to 4.6%. (Source: BW Marketing Whitebook, 2005.)

B. Favourable demographic changes

India is likely to see a significant demographic shift that will be favourable for the film exhibition sector. The urban population between the ages of 15-34 years is expected to increase from 107 million in 2001 to 138 million in 2011, an increase of 30%, and the urban population between the ages of 15-44 years is expected to increase from 146 million to 186 million during the same period, an increase of 27%. (Source: Yes Bank Report.) These expected increases are likely to cause a rise in the demand for movies, especially in the 15-34 years age group as this age group represents the most frequent movie goers across the global markets. (Source: Yes Bank Report.)

C. Organised retail boom

A growth in consumption levels, changing lifestyles, the availability of quality real estate and significant investments in malls are expected to result in an increase in the size of the organized retail business in India. The organized retail market in India is expected to increase its share of the total retail market from 2% as of 2004 to reach 5-6% by the 2007. (Source: BW Marketing Whitebook, 2005.)

The number of malls in India is expected to increase from approximately 50 as of the end of 2004 to around 250 by the end of 2006. (Source: BW Marketing Whitebook, 2005, attributed to KSA Technopak.) One of the key elements for the success of a mall is its ability to drive footfalls consistently. Multiplexes are one of the anchor tenants in large format malls, as their presence increases footfalls by approximately 40-50%. (Source: CII - KPMG Report, 2005.) The expected organised retail boom should result in a significant increase in the number of Multiplex Cinemas.

D. Entertainment tax benefits

In the late 1980s various state governments imposed steep increases in entertainment taxes, which lead to a decrease in the profitability of cinemas. This adversely affected investment in cinemas and maintenance standards as cinema owners tried to reduce their costs, which lead to a fall in the ambience of cinemas and a decrease in the quality of audio and visual standards. The fall in cinema standards coupled with the availability of watching movies on videocassette players lead to a decline in cinema patronage. Most cinemas were during that time, and still are, run as small business and these businesses did not have access to capital to improve the cinema ambience and quality to arrest the declining patronage.

In June 1997, we opened the first Multiplex Cinema in India in Saket, Delhi. Since the beginning of 2001, several state governments unveiled tax incentives (by way of complete or partial waiver of entertainment tax in the initial five years of operation) to attract new investments in the film exhibition business. The tax incentives coupled with falling interest rates made investment in cinemas more attractive and led to old cinemas being converted into Multiplexes and new Multiplexes being established as part of shopping complexes (or malls).

State entertainment taxes in India are among the highest in Asia. This has resulted in pressure on the profitability for a number of players in the exhibition business. As a result, exhibitors (especially the single-screen owners) have not been able to maintain and/or upgrade their cinemas. A worsening quality of cinemas resulted in a lower number of patrons, which put a further strain on profitability. (Source: CII - KPMG Report, 2005.)

The entertainment tax percentage in certain states is set forth below:

STATE	ENTERTAINMENT TAX
Delhi	30%
Gujarat	100%
Maharashta	45%
Mumbai	45%
Kalyan, Thane, Dombivali, Navi Mumbai, Nasik, Auarangabad, Nagpur	40%
Vasai, Virar, Nallasopara	34%
Karnataka	40%
UP	60%
Tamil Nadu	15%
West Bengal	30%

Source: PVR Cinemas research on various state Multiplex Cinema policies.

In order to encourage investment in the film exhibition sector, many state governments have announced policies offering entertainment tax benefits. This has encouraged the growth of Multiplex Cinemas and also encouraged single-screen theaters to convert into Multiplexes. The quantum of entertainment tax benefit which may be available in each state is different and the availability of these exemptions would be dependant on compliance with certain conditions specified by the relevant state. A synopsis of the key elements of the entertainment tax exemptions which may be available in the following states is given below:

	ENTERTAINMENT TAX EXEMPTION / BENEFIT					Minimum Seating	Minimum Number of Screens
	Year 1	Year 2	Year 3	Year 4	Year 5		
Mumbai	100%	100%	100%	75%	75%	1,250	4
Rest of Maharashtra	100%	100%	100%	75%	75%	1,000	3
Punjab	100%	100%	100%	100%	100%	1,000	3
Kolkatta	100%	100%	100%	100%	N.A.	1,000	3
Rajasthan	100%	100%	90%	80%	N.A.	N.A.	N.A.
Uttar Pradesh							
Bhopal/Indore/Jabalpur/	100%	100%	100%	75%	50%	1,000	3

Source: PVR Cinemas research on various state multiplex cinema policies.

Increase in Number of High Grade Hindi Films

Demand for a particular movie is generally driven by both its critical reviews and word of mouth from patrons. An increase in the average quantity of high grade Hindi films released per week should increase the total demand for movies, as these movies tend to be more popular. As shown in the table below, from 2001 until 2004, there was an increase 48% in the number of releases per week for high grade Hindi films.

	2001	2002	2003	2004
Average number of high grade Hindi films released per week	1.15	1.46	1.58	1.71

Source: Yes Bank Report

Increasing corporatisation of the film production sector should result in an increase in the number of high quality films produced, which should increase demand for movies. In an increasingly corporate environment, unviable movies with weak scripts should find it difficult to garner funding. Consequently, although the average number of films produced annually in India is expected to fall from over 900 in 2004 to around 600 by 2010, the quality of the movies produced is expected to increase. (Source: CII - KPMG Report, 2005.)

Digital Cinema

Digital Cinema Technology

Traditionally, motion pictures are filmed using 35 millimeter celluloid film cameras. Rolls of celluloid film are physically copied and distributed to cinemas, and finally screened using traditional projectors. Digital cinema departs from the traditional film-based technology and relies on emerging digital technology. Motion pictures are filmed and digitalized. Once digitalized, motion pictures are capable of being stored using digital medias such hard disks, and transmitted through physical media such as DVDs as well as high-speed networks such as satellite or optical fibre connections. At cinemas, the digitalized motion pictures are screened using special digital projectors.

Film-based cinemas in India

Due to the high costs of producing celluloid film prints (approximately Rs. 70,000 each) and the low average ticket price as a percentage of such cost, only A-grade cinemas receive newly-released film prints. This means a typical Hindi movie may only be initially released to 150-350 Indian cinemas.

Film prints are only distributed to cinemas in B-grade and C-grade cinemas after they have finished being used by the A-grade cinemas, which is usually five to eight weeks after the film's initial release. This poses several problems for the owners of B-grade and C-grade cinemas. First, audience demand for a movie often does not last five to eight weeks. Second, the picture quality of a celluloid film print often suffers due to the extensive use of the film print at A-grade cinemas. Third, the limited availability of screenings at B-grade and C-grade cinemas during the opening weeks of a new movie encourages the rampant sale of pirated copies of the movie. The result is that the attendance rates at B-grade and C-grade cinemas are extremely low (approximately 7% - 8%) and the current film-based motion picture distribution model in India has created a downward business spiral for owners and operators of B-grade and C-grade cinemas. (Source: FICCI - EY Report, 2004.)

Impact of Digital Technology on Cinemas in India

As of March 2005, 100 digital cinemas had been opened in India, of which an estimated 65 were in operation. (Source: FICCI - PwC Report.)

Digital technology helps overcome the problems faced by B and C-grade cinemas. First, digitalized motion pictures are not required to be transmitted through physical media. This means digitalized motion pictures can be distributed to more B and C-grade cinemas within the first weeks of their release without incurring additional costs to produce additional prints. Secondly, digitalized motion pictures maintain consistent and identical picture quality that is not compromised by use, time, and transmission. Thirdly, reducing the time between the release of a motion picture and its screening in multiple cinemas helps take advantage of the heightened demands of cinema patrons during the initial five to eight weeks of a motion picture's release. This helps to combat the market for pirated motion pictures and helps increase attendance rates at B and C-grade cinemas.

Implementing digital technology in cinemas in India should expand the market for B-grade and C-grade cinema owners and operators and thereby increase their profitability through:

- increased number of screens on which newly released movies are shown, without incurring additional production costs;
- improved and consistent picture quality without regard to the location of the cinema; and

- satisfaction of cinema patrons' demands at the time when the demand for screening of a movie is at its highest, which should reduce the loss of demand caused by the availability of movies on pirated DVDs/VCDs.

Challenges Faced by Transition to Digital Cinema in India

The digital projection technology currently being used in India (mostly in B-class and C-class centers) satisfies the requirements of the B and C-grade cinemas in India but does not produce a picture quality as good as the picture in A-grade cinemas, where celluloid film is used. In order to have a digital picture quality as good as the current celluloid film quality in A-grade cinemas, as well as to meet Digital Cinema Initiative standards, we need to use projectors that cost between Rs. 4-5 million (US$ 90,000-110,000), which is significantly more than the cost of celluloid film projectors. As and when the digital projection technology up-gradation will be required in the A-grade cinemas in India, the issue of financing of such equipment will need to be addressed. In the United States, digital projection equipment is being financed by Hollywood production houses rather than the film exhibitors, as the production houses get substantial savings from not having to produce celluloid prints.

Competition

There are currently seven major competitors in the film exhibition industry: PVR Cinemas; Inox Leisure Limited; Adlabs Films Limited; Shringar Cinemas Limited; E City Entertainment; Wave Cinemas; and DT Cinemas. The tables below show the number of screens operated by each of those companies and the number of cinemas operated by each of those companies.

Company	No. of Properties	No. of Screens	No. of Seats
PVR Cinemas*	7	34	7,333
Inox Leisure	5	25	7,344
Adlabs Films	4	14	5,666
Shringar Cinemas	3	14	4,588
Wave Cinemas	3	13	4,380
E City Entertainment	3	14	3,952
Total	25	114	33,263
% of All India Multiplexes	**34%**	**41%**	**37%**

Source: Yes Bank Report

* As of August 31, 2005, PVR Cinemas had 10 properties with 39 screens. Of those 10 cinemas, it operated nine Multiplex Cinemas and managed one Multiplex with three screens.

Our competitors in digital cinema include Mukta Adlabs Digital Exhibition, Time Cinemas and the Ultra Group.

Film distribution sector

Film distributors are an important link in the film industry. Film distributors play various roles including:

- Partial financing of films (in the case of minimum guarantee on advance-based purchase of movie rights);
- Localized marketing of films;
- Selection of cinemas; and
- Managing logistics of physical prints distribution.

The film distribution system in India is a territory based. The country is geographically divided into 14 distribution territories and film producers tend to sell distribution rights for each territory. A distributor generally sells its rights to sub distributors who cover certain sections in a territory.

Film distribution sector characteristics and trends

- In the recent past, some of the larger producers have vertically integrated into distribution, especially into overseas markets.
- A number of new entrants have entered the distribution business, resulting in an increase in acquisition cost for distributors.
- Distributors are trying to lock in the content at a very early stage by financing film producers.
- Distributors are playing an increasing role in marketing of films.
- New films are being released in satellite/ video formats within a shorter period after theatrical release, thereby reducing the window for theatrical exploitation.
- New films are being released across a larger number of theaters with a large number of prints in order to maximize theatrical revenues in the shortest time period.
- New distribution formats, like digital distribution through DVD, are being implemented.
- The increasing size of the home video market is also expected to provide growth for the distribution sector. As of the end of 2004, over five million Indian households had a VHS or DVD player, an increase of 50% compared with the end of 2003. (Source: FICCI - PwC Report, 2005.) Increasing wealth should result in more Indian households owning a VHS or DVD player and expand the home viewing market.

Competition

Most film distributors in India are small businesses that operate on a regional basis. This has resulted in the distribution sector being highly fragmented, with each territory having 50-75 distributors, while 8-10 distributors operate on an all India basis. The major players in the Indian film distribution sector are VIP Enterprises, Yashraj Films, Shri Ashtavinayak Films, Shringar Films Private Limited, Rajshri, UTV, Gini Art, GV Mehta, Mukta Movies, Gunjan Films, PVR Pictures and Piyali Films.

Some distributors have formal arrangements with film production companies and some film producers have also set up their own distribution companies. With a few exceptions (one of those being PVR), film distributors are not involved in the film exhibition industry.

The distribution of English language films in India is mainly done by the major Hollywood studios: Columbia Tristar; Warner Brothers and Paramount Films, all of whom have offices in India.

Film Production Sector

The quantity and quality of movies has an important bearing on the success of the film exhibition and film distribution industries. In India, movies are available in Hindi, English and regional languages.

Over 900 Indian produced films were released in 2004. Hindi films constituted the bulk closely followed by regional films in Telugu, Tamil, Kannada and Malyalam. (Source: FICCI - PwC Report, 2005.) In 2003, the Indian film Industry produced 877 films. While the majority of films were made in the South Indian languages of Telugu (155 films), Tamil (151 films), Kannada (109 films) and Malayalam (64 films) compared with Hindi (246 films). These regional language films compete with each other in certain market segments and enjoy a virtual monopoly in certain others. The most popular among them are Hindi films, which account for over 40% of the total revenues of the overall Indian film industry. During 2003, the Hindi film industry produced 16 films with gross domestic theatrical collections exceeding Rs. 100 million each, compared with 13 films in the prior year. (Source: FICCI - EY Report, 2004.)

Since being recognized as an industry in India as recently as 2000, the industry has been moving towards corporatization. Corporatization is not only limited to the structural changes involving the emergence of corporations and studios to replace individuals for movie production but it also implies a fundamental shift in the way different elements of the film industry, including pre-production, financing, production, post-production and distribution, are managed and run. This is likely to result in a scenario where movie making is governed by transparent and written contracts and is carried out in accordance with global best practices. This should convert the Indian film production industry from an aggregation of creative endeavor to a volume driven business.

Currently, the film industry is witnessing a trend where the films are being increasing segmented. The producer clearly has in mind his target audience and makes the films accordingly. Nearly 65% of a target sample cinema viewing population believed that the boom in Multiplexes is responsible for new genres of films being created. (Source: FICCI - EY Report, 2004).

Corporate tie-ups, sponsorships and merchandising are new trends which help in financing the production of movies in India. Although these sources of finance have been effectively tapped in developed markets such as the United States, they have just emerged as a viable source of finance in India and are likely to play a major part in the future, with producers trying to recover part of their film costs through brand associations. For instance, brands such as Thumsup, Pepsi, Coke and Seagrams now regularly sponsor movies in India.

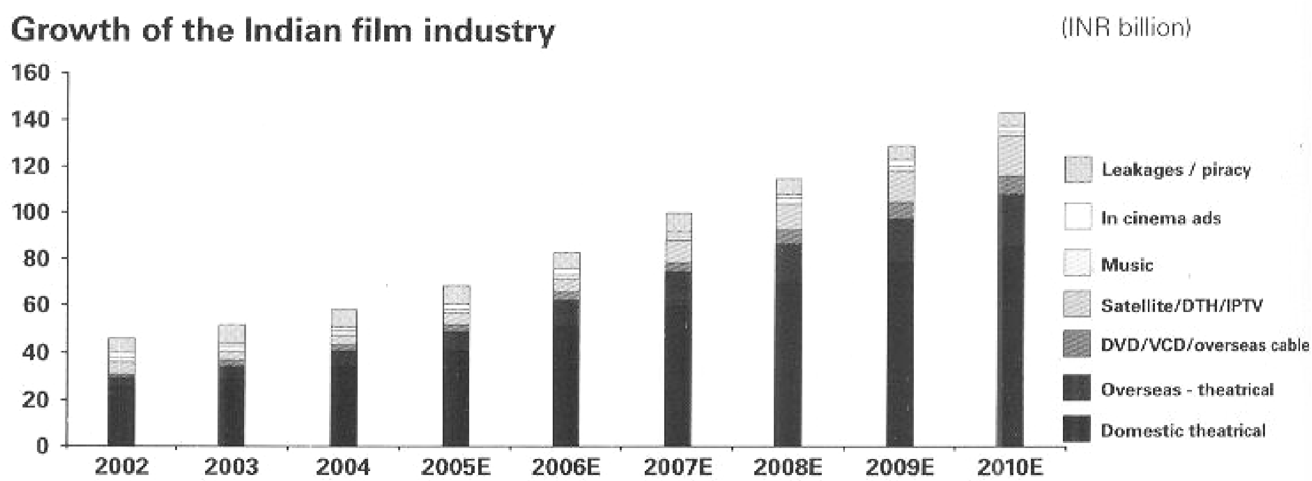
The overseas market (theatrical, video and television) is becoming increasingly lucrative for Indian film productions because of a large and fast growing Indian diaspora, which is estimated at 20 million people. Some films are realizing 15-20% of their total proceeds from overseas. (Source: FICCI - EY Report, 2004.)

Competition

The major players in film production are Mukta Arts, Yashraj Films, K Sera Sera and Pritish Nandy Communications.

Industry outlook

Indian film industry revenues are expected to grow annually at 16% from Rs. 59 billion (US$1.4 billion) to cross the Rs. 100 billion (US$2.3 billion) mark by 2007 and reach Rs 143 billion (US$3.3 billion) in 2010. Domestic box office revenues are expected to grow annually at 17% from Rs. 34 billion (US$0.8 billion) in 2004 to Rs. 86 billion (US$2.0 billion) in 2010.



Source: CII – KPMG Report FY 2005

The following factors are expected to be the key drivers of this growth:

- Movie viewing continuing to remain a very popular source of entertainment. There is currently a lack of readily available alternative entertainment options in India such as theme parks, concerts and gaming and this is not expected to change in the medium term.

- Continued progression of people into higher income and consumption segments.
- Favourable demographic changes.
- A very significant increase in the number of Multiplexes, which provide patrons with a better viewing experience, will result in increases in the number of patrons. The increase in the number of Multiplexes will be substantially linked to the organized retail boom and the availability of state entertainment tax holidays and incentives.
- Increasing corporatisation of the film production sector should result in an increase in the number of high quality films produced, which should increase demand for movies. In an increasingly corporate environment, unviable movies with weak scripts should find it difficult to garner funding. Consequently, although the average number of films produced annually in India is expected to fall from over 900 in 2004 to around 600 by 2010, the quality of the movies produced is expected to increase. (Source: CII - KPMG Report, 2005.)
- A significant increase in the number of digital cinemas should also fuel growth of the film exhibition industry in B and C-class centers.

OUR BUSINESS

Overview

We are India's largest Multiplex Cinema operator by number of screens. (*Source:* Yes Bank Report.) We established the first Multiplex Cinema in India, PVR Anupam, in Saket, Delhi in 1997 and the largest Multiplex Cinema in India, PVR Bangalore in 2004. As of August 31, 2005, our geographically diverse cinema circuit in India consisted of 10 cinemas with a total of 39 screens in five A-class centers. Of these 10 cinemas, we operated seven Multiplex Cinemas and two single-screen cinemas and we managed one Multiplex Cinema with three screens.

Our brand, *PVR,* is one of India's most recognized film exhibition brands. Across our various cinemas, we had 4.9 million patrons in fiscal 2005 and 4.5 million patrons for the six months ended September 30, 2005.

As part of our strategy to grow our film exhibition business on a national footprint, we plan to launch 18 cinemas with a total of 82 screens by the end of fiscal 2008. Of these, five Multiplex Cinemas will be in Mumbai in the prime catchments of Juhu, Mulund, Phoenix Mills, Goregaon and Ghatkopar. Mumbai is the hub of the Hindi film industry and a prime market for film exhibition. A total of 11 cinemas will be launched in Hyderabad, Delhi, Indore, Gurgaon, Lucknow, Chennai and Ludhiana. In addition, we plan to target B and C-class centers through the establishment of lower cost cinemas and have signed memorandums of understanding for three-screen Multiplex Cinemas in Latur and Aurangabad in the state of Maharashtra.

We are the only film exhibition company in India to have had an international film exhibition operator as a strategic investor. We were incorporated in April 1995 pursuant to a joint venture agreement between Priya Exhibitors Private Limited and Village Roadshow Limited, one of the largest non-U.S. cinema exhibition companies in the world with more than 1,000 screens under operation. Village Roadshow's international experience enabled us to begin our film exhibition business operations at PVR Saket, the first Multiplex Cinema in India, using international best practices. PVR Saket achieved an occupancy rate of more than 70% in its first year, demonstrating the growth potential for Multiplex Cinemas in India. Village Roadshow also designed our 11-screen Multiplex Cinema PVR Bangalore at Bangalore, Karnataka and assisted us in designing and implementing our Multiplexes namely, PVR Anupam, PVR Priya, PVR Naraina and PVR Vikas Puri.

In November 2002, as part of Village Roadshow's planned divestment of its investments in 18 countries, it sold its entire shareholding in our Company to Priya Exhibitors Private Limited.

In March 2003, the India Advantage Fund-I managed by ICICI Venture Funds Management Company Limited, one of the largest private equity funds in India, invested Rs. 380 million in our Company, of which Rs. 50 million was a secondary transaction with one of our Promoters, Bijli Investments Private Limited, and Rs. 330 million of which was received by us to assist us in funding our expansion plans. Prior to the closing of the Issue, our Promoters owned 52.11% of our issued Equity Shares, and the Selling Shareholder owned 41.43% of our issued Equity Shares and allocation of shares/options under Employee Stock Purchase Scheme. On September 15, 2005, our shareholders approved our ESPS. Under our ESPS, 80,000 Equity Shares have been issued to the eligible employees as defined in the scheme on September 22, 2005. Further, on September 15, 2005 our shareholders approved our ESOS. Under our ESOS, on October 10, 2005, 1, 70,000 Equity Shares have been issued to the Eligible Employees as defined in the scheme. Our ESOS is administered by our Compensation Committee, a committee of our Board of Directors, which can determine the terms and conditions of the stock options granted from time to time. Our issued, paid up and subscribed equity capital upon completion of the Issue, assuming full exercise of all the outstanding options issued or to be issued under our ESOS, will comprise 23,047,370 Equity Shares. For further details please see the section titled "Capital Structure" beginning on page 19.

Our unconsolidated total income was Rs. 706.66 million and Rs. 557.1 million in fiscal 2005 and the six month ended September 30 2005, respectively. Box office revenue (sale of tickets of films, less state entertainment taxes and plus revenue share of sale of tickets of films) and food and beverages revenue (income from sales of food and beverages, less sales tax/ VAT), represented approximately 66.3% and 20.7% of our unconsolidated net operating income during the six month ended September 30, 2005 respectively. Advertisement revenue, and royalty income (pouring rights) constituted 8.3% and 1.0%

respectively of our total income, and are important sources of income as we earn significantly higher margins on those revenues.

We also operate a small film distribution business through our wholly-owned subsidiary, PVR Pictures, which acquires and distributes Indian and international films. Our strategy is to continue to distribute Hindi films in the same territories where our cinemas are located, and to purchase the entire suite of distribution rights including the theatrical, satellite/television and DVD rights for international films on an all India basis. Since PVR Pictures commenced its operations in August, 2001, it has acquired rights to distribute 64 English titles and 17 Indian titles (as of September 30, 2005). PVR Pictures was acquired by us in April 2005 and PVR Pictures' financial results were consolidated with our financial results only for the six month ended September 30, 2005. Our consolidated total income was Rs. 561.7 million in the six months ended September 30, 2005.

Our competitive strengths

Cinemas in prime locations

Our cinemas are in prime locations, with large catchment areas, surrounded by a good mix of retail and food and beverages outlets and with adequate car parking facilities, making them attractive destinations.

Considered a preferred anchor tenant and have strong relationships with mall developers

We are considered a preferred anchor tenant by shopping mall developers because our Multiplex Cinemas generate significant footfalls. Our presence in a development helps the developer to market the mall to other retail businesses. As a result, we are able to obtain prime locations for our Multiplex Cinemas on attractive terms.

Strong relationships within the film industry

Our position as the largest Multiplex Cinema operator in India, our transparency in reporting box office collections and our emphasis on film marketing have helped us to build strong relationships within the film industry, both Indian and Hollywood, enabling us to obtain an assured supply of films at competitive rates.

Largest Multiplex Cinema operator in India

As the largest Multiplex Cinema operator in India, we are able to reap the benefits of economies of scale for our operations. We obtain discounted rates on our capital equipment, food and beverage supplies and for advertisements in newspapers. The size and geographical spread of our cinemas enables us to offer a wide cinema footprint to advertisers and sponsors.

Strong brand equity

Our brand, PVR, is one of India's most recognized film exhibition brands. Our cinemas have been designed with an emphasis on ambience and customer delight, with quality fit-outs, comfortable seating and state-of-the art audio and projection equipment. This coupled with our customer-focused approach has made our brand name synonymous with high quality cinema viewing in Delhi, Gurgaon, Faridabad, Ghaziabad and Bangalore. This has positioned us an exhibitor of choice for movie patrons, enabling us to maintain stable occupancy rates at ticket prices that are significantly higher than the industry average. Our strong brand equity has also allowed us to enter into corporate alliances and co-marketing exercises with leading companies such as Pepsi, Samsung, Hero Honda, Hyundai, LVMH, Airtel, Master Card, LG Electronics, Nokia, Seagram, General Motors, Hindustan Times, and Lipton.

Emphasis on film marketing

We believe that one of the factors contributing to our success has been our use of innovative techniques in the Indian film exhibition context to market films shown at our cinemas. We organize movie screenings with film stars, conduct preview screenings for film critics, conduct movie-based promotions, distribute movie memorabilia and information and publish an in-house movie magazine called *Movies First*. We also have a customer loyalty program. We focus on local area marketing and sales, which allows us to build loyalty with customers in the immediate catchments.

Promoter focus on film exhibition and innovative management

Mr. Ajjay Bijli, our Chairman cum Managing Director and one of our Promoters, is a pioneer in the Multiplex Cinema segment in India and has over 15 years' experience in the film exhibition sector. He is focused on the film exhibition business and has contributed to our development and growth. He was awarded with the 'Theatre World Newsmaker of the Year Award for 2003' at FRAMES 2004, a global convention on the business of entertainment organised by FICCI. In 2004, CineAsia, a prominent Asian film industry convention, gave him a special award for his significant contribution to India's Multiplex Cinema segment. He was recognized as "Entrepreneur of the Year – Entertainment" by the Indian Retail Forum held in Mumbai in September 2005 and "Delhi Ratna" by the PHD Chamber of Commerce and Industry in August 2005.

Our management team, led by Mr. Bijli and Mr. Sanjeev Kumar, our Executive Director, has demonstrated its ability to think ahead of our competition and remain innovative. Our current executive management team has a blend of film exhibition and hospitality industry experience and professional expertise drawn across different industries. Some of our current key employees have received formal training at cinemas in Australia and Singapore operated by Village Roadshow.

Project selection, development and implementation skills

We have evolved and implemented a structured system of project evaluation and approval. Decisions on projects are taken on the basis of extensive market research undertaken on the location and quality of the development by our business development team and leading specialized research organizations. We frequently reject opportunities for cinema developments that do not meet our stringent project selection criteria.

We have an in-house specialized team for cinema design and implementation. This team is supported by international and domestic project consultants. We have successfully managed the development and implementation of 10 cinema projects.

Scalable systems and processes and uniform staff training

Our uniform operational systems, processes and staff training procedures will enable us to replicate our high operating standards across all future cinemas. We use Vista software, which is used worldwide, across all our cinemas to capture box office sales, food and beverage sales and sale of tickets on the internet. We use the same rigorous cash and inventory control systems, and procedures for film scheduling, contracting, advertising and management for all of our cinemas. All our systems and processes are documented in a single manual. We have also developed robust and uniform staff training systems.

Our strategy

With a strong appetite for movies and an upward migration of household income levels in India, we believe that the Indian film industry, and the film exhibition sector in particular, will continue to experience strong growth.

Our main goals are to remain India's largest and most preferred cinema exhibition company. To achieve these goals, our business strategy emphasizes the following elements:

- Continue to provide the highest exhibition standards to achieve customer delight.
- Increase the number of cinemas under our operation on a pan India basis. Our strategy is to adopt a price-based differentiation model, offering our patrons a superior cinema-going experience at each price point.
  - o We shall continue to establish and/or acquire cinemas in line with our goal to remain India's largest and most preferred film exhibition company.
  - o We also plan to open lower cost cinemas using digital technology along with the refurbishment and remodeling of the cinema to give patrons a superior movie experience at an affordable price

  For further details, please see section titled "Our Business-New Cinema Projects" beginning on page 64.
- Capitalise on our market leader position and source consulting, development, operating and management business under the management fee/franchise model.

- Continue to maximise revenue from our existing cinemas.
  - o We plan to increase box office revenue from our existing cinemas through flexible pricing to attract patrons at various points in time of the day and by the week, by maximizing the number of screenings of popular movies, corporate bulk sales of tickets, and making the purchase of tickets easier through our website, the telephone and electronic ticket kiosks.
  - o Increase sales of food and beverages through product incentives, "combo" products at a cheaper price, which increases the average value of each transaction; and
  - o Utilise additional areas adjacent to a few of our cinemas for restaurants/food courts and sale of music CDs and cassettes. These additional areas are available in our existing Multiplex Cinema, PVR Gurgaon, at Metropolitan mall, Gurgaon and in our properties under development at Juhu, Mulund and Sahara mall in Gurgaon. We have already sub-let the additional spaces at the MGF mall to food and beverages outlets on higher rentals.
- Increase revenue from advertisers. As we increase our number of cinema screens there will be an increase in the number of our patrons, which will increase the attractiveness of our cinema circuit to advertisers. This should enable us to increase our advertisement revenue.
- Utilise economies of scale as we grow in size and expand our reach.

Our goal for our film distribution business is to be the preferred distributor for both English and Hindi movies. Our strategy is to distribute Hindi films in the same territories where our cinemas are located, whilst our strategy for international films is to purchase the entire suite of distribution rights including the theatrical, satellite/television and DVD rights for international films on an all India basis. With respect to international movies, we intend to position PVR Pictures as the distributor of choice for independent production houses that do not have a base in India for distributing their movies. We intend to continue to follow primarily a de-risked distribution model, which will be based on commission and/or revenue sharing.

New Cinema Projects

The following Multiplexes are currently under construction:

Project Name	Location	Number of Screens	Number of Seats	Anticipated Opening
PROJECTS ALREADY HANDED OVER TO COMPANY FOR FIT OUTS				
Central Mall	Hyderabad	5	1,371	fiscal 2006
Dynamix Mall	Juhu, Mumbai	5	1,260	fiscal 2006
Nirmal LifeStyle	Mulund, Mumbai	6	1,750	fiscal 2006
Rivoli	Delhi	1	361	fiscal 2006
Treasure Island	Indore	5	1,140	fiscal 2006
Fun City	Prashant Vihar Delhi	3	800	fiscal 2006
Sahara Ganj	Lucknow	4	920	fiscal 2007
PROJECTS UNDER CONSTRUCTION BY THE DEVELOPER – YET TO BE HANDED OVER TO THE COMPANY				
Project Name	**Location**	**Number of Screens**	**Number of Seats**	**Anticipated Opening**
Sahara Mall	Gurgaon, Haryana	2	450	fiscal 2006
Latur	Latur	3	1,050	fiscal 2006
Aurangabad	Aurangabad	3	1,100	fiscal 2006
Goregaon	Mumbai	8	2,200	fiscal 2007

Project Name	Location	Number of Screens	Number of Seats	Anticipated Opening
DDA Saket Place	Delhi	6	1,269	fiscal 2007
Phoenix	Mumbai	7	2,050	fiscal 2007
Odeon	Mumbai	4	1,250	fiscal 2007
Ampa	Chennai	7	1,600	fiscal 2007
Flamez	Ludhiana	4	1,000	fiscal 2007
Rajouri Garden	Delhi	6	1,500	fiscal 2008
Silver Arc	Ludhiana	3	1,000	fiscal 2008
Total		**82**	**22,071**	

Central Mall, Hyderabad

We are in the process of opening a five-screen Multiplex in Central Mall in Hyderabad. We anticipate that four of these screens, with a seating capacity of 1,181 seats, will be operational by the end of November 2005. This Multiplex is located at the Punjagutta crossing and is close to many residential catchments, including the up-market area of Banjara Hills, Jubilee Hills, Ameerpet and Begumpet. It is a part of the Central Mall, which is about 200,000 square feet, which has Hyderabad Central (from Pantaloon) as the other anchor tenant. The city of Hyderabad has an estimated population of over five million and has a high movie going rate. In addition to films in Hindi and English, there is a market for regional language films in Telugu, Kannada and Tamil.

Dynamix Mall, Juhu, Mumbai

We are in the process of setting up a five-screen Multiplex in Juhu, Mumbai. The project is part of a 100,000 square feet shopping centre with Shoppers Stop as the other anchor tenant, and will serve the up-market residential area in and around the Juhu Vile Parle Development and is close to Juhu Beach, a major tourist destination in Mumbai. The catchment area also includes Santacruz and Khar to the south, Versova and Four Bungalows to the North and Andheri to the North-East. Additionally, it is adjacent to a number of colleges and educational institutions. Our Multiplex will compete with Fame Adlabs' five-screen E City's four-screen and Cinemax's six-screen Multiplex Cinema at Andheri, which are located at a distance approximately five kilometres from our Multiplex.

Nirmal LifeStyle, Mulund, Mumbai

We are in the process of setting up a six-screen Multiplex in Nirmal Lifestyle Mall, located in Mulund, Mumbai. It is the largest mall (approximately 500,000 square feet) in the catchment area of Mulund and has a number of major retail and food brands, such as Shoppers Stop, Shoprite, Fashion Street by Pantaloons, McDonalds, Pizza Hut and Café Coffee Day as tenants. The catchment area for the Multiplex spans the entire of East Mumbai encompassing Mulund, Ghatkopar, Powai and Chembur. Our Multiplex will compete with R-Adlabs' four-screen Multiplex Cinema in Mulund, which is located at a distance of approximately two kilometres from our Multiplex.

Rivoli, Delhi

We are in the process of establishing a single-screen cinema in Connaught Place, Delhi by refurbishing the Rivoli, a heritage cinema. It is located in the commercial business district of Delhi, and is located approximately 500 meters away from our cinema, PVR Plaza, which is also a single-screen cinema. This cinema will have a comparable ambience and pricing structure to our cinema, PVR Plaza. We believe our two single-screen theatres (PVR Plaza and PVR Rivoli) in Connaught Place will complement each other and allow us the flexibility of movie programming, giving potential patrons in the commercial business district a wider choice of movies.

Treasure Island, Indore

This five-screen Multiplex is being set up in the Treasure Island Mall on Mahatma Gandhi Road, which is considered the prime commercial and retail destination in Indore. A number of well established brands such as Pizza Hut, Pantaloons, Big

Bazaar, McDonalds, Archies, Levis, Crossroads and Barista are located in the mall. Indore is one of the key cities of central India and has a population of approximately 1.6 million. Our Multiplex will cater to the catchment areas of Old Palasia, New Palasia, Race Course, Manormaganj, Shreemaya and Vijay Nagar. Indore presently has one other Multiplex (Velocity), which is located at a distance of approximately five kilometres from our Multiplex.

Fun City, Prashant Vihar, Delhi

This three-screen Multiplex being set up in North Delhi seeks to service the Rohini, Shalimar Bagh, Pitampura and, to some extent, the Delhi University catchments. The population of the region is about 1.5 million. This Multiplex shall complement our circuit of cinemas in Delhi and will provide us with a foothold in the North-West Delhi market. Our Multiplex shall compete with M2K's two-screen cinema at Rohini and M2K's three-screen Multiplex Cinema at Pitampura.

Sahara Lucknow

We propose to develop a four-screen Multiplex in Sahara Mall, Hazratganj in Lucknow. Hazrathganj is the key retail and commercial hub of Lucknow. The Sahara Mall will be approximately 227,000 square feet. We believe that the other leading retail and food brands that have taken space in the mall include Pantaloons, Big Bazaar, Marks & Spencers, Planet Sports, Reebok, McDonalds, Pizza Hut, Levis and Allen Solly. The other Multiplex in Lucknow is a four- screen Wave cinema at Gomti Nagar.

Sahara Mall, Gurgaon

We are in the process of establishing a two-screen Multiplex at the Sahara Mall, Gurgaon. This mall is located at one of the arterial roads of Gurgaon where there is a concentration of retail and commercial activity. The mall has other anchor tenants such as Pantaloons and Big Bazaar. The Multiplex aims to cater to the catchment areas of DLF Phase II, Sector 28, and Sushant Lok Phase V. Our Multiplex shall compete with two Multiplex Cinemas of three screens each of DT cinemas and our seven-screen Multiplex Cinema, PVR Gurgaon, Metropolitan Mall, Gurgaon, which are located within one kilometer of each other.

Goregaon, Mumbai

We are in the process of establishing an eight-screen Multiplex in Goregaon, Mumbai. This Multiplex will be part of a large mall located on the South-East junction of the Western Expressway and Aarey Street and is near Film City in Goregaon. We believe the mall has other anchor tenants such as Pantaloons and Big Bazaar. The mall is located in high traffic areas and is easily accessible by public transport. The Multiplex aims to cater to the thickly populated catchment area from Goregaon to Borivilli. We expect to target a large market in this area, since we believe that approximately 1.8 million people in these areas are in the middle and high income segments.

Saket Place, Delhi

We are in the process of establishing a six-screen Multiplex in Saket Place District Centre located in Saket, New Delhi. Saket Place is being developed as an integrated retail and commercial hub in South Delhi. The catchment area for the Multiplex is very large encompassing most of South Delhi, with a population of approximately three million. The demographics of this catchment area are also strong with 40-50% of households in middle and higher income categories and a high propensity to cinema going. We believe our only competition would be from our cinema, PVR Anupam, and possibly a three-screen Multiplex being contemplated by another developer in Saket Place. A few other Multiplexes under development are located in Nehru Place and Vasant Kunj, which are about five kilometres away.

Phoenix Mills, Mumbai

We are developing a seven-screen Multiplex in the Phoenix Mills compound, a key retail, commercial and entertainment hub in Lower Parel, Mumbai. Phoenix Mills will be a large retail destination in Mumbai with approximately one million square feet when fully developed. The entertainment centre contains a number of well known retail and food brands such as Big Bazaar, Lifestyle, Pantaloons, Shoppers Stop, Marks and Spencers, Barista, McDonalds, Pizza Hut, Bombay Blues and Naturals and it is the only large-scale retail and entertainment development format in South Mumbai. The catchment area for the project spans from Mahim to Colaba. The only competing Multiplex in South Mumbai is the five-screen multiplex, CR2 at Nariman Point, which is located about 10 kilometres away.

The project is being undertaken by our wholly owned subsidiary, CR Retail.

Odeon Ghatkopar, Mumbai

We propose to develop a four-screen Multiplex in Ghatkopar, a thickly populated suburb of East Mumbai. This Multiplex would be a part of a small shopping centre, of which we will be the lead anchor tenant. It shall cater to the catchment area of Ghatkopar, Chembur and East Dadar. The other Multiplexes in the catchment area are Imax Adlabs in Wadala and Huma Adlabs near Powai.

Ampa, Chennai

We propose to develop a seven-screen Multiplex in Ampa Highstreet Mall, located at the junction of Nagambukkam Road and Poonamemalle High Road. This Multiplex would cater to the catchment areas of Anna Nagar, Nagambukkam, which has middle and high income population. The mall will be about 300,000 square feet and is expected to have other anchor tenants including Giants Hypermarket and Tata Westside. The only other Multiplex in Chennai is Maayajaal which located in the outskirts of Chennai.

Flamez Ludhiana

We propose to develop a four-screen Multiplex located in Sarabha Nagar, which is a prime residential area of Ludhiana. Ludhiana is one of the key towns of Punjab, with high disposable income levels. The old Malhar cinema is being converted into a mall with Multiplex by the developers. Presently there is no operational Multiplex in Ludhiana.

Rajouri Garden, Delhi

We propose to develop a six-screen Multiplex in Rajouri Garden, which is a prime residential colony in West Delhi. This Multiplex is in the vicinity of Rajouri market, which houses a large number of stand alone retail outlets of prominent brands. It shall cater to the catchment areas of Rajouri Garden, Tagore Garden, Moti Nagar and Punjabi Bagh which are thickly populated with approximately nine million people, and a significant high income population.

Silver Arc, Ludhiana

We propose to develop a three-screen Multiplex in the Silver Arc complex, located on the erstwhile Freeman's factory site on Ferozepur Road. Ludhiana is one of the key towns of Punjab, with high disposable income levels. The Silver Arc complex will have a mix of retail, food and cinemas. Presently there is no operational Multiplex in Ludhiana.

Lower cost digital cinemas, Latur and Aurangabad

We have recently signed memorandums of understanding for two projects in Latur and Aurangabad in the state of Maharashtra.

We propose to develop a three-screen multiplex in Latur. Latur is one of the key towns of the Marathwada region of Maharashtra and is a key town in the Nizam territory for film distribution.

We propose to develop a three-screen multiplex in the MIDC CIDCO area of Aurangabad. Aurangabad is among the key industrial towns of Maharashtra, with high tourist traffic due to the fact that it is a transit point for Ajanta and Ellora heritage tourist locations.

Entertainment tax exemptions

Our decision to set up a Multiplex Cinema in a particular state may be dependant on the entertainment tax benefits/ exemptions available in a particular state. In respect of our current and proposed cinema projects entertainment tax exemptions applications may either have been/will be made either by us, or by our relevant subsidiary company or by the relevant developer. For details of the said entertainment tax exemptions applied for by us, our subsidiary company or the relevant developer in respect of some of our current and proposed projects please see the section titled "Government and other Approvals" beginning on page 232. In respect of entertainment tax benefits granted or likely to be granted for the projects in the name of the developer, the commercial understanding executed or proposed to be executed between the developer and our Company would reflect the extent of entertainment tax benefit available to the developer in respect of the relevant project.

Roll-out lower cost digital cinemas

We have put in place detailed town selection and cinema selection criteria to identify potential cinemas that we could take over and implement digital technology. We have on a preliminary basis identified the following markets as potential targets for the near future:

- Mumbai and Maharashtra – part of the Mumbai film distribution circuit,;
- Delhi – part of Delhi-UP film distribution circuit;
- Uttar Pradesh - part of the Delhi-UP film distribution circuit.
- Bangalore – part of the Mysore film distribution circuit.
- Punjab, Chandigarh – part of the East Punjab film distribution circuit;
- Nizam; and
- Nagpur.

We have recently signed memorandums of understanding for three-screen Multiplex Cinema projects in Latur and Aurangabad in the state of Maharashtra.

Capitalise on our market leader position and source consulting, development, operating and management business under the management fees/franchise model

The growth in the real estate development market in India has seen the construction of a large number of shopping complexes and associated Multiplex Cinemas. We believe that this offers us an opportunity to further expand our exhibition business by marketing our services as consultants, operators and managers of Multiplex Cinemas. This model allows us to operate and manage a cinema, without making any investments, and provides us with a fee income, which is a combination of project management fees, and fee based on percentage of the turnover and/or profits. The first project in which we successfully utilized this franchisee model was the SRS Mall, Faridabad, a three-screen Multiplex that opened in November 2004. We have also entered into a contract for the operation and management of an eight-screen Multiplex in Noida, Uttar Pradesh, which is expected to be operational before the end of fiscal 2006.

We intend to expand this part of our business selectively, in areas where incremental investment and taking a cinema on a full operational and financial control basis, like nearly all of our other existing cinemas, may not be possible due to the developers desire to own and operate the cinema.

Film exhibition business

Cinemas

As of August 31, 2005, 10 theatres with a total of 39 screens and 9,316 seats in the cities of Delhi, Gurgaon, Faridabad, Ghaziabad and Bangalore were being operated under the *PVR* name. Of these 10 cinemas, we operated seven Multiplex Cinemas and two single-screen cinemas and managed a three-screen cinema.

Our Multiplexes typically feature auditoriums ranging from 150 to 450 seats each. Our cinemas appeal to a diverse group of patrons because we offer a wide selection of films and convenient show times. In addition, our cinemas feature modern amenities such as wall-to-wall screens, state-of-the-art audio and projection technology, such as three way digital *Dolby* sound systems and *Xenon* projection systems, multi-station food and beverage stands, computerized ticketing systems, stadium seating and movie-themed interiors and exteriors.

Our Multiplex Cinemas are designed to increase profitability by optimizing revenues per square foot and reducing the cost per square foot of operation. We vary cinema seating capacities within the same Multiplex, allowing us to exhibit films on a more cost effective basis for a longer period of time by shifting films to smaller cinemas to meet changing attendance levels. In addition, we realize significant operating efficiencies by having a common box office, concessions, projection, lobby and wash room facilities, which enables us to spread some of our costs, such as payroll, advertising and rent, over a higher revenue base. We stagger movie show times to reduce staffing requirements and lobby congestion and to provide more desirable traffic flow patterns. In addition, we believe that operating a business consisting primarily of Multiplex Cinemas enhances our ability to attract patrons.

We design and build cinemas to suit different markets and we have a range of cinema styles that we implement as appropriate. We have introduced *Cinema Europa* and *Gold Class* cinemas to certain Multiplexes. *Cinema Europa* offers a higher level of comfort than our regular cinemas (which we refer to as “Classic” cinemas). *Gold Class* auditoriums are custom built luxury cinemas with plush reclining seats, double armrests and ample legroom. *Gold Class* cinema patrons are also offered a food and beverages service in our *Gold Class* lounges.

Currently, we do not own any rights in the immovable property in which our cinemas are located. We have entered into long-term operation and management agreements or lease agreements, pursuant to which the developer has delivered to us a building shell with or without certain services such as air-conditioning and power back up and we carried out the rest of the work, including civil and interiors, sound and projection equipment, electrical, plumbing, fire fighting and detection systems, furniture, fixtures and equipment, concessions and equipment, IT related infrastructure, signs and operating supplies.

We currently operate or manage the following cinemas:

The following Multiplexes are currently under construction:

Project Name	Location	Number of Screens	Number of Seats	Date of Opening
CINEMAS OPERATED BY US				
PVR Anupam	Delhi	4	1,000	June 1997
PVR Priya	Delhi	1	944	January 2000
PVR Naraina	Delhi	4	830	August 2001
PVR Vikaspuri	Delhi	3	921	November 2001
PVR Gurgaon	Gurgaon, Haryana	7	1,310	May 2003
PVR Plaza	Delhi	1	300	May 2004
PVR Faridabad	Faridabad, Haryana	2	504	May 2004
PVR Bangalore	Bangalore	11	2,011	November 2004
PVR EDM	Delhi	3	720	March 2005
Sub Total		**36**	**8,540**	
CINEMA MANAGED BY US UNDER OUR MANAGEMENT FEE/FRANCHISE MODEL				
PVR SRS	Faridabad, Haryana	3	776	November 2004
Total		**39**	**9,316**	

PVR Anupam

PVR Anupam, which opened in June 1997, was the first Multiplex in India and was an instant success on account of its strategic location and first mover advantage. It has four-screens with 1,000 seats. It is located in Saket, an up market locality of South Delhi. The Multiplex is located in an open air shopping area, which has become a prime leisure destination in Delhi and has leading outlets like McDonalds, Pizza Hut, Barista, Nirulas, Subway, Moti Mahal, Planet M, Lee and

Reebok. This Multiplex had 1.07 million patrons in fiscal 2005 and 0.63 million patrons in the first six months of fiscal 2006.

We operate PVR Anupam pursuant to an agreement that expires in September 2020.

PVR Priya

PVR Priya is a premier single-screen cinema in South Delhi. Prior to January 2000, this cinema was operated by the Promoters in their personal capacity. It is a single-screen cinema with 944 seats. It is located in Vasant Vihar, an up market locality of South Delhi. The Multiplex is located in the Basant Lok shopping and commercial complex, a prime leisure destination in Delhi, which has leading outlets including McDonalds, Pizza Hut, TGIF and Barista. This Multiplex had 0.71 million patrons in fiscal 2005 and 0.40 million patrons in the first six months of fiscal 2006. We have positioned PVR Priya as blockbuster cinema and we believe it is a preferred cinema for distributors and patrons for first run Hindi and Hollywood blockbuster movies.

We operate PVR Priya pursuant to an agreement that expires in May 2011.

PVR Naraina

PVR Naraina opened in August 2001 after we converted an old single-screen cinema into a Multiplex. It has four screens with 830 seats. It is located in Naraina, which is adjacent to densely populated catchment area that includes Naraina, Rajouri Garden and Naraina Vihar, all of which are upper class suburbs in West Delhi. This Multiplex had 0.57 million patrons in fiscal 2005 and 0.36 million patrons in the first six month months of fiscal 2006.

We operate PVR Naraina pursuant to an agreement that expires in April 2012.

PVR Vikaspuri

PVR Vikaspuri opened in November 2001. It has three screens with 921 seats. PVR Vikaspuri is a part of an 80,000 square foot mall. The Multiplex caters to the residential colony of Vikaspuri, which is a large and thickly populated residential area in Delhi. By the time we took over this property, the developer had spent considerable amounts on the multiplex, which resulted in substantial capital expenditure savings for us. This Multiplex had 0.54 million patrons in fiscal 2005 and 0.32 million patrons in the first six month s of fiscal 2006.

We operate PVR Vikaspuri pursuant to an agreement that expires in July 2026.

PVR Gurgaon

PVR Guragaon was opened in May 2003. It has seven screens and 1,310 seats including two *Cinema Europa* auditoriums. It is located in the Metropolitan Mall, a prime lifestyle, food, retail and shopping space of over 300,000 square feet in Gurgaon. This Multiplex caters to Guragaon, an up market suburb in the National Capital Region of Delhi. Over the weekends it attracts many customers from Delhi as well. This Multiplex had 0.68 million patrons in fiscal 2005 and 0.46 million patrons in the first six month s of fiscal 2006.

We operate PVR Gurgaon pursuant to an agreement that expires in September 2014.

PVR Plaza

PVR Plaza opened in May 2004. It is a single-screen heritage cinema with 300 seats. It is located in the central business and retail district of Delhi, Connaught Place. Plaza was one of Delhi's oldest and most popular cinema halls, and was renovated and refurbished into a smaller 300 seat cinema, with a food court on the ground floor. The cinema caters to the transient population in Connaught Place. The cinema had 0.23 million patrons in fiscal 2005 and 0.16 million patrons in the six months of fiscal 2006.

We operate PVR Plaza pursuant to an agreement that expires in February 2013.

PVR Faridabad

PVR Faridabad opened in May 2004. It has two screens with 504 seats. It was the first Multiplex in the Faridabad catchment area, and is located in the Ansal Plaza Mall on the Delhi-Agra highway. This Multiplex had 0.28 million patrons in fiscal 2005 and 0.16 million patrons in the first six months of fiscal 2006.

We operate PVR Faridabad pursuant to an agreement that expires in May 2024.

PVR Bangalore

PVR Bangalore was opened in November 2004. It has 11 screens and 2,011 seats, and is India's largest Multiplex Cinema. (Source: FICCI - PWC Report, 2005). The cinema comprises seven Classic screens with a total of 1,581 seats, two *Cinema Europa* screens with 366 seats in the two *Gold Class* screens with 32 seats each, spread over an area of 100,000 square feet. This Multiplex plays over 50 shows every day, with screenings starting approximately every 15 minutes. This Multiplex plays movies in six languages: English; Hindi; Kannada; Tamil; Telugu; and Malyalam, catering to people with varied taste and socio-cultural background. The cinema is located in the Forum Mall, Koramangala, and is a part of 350,000 square foot shopping mall spread over four levels. It is the prime retail and leisure destination in Bangalore, and is well located in Koramangala, with customers from across the city. This Multiplex had 0.74 million patrons in fiscal 2005 and 1.34 million patrons in the first six months of fiscal 2006.

We operate PVR Bangalore pursuant to an agreement that expires in July 2029.

PVR EDM

PVR EDM opened on March 31, 2005. It has three screens with 720 seats. It is located in the East Delhi Mall in Kaushambi, on the outskirts of Delhi in Uttar Pradesh. This Multiplex services the catchment area of East Delhi and Kaushambhi (Uttar Pradesh), including Vaishali, Gaziabad, Sahibadbad and Mohannagar. PVR EDM is exempt from paying state entertainment taxes until March 30, 2010 or until the exemption amount reaches Rs. 95.33 million, whichever is earlier. This Multiplex had 0.36 million patrons in the first six months of fiscal 2006. We and the developer/cinema owner share box office revenues of this cinema, and our share is reflected as "Income from revenue sharing". We are entitled to the entire food and beverage revenue and advertisement revenue from this Multiplex.

We operate PVR EDM pursuant to an agreement that expires in March 2025.

PVR SRS

PVR SRS opened in November 2004. It has three screens with 776 seats. It is the first Multiplex of the Company under the franchisee model. It is located in a shopping centre in Faridabad, which has food and beverages and retail outlets. This Multiplex had 0.11 million patrons in fiscal 2005 and 0.28 million patrons in the first six months of fiscal 2006.

We operate PVR SRS pursuant to an agreement which expires in November 2013.

Management fee/franchise model

Recent high growth in the Indian organized retail market has led to increasing developments of large-scale shopping malls that incorporate Multiplex Cinemas. Whilst property developers may possess expertise in the construction and development of shopping malls, they often lack the skill and experience required to successfully manage Multiplex Cinemas. This offers us an opportunity to market and sell our expertise in the development, operation and management of Multiplexes. Furthermore, we have a strong brand name. We provide the following services to property developers under this model:

- Developing the Multiplex Cinemas concept, business plans, and determining the financial and operational feasibility of the Multiplex;
- Advising on the development of the Multiplex, including design, specifications, construction and time schedules (once we have finalized the designs, layouts and specifications, the property developers will be required to undertake the actual construction);
- Advising on and managing all operational issues such as ticket pricing, staffing, concessions and other revenues, sales and marketing initiatives, and screening programming;

- Managing the operations of the Multiplex and producing performance reports for the property developers' review;
- Appointing competent and experienced key personnel such as Multiplex manager, operations manager and programming manager;
- Providing access to the vast pool of resources, expertise knowledge and know-how which we have amassed in relation to the development, management, operation and marketing of a Multiplex; and
- Using our brand name in order to attract more and higher spending cinema patrons.

In November 2004, we began to manage a three-screen Multiplex at the SRS Mall, Faridabad. In September 2004, we entered into an agreement for management of an eight-screen Multiplex in Noida, which we expect to begin managing in fiscal 2006.

We intend to expand this part of our business selectively. It is most appropriate in areas where we want to make small investments and where taking a cinema on a full operational and financial control basis, as we have done with most of our existing cinemas, may not be possible due to the developers desire to own and operate the cinema.

Film exhibition revenues

Our film exhibition business earns revenue from five primary sources: box office revenue; food and beverages (concessions) revenue; advertisement revenue; royalty income (pouring rights) and management/franchise fees.

Box office revenue

We sell tickets of films at our cinemas, through our website (www.pvrcinemas.com), through mobile phones and through fixed line phones.

Our average ticket price was Rs. 92.34 and Rs. 88.1 in fiscal 2005 and the six month ended September 30, 2005. In addition to the ticket price, our patrons also pay state entertainment taxes, which ranged from 30% to 50% for the six months ended September 30, 2005. Including state entertainment taxes, the average price paid by patrons for admission to our cinemas was Rs. 124.88 and Rs. 110.49 in fiscal 2005 and the six months ended September 30, 2005, respectively. In our revenues from ticket sales, we benefit from the entertainment tax exemption available for PVR EDM. Our box office revenue (revenue from sales of tickets of films, minus state entertainment taxes paid, plus share of revenue from PVR EDM) was Rs. 446.20 million and Rs. 369.4 million in fiscal 2005 and the six month ended September 30, 2005, respectively. Our box office revenue net of entertainment taxes has grown at a CAGR of 38.3% from fiscal 2001 to fiscal 2005.

Our box office revenue is affected by the number of patrons and the average ticket price. The number of patrons for a period is affected by the occupancy rate (number of tickets sold as a percentage of seats in the cinema) and the session seats (number of seats in a cinema multiplied by the number of sessions per day) for a period. In addition to the opening of new cinemas, we strive to increase the number of patrons by increasing the occupancy rate at our existing cinemas through the use of flexible ticket pricing, marketing initiatives to increase the profile of films played at our cinemas and through other initiatives such as bulk ticket sales.

We had 4,942,190 patrons in our cinemas in fiscal 2005, up 1,541,108, or 45.3%, from fiscal 2004, and an average occupancy rate of 40.4%.

Ticket prices vary across our properties and according to the day and time of the week. Prior to April 1, 2005, we only varied ticket prices based on our assessment of a films potential popularity. In the six monthended September 30,, 2005, we also implemented a flexible ticket pricing strategy wherein lower ticket prices are charged on Monday, Tuesday, Wednesday and Thursday, where demand is less, compared with Friday, Saturday and Sunday, where demand is greater. We believe that demand for going to the cinema is relatively price elastic on Mondays, Tuesdays, Wednesdays and Thursdays and relatively price inelastic on Fridays, Saturdays and Sundays. Our goal in offering tickets at lower prices is to attract more patrons (thereby increasing our occupancy rate) and increase our box office revenue. Our ability to increase our ticket prices at each of our cinemas is restricted by competition from other cinema operators in the catchment area and the price sensitivity of the population in the catchment area. In addition, certain states require us to obtain approval before we may increase ticket prices.

Food and beverages revenue

Revenue from food and beverages is our second largest source of revenue after box office revenue and, as sales of food and beverages have a much higher margin than ticket sales, is a highly profitable activity for us.

Food and beverage items include popcorn, soft drinks, confectionary and sandwiches. Different food and beverage varieties are offered at our cinemas based on preferences in that particular geographic region. We have also implemented "combo-deals" for patrons, which offer a pre-selected assortment of concessions products and offer co-branded products that are unique to us. When pricing our product, we undertake analysis as to the affordability of the products and compare the prices to those of our competitors.

Our food and beverages strategy emphasizes prominent and appealing food and beverage counters designed for rapid service and efficiency. We design our Multiplex Cinemas to have more food and beverages capacity to make it easier to serve larger numbers of customers. Strategic placement of large food and beverages stands within our cinemas heightens their visibility, aids in reducing the length of lines, allows flexibility to introduce new concepts and improves traffic flow around the food and beverages stands. We have also started value added services like service on seats to increase our revenue from food and beverages.

We negotiate prices for our food and beverage supplies directly with vendors on a national or regional basis to obtain high volume discounts or bulk rates and marketing incentives.

The price we charge customers for food and beverages includes applicable state sales taxes/VAT. Our revenue from food and beverages (revenue from sale of food and beverages minus sales taxes/VAT) was Rs. 142.89 million and Rs. 115.20million in fiscal 2005 and the six month ended September 302005, respectively. Our food and beverages revenue net of sales tax/ VAT has grown at a CAGR of 37.6% from fiscal 2001 to fiscal 2005.

Given the high profitability and demand for concessions, we plan to enhance this part of our business by undertaking innovative promotions and continuing to offer food and beverages that appeal to our patrons.

Advertisement revenue

Advertisement revenue includes income from (1) on-screen advertisements, (2) off-screen advertisements and (3) cinema association activities. On-screen advertisements include 35mm film commercials and slides shown prior to the screening of a feature film and during intervals. Off-screen advertisements includes foyer displays, light box displays, advertisements on ticket backs, ticket jackets and popcorn boxes, wash room advertisements, exterior of cinema branding and advertisement spots on video walls that feature film trailers, standard advertisements, concessions advertisements and music videos, which can also be sponsored. Cinema association activities include the sponsorship of premiers or other events at our cinemas and the sampling of advertiser products in conjunction with a feature film.

Some of the leading brands that advertise in our cinemas and/or with whom we have ongoing corporate alliances are Pepsi, Samsung, Hero Honda, Hyundai, LVMH, Airtel, Master Card, LG Electronics, Nokia, Seagram, General Motors, Hindustan Times, and Lipton.

We generated Rs. 87.2 million and Rs. 46.4 million in advertisement revenue net of service tax in fiscal 2005 and in the six months ended September 30 , 2005, respectively. Our advertisement revenue has grown at a CAGR of 59.7% from fiscal 2001 to fiscal 2005.

Our strategy for increasing our advertisement revenue is to:

- focus on the on-screen advertisement presentation sequence prior to the screening of a feature film and during intervals in order to enhance the salability of this airtime;
- develop and exploit off-screen media spaces; and
- develop and exploit cinema experience association opportunities.

Royalty income (pouring rights)

We earn royalty income (pouring rights) from certain of our beverage suppliers under agreements not to sell directly competing products. We have agreements for these pouring rights with Pepsi. Our agreement with Pepsi expires in June 2007. We earned Rs. 8.74 million and Rs. 5.6 million from pouring rights in fiscal 2005 and in the six months ended September 30, 2005 respectively.

Management fees /franchise fees

For the provision of services under the management fees/franchise model, we are paid a combination of the following fees:

- *Project Evaluation and Advisory Fee* - This fee can be calculated either as a flat fee or as a percentage of project costs and is to be negotiated with the property developers at the initial stage of the development prior to an affirmative decision to construct the Multiplex. For instance in case of our under development franchisee Multiplex in Noida, we are being paid a fee of Rs. 4.2 million under this head.
- *Basic Revenue Share Fee/Management Fee* - This fee is for services provided by us generally to the property developer in relation to the Multiplex, which is usually a percentage of turnover.
- *Incentive Fee* - This fee is calculated as a percentage of gross operating profit (before interest, depreciation and management fee) and acts as an incentive for us to provide better expertise skills and consulting services.

We earned Rs. 0.92 million and Rs. 4.66 million in management/franchise fees net of service in fiscal 2005 and in the six months ended September 30, 2005, respectively.

Projects and development – new projects

We have a department responsible for the development and implementation of new projects. The department is also responsible for implementation of our growth strategy and for obtaining new projects for the Company. This department is responsible for all aspects of project development including project scouting, evaluation of location, project positioning and finance, short listing of projects and preparing project viability reports for presentation to the management for consideration. The department carries out its own research to evaluate projects and seeks and utilizes the services of professional market research companies if required.

We also have a team of qualified architects and engineers, who implement the projects. This team carries out functions such as architectural and interior design development and project implementation and management. This team is supported by external architectural and interior design companies, both international and domestic, that carry out the detailed design development.

We have well established operating, design and technical standards that must be met in each development. The internal project execution team is responsible for coordinating the development of each project and this team works together with well respected and experienced external consultants consisting of specialist engineers, internationally reputed architects and cinema design firms.

Location of our Multiplexes

All locations chosen for our Multiplexes have been selected on the basis of extensive market research undertaken by an internal development team and supported on a case-by-case basis by external internationally reputed agencies. These investigations allow us to determine the rationale of a particular location based on the following parameters:

Project Selection Criteria

The key factors that are considered in project evaluation are location, target population in the catchment area, economic standards in the city, movie going habits/culture, background of the developer, the composition of the development, other tenancies, time schedules for implementation and financial viability based on our estimates. Other factors include:

- Category of town – capital city, major city in a particular state, semi-urban.

- Catchment area and population demographics.
  - o Demographic profile of population.
  - o Disposable income of catchment population.
  - o Average propensity to spend on entertainment options.
  - o Average cinema visitations per year.
  - o Movie language preference.
- Property developer reputation for delivering quality product on time.
- Shopping mall tenancy mix, which other retail tenants are present or would be setting up establishments in the same location.
- Current and potential competition.
- Average ticket prices prevailing in the catchment area.
- Financial viability of the project based on our estimates arising out of the research.

Regulatory Criteria

The regulatory environment is critical from tax as well as development point of view. The most important criteria in this regard are set forth below.

- Entertainment tax rates and exemptions available.
- Prevalent sales tax/VAT rates.
- Building and cinema bye laws relating to development and operations of a cinema.

Operations - systems and processes

We have implemented best management practices across all of our cinemas and we maintain active communication between each Multiplex cinema and corporate management.

To ensure smooth and efficient operations of our cinemas, we have a dedicated team of support staff that advises the cinema teams on various aspects, such as yield management, food and beverage, maintenance, housekeeping, security, IT and finance.

Our computerized operations and software enables us to generate reports that closely monitor admissions and food and beverage revenues as well as accounting, payroll and workforce information. This allows us to manage our cinema operations in the most effective and efficient manner. We maintain strong inventory control systems and documented systems and procedures for film scheduling, contracting, advertising and management of overall cinema operations.

Our “Behind the Screens” project that documents the systems and procedures for the construction and operation of our cinemas. These manuals are intended to act as guide for the establishment and operation of cinemas the “PVR Way”. The document essentially lays down systems and processes of each aspect of our cinema operations, including, box office management, concessions management, cash and inventory management, asset management, service standards, housekeeping, security and maintenance (preventive and corrective).

Our “Behind the Screens” document also helps us open new cinemas in a seamless and smooth manner. The training modules for this document have been developed, which helps our cinema teams to update themselves with the processes. “Champions” are identified who act as trainers for their colleagues in the cinemas, making the whole process easy and well regulated. We intend to make these manuals available to all executive employees through the intranet/internet.

We have also implemented a regular system of review/audits of our service standards, product offering and systems and processes, called "Quality Circle". This is carried out by cross functional teams visiting the cinemas, and helps the cinema teams with views and observations on each aspect of their work. The entire process is documented for observations, feedback and corrective action.

Our training programs are focused on ensuring that our cinema teams undertake regular training to enable them to maintain higher levels of efficiency and customer service.

In order to gather insight into our customers, we are working on a "Voice of the Customer" reporting system to monitor the performance of our Multiplexes with respect to levels of service, compliance with the standards of PVR Cinemas and overall cinema-going experience. We believe that we will be able to use these reports to assess the efficiency and effectiveness of each cinema management team over time.

Maintenance of our cinemas is an essential function that is carried out by a specialized team of engineers, who ensure that our cinemas are subjected to regular preventive maintenance. They also carry out corrective maintenance as and when required. For heavy equipment like air-conditioning, sound and projection systems, we seek the assistance of specialist companies.

We have a specialized team of in-house and out-sourced professionals looking after the security of our property, customers and employees at our cinemas.

Marketing

The marketing of our Multiplexes and the movies to the customer is a key focus area for us.

We undertake intensive marketing and promotional activities for our Multiplexes and we employ special marketing programs for specific films and food and beverage items. We have an in-house team that develops and implements events and promotions for our customers, focused entirely around movies or occasions. This includes movie based promotions, target customer promotions (children, youth, corporate), local area promotion of movies/marketing in the catchment areas, cross promotions with other major brand names.

To market our Multiplexes and films, we utilise print media advertisements, pamphlets for local area distribution, radio advertising, movie schedules published in newspapers, on the PVR Cinemas website (www.pvrcinemas.com) and over the mobile phones informing our patrons of film selections and show times. Newspaper advertisements are typically displayed in a single grouping for all of our cinemas located in a newspaper's circulation area.

In addition, we seek to develop patron loyalty through a number of marketing initiatives such as:

- cross-promotional ticket redemptions and promotions within local communities;
- the distribution of our promotional PVR magazine called *Movies First*, which contains Indian and Hollywood film industry related information and information on activities at *PVR* cinemas;
- specific film related events, promotions and competitions, like premiers, music releases and star visits;
- coordinating a theme in a Multiplex by using displays and dressing staff in film merchandise; and
- discounts for certain concession items and the creation of "meal deals" with goods from suppliers with whom we have a marketing alliance, such as our Pepsi and popcorn "combos".

We also have a frequent moviegoer loyalty program, the *Star Club*. The aim of the program is to build a base of loyal customers who ultimately get rewarded for their association with PVR. The customers earn points for spending money in PVR cinemas, which they can redeem for movie tickets.

We believe our customer loyalty program benefits our business by:

- increasing the volume of business from existing customers;

- providing an incentive for current customers to return to our cinemas;
- allowing us to gather information on customers and target them with specific marketing; and
- enhancing our brand equity.

Our cinema promotions are essentially targeted towards movies and many of our promotions are sponsored by corporations with whom we have long standing marketing relationships.

Programming of Movies

We have a specialized in-house team in our programming department, which focuses on obtaining movies for our cinemas and preparing movie schedules. The programming department ensures that we maintain a healthy business relationship with film distributors and film producers, to ensure that we get the movies to play in our cinemas. They also carry out the scheduling across cinemas, to ensure that we show movies at convenient times based on target customer movie watching habits. This department works closely with the operations team, which provides the programming department with information on customer feedback, choices and scheduling. The other key focus area for this department is to try to keep film acquisition costs low.

We hire our films under two different contract models:

- *Revenue Share Model:* The box office collections, net of entertainment tax, are shared between the distributor and us in a pre-agreed ratio. The risk of box office performance of the film is shared between the distributor and us.
- *Theatre Hire Model:* Of the total box office collections, net of entertainment tax, we retain a fixed amount and hand over the remainder to the distributor. The entire risk of box office performance of the film is borne be the distributor.

We hire most of our films for exhibition on the revenue share model. We undertake theatre rental hire arrangements for all Hindi films screened in PVR Priya, PVR Anupam and PVR Plaza due to the high box office collections at these cinemas.

We attempt to structure our film programming so that we are insulated from interruptions in the supply of film stock and rising hire costs of film distributors by:

- ensuring regular supply of content for all screens at all times by coordinating and staggering the releases of all major and independent distributors across our Multiplexes;
- coordinating the exhibition of films within each cinema to maximize admissions and concessions sales, for example we often screen blockbuster movies on multiple screens in the same Multiplex with short time intervals between each session so as to ensure that demand for these movies is satisfied;
- hiring and exhibiting English films when Hindi films are not as readily available; and
- maintaining strong relationships with distributors and producers.

Information Technology

We make extensive use of information technology for the management of our business. We consider information technology to be a strategic tool for us to improve our overall productivity and efficiency.

Collection Software

We use Vista software, which we licence from Vista Entertainment Solutions Limited, a New Zealand company, to manage our collections operations. The revenue streams generated by attendance, concession sales and internet transactions are fully supported by Vista software to monitor cash flow and inventory and to provide detailed reporting information. Using the Vista software, we are also able to program our movie schedules for all our cinemas from a single point. In addition, transactions and negotiations with our distributors are also monitored. This software provides us with data in user friendly formats for evaluation of performance and decision making.

The information recorded by Vista is linked to a central server that houses the database for a cinema. This database is also accessible from the corporate office for consolidation and evaluation of performance.

On-line Ticket Booking

We have a detailed and interactive web site, www.pvrcinemas.com that we use as a marketing and customer information portal. Our website currently allows customers to check film schedules and to book tickets on an off-line allocated inventory basis. Once we have implemented the linking through wide area networking, we will be able to provide our customers with the benefit of booking tickets in real-time through the internet, mobile phones and remote ticket kiosks.

Our Competition in Film Exhibition

The exhibition industry is highly competitive. Motion picture exhibitors generally compete on the basis of the following competitive factors:

- ability to secure films with favorable licensing terms;
- location and reputation of their cinemas;
- quality of projection and sound systems at their cinemas; and
- ability and willingness to promote the films they are showing.

Our competitors vary from territory to territory and range in size from small independent single screen exhibitors to large national chains. As a result, our cinemas are subject to varying degrees of competition in the territories in which they operate. Our major competitors in the Indian film exhibition industry are: Inox Leisure (Gujarat Florocarbons); Adlabs Films; Shringar Cinemas; E – City Entertainment/Fun Cinemas (Zee Group); Wave Cinemas; DT Cinemas (DLF Group). Our competitors may build new cinemas or screens in areas in which we operate, which may have an adverse effect on our business and results of operations.

We also compete with other motion picture distribution channels and these technologies such as video on demand could also have an adverse effect on our business and results of operations. In addition, we compete for the public's leisure time and disposable income with other forms of entertainment, including sporting events, concerts, live theatre and restaurants. For details of the risks arising out of competition and alternative forms of entertainment please see the section titled "Risk Factors" beginning on page xi.

For more details on competition, please see the section titled "Industry-Indian Film Exhibition Sector-Competition" beginning on page 57.

Distribution business

Our wholly owned subsidiary, PVR Pictures, is engaged in the business of distribution of English and Hindi language films in India. PVR Pictures was initially incorporated in August, 2001 with an objective to acquire and distribute independent Hollywood films that may otherwise not be distributed in the Indian market. PVR Pictures is a strategic business unit aimed at solidifying our exhibition growth and strength by widening the content available in our cinemas across India, thereby increasing the customer base whilst also satisfying some of our programming needs.

By virtue of our strong brand and our partnership with major independent Hollywood studios that are not represented in India through their own offices, such as Newline, Miramax, IEG and KMI, PVR Pictures has distributed several titles in India, including, among others, 'Chicago', 'Kill Bill 1 and 2', 'The Aviator' and 'Finding Neverland'. PVR Pictures has been appointed sub distributor of Paramount Films of India Limited in the territories of Delhi and Gurgaon. PVR Pictures is currently the largest independent Hollywood films distributor in India and aims to establish itself as the distributor of choice for independent Hollywood production houses that do not have a base in India for distributing their movies.

We currently acquire and distribute Hindi films in territories where we have an exhibition presence. Our aim is to distribute Hindi films in the same territories where our cinemas are located.

We have distribution offices in Delhi and Bangalore. We plan to set up a distribution office in Mumbai this year, and have executed a letter of intent on September 29, 2005 for taking office space in Mumbai. We have also entered strategic arrangements with agents in West Bengal, Orissa, Bihar, Tamil Nadu and Andhra Pradesh. In February 2004, PVR Pictures entered into a joint venture with Varma Corporation Limited/K Sera Sera Productions Limited to form PVR Factory Distribution Network, which operates as a PVR Pictures entity with exclusive distribution rights in films produced by Varma Corporation Limited/K Sera Sera Productions Limited in the Delhi, Uttar Pradesh and Uttranchal regions. PVR Factory Distribution Network has distributed, among others, 'Abs Tak Chhappan', 'Gayab' and 'Naach'.

In addition to theatrical rights, we also acquire TV rights and home video rights. Recently, we acquired TV and home video rights to, among others, 'Modesty Blaise', 'Chasing Amy', 'Bad Santa' and 'Serendipity'.

We acquire films under the following models:

- *Commission Model:* We retain a commission on the total amount collected from the exhibitor and remit the rest to the Producer. We may pay a recoverable advance to the producer in order to acquire the distribution rights. Such advance is usually adjusted against the remittances to be made to the producer. We do not bear any risk of the box office collections. To date, we have used this model for acquiring all Hindi films.
- *Minimum Guarantee plus Royalty Model:* We acquire the right to distribute a film in a particular territory, for a limited period, by paying a minimum guarantee to the producer. The excess of our revenues over the minimum guarantee, print and publicity costs and our commission is called "overflow", which is shared with the producer in a pre-agreed ratio. To date, we have only acquired English movies under this model.

In addition to the above, the outright sale model, whereby the distributor purchases the entire rights for the territory from the film producer, is prevalent in the Indian film industry. However, to date we have not acquired any films under this model.

We adopt a portfolio approach to acquiring movies in order to mitigate the risk of movies failing at the box office.

For information on our competition in the film distribution sector, see "Indian Film Industry-Indian Film Distribution Sector-Competition" on page58.

Our employees

As of August 31, 2005, we had over 700 employees across India, out of which approximately 60 employees were in management positions. The average staff size at each Multiplex is approximately 55 employees, or approximately 15 employees per screen to manage the operations of the entire multiplex.

We believe that a well-trained and experienced team of employees is crucial to our continued growth and success. In this regard, we are committed to recruiting the best people in the industry, providing the best training available and remunerating our staff at levels that will encourage them to perform to their best capability.

We have implemented a productivity based roistering system at our Multiplexes by which the most efficient and productive staff are offered more opportunities to demonstrate and develop their strengths and commitment to our business. In addition to their salaries, we provide our staff with instant awards and monthly incentive programs to encourage junior and middle level employees to meet all performance targets (such as concession sales generated) set by management staff. At the management level, we have instituted an ESPS, under which we have issued 80,000 Equity Shares to eligible employees. Further we have also instituted an ESOS to reward our management staff under which we have granted 170,000 stock options to Eligible Employees. For details of ESOS and ESPS, please see the section titled "Capital Structure" beginning on page 19.

We believe our focus on employee training, development and retention should help us achieve the growth that we have planned for.

Properties

As of October 31, 2005 we operated ten cinemas pursuant to various contractual agreements. For a description of each of our cinemas please see the paragraph titled "Exhibition Business-Cinemas" appearing in the section titled "Our Business" beginning on page 68.

We operate our corporate offices at Gurgaon from leased premises. The rent payable for this office space is Rs. 406,213 per month and the lease expires in June 2006. We plan to move our corporate offices to Saket, New Delhi prior to the expiration of our current lease. The lease for these new premises in Saket have been signed for a period of three years from the date of commencement of rent, which shall commence after two months from the handover of the premises to us. We have renewal options for two further terms of three years each, with escalation in rent at 15% after every three years. The rent in the first three years shall be Rs. 944,029 per month. We have on September 29, 2005 executed a letter of intent for taking office space in Mumbai. Pursuant to this letter of intent, we have also paid a security deposit to the developer. Subsequent to this letter of intent, we will also be entering into a business centre agreement which would be valid for a period of four years commencing from November 1, 2005.

Insurance

We insure our cinemas, customers, employees and other assets. The various kinds of insurance policies we take are as follows:

- Standard fire and special perils policy on all cinema assets, which covers damage due to fire, lightning, storm, cyclone, flood and inundation, earthquakes (fire and shock), explosion, riot, strike, and terrorism damage. These are individual policies on each cinema for the value of the assets installed. These policies expire between October 2005 and July 2006.
- Insurance of stocks and spares - Rs. 3.5 million floater cover policy covering all cinemas. The policy expires in July 2006.
- Insurance of cash in safe - Rs. 1.9 million floater cover policy covering all cinemas. The policy expires in April 2006.
- Insurance of cash in transit - Rs. 1.55 million floater cover policy covering all cinemas. The policy expires in February 2006.
- Fidelity guarantee insurance - Rs. 5.0 million floater cover policy covering all cinemas. The policy expires in July 2006.
- Public liability insurance - Rs. 500.0 million floater cover policy covering all cinemas. The policy expires in May 2006.
- Group personal accident insurance for all employees. The policy expires in July 2006.
- Group medical insurance for all employees. The policy expires in July 2006.
- Keyman insurance for Mr. Ajjay Bijli, our Chairman cum Managing Director. A Rs. 150 million insurance policy in case of Mr. Bijli's death. The policy expires in March 2009.

FINANCIAL INDEBTEDNESS

A breakup of salient terms of all our material loans (secured and unsecured) as on and of September 30, 2005 is as below:

Lender	Loan Documentation	Loan Amount	Amount Outstanding	Interest Rate	Repayment Schedule	Security Created
Small Industries Development Bank of India ("SIDBI") (1)	- Term Loan Agreement dated February 23, 2004. - Deed of Hypothecation dated February 23, 2004. - Deed of Guarantee dated February 23, 2004. - Trust and Retention Account Agreement dated February 23, 2004.	Rs. 100,000,000	Rs. 100,000,000 drawn. Rs. 98,650,000 outstanding.	9.25% per annum on the principal amount of the loan outstanding from time to time.	Repayable in 66 monthly installments commencing 18 months after the date of first disbursement as follows: - Rs. 1.35 million per month for the first 32 months; - Rs. 1.7 million per month from 33-65 months; and - Rs. 0.7 million for the 66th month.	*Primary Security* - First charge over the entire cash flows, from both existing and future cinemas of the Company, *pari passu* with ICICI Bank Limited, IL&FS and any other lender. - First *pari passu* charge by way of hypothecation of all the movable assets, both present and future, of the Company's cinema at PVR Metropolitan. Collateral Security - First *pari passu* charge by way of hypothecation of all the moveable assets, both present and future, of the Company's cinemas - Second charge by way of mortgage on the following immovable properties of Mr. Sanjeev Kumar at Vasant Vihar, New Delhi and Jhandewalan Extension, New Delhi. *Additional Security* - Negative lien/ mortgage on PVR brand, *pari passu* with ICICI Bank Limited and other lenders. - Negative lien on the lease hold rights of the Company at its multiplex at Gurgaon. *Guarantees* - Irrevocable and unconditional personal guarantees from Mr. Ajjay Bijli and Mr. Sanjeev Kumar.
Infrastructure Leasing and Financial Services Limited ("IL&FS") (2)	- Letter of offer dated November 5, 2003	Rs.100,000,000	Full drawn. Rs.96,428,572 outstanding	9.25% per annum (exclusive of Interest Tax) payable monthly in arrears. Interest	Repayable in 56 equal monthly instalments of Rs. 1.79	Demand Promissory Note in favour of IL&FS for Rs. 100 million.

Lender	Loan Documentation	Loan Amount	Amount Outstanding	Interest Rate	Repayment Schedule	Security Created
	- Deed of Hypothecation dated February 20, 2004 - Trust and Retention Account dated February 20, 2004 Agreement			paid as above would be reset at the end of 24th, 36th, 48th and 60th month from first disbursement at a mutually agreeable rate. In case, the rate reset is not mutually agreeable upon, the facility would have to be repaid through exercise of put/call option. Penal interest at 20% per annum for any delay in payment of principal and or interest due to IL&FS.		- *Pari passu* first charge on all present and future, movable and immovable, fixed assets of the borrower (including fixed asset of all current and future operating theatres of the Company). - *Pari Passu* first charge on all present and future current assets (including income/ receivables/ revenues) of all theatres of the Company (including all current and future operating theatres of the Company). - Personal guarantee of Mr. Ajjay Bijli and Mr. Sanjeev Kumar. - IL&FS would have a negative lien on "PVR" brand over the tenor of the facility.
United Bank of India ("UBI")(3)	- Term Loan Agreement dated November 11, 2003 - Deed of Hypothecation of Debt and Movables dated November 11, 2003 - Deed of Hypothecation of Debts etc. (Additional Security) dated November 11, 2003	Rs. 100,000,000 Fully drawn.	Fully drawn. Rs. 94,999,666 outstanding.	9% per annum quarterly compounded with monthly rests, plus applicable interest tax. The rate of interest is subject to change as per head office/ Reserve Bank of India guidelines. In the event of there not being any prime lending rate, the Company shall pay interest at the rate prescribed by the UBI from time to time. Penal interest at the rate of 2% in case of default from the date of default.	Repayment in 60 equal monthly installments of Rs. 1.67 million each commencing from July 2005, with the last installment being due on June 2010 for Rs. 1.65 million. Moratorium period for payment of installments or principal amount shall be upto June 2005.	First *pari passu* charge by way of hypothecation of the Company's moveable and immoveable assets including plant and machinery of the Company in respect of present and future cinemas under the proposed projects at Bangalore, Mumbai, Delhi and Gurgaon. Personal guarantees of Mr. Ajjay Bijli and Mr. Sanjeev Kumar.

Lender	Loan Documentation	Loan Amount	Amount Outstanding	Interest Rate	Repayment Schedule	Security Created
Yes Bank Limited ("Yes Bank")(4)	- Loan Agreement dated December 20, 2004 - Loan Agreement dated June 27, 2005	Rs. 50,000,000	Rs. 50,000,000 drawn and outstanding.	8% per annum, excluding interest tax, if any, for first drawdown and interest for subsequent drawdown shall be as mutually agreed between the Company and Yes Bank. The interest shall be calculated and payable at monthly rests. In case interest remains unpaid on the date it is due, then unpaid interest will be compounded monthly. Penal interest is charged at 2% per annum on entire loan in the event of default by the Company.	Principal amount of the loan shall, if not demanded earlier by Yes Bank, be repaid on maturity of each trenches in single one time insta-llment.	- Unsecured, subject to the general bankers' lien and right of set-off on all monies belonging to the Company standing to their credit in any account whatsoever with Yes Bank with respect to any obligation of the Company. - In the event of default or potential default, the Company shall furnish upon demand all/any security in such form and value as may be required by Yes Bank from time to time in amounts and values sufficient in the opinion of Yes Bank to secure the payment of the loan.
Kotak Mahindra Bank Limited ("Kotak")(5)	- Term Loan Agreement dated July 14, 2005 - Deed of Personal Guarantee dated July 14, 2005	Rs.100,000,000	Rs. 100,000,000 drawn and outstanding.	7.90% per annum, fixed over the tenure of the loan. Interest will be debited on a monthly basis. Penal interest shall be charged at the rate of 2% per annum, compounded monthly. Kotak shall be entitled to change/vary the interest rates on account of any change as may be directed by the Reserve Bank of India and/or any other regu-latory/statutory body from time to time.	Repayable in one bullet repayment at the end of 6 months from the date of disbursement or end of 45 days if the Company exercises its option to prepay the loan. Notwithstanding the above, the Company agrees that it shall forthwith repay the loan and all costs, charges, expenses, payable or repayable by it out of the proceeds -	- Mortgage in favour of Kotak of the property to be acquired by the Company situated at Phoenix Mill Compound, Lower Parel, Mumbai. - Personal guarantees of Mr. Ajjay Bijli and Mr. Sanjeev Kumar. - The Company or other third party security providers shall be required to provide such security as stipulated by Kotak from time to time.

Lender	Loan Documentation	Loan Amount	Amount Outstanding	Interest Rate	Repayment Schedule	Security Created
					received by the Company, prior to the expiry of the tenure of the loan, against the allotment of equity capital proposed to be issued by the Company to Sun Media Holdings Limited.	
State Bank of Patiala (6)	- Loan Agreement dated July 31, 2003 - Deed of Hypothecation dated July 31, 2003	Rs. 117,000,000	Fully drawn. Rs. 64,885,408 outstanding.	10% per annum payable at monthly rests. Penal interest rate at the rate of 1% on the entire loan outstanding if the Company commits default. Additional interest at the rate of 1% on the entire outstanding loan amount in the event the Company fails to complete the formalities for creation of security.	Equal monthly installments of Rs. 2,780,000 for 50 months from August 2003 to September 2007 and balance amount of loan would be repaid in the last two installments.	- Charge over the entire assets of the Company consisting of movable and immovable properties situated, present and future including moveable machinery, spares, tools and accessories ranking *pari passu* with the existing and future charges in favour of other lenders.
Union Bank of India (7)	- Term Loan Agreement dated September 14, 2004. - Deed of Guarantee dated July 31, 2003 - Deed of Hypothecation of Movables dated September 14, 2004. - Composite Hypothecation Agreement dated September 14, 2004. - Trust and Retention Account dated September 14, 2004. - Deed of Guarantee dated September 14, 2004.	Rs. 200,000,000	Rs. 200,000,000 drawn and outstanding.	8.5% per annum with monthly rests or such other rates as may be prescribed by the bank from time to time depending upon the changes in the bench prime lending rate of the bank or the directives of Reserve Bank of India from time to time.	Repayable in 60 monthly installments of Rs. 3.34 million each, with the last installment being of Rs. 3.24 million, commencing from December 2005 onwards. If default is made in payment of any installment on the due date, then the entire amount out standing	- First *pari passu* charge by way of hypothecation of the Company's entire movable assets, including plant and machinery of the Company in respect of those present and future cinemas under the proposed project at Bangalore, Mumbai, Delhi and Goregaon, etc. - *Pari passu* charge on the cash flows of all such present and future cinemas. - Personal guarantees of Mr. Ajjay Bijli and Mr. Sanjeev Kumar.

Lender	Loan Documentation	Loan Amount	Amount Outstanding	Interest Rate	Repayment Schedule	Security Created
				Penal interest may be payable in the event of default on such rate as the bank, in its discretion may determine on the amount then outstanding.	and owing to the bank shall at once become due and payable, and on demand being made by the bank, the Company shall repay all outstanding amounts.	
ICICI Bank (8)	- Debenture Facility Agreement dated March 27, 2003 - Deed of Hypothecation of Current Assets dated March 27, 2003 - Deed of Hypothecation of Movables dated March 27, 2003 - Indenture of Mortgage dated July 17, 2003 - Memorandum of Hypothecation dated May 27, 2005 It may be noted that this facility has been canceled by the terms of the letter dated July 8, 2005, issued by ICICI.	The debenture facility was originally for Rs. 250,000,000, Rs. 200,000,000 of which has been cancelled and replaced by a term loan of an equivalent amount. For further details of the same, refer to the ICICI Bank loan for Rs.200,000,000 profiled hereinbelow.	Rs. 50,000,000 drawn. Rs. 30,208,327 outstanding.	3.33% per annum payable on the principal amount of the debentures outstanding on a monthly basis. The rate of interest for each tranche of subscription to the debentures shall be calculated based on the cost of funds on that particular day. ICICI may, at its sole discretion, charge interest on the debentures at the weighted average rate of interest on the subscription made out of the debentures.	PVR to redeem the debentures in 48 monthly installments commencing 12 months from the date of subscription of each tranche. The repayment schedule shall be fixed at the time of subscription of each tranche and the monthly date for redemption shall be fixed as the 15th of every month.	- *Pari passu* first charge on the moveable and current assets at PVR Metropolitan, PVR Juhu, PVR Bangalore and PVR Santacruz. - Mortgage of existing personal properties of Mr. Sanjeev Kumar at Vasant Vihar and Jhandelwala. - Mortgage of the personal properties of the promoters at Sonepat, Mumbai and Haryana. - Pledge of the "PVR" brand/patent/trademark. - Mortgage/charge/ security in favour of the Trustees. - Unconditional and irrevocable joint and several personal guarantees from Mr. Sanjeev Kumar and Mr. Ajjay Bijli. - Charge created in favour of the debenture trustee, UTI Bank Limited on (i) land at village Irana, district Mehsana, Gujarat; (ii) plant and machinery, both movable and immovable situated at PVR Metropolitan, PVR Juhu, PVR Bangalore and PVR Santacruz; (iii) tangible moveable assets situated at PVR Metropolitan, PVR Juhu, PVR Bangalore and PVR Santacruz, other than current assets; and (iv) rights, title, interest, benefits, claims and demands in respect of intellectual property rights, goodwill and all such assets acquired by the Company subsequently.

Lender	Loan Documentation	Loan Amount	Amount Outstanding	Interest Rate	Repayment Schedule	Security Created
ICICI Bank (9)	Credit arrangement letter dated August 5, 2005	Rs. 34.9 million	Nil	I-BAR plus CC premium of 0.50% - 3% subject to a minimum of 8.5% per annum.	As per the terms of the credit arrangement letter.	- *Pari passu* charge on credit card receivables of the Company.
ICICI Bank (10)	Credit arrangement letter dated July 8, 2005 Sanction letter dated November 11, 2005 Letter dated November 14, 2005	Rs. 200,000,000	Nil	The first coupon rate of interest for each tranche of the facility will be stipulated by ICICI at the time of disbursement of each tranche, which shall be 1.50% per annum below the sum of I-BAR and the term premium prevailing on that date, plus applicable interest tax or other statutory levy, if any. Such interest rate shall be reset at the end of every six months from the date of disbursement of the first tranche.	Repayment shall be in 48 equal monthly installments commencing 12 months from the date of disbursement of each tranche.	- First charge on all the Company's moveable assets, save and except the assets at Juhu multiplex, both present and future, on *pari passu* basis with term lenders. - Mortgage of the personal properties of the promoters of the Company at Vasant Vihar and Kundli valued at Rs. 100 million. - Pledge of the PVR brand/patent/trademark. - Personal guarantee of Mr. Ajjay Bijli and Mr. Sanjeev Kumar. - Lien on funds/sale proceeds flowing into the Company's current accounts with Standard Chartered Bank or any other bank.
Yes Bank (11)	Sanction letter dated October 17, 2005	Rs.250,000,000	Nil	Yes Bank Prime Lending Rate minus 2.25%, prevalent from time to time. The current Yes Bank Prime Lending Rate being 11.75%, the effective rate is 9.50%. The interest rates are subject to internal reviews and subject to changes of externally prevailing directives by regulatory authorities.	Amount shall be repaid in full as indicated below, on the last business day of the term for which such amount was drawn down: Principal shall be repaid by way of bullet repayment at the end of the tenor, i.e., at the end of 24 months.	- First *pari passu* charge on the moveable and immoveable fixed assets of the Company. First *pari passu* charge on all the current assets of the Company.

Lender	Loan Documentation	Loan Amount	Amount Outstanding	Interest Rate	Repayment Schedule	Security Created
				Interest shall be due and payable on the last busi-ness day of every calendar month or at such intervals as Yes Bank may stipulate.		
Yes Bank (12) This medium term loan has a tenure of 60 months and is intended to replace the short term Yes Bank loan profiled hereinabove.	Sanction letter dated November 11, 2005	Rs. 250,000,000	Nil	Yes Bank Prime Lending Rate minus 3%, prevalent from time to time. The current Yes Bank Prime Lending Rate being 11.75%, the effective rate is 8.75%. The interest rates are subject to internal reviews and subject to changes of exter-nally prevailing directives by re-gulatory autho-rities.	Amount shall be repaid in full as indicated below, on the last business day of the term for which such amount was drawn down: Principal shall be repaid in equal quarterly installments after a mora-torium of one year from the date of first draw down. Interest shall be due and payable on the last business day of every calendar month or at such intervals as Yes Bank may stipulate, whichever is earlier.	- First *pari passu* charge on the moveable and immoveable fixed assets (except PVR Juhu and PVR Phoenix) of the Company. First *pari passu* charge on all the current assets of the Company.

Material Covenants

(1) The material restrictive covenants in respect of the loan are as follows:

- SIDBI shall be entitled to appoint and withdraw a director on the board of directors from time to time during the currency of the loan.
- The Company must submit an undertaking from the promoters/entities holding at least 51% of the total equity capital of the Company regarding non disposal of their shareholding during the currency of the loan.
- The Company must undertake that in case of default of the Company, the builder of PVR Metropolitan, Gurgaon would allow SIDBI to enter the leased premises, take out, sell, dispose off the assets hypothecated to SIDBI.
- No dividend payment shall be considered by the Company to the equity holders in case there are any over dues to SIDBI or other lenders. Further, dividend payments at a rate higher than 10% shall require prior written approval of SIDBI.
- The Company shall obtain prior permission of SIDBI for undertaking any new projects in future.

(2) The material restrictive covenants in respect of the loan are as follows:

- Any alteration of the equity capital structure of the Company, by way of either equity inflows or change in the shareholding pattern (barring ESOPs) would require prior written concurrence of IL&FS.
- Any additional debt assumed by the Company would be with the prior written concurrence of IL&FS, which shall not be unduly withheld.
- The Company would take the prior written approval of IL&FS before creating any further charge on any of its fixed or current assets (present or future).
- Dividend payouts by the Company shall be permitted subject to there being no dues outstanding against the facility.
- The Company may not enter into any unrelated business diversifications without the prior written concurrence of IL&FS.
- Income/ revenues/ receivables of all present and future operating theatres of the Company would be escrowed into a designated Trust and Retention Account on which IL&FS would have a lien. The income/ revenues/ receivables from such theatres should be sufficient to provide a cover of at least two times on monthly payments due against the facility.

(3) The material restrictive covenants in respect of the loan are as follows:

- The Company shall not create lien, mortgage, charge, or encumbrance of any kind whatsoever on the property charged in favour of UBI without the consent of UBI in writing.
- Without the prior permission of UBI in writing, the Company shall not affect any change in the Company's structure by way of merger/acquisition/demerger.
- Without the prior permission of UBI in writing, the Company shall not affect any change in the control of the Company.
- Without the prior permission of UBI in writing, the Company shall not give guarantee on behalf of any third party.
- Without the prior permission of UBI in writing, the Company shall not declare dividend other than out of current year's profit after meeting all payment obligations and provisions.
- Without the prior permission of UBI in writing, the Company shall not take up any large scale expansion/modernization/ new project.

- The sanction letter dated September 8, 2003 provides that without the prior written consent of UBI in writing, the Company will not:

  1. formulate any scheme of reconstruction;
  2. implement any scheme of diversification or renovation or acquire any fixed assets other those disclosed unless the expenditure on such diversification etc. is covered by the Company's net cash accruals after providing for dividends, investments etc. or from long term funds received for financing such new projects or expansion;
  3. enter into any borrowing arrangement, either secured or unsecured with any other bank, financial institutions, company or otherwise save and except the working capital facilities granted by consortium member banks under consortium arrangements with UBI and the term loans proposed to be obtained from financial institutions/ banks in respect of the proposed setting up of the multiplexes/cinemas;
  4. make any drastic change in the Company's management set up;
  5. sell, assign, mortgage or otherwise dispose off any of the fixed assets charged to UBI.

(4) The material restrictive covenants in respect of the loan are as follows:

- The Company will not enter into any scheme of merger, amalgamation, compromise or reconstruction without the prior written consent of Yes Bank.
- The Company will not effect any material change in the management of the business of the Company, without the prior written consent of Yes Bank.
- The Company will not make any amendments in its memorandum and articles of association without the prior written consent of Yes Bank.
- The Company will not assume guarantee, endorse or in any manner become directly or contingently liable for or in connection with the obligation of any person, firm or corporation except for transactions in the ordinary course of business.
- The Company will not declare dividend if any installment towards principal or interest remains unpaid on its due date.
- The facility letter dated October 18, 2004 further provides that so long as the facility amount remains outstanding and until the full and final payment of all money owing hereunder, the Company will not:

  1. change its existing business, terminate or wind up, merge or proceed with any voluntary winding up;
  2. sell, transfer or dispose of any of its assets or properties other than in the ordinary course of business;
  3. create or allow to be created, any security or privilege or right or preference for the benefit of any third party over any or all of its assets, any retention of title clause, opinion, or any third party right, beyond that authorized;
  4. grant any security, or guarantee the obligations of any third party (other than its subsidiaries) other than in the ordinary course of its business;
  5. grant any loan, advance or financing to any party other than in the ordinary course of its business;
  6. pay any dividends, during an event of default, without the written consent of Yes Bank.

- The facility letter dated October 18, 2004 also provides that the Company shall notify the lender of:

  1. any material change in the ownership of its share capital or any proposed change in the management or control of the Company;

2. any changes in the board of directors of the Company;

3. any claims on account of invocation of liquidated damages and/or performance guarantees with regard to any project, material litigation, arbitration or other proceedings which affect the Company forthwith upon such proceedings being instituted or threatened.

(5) The material restrictive covenants in respect of the loan are as follows:

- The Company shall not guarantee or pay or provide any collateral for obligations of others unless specifically permitted by Kotak.
- So long as the Company is indebted to Kotak under this facility, it shall not, without the previous written consent of Kotak borrow any moneys from any other bank or from any other source whatsoever apart from temporary loans obtained in the ordinary course of business and shall so be conveyed to by the Company to Kotak.
- Without the prior written consent of Kotak, the Company shall not enter into or be a party to, any transaction with any affiliate of the Company, except in the ordinary course of and pursuant to the reasonable requirements of the Company's business and upon fair and reasonable terms, which are disclosed to Kotak in advance.
- The Company shall not change its shareholding pattern (including by issue of new shares and transfer of shares) or change its management without Kotak's prior consent.
- The Company shall not change its name or trade name without Kotak's prior written consent.
- No change whatsoever in the constitution of the Company, whether with or without Kotak's consent shall impair or discharge the liability of Kotak to the Company.
- The Company shall not dispose of its assets or compromise with any of its creditors without the prior written consent of Kotak.
- The Company shall conduct its business operations in compliance with all applicable laws and shall pay all taxes, statutory/regulatory/otherwise, other obligations, when due.
- The Company shall notify Kotak immediately of any lawsuits, governmental proceedings or claims, which individually or in the aggregate, involve an amount exceeding 10% of the Company's net worth or which may impair the Company's ability to perform this loan agreement if the relief requested were refused.

(6) The material restrictive covenants in respect of the loan are as follows:

- The Company shall not alter or permit any alterations in its corporate structure or registration.

(7) The material restrictive covenants in respect of the loan are as follows:

- The sanction letter dated July 29, 2004 provides that the Company may declare dividends only out of current year's profits after making adequate provisions for all expenses/liabilities, including repayment of Union Bank of India's dues and servicing of interest.

(8) The material restrictive covenants in respect of the loan are as follows:

- The Company shall not declare or pay any dividend or authorize or make any distribution, payment, delivery of property or cash to its shareholders during any financial year in excess of 20%.
- Otherwise than as provided in the agreement with ICICI, its obligations under this guarantee facility agreement will rank above and prior to all its other present and future obligations.
- In the event that statutory auditors of the Company cease acting as such, the Company shall promptly inform ICICI, and shall appoint another firm of independent chartered accounts, approved by ICICI.

- The Company shall not, without the prior approval of ICICI, undertake any new project or diversification, modernization, or substantial expansion of the projects.
- The Company shall not, without the prior approval of ICICI, engage in any business or activities other than those in which the Company is currently engaged in, either alone or in partnership or joint venture with any other person, not acquire any ownership interest in any other entity or person or enter into any profit sharing or royalty arrangement or other similar arrangement whereby the Company's income or profits are, or might be, shared with any other entity or person, or enter into any management contract or similar arrangement whereby its business or operations are managed by any other person.
- The Company shall not, without the prior approval of ICICI, contract, create, incur, assume or suffer to exist any indebtedness in any manner whatsoever except as otherwise permitted.
- The Company shall not, without the prior approval of ICICI, pay any commission to its promoters, directors, managers or other persons for furnishing guarantees, counter guarantees, or indemnities or for undertaking any other liability in connection with any indebtedness incurred by the Company, or in connection with any other obligation undertaken for or by the Company.
- The Company shall not, without the prior approval of ICICI, create any subsidiary or permit any company to become its subsidiary.
- The Company shall not, without the prior approval of ICICI, undertake or permit any merger, demerger, consolidation, reorganization, scheme or arrangement or compromise with its creditors or shareholders or effect any scheme of amalgamation or reconstruction.
- The Company shall not, without the prior approval of ICICI, make any investments in any concern or provide any credit or give any guarantee, indemnity or similar assurance, except as otherwise permitted, such as for loans or advances in the ordinary course of business.
- The Company shall not, without the prior approval of ICICI, create or permit to subsist any encumbrance, except for securing borrowings for working capital requirements in the ordinary course of business, or any type of preferential arrangement in any form whatsoever on any of its assets, or sell, transfer, grant lease or otherwise dispose of or deal with all or any of its assets.
- The Company shall not, without the prior approval of ICICI, carry out or permit any material amendment, termination or cancellation of any project document, or agreements, documents or arrangements entered into with or executed in favour of any other lenders or providers of funds.
- The Company shall not, without the prior approval of ICICI, declare any dividend or authorize or make any distribution to its shareholders, (a) unless it has paid all dues in respect of the facility upto the date on which the dividend is proposed to be declared or paid or has made satisfactory provisions therefor, or (b) if an event of default has occurred and is subsisting or would occur as a result of such declaration or payment of dividend or authorization or making of distribution, or (c) in excess of the percentages specified.
- The Company shall not, without the prior approval of ICICI, buy back, cancel, retire, reduce, redeem, repurchase, purchase or otherwise acquire any of its share capital now or hereafter outstanding or set aside any funds for such purposes, or issue any further share capital, whether on a preferential basis or otherwise, or change its capital structure in any manner whatsoever.
- The Company shall not, without the prior approval of ICICI, amend or modify its memorandum or articles of association.
- The Company shall not, without the prior approval of ICICI, appoint, reappoint, remove any persons who exercise substantial powers of management of the affairs of the Company.
- ICICI shall have the right to appoint and remove from time to time nominee directors on the board of directors of the Company.

(9) The material restrictive covenants in respect of the facility are as follows:

- The Company shall not declare or pay any dividend or authorize or make any distribution, payment, delivery of property or cash to its shareholders during any financial year in excess of 20% nor declare any dividend in case it fails to meet its obligations to pay interest and/or installment to ICICI or the debenture holders, so long as it is in such default.
- The Company shall not undertake any new project or expansion or make any investment or take assets on lease without prior approval of ICICI.
- Otherwise than as provided in the agreement with ICICI, its obligations under this guarantee facility agreement will rank above and prior to all its other present and future obligations.
- In the event that statutory auditors of the Company cease acting as such, the Company shall promptly inform ICICI, and shall appoint another firm of independent chartered accounts, approved by ICICI.
- The Company shall not, without the prior approval of ICICI, undertake any new project or diversification, modernization, or substantial expansion of the projects.
- The Company shall not, without the prior approval of ICICI, engage in any business or activities other than those in which the Company is currently engaged in, either alone or in partnership or joint venture with any other person, not acquire any ownership interest in any other entity or person or enter into any profit sharing or royalty arrangement or other similar arrangement whereby the Company's income or profits are, or might be, shared with any other entity or person, or enter into any management contract or similar arrangement whereby its business or operations are managed by any other person.
- The Company shall not, without the prior approval of ICICI, contract, create, incur, assume or suffer to exist any indebtedness in any manner whatsoever except as otherwise permitted.
- The Company shall not, without the prior approval of ICICI, pay any commission to its promoters, directors, managers or other persons for furnishing guarantees, counter guarantees, or indemnities or for undertaking any other liability in connection with any indebtedness incurred by the Company, or in connection with any other obligation undertaken for or by the Company.
- The Company shall not, without the prior approval of ICICI, create any subsidiary or permit any company to become its subsidiary.
- The Company shall not, without the prior approval of ICICI, undertake or permit any merger, demerger, consolidation, reorganization, scheme or arrangement or compromise with its creditors or shareholders or effect any scheme of amalgamation or reconstruction.
- The Company shall not, without the prior approval of ICICI, make any investments in any concern or provide any credit or give any guarantee, indemnity or similar assurance, except as otherwise permitted, such as for loans or advances in the ordinary course of business.
- The Company shall not, without the prior approval of ICICI, create or permit to subsist any encumbrance, except for securing borrowings for working capital requirements in the ordinary course of business, or any type of preferential arrangement in any form whatsoever on any of its assets, or sell, transfer, grant lease or otherwise dispose of or deal with all or any of its assets.
- The Company shall not, without the prior approval of ICICI, carry out or permit any material amendment, termination or cancellation of any project document, or agreements, documents or arrangements entered into with or executed in favour of any other lenders or providers of funds.
- The Company shall not, without the prior approval of ICICI, declare any dividend or authorize or make any distribution to its shareholders, (a) unless it has paid all dues in respect of the facility upto the date on which the dividend is

proposed to be declared or paid or has made satisfactory provisions therefor, or (b) if an event of default has occurred and is subsisting or would occur as a result of such declaration or payment of dividend or authorization or making of distribution, or (c) in excess of the percentages specified.

- The Company shall not, without the prior approval of ICICI, buy back, cancel, retire, reduce, redeem, repurchase, purchase or otherwise acquire any of its share capital now or hereafter outstanding or set aside any funds for such purposes, or issue any further share capital, whether on a preferential basis or otherwise, or change its capital structure in any manner whatsoever.
- The Company shall not, without the prior approval of ICICI, amend or modify its memorandum or articles of association.
- The Company shall not, without the prior approval of ICICI, appoint, reappoint, remove any persons who exercise substantial powers of management of the affairs of the Company.
- ICICI shall have the right to appoint and remove from time to time nominee directors on the board of directors of the Company.

(10) The material restrictive covenants in respect of the loan are as follows:

- ICICI shall have the right to conduct a review of the project financed, and if ICICI determines that the Company has not implemented/nor is likely to implement the project within the project cost and/or in accordance with the financing plan, and/or the Company has not commenced/nor is likely to commence commercial production by the date envisaged, ICICI shall have the right to revise the repayment schedule and stipulate additional conditions.
- The Company shall not undertake any new project or expansion or make any investment or take assets on lease without the prior written approval of ICICI during the currency of the assistance from ICICI.
- During the currency of the loan, the Company shall not, without obtaining the prior written consent of ICICI, declare any dividend on its share capital, nor declare dividend on its equity share capital in case it fails to meet its obligations to pay interest and/or installment and/or other monies payable to ICICI, so long as it is in such default.
- In the event of default in repayment of principal or interest, ICICI shall have the option to convert the entire loan into fully paid equity shares of the Company at par.
- In the event of default by the Company, ICICI shall be entitled to appoint a nominee director on the Board of Directors.

(11) The material restrictive covenants in respect of the loan are as follows:

- The Company undertakes that if it is unable to raise equity within a period of 180 days, then it will ensure Yes Bank's exit by refinance through existing/future sanctions of term loans from its bankers.
- So long as the facility, or any sum thereunder is outstanding, the Company shall furnish to Yes Bank an insurance policy, duly endorsed in favour of Yes Bank covering the value of assets (110%) hypothecated/mortgaged to Yes Bank.
- So long as the facility, or any sum thereunder is outstanding, the Company shall not create or allow to exist any encumbrance or security over its assets, without the prior written consent of Yes Bank, or unless the same encumbrance/ security is extended to Yes Bank on a *pari passu* basis.
- The Company shall not undertake or permit any reorganization, amalgamation, reconstruction, takeover or any other scheme or compromise or arrangement, nor amend any provision of its major constitutive documents, in such a manner as will adversely affect Yes Bank's rights under the facility agreement, so long as the facility, or any sum thereunder is outstanding.
- Yes Bank will have a put option on the facility at the end of the 6^{th}/12^{th}/18^{th} month from the date of first disbursement.

(12) The material restrictive covenants in respect of the loan are as follows:

- So long as the facility, or any sum thereunder is outstanding, the Company shall furnish to Yes Bank such information about the Company's business, assets and financial condition as may be reasonable required for any purpose in connection with the facilities.
- So long as the facility, or any sum thereunder is outstanding, the Company shall furnish to Yes Bank an insurance policy, duly endorsed in favour of Yes Bank covering the value of assets (110%) hypothecated/mortgaged to Yes Bank.
- So long as the facility, or any sum thereunder is outstanding, the Company shall not create or allow to exist any encumbrance or security over its assets, without the prior written consent of Yes Bank, or unless the same encumbrance/ security is extended to Yes Bank on a *pari passu* basis.
- The Company shall not undertake or permit any reorganization, amalgamation, reconstruction, takeover or any other scheme or compromise or arrangement, nor amend any provision of its major constitutive documents, in such a manner as will adversely affect Yes Bank's rights under the facility agreement, so long as the facility, or any sum thereunder is outstanding.
- So long as the facility, or any sum thereunder is outstanding, the Company shall maintain and monitor the following financial covenant on a semi annual basis: DSCR > 1.50x.

REGULATIONS AND POLICIES

The Government of India has over the years formulated various regulations and policies for the regulation of our industry in India.

The principal regulations made by the Parliament of India, which govern the regulation of our industry in India, may be categorized as follows:

(i) The Cinematograph Act, 1952 and the Cinematograph (Certification) Rules, 1983;

(ii) The Cinematograph Film Rules, 1948

In addition there are state specific regulations governing licensing requirements in respect of construction of a cinema or using premises for cinematograph exhibitions. Further, various states have enacted laws for imposition of taxes on patrons of cinemas, which are collected by establishments providing the entertainment by way of inclusion in the ticket price. In certain states, subject to compliance with prescribed conditions, exemptions from payment of such entertainment taxes may be granted. The extent of these benefits also vary from state to state.

The Cinematograph Act, 1952 and the Cinematograph (Certification) Rules, 1983

The Cinematograph Act, 1952 (the "Cinematograph Act") authorizes the Central Government to constitute a Board of Film Certification (the "Film Board") in accordance with the Cinematograph (Certification) Rules, 1983 (the "Certification Rules") for the purpose of sanctioning films for public exhibition in India.

Under the Certification Rules, applications for certification of a film must be made by the producer of the film in the specified format, and must be accompanied by the prescribed fee. The film in question is examined by an examining committee, which makes a determination in terms of the following:

- that the film is suitable for unrestricted public exhibition; or
- that the film is suitable for unrestricted public exhibition but with an endorsement of caution that the question as to whether any child below the age of 12 years may be allowed to see the film should be considered by the parents or guardian of such child; or
- that the film is suitable for public exhibition restricted to adults; or
- that the film is suitable for public exhibition restricted to members of any profession or any class of persons having regard to the nature, content and theme of the film; or
- that the film is suitable for certification in terms of the above if a specified portion or portions be excised or modified therefrom; or
- that the film is not suitable for unrestricted or restricted public exhibitions, i.e., that the film be refused a certificate.

On the basis of such determination, the Film Board issues an appropriate certificate in conformity with the recommendation of the examining committee and the exhibitor has to ensure that he shall not allow any person to exhibit any such film in contravention of any of the restrictions specified by the certifying authority. A certificate granted or an order refusing to grant a certificate in respect of any film is published in the Official Gazette of India. Such certificate is valid for a period of 10 years from the date on which it is granted. It may be noted that films that have been certified for public exhibition may be reexamined by the Film Board if any complaint is received in respect of the same. Pursuant to grant of a certificate, advertisement of films must indicate that the film has been certified for public exhibition.

If films are exhibited contrary to restrictions specified by the certifying authority, the exhibitor may be liable for punishment with imprisonment and/or may be required to pay a fine.

The Cinematograph Act provides that a film will not be certified for public exhibition if, in the opinion of the certifying authority, the film or any part of it is against the interests of the sovereignty and integrity of India, the security of the state, friendly relations with foreign states, public order, decency or morality, or involves defamation or contempt of court or is likely to incite the commission of any offence.

The certification procedure ordinarily proceeds along the following timelines:

- Applications for certification of a film are scrutinized by the Film Board within seven days from the receipt thereof.
- On receiving intimation from the applicant that a clear runnable print of the film is available for examination, the film is referred for examination to an examining committee within 15 days.
- A provisional report may be submitted by the examining committee within three days after the examination where it is of the opinion that a scrutiny of the shooting script is necessary or authenticity of the incidents depicted in the film need verification.
- Written communication based on the provisional report is sent to the applicant who must submit the script or the authentic sources within ten days from the date of receipt of such communication.
- On the recommendation of the examining committee, expert opinions on subjects depicted in the film may be sought before the final report is submitted.
- The final report of the examining committee shall be forwarded to the chairman of the committee within ten days from the date of receipt of the script or the authentic sources, as the case may be.
- On receipt of the orders of the Film Board on the recommendations of the examining committee, communication to the applicant shall be issued within three days, and the applicant shall submit his reply within 14 days of the receipt of the communication.
- In cases where the film is not referred to a revising committee for revision of the decision arrived at by the examining committee, a certificate shall be issued or decision communicated within seven days.
- The applicant shall surrender the cuts, if any, and the affected reels together with full particulars thereof, within 14 days from the date of receipt of the final orders of the Film Board. The cuts and the affected reels shall be examined within 10 days of the submission of the same, and a certificate issued within five days.

Persons applying for certification of films, if aggrieved by any order of the Film Board either refusing to grant a certificate or granting a certificate that restricts exhibition to certain persons only, may appeal against the same to an Appellate Tribunal constituted by the central government.

In terms of the Cinematograph Act, an establishment that exhibits films would have to obtain a license for such exhibition to confirm that the establishment has complied with the provisions of the Cinematograph Act and that the safety standards of the establishment are adequate. Persons aggrieved by the decision of a licensing authority refusing to grant a licence for exhibition of films may appeal to the state government or to such officer as the state government may specify. The Central Government may issue directions to licensees of cinemas generally or to any licensee in particular for the purpose of regulating the exhibition of films, so that scientific films, films intended for educational purposes, films dealing with news and current events, documentary films or indigenous films secure an adequate opportunity of being exhibited.

The Cinematograph Act provides that the central government, acting through local authorities may order suspension of exhibition of a film, if it is of opinion that any film which is being publicly exhibited is likely to cause a breach of peace.

Failure to comply with the provisions of the Cinematograph Act may attract penalties in the form of imprisonment and/or monetary fines.

The Cinematograph Film Rules, 1948

In terms of the Cinematograph Film Rules, 1948 (the "Cinematograph Rules"), a license must be obtained prior to storing of any film unless specifically exempted. Such licences for storage of films are granted for a period of one year and must be renewed annually. No licence is required for the storage of film of a quantity less than 200 lbs. in any place licensed for cinematograph exhibitions under the Cinematograph Act. Any person transporting, storing or handling films would have to ensure compliance with the provisions of the Cinematograph Rules pertaining to precautions against fire, restriction of access to films by unauthorized personnel, supervision of operations, minimum space between workers, storage of any loose films, minimum specifications for aisle space and exits in storage rooms, electrical installations in the storage rooms etc. The Cinematograph Rules also specify the form and the procedure for applying for licenses, renewal of licenses, transfer of licenses, procedure for transport of film, refusal of licenses and cancellation of licenses.

State specific Cinema Regulations

Currently we operate cinemas in Delhi, Karnataka, Haryana and Uttar Pradesh. We will shortly be commencing operations in Maharashtra and Andhra Pradesh. Further, in the event that we commence operations in other states, the regulations pertaining to cinemas in that state shall be applicable to us to the extent as applicable.

The Punjab Cinemas (Regulation) Act, 1952, as applicable to Delhi and the Delhi Cinematograph Rules, 2002

The Delhi Cinematograph Rules, 2002 (the "Delhi Rules") provide that persons intending to erect cinemas or converting existing buildings into cinemas must first obtain a provisional clearance certificate from the licensing authority, and then a permanent licence for a period of ten years, on compliance with the various building specifications specified in the rules.

It may also be noted that licences cannot ordinarily be obtained for cinemas located within specified distances from places of public worship, recognized educational institutions, public hospitals of a certain size, or in thickly populated residential areas.

Further, alterations and repairs to licensed premised may only be carried out with the sanction of the licensing authority. The Delhi Rules also lay down provisions for sale of tickets, assignment or transfer of the licensed premises, advertisements on the premises etc. In addition, cinemas in Delhi are subject to quarterly and annual inspections by authorities from the building department of the municipal corporation, the Delhi Fire Service, the Electrical Inspector and the Deputy Commissioner of Police (Licensing) in order to ensure compliance with the provisions of the Delhi Rules.

Cinemas in Delhi are also governed by the provisions of the Punjab Cinemas (Regulation) Act, 1952, as amended, which are equally applicable to Delhi and the state of Haryana. Under the provisions of this Act, the licensee must comply with the seating classification and admission rates, as approved by the licensing authority, and such rates may be increased only with the prior sanction of the licensing authority. For details of the provisions of this Act, please see the section titled "Regulations and Policies – The Punjab Cinemas (Regulation) Act, 1952 and the Punjab Cinemas (Regulation) Rules, 1952, as applicable to the state of Haryana" beginning on page 97.

The Punjab Cinemas (Regulation) Act, 1952 and the Punjab Cinemas (Regulation) Rules, 1952, as applicable to the state of Haryana

The Punjab Cinemas (Regulation) Act, 1952, as applicable to the state of Haryana (the "Haryana Act") specifies that cinematograph exhibitions may only be given in places licensed under the Haryana Act. Licenses shall only be granted if the applicant has complied with provisions of the Haryana Act, and the licensing authority is satisfied that adequate safety measures have been provided for in the cinema. Licences granted may be cancelled if a licensee fails, without sufficient cause, to give cinematographic exhibitions for a period of 15 days in a month.

Under the Punjab Cinemas (Regulation) Rules, 1952, as applicable to the state of Haryana (the "Haryana Rules"), before granting a licence, the licensing authority shall cause an inspection of the premises to ensure that the structural features of the building are in compliance with prescribed conditions, and to ensure that electrical equipment used is satisfactory.

The Haryana Act provides that the licensee must adhere to the classification of seats and the rates for admission to the cinema, as approved by the licensing authority. Any proposed increase in the rates must be sanctioned by the licensing authority. The state government may, however, alter the rates for admission.

The Haryana Act empowers the state government to suspend exhibition of films in an area if it is of the opinion that the same may cause a breach of peace in that area.

Penalties, including imprisonment and fine, may be imposed for contravention of the provisions of the Haryana Act. Further, breach of the provisions of the Act, as also the conditions specified in the licence may be a cause for termination of the licence.

The Karnataka Cinemas (Regulation) Act, 1964 and the Karnataka Cinemas (Regulation) Rules, 1971

The Karnataka Cinemas (Regulation) Act, 1964 ("Karnataka Act") provides that cinematograph exhibitions can only be given in places licensed under the Karnataka Act. In granting a licence, the licensing authority may have regard to various factors, including, the interest of the public, suitability of the place, adequacy of existing places in the locality, benefit to any particular locality by the opening of a new place for cinematographic exhibition. A licence may only be granted if the provisions of the Karnataka Act have been complied with and adequate provisions have been made for the safety, convenience and comfort of the persons attending the cinema exhibition.

The Karnataka Act empowers the licensing authority to limit the number of places in any area in respect of which licenses may be granted. The Karnataka Cinemas (Regulation) Rules, 1971 (the "Karnataka Rules") also specify restrictions on construction of cinemas in locations based on population considerations, and distances between cinemas.

Under the Karnataka Rules applications for construction of permanent cinema buildings must be accompanied among other things by site plans, etc. On receipt of such application, the licensing authority shall invite objections to such construction from the people in the area where the cinema is proposed to be constructed. Views of the town planning authorities, health authorities, police authorities and other concerned local authorities shall also be elicited concerning the suitability of the proposed site for location of a cinema. Further, prior to grant of a 'No-objection Certificate', and subsequently, the licence, the licensing authority must be satisfied that the proposed construction meets various conditions, as specified in the Karnataka Rules, relating, among other things to seating, location, electrical specifications, building specifications etc.

Under the Karnataka Rules, once building plans are approved by the licensing authority, and certifications obtained from engineers and electrical inspectors, a licence to operate a cinema is issued. Additions or alterations to the cinema must also be approved by the licensing authority.

Under the provisions of the Karnataka Act, the state government may suspend the exhibition of films in order to prevent breach of peace. Further, contravention of the provisions of the Karnataka Act may be punishable with imposition of fines.

The Uttar Pradesh Cinemas (Regulation) Act, 1955 and the Uttar Pradesh Cinematograph Rules, 1951

The Uttar Pradesh Cinemas (Regulation) Act, 1955 (the "UP Act") provides that cinematograph exhibitions may only be made in places licensed under the UP Act. Licenses shall only be granted if the provisions of the UP Act and the rules thereunder have been complied with, the proposed cinema is suitably located and adequate measures have been taken for the safety of persons attending exhibitions therein.

The Uttar Pradesh Cinematograph Rules, 1951 (the "UP Rules") provide that persons intending to construct cinemas must apply to the licensing authority for grant of a licence. Prior to grant of the licence, the premises and the building must be inspected by the electrical inspector and the medical officer. Further, the cinema constructed must comply with the specifications prescribed under the UP Rules.

The UP Act provides that licences may be revoked or cancelled in public interest, or on other grounds such as non-compliance with the terms and conditions of the licence or the UP Act. Further, contravention of the provisions of the UP Act may be punishable with imprisonment and/or fine.

The Bombay Cinemas (Regulation) Act, 1953 and the Maharashtra Cinemas (Regulation) Rules, 1966

The Bombay Cinemas (Regulation) Act, 1953 (the "Maharashtra Act") and the Maharashtra Cinemas (Regulation) Rules, 1966 (the "Maharashtra Rules") are applicable to all cinemas, drive in cinemas and video cinemas operating in Maharashtra.

Under the Maharashtra Act, any establishment seeking to construct a cinema or convert existing premises into a cinema must obtain a 'No Objection Certificate' from the licensing authority constituted under the Maharashtra Act. Prior to commencement of operations of a cinema, the operating entity would have to meet minimum structural requirements in order to obtain a license from the licensing authority. Further, the Maharashtra Act prescribes that the operating entity would have to take various precautions to ensure the safety of the persons attending the cinema.

Under the Maharashtra Rules, the proposed cinema must comply with building specifications as laid down in the rules. Further, electrical installations must be sanctioned by the electrical engineer to the state government and adequate precautions taken against fire.

The Maharashtra Rules also provide that the owner, tenant or occupier of the cinema must obtain a cinema licence, after the building has been constructed, for use of the premises as a cinema. At the time of application for such licence, the applicant must submit building permissions, certificates from engineers that the building complies with prescribed specifications, from electrical engineers, health officers, etc.

Further, a licence for the sale of any tickets, admission or pass or any evidence of the right of admission would also have to be obtained from the licensing authority.

Contraventions of the Maharashtra Act may be punishable with imprisonment and/or fine. Non-compliance with the terms and conditions specified in the licence may be a cause for revocation or suspension of the licence.

The Andhra Pradesh Cinemas (Regulation) Act, 1955 and the Andhra Pradesh Cinemas (Regulation) Rules, 1970

The Andhra Pradesh Cinemas (Regulation) Act, 1955 (the "AP Act") provides that no person can give a cinematograph exhibition elsewhere than in a place licensed under the AP Act. Licences to cinemas are granted by the local District Collector, upon being satisfied that the rules under the AP Act have been complied with and adequate safety precautions have been taken in the cinema. In addition, licences may contain such terms and conditions as the licensing authority deems fit.

Further, under the provisions of the Andhra Pradesh Cinemas (Regulation) Rules, 1970 (the "AP Rules"), cinemas being constructed must comply with requirements relating to the site, specifications of the cinema building, electrical fitting and fire extinguishing appliances, storage of cinematograph film etc. as specified in the AP Rules. In this regard, persons intending to construct cinemas, or use premises for cinematograph exhibitions must obtain a 'No-objection Certificate', and a subsequent permission for the intended construction. Further, under the AP Rules, cinema operators must obtain licences from an electrical inspector.

The AP Act empowers the state government to suspend exhibition of films in an area if it is of the opinion that the same may cause a breach of peace in that area.

Penalties, including imprisonment and fine, may be imposed for contravention of the provisions of the AP Act, including black marketing in the sale of tickets for admission to cinema theatres.

Madhya Pradesh

The Madhya Pradesh Cinemas (Regulation) Act, 1952 (the "MP Act") provides that cinematograph exhibitions shall only be permitted in places licensed under the MP Act. Prior to grant of licence, the licensing authority must be satisfied that adequate precautions have been taken in the cinema for the safety of persons. Use of cinemas otherwise than as permitted under the MP Act, or the rules thereunder, may result in punishment by way of fine. Further, cinema licences granted may also be revoked.

The Madhya Pradesh Cinemas (Regulation) Rules, 1972 (the "MP Rules") lay down specifications that cinemas must comply with in relation to building specifications, electrical installations, precautions against fire etc. Persons desirous of erecting a cinema or converting existing premises into a cinema must first apply for grant of a 'No Objection' certificate from the licensing authority. The licensing authority will examine the application, and building plans, etc. submitted with such application, invite objections from the public, and finally submit a report to the state government with his recommendations, which state government then determines whether or not such certificate ought to be granted. Such permissions are ordinarily valid for a period of two years within which time construction of the cinema must be completed.

On completion of construction, an application is made for grant of a cinema licence. The application must be accompanied, among other things, by building permission and certifications that the construction of the cinema, electrical installations, etc. complies with statutory requirements. Cinema licences are ordinarily granted for a period of one year.

Entertainment tax

Various states have enacted laws for imposition of taxes on establishments providing entertainment. In certain states, subject to compliance with certain prescribed conditions, exemptions from payment of entertainment taxes may be granted. The extent of entertainment tax relief, which may be available, varies from state to state.

Delhi

Section 6 of the Delhi Entertainments and Betting Tax Act, 1989 (the "Delhi Entertainment Act") provides for the levy of entertainment tax on all payments for admission to any entertainment. "Entertainment" is defined as any exhibition, performance, amusement, including cinematograph exhibitions. Section 9 specifies that other than persons who have specific duties to perform in relation to the entertainment, or duties imposed by law, or persons authorized by the government, no one shall be admitted to any entertainment except with a ticket denoting that the appropriate entertainment tax has been paid. Admission and entry of persons to entertainment shows without payment of entertainment tax, and unauthorized sale of tickets may be punishable with imposition of fine.

Further, the Delhi Entertainment Act also provides that no entertainment on which tax is leviable shall be held without prior information being given to the Commissioner of Entertainment and Betting Tax.

Section 14 of the Delhi Entertainment Act empowers the government to exempt any individual entertainment programme or class of entertainments from liability to pay entertainment tax in order to promote arts, culture or sports.

At present, entertainment tax at the rate of 30% of the base price or 23.08% of the ticket selling price is levied on entertainment shows in the National Capital Territory of Delhi.

Haryana

The Punjab Entertainments Duty Act, 1955 (the "Punjab Entertainment Act"), as applicable to the state of Haryana governs the imposition of entertainment tax on cinemas. It provides that tax may be levied on the admission charges for entry to any exhibition, performance, amusement, game, sport, or race to which persons are ordinarily admitted on payment. Penalties may be imposed for non-payment of duty.

The Government of Haryana may, for encouragement or arts and crafts, or other public interest, exempt any entertainment from the liability to pay duty under the Punjab Entertainment Act.

Currently, cinemas in the state of Haryana are liable to pay entertainment tax at the rate of 50% of the base price or 33.33% of the ticket selling price.

Karnataka

The Karnataka Entertainments Tax Act, 1958 (the "Karnataka Entertainment Act") provides for the levy of entertainment tax in the state of Karnataka. "Entertainment" is defined to include cinematograph shows. Currently, such entertainment tax is levied at the rate of 40% of the base price or 28.57% of the ticket selling price. Further, an additional tax is levied on cinematograph shows. In the case of cinematograph shows held in a cinema theatre situated within the limits of a local authority whose population does not exceed 75,000, tax is levied at rates varying from 10 to 25% of the gross collection capacity.

Exemptions from payment of entertainment duty are available in respect of cinematograph shows of certain Kannada, Kodava, Konkani, Tulu or Banjara films. Further, Section 7A of the Karnataka Entertainment Act empowers the state government to exempt or reduce payment of tax in respect of entertainments held in newly constructed cinema theatres.

Under the order number ITKC/296/TTT/2000 dated January 20, 2003 issued by the Government of Karnataka read with the state Tourism Policy, 2002-07, exemptions from payment of entertainment tax were made available upto 100% for the first three years and 75% for the next two years to I-Max theatres only.

Uttar Pradesh

The Uttar Pradesh Entertainments and Betting Tax Act, 1979 (the "UP Entertainment Act") provides for taxation of entertainments and amusements, including cinematograph exhibitions, in the state of Uttar Pradesh. The tax is levied on the admission charges for entry to the entertainment. Under the Act, persons cannot be admitted to any entertainment, except with a ticket in the prescribed form. The UP Entertainment Act provides that no entertainment on which tax is leviable shall be held without prior information being given to the District Magistrate.

Permissions granted for conduct of entertainment may be revoked or suspended if persons have been admitted without payment of the entertainment tax, or there is a failure to pay tax, or and evasion in the payment of tax, or there is a contravention of any other provisions of the UP Entertainment Act.

Under the UP Entertainment Act, the state government is empowered to exempt any entertainment or class of entertainment from liability to pay entertainment tax, in the interests of promotion of peace, arts, or other public interest.

Currently, entertainment tax is levied at the rate of 60% of the base price or 37.5% of the ticket selling price.

Pursuant to order dated July 13, 1999, which was subsequently amended by orders dated January 17, 2001 and November 12, 2001, the Government of Uttar Pradesh introduced measures for grant of relief from payment of entertainment tax by Multiplexes set up in the state of Uttar Pradesh. In terms of the said orders, exemption from payment of entertainment tax may be available to Multiplex projects for a period of five years from the date of the first screening, or till recovery of the capital expenditure incurred on the project, whichever is earlier, provided, *inter alia*, the following conditions are complied with:

- The project must involve capital expenditure in excess of Rs. 15,000,000.
- The Multiplex project must have at least three screens.
- The Multiplex must continue operations for a period of at least five years, after expiry of the period for which the entertainment tax relief was available.
- Applications for grant of exemption from payment of entertainment tax must be made prior to March 31, 2001.
- Cinema licences must be obtained prior to March 31, 2005.

Maharashtra

The Bombay Entertainments Duty Act, 1923 (the "Bombay Entertainment Act") imposes duty in respect of admission to entertainment in the state of Maharashtra. In terms of the Bombay Entertainment Act, "entertainment" includes any exhibition, performance, amusement game or sport to which persons are admitted for a consideration. The entertainment duty is levied on the admission charge fixed by the proprietor/exhibitor.

The rate at which the entertainment tax is levied varies depending on the type of entertainment and the area within which the entertainment establishment operates within the state of Maharashtra. Entertainment tax on cinematograph exhibitions is levied as per the table below:

S. No.	Area	Rate of Entertainment Duty
1.	Within the limits of Brihan Mumbai Municipal Corporation	45%
2.	Within the limits of all other Municipal Corporations and Cantonments	40%
3.	Within the limits of 'A' Class Municipal Councils	34%
4.	Within the limits of 'B' Class Municipal Councils	28%
5.	Within the limits of 'C' Class Municipal Councils	22%
6.	Any other area not covered by entries 1-5	15%

The Bombay Entertainment Act stipulates the method of levy of the duty and the manner in which the state government assesses the entertainment duty. Non-compliance with the provisions of the Bombay Entertainment Act may attract penalties in the form of imprisonment and/or monetary fines. The state government has the power to make rules for securing the payment of the entertainments duty and for carrying out the provisions of the Bombay Entertainment Act.

The Government of Maharashtra had envisaged grant of entertainment tax exemptions to new Multiplexes to be set up in the state of Maharashtra. Applications for grant of exemptions filed prior to August 17, 2002 are eligible for being considered for grant of entertainment tax exemption in Maharashtra. The process for grant of entertainment tax exemptions entails filing of an application for the same and fulfillment/compliance with certain requirements, upon consideration of which a conditional letter of intent may be issued. The conditional letter of intent is valid for a defined time frame, and upon receipt of certain operating licenses and compliance with certain other conditions, the same may be converted into an exemption by the relevant government authorities.

The criteria for a Multiplex Cinema complex to be eligible the entertainment tax concessions are as follows:

- The Multiplex theater owners are not to charge service charges till the period of concession expires.
- The proprietor must charge nothing less than the maximum entry charges imposed by other theaters in the concerned district of operation.
- The Multiplex theater complex must be run continuously for a period of 10 years from the date of commencement of operations.
- One theater in the complex shall be reserved exclusively for screening of Marathi films for a total period of one month in a year.
- A multiplex complex operating within the limits of the Municipal Corporation of Brihan Mumbai shall have a minimum of four theaters within the complex and total seating capacity of not less than 1250. A Multiplex complex operating anywhere else in Maharashtra shall have to have a minimum of three theaters within the complex and total seating capacity of not less than 1000. The Multiplex Cinema must also provide such other facilities and multi-entertainment activities as the state government may specify from time to time by notification in the Official Gazette.

Violation or non-compliance with the conditions subject to which the entertainment tax exemption is granted may result in cancellation of the entertainment tax exemption. In such case, the person who has been granted the entertainment tax exemption may be required to pay entertainment tax dues in accordance with the Bombay Entertainment Act from the date of commencement of commercial operations of the cinema, along with penal interest thereon at pre-defined rates. Where such entertainment tax dues remain unpaid, the relevant authorities may invoke the lien on the underlying land on which the multiplex cinema theatre is situated.

Andhra Pradesh

The Andhra Pradesh Entertainments Tax Act, 1939 (the "AP Entertainment Act") imposes taxes on "entertainment" in the state of Andhra Pradesh, which term has been defined to mean cinematography exhibitions to which persons are admitted on payment. The tax is levied on admission charges. The AP Entertainment Act specifies the mechanism for payment of the tax.

Presently, entertainment tax is levied on cinematograph shows in Andhra Pradesh at the following rates:

S. No.	Classification	Rate of Entertainment Duty
1.	For low budget Telugu films produced in Andhra Pradesh	7%
2.	For high budget Telugu films produced in Andhra Pradesh	15%
3.	For films produced outside the state, including dubbed films and other language films	20%
4.	For old (5 years and above) and repeat run Telugu films	7%

While the AP Entertainment Act provides that exemption from payment of entertainment tax may be granted to certain classes of entertainment, there is currently no umbrella entertainment tax exemption for multiplexes in the state of Andhra Pradesh. However, previously, the Government of Andhra Pradesh had made provision under the state tourism policy for grant of exemptions from payment of entertainment tax, which tourism policy is currently in abeyance. Such exemptions are granted on a case by case basis.

Madhya Pradesh

Under the Madhya Pradesh Entertainments Duty and Advertisements Tax Act, 1936 (the "MP Entertainment Act") entertainment tax is levied on admission charges paid for entry to entertainments, which includes any exhibition, performance or amusement to which persons are admitted for payment. No one can be admitted to entertainment shows without payment of admission charges or at concessional rates unless entertainment duty payable for the full value of the ticket has been paid. For admission of persons without payment of entertainment duty, failure to pay duty or evasion of duty, licences granted for exhibition of entertainment shows may be suspended or revoked.

The MP Entertainment Act empowers the state government to exempt any entertainment or class of entertainments from the liability to pay entertainment tax or advertisement tax.

Currently, entertainment tax at the rate of 50% of the net ticket price or 33.33% of the gross ticket price is payable by cinemas in the state of Madhya Pradesh.

Under the terms of notification no B-5-16-2000-CT-V dated October 25, 2001, the state government of Madhya Pradesh has exempted "integrated family entertainment multiplex centers" from payment of entertainment tax to the following extent:

Period of Exemption	Extent of Exemption
First, second and third year after completion of the multiplex complex, i.e., first three years from the date of commercial exhibition of a movie in any of the cinema halls of such complex.	100%
Fourth year	75%
Fifth year	50%

The notification specifies that the aforesaid exemption from entertainment duty shall not exceed the amount of capital investment made in the construction of the complex. Consequently, notwithstanding the five year period of relief, entertainment tax shall be payable from such date as the entertainment tax relief obtained equals the capital investment made in the Multiplex.

Grant of relief from payment of entertainment tax is also subject to compliance with the following conditions:

- The multiplex shall compulsorily be run for an additional period for five years, after the period of grant of entertainment tax relief has expired, failing which the entire amount of exemption availed, along with interest, shall be recovered.
- A minimum amount of Rs. 30,000,000 must be spent as capital investment on the project.
- The project must have at least three cinema halls with a combined capacity of 1,000 spectators.

- The complex must also contain a video games arcade, fast food centre, place and facility for children's entertainment, and place for vehicle parking.

Other Licences, Clearances and Registrations

Cinema Premises

Cinema owners may be required to obtain various licences, clearances and no-objection certificates from municipal authorities under various state specific legislations. These may include, *inter alia*, occupation certificate for the cinema theatres, licences in relation to canteens at cinema premises etc.

Tax Registrations

Depending on the provisions of the applicable state specific laws, cinemas may be required to obtain registration certificates from municipal authorities in relation to payment of tax on cinema shows, advertisements etc. Further, cinemas may also be required to obtain permits for sale of tickets.

HISTORY AND CERTAIN CORPORATE MATTERS

Our Company was incorporated on April 26, 1995 under the Companies Act as "Priya Village Roadshow Limited" and we obtained a certificate of commencement of business on December 4, 1995. On June 28, 2002 the name of our Company was changed from "Priya Village Roadshow Limited" to "PVR Limited" consequent to the exit of Village Roadshow Limited from our Company. We also changed our registered office within the same state from 50, West Regal Building, Connaught Place, New Delhi 110 001 to 61, Basant Lok, Vasant Vihar, New Delhi 110 057. The change in registered office has been approved by resolution of our Board on August 5, 2005.

Major events:

A chronology of some key events since the Company was incorporated is set forth below:

Calendar Year and Month	Event
November, 1994	Joint venture agreement executed between Village Roadshow Limited, Australia and PEPL.
April, 1995	Our Company was incorporated as a joint venture between Village Roadshow Limited and PEPL.
February, 1996	1,199,300 Equity Shares of our Company issued to Ajay Bijli Motor Finance Limited., which company is currently called BIPL (our Promoter).
June, 1997	Opened India's first Multiplex Cinema PVR Anupam, a four-screen cinema, at Saket, New Delhi.
June, 1997	Computerized box office operations by selling computerized tickets at our cinema, PVR Anupam.
January, 2000	Commenced single-screen cinema PVR Priya at Vasant Vihar, New Delhi.
August, 2001	Opened a four -screen Multiplex Cinema, PVR Naraina in New Delhi.
November, 2001	Opened a three-screen Multiplex Cinema, PVR Vikaspuri in New Delhi.
November, 2002	PEPL acquired the entire share holding held by Village Roadshow Limited in our Company.
May, 2003	WITEC, in its capacity as Trustee of India Advantage Fund – I, a trust registered under the Indian Trusts Act, 1882 and acting through its investment manager ICICI Venture Funds Management Company Limited, agreed to acquire 38.45% stake in our Company by way of purchase of Equity Shares from BIPL and by way of subscription to a fresh issue of Equity Shares made by the Company. WITEC also subscribed to optionally convertible debentures issued by our Company.
May, 2003	Opened a seven-screen Multiplex Cinema, PVR Gurgaon at the Metropolitan mall, Gurgaon, Haryana.
November, 2004	Opened India's largest Multiplex Cinema, PVR Bangalore, with eleven screens at the Forum mall, Koramangla, Bangalore.
May, 2004	Opened PVR Plaza, a single-screen cinema with a heritage ambience at Connaught Place, New Delhi
November, 2004	Commenced operations at the first multiplex under the management fees/franchise model - PVR SRS, a three screen Multiplex Cinema at SRS mall, Faridabad, Haryana.
March, 2005	The optionally convertible debentures issued to WITEC were converted into equity shares of the Company.
March, 2005	Opened our tenth Multiplex Cinema, PVR EDM, a three-screen cinema at East Delhi mall, Uttar Pradesh.

Our main objects

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

1. To secure, develop, operate, construct, maintain, manage, promote, own, procure, utilize or initiate Multiplex Entertainment Complexes, Multiple Cinemas or Speciality Cinemas including Three Dimensional and Seat Simulators.
2. To carry on business which provide leisure, entertainment, cultural promotion, amusement, sports or health units including Amusement Arcades, Food Courts, Food Plazas, Fashion Outlets, Discotheques, Video Parlours, Restaurants, Pubs, etc. as well as to carry on all kinds of like business relating to Hotel and Tourism related Industries.
3. To manufacture, buy, sell, exchange, distribute, import, export, deal in, market, trade as manufacturers, principal, agents, sub-agents, stockists, representatives, suppliers, distributors, merchants, brokers, auctioneers, importers, exporters of/in video cassettes, movies, films including video films, pictures produced in India and abroad.

Changes in Memorandum of Association

Since our incorporation, the following changes have been made to our Memorandum of Association:

Date of Amendment	Amendment
September 19, 2005	The authorised share capital of our Company was increased from Rs. 300,000,000 divided into 3,000,000 Equity Shares of Rs. 10 each to Rs. 500,000,000 divided into 30,000,000 Equity Shares of Rs. 10 each and 20,000,000 5% redeemable preference shares of Rs. 10 each.
August 18, 2005	The authorised share capital of our Company was increased from Rs. 250,000,000 divided into 25,000,000 Equity Shares of Rs. 10 each to Rs. 300,000,000- divided into 30,000,000 Equity Shares of Rs. 10 each.
April 19, 2005	The authorised share capital of our Company was increased from Rs. 200,000,000 divided into 20,000,000 Equity Shares of Rs. 10 each to Rs. 250,000,000- divided into 25,000,000 Equity Shares of Rs. 10 each.
February 26, 2003	The authorised share capital of our Company was increased from Rs. 120,000,000 divided into 12,000,000 Equity Shares of Rs. 10 each to Rs. 200,000,000- divided into 20,000,000 Equity Shares of Rs. 10 each.
June 28, 2002	Pursuant to a change in the name of our Company from "Priya Village Roadshow Limited" to "PVR Limited", Clause I amended to read as follows: "PVR LIMITED"
May 11, 2001	The authorised share capital of our Company was increased from Rs. 80,000,000 divided into 8,000,000 Equity Shares of Rs. 10 each to Rs. 120,000,000 divided into 12,000,000 Equity Shares of Rs. 10 each.
August 3, 2000	The authorised share capital of our Company was increased from Rs. 60,000,000 divided into 6,000,000 Equity Shares of Rs. 10 each to Rs. 80,000,000 divided into 8,000,000 Equity Shares of Rs. 10 each.
July 7, 1999	The authorised share capital of our Company was increased from Rs. 40,000,000 divided into 4,000,000 Equity Shares of Rs. 10 each to Rs. 60,000,000- divided into 6,000,000 Equity Shares of Rs. 10 each.
June 5, 1996	The authorised share capital of our Company was increased from Rs. 20,000,000 divided into 2,000,000 Equity Shares of Rs. 10 each to Rs. 40,000,000- divided into 4,000,000 Equity Shares of Rs. 10 each.

Shareholders' agreement

Our Company, our Promoters, Mr. Sanjeev Kumar and Mrs. Sandhuro Rani, had on March 12, 2003 entered into the Shareholders Agreement with the Selling Shareholder. This agreement was amended pursuant to an amendment letter dated September 8, 2005. Further, on account of various provisions of this agreement having been complied with, our Company, our Promoters and the Selling Shareholder have entered into an amendment agreement dated September 8, 2005, which records certain amendments to the Shareholders Agreement. This amendment agreement records certain amendments and modifications to the Shareholders Agreement and hence provides that certain provisions of the Shareholders Agreement would henceforth apply in modified form. Details of the provisions, as applicable, in their modified form, are as follows:

(i) Our Promoter, Mr. Ajjay Bijli is bound by non-compete restrictions. As per these restrictions, until the time Mr. Ajjay Bijli is a Director or until he along with his affiliates owns more than 10% of the issued, subscribed and paid capital of our Company, whichever is later, and until the time the Selling Shareholder holds shares representing more than 5% of the total issued, subscribed and paid up capital of our Company, he is required to devote his full time and attention to our Company and to develop the business and interests of our Company on a best endeavours basis.

(ii) During the applicability of the non-compete restrictions, Mr. Bijli cannot employ, engage or use the services of any person who is, on the date of the termination of his employment, or was in the 12 months preceding such date, an employee, consultant of, or service provider to our Company, or approach, solicit or deal in competition with our Company with any customer, client, distributor, agent or supplier of our Company with whom Mr. Bijli, employees reporting directly to Mr. Bjili or with whom our Company had business dealings during the 12 months immediately preceding the date of expiry of the non compete restrictions. Further, Mr. Bijli is not permitted to interfere with the continuance or terms of supply of goods or services to our Company. He is also restricted from carrying on, engaging in, being concerned or interested in (in any capacity), in any business or activity which competes with the business of film exhibition and distribution carried on by our Company. These restrictions are not applicable to the business of transport and logistics, retail and/or distribution of lifestyle goods, retail space management and property development and management which Mr. Bijli was engaged in at the time of execution of the shareholders agreement. Mr. Bijli is also bound by confidentiality obligations.

(iii) Without the prior written consent of the Selling Shareholder, our Promoters are not permitted to transfer or encumber their Shares in our Company, except encumbrances in favour of banks and financial institutions, if such transfer or encumbrance would result in the cumulative shareholding of Mr. Ajjay Bijli, PEPL and BIPL falling below 26% of our then existing capital.

(iv) The Selling Shareholder is permitted to transfer any or all of the Shares of our Company held by it, to any person (including third parties).

(v) It is agreed that Mr. Ajjay Bijli and Mr. Sanjeev Kumar shall be appointed as non-retiring directors on our Board. Immediately after the Issue, our Board would comprise of six directors, of which our Promoters shall nominate two directors for appointment, the Selling Shareholder shall appoint one director and three directors shall be independent directors. Further, so long as our Promoters hold more than 26% of our total issued, subscribed and paid up capital, they shall:

  (a) in the event the chairman of the Board is executive, be entitled to nominate for appointment 1/3rd of the total number of directors on the Board; and

  (b) in the event the chairman of the Board is non-executive, be entitled to nominate for appointment 1/2 of the total number of directors on the Board.

(vi) Till the time the Selling Shareholder holds more than 5% of the total issued, paid up and subscribed share capital of our Company, it is entitled to appoint one director on the Board, and has the right to be represented on all committees of our Board. Further, until the Selling Shareholder holds more than 5% of the total issued, paid up and subscribed capital of our Company, in proportion to its shareholding in our Company, it is entitled to nominate directors on the boards of our present and future subsidiaries.

(vii) Until the Selling Shareholder holds more than 5% of our total issued, subscribed and paid up share capital, resolutions regarding the following issues require its prior written consent:

(a) Amendment of our Articles of Association or Memorandum of Association;

(b) Changes in the authorized or issued share capital of our Company or the issue of any Equity Shares or equity linked instruments;

(c) Reconstitution of the Board including changes in the number of Directors, rotation of Directors (excluding Promoter Directors), etc;

(d) Acquisition or disposition of shares or any other investments or investment in any project whose value individually exceeds Rs. 250,000,000 in a financial year;

(e) Borrowing of debt or arranging of financing for any projects or borrowings in excess of the amounts approved in the annual budget;

(f) Approval of the aggregate remuneration of any of the Directors, or key managerial personnel in excess of Rs. 4,000,000 for each such individual;

(g) Entering into any arrangement or transaction with any affiliate, group company, Director/ related party (including rental arrangements or transactions for supply to/ sale by us);

(h) Passing a resolution for liquidated, winding up, amalgamation or merger with any other entity;

(i) Decisions on appointment and /or change of statutory and/or internal auditors;

(j) Commencement or settlement of litigation where the amount claimed is in excess of Rupees 2,500,000.

(viii) The Shareholders Agreement would stand automatically terminated if the shareholding of the Selling Shareholder in our Company falls below 5% of our total issued, subscribed and paid up share capital.

Subsidiaries

We have two subsidiaries, namely PVR Pictures Limited and CR Retail Malls (India) Private Limited.

The financial information of our subsidiaries presented below is based on the audited accounts of such companies included in this Red Herring Prospectus:

PVR Pictures Limited ("PVR Pictures")

PVR Pictures was incorporated on August 10, 2001 and it obtained its certificate of commencement of business on August 29, 2001. The main business of PVR Pictures is to distribute movies, produced in India or abroad through various channels like Theatrical, Satellite TV produced in India or abroad.

PVR Pictures is in the business of distribution of films. Our Company, as part of its business strategy, has executed film distribution contracts with PVR Pictures.

Shareholding Pattern as on November 12, 2005

Name of Shareholder	Number of Equity Shares	% of Issued Equity Share Capital
PVR Limited	1,499,400	99.96
Mrs. Sandhuro Rani (beneficial interest with PVR Limited)	100	Negligible
Mr. Ajjay Bijli (beneficial interest with PVR Limited)	100	Negligible
Mr. Sanjeev Kumar (beneficial interest with PVR Limited)	100	Negligible
Mrs. Selena Bijli (beneficial interest with PVR Cinemas)	100	Negligible
Mr. Sanjay Khanna (beneficial interest with PVR Cinemas)	100	Negligible
Mr. Hira Lal Khanna (beneficial interest with PVR Cinemas)	100	Negligible
Total	**1,500,000**	**100**

Board of Directors

The board of directors of PVR Pictures as on November 12, 2005 comprises Mr. Ajjay Bijli, Mr. Sanjeev Kumar, Mr. Sumit Chandwani and Mr. Sunay Mathure.

Financial Performance

The financial results of PVR Pictures are as follows:

(Rs. in million, unless otherwise stated)

	Fiscal 2005	Fiscal 2004	Fiscal 2003
Total Income	38.05	23.33	3.49
Profit/ (Loss) after tax	4.66	(1.21)	(3.38)
Equity share capital (paid up)	0.5	0.5	0.5
Share application money	14.5	3.5	3.5
Reserves and Surplus (excluding revaluation reserves)	0.08	(4.64)	(3.41)
Earnings/ (Loss) per share (diluted) (Rs.)	93.25	(24.28)	(67.66)
Book Value per share (Rs.)	10.05	(82.82)	(58.60)

CR Retail Malls (India) Private Limited ("CR Retail")

CR Retail was incorporated on October 13, 1999 with a view to conceptualise, develop, plan, set up, own, manage, operate and carry on the business of indoor sports, entertainment arcades, video parlours, amusement parks, cinema theatres, family entertainment centers, hotels, clubs, shopping arcades, etc, in India and elsewhere. However, as on and of the date of this Red Herring Prospectus, apart from applying for and holding the conditional letter of intent for grant of an entertainment tax exemption for the Multiplex Cinema being constructed on a portion of plot CTS No. 1/142, 71 and 109 at Phoenix Mills Compound, 462, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013, CR Retail does not carry on any business activity.

Shareholding pattern

The shareholding pattern of CR Retail as on November 12, 2005 is as follows:

Name of Shareholder	Number of Equity Shares	% of Issued Equity Share Capital
PVR Limited	709,900	99.99
PVR Limited jointly with Mr. Ajjay Bijli	100	Negligible
Total	**710,000**	**100**

Board of Directors

The Board of Directors of CR Retail as on November 12, 2005 comprises of Mr. Ajjay Bijli, Mr. Sanjeev Kumar, Mr. N. C. Gupta, Mr. Atul Ruia and Mr. Ashok Kumar Ruia.

Financial Performance

The financial results of CR Retail are as follows:

(Rs. in million, unless otherwise stated)

	Fiscal 2005	**Fiscal 2004**	**Fiscal 2003**
Total Income	0.21	1.40	(0.00)
Profit/ (Loss) after tax	(2.26)	(0.77)	(0.00)
Equity share capital (paid up)	7.10	0.10	0.10
Share application money	Nil	Nil	Nil
Reserves and Surplus (excluding revaluation reserves)	(1.45)	0.70	(0.09)
Earnings/ (Loss) per share (diluted) (Rs.)	5.50	77.45	(0.17)
Book Value per share (Rs.)	13.74	79.92	1.07

OUR MANAGEMENT

Board of Directors

Under our Articles of Association we are required to have no less than three directors and no more than twelve directors. We currently have five directors. We are in the process of appointing more directors for the purposes of meeting the requirements of Clause 49 of the listing agreement to be executed with the Stock Exchanges.

The following table sets out the current details regarding our Board of Directors:

Name, Designation, Father's Name, Occupation and Term	Age	Address	Other Directorships
Mr. Ajjay Bijli s/o Late Mr. K.M. Bijli Designation: Chairman cum Managing Director Occupation: Industrialist Term: Whole time non retiring Director. Tenure as Managing Director ends on July 23, 2008.	38 years	31, New Rohtak Road, New Delhi 110 005	Bijli Investments Pvt. Limited. Priya Exhibitors Pvt. Limited. PVR Pictures Limited. Leisure World Limited. ATC Carriers Pvt. Limited. CR Retail Malls (India) Pvt. Ltd.
Mr. Sanjeev Kumar s/o Mr. K.L. Kumar Designation: Executive Director Occupation: Industrialist Term: Whole time non retiring Director. Tenure as Executive Director ends July 23, 2008	33 years	C-3/2, Vasant Vihar, New Delhi 110 057	Bijli Investments Pvt. Limited. Priya Exhibitors Pvt. Limited. PVR Pictures Limited. Leisure World Limited. CR Retail Malls (India) Pvt. Ltd.
Mr. Sumit Chandwani (nominee of the Selling Shareholder) s/o Mr. Mohan Telchand Chandwani Designation: Director Occupation: Business Executive Term: Liable to retire by rotation	38 years	ICICI Venture Funds Management Co. Ltd., Stanrose House, Ground Floor, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.	Accel ICIM Systems & Services Limited. Samtel Colour Limited. PVR Pictures Limited. I-Ven Water Treatment Technologies Limited. Ace Refractories Limited.
Mr. Vikram Bakshi (independent director) s/o Late Mr. D. N. Bakshi Designation: Director Occupation: Industrialist Term: Liable to retire by rotation.	50 years	157, Golf Links, New Delhi 110 003, India.	Ascot Hotels & Resorts Ltd. Ascot Estates Pvt. Ltd. Bee Gee Promoters Pvt. Ltd. Bakshi Holdings Pvt. Ltd. Brite India Pvt. Ltd. Crescent Printing Works Pvt. Ltd. Bakshi Vikram Vikas Construction. Co. Pvt. Ltd. CCPL Developers Pvt. Ltd. Connaught Plaza Restaurants Pvt. Ltd. Golden Diamond Estates Pvt. Ltd. Jupiter Estates Pvt. Ltd. Kalanidhi International Pvt. Ltd. Karmyogi Finlease Pvt. Ltd. Panipat Properties Pvt. Ltd. Penguin Resorts Pvt. Ltd. Vikram Bakshi & Co. Pvt. Ltd. EDM Mall Management Pvt. Ltd.

Name, Designation, Father's Name, Occupation and Term	Age	Address	Other Directorships
Mr. Amit Burman. s/o Mr. G. C. Burman. Designation: Director. Occupation: Industrialist. Term: Liable to retire by rotation.	36 years	E-83, Paschim Marg, Vasant Vihar, New Delhi 110 057, India.	Dabur India Limited Dabur Foods Limited Dabur Pharma Limited Apollo Health Street Limited Angel Softech Pvt. Ltd. Trojan Developers Pvt. Ltd. Gyan Enterprises Pvt. Ltd. Dabur Nepal Pvt. Ltd. Welltime Gold and Investment Pvt. Ltd. Lite Bite Foods Pvt. Ltd. E.Medlife.com Ltd. Azure Infotech Pvt. Ltd. Ratna Commercial Enterprises Pvt. Ltd. Margdarshak Constructions Pvt. Ltd. Miracle Commercial Pvt. Ltd. Wakarusa Laboratories Pvt. Ltd. QH Talbros Ltd. KBC India Pvt. Ltd. Pasadensa Foods Ltd. Sunrise Medicare Pvt. Ltd. Burmans Finvest Ltd. Radico Khaitan Limited Euro Motors Pvt. Limited Maneswari Trading Company Chowdry Associated Western Enterprises
Mr. Renaud Jean Palliere s/o Mr. Jacques Henri Palliere Designation: Director Occupation: Consultant Term: Liable to retire by rotation	34	1/F, 15 Broom Road, Happy Valley, Hong Kong	The H2H Group Limited H2H Digital Limited H2H Media Limited H2H Ventures Limited

Details of Directors

Mr. Ajjay Bijli, **38 years**, is the Chairman Cum Managing Director of our Company. He holds a Bachelors degree in commerce from Hindu College, New Delhi and has also completed the Owners President Management Program at Harvard Business School.

Mr. Bijli has more than 15 years of experience in the film exhibition industry. Mr. Bijli began his career in the industry by revamping and refurbishing 'Priya Cinema', a movie hall owned by his family. Based on the response received by 'Priya Cinema' and foreseeing the potential for the film exhibition business in India, Mr. Bijli set up our Company as a joint venture with Village Roadshow Ltd of Australia in 1995. Mr. Bijli pioneered the multiplex concept in India by setting up 7 Multiplex Cinemas in India, in a span of eight years.

Mr. Bijli was conferred 'The Theatre World Newsmaker of the Year Award for 2003' at FRAMES 2004, a global convention on the business of entertainment organised by FICCI and has also been awarded a 'Special Award during CineAsia 2004' for his contribution to the Multiplex industry in India. This special award was a first-time honour for an Indian film exhibitor by CineAsia, a prominent Asian motion picture industry convention. He was also awarded "Entrepreneur of the Year – Entertainment" by the Indian Retail Forum held in Mumbai in September 2005 and "Delhi Ratna" by the PHD

Chamber of Commerce and Industry in August 2005. Mr. Bijli is a member of Young Presidents Organisation and is widely recognized as a credible voice for the Indian film exhibition industry. Mr. Bijli has represented the Indian film exhibition industry at various forums and is also the founding member of the multiplex association of India. As the Chairman cum Managing Director of our Company, Mr. Bijli is instrumental in identifying important business initiatives and strategic opportunities for our Company.

Mr. Sanjeev Kumar, 33 years, holds a Bachelor's degree in Finance and Accounting from Salford University, Manchester and a Masters degree in Business Administration from Imperial College, London University. Mr. Kumar has also received professional training at Village Entertainment Centres, Australia in Operations and Development.

Mr. Kumar has been involved with our Company since its inception and has over 10 years of experience in the film exhibition industry. Mr. Kumar was appointed as the Executive Director of our Company in July 2003. Mr. Kumar manages the film acquisition and distribution business and programming activities of our Company and has been instrumental in setting up our relationships with various Hollywood Studios including Miramax, Newline, IEG and Zee MGM. Mr. Kumar has an important role in determining the content selection for our cinemas and is also closely involved in the development and growth strategy of our Company including identification of new business opportunities such as digital and franchise opportunities.

Mr. Sumit Chandwani, 38 years, was appointed as a Director of our Company in 2003. He holds a Bachelors degree in technology from Indian Institute of Technology, Roorkee and a post graduate diploma in Business Management from the Indian Institute of Management, Bangalore.

Mr. Chandwani has 13 years of experience in the areas of private equity, structured finance and project finance. Mr. Chandwani is presently a Director-Investments with ICICI Venture Funds Management Company Limited. Mr. Chandwani has also worked with GE Capital as part of the core team that set up GE Capital's commercial finance operations in India and later as country head for the vendor financing business of GE Capital in India.

Mr. Vikram Bakshi, 50 years, is a science graduate from Delhi University, has extensive experience spanning 25 years in diverse businesses like real estate, hospitality and retail. He is presently the joint venture partner and managing director of, Connaught Plaza Restaurants Pvt. Ltd., a joint venture with McDonald's Corporation of USA through its subsidiary in India.

Mr. Amit Burman, 36 years, holds a Bachelors degree in Science from Lehigh University Bethlehem, USA, a Masters degree in science (Columbia University, New York, USA) and a Masters degree in Business Administration (University of Cambridge, United Kingdom). He has a career spanning more than fifteen years and is a director on the board of companies such as Dabur India Limited, Dabur Foods Ltd. and Excelcia Foods Pvt. Ltd.

Mr. Renaud Jean Palliere, 34 years, graduated in contemporary history from La Sorbonne University, France. Mr. Palliere has spent over 10 years in mainland China and Hong Kong, and gained international experience in the petrochemical and telecommunications industries. He currently runs The H2H Group, a consulting firm specialized in providing advisory services in the media, telecoms and food and beverage industries, which he founded in 2003. He is also the executive director of H2H Ventures, a Hong Kong-based investment management firm specialized in private equity placements and corporate finance advisory services with early stage telecom, media and consumer good ventures in Asia.

Borrowing Powers of the Board of Directors of our Company

Pursuant to a resolution passed by our shareholders in accordance with the provisions of the Companies Act, our Board has been authorised to borrow money for the purposes of the Company upon such terms and conditions and with/without security as the Board of Directors may think fit, provided that the money or monies to be borrowed together with the monies already borrowed by the Company (apart from the temporary loans obtained from the Company's bankers in the ordinary course of business) shall not exceed, at any time, a sum of Rs. 3,000 million.

Details of Appointment and Compensation of our Directors

Name of Directors	Contract/Appointment Letter/Resolution	Details of Remuneration	Term
Mr. Ajjay Bijli	Resolution of the Board of Directors dated July 24, 2003 and Employment agreement dated August 5, 2003 and amended by an amendment agreement dated August 18, 2005.	Up to Rs. 9.93 million per annum with effect from April 1, 2005 to July 23 2008.	Whole time director. Term as Managing Director is from July 24, 2003 to July 23, 2008.
Mr. Sanjeev Kumar	Resolution of the Board of Directors dated July 24, 2003 and Employment agreement dated August 5, 2003 and amended by an amendment agreement dated August 18, 2005.	Up to Rs. 5.29 million per annum with effect from April 1, 2005 to July 23 2008.	Whole time director. Term as executive director is July 24, 2003 to July 23, 2008.
Mr. Sumit Chandwani	Resolution of the Board of Directors dated July 24, 2003.	No remuneration is being paid.	Liable to retire by rotation.
Mr. Vikram Bakshi	Resolution of the Board of Directors dated September 30, 2005.	No remuneration is being paid.	Liable to retire by rotation.
Mr. Amit Burman	Resolution of the Board of Directors dated October 24, 2005.	No remuneration is being paid.	Liable to retire by rotation.
Mr. Renaud Jean Palliere	Resolution of the Board of Directors dated October 24, 2005.	No remuneration is being paid.	Liable to retire by rotation.

*For details of these agreements please see section titled "History and Certain Corporate Matters" beginning on page 105.

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.

Remuneration of Whole-Time DirectorsLiable to retire by

The following table sets forth the details of the remuneration for the whole-time Directors for the fiscal year ended March 31, 2005.

(Amounts in Rupees, unless otherwise stated) per month

S. No.	Name	Basic Salary (per month)	Housing and Furnishing	Provident Fund	Medical	Perquisites (Car Running Maintenance)	Total
1.	Mr. Ajjay Bijli	320,000	192,000	38,400	1,250	2,200	553,850
2.	Mr. Sanjeev Kumar	170,000	102,000	20,400	1,250	2,200	295,850
	Total	490,000	294,000	58,800	2,500	4,400	849,700

Details of employment contracts with our Directors

Employment agreement dated August 5, 2003 executed between Mr. Ajjay Bijli and our Company, and an amendment agreement dated August 18, 2005

Our Chairman cum Managing Director, Mr. Ajjay Bijli, was pursuant to an employment agreement dated August 5, 2003 executed between Mr. Ajjay Bijli and our Company, appointed as the managing director of our Company for a period of five years. This appointment was effective from July 24, 2003. The terms of the said employment agreement, except the term of office have been amended by way of an amendment agreement dated August 18, 2005, by way of board resolution dated March 22, 2005 and a shareholders meeting resolution dated April 19, 2005. Salient employment terms of Mr. Ajjay Bijli, as amended, are given below:

(i) The compensation package of Mr. Bijli, with effect from April 1, 2005, is as follows:

Basic salary	Rs. 480,000 per month
Housing and furnishing	Entitled to company leased accommodation/ house rent allowance, electricity, water and utilities such that the total value of the perquisites shall not exceed Rs. 288,000 per month.
Provident fund	Company to contribute 12% of basic salary to its provident fund.
Other benefits and incentives	Company to provide air conditioned car (maintained and serviced by our Company at its cost) and telephone at residence. Entitled to performance based incentive as approved by the Board, with effect from 2005-2006 based on the Company's and the managing director's performance.
Sitting fees	No sitting fees.
Leave and vacation	Entitled to leave on full pay and allowance as per rules of Company, subject to a maximum of one months leave for every 11 months of service. Accumulated un-availed leave may be encashed at the end of appointment, subject to a maximum of three months accumulated leave.
Reimbursement of expenses	Subject to company policy, customary business expenses may be reimbursed. All out of station travel expenses to be reimbursed as per Company policy.

(ii) The employment agreement may be terminated either by our Company, by serving prior three months written notice. Except where the agreement is terminated without notice, subject to the provisions of the Act, our Company is required to pay Mr. Bijli an all inclusive severance pay equal to salary and perks as defined in the agreement for the entire remaining period of employment or 12 months, whichever is higher. The Board is entitled to terminate the appointment forthwith in the event Mr. Bijli commits fraud, misappropriates funds, commits any breach of the provisions of the employment agreement or if he violates any limits of authority imposed on him by the board.

Employment agreement dated August 5, 2003 executed between Mr. Sanjeev Kumar and our Company, and an amendment agreement dated August 18, 2005

Mr. Sanjeev Kumar was pursuant to an employment agreement dated August 5, 2003 executed between Mr. Sanjeev Kumar and our Company, appointed as the executive director of our Company for a period of five years. This appointment was effective from July 24, 2003. The terms of the said employment agreement, except the term of office, have been amended by way of an amendment agreement dated August 18, 2005, by way of a board resolution dated March 22, 2005 and by a shareholders meeting resolution dated April 19, 2005. Salient employment terms of Mr. Sanjeev Kumar, as amended, are given below:

(i) Until the time, Mr. Kumar is a director or holds shares representing 20% of the total issued, subscribed and paid up share capital of our Company, Mr. Kumar is not permitted to directly or indirectly compete with our Company;

(ii) The compensation package of Mr. Kumar, with effect from April 1, 2005, is as under:

Basic salary	Rs. 255,000 per month.
Housing and furnishing	Entitled to company leased accommodation/ house rent allowance, electricity, water and utilities such that the total value of the perquisites shall not exceed Rs. 153,000 per month.
Provident fund	Company to contribute 12% of basic salary to its provident fund.
Other benefits and incentives	Company to provide air conditioned car (maintained and serviced by our Company at its cost) and telephone at residence.
Sitting fees	No sitting fees.
Leave and vacation	Entitled to leave on full pay and allowance as per rules of Company, subject to a maximum of one months leave for every 11 months of service. Accumulated un-availed leave may be encashed at the end of appointment, subject to a maximum of three months accumulated leave.
Reimbursement of expenses	Subject to company policy, customary business expenses may be reimbursed. All out of station travel expenses to be reimbursed as per Company policy.

(iii) The employment agreement may be terminated either by Mr. Kumar or our Company, by serving prior three months written notice. Except where the agreement is terminated without notice, subject to the provisions of the Act, our Company is required to pay Mr. Kumar an all inclusive severance pay equal to salary and perks as defined in the agreement for the entire remaining period of employment or 12 months, whichever is higher. The Board may terminate the employment of Mr. Kumar without notice, if he commits any fraud, misappropriation of funds, commits any breach of the provisions of the employment agreement or if he violates any limits of authority imposed on him by the board.

Corporate Governance

The provisions of the listing agreements to be entered into with the Stock Exchanges with respect to corporate governance shall be applicable to us immediately upon listing our shares on the Stock Exchanges. We undertake to comply with such provisions, including with respect to the appointment of independent Directors to our Board and the constitution of the Investor Grievance Committee prior to obtaining the in-principle approval of the Stock Exchanges.

SEBI, through circular number SEBI/ CFD/ DIL/ CG/ 1/ 2005/ 29 dated March 29, 2005 revised the date for ensuring compliance with Clause 49 of the listing agreement as per circular no. SEBI/ CFD/ DIL/ CG/ 1/ 2004/ 12/ 10 dated October 29, 2004 from April 1, 2005 to December 31, 2005.

The Company has complied with SEBI guidelines in respect of corporate governance, especially with respect to broad basing of the Board and constituting committees of the Board.

We have constituted the following committees of our Board of Directors for compliance with corporate governance requirements:

(a) Audit Committee;
(b) Investor Grievance Committee;
(c) Remuneration Committee; and
(d) Compensation Committee.

(a) Audit Committee

The audit committee comprises of Mr. Sumit Chandwani (nominee director of the Selling Shareholder), Mr. Vikram Bakshi (independent Director) and Mr. Amit Burman (independent Director). The audit committee was constituted to act in accordance with the provisions of the Companies Act, the listing agreements with the Stock Exchanges and the terms of reference specified in the resolution of the Board of Directors reconstituting the audit committee. The terms of reference of the audit committee includes the following:

- Overseeing of our financial reporting process and the disclosure of our financial information to ensure that the financial statement is correct, sufficient and credible;
- Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services;
- Reviewing with the management the annual financial statements before submission to the Board;
- Reviewing with the management, external and internal auditors, the adequacy of internal control systems;
- Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit;
- Discussion with internal auditors any significant findings and follow up thereon;
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- Discussion with external auditors before the audit commences, nature and scope of the audit, as well as have post audit discussion to ascertain any area of concern;
- Reviewing our financial and risk management policies;
- To look into the reason for substantial defaults in payments to depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

(b) Investor Grievance Committee

This committee consists of Mr. Ajjay Bijli (Chairman cum Managing Director), Mr. Sumit Chandwani (nominee of the Selling Shareholder) and Mr. Amit Burman (independent Director). This committee has been constituted for the purposes of addresses investor grievances and complaints in matters such as transfer of Equity Shares, non-receipt of balance sheet, non-receipt of declared dividends, etc.

(c) Remuneration Committee

This committee consists of Mr. Vikram Bakshi (independent Director), Mr. Amit Burman (independent Director) and Mr. Renaud Jean Palliere (independent Director). This committee has been constituted for the purposes of approving the remuneration payable to the Directors.

(d) Compensation Committee

This committee consists of Mr. Sumit Chandwani (nominee of the Selling Shareholder), Mr. Vikram Bakshi (independent Director) and Mr. Amit Burman (independent Director). This committee has been constituted for the purposes of administering and supervising the ESOS and ESPS and for determination of all such matters specified in the ESOS and ESPS.

Shareholding of Directors in our Company

Our Articles of Association do not require our Directors to hold any Equity Shares. The following table details the shareholding of our Directors:

Name of Directors	Number of Equity Shares (Pre-Issue)
Mr. Ajjay Bijli	100 (beneficial interest in respect of these shares is held by Bijli Investments Private Limited).
Mr. Sanjeev Kumar	100 (beneficial interest in respect of these shares is held by Bijli Investments Private Limited).
Mr. Sumit Chandwani	Nil
Mr. Vikram Bakshi	Nil
Mr. Amit Burman	Nil
Mr. Renaud Jean Palliere	Nil

Interest of our Directors

All of 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 and reimbursement of expenses payable to them under our Articles of Association. The executive Directors are interested to the extent of remuneration paid to them for services rendered as an officer or employee of our Company and the terms of such remuneration are set forth in contracts executed between our executive Directors and our Company.

Mr. Ajjay Bijli and Mr. Sanjeev Kumar, both hold Equity Shares of our Company and hence they may be deemed to be interested to the extent of their shareholding in our Company. Mr. Ajjay Bijli and Mr. Sanjeev Kumar hold 100 Equity Shares each, as nominees of BIPL. It may however be noted that our Chairman cum Managing Director Mr. Ajjay Bijli was allotted 10,642,000 5% redeemable preference shares of our Company at a price of Rs. 10 each on September 23, 2005. For details of this allotment please see section titled "Capital Structure" beginning on page 19. Further, all our Directors, may also be deemed to be interested to the extent of Equity Shares, if any, already held by them or that may be subscribed for and allotted to them, out of the present Issue in terms of the Red Herring Prospectus and the Prospectus. All of our Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Presently, we have given an inter corporate deposit of Rs. 2,000,000 to our subsidiary PVR Pictures, in which Mr. Ajjay Bijli, Mr. Sanjeev Kumar and Mr. Sumit Chandwani are directors and also hold 100 equity shares, each, beneficial interest in which lies with our Company.

Our Directors have no interest in any property acquired by the Company within two years of the date of filing of this Red Herring Prospectus, except the following:

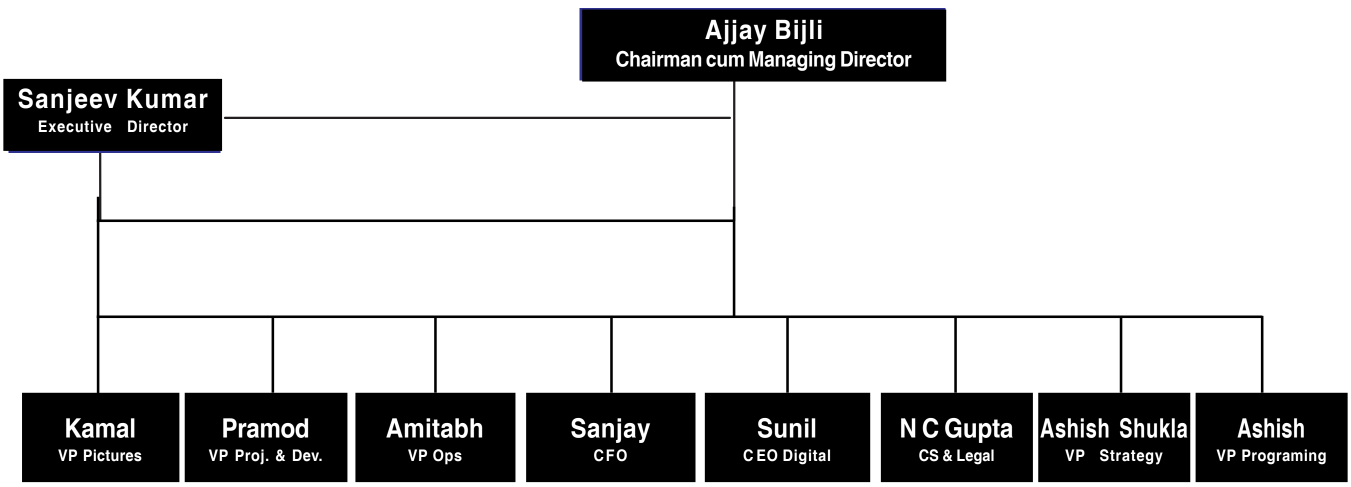
Our Company acquired the shares of PVR Pictures thereby making it a wholly owned subsidiary of our Company. At the time of such acquisition, Mr. Ajjay Bijli and Mr. Sanjeev Kumar held 24,300 Equity Shares of face value of Rs. 10 each in PVR Pictures. Currently, Mr. Ajjay Bijli and Mr. Sanjeev Kumar are directors of PVR Pictures and also hold 100 equity shares of PVR Pictures, the beneficial interest in which lies with our Company.

Changes in our Board of Directors during the last three years

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

Name	Date of Appointment	Date of Cessation	Reason
Mr. Ajjay Bijli	July 24, 2003	-	Appointment
Mr. Ramesh Dharmaji	July 29, 2004	May 27, 2005	Withdrawal of its nominee director by SIDBI
Mr. Sunay Mathure	August 30, 2004	October 24, 2005	Resignation
Mr. Sumit Chandwani	July 24, 2003	-	Appointment
Mr. Kirk Senior	August 1, 2001	October 31, 2002	Resignation
Mr. Peter Edwin Foo	March 28, 2000	October 31, 2002	Resignation
Mr. Sanjay Labroo	June 30, 1999	July 24, 2003	Resignation
Mr. Vikram Bakshi	September 19, 2005	September 30, 2005	Appointment
Mr. Vikram Bakshi	September 30, 2005	-	Appointment
Mr. Amit Burman	October 24, 2005	-	Appointment
Mr. Renaud Jean Palliere	October 24, 2005	-	Appointment

Management Organisation Structure



Key Managerial Employees

All of our key managerial employees are permanent employees of our Company and none of them are related to each other or to any Director of our Company.

Mr. Sanjay Malhotra, 40 years, holds a Bachelor's degree in Commerce and is a chartered accountant by profession. Mr. Malhotra has a career spanning 17 years and prior to joining our Company, was working with Dimensions Consulting Pvt. Ltd. Mr. Malhotra is currently the Chief Financial Officer of our Company and is involved in the business and financial strategic planning, implementation of financial and management controls, financial structuring, financial resource management project evaluations and financial control functions of the Company. Mr. Malhotra's remuneration for the fiscal 2005, including all benefits was Rs. 3.84 million.

Mr. Pramod Arora, 35 years, completed his electrical engineering from Pt. Ravishankar Shukla University, Raipur. Mr. Arora has a career spanning 13 years and prior to joining our Company he was working with Universal Films of India, B.V. Mr. Arora is currently the Vice President –Business Development and Projects of our Company and is involved in identifying and setting up new projects of our Company. Mr. Arora's remuneration for the fiscal 2005, including all benefits was Rs. 2.63 million.

Mr. Amitabh Vardhan, 35 years, holds a Bachelor's degree in Science, a diploma in hotel management and a diploma in training and development. Mr. Vardhan has a career spanning 13 years and prior to joining our Company he was working with Hindustan Levers Limited. Mr. Vardhan is currently the Vice President –Operations of our Company and is responsible for handling operations of our cinema properties. Mr. Vardhan's remuneration for the fiscal 2005, including all benefits was Rs. 1.96 million.

Mr. Ashish Saksena, 38 years, holds a Bachelor's degree in Technology (Mechanical) and a diploma in management. Mr. Saksena has a career spanning 16 years and prior to joining our Company he was working with Inox, a company operating a chain of multiplex cinemas in India. Mr. Saksena is currently the Vice President –Programming of our Company and is responsible for procurement of films and planning for scheduling of films. Mr. Saksena's remuneration for the fiscal 2005, including all benefits was Rs. 1.46 million.

Mr. Ashish Shukla, 33 years, holds a diploma in hotel management. Mr. Shukla has a career spanning 12 years and prior to joining our Company he was working with The Indian Hotels Company Limited. Mr. Shukla is currently the Vice President –Strategic Planning of our Company. Mr. Shukla's remuneration for the fiscal 2005, including all benefits was Rs. 1.55 million.

Mr. N.C Gupta, aged 61 years, holds a Bachelor's degree in Commerce, and is also a qualified Chartered Accountant and Company Secretary. Mr. Gupta has a career spanning 35 years and prior to joining our Company he was working with Talbros Automotive Components Limited. He is currently the Head of Legal, Company Secretary and the Compliance Officer of our Company. Mr. Gupta's remuneration for the fiscal, including all benefits was Rs. 2.08 million.

Dr. Sunil Patil, 40 years, is a Doctor of Medicine with a specialization in Radiodiagnosis. He has a career spanning 8 years in the distribution and exhibition of films. Prior to joining our Company he was the Chief Executive Officer of Mukta Adlabs Digital Exhibition Private Limited. He is currently the Chief Executive Officer of our digital cinema division and also Chief Operating Officer of South and West India for our exhibition division. His remuneration for the fiscal 2005, including all benefits was Rs. 1.1 million.

Mr. Kamal Gianchandani, 34 years, holds a Bachelor's degree in Commerce and a Master's degree in Business Administration. Mr. Gianchandani has a career spanning 10 years and prior to joining our Company he was working with E City Entertainment (I) Private Limited. Mr. Gianchandani is currently the Vice President –Pictures of our Company and in this capacity he handles the distribution business carried on by our wholly owned subsidiary, PVR Pictures. Mr. Gianchandani's remuneration for the fiscal 2005, including all benefits was Rs. 2.06 million.

Shareholding of the key managerial employees

None of our key managerial employees hold any shares or options, except Equity Shares issued to them pursuant to our ESPS and options granted to them under our ESOS. For details please see the section titled "Capital Structure" beginning on page 19.

Bonus or profit sharing plan for our key managerial employees

There is no bonus or profit sharing plan for our Key Managerial Employees.

Changes in our key managerial employees during the last three years

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

Name	Date of Appointment	Date of Cessation	Reason
Mr. Vivek Behl	December 1, 2001	April 22, 2003	Resignation
Mr. Deepak Mehra	July 9, 1998	July 22, 2003	Resignation
Mr. Ashish Saksena	November15, 2002	-	Appointment
Mr. Amitabh Vardhan	May 1, 2003	-	Appointment
Dr. Sunil Patil	October 1, 2004	-	Appointment
Mr. Tushar Dhingra	October 17, 2001	October 27, 2005	Resignation

Employees Share Purchase Scheme/Employee Stock Option Scheme

On September 15, 2005, our shareholders approved our ESPS. Under our ESPS, 80,000 Equity Shares have been issued to the eligible employees as defined in the scheme on September 22, 2005. Further, on September 15, 2005 our shareholders approved our ESOS. Under our ESOS, 1,70,000 stock options have been granted to the Eligible Employees as defined in the scheme on October 10, 2005. Our ESOS is administered by our Compensation Committee, a committee of the Board of Directors that determines the terms and conditions of the stock options granted from time to time. Our issued, paid up and subscribed equity capital upon completion of the Issue, assuming full exercise of all the outstanding options issued under our ESOS, will comprise 23,047,370 Equity Shares. For details of the ESPS and ESOS, please see the section titled "Capital Structure" beginning on page 19.

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 or superannuation.

OUR PROMOTERS AND PROMOTER GROUP COMPANIES

Our Promoters

Currently, our Promoters are Mr. Ajjay Bijli, Priya Exhibitors Private Limited and Bijli Investments Private Limited.

Mr. Ajjay Bijli, 38 years, (Passport Number: F3204723, Voter ID Number: not available, Driving License Number: P98040067) our Chairman cum Managing Director and one of our Promoters, was a pioneer in the Multiplex Cinema segment in India and has over 15 years' experience in the film exhibition sector. He is focused on the film exhibition business and has contributed to our development and growth. He was awarded with 'Theatre World Newsmaker of the Year Award for 2003' at FRAMES 2004, a global convention on the business of entertainment organised by FICCI. In 2004, CineAsia, a prominent Asian film industry convention, gave him a special award for his significant contribution to India's Multiplex cinema sector. He was awarded with "Entrepreneur of the Year – Entertainment" by the Indian Retail Forum held in Mumbai in September 2005 and "Delhi Ratna" by the PHD Chamber of Commerce and Industry in August 2005. He holds a Bachelors degree in commerce from Hindu College, New Delhi and has also completed the Owners President Management Program at Harvard Business School. For details of his terms of appointment please see the section titled "Our Management" beginning on page 111.

We confirm that the permanent account number, bank account number and passport number of Mr. Ajjay Bijli were submitted to the Stock Exchanges at the time of filing the Red Herring Prospectus with the Stock Exchanges.

Our company was incorporated as a joint venture between Village Roadshow Limited and PEPL in 1995. Village Roadshow Limited sold its shareholding in our Company to PEPL by a share purchase agreement dated April 29, 2002.

Since our Company was not listed at the time of the sale of shares by Village Roadshow Limited, we were not required to comply with the provisions of the Takeover Code.

Priya Exhibitors Private Limited

PEPL was incorporated on March 29, 1974. Its promoters are Mr. Raj Kumar Jaisinghani and Mr. Vasudev T. Ramnani. PEPL was allotted the premises in Vasant Vihar, New Delhi in 1970 on which it constructed and started exhibiting films in 'Priya' cinema in 1975. The 'Priya' cinema was upgraded by PEPL in 1990. By a share purchase agreement dated April 29, 2002, Village Roadshow Limited sold its entire stake in our Company to PEPL. As on the date of filing of the Red Herring Prospectus, PEPL as a Promoter of our Company holds 23.46% of the shareholding of our Company.

Presently PEPL is an asset owning company and owns the premises in which our cinema PVR Priya is situated.

Shareholding Pattern:

The equity shares of PEPL are not listed on any stock exchange. The shareholding pattern of PEPL, as of September 23, 2005, is as given below:

Sl. No.	Name of Shareholder	Number of Equity Shares	% of Issued Equity Capital
1.	Mr. Ajjay Bijli	76,230	43.56
2.	Mr. Sanjeev Kumar	55,000	31.43
3.	Mrs. Sandhuro Rani	43,760	25.01
4.	Mrs. Selena Bijli	10	00.01
	Total	**175,000**	**100**

PEPL has also issued preference shares to the following shareholders, which are convertible into equity after a period of seven years from the respective dates of issue of the preference shares. The final tranche of preference shares may be converted into equity shares on March 28, 2008.

Sl. No.	Name of shareholder	Number of preference shares	% of Issued preference capital
1.	Mr. Ajjay Bijli	35,000	46.67
2.	Mr. Sanjeev Kumar	20,000	26.67
3.	Mrs. Sandhuro Rani	20,000	26.67
	Total	**75,000**	**100**

Board of Directors:

The board of directors of PEPL comprises of Mr. Ajjay Bijli, Mr. Sanjeev Kumar and Mr. Rammurti Bhardwaj.

Financial performance:

The unconsolidated financial results for PEPL for fiscal 2003, fiscal 2004 and fiscal 2005 are as follows:

(Rs. in million, except per share data)

	As of March 31,		
	2005	**2004**	**2003**
Total income	14.43	47.44	127.06
Profit/ (Loss) after tax	5.60	7.63	15.09
Equity share capital	17.50	17.50	9.50
Reserves and surplus	39.89	34.29	26.40
Earnings/ (Loss) per share (Rs.)	31.99	67.19	158.89
Book Value per share (Rs.)	327.92	455.95	377.87

PEPL's PAN, Bank Account Details, Promoters Registration Number and Address of ROC

PEPL has confirmed the following details:

PAN	AAACP3509N.
Bank Account Details	HDFC Limited, 0032000027928.
Registration Number	7161.
Address of ROC	B-Block, Paryavaran Bhawan, CGO Complex, Lodi Road, New Delhi 110 003.

PEPL has further confirmed the above will be submitted to the Stock Exchanges at the time of filing the Red Herring Prospectus with them. Further, PEPL has confirmed that it is not detained as willful defaulters by the Reserve Bank of India or any other governmental authority and there are no violations of securities laws committed by them in the past or are pending against them.

Payment of benefits to PEPL within the last two years

PEPL had executed a service agreement with our Company for rendering advisory services relating to management, technical and operational issues to our Company which expired on March 31, 2004. Pursuant to this service agreement our Company, had paid management fees to PEPL at the rates given below:

For the period between November 17, 1998 to June 30, 2003, the fee to be received was as follows:

(i) for the first three projects at the rate of 4% of the revenue (net of taxes) of our Company;

(ii) after the establishment of first three projects and with the commencement of the fourth project and upto five projects, 3.5% of revenue (net of taxes) of our Company.

(iii) after the establishment of five projects i.e., sixth project onwards fee shall be 3% of the revenue (net of taxes) of our Company.

For the period between July 1, 2003 and March 31, 2004, PEPL received quarterly management fee of Rs. 2,000,000 from our Company for rendering services.

Bijli Investments Private Limited

BIPL was incorporated on January 5, 1987 with the name Ajay Bijli Motor and General Finance Private Limited. Currently, the name of the company is Bijli Investments Private Limited with effect from January 10, 2003. The promoters of BIPL are Mr. Ajjay Bijli and Mrs. Sandhuro Rani.

BIPL is an investment company and was previously engaged in the business of providing assets to the group companies on lease/hire purchase basis. Currently, BIPL is not engaged in any business and it is an asset owning company.

As on the date of filing this Red Herring Prospectus, BIPL is a Promoter of our Company and holds 28.65% of the shareholding of our Company. Currently, it has no other operations or business.

Shareholding Pattern:

The equity shares of BIPL are not listed on any stock exchange. The shareholding pattern of BIPL, as of September 14, 2005, is as given below:

Sl. No.	Name of shareholder	Number of equity shares	% of issued equity capital
1.	Mr. Ajjay Bijli	24,810	10.38
2.	Mrs. Sandhuro Rani	7,190	3.01
3.	Mr. Sanjeev Kumar	109,430	45.80
4.	Priya Exhibitors Private Limited	97,500	40.81
	Total	**238,930**	**100**

BIPL has also issued preference shares to the following shareholders which are convertible into equity after a period of seven years from the respective dates of issue of the preference shares. The final tranche of preference shares may be converted into equity on May 30, 2008.

Sl. No.	Name of shareholder	Number of preference shares	% of issued preference capital
1.	Mr. Sanjeev Kumar	50,000	23.70
2.	Priya Exhibitors Private Limited	75,000	35.55
3.	Mr. Ajjay Bijli	78,500	37.20
4.	Mrs. Sandhuro Rani	7,500	3.55
	Total	**211,000**	**100**

Board of Directors:

The board of directors of BIPL comprises of Mr. Ajjay Bijli, Mr. Sanjeev Kumar and Mrs. Sandhuro Rani.

Financial Performance:

The unconsolidated financial results for BIPL for fiscal 2003, fiscal 2004 and fiscal 2005 are as follows:

(Rs. in million, except per share data)

	As of March 31,		
	2005	**2004**	**2003**
Total income	2.28	2.01	0.70
Profit/ (Loss) after tax	1.24	0.44	-
Equity share capital	23.89	21.49	2.00
Reserves and surplus	3.40	2.16	1.72
Earnings/ (Loss) per share (Rs.)	5.43	7.63	-
Book Value per share (Rs.)	119.19	409.96	185.84

PAN, bank account details, Promoters' registration number and address of ROC

BIPL has confirmed the following details:

BIPL's PAN	AAACA2250M.
Bank Account Details	ICICI Bank. CA 000705001166
Registration Number	26585.
Address of ROC	B-Block, Paryavaran Bhawan, CGO Complex, Lodi Road, New Delhi 110 003.

BIPL has further confirmed the above will be submitted to the Stock Exchanges at the time of filing the Red Herring Prospectus with them. Further, BIPL has confirmed that it is not detained as a willful defaulter by the Reserve Bank of India or any other Governmental authority and there are no violations of securities laws committed by it in the past or are pending against it.

Promoter Group Companies

Our Promoter Group companies are as follows:

(i) The Amritsar Transport Company Private Limited;

(ii) ATC Carriers Private Limited; and

(iii) Leisure World Limited

The Amritsar Transport Company Private Limited ("ATCL")

The ATCL was incorporated on February 8, 1944. ATCL is a general freight carrier. Its promoters are the late Mr. Lala Sain Dass, Mr. Lala Madan Lal, Mr. Lala Sant Ram, Mr. Lala Harjasmal and Mr. S. Mahajan Singh.

The equity shares of ATCL are not listed on any stock exchange. The shareholding pattern of ATCL, as of March 31, 2005, is as given below:

Sl. No.	Name of shareholder	Number of shares	% of issued capital
1.	Mr. Rajwant Singh	160	0.08
2.	Mrs. Sandhuro Rani	123	0.06
3.	Mr. Ajjay Bijli	185,594	95.18
4.	Mr. Jag Mohan Mehra	4,480	2.30
5.	Ms. Vijay Mehra	4,627	2.37
6.	Bijli Investments Private Limited	16	0.01
	Total	**195,000**	**100**

Board of Directors:

The board of directors of ATCL comprises of Mr. Hira Lal Khanna and Mrs. Sandhuro Rani.

Financial Performance:

The unconsolidated financial results for ATCL for fiscal 2005, fiscal 2004 and fiscal 2003 are as follows:

(Rs. in million, except per share data)

	As of March 31,		
	2005	**2004**	**2003**
Total income	286.26	270.37	258.44
Profit/ (Loss) after tax	6.96	3.00	(5.46)
Equity share capital	19.50	19.50	19.50
Reserves and surplus#	0.51	(6.45)	(9.46)
Earnings/ (Loss) per share (Rs.)	35.69	15.40	(90.49)
Book Value per share (Rs.)	102.59	66.90	166.35

Excluding revaluation reserves

Significant notes in the auditor's report for fiscal 2003:

For fiscal 2003 the auditor has qualified the accounts of ATCL in its report on account of non provision of gratuity and non provision of deferred tax asset. There are no significant notes in the auditor's report for fiscal 2004 and fiscal 2005.

Management comment appearing in the notes to accounts for fiscal 2003 states that they have quantified the acturial valuation of liability of gratuity and leave encashment as Rs. 9.01 million and that since ATCL had brought forward losses amounting to Rs. 10.60 million, no deferred tax asset has been created in accounts.

ATC Carriers Private Limited ("ATC Carriers")

ATC Carriers was incorporated on June 4, 1996 as a public limited company and obtained its certificate of commencement of business on November 26, 1996. With effect from May 27, 2002 it was converted into a private limited company. It is primarily involved in the business of an express cargo agent. Its promoters are Mr. Ajjay Bijli and Mrs. Sandhuro Rani.

Shareholding Pattern

The equity shares of ATC Carriers are not listed on any stock exchange. The shareholding pattern of ATC Carriers, as of September 14, 2005, is as given below:

Sl. No.	Name of shareholder	Number of shares	% of Issued capital
1.	Mr. Ajjay Bijli	10,100	48.79
2.	Mrs. Sandhuro Rani	10,100	48.79
3.	Mrs. Selena Bijli	100	0.48
4.	Mr. Ravi Khanna	100	0.48
5.	Mr. Rammurthi Bhardwaj	100	0.48
6.	Mr. Hira Lal Khanna	100	0.48
7.	Mr. Jagdish Khanna	100	0.48
	Total	**20,700**	**100**

Board of directors:

The board of directors of ATC Carriers comprises of Mr. Ajjay Bijli, Ms. Selena Bijli and Mrs. Sandhuro Rani.

Financial performance:

The unconsolidated financial results for ATC Carriers for fiscal 2003, fiscal 2004 and fiscal 2005 are as follows:

(Rs. in million, except per share data)

	As of March 31,		
	2005	**2004**	**2003**
Total income	3.25	3.55	4.50
Profit/ (Loss) after tax	0.23	(0.03)	(0.51)
Equity share capital	0.21	0.21	0.21
Reserves and surplus	(0.21)	(0.44)	(0.41)
Earnings/ (Loss) per share (Rs.)	11.00	(1.60)	(24.57)
Book Value per share (Rs.)	(0.17)	(11.28)	(9.78)

Significant notes in the auditor's report for fiscal 2003 and fiscal 2005:

For fiscal 2003 and fiscal 2005 the auditor has qualified the accounts of ATC Carriers in its report on account of non provision of liability of ATC Carriers on account of leave encashment and gratuity. There are no significant notes in the auditor's report for fiscal 2004.

Management comment appearing in the notes to accounts for both fiscal 2003 and fiscal 2005 states that liability for gratuity and leave encashment will be accounted for in the year in which payment is ascertained and becomes payable.

Leisure World Limited ("LWL")

LWL was incorporated on December 14, 1994. LWL is an asset owning company and owns the premises of the PVR Anupam cinema. Its promoters are Mr. Ajjay Bijli and Mrs. Sandhuro Rani.

Shareholding pattern

The equity shares of LWL are not listed on any stock exchange. The shareholding pattern of LWL, as on March 31, 2005, is as given below:

Sl. No.	Name of shareholder	Number of shares	% of issued capital
1.	Mr. Ajjay Bijli	955,100	99.43
2.	Mrs. Selena Bijli	100	0.01
3.	Mrs. Sandhuro Rani	100	0.01
4.	Mr. Sanjeev Kumar	5,000	0.52
5.	Mr. H.L. Khanna	100	0.01
6.	Mr. Jagdish Khanna	100	0.01
7.	Mr. Sanjay Khanna	100	0.01
	Total	**960,600**	**100**

Board of directors:

The board of directors of LWL comprises of Mr. Ajjay Bijli, Mr. Sanjeev Kumar and Mrs. Sandhuro Rani.

Financial performance:

The unconsolidated financial results for LWL for fiscal 2003, fiscal 2004 and fiscal 2005 are as follows:

(Rs. in million, except per share data)

	As of March 31,		
	2005	**2004**	**2003**
Total income	6.80	Nil	Nil
Profit/ (Loss) after tax	0.27	(0.68)	(0.01)
Equity share capital	9.61	0.10	0.10
Reserves and surplus	(0.83)	(1.41)	(0.42)
Earnings/ (Loss) per share (Rs.)	0.55	(66.22)	(0.73)
Book Value per share (Rs.)	18.06	(126.45)	(30.85)

Companies from which Promoters have disassociated during preceding three years

There are no companies from which our Promoters have disassociated during the preceding three years.

Companies for which application has been made for striking of name

An application has been made to the registrar of companies to strike off the name of a company named One One Film Private Limited. The Company had not transacted any business since incorporation. The name of the Company was struck off by the registrar on July 31, 2003. No litigation defaults, etc. are pending in respect of One One Film Private Limited.

RELATED PARTY TRANSACTIONS

We have various transactions with related parties, including the following:

(i) Subsidiaries;

(ii) Promoter Group companies and associates; and

(iii) Directors and employees.

We have given the following inter corporate deposit to our subsidiary PVR Pictures, in which Mr. Ajjay Bijli and Mr. Sanjeev Kumar are directors and also hold 100 equity shares each, the beneficial interest in which lies with our Company:

Lender	Debtor	Loan Details
PVR	PVR Pictures	Inter corporate deposit of Rs. 2,000,000.

For more details on our related party transactions please see Annexure IV-B, paragraph 17 in the section titled "Financial Statements" beginning on page 131.

DIVIDEND POLICY

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

In the last five fiscal years we have paid dividend at 10% for fiscal 2002.The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future. Dividends are paid in our Company through issuance of dividend warrants.

Some of our loan agreements and sanction letters from our lenders contain a condition that dividends may not be paid if there are dues owed to the lenders or if there are subsisting events of default in respect of the loan facility with the respective lenders. Some other such arrangements contain the condition that a dividend payout higher than a specified percentage (10% or 20%) would require the consent of the respective lender and that we may make payments of dividends only out of current year profits after making provisions for all expenses and liabilities, including repaying the dues of the lenders. For a description of these and other restrictive covenants in the agreements and sanction letters with the lenders please see the section titled "Financial Indebtedness" beginning on page 81.

FINANCIAL STATEMENTS

PVR LIMITED

UNCONSOLIDATED SUMMARY STATEMENT OF ASSETS AND LAIBILITIES, SUMMARY STATEMENT OF PROFIT AND LOSS AND CASH FLOWS, AS RESTATED, UNDER INDIAN GAAP FOR THE SIX MONTHS PERIOD ENDED SEPTEMBER 30, 2005 AND YEARS ENDED MARCH 31, 2005, MARCH 31, 2004, MARCH 31, 2003, MARCH 31, 2002 & MARCH 31, 2001

AUDITOR'S REPORT

To,

The Board of Directors
PVR Limited
61, Basant Lok,
Vasant Vihar
New Delhi – 110 057

Dear Sirs,

We have examined the financial information of PVR Limited ('the Company'/ 'PVR'), as attached to this report stamped and initialed by us for identification and as approved by the Board of Directors, which has been prepared in accordance with Part II of Schedule II of the Companies Act, 1956 ('the Act') and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 as amended vide Circular No. 11 on August 14, 2003 and Circular No. 14 on January 25, 2005 ('the Guidelines') issued by Securities and Exchange Board of India ('SEBI') on January 19, 2000 in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related clarifications, and in accordance with the instructions received by us from the Company requesting us to carry out work in connection with the Red Herring Prospectus being issued by the Company in connection with its Initial Public Offering of Equity Shares (referred to as 'the Issue').

A. Financial Information as per the audited financial statements

We have examined the attached restated Balance Sheets of the Company as at September 30, 2005, March 31, 2005, March 31, 2004, March 31, 2003, March 31, 2002 and March 31, 2001 (Annexure II) and the attached restated statements of Profit and Loss Account for the six months period ended September 30, 2005 and years ended March 31, 2005, March 31, 2004, March 31, 2003, March 31, 2002 and March 31, 2001 respectively (Annexure I) and the attached restated statements of Cash Flows for the six months period ended September 30, 2005 and years ended March 31, 2005, March 31, 2004, March 31, 2003, March 31, 2002 and March 31, 2001 respectively (Annexure III), together referred to as 'Restated Summary Statements'. These Restated Summary Statements have been extracted from the financial statements after making such adjustments and regroupings as in our opinion are appropriate and more fully described in notes appearing in Annexure IV B to this report for these periods audited by us and have been approved/ adopted by the Board of Directors/members for the respective periods. Based on our examination of these Restated Summary Statements, we confirm that:

1. The accounting policies have been consistently applied by the Company (as disclosed in Annexure IV A) and are consistent with those used in the previous year.
2. There are no qualifications in the auditors' report which require adjustments to the Restated Summary Statements.
3. There are no extra-ordinary items, which need to be disclosed separately in the Restated Summary Statements.
4. Rate of Dividend as disclosed in Annexure V.

   Also attached are the summary financial statements of a subsidiary of the Company (CR Retail Malls (India) Private Limited) as at and for the six months period ended September 30, 2005 and for the period from October 4, 2004 to March 31, 2005 as attached in Appendix A to this report as adopted by the Board of Directors of the subsidiary company. We have accepted the relevant summary financial statements in respect of the aforesaid entity listed in Appendix A of this report for the respective periods, which were audited by other auditors (M/s Girish Associates). The financial statements of the Company's subsidiary as referred above have not been consolidated into the attached Restated Summary Financial Statements of the Company. CR Retail Malls (India)

Private Limited became the subsidiary of the Company on October 4, 2004 and accordingly, only the proportionate profit/loss and assets/liabilities as at and for the six months period ended September 30, 2005 and period ended March 31, 2005, concern the members of the Company.

Also, attached are the summary financial statements of another subsidiary of the Company (PVR Pictures Limited) as at and for the period from April 5, 2005 to September 30, 2005 as attached in Appendix B to this report as adopted by the Board of Directors of the subsidiary company. We have accepted the relevant summary financial statements in respect of the aforesaid entity listed in Appendix B of this report for the period ended September 30, 2005, which were audited by other auditors (M/s Ashok Arora & Company). The financial statements of the Company's subsidiary as referred above have not been consolidated into the attached Restated Summary Financial Statements of the Company. PVR Pictures Limited, became the subsidiary of the Company on April 5, 2005 and accordingly, only the proportionate profit/loss and assets/liabilities as at and for the period ended September 30, 2005, concern the members of the Company.

Also, attached are the summary financial statements of a partnership firm (PVR Factory Distribution Network) in which one of the subsidiaries i.e. PVR Pictures Limited, is a partner, as at and for the period from April 5, 2005 to September 30, 2005 as attached in Appendix C to this report as adopted by the partners of the firm. We have accepted the relevant summary financial statements in respect of the aforesaid entity listed in Appendix C of this report for the period ended September 30, 2005, which were audited by other auditors (M/s Girish Neelam & Associates). The financial statements of the partnership firm as referred above have not been consolidated into the attached Restated Summary Financial Statements of the Company. PVR Pictures Limited, became the subsidiary of the Company on April 5, 2005 and accordingly, only the proportionate profit/loss and assets/liabilities of the proportionate share of PVR Factory Distribution Network as at and for the period ended September 30, 2005, concern the members of the Company.

B. Other financial information

We have examined the following financial information relating to PVR Limited proposed to be included in the Red Herring Prospectus, as approved by you and annexed to this report:

i) Notes to Accounts (including schedule of share capital, reserves and surplus, miscellaneous expenditure, investments, inventories, debtors, other current assets, loans and advances, current liabilities, provisions, deferred tax liabilities (net), secured loans and unsecured loans) enclosed as Annexure IV B.

ii) Summary of accounting ratios based on the profits relating to earnings per share, net asset value and return on net worth enclosed as Annexure VI.

iii) Capitalisation Statement of the Company enclosed as Annexure VII.

iv) Tax Shelter Statement of the Company enclosed as Annexure VIII.

v) Details of items of other income which exceed 20 per cent of the restated net profit before tax enclosed as Annexure IX.

In our opinion, the financial information of the Company, as attached to this report, as mentioned in paragraphs (A) and (B) above, read with respective significant accounting policies and notes to accounts, after making groupings adjustments, has been prepared in accordance with Part II of Schedule II of the Act and the Guidelines issued by SEBI.

This report is intended solely for use for your information and for inclusion in the Red Herring Prospectus in connection with the Issue and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S.R. Batliboi & Co.
Chartered Accountants

Per Anil Gupta
Partner
Membership No. 87921
Place: New Delhi
Dated: November 7, 2005.

Annexure I

PVR LIMITED

SUMMARY STATEMENT OF PROFIT AND LOSS ACCOUNT

The Profit and Loss Account of PVR Limited for six months period ended September 30, 2005 and years ended March 31, 2005, March 31, 2004, March 31, 2003, March 31, 2002 and March 31, 2001 respectively, read with significant accounting policies (Refer Annexure IV A below) and notes to accounts (Refer Annexure IV B below), after making restatements and grouping adjustments are set out below:

Amount (Rs in Millions)

Particulars	Six months period ended 30-Sep-05	Year ended 31-Mar-05	Year ended 31-Mar-04	Year ended 31-Mar-03	Year ended 31-Mar-02	Year ended 31-Mar-01
INCOME						
Turnover						
Sale of Tickets of Films	464.11	603.19	417.07	395.81	303.89	194.62
Income from Revenue Sharing	27.62	-	-	-	-	-
Sale of Film Rights and Distribution of Films	1.96	0.50	1.40	2.69	0.93	-
Sale of Food and Beverages	129.56	155.83	110.50	86.99	65.83	42.68
Royalty income (to the extent of pouring fee, from a customer)	5.60	8.74	6.60	5.44	4.24	2.23
Advertisement Revenue	47.70	91.13	60.35	45.95	27.45	13.41
Management fees	4.91	1.01	-	-	-	-
Gross Operating Income	**681.46**	**860.40**	**595.92**	**536.88**	**402.34**	**252.94**
Less Entertainment tax on Sale of Tickets	**122.36**	**156.99**	**105.29**	**148.17**	**111.22**	**72.57**
Less Sales Tax & Service Tax on other revenues	**15.91**	**17.01**	**8.97**	**5.36**	**4.79**	**2.79**
Net Operating Income	**543.19**	**686.40**	**481.66**	**383.35**	**286.33**	**177.58**
Other Income	**13.92**	**20.26**	**15.71**	**10.30**	**5.89**	**2.28**
Total Income	**557.11**	**706.66**	**497.37**	**393.65**	**292.22**	**179.86**
EXPENDITURE						
Direct Cost	186.85	226.56	176.58	130.90	95.11	62.53
Personnel Cost	55.47	74.39	58.85	40.37	25.69	11.74
Employee Compensation Expenses Under Employee Share Purchase Scheme	4.46	-	-	-	-	-
Operating Cost	143.49	189.27	127.91	95.12	68.08	37.12
Selling Cost	23.36	41.27	19.00	25.61	13.40	10.29
Administrative and Other Cost	31.47	43.40	31.19	25.16	23.49	21.43
Total Expenditure	**445.10**	**574.89**	**413.53**	**317.16**	**225.77**	**143.11**
Profit (EBITDA)	**112.01**	**131.77**	**83.84**	**76.49**	**66.45**	**36.75**
Interest charges	16.15	23.87	19.10	18.81	15.48	8.52
Profit before Depreciation and Tax	**95.86**	**107.90**	**64.74**	**57.68**	**50.97**	**28.23**
Depreciation/amortization	33.39	55.18	38.42	30.29	24.17	12.44
Profit before Tax	**62.47**	**52.72**	**26.32**	**27.39**	**26.80**	**15.79**
Current Tax Expense	(20.50)	(7.60)	(1.68)	(3.92)	(2.10)	(2.26)
Fringe Benefit Tax	(1.60)	-	-	-	-	-
Deferred Tax charge	(1.65)	(8.63)	(9.03)	(5.18)	(8.46)	(2.57)
Total Tax expense	23.75	16.23	10.71	9.09	10.56	4.83
Net profit for the year/period	**38.72**	**36.49**	**15.61**	**18.30**	**16.24**	**10.96**
Brought Forward Profit from Previous Year	86.68	58.24	57.20	38.90	31.69	20.73
Amount available for appropriation	**125.40**	**94.73**	**72.81**	**57.20**	**47.93**	**31.69**
Appropriations						
- Interim Dividend (Subject to deduction of Tax)	-	-	-	-	9.03	-
- Transfer to Debenture Redemption Reserve	-	8.05	14.57	-	-	-
Profit carried to Balance Sheet	**125.40**	**86.68**	**58.24**	**57.20**	**38.90**	**31.69**

The accompanying Significant Accounting Policies (Annexure IV A below) and Notes to Accounts (Annexure-IV B below) form an integral part of this statement.

Annexure II

PVR LIMITED

SUMMARY STATEMENT OF ASSETS AND LIABILITIES

Assets and Liabilities of PVR Limited at the end of each financial year/period, read with significant accounting policies (Refer Annexure IV A below) and notes to accounts (Refer Annexure IV B below), after making restatements and grouping adjustment are set out below:

Amount (Rs in Millions)

As at	September 30, 2005	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
APPLICATION OF FUNDS						
Fixed Assets :						
Gross Block	848.32	828.98	480.65	316.69	313.27	157.29
Less : Depreciation	190.64	159.45	111.72	74.12	52.69	33.41
Net Block	657.68	669.53	368.93	242.57	260.58	123.88
Capital work in progress including capital advances	530.60	137.55	84.63	109.06	2.28	24.53
Expenditure during construction period (Pending Allocation)	97.34	37.74	32.17	31.89	6.62	13.70
	1,285.62	844.82	485.73	383.52	269.48	162.11
Intangible Assets (net of amortisation and including capital work in progress, capital advances and expenditure during development stage)	2.78	2.91	2.81	0.48	0.77	-
Total	**1,288.40**	**847.73**	**488.54**	**384.00**	**270.25**	**162.11**
Investments:	**27.10**	**12.10**	**5.00**	**-**	**-**	**-**
Current Assets, Loans and Advances:						
Interest Accrued on Long Term Investments	0.69	0.47	0.05	-	-	-
Inventories	6.98	6.78	3.08	3.56	3.06	1.98
Sundry Debtors	38.89	24.60	25.95	4.83	10.43	7.12
Cash & Bank Balances	183.26	94.94	26.20	96.54	57.69	23.79
Other Current Assets	0.42	0.81	0.66	0.62	0.70	0.45
Loans and Advances	244.87	203.08	177.01	96.92	43.14	32.63
Total (A)	**475.11**	**330.68**	**232.95**	**202.47**	**115.02**	**65.97**
Current Liabilities and Provisions:						
Current Liabilities	208.70	145.57	87.09	101.89	64.37	29.19
Provisions	32.36	10.59	2.61	10.20	14.14	2.46
Total (B)	**241.06**	**156.16**	**89.70**	**112.09**	**78.51**	**31.65**
Net Current Assets (A-B)	**234.05**	**174.52**	**143.25**	**90.38**	**36.51**	**34.32**
Total	**1,549.55**	**1,034.35**	**636.79**	**474.38**	**306.76**	**196.43**
SOURCES OF FUNDS						
Deferred Tax Liabilities (Net)	44.57	42.92	34.94	26.49	21.31	12.85
Loan Funds						
Secured Loans	685.88	455.07	233.34	176.64	145.05	78.52
Unsecured Loans	50.00	10.00	69.00	67.88	-	1.87
Total	**780.45**	**507.99**	**337.28**	**271.01**	**166.36**	**93.24**
Net worth	**769.10**	**526.36**	**299.51**	**203.37**	**140.40**	**103.19**
Represented by						
Equity Share Capital	171.77	170.97	133.12	101.50	101.50	41.50
Preference Share Capital	200.00	-	-	-	-	-
Advance against Share Capital	-	-	-	50.00	-	30.00
Securities Premium Account	257.13	251.53	104.33	-	-	-
Debenture Redemption Reserve	22.60	22.60	14.56	-	-	-
Profit & Loss Account	125.40	86.68	58.24	57.20	38.90	31.69
Miscellaneous Expenditure	(7.80)	(5.42)	(10.74)	(5.33)	-	-
(To the extent not Written off or adjusted)						
Net worth	**769.10**	**526.36**	**299.51**	**203.37**	**140.40**	**103.19**

The accompanying Significant Accounting Policies (Annexure IV A below) and Notes to Accounts (Annexure-IVB below form an integral part of this statement.

Annexure III

PVR LIMITED
CASH FLOW STATEMENT AS RESTATED

Amount (Rs in Millions)

	Six months period ended 30-Sep-05	Year ended 31-Mar -05	Year ended 31-Mar -04	Year ended 31-Mar -03	Year ended 31-Mar -02	Year ended 31-Mar -01
Cash flow from operating activities:						
Net profit before taxation	**62.47**	**52.72**	**26.32**	**27.39**	**26.80**	**15.79**
Adjustments for :						
Depreciation/amortisation	33.39	55.18	38.42	30.29	24.17	12.44
Loss on disposal of fixed assets (net)	2.03	2.43	1.26	2.79	2.15	3.46
Interest income	(0.89)	(3.04)	(2.18)	(2.82)	(1.68)	(0.35)
Interest expense	16.15	23.87	19.10	18.81	15.48	8.52
Employee Compensation Expenses under Share Purchase Scheme	4.46					
Provision for doubtful debts and advances (net)	0.22	(0.22)	(0.13)	0.34	0.26	-
Operating profit before working capital changes	**117.83**	**130.94**	**82.79**	**76.80**	**67.18**	**39.86**
Movements in working capital :						
Decrease/(Increase) in sundry debtors	(14.51)	1.57	(21.12)	5.40	(3.33)	(4.10)
(Increase)/Decrease in inventories	(0.21)	(3.70)	0.48	(0.50)	(1.08)	(1.44)
(Increase) in loans and advances and other current assets	(54.78)	(15.73)	(69.47)	(39.02)	(7.73)	(23.95)
Increase/(Decrease) in current liabilities and provisions	62.14	70.27	(25.54)	38.72	35.25	8.25
Cash generated from/(used in) operations	**110.47**	**183.35**	**(32.86)**	**81.40**	**90.29**	**18.62**
Direct taxes paid (net of refunds)	**4.51**	**6.53**	**4.83**	**4.63**	**3.02**	**2.43**
Net cash from/(used in) operating activities	**105.96**	**176.82**	**(37.69)**	**76.77**	**87.27**	**16.19**
Cash flows from investing activities						
Purchase of fixed assets	(465.72)	(405.72)	(140.18)	(138.77)	(127.61)	(44.12)
Purchase of intangible assets	(0.14)	(2.69)	(2.66)	(4.19)	(4.45)	-
Proceeds from sale of fixed assets	1.05	0.39	0.22	0.02	0.35	1.64
Purchase of investments/ advance against share capital	(0.50)	(21.60)	(5.00)	(10.00)	-	-
Deposits given to other company	-	(4.50)	(18.00)	-	-	-
Deposits refunded by other company	3.00	13.50	4.00	-	-	-
Interest received	1.90	3.45	3.58	3.00	1.28	0.62
Net cash (used in) investing activities	**(460.41)**	**(417.17)**	**(158.04)**	**(149.94)**	**(130.43)**	**(41.86)**

	Six months period ended 30-Sep-05	Year ended 31-Mar -05	Year ended 31-Mar -04	Year ended 31-Mar -03	Year ended 31-Mar -02	Year ended 31-Mar -01
Cash flow from financing activities						
Proceeds from issuance of share capital	201.60	114.89	100.19	50.00	30.00	30.00
Proceeds from long term borrowings	160.36	260.00	263.43	51.43	82.20	19.43
Repayment of long term borrowings	(29.55)	(38.27)	(141.80)	(19.84)	(10.67)	(6.53)
Proceeds from short term borrowings	140.00	10.00	4.08	90.00	-	10.58
Repayment of short term borrowings	-	(4.08)	(67.88)	(22.12)	(6.87)	(5.00)
Expenditure on share/debenture placement/ issue	(2.38)	(0.09)	(10.22)	(5.33)	-	-
Interest paid	(27.26)	(33.36)	(22.41)	(23.09)	(17.60)	(8.38)
Interim dividend paid	-	-	-	(9.03)	-	-
Net cash from financing activities	**442.77**	**309.09**	**125.39**	**112.02**	**77.06**	**40.10**
Net increase/(decrease) in cash and cash equivalents (A + B + C)	**88.32**	**68.74**	**(70.34)**	**38.85**	**33.90**	**14.43**
Cash and cash equivalents at the beginning of the year	**94.94**	**26.20**	**96.54**	**57.69**	**23.79**	**9.36**
Cash and cash equivalents at the end of the year	**183.26**	**94.94**	**26.20**	**96.54**	**57.69**	**23.79**
Components of cash and cash equivalents as at 31st March						
Cash and cheques on hand	3.45	3.86	0.98	2.56	2.87	1.64
With banks- on current accounts	16.39	12.54	4.90	63.87	7.51	16.79
- on deposits accounts	163.42	78.54	20.32	30.11	47.31	5.36
Total	**183.26**	**94.94**	**26.20**	**96.54**	**57.69**	**23.79**

Notes:

1. The above cash flow statement has been prepared under the indirect method as set out in Accounting Standard-3 on "Cash Flow Statements".
2. The above cash flow statement does not include conversion of Optionally Convertible Debentures (OCD) into equity shares during the year ended March 31, 2005 since it does not involve any cash flow.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of Significant Accounting Policies

(a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis.

(b) Fixed Assets

Fixed Assets are stated at Cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any directly attributable cost of bringing the asset in its working condition for its intended use. Financing costs relating to acquisition of qualifying Fixed Assets are also included to the extent they relate to the period till such assets are ready for their intended use.

Leasehold improvements represent expenses incurred towards civil works, interior furnishings, etc. on the leased premises at the various locations.

(c) Depreciation

Leasehold improvements are amortized over the estimated useful lives or unexpired period of lease (whichever is lower) on a straight line basis.

Depreciation on all other assets is provided on Straight-Line Method at the rates computed based on estimated useful lives of the assets, which are equal to the corresponding rates prescribed in Schedule XIV to the Companies Act, 1956.

(d) Intangibles

Website Development Cost

Cost incurred on development of website is capitalized and is amortised on a Straight line basis over its estimated useful life of three years.

Software

Cost relating to purchased software is capitalised and amortised on a Straight-Line Basis over their estimated useful lives of six years.

Film Rights' Cost

Film rights cost is capitalised and amortised fully as and when the film is released.

(e) Expenditure on new projects and substantial expansion

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised as part of the indirect construction cost to the extent expenditure is related to construction or is incidental thereto. Other indirect expenditure (including borrowing costs) incurred during the construction period, which is not related to the construction activity nor is incidental thereto, is charged to the Profit & Loss Account. Income earned during construction period is adjusted against the total of the indirect expenditure.

All direct capital expenditure on expansion is capitalised. As regards indirect expenditure on expansion, only that portion is capitalised which represents the marginal increase in such expenditure involved as a result of capital expansion. Both direct and indirect expenditure are capitalised only if they increase the value of the asset beyond its originally assessed standard of performance.

(f) Investments

Investments that are intended to be held for more than a year are classified as long term investments. Long term investments are carried at cost. However, provision for diminution in the value is made to recognize a decline other than temporary in the value of investments.

(g) Inventories

Inventories are valued as follows:

Food and beverages	Lower of cost and net realizable value. Cost is determined on First In First Out Basis.
Stores and spares	Lower of cost and net realizable value. Cost is determined on First In First Out Basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost to make the sale.

(h) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Amount of entertainment tax, sales tax and service tax collected on generating operating revenue has been shown as a reduction from the operating revenue.

Sale of Tickets of Films

Revenue from sale of tickets of films is recognised as and when the film is exhibited.

Sale of Food and Beverages

Revenue from sale of food and beverages is recognised upon passage of title to customers, which coincides with their delivery.

Income from Distribution of films

Theatrical revenue from the distribution of films is accounted for on the basis of box office reports received from various exhibitors and revenue from the sale of satellite / TV rights is recognised at the time of initial transfer of right to the customer.

Sharing of Revenue

Income from Revenue Sharing is recognised in accordance with the terms of agreement with a party to operate and manage multi-screen cinema at East Delhi Mall (EDM) in coordinated manner.

Advertisement Revenue

Advertisement revenue is recognised as and when advertisement is displayed at the cinema halls.

Royalty income (to the extent of pouring fee received from a customer) and Management Fee Revenue

Revenue is recognised on an accrual basis in accordance with the terms of the relevant agreements.

Royalty income (to the extent of Sign on Fee from customers)

Revenue of one time sign on fee from customers is recognized on an annual basis as per the agreements. The amount of sign on fee received for unexpired period of agreements is deferred, which is recognized in the relevant year to which it pertains.

Interest Income

Interest revenue is recognised on a time proportion basis, taking into account the amount outstanding and the rates applicable.

Rent Income

Revenue from rent is recognized based upon the agreement, for the period the property has been let out.

(i) Foreign currency transactions

(i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are reported using the closing rate.

(iii) Exchange Differences

Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expense in the year in which they arise except gain or loss on transactions relating to acquisition of Fixed Assets/Intangibles from outside India, which is adjusted to the carrying amount of the Fixed Assets/Intangibles.

(j) Leases (Where the Company is the lessee)

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

(k) Deferred Revenue Expenditure

Share/Debenture Placement Expenses on Private Placement

Costs incurred in issuing shares/debentures are amortised proportionately over the projects already commissioned out of proposed projects for which the issue was floated, and amortised costs are adjusted against Securities Premium Account.

Share Issue expenses on Proposed Initial Public Offering

Proportionate write off of Share Issue Expenses incurred / to be incurred on the Proposed Initial Public Offering would be adjusted against the Securities Premium Account.

(l) Retirement and other employee benefits

i. Provident Fund contribution is charged to the Profit & Loss Account of the year when the contribution to the fund is due.

ii. The Company has created an approved gratuity fund for the future payment of gratuity to the employees. The Company accounts for the gratuity liability, based upon the actuarial valuation carried out at the year end, by an independent actuary.

iii. Provision for leave encashment is accrued and provided for on the basis of an actuarial valuation carried out by an independent actuary at the year end.

(m) Income taxes

Tax expense comprises both current and deferred taxes. Current income- tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such Deferred Tax Assets can be realised against future taxable profits. Unrecognised Deferred Tax Assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

(n) Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amounts of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

(o) Provisions

A provision is recognised when the Company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions except those disclosed elsewhere in the financial statements, are not discounted to their present value and are determined based on best management estimate required to settle the obligation at the each Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best management estimates.

(p) Earning Per share

Basic Earnings Per Share is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting dividend on preference shares and attributable taxes) by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year are adjusted for the events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares). Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting year.

For the purpose of calculating Diluted Earnings Per Share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

(q) Segment Reporting Polices

Identification of segments

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

Unallocated items

The Corporate and Other segment includes general corporate income and expense items which are not allocated to any business segment.

Annexure IV B

Notes to Accounts

1. Priya Village Roadshow Limited was incorporated on 26th April, 1995. The name of the Company has been changed to PVR Limited with effect from June 28, 2002.

   PVR Limited is in the business of film exhibition. The Company also earns revenue from in- cinema advertisements/ product displays and in-cinema sale of food and beverages.

2. Impact on profit and loss due to restatements and other material adjustments made to audited financial statements.

(Amount Rs. in Millions)

Particulars	Six Months period ended September 30, 2005	Year ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002	Year ended March 31, 2001	Brought forward balance as on April 1, 2000
Net Profit after tax as per audited Profit and Loss Account	38.72	37.44	15.55	18.66	24.63	13.82	31.36
Adjustment on account of:							
a) Deferred Tax Charge as per Accounting Standard 22 “Accounting for taxes on Income” (Refer Note (a) (i) below)	-		-	-	(8.45)	(2.57)	(10.28)
b) Income tax demands and refunds now adjusted in respective earlier financial years (Refer Note (b) (i) below)	-	(0.15)	0.58	0.15	-	(0.16)	(0.42)
c) Prior Period Income and Expenses, now adjusted in respective earlier financial years (Refer Note (b) (ii) below)	-		-	-	0.06	(0.13)	0.07
d) Deferred tax liability, now adjusted in respective earlier financial years based on income tax return filed subsequently (Refer Note (b) (iii) below)	-	(0.80)	0.68	0.12	-	-	-
e) Tax effect of shares/debenture placement expenses adjusted directly against Securities Premium Account (Refer Note No. b (iv) below)	-	-	(1.20)	(0.63)	-	-	-
Net Profit after tax as per restated Profit and Loss Account	**38.72**	**36.49**	**15.61**	**18.30**	**16.24**	**10.96**	**20.73**

(a) Adjustments resulting from restatement of accounting policies

(i) Deferred Tax Liability

The provision relating to Deferred Tax Liability as per Accounting Standard 22, "Accounting for taxes on income" issued by The Institute of Chartered Accountants of India, became mandatory for the Company from April 1, 2002. In accordance with the transitional provision, the accumulated Deferred Tax Liability upto the year ended March 31, 2002 amounting to Rs 21.31 millions has been adjusted from the brought forward Profit and Loss Account balance as on April 1, 2002, in the accounts for the year ended March 31, 2003.

However, for the purposes of restated profit and loss and restated assets and liabilities, the standard has been applied retrospectively.

(b) Other material adjustments

(i) Income tax demands and refunds

Income taxes provided in earlier years in respect of which either additional demand has been subsequently paid to the authorities or refunds have been subsequently received from the authorities, on completion of assessments, have been adjusted in the summary statement of profit and loss account of such years when such amounts were originally provided. Accordingly, adjustments have been made to the summary statement of profit and loss account, assets and liabilities, as restated, for the years ended March 31, 2001, 2002, 2003, 2004 and 2005 and the opening balance in summary statement of profit and loss account, assets and liabilities as on April 1, 2000 has been adjusted.

(ii) Prior Period Income and Expenses

Prior period income and expenses as reported in the financial statements or elsewhere of the year ended March 31, 2002 and 2001 have been adjusted in the summary statement of profit and loss account of such years to which these amounts pertain. Accordingly, adjustment has been made to the summary statement of profit and loss account, assets and liabilities, as restated, for the years ended March 31, 2002, 2001 and opening balance in the summary statement of profit and loss account, assets and liabilities as on April 1, 2000 has been adjusted.

(iii) Deferred Tax Liability

Deferred tax liability for the years ended March 31, 2005, 2004 and 2003 has been revised based on income tax return filed subsequently.

(iv) Tax effect of shares/debentures placement expenses adjusted directly against Securities Premium Account

The Company had during the years ended March 31, 2003, 2004 and 2005 incurred expenses on privately placed shares and debentures and proportionate writeoff of these expenses is being adjusted against the Securities Premium Account, as per practice followed. Pursuant to clarification dated 5th September,2005 by the Institute of Chartered Accountants of India, on tax effect of expenses adjusted against the reserves, the amount of above proportionate writeoff has now been adjusted net of income tax against the Securities Premium Account.

(c) Regroupings/Adjustments resulting from restatement of accounting policies / practices

(i) Intangible Assets

The provision relating to Intangible Assets as per Accounting Standard 26 on Intangible Assets issued by The Institute of Chartered Accountants of India became mandatory for the Company from April 1, 2003. Accordingly, the Company has capitalized the amount of additions made to software development, film rights and website cost under the Intangible Assets in the accounts for the year ended March 31, 2004. However, due to above change, there was no impact on the profit of the Company.

However for the purpose of regrouping of restated profit and loss and restated assets and liabilities, the standard has been applied retrospectively.

(ii) Segment Reporting

The provision relating to segment reporting as per Accounting Standard 17 on Segment Reporting issued by The Institute of Chartered Accountants of India became mandatory for the Company from April 1, 2002. Accordingly, the Company has adjusted the amount of Sale of Tickets, Food and Beverages and Business Promotion Expenses by the amount of complementary coupons in the accounts for the year ended March 31, 2003. However, due to above change, there was no impact on the profit of the Company.

However, for the purpose of regrouping of restated profit and loss, the Standard has been applied retrospectively.

(iii) Entertainment Tax, Sales Tax and Service Tax on Revenue.

The Company has, during the year ended March 31, 2005, decided to show the amount of entertainment tax, sales tax and service tax collected on generating operating revenue, as a reduction from the Operating revenue, which were shown under Expenditure side in the earlier years. Accordingly, said practice of disclosure has been applied retrospectively. This change has, however, no impact on the profit of the Company.

(iv) Royalty Income, to the extent of pouring fee, from a customer

The Company has during the six months period ended September 30, 2005, decided to show the amount of Royalty income (to the extent of pouring fee received from a customer), as part of Operating Income which was clubbed under the head Royalty income in the Schedule of Other Income in the audited financial statements for the years ended March 31, 2005, 2004, 2003, 2002 and 2001. Accordingly, figures of royalty income to the extent of pouring fee have been shown under operating income. This change has, however, no impact on the profit of the Company.

(d) Other Material Adjustments/Regroupings

The Company has adopted functional disclosures relating to expenses in each of the audited financial statements for the six months period ended September 30, 2005 and years ended March 31, 2005, 2004, 2003, 2002 and 2001. Accordingly, Film Distributors' Share, Consumption of Food and Beverages, Management Fees (included under Professional Charges in Operating and Other Expenses in the audited financial statements) and Indian News Reel charges and Commission paid to film distributors (included under Miscellaneous Expenses in Operating and Other Expenses in the audited financial statements) have been grouped under Direct Cost in the summary statement of profit and loss account. Rent, Electricity and Water Charges, Insurance Charges, Repair and Maintenance and Security Charges (included under Operating and Other Expenses in the audited financial statements) have been grouped under Operating Cost. Advertisement and Publicity, Business Promotion and Discount on Sales (included under Operating and Other Expenses in the audited financial statements) have been grouped under Selling Cost. Remaining expenses under Operating and Other Expenses and bank charges/ prepayment charges of Term Loans (included under Financial Expenses in the audited financial statements) have been grouped under Administrative and Other Cost in the summary statement of profit and loss account.

(e) Applicability of Other Accounting Standards

The provision relating to Accounting for Leases as per Accounting Standard 19 issued by the Institute of Chartered Accountants of India became mandatory for the Company with effect from April 1, 2001. The provision relating to Cash Flow Statement, Segment Reporting, Related Party Disclosure and Earnings Per Share as per Accounting Standards 3, 17, 18 and 20 respectively, issued by the Institute of Chartered Accountants of India, became mandatory for the Company with effect from April 1, 2002. The provision relating to Impairment of Assets and Provisions, Contingent Liabilities and Contingent Assets as per Accounting Standards 28 and 29 respectively issued by the Institute of Chartered Accountants of India became mandatory for the Company with effect from April 1, 2004. However, for the purpose of disclosure of Other Financial Information in respect of above, the aforesaid Accounting Standards have been applied retrospectively.

(f) Non Adjustment

The physical verification of fixed assets was not carried out during the year ended March 31, 2002 nor the discrepancy between the physical count and book records was adjusted in the years ended March 31, 2002 and 2001. The discrepancy between physical count and book records of the cost of Rs 0.64 million (WDV Rs. 0.51 million), being immaterial, has been adjusted in the accounts for the year ended March 31, 2003. The financial statements for the year ended March 31, 2002 and 2001 have not been restated, since the amount of above adjustment for those years has not been ascertained.

3. Schedule of Share Capital as at September 30, 2005, March 31, 2005, March 31, 2004, March 31, 2003, March 31, 2002 and March 31, 2001.

(Amount Rs. in Millions)

Particulars	As at September 30, 2005	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002	As at March 31, 2001
Authorised Capital						
Equity Shares	300.00	200.00	200.00	200.00	120.00	80.00
5% redeemable and non-cumulative Preference Shares	200.00	-	-	-	-	-
	500.00	**200.00**	**200.00**	**200.00**	**120.00**	**80.00**
Issued, Subscribed and Paid-up Capital						
Equity Shares	171.77	170.97	133.12	101.50	101.50	41.50
5% redeemable and non-cumulative Preference Shares	200.00	-	-	-	-	-
Advance against Share Capital	-	-	-	50.00	-	30.00
	371.77	**170.97**	**133.12**	**151.50**	**101.50**	**71.50**
Number of Equity shares held by Bijli Investments Private Limited (previously Bijli Investments Limited till January 20, 2003)	4,920,768	5,037,368	5,037,368	6,090,000	6,090,000	2,489,300
Number of 5% redeemable and non-cumulative Preference shares held by Mr. Ajjay Bijli, Chairman cum Managing Director	10,642,000	-	-	-	-	-

Note: These preference shares are redeemable at par after three years with a put and call option at the end of two years from the date of allotment.

4. **Schedule of Reserves and Surplus as at September 30, 2005, March 31, 2005, March 31, 2004, March 31, 2003, March 31, 2002 and March 31, 2001.**

(Amount Rs. in Millions)

Particulars	As at September 30, 2005	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002	As at March 31, 2001
Securities Premium Account	251.53	104.33	-	-	-	-
Add: Receipts on issue of shares under employees share purchase scheme	5.60	-	-	-	-	-
Add: Received during the period/year	-	141.96	118.57	-	-	-
Add: Premium on redemption of optionally convertible debentures written back	-	9.99	-	-	-	-
	257.13	**256.28**	**118.57**	**-**	**-**	**-**
Less: Share/debenture placement expenses written off (net of tax)	-	4.75	4.25	-	-	-
Less: Premium on redemption of optionally convertible debentures adjusted	-	-	9.99	-	-	-
	257.13	**251.53**	**104.33**	**-**	**-**	**-**
Debenture Redemption Reserve	22.60	14.56	-	-	-	-
Add: Created during the year	-	8.04	14.56	-	-	-
	22.60	**22.60**	**14.56**	**-**	**-**	**-**
Credit Balance of Profit and Loss Account	125.40	86.68	58.24	57.20	38.90	31.69
	125.40	**86.68**	**58.24**	**57.20**	**38.90**	**31.69**
Total	**405.13**	**360.81**	**177.13**	**57.20**	**38.90**	**31.69**

5. **Schedule of Miscellaneous Expenditure as at September 30, 2005, March 31, 2005, March 31, 2004, March 31, 2003, March 31, 2002 and March 31, 2001.**

(To the extent not written off or adjusted)

(Amount Rs. in Millions)

Particulars	As at September 30, 2005	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002	As at March 31, 2001
Share/debenture placement expenses						
As per last account	5.42	10.74	5.33	-	-	-
Add: Incurred during the period/year	2.38	0.09	10.22	5.33	-	-
	7.80	**10.83**	**15.55**	**5.33**	**-**	**-**
Less: Written off during the period/year	-	5.41	4.81	-	-	-
	7.80	**5.42**	**10.74**	**5.33**	**-**	**-**

During the earlier years, the Company has incurred expenses for the issue of 4,631,580 equity shares of a face value of Rs. 10 each for cash at a premium of Rs.37.50 per share and 2,315,790 Optionally convertible debentures (OCD) (comprises 1,791,850 OCD converted into equity shares and 523,940 equity shares directly issued in lieu of OCD, during the previous year) of a face value of Rs. 47.50 each at par to Western India Trustee and Executor Company Limited (India Advantage Fund-1), un-amortized balance Rs. 5.42 million. Proportionate write off of Share/debenture placement expenses incurred on above issue (to the extent of projects already commissioned out of the proposed projects for which the issue had been floated) has been adjusted against the securities premium account.

The Company has, during the period incurred expenses amounting to Rs. 2.38 million for the proposed initial public offering (IPO) of 7,700,000 equity shares (including offer for sale of 2,000,000 equity shares held by an existing shareholder). Proportionate writeoff of share issue expenses incurred till date / to be incurred on above issue would be adjusted against the securities premium account.

Expenses incurred during the period include Rs. 1.71 million and Rs. 0.06 million paid to statutory auditor towards certification charges and out of pocket expenses respectively for the proposed IPO.

6. Schedule of Investments as at September 30, 2005, March 31, 2005, March 31, 2004, March 31, 2003, March 31, 2002 and March 31, 2001.

(Amount Rs. in Millions)

Particulars	**As at September 30, 2005**	**As at March 31, 2005**	**As at March 31, 2004**	**As at March 31, 2003**	**As at March 31, 2002**	**As at March 31, 2001**
Long Term Investments (At Cost)						
A. In Subsidiary Company (Unquoted)						
710,000 equity shares of Rs.10/- each fully paid in CR Retail Malls (India) Private Limited	7.10	7.10	-	-	-	-
1,500,000 equity shares of Rs.10/- each fully paid in PVR Pictures Limited	15.00	-	-	-	-	-
B. Other than Trade (Unquoted) Government Securities (Deposited with Entertainment Tax Authorities)						
6 years National Savings Certificates *	5.00	5.00	5.00	-	-	-
* Held in the name of the Managing Director, in the interest of the Company.						
Total	**27.10**	**12.10**	**5.00**	**-**	**-**	**-**

7. Schedule of Inventories as at September 30, 2005, March 31, 2005, March 31, 2004, March 31, 2003, March 31, 2002 and March 31, 2001.

(Amount Rs. in Millions)

Particulars	As at September 30, 2005	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002	As at March 31, 2001
Food and beverages	2.14	1.28	0.66	0.44	0.34	0.28
Stores and spares	4.84	5.50	2.42	3.12	2.72	1.70
	6.98	**6.78**	**3.08**	**3.56**	**3.06**	**1.98**

8. Schedule of Debtors as at September 30, 2005, March 31, 2005, March 31, 2004, March 31, 2003, March 31, 2002 and March 31, 2001.

(Amount Rs. in Millions)

Particulars	As at September 30, 2005	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002	As at March 31, 2001
Debts outstanding for a period exceeding six months						
Secured, considered good	0.16	0.03	0.03	-	-	-
Unsecured, considered good	1.52	1.89	2.83	0.16	2.08	-
Unsecured, considered doubtful	0.22	-	0.22	0.22	0.01	0.06
Other debts						
Secured, considered good	1.51	1.24	0.37	-	-	-
Unsecured, considered good	35.70	21.45	22.71	4.67	8.35	7.06
	39.11	24.60	26.16	5.05	10.44	7.12
Less : Provision for doubtful debts	0.22	-	0.22	0.22	0.01	-
Total Sundry Debtors	**38.89**	**24.60**	**25.95**	**4.83**	**10.43**	**7.12**

9. Schedule of Other Current Assets as at September 30, 2005, March 31, 2005, March 31, 2004, March 31, 2003, March 31, 2002 and March 31, 2001.

(Amount Rs. in Millions)

Particulars	As at September 30, 2005	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002	As at March 31, 2001
Interest accrued on deposits and others	0.39	0.78	0.66	0.62	0.47	0.07
Insurance claim receivable	0.03	0.04	-	-	-	-
Fixed Assets held for Disposal	-	-	-	-	0.23	0.38
Total Other Current Assets	**0.42**	**0.81**	**0.66**	**0.62**	**0.70**	**0.45**

10. Schedule of Loans and Advances as at September 30, 2005, March 31, 2005, March 31, 2004, March 31, 2003, March 31, 2002 and March 31, 2001.

(Amount Rs. in Millions)

Particulars	**As at September 30, 2005**	**As at March 31, 2005**	**As at March 31, 2004**	**As at March 31, 2003**	**As at March 31, 2002**	**As at March 31, 2001**
Unsecured, Considered good						
Advances recoverable in cash or in kind or for value to be received	44.64	14.57	21.46	10.55	4.90	3.42
Inter-corporate deposits	2.00	5.00	14.00	-	-	-
Advance against share capital given to proposed subsidiaries	10.00	24.50	10.00	10.00	-	-
Advance payment of Income Tax/ Tax Deducted at Source/ Tax Refundable	16.44	11.93	7.06	10.56	5.90	2.88
Deposits – others	171.79	147.08	124.49	65.81	32.34	26.33
Unsecured, Considered doubtful						
Advances recoverable in cash or in kind or for value to be received	0.25	0.25	0.25	0.38	0.25	-
	245.12	203.33	177.26	97.30	43.39	32.63
Less : Provision for doubtful advances	0.25	0.25	0.25	0.38	0.25	-
Total Loans and advances	**244.87**	**203.08**	**177.01**	**96.92**	**43.14**	**32.63**
Deposits include:						
Outstanding from two private limited companies in which some of the directors of the Company are interested as directors	7.00	2.50	-	-	-	-
Advances recoverable include outstanding from a private limited company in which one of the director of the Company is interested as director	9.16	-	-	-	-	-

11. **Schedule of Current Liabilities as at September 30, 2005, March 31, 2005, March 31, 2004, March 31, 2003, March 31, 2002 and March 31, 2001.**

(Amount Rs. in Millions)

Particulars	**As at September 30, 2005**	**As at March 31, 2005**	**As at March 31, 2004**	**As at March 31, 2003**	**As at March 31, 2002**	**As at March 31, 2001**
Sundry Creditors						
For goods, expenses etc.	160.78	117.10	58.91	80.51	43.76	26.30
For book overdraft from a bank	15.02	3.19	-	1.41	-	-
Security deposits	5.75	4.78	3.89	0.92	0.54	0.54
Income received in advance	25.89	19.91	13.93	18.49	19.45	2.20
Premium on redemption of optionally convertible debentures	-	-	9.99	-	-	-
Interest accrued but not due on loans	1.26	0.59	0.37	0.56	0.63	0.14
Total Current Liabilities	**208.70**	**145.57**	**87.09**	**101.89**	**64.37**	**29.19**
Dues to small scale industrial undertakings included in Sundry Creditors for goods and expenses	0.01	0.01	0.01	-	-	-
Payable to a subsidiary included in Sundry Creditors for goods, expenses etc.	5.12	-	-	-	-	-

12. **Schedule of Provisions as at September 30, 2005, March 31, 2005, March 31, 2004, March 31, 2003, March 31, 2002 and March 31, 2001.**

(Amount Rs. in Millions)

Particulars	**As at September 30, 2005**	**As at March 31, 2005**	**As at March 31, 2004**	**As at March 31, 2003**	**As at March 31, 2002**	**As at March 31, 2001**
Taxation	28.07	7.58	1.62	8.28	4.36	2.26
Wealth Tax	0.03	0.03	0.03	0.03	-	-
Fringe Benefit Tax	0.81	-	-	-	-	-
Staff Benefit Schemes						
- Leave Encashment	2.87	1.54	0.96	0.66	0.34	0.06
- Gratuity	0.58	1.45	-	1.23	0.42	0.14
Interim Dividend	-	-	-	-	9.02	-
	32.36	**10.59**	**2.61**	**10.20**	**14.14**	**2.46**

13. Schedule of Deferred Tax Liabilities (Net) as at September 30, 2005, March 31, 2005, March 31, 2004, March 31, 2003, March 31, 2002 and March 31, 2001.

(Amount Rs. in Millions)

Particulars	**As at September 30, 2005**	**As at March 31, 2005**	**As at March 31, 2004**	**As at March 31, 2003**	**As at March 31, 2002**	**As at March 31, 2001**
Deferred Tax Liabilities						
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	44.67	44.04	33.90	26.02	21.27	12.48
Effect of expenditure not debited to profit and loss account but allowed in tax	1.44	1.44	2.13	1.50	0.87	0.84
Gross Deferred Tax Liabilities	**46.11**	**45.48**	**36.03**	**27.52**	**22.14**	**13.32**
Deferred Tax Assets						
Carry Forward Unabsorbed Depreciation	-	-	0.32	-	-	-
Effect of expenditure debited to profit and loss account in the current year but allowable for tax purposes in following years	1.38	2.48	0.60	0.81	0.73	0.47
Provision for doubtful debts and advances	0.16	0.08	0.17	0.22	0.10	-
Gross Deferred Tax Assets	**1.54**	**2.56**	**1.09**	**1.03**	**0.83**	**0.47**
Net Deferred Tax Liability	**44.57**	**42.92**	**34.94**	**26.49**	**21.31**	**12.85**

14. Schedule of Secured Loans as at September 30, 2005, March 31, 2005, March 31, 2004, March 31, 2003, March 31, 2002 and March 31, 2001.

(Amount Rs. in Millions)

Particulars	As at September 30, 2005	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002	As at March 31, 2001
5,000 Non Convertible Debentures of Rs. 10,000 each issued to ICICI Bank Limited (Refer Note (a) below)	50.00	50.00	50.00	-	-	-
Less: Installments redeemed	19.79	13.54	1.04	-	-	-
	30.21	**36.46**	**48.96**	**-**	**-**	**-**
Term Loan from ICICI Bank Limited (Financial Institution till April 1, 2002) (Refer Note (b) below)	-	-	-	31.31	42.79	52.73
Term Loan from ICICI Bank Limited (Financial Institution till April 1, 2002) (Refer Note (c) below)	-	-	-	75.05	80.00	20.00
Term Loan from ICICI Bank Limited (Financial Institution till April 1, 2002) (Refer Note (d) below)	-	-	-	17.81	20.00	-
Term Loan from State Bank of Patiala (Refer Note (e) below)	64.89	77.91	102.12	-	-	-
Term Loan from United Bank of India (Refer Note (f) below)	95.00	100.00	40.00	-	-	-
Term Loan from Union Bank of India (Refer Note (g) below)	200.00	90.00	-	-	-	-
Term Loan from Kotak Mahindra Bank (Refer Note (h) below)	100.00	-	-	-	-	-
Bank overdraft facility from State Bank of Bikaner and Jaipur (Refer Note (i) below)	-	-	-	-	-	5.00
Car finance loan from ABN AMRO Bank (Refer Note (j) below)	-	-	-	-	0.05	0.12
Car finance loan from Bank of America (Refer Note (k) below)	-	-	-	-	-	0.03
Car finance loan from The Hongkong and Shanghai Banking Corporation Limited (Refer Note (l) below)	-	-	-	-	0.08	0.19
Car finance loan from ABN AMRO Bank (Refer Note (m) below)	-	-	-	0.03	0.15	0.26
Car finance loan from ABN AMRO Bank (Refer Note (n) below)	-	-	-	0.03	0.11	0.18
Car finance loan from ABN AMRO Bank (Refer Note (o) below)	-	-	0.21	0.67	1.09	-

Particulars	As at September 30, 2005	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002	As at March 31, 2001
Car finance loan from ICICI Bank Limited (Refer Note (p) below)	-	-	0.22	0.51	0.78	-
Car finance loan from ICICI Bank Limited (Refer Note (q) below)	-	-	0.45	0.73	-	-
Car finance loan from ICICI Bank Limited (Refer Note (r) below)	0.03	0.13	0.32	0.50	-	-
Car finance loan from ABN AMRO Bank (Refer Note (s) below)	0.31	0.57	1.06	-	-	-
Car finance loan from ICICI Bank Limited (Refer Note (t) below)	0.36	-	-	-	-	-
Other loans						
Term Loan from Infrastructure Leasing and Financial Services Limited (ILFS) (Refer Note (u) below)	96.43	100.00	20.00	-	-	-
Term Loan from Small Industries Development Bank of India (Refer Note (v) below)	98.65	50.00	20.00	-	-	-
Short Term Loan from Infrastructure Leasing and Financial Services Limited (ILFS) (Refer Note (w) below)	-	-	-	50.00	-	-
	685.88	**455.07**	**233.34**	**176.64**	**145.05**	**78.52**

a) 5,000 Redeemable Non - Convertible Debentures (NCD) of Rs.10,000/- each bearing interest @ ICICI Bank cost of funds plus 3.33% p.a. privately placed with ICICI Bank Limited. The NCD's are secured by mortgage of land at Village Irana, District Mehsana; plant and machinery (immovable or movable), tangible movable assets (other than the assets which form part of the current assets) pertaining to PVR Metropolitan, PVR Juhu, PVR Bangalore and PVR Santacruz and such plant and machinery and tangible movable assets acquired by the Company at any time after the execution of and during the continuance of the indenture. These are further secured by rights of the Company in respect of Intellectual Property Rights, Goodwill and Company's rights, title and interest in the undertakings of the Company; and all such assets acquired by the Company after the execution of and during the continuance of the indenture. Charges by way of mortgage of land will rank pari passu with the security created for non-fund based facility. Charge by way of hypothecation of the whole of the movable properties and other movable assets and immovable assets are ranking pari passu with other lenders. These are further secured by first charge against the mortgage of personal properties of two directors at Vasant Vihar and Jhandewalan, New Delhi and at Sonepat, Haryana and are also secured by the personal guarantee of two directors of the Company. The NCD's are repayable in 48 monthly installments of Rs. 1.04 million each after a moratorium period of 12 months i.e. from March 15, 2004.

b) The Company had taken term loan from ICICI Bank, which was secured by a first charge on the immovable assets (except vehicles hypothecated to banks) and moveable assets, present and future, of Priya Cinema Complex, Vasant Vihar, New Delhi. The charge created on receivables, present and future, in respect of all credit card charge slips/ billings in respect of above theatre are ranking pari passu with the charge created in favour of Citibank N.A. The term loan was repayable in 50 equated monthly installments of Rs. 1.41 million each after a moratorium period of 12 months. The loan carried interest rate of 14.45%.

c) The Company had taken term loan from ICICI Bank, which was secured by a first charge on the immovable assets (except vehicles hypothecated to banks) and moveable assets, present and future, of PVR Naraina, New Delhi. The charge created on receivables, present and future, in respect of all credit card charge slips/ billings in respect of above theatre are ranking pari passu with the charge created in favour of Citibank N.A. The term loan was repayable in 60 equated monthly installments of Rs. 1.83 million after a moratorium period of 18 months. The loan carried interest rate of 13.52%.

d) The Company had taken term loan from ICICI Bank, which was secured by a first charge on the immovable assets (except vehicles hypothecated to banks) and moveable assets, present and future, of PVR Vikaspuri, New Delhi. The charge created on receivables, present and future, in respect of all credit card charge slips/ billings in respect of above theatre are ranking pari passu with the charge created in favour of Citibank N.A. The term loan was repayable in 60 equated monthly installments of Rs. 0.47 million after a moratorium period of 9 months. The loan carried interest rate of 14.00%.

e) The Company has taken term loan from State Bank of Patiala, which is secured by first charge by way of hypothecation of the whole of the movable properties including movable plant and machinery, machinery spares, tools and accessories and other movable assets (except vehicles hypothecated to banks) of all current and future operating theatres of the Company ranking pari passu with other lenders. It is further secured by the personal guarantee of two directors of the Company. The term loan is repayable in 50 equated monthly installments of Rs. 2.78 million each. The loan carries interest rate of 10.00%.

f) The Company has taken term loan from United Bank of India, which is secured by a first charge on all movable (excluding vehicles hypothecated to banks) and immovable assets of the Company including its movable plant and machinery, machinery spares, tools and accessories and other movables both present and future. Charge by way of hypothecation of the whole of the movable properties and other movable assets are ranking pari passu with other lenders. It is further secured by the personal guarantee of two directors of the Company. The term loan is repayable in 60 monthly installments of Rs. 1.67 million each after a moratorium period of 18 months from the drawdown of first tranche of the sanctioned loan. The loan carries interest rate of 9.00%.

g) The Company has taken term loan from Union Bank of India, which is secured by a first charge on all the tangible movable machinery and plant both present and future, whether lying loose or stored, ranking pari passu with other lenders. It is further secured by the personal guarantee of two directors of the Company. The term loan is repayable in 60 monthly installments of Rs. 3.33 million commencing from December 31, 2005. The loan carries interest rate of 8.50%.

h) The Company has taken term loan from Kotak Mahindra Bank Limited, which is secured by way of undertaking of the Company to create security on property to be purchased from Phoenix Mills Limited to whom an advance of Rs. 202.75 millions was given. This loan is further secured by personal guarantee of two directors of the Company and Corporate guarantee of a Subsidiary. The term loan is repayable in 6 months. The loan carries interest rate of 7.90%.

i) The Company had availed an overdraft facility from State Bank of Bikaner and Jaipur against pledge of a fixed deposit receipt with the Bank. The facility carried interest rate of 10.75%.

j) Car finance loan from ABN Amro Bank was to be secured by hypothecation of vehicle purchased out of the proceeds of the loan. The loan carried interest rate of 15.43%.

k) Car finance loan from Bank of America was to be secured by hypothecation of vehicle purchased out of the proceeds of the loan. The loan carried interest rate of 16.52%

l) Car finance loan from The Hongkong and Shanghai Banking Corporation Limited was to be secured by hypothecation of vehicle purchased out of the proceeds of the loan. The loan carried interest rate of 16.27%.

m) Car finance loan from AMB Amro Bank was to be secured by hypothecation of vehicle purchased out of the proceeds of the loan. The loan carried interest rate of 12.11%.

n) Car finance loan from ABN Amro Bank was to be secured by hypothecation of vehicle purchased out of the proceeds of the loan. The loan carried interest rate of 13.48%.

o) Car finance loan from ABN Amro Bank was to be secured by hypothecation of vehicle purchased out of the proceeds of the loan. The loan carried interest rate of 10.86%.

p) Car finance loan from ICICI Bank Limited was to be secured by hypothecation of vehicle purchased out of the proceeds of the loan. The loan carried interest rate of 13.25%.

q) Car finance loan from ICICI Bank limited was to be secured by hypothecation of vehicle purchased out of the proceeds of the loan. The loan carried interest rate of 11.40%.

r) Car finance loan from ICICI Bank Limited was to be secured by hypothecation of vehicle purchased out of the proceeds of the loan. The loan carries interest rate of 11.57%.

s) Car finance loan from ABN Amro Bank was to be secured by hypothecation of vehicle purchased out of the proceeds of the loan. The loan carries interest rate of 5.36%.

t) Car finance loan from ICICI Bank Limited was secured by hypothecation of vehicle purchased out of the proceeds of the loan. The loan carries interest rate of 9.59%.

u) The Company has taken term loan from ILFS, which is secured by a pari passu first charge on all present and future movables (except vehicles hypothecated to banks) and immovable fixed assets and current assets (including income/ receivables/revenues) of all current and future operating theatres of the Company. It is further secured by the personal guarantee of two directors of the Company. The term loan is repayable in 56 monthly installments of Rs. 1.79 million each commencing from September 30, 2005. The loan carries interest rate of 9.25%.

v) The Company has taken term loan from Small Industries Development Bank of India (SIDBI), which is secured by a first pari passu charge by way of hypothecation of all the movable assets (except vehicles hypothecated to banks) both present and future, of all the movable assets (except vehicles hypothecated to banks) both present and future, of all cinemas of the Company. It is further secured by a second charge on personal properties of a director at Vasant Vihar and Jhandewalan, New Delhi and is also secured by the personal guarantee of two directors of the Company. The term loan is repayable in 32 monthly installments of Rs. 1.35 million each, 33 monthly installments of Rs. 1.70 million each and 1 monthly installment of Rs. 0.70 million and after a moratorium period of 18 months from the drawdown of first tranche of the sanctioned loan. The loan carries interest rate of 9.25%.

w) The Company had taken short term loan from Infrastructure Leasing and Financial Services Limited (ILFS), which was secured by first charge on fixed assets except vehicles hypothecated to banks and current assets inclusive of cash receivables/ Income/ Revenues of PVR Anupam 4, both present and future. The charge created on receivables present and future in respect of all credit card charge slips/billings in respect of PVR Anupam 4, are ranking pari passu with the charge created in favour of Citibank N.A.

x) Non fund based facility utilized as on March 31, 2005 and March 31, 2004 from a bank for Rs.0.07 million and Rs. 15.00 million respectively was secured by first legal mortgage of land at Gujarat, and pari passu charge on the property consisting of movable properties, intangible properties and general assets. These charges were ranked pari passu with the security created for Redeemable non-convertible debentures. It was further secured by first charge against the mortgage of personal properties of two directors at Vasant Vihar and Jhandewalan, New Delhi and at Sonepat, Haryana.

15. Schedule of Unsecured Loans as at September 30, 2005, March 31, 2005, March 31, 2004, March 31, 2003, March 31, 2002 and March 31, 2001.

(Amount Rs. in Millions)

Particulars	As at September 30, 2005	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002	As at March 31, 2001
0% Optionally convertible debentures (OCD's) of Rs. 47.50 each	-	85.11	64.93	-	-	-
Less: Converted into equity shares	-	85.11	64.93	-	-	-
(Refer Note (a) below)	-	-	-	-	-	-
Non Convertible Debenture Application Money (Refer Note (b) below)	-	-	-	50.00	-	-
Other loan:						
From banks						
Short Term Loan from						
Yes Bank (Refer Note (c) below)	50.00	10.00	-	-	-	-
Overdraft facility from State Bank of Bikaner and Jaipur (Refer Note (d) below)	-	-	-	-	-	1.87
Dropline overdraft facility from Citibank (Refer Note (e) below)	-	-	4.07	17.88	-	-
	50.00	**10.00**	**69.00**	**67.88**	**-**	**1.87**

a) The Company had during the year March, 2003, issued zero percent unsecured, Optionally convertible debentures (OCD), of the face value of Rs. 47.50 each at par, which were redeemable at a premium varying from Rs. 24.32 to Rs. 51 (depending upon the period for which the OCD is outstanding) by utilizing cash flows or by raising debt at any time after March 31, 2005 but before March 31, 2007. The debentureholder had the option but not the obligation to convert the unredeemed OCD into equity shares at any time before March 31, 2007 in the ratio of 1 fully paid up equity share of Rs. 10 each for each unredeemed OCD of Rs. 47.50, in full settlement. The Company has during the year ended March 31, 2005, converted these OCD into equity shares since the debenture holder has during the year March 31, 2005 exercised the option to convert the OCD into equity shares.

b) The Company had received a sum of Rs. 50 million towards debenture application money against issue of 5,000 secured redeemable non-convertible debentures of Rs. 10,000 each at par to ICICI Bank Limited. The allotment of debentures was made on May 19, 2003. The said application money carried interest rate of 12.66%.

c) Short term loan from Yes Bank Limited is repayable within one year from the date of draw down. The loan carries interest rate of 8.00%.

d) Balance amount of Rs. 1.87 million over and above the security amount of Rs. 5.00 million was due to issue of cheques at the end of the year ended March 31, 2001 was shown under unsecured loan.

e) Dropline overdraft facility from a bank was secured by a pari passu charge in favour of bank, on receivables, present and future, in respect of credit card charge slips/billing including but not limited to Mastercard, Visa card, Diners card, Citibank credit card etc. It was further secured by the personal guarantee of two directors and two shareholders of the Company. The said loan carried interest rate of 9%.

16. **Segment Information**

Business Segments

In the year ended March 31, 2003, the Company was engaged into two primary segments, which had been identified taking into account the nature of activities carried out. The Company's operations pre dominantly relate to exhibition of films. Other business segment i.e. distribution of films is very small and reported under Others category.

Costs directly attributable to either segment are accounted for in the respective segment.

Unallocated Items

Corporate Expenses comprises of general corporate expense items, which are not allocated to any business segment.

The following table presents the revenue and profit information of the business segments for the year ended March 31, 2003 and certain asset and liability information regarding business segments as at March 31, 2003.

Revenue

(Amount Rs. in millions)

Business Segments	Film Exhibition	Others	Elimination	Total
Income from Operations	380.67	4.18	(1.50)	383.55
Other Income	7.48	-	-	7.48
Total Revenue	388.15	4.18	(1.50)	390.83
Results				
Segment Results	87.22	(2.64)		84.58
Unallocated Corporate Expenses				(41.20)
Operating Profit				43.38
Interest Expense				(18.81)
Interest Income				2.82
Provision for Income Tax (including Deferred Tax)				(9.09)
Net Profit				18.30
Other Information				
Segment Assets	549.33	0.17		549.50
Unallocated Assets				42.30
Total Assets				591.80
Segment Liabilities	102.59	0.63		103.22
Unallocated Liabilities				279.88
Total Liabilities				383.10
Capital Expenditure	142.49	4.19		146.68
Depreciation/Amortisation	26.10	4.19		30.29
Provision for Doubtful Debts and Advances	0.28	0.06		0.34

In absence of proper information regarding allocation of Fixed Assets between Film Exhibition and Corporate Office, Fixed Assets were allocated to Film Exhibition. Also, some of the Current Assets and Current Liabilities, which pertain to Corporate Office; had been allocated to Film Exhibition, in the absence of information. In the opinion of the management, the amount of aforesaid items pertaining to Corporate Office would not be material.

For the rest of the years/period, the Company has been engaged in the business of film exhibition. The entire operations are governed by the same set of risk and returns, hence, the same has been considered as representing a single primary segment. The said treatment is in accordance with the guiding principles enunciated in the Accounting Standard – 17 on Segment Reporting.

Geographical Segments:

The Company sells its products/services mostly within India with insignificant export income and does not have any operations in economic environments with different risks and returns, hence, it is considered operating in a single geographical segment.

17. Related Party Disclosure

(Rs. in millions)

	As at September 30, 2005	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002	As at March 31, 2001
Rent expense						
Priya Exhibitors Private Limited	6.01	10.27	9.57	9.33	9.12	6.94
Ajjay Bijli	1.73	2.30	-	-	-	-
Sanjeev Kumar	0.92	1.22	-	-	-	-
Leisure World Limited	4.80	6.12	-	-	-	-
Sandhuro Rani Bijli	-	-	-	-	0.31	0.30
Remuneration Paid						
Ajjay Bijli	3.24	4.33	0.09	0.06	-	-
Sanjeev Kumar	1.73	2.31	-	-	-	-
Freight Expense						
ATC Carrier Private Limited	-	0.00	-	0.02	-	0.02
The Amritsar Transport Co. Private Limited	-	0.16	-	-	-	-
Film Distributors Share expense (net of recovery towards publicity)						
PVR Pictures Limited	6.16	9.92	4.57	1.83	-	-
PVR Factory Distribution Network	1.53	3.67	-	-	-	-
Dividend Paid						
Bijli Investments Private Limited	-	-	-	5.41	-	-
Village Roadshow Limited	-	-	-	3.61	-	-
Management Service Expense						
Priya Exhibitors Private Limited	-	-	10.75	14.30	11.46	7.16
Interest paid						
Priya Exhibitors Private Limited	-	-	-	0.07	-	-
Ajjay Bijli	-	-	-	-	-	0.36

(Rs. in millions)

	As at September 30, 2005	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002	As at March 31, 2001
Interest Received						
PVR Pictures Limited	0.28	1.51	0.79	-	-	-
Advertisement Income						
Priya Exhibitors Private Limited	-	-	-	0.38	-	-
Premium on redemption of OCD						
Western India Trustee and Executor Company Limited (India Advantage Fund-1)	-	-	9.99	-	-	-
Premium on redemption of OCD written back upon conversion into equity shares						
Western India Trustee and Executor Company Limited (India Advantage Fund-1)	-	9.99	-	-	-	-
Fixed Assets Purchased						
Priya Exhibitors Private Limited	-	0.08	-	-	-	-
Security Deposit Given						
Priya Exhibitors Private Limited	-	2.50	-	-	-	-
Leisure World Limited	-	2.40	-	-	-	-
Guarantees Taken (Personal Guarantees)						
Ajjay Bijli	-	*	*	*	*	-
Sanjeev Kumar	-	*	*	*	*	-
Guarantees Taken (Corporate Guarantee)						
CR Retail Malls (India) Private Limited	100.00	-	-	-	-	-
Assets Mortgaged						
Ajjay Bijli	-	-	-	-	*	-
Sanjeev Kumar	-	-	-	-	*	-
Infusion of Preference Share Capital						
Ajjay Bijli	106.42	-	-	-	-	-
Western India Trustee and Executor Company Limited (India Advantage Fund-1)	93.58	-	-	-	-	-
Infusion of Equity (including share premium) CR Retail Malls (India) Private Limited	-	7.00	-	-	-	-
Conversion of Optionally Convertible Debentures into Equity (including share premium)						
Western India Trustee and Executor Company Limited (India Advantage Fund-1)	-	85.11	-	-	-	-
Optionally Convertible Debentures (OCD)						
Western India Trustee and Executor Company Limited (India Advantage Fund-1)	-	20.19	64.93	-	-	-
Allotment of Shares against Share Application Money						
PVR Pictures Limited	14.50	-	-	-	-	-
Advance against Share Capital Paid						

(Rs. in millions)

	As at September 30, 2005	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002	As at March 31, 2001
PVR Pictures Limited	-	14.50	-	-	-	-
Subscription to share capital	-	-				
CR Retail Malls (India) Private Limited	-	7.00				
Inter Corporate Deposits Given						
PVR Pictures Limited	-	4.50	18.00	-	-	-
Inter Corporate Deposits Repaid						
PVR Pictures Limited	3.00	13.50	4.00	-	-	-
Purchase of shares of a Subsidiary						
Ajjay Bijli	0.24	-	-	-	-	-
Sanjeev Kumar	0.24	-	-	-	-	-
Sandhuro Rani Bijli	0.01	-	-	-	-	-
Selena Bijli (The amount of transaction is Rs 1,000)	0.00	-	-	-	-	-
Loan taken and repaid						
Priya Exhibitors Private Limited	-	-	-	10.00	-	-
Ajjay Bijli	-	-	-	-	-	5.00
Infusion of Equity (including share premium)						
Western India Trustee and Executor Company Limited (India Advantage Fund-1)	-	94.70	100.19	50.00	-	-
Village Roadshow Limited	-	-	-	-	12.00	12.00
Bijli Investments Private Limited	-	-	-	-	18.00	18.00
Guarantees Redeemed						
Ajjay Bijli	-	-	-	*	-	-
Sanjeev Kumar	-	-	-	*	-	-
Balance outstanding at the end of the period/year						
Trade Receivable						
Priya Exhibitors Private Limited	-	-	0.03	-	-	-
PVR Pictures Limited	-	-	4.02	0.66	-	-
The Amritsar Transport Co. Private Limited	-	-	0.13	0.19	-	-
Trade Payable						
Ajjay Bijli	0.23	0.05	0.01	0.03	-	-
PVR Pictures Limited	5.13	0.65	-	-	-	-
Priya Exhibitors Private Limited	0.79	0.52	-	6.78	5.33	1.23
Western India Trustee and Executor Company Limited (India Advantage Fund-1)	-	-	9.99	-	-	-
Sanjeev Kumar	0.13	0.08	-	-	-	-
Leisure World Limited	0.00	0.00	-	-	-	-
Sandhuro Rani Bijli	-	-	-	0.03	0.03	0.02

(Rs. in millions)

	As at September 30, 2005	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002	As at March 31, 2001
ATC Carrier Private Limited	0.03	0.03	-	0.00	-	0.02
PVR Factory Distribution Network	0.59	-	-	-	-	-
Security Deposit						
Priya Exhibitors Private Limited	2.50	2.50	-	-	-	-
Leisure World Limited	2.40	2.40	-	-	-	-
Inter Corporate Deposits Outstanding						
PVR Pictures Limited	2.00	5.00	14.00	-	-	-
Investment in Equity Share Capital						
PVR Pictures Limited	15.00	-	-	-	-	-
CR Retail Malls (India) Private Limited	7.10	7.10	-	-	-	-
Assets Mortgaged						
Ajjay Bijli	*	*	*	*	*	-
Sanjeev Kumar	*	*	*	*	*	-
Guarantees Taken (Personal Guarantees)						
Ajjay Bijli	*	*	*	*	*	-
Sanjeev Kumar	*	*	*	*	*	-
Guarantees Taken (Corporate Guarantee)						
CR Retail Malls (India) Private Limited	100.00	-	-	-	-	-
Advance against Share Capital Paid						
PVR Pictures Limited	-	14.50	-	-	-	-
Advance against Share Capital Received						
Bijli Investments Private Limited	-	-	-	-	-	18.00
Village Roadshow Limited	-	-	-	-	-	12.00

Holding Company	Bijli Investments Private Limited (formerly Bijli Investments Limited) (upto May 19, 2003)
Subsidiary	CR Retail Malls (India) Private Limited (with effect from October 4, 2004)
	PVR Pictures Limited (with effect from April 5, 2005)
Key Management Personnel	Ajjay Bijli and Sanjeev Kumar
Relatives of Key Management Personnel	Sandhuro Rani Bijli and Selena Bijli
Enterprises having control or significant	Bijli Investments Private Limited (formerly Bijli Investments Limited) (from influence over the Company May 20, 2003)
	Priya Exhibitors Private Limited
	Village Roadshow Limited (upto November 20, 2002)
	Western India Trustee and Executor Company Limited (India Advantage Fund-1) (with effect from May 19, 2003)

Enterprises owned or significantly influenced by key management personnel or their relatives	PVR Pictures Limited till April 4, 2005 The Amritsar Transport Co. (P) Limited ATC Carriers Private Limited Leisure World Limited (formerly Leisure World Private Limited) PVR Factory Distribution Network

Notes:

a. * The Company has availed loans from banks, a body corporate and Small Industries Development Bank of India (SIDBI) and had issued Non Convertible Debentures (NCD) to a bank, which are secured by personal guarantee of two directors of the Company. Further, NCD and non fund based facility from a bank are secured by way of a first charge on personal properties of two directors at Vasant Vihar and Jhandewalan, New Delhi and at Sonepat, Haryana and loan from SIDBI is further secured by second charge on personal properties of a director at Vasant Vihar and Jhandewalan, New Delhi. The Company had, availed dropline overdraft facility from a bank, which was secured by the personal guarantee of two directors and two shareholders of the Company.

b. The above particulars exclude expenses reimbursed to/by related parties.

c. No amount has been provided as doubtful debt or advance/written off or written back in the year in respect of debts due from/to above related parties except as disclosed above.

18. The Company has entered into a Revenue Sharing and Co-ordination agreement with CCPL Developers Private Limited (CCPL) to operate and manage multi-screen cinema at PVR EDM (commenced operations from March 31, 2005) in coordinated manner. The revenue department, Uttar Pradesh has, vide letter no. 386/2005-06 dated September 1, 2005 (effective from March 31,2005) granted entertainment tax exemption to CCPL. The Company has, based on above exemption certificate lodged a claim of Rs 9.54 millions towards its proportionate share on CCPL on account of entertainment tax already deposited by CCPL during the six months period ended September 30, 2005. Necessary credit of the aforesaid amount has been taken in the accounts for the period ended September 30, 2005.

19. The Company has disputed demand raised by BSES Rajdhani Power Limited amounting to Rs. 4.72 millions, against which the Company had deposited a sum of Rs. 1.50 millions as per court order in an earlier year. The Company had filed Writ petition before Hon'ble High Court at New Delhi against the above demand. The Company had, in the years ended March 31, 2001 and 2000, provided Rs. 1.33 millions and Rs 1.04 millions respectively against the said demand, as advised by the Company's advocate. The Hon'ble High Court has directed the Company to approach Consumer Grievance Redressal Forum to decide the matter. The said Forum has recently given directions and guidelines for raising the bill by BSES Rajdhani Power Limited. As advised by the Company's advocate , amount provided in the books is adequate and meets out the Forum's direction.

20. The Board of Directors of the Company have approved an Employee Share Purchase Scheme (ESPS) and Employee Stock Option Plan (ESOP) vide a resolution passed at the Board Meeting held on 8th September, 2005. The said resolution was adopted by shareholders of the Company at the extra ordinary general meeting held on 15th September, 2005.

Under the ESPS scheme, the Company has allotted 80,000 equity shares under lock-in period of one year from the date of allotment, of the face value of Rs 10 each at Rs 20 each to the eligible employees on September 22, 2005. The difference between the issue price and fair value, amounting to Rs. 4,455,000 (excluding Rs. 345,000 debited to Pre-operative Expenses) has been charged to Profit & Loss Account.

Under ESOP, the Company has granted, option (s) equivalent to 118,000 equity shares of the face value of Rs. 10/- each, on October 10, 2005 at Rs. 20/- each to each of the eligible employees of the Company joined prior to March 31, 2003 and 52,000 equity shares of the face value of Rs 10 each at Rs. 47.50 to each on October 10, 2005 of the eligible employees of the Company who joined after March 31, 2003.

The eligible employees have been given 12 months and 18 months period from the date of Option (s) to exercise the Option(s).

21. **Schedule of Earning Per Share for the six months period ended September 30, 2005 and years ended March 31, 2005, March 31, 2004, March 31, 2003, March 31, 2002 and March 31, 2001.**

Particulars	**Six Months period ended September 30, 2005**	**Year ended March 31, 20057**	**Year ended March 31, 2004**	**Year ended March 31, 2003**	**Year ended March 31, 2002**	**Year ended March 31, 2001**
Net Profit as per restated profit and loss account (Amount Rs. in millions)	38.72	36.49	15.61	18.30	16.24	10.96
Less: Dividend on Preference Shares and tax thereon	0.25	-	-	-	-	-
Net restated Profit for calculation of basis and diluted EPS	38.47	36.49	15.61	18.30	16.24	10.96
a. Weighted average number of equity shares in calculating basic EPS:						
Number of equity shares outstanding at the beginning of the year.	17,097,370	13,311,850	10,150,000	10,150,000	4,150,000	4,150,000
Equity shares allotted on September 22, 2005 (outstanding for 9 days)	80,000	-	-	-	-	-
Equity shares allotted on August 30, 2004 (outstanding for 214 days)	-	630,000	-	-	-	-
Equity shares allotted on March 9, 2005 (outstanding for 23 days)	-	839,730	-	-	-	-
Equity shares allotted on March 22, 2005 (outstanding for 10 days)	-	2,315,790	-	-	-	-
Equity shares allotted on May 19, 2003 (outstanding for 318 days)	-	-	2,736,850	-	-	-
Equity shares allotted on January 28, 2004 (outstanding for 64 days)	-	-	425,000	-	-	-
Equity shares allotted on April 1, 2001 (outstanding for 365 days)	-	-	-	-	3,000,000	-
Equity shares allotted on August 1, 2001 (outstanding for 243 days)	-	-	-	-	3,000,000	-
Number of equity shares outstanding at the end of the year.	17,177,370	17,097,370	13,311,850	10,150,000	10,150,000	4,150,000
Weighted number of equity shares of Rs. 10 each outstanding during the year.	**17,101,304**	**13,797,581**	**12,602,236**	**10,150,000**	**9,023,973**	**4,150,000**

Particulars	Six Months period ended September 30, 2005	Year ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002	Year ended March 31, 2001
b. Weighted average number of equity shares in calculating diluted EPS:						
Weighted number of equity shares outstanding during the year for calculating basic EPS.	17,097,370	13,797,581	12,602,236	10,150,000	9,023,973	4,150,000
Equity shares application money received on September 22, 2005 (outstanding for 9 days)	80,000	-	-	-	-	-
Equity shares application money received on March 31, 2003 (outstanding for 1 day)	-	-	-	1,052,632	-	-
Equity shares application money received on November 9, 2000 (outstanding for 143 days)	-	-	-	-	-	750,000
Equity shares application money received on November 27, 2000 (outstanding for 125 days)	-	-	-	-	-	1,200,000
Equity shares application money received on March 31, 2001 (outstanding for 1 day)	-	-	-	-	-	1,050,000
Number of equity shares outstanding at the end of the year.	17,177,370	17,097,370	13,311,850	11,202,632	10,150,000	7,150,000
Weighted number of equity shares of Rs. 10 each outstanding during the year.	**17,101,304**	**13,797,581**	**12,602,236**	**10,152,885**	**9,023,973**	**4,857,671**
Basic Earnings Per Share	2.25	2.64	1.24	1.80	1.80	2.64
Diluted Earnings Per Share	2.25	2.64	1.24	1.80	1.80	2.25

(Amount Rs. in millions)

	As at September 30, 2005	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002	As at March 31, 2001
22. Capital Commitments Estimated amount of contracts remaining to be executed on capital account and not provided for.	380.72	563.12	105.23	17.54	10.36	59.42
23. Contingent Liabilities (not provided for) in respect of:						
a) Case pending with Custom Department on account of provisional assessment of an import*	Amount not ascertainable	Amount not ascertainable	Amount not ascertainable	Amount not ascertainable	Amount not ascertainable	-
b) Some labour cases pending*	Amount not ascertainable	Amount not ascertainable	Amount not ascertainable	Amount not ascertainable	Amount not ascertainable	-
c) Claims against the Company not acknowledged as debts*	1.29	1.29	0.57	-	-	-

*Based on the discussions with the solicitors/meeting the terms and conditions by the Company, the management believes that the Company has a strong chance of success in the cases and hence no provision there against is considered necessary.

24.Remuneration to Directors						
24.1 Managing Director's Remuneration						
Salary	2.88	3.84	0.06	0.06	-	-
Contribution to Provident fund	0.35	0.46	0.01	-	-	-
Perquisites*	1.74	2.33	0.02	-	-	-
	4.97	**6.63**	**0.09**	**0.06**	**-**	**-**
24.2 Executive Director's Remuneration						
Salary	1.53	2.04	-	-	-	-
Contribution to Provident fund	0.18	0.25	-	-	-	-
Perquisites*	0.93	1.25	-	-	-	-
	2.64	**3.54**	**-**	**-**	**-**	**-**

*Actual and/or as evaluated under the Income Tax Rules, 1962.

As per our report of even date For and on behalf of the Board of Directors

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

per Anil Gupta
Partner
Membership No. 87921

Ajjay Bijli
[Managing Director cum Chairman]

Sanjeev Kumar
[Executive Director]

N.C. Gupta
[Company Secretary]

Place : New Delhi
Date : November 7, 2005

Annexure V

DETAILS OF RATES OF DIVIDEND PAID BY PVR LIMITED BASED ON UNCONSOLIDATED FINANCIAL STATEMENTS

Particulars	Six Months period ended September 30, 2005	Year ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002	Year ended March 31, 2001
Class of Shares						
Equity shares face value (Rs.)	10	10	10	10	10	10
Interim Dividend	-	-	-	-	10%	-

Annexure VI

STATEMENT OF ACCOUNTING RATIOS BASED ON UNCONSOLIDATED FINANCIAL STATEMENTS OF PVR LIMITED

	Six months period ended 30-Sep-05	Year ended 31-Mar -05	Year ended 31-Mar -04	Year ended 31-Mar -03	Year ended 31-Mar -02	Year ended 31-Mar -01
Basic Earnings per share (Rs.)*	2.25	2.64	1.24	1.80	1.80	2.64
Diluted Earnings per share (Rs.)*	2.25	2.64	1.24	1.80	1.80	2.26
Cash Earnings per share (Rs.)	4.30	7.27	5.00	5.30	5.42	6.26
Return on net worth%	6.80%	6.93%	5.21%	8.99%	11.57%	10.62%
Net asset value per equity share (Rs)	33.26	38.15	23.77	20.04	15.56	24.87
Weighted average number of Dilutive equity shares outstanding during the year/period	**17,101,304**	**13,797,581**	**12,602,236**	**10,152,885**	**9,023,973**	**4,857,671**
Weighted average number of basic equity shares outstanding during the year/period	**17,101,304**	**13,797,581**	**12,602,236**	**10,150,000**	**9,023,973**	**4,150,000**
Total number of equity shares outstanding at the end of the year / period	**17,177,370**	**17,097,370**	**13,311,850**	**10,150,000**	**10,150,000**	**4,150,000**

Notes:

1. The ratios have been computed as below :

Basic Earnings per share (Rs.)	Net profit/(loss) (after tax) attributable to equity shareholders / Weighted average number of equity shares outstanding during the period/year
Diluted Earnings per share (Rs.)	Net profit/(loss) (after tax) attributable to equity shareholders / Weighted average number of Dilutive equity shares outstanding during the period/year
Cash Earnings per share (Rs.)	Net profit/(loss) (before depreciation / amortization and deferred taxes, after current tax and fringe benefit tax) attributable to equity shareholders / Weighted average number of basic equity shares outstanding during the period/year
Return on net worth before adjusting exceptional item (%)	Net profit/(loss) after tax and dividend on preference shares as per Profit and Loss Account / Net worth at the end of the period/year (excluding preference share capital)
Net asset value per equity share (Rs.)	Net worth excluding preference share capital at the end of the period/ year / Weighted average number of basic equity shares outstanding at the end of the period/year

Annexure VII

CAPITALISATION STATEMENT BASED ON UNCONSOLIDATED FINANCIAL STATEMENTS OF PVR LIMITED

Amount (Rs in Millions)

	Pre Issue Six months period ended 30-Sep-05	Post Issue *
Short term debt	150.00	
Long term debt	585.88	
Total debt	**735.88**	
Shareholders' funds		
- Equity Share capital	171.77	
- Preference Share capital	200.00	
- Securities Premium Account	257.13	
- Debenture Redemption Reserve	22.60	
- Profit and Loss Account	125.40	
- Miscellaneous Expenditure	(7.80)	
(To the extent not Written off or adjusted)		
Total shareholders' funds	**769.10**	
Long term debt / equity	0.76	

* Share Capital and Reserves and Surplus (Total Shareholders Funds) would be calculated on conclusion of the Book Building Process.

Note:

Long term debt/equity $\dfrac{\text{Long Term Debt}}{\text{Total Shareholders' Funds}}$

Annexure VIII

TAX SHELTER STATEMENT BASED ON UNCONSOLIDATED FINANCIAL STATEMENTS OF PVR LIMITED

(Amount Rs. in Million)

Particulars	**Six Months period ended September 30, 2005**	**Year ended March 31, 2005**	**Year ended March 31, 2004**	**Year ended March 31, 2003**	**Year ended March 31, 2002**	**Year ended March 31, 2001**
Profit before tax as per summary statement of profit and loss account (A)	62.47	52.72	26.32	27.39	26.80	15.79
Weighted Average Tax Rate (%)	33.66	36.59	35.88	36.75	35.70	39.55
Tax expenses at weighted average rate	21.03	19.29	9.44	10.06	9.57	6.24
Adjustments:						
Permanent Differences						
Fees for Increase in Share Capital	(0.33)	-	-	-	-	-
Share Issue Expenses directly adjusted from Securities Premium Account	-	-	-	-	-	-
Capital Expenditure disallowed / disallowable under Section 32	-	(1.58)	(0.28)	(0.17)	-	-
Employee Compensation Expenses under ESPS	(4.46)	-	-	-	-	-
Other Permanent Differences	(0.31)	(0.33)	(0.02)	0.74	(0.77)	(0.29)
Sub-Total (A)	(5.10)	(1.91)	(0.30)	0.57	(0.77)	(0.29)
Deduction for repair under Income from House Property	2.02	2.26	1.02	0.43	0.41	0.34
Sub-Total (B)	2.02	2.26	1.02	0.43	0.41	0.34
Grand Total (A+B)	(3.08)	0.35	0.72	1.00	(0.36)	0.05
Net Adjustments						
Tax Impact of adjustment of deduction for repair	0.68	0.83	0.37	0.16	0.14	0.13
Tax Impact of other permanent differences	(1.72)	(0.70)	(0.11)	0.21	(0.27)	(0.11)
Impact of change in tax rate for deferred taxes	-	2.98	-	0.64	(0.61)	1.39
Provision for Income Tax as per books of account	22.15	16.23	10.71	9.09	10.56	4.83
Provision for Current Tax being made at Minimum Alternate Tax, which is higher than the current tax amount.	-	-	(1.53)	-	(0.25)	-
Provision for Current Tax being made in round off	(0.07)	(0.05)	-	-	-	-
Provision for Current Wealth Tax included in current tax expenses	(0.01)	-	-	(0.03)	-	-
Total Tax Expenses	21.03	19.29	9.44	10.06	9.57	6.24

Annexure IX

DETAILS OF OTHER INCOME BASED ON UNCONSOLIDATED FINANCIAL STATEMENTS OF PVR LIMITED

The details of other income of PVR LIMITED exceeding 20% of the net profit before tax of respective year/period is as follows:

Amount (Rs in Millions)

	Six months period ended Sep- 30, 2005	Year ended 31-Mar-05	Year ended 31-Mar-04	Year ended 31-Mar-03	Year ended 31-Mar-02	Year ended 31-Mar-01	Nature	Arising out of
Interest received on								
-Bank Deposits	0.39	0.79	1.01	2.82	1.68	0.26	Non Recurring	Other than normal business activities
-Others	0.50	2.25	1.19	-	-	0.09	Non Recurring	Other than normal business activities
Rent received	6.74	7.52	3.38	1.43	1.35	1.35	Recurring	Normal business activities
Sign on fee received from customers	2.70	5.28	3.56	3.33	2.50	-	Recurring	Normal business activities
Miscellaneous income	3.59	3.52	6.57	2.67	0.16	0.41	Recurring	Normal business activities
Miscellaneous income/ write back (net)	-	0.90	-	0.05	0.20	0.17	Non Recurring	Other than normal business activities

Working Notes

Particulars	**Six months period ended Sep-30, 05**	**Year ended 31-Mar -05**	**Year ended 31-Mar -04**	**Year ended 31-Mar -03**	**Year ended 31-Mar -02**	**Year ended 31-Mar -01**
Other income (A)	13.92	20.26	15.71	10.30	5.89	2.28
Net profit before tax (B)	62.47	52.72	26.32	27.39	26.80	15.79
Percentage (A/B)%	22%	38%	60%	38%	22%	14%

PVR LIMITED

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES AND PROFIT AND LOSSES, AS RESTATED (INCLUDING SUBSIDIARIES) FOR THE PERIOD/YEAR ENDED SEPTEMBER 30, 2005 AND MARCH 31, 2005

AUDITOR'S REPORT

To

The Board of Directors
PVR Limited
61, Basant Lok,
Vasant Vihar,
New Delhi – 110 057

Dear Sirs,

We have examined the Consolidated Financial Information of PVR Limited and its Subsidiaries, CR Retail Malls (India) Private Limited and PVR Pictures Limited (including partnership firm i.e. PVR Factory Distribution Network, in which PVR Pictures Limited is a partner), (hereinafter referred as the Company / "PVR Group") as attached to this report stamped and initialed by us for identification and as approved by the Board of Directors, which has been prepared in accordance with the instructions received by us from the Company requesting us to carry out work in connection with the Red Herring Prospectus being issued by PVR Limited in connection with its Initial Public Offering of Equity Shares (referred to as 'the Issue').

A. Financial Information as per the audited financial statements

We have examined the attached Consolidated Balance Sheets of the PVR Group as at September 30, 2005 and March 31, 2005 (Annexure II), the attached Consolidated Statements of Profit and Loss Accounts for the six months period ended on September 30, 2005 and year ended on March 31, 2005 (Annexure I) and Cash Flow Statements for the six months period ended on September 30, 2005 and year ended on March 31, 2005 (Annexure III) together referred to as 'Restated Consolidated Summary Statements'. These Restated Consolidated Summary Statements have been extracted from the Consolidated Financial Statements for these periods audited by us and have been approved by the Board of Directors for the respective period/year.

We did not audit the financial statements of the subsidiaries (CR Retail Malls (India) Private Limited, PVR Pictures Limited (including PVR Factory Distribution Network in which PVR Pictures Limited is a Partner) of PVR Limited whose financial statements reflect total assets of Rs. 37.55 millions as at September 30, 2005 (Rs. 8.97 millions as at March 31, 2005) and total revenues of Rs. 6.04 millions for the six months period ended September 30, 2005 (Rs. 0.48 million for the period ended March 31, 2005) and cash flows amounting to Rs. 3.48 million for the six months period ended September 30, 2005 (Rs. 0.03 million for the period ended March 31, 2005). The financial statement and other financial information of the above subsidiaries have been audited by other auditors whose report have been furnished to us and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of those auditors.

We report that the consolidated financial statements have been prepared by PVR Limited's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of PVR Limited and its subsidiaries included in the consolidated financial statements.

Based on our examination of these summary statements, we confirm that:

1. The accounting policies have been consistently applied by the Company (as disclosed in Annexure IV A) and are consistent with those used in the previous year.

2. There are no qualifications to the auditors' report which require adjustments to the Restated Consolidated Summary Statements.

3. There are no extra-ordinary items, which need to be disclosed separately in the Restated Consolidated Summary Statements.

B. Other financial information

We have examined the following consolidated financial information relating to the PVR Group proposed to be included in the Red Herring Prospectus, as approved by you and annexed to this report:

vi) Notes to Accounts (including consolidated schedule of share capital, reserves and surplus, miscellaneous expenditure, investments, inventories, debtors, other current assets, loans and advances, current liabilities, provisions, deferred tax liabilities (net), secured loans and unsecured loans) enclosed as Annexure IVB.

vii) Summary of consolidated accounting ratios based on the profits relating to earnings per share, net asset value and return on net worth enclosed as Annexure V.

viii) Capitalisation Statement of the PVR Group enclosed as Annexure VI.

ix) Details of items of other income which exceed 20 per cent of the net profit before tax enclosed as Annexure VII.

In our opinion, the financial information of the PVR Group, as attached to this report, as mentioned in paragraphs (A) and (B) above, read with respective significant accounting policies and notes to accounts, after making groupings adjustments, has been prepared in accordance with Part II of Schedule II of the Act and the Guidelines issued by SEBI.

This report is intended solely for use for your information and for inclusion in the Red Herring Prospectus in connection with the Issue and is not to be used, referred to or distributed for any other purpose without our prior written consent.

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

Chartered Accountants
Per Anil Gupta
Partner

Membership No. 87921
Place: New Delhi
Dated: November 7, 2005.

Annexure I

PVR LIMITED
SUMMARY CONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNT

The Consolidated Profit and Loss Account of PVR Limited for six months period ended September 30, 2005 and year ended March 31, 2005 respectively, read with significant accounting policies (Refer Annexure IV A below) and notes to accounts (Refer Annexure IV B below), after making restatements and grouping adjustments are set out below:

Amount (Rs in Millions)

Particulars	Six months period ended 30-Sep-05	Year ended 31-Mar-05
INCOME		
Turnover		
Sale of Tickets of Films	464.11	603.19
Income from Revenue Sharing	27.63	-
Sale of Film Rights and Distribution of Films	6.37	0.50
Sale of Food and Beverages	129.55	155.83
Royalty income (to the extent of pouring fee, from a customer)	5.61	8.74
Advertisement Revenue	47.69	91.12
Management fees	4.91	1.01
Gross Operating Income	**685.87**	860.39
Less Entertainment tax on Sale of Tickets	**122.36**	156.99
Less Sales Tax & Service Tax on other revenues	**15.91**	16.94
Net Operating Income	**547.60**	686.46
Other Income	**14.08**	20.74
Total Income	**561.68**	707.20
EXPENDITURE		
Direct Cost	187.00	226.65
Personnel Cost	57.46	74.39
Employee Compensation Expenses Under Employee Share Purchase Scheme	4.46	-
Operating Cost	143.63	189.27
Selling Cost	23.84	41.27
Administrative and Other Cost	33.27	43.40
Total Expenditure	**449.66**	574.98
Profit (EBITDA)	**112.02**	132.22
Interest charges	16.15	23.87
Profit before Depreciation and Tax	**95.87**	108.35
Depreciation/amortization	35.55	55.35
Profit before Tax	**60.32**	53.00
Current Tax Expense	(20.76)	(7.60)
Fringe Benefit Tax	(1.78)	-
Deferred Tax charge	(0.66)	(8.63)
Total Tax expense	23.20	16.23
Net profit for the period/year	**37.12**	36.77
Brought Forward Profit from previous year	**86.96**	58.23
Amount available for appropriation	**124.08**	95.00
Appropriations		
- Transfer to Debenture Redemption Reserve	-	8.04
Profit carried to Balance Sheet	**124.08**	86.96

The accompanying Significant Accounting Policies (Annexure IV A below) and Notes to Accounts (Annexure-IV B below) form an integral part of this statement.

Annexure II

PVR LIMITED

SUMMARY CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

Assets and Liabilities of PVR Limited at the end of each financial year/period, read with significant accounting policies (Refer Annexure IV A below) and notes to accounts (Refer Annexure IV B below), after making restatements and grouping adjustment are set out below:

Amount (Rs in Millions)

As at	**September 30, 2005**	**March 31, 2005**
APPLICATION OF FUNDS		
Fixed Assets :		
Gross Block	850.40	830.55
Less : Depreciation	191.10	159.61
Net Block	659.30	670.94
Capital work in progress including capital advances	530.60	137.56
Expenditure during construction period (Pending Allocation)	97.34	37.74
	1,287.24	846.24
Intangible Assets (net of amortisation and including capital work in progress, capital advances and expenditure during development stage)	13.64	2.91
Total	**1,300.88**	**849.15**
Investments:	**12.00**	**12.00**
Current Assets, Loans and Advances:		
Interest Accrued on Long Term Investments	1.32	0.81
Inventories	6.98	6.78
Sundry Debtors	41.29	24.60
Cash & Bank Balances	188.10	95.01
Other Current Assets	0.42	0.81
Loans and Advances	249.19	204.63
Total (A)	**487.30**	**332.64**
Current Liabilities and Provisions:		
Current Liabilities	217.26	145.58
Provisions	32.80	10.59
Total (B)	**250.06**	**156.17**
Net Current Assets (A-B)	**237.24**	**176.47**
Total	**1,550.12**	**1,037.62**
SOURCES OF FUNDS		
Deferred Tax Liabilities (Net)	43.63	42.93
Loan Funds		
Secured Loans	685.88	455.07
Unsecured Loans	52.81	12.97
Total	**782.32**	**510.97**
Net worth	**767.80**	**526.65**
Represented by		
Equity Share Capital	171.77	170.97
Preference Share Capital	200.00	-
Securities Premium Account	257.13	251.53
Debenture Redemption Reserve	22.60	22.60
Profit & Loss Account	124.08	86.96
Capital Reserve on Consolidation	0.02	-
Miscellaneous Expenditure	(7.80)	(5.42)
(To the extent not Written off or adjusted)		
Net worth	**767.80**	**526.65**

The accompanying Significant Accounting Policies (Annexure IV A below) and Notes to Accounts (Annexure-IV B below) form an integral part of this statement.

Annexure III

PVR LIMITED
CASH FLOW STATEMENT AS RESTATED

Amount (Rs in Millions)

		Six months period ended 30-Sep-05	Year ended 31-Mar-05
A.	**Cash flow from operating activities:**		
	Net profit before taxation	**60.32**	**53.00**
	Adjustments for :		
	Depreciation/amortisation	35.55	55.35
	Profit on Trading of Shares	-	(0.12)
	Loss on disposal of fixed assets (net)	2.03	2.43
	Interest income	(1.06)	(3.37)
	Interest expense	16.15	23.87
	Employee Share Purchase Scheme Expenses	4.46	-
	Provision for doubtful debts and advances (net)	0.22	(0.22)
	Operating profit before working capital changes	**117.67**	**130.95**
	Movements in working capital :		
	Decrease/(Increase) in sundry debtors	(7.70)	1.57
	(Increase) in inventories	(0.21)	(3.70)
	(Increase) in loans and advances and other current assets	(53.93)	(16.98)
	Increase in current liabilities and provisions	66.17	70.27
	Cash generated from/operations	**122.00**	**182.11**
	Direct taxes paid (net of refunds)	(5.02)	(7.06)
	Net cash from operating activities	**116.98**	**175.05**
B.	**Cash flows from investing activities**		
	Purchase of fixed assets	(465.76)	(405.76)
	Purchase of intangible assets	(5.85)	(2.69)
	Proceeds from sale of fixed assets	1.05	0.39
	Purchase of investments/advance against share capital	-	(20.19)
	Consideration paid for acquiring interest in Subsidiary	(0.50)	(0.10)
	Deposits given to other companies	-	(4.50)
	Deposits refunded from other company	1.50	13.50
	Interest received	1.77	3.45
	Net cash (used in) investing activities	**(467.79)**	**(415.90)**
C.	**Cash flow from financing activities**		
	Proceeds from issuance of share capital	201.60	114.89
	Proceeds from long term borrowings	160.36	260.00
	Repayment of long term borrowings	(29.71)	(38.27)
	Proceeds from short term borrowings	140.00	10.00
	Repayment of short term borrowings	-	(3.56)
	Expenditure on share/debenture placement/issue	(2.38)	(0.09)
	Interest paid	(27.26)	(33.36)
	Net cash from financing activities	**442.61**	**309.62**

Amount (Rs in Millions)

	Six months period ended 30-Sep-05	Year ended 31-Mar-05
Net increase in cash and cash equivalents (A + B + C)	91.81	68.77
Balance at the time of acquisition of the Subsidiary Company	1.29	0.04
Cash and cash equivalents at the beginning of the year	95.01	26.20
Cash and cash equivalents at the end of the year	**188.10**	**95.01**
Components of cash and cash equivalents as at Period/Year end		
Cash and cheques on hand	3.61	3.86
With banks - on current accounts	21.07	12.59
- on deposit accounts	163.42	78.56

Notes:

1. The above cash flow statement has been prepared under the indirect method as set out in Accounting Standard-3 on "Cash Flow Statements".
2. The above cash flow statement does not include conversion of Optionally Convertible Debentures (OCD) into equity shares during the year ended March 31, 2005 since it does not involve any cash flow.

Annexure IV

DETAILS OF RATES OF DIVIDEND PAID BY PVR LIMITED BASED ON CONSOLIDATED FINANCIAL STATEMENTS

	Six months period ended September 30, 2005	Year ended March 31, 2005
Class of Shares		
Equity shares face value (Rs.)	10	10
Interim Dividend	-	-

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES TO THE CONSOLIDATED ACCOUNTS

1 Principles of Consolidation

The Consolidated Financial Statements relate to PVR Limited (Parent Company) and its subsidiary companies (hereinafter referred as the "PVR Group"). The Consolidated Financial Statements have been prepared on the following basis:

i) The financial statements of the Parent Company and its Subsidiary Companies have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after fully eliminating intra group balances and intra group transactions resulting in unrealized profits or losses, if any, as per Accounting Standard – 21, Consolidated Financial Statements issued by The Institute of Chartered Accountants of India.

ii) The financial statements of the Subsidiary Companies used in the consolidation related for the period when these became subsidiaries of the Parent Company and consolidated financial statements are drawn for the year ended March 31, 2005 and six months period ended September 30, 2005.

iii) The list of Subsidiary Companies which are included in the consolidation and the Parent Company's holding therein is as under:

Name of Subsidiary Companies	Country of Incorporation	Percentage of Ownership as at September 30, 2005.
C.R. Retail Malls (India) Private Limited (Became Subsidiary from October 4, 2004)	India	100
PVR Pictures Limited (Became Subsidiary from April 5, 2005) (including PVR Factory Distribution Network – A partnership firm in which the Company is a partner to the extent of 50%.)	India	100

iv) Goodwill/Capital Reserve represents the difference between the Parent Company's share in the net worth of the Subsidiary Companies and the cost of acquisition at the time of making the investment in the Subsidiary Companies. For this purpose, the Parent Company's share of net worth of the Subsidiary Company is determined on the basis of the latest financial statements of the Subsidiary Company prior to acquisition, after making the necessary adjustments for material events between the date of such financial statements and the date of respective acquisition. Goodwill is amortised pro-rata over a period of 5 years from the date of acquisition.

v) As far as possible, the Consolidated Financial Statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Parent Company's separate financial statements. Differences in the accounting policies, if any, have been disclosed separately.

2 Goodwill on Consolidation

The Goodwill in the Consolidated Financial Statements represents the excess of the purchase consideration of investment over the PVR Limited's share in the net assets of its subsidiary – CR Retail Malls (India) Private Limited.

Particulars	March 31, 2005 (Rs. in millions)
Fresh equity shares issued by CR Retail Malls (India) Private Limited on October 4, 2004	7.00
PVR Limited's share in the net assets of its subsidiary	5.45
Goodwill (A)	1.55
Investment – Additional equity shares purchased from The Phoenix Mills Limited on March 28, 2005	0.10
PVR Limited's share in the net assets of its subsidiary	0.08
Goodwill (B)	0.02
Total Goodwill (A+B)	1.57

3 Capital Reserve on Consolidation

The Capital Reserve in the Consolidated Financial Statements represents the excess of the PVR Limited's share in the net assets of its subsidiary over the purchase consideration of investment– PVR Pictures Limited.

Particulars	March 31, 2005 (Rs. In millions)
Fresh equity shares issued by PVR Pictures Limited on April 5, 2005	14.50
PVR Limited's share in the net assets of its subsidiaries	14.56
Capital Reserve (A)	0.06
Investment – Additional equity shares purchased from erstwhile shareholders of PVR Pictures Limited	0.50
PVR Pictures Limited's share in the net assets of its subsidiary	0.50
Capital Reserve (B)	0.00
Total Capital Reserve (A+ B)	0.06

4. Statement of Significant Accounting Policies to the Consolidated Accounts

(a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the PVR Group.

(b) Fixed Assets

Fixed Assets are stated at Cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any directly attributable cost of bringing the asset in its working condition for its intended use. Financing costs relating to acquisition of qualifying Fixed Assets are also included to the extent they relate to the period till such assets are ready for their intended use.

Leasehold improvements represent expenses incurred towards civil works, interior furnishings, etc. on the leased premises at the various locations.

(c) Goodwill

Goodwill represents the difference between the Parent Company's share in the net worth of the Subsidiary Company and the cost of acquisition at the time of making the investment in the Subsidiary Company. For this purpose, the Parent Company's share of net worth of the Subsidiary Company is determined on the basis of the latest financial statements of the Subsidiary Company prior to acquisition, after making necessary adjustments for material events between the date of such financial statements and the date of respective acquisition.

(d) Depreciation

Leasehold Improvements are amortized over the estimated useful lives or unexpired period of lease (whichever is lower) on a straight line basis.

Depreciation of fixed assets, in case of joint venture partnership firm (in which PVR Pictures Limited, a subsidiary, is a partner) has been provided on Written Down Value Method at the rates computed based on estimated useful lives of the assets, which are equal to the corresponding rates prescribed in the Income Tax Act, 1961 (0.02% of fixed assets).

Depreciation on all other assets is provided on Straight-Line Method at the rates computed based on estimated useful lives of the assets, which are equal to the corresponding rates prescribed in Schedule XIV to the Companies Act, 1956.

Goodwill arising out of acquiring share in a subsidiary company is amortised pro-rata over a period of 5 years from the date of acquisition.

(e) Intangibles

Website Development Cost

Cost incurred on development of website is capitalized and is amortised on a Straight line basis over its estimated useful lives of three years.

Software

Cost relating to purchased software is capitalised and amortised on a Straight-Line Basis over their estimated useful lives of six years.

Film Rights' Cost

Film rights cost is capitalized and amortised fully as and when the film is released.

(f) Expenditure on new projects and substantial expansion

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised as part of the indirect construction cost to the extent expenditure is related to construction or is incidental thereto. Other indirect expenditure (including borrowing costs) incurred during the construction period, which is not related to the construction activity nor is incidental thereto, is charged to the Profit & Loss Account. Income earned during construction period is adjusted against the total of the indirect expenditure.

All direct capital expenditure on expansion is capitalised. As regards indirect expenditure on expansion, only that portion is capitalised which represents the marginal increase in such expenditure involved as a result of capital expansion. Both direct and indirect expenditure are capitalised only if they increase the value of the asset beyond its originally assessed standard of performance.

(g) Investments

Investments that are intended to be held for more than a year are classified as long term investments. Long term investments are carried at cost. However, provision for diminution in the value is made to recognize a decline other than temporary in the value of investments.

(h) Inventories

Inventories are valued as follows:

Food and beverages	Lower of cost and net realizable value. Cost is determined on First In First Out Basis.
Stores and spares	Lower of cost and net realizable value. Cost is determined on First In First Out Basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost to make the sale.

(i) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the PVR Group and the revenue can be reliably measured. Amount of entertainment tax, sales tax and service tax collected on generating operating revenue has been shown as a reduction from the operating revenue.

Sale of Tickets of Films

Revenue from sale of tickets of films is recognised as and when the film is exhibited.

Sale of Food and Beverages

Revenue from sale of food and beverages is recognised upon passage of title to customers, which coincides with their delivery.

Income from Distribution of films

Theatrical revenue from the distribution of films is accounted for on the basis of box office reports received from various exhibitors and revenue from the sale of satellite / TV rights is recognised at the time of initial transfer of right to the customer.

Sharing of Revenue

Income from Revenue Sharing is recognised in accordance with the terms of agreement with a party to operate and manage multi-screen cinema at East Delhi Mall (EDM) in coordinated manner.

Advertisement Revenue

Advertisement revenue is recognised as and when advertisement is displayed at the cinema halls.

Royalty income (to the extent of pouring fee received from a customer) and Management Fee Revenue

Revenue is recognised on an accrual basis in accordance with the terms of the relevant agreements.

Royalty income (to the extent of Sign on Fee received from customers)

Revenue of one time sign on fee from customers is recognized on an annual basis as per the agreements. The amount of sign on fee received for unexpired period of agreements is deferred, which is recognized in the relevant year to which it pertains.

Interest Income

Interest revenue is recognised on a time proportion basis, taking into account the amount outstanding and the rates applicable.

Rent Income

Revenue from rent is recognized based upon the agreement, for the period the property has been let out.

(j) Foreign currency transactions

(i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are reported using the closing rate.

(iii) Exchange Differences

Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expense in the year in which they arise except gain or loss on transactions relating to acquisition of Fixed Assets/Intangibles from outside India, which is adjusted to the carrying amount of the Fixed Assets/Intangibles.

(k) Leases (Where the PVR Group is the lessee)

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

(l) Deferred Revenue Expenditure

Share/Debenture Placement Expenses

Costs incurred in issuing of shares/debentures are amortised proportionately over the projects already commenced out of proposed project for which the issue was floated, and amortised costs are adjusted against Securities Premium Account.

Share Issue expenses on Proposed Initial Public Offering

Proportionate write off of Share Issue Expenses incurred / to be incurred on the Proposed Initial Public Offering would be adjusted against the Securities Premium Account.

(m) Retirement and other employee benefits

iv. Provident Fund contribution is charged to the Profit & Loss Account of the year when the contribution to the fund is due.

v. The PVR Group has created an approved gratuity fund for the future payment of gratuity to the employees. The PVR Group accounts for the gratuity liability, based upon the actuarial valuation carried out at the year end, by an independent actuary.

vi. Provision for leave encashment is accrued and provided for on the basis of an actuarial valuation carried out by an independent actuary at the year end.

(n) **Income taxes**

Tax expense comprises both current and deferred taxes. Current income- tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such Deferred Tax Assets can be realised against future taxable profits. Unrecognised Deferred Tax Assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

(o) **Impairment**

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amounts of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

(p) **Provisions**

A provision is recognised when PVR Group has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions except those disclosed elsewhere in the financial statements, are not discounted to their present value and are determined based on best management estimate required to settle the obligation at the each Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best management estimates.

(q) **Earning Per share**

Basic Earnings Per Share is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting dividend on preference shares and attributable taxes) by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year are adjusted for the events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares). Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting year.

For the purpose of calculating Diluted Earnings Per Share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

(r) **Segment Reporting Polices**

Identification of segments

The PVR Group's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the PVR Group operate.

Annexure IV B

Notes to Accounts

1. Priya Village Roadshow Limited was incorporated on April 26, 1995. The name of the parent company has been changed to PVR Limited with effect from June 28, 2002.

   Parent Company is in the business of film exhibition. Parent Company also earns revenue from in- cinema advertisements/ product displays and in-cinema sale of food and beverages.

   One of the Subsidiary company of PVR Limited, C.R. Retail Malls (India) Private Limited is in the process to start operations in the field of entertainment.

   Another Subsidiary company of PVR Limited, PVR Pictures Limited is in the business of film distribution.

2. Impact on profit and loss account due to restatements and other material adjustments made to audited financial statements.

(Amount Rs. in Millions)

Particulars	**Six Months period ended September , 2005**	**Year ended March 31, 2005**
Net Profit after tax as per audited Profit and Loss Account	37.12	37.72
Adjustment on account of:		
a) Income tax demands and refunds now adjusted in respective earlier financial year (Refer Note (i) below)	-	(0.15)
b) Deferred tax liability, now adjusted in respective earlier financial year based on income tax return filed (Refer Note (ii) below)	-	(0.80)
Net Profit after tax as per restated Profit and Loss Account	**37.12**	**36.77**

(a) Material adjustments

(i) Income tax demands and refunds

Income taxes provided in earlier years in respect of which either additional demand has been subsequently paid to the authorities or refunds have been subsequently received from the authorities, on completion of assessments, have been adjusted in the summary statement of profit and loss account of such years when such amounts were originally provided. Accordingly, adjustments have been made to the summary statement of consolidated profit and loss account, assets and liabilities, as restated, for the years ended March 31, 2005 and the opening balance in summary statement of consolidated profit and loss account, assets and liabilities as on April 1, 2004 has been adjusted.

(ii) Deferred Tax Liability

Deferred tax liability for the year ended March 31, 2005 has been revised based on income tax return filed for the year ended March 31, 2004, subsequently.

(iii) Tax effect of shares/debentures placement expenses adjusted directly against Securities Premium Account

The Parent Company had during the years ended March 31, 2003, 2004 and 2005 incurred expenses on privately placed shares and debentures and proportionate write-off of these expenses is being adjusted against the Securities Premium Account, as per practice followed. Pursuant to clarification dated 5th September,2005 by the Institute of Chartered Accountants of India, on tax effect of expenses adjusted against the reserves, the amount of above proportionate write-off has now been adjusted net of income tax against the Securities Premium Account. However, due to above change, there was no impact on the profit for the year March 31, 2005 and period ended September 30, 2005.

(b) Regroupings/ Adjustments resulting from restatement of accounting policies / practices

(i) Royalty Income, to the extent of pouring fee, from a customer

The Parent Company has during the six months period ended September 30, 2005, decided to show the amount of Royalty income (to the extent of pouring fee received from a customer), as part of Operating Income which was clubbed under the head Royalty income in the Schedule of Other Income in the audited financial statements for the year ended March 31, 2005. Accordingly, figures of royalty income to the extent of pouring fee have been shown under operating income. This change has, however, no impact on the profit of the PVR Group.

(c) Other Material Adjustments/Regroupings

(i) PVR Group has adopted functional disclosures relating to expenses in each of the audited financial statements for the six months period ended September 30, 2005 and year ended March 31, 2005. Accordingly, Film Distributors' Share, Consumption of Food and Beverages, Management Fees and consultancy charges towards movie's rights (included under Professional Charges in Operating and other expenses in the audited financial statements) and Indian News Reel charges and Commission paid to film distributors (included under Miscellaneous expenses in Operating and Other Expenses in the audited financial statements) have been grouped under Direct Cost in the summary statement of profit and loss account. Rent, Electricity and Water Charges, Insurance Charges, Repair and Maintenance and Security Charges (included under Operating and Other Expenses in the audited financial statements) have been grouped under Operating Cost. Advertisement and Publicity, Business Promotion and Discount on Sales (included under Operating and Other Expenses in the audited financial statements) have been grouped under Selling Cost. Remaining expenses under Operating and Other Expenses and bank charges / prepayment charges of Term Loans (included under Financial Expenses in the audited financial statements) have been grouped under Administrative and Other Cost in the summary statement of profit and loss account.

(ii) The PVR Group has now decided to show the amount of Royalty income (to the extent of pouring fee received from a customer),as part of Operating Income which was clubbed under the head Royalty income in the Schedule of Other Income in the audited financial statements for the year ended March 31, 2005. Accordingly, figures of royalty income to the extent of pouring fee have been shown under operating income. This change has, however, no impact on the profit of the PVR Group.

3. **Schedule of Share Capital as at September 30, 2005 and March 31, 2005,**

(Amount Rs. in Millions)

Particulars	**As at September 30, 2005**	**As at March 31, 2005**
Authorised Capital		
Equity Shares	300.00	200.00
5% redeemable and non-cumulative preference shares	200.00	-
	500.00	**200.00**
Issued, Subscribed and Paid-up Capital		
Equity Shares	171.77	170.97
5% redeemable and non-cumulative Preference Shares	200.00	**-**
	371.77	**170.97**
Number of Equity shares held by Bijli Investments Private Limited	4,920,768	5,037,368
Number of 5% redeemable and non-cumulative Preference shares held by Mr. Ajjay Bijli, Chairman cum Managing Director	10,642,000	-

Note: These preference shares are redeemable at par after three years with a put and call option at the end of two years from the date of allotment.

4. **Schedule of Reserves and Surplus as at September 30, 2005 and March 31, 2005.**

(Amount Rs. in Millions)

Particulars	**As at September 30, 2005**	**As at March 31, 2005**
Capital Reserve on Consolidation	**0.02**	**-**
Securities Premium Account	251.53	104.34
Add: Receipts on issue of shares under employees share purchase scheme	5.60	-
Add: Received during the year	-	141.96
Add: Premium on redemption of optionally convertible debentures written back	-	9.99
	257.13	256.29
Less: Share/debenture placement expenses written off (net of tax)	-	4.76
	257.13	**251.53**
Debenture Redemption Reserve	22.60	14.56
Add: Created during the year	-	8.04
	22.60	**22.60**
Credit Balance of Profit and Loss Account	124.08	86.96
	124.08	**86.96**
Total	**403.83**	**361.09**

5. **Schedule of Miscellaneous Expenditure as at September 30, 2005 and March 31, 2005.**

(To the extent not written off or adjusted)

(Amount Rs. in Millions)

Particulars	**As at September 30, 2005**	**As at March 31, 2005**
Share/debenture placement expenses		
As per last account	5.42	10.74
Add: Incurred during the year	2.38	0.09
	7.80	**10.83**
Less: Written off during the year	-	5.41
	7.80	**5.42**

During the earlier years, the Parent Company has incurred expenses for the issue of 4,631,580 equity shares of a face value of Rs. 10 each for cash at a premium of Rs.37.50 per share and 2,315,790 Optionally convertible debentures (OCD) (comprises 1,791,850 OCD converted into equity shares and 523,940 equity shares directly issued in lieu of OCD, during the previous year) of a face value of Rs. 47.50 each at par to Western India Trustee and Executor Company Limited (India Advantage Fund-1), unamortized balance Rs. 5.42 millions. Proportionate write off of Share/ debenture placement expenses incurred on above issue (to the extent of projects already commissioned out of the proposed projects for which the issue had been floated) has been adjusted against the securities premium account.

The Parent Company has, during the period, incurred expenses amounting to Rs. 2.38 millions on the proposed initial public offering (IPO) of 7,700,000 equity shares (including offer for sale of 2,000,000 equity shares held by an existing shareholder). Proportionate write-off of share issue expenses incurred till date/to be incurred on above issue would be adjusted against the securities premium account.

6. **Schedule of Investments as at September 30, 2005 and March 31, 2005.**

(Amount Rs. in Millions)

Particulars	**As at September 30, 2005**	**As at March 31, 2005**
Long Term Investments (At Cost)		
B. Other than Trade (Unquoted)		
Government Securities (pledged with Entertainment Tax Authorities)		
6 years National Savings Certificates *	5.00	5.00
6 years National Savings Certificates **	7.00	7.00
* Held in the name of the Managing Director, in the interest of the Parent Company.		
** Held in the name of the Director, in the interest of one of the Subsidiary Company.		
	12.00	**12.00**

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7. **Schedule of Inventories as at September 30, 2005 and March 31, 2005.**

(Amount Rs. in Millions)

Particulars	As at September 30, 2005	As at March 31, 2005
Food and beverages	2.14	1.28
Stores and spares	4.84	5.50
	6.98	**6.78**

8. **Schedule of Debtors as at September 30, 2005 and March 31, 2005.**

(Amount Rs. in Millions)

Particulars	As at September 30, 2005	As at March 31, 2005
Debts outstanding for a period exceeding six months		
Secured, considered good	0.16	0.03
Unsecured, considered good	1.79	1.89
Unsecured, considered doubtful	0.22	-
Other debts		
Secured, considered good	1.51	1.24
Unsecured, considered good	37.83	21.44
Total Sundry Debtors	**41.51**	**24.60**
Less : Provision for doubtful debts	0.22	-
	41.29	**24.60**

9. **Schedule of Other Current Assets as at September 30, 2005 and March 31, 2005.**

(Amount Rs. in Millions)

Particulars	As at September 30, 2005	As at March 31, 2005
Interest accrued on deposits and others	0.39	0.78
Insurance claim receivable	0.03	0.03
Total Other Current Assets	**0.42**	**0.81**

10. Schedule of Loans and Advances as at September 30, 2005 and March 31, 2005.

(Amount Rs. in Millions)

Particulars	**As at September 30, 2005**	**As at March 31, 2005**
Unsecured, Considered good		
Loan to a Partnership Firm in which one of the .subsidiary is a partner	1.00	-
Advances recoverable in cash or in kind or for value to be received	47.99	14.57
Inter-corporate deposits	-	5.00
Advance against share capital given to a proposed subsidiary	10.00	24.50
Advance payment of Income Tax / Tax Deducted at Source/ Tax Refundable	16.99	11.93
Deposits – others	173.21	148.63
Unsecured, Considered doubtful		
Advances recoverable in cash or in kind or for value to be received	0.25	0.25
	249.44	204.88
Less : Provision for doubtful advances	0.25	0.25
Total Loans and advances	**249.19**	**204.63**
Deposits include:		
Outstanding from two private limited companies in which some of the directors of the Parent Company are interested as directors.	7.00	2.50
Advances recoverable include: Outstanding from a private limited company in which one of the director of the Parent Company is interested as directors	9.16	-

11. Schedule of Current Liabilities as at September 30, 2005 and March 31, 2005.

(Amount Rs. in Millions)

Particulars	**As at September 30, 2005**	**As at March 31, 2005**
Sundry Creditors		
For goods and expenses	160.03	117.13
For book overdraft from a bank	15.01	3.19
Security deposits	5.75	4.76
Income received in advance	35.21	19.91
Interest accrued but not due on loans	1.26	0.59
Total Current Liabilities	217.26	145.58
Dues to small scale industrial undertakings included in Sundry Creditors for goods and expenses	0.01	0.01

12. Schedule of Provisions as at September 30, 2005 and March 31, 2005.

(Amount Rs. in Millions)

Particulars	**As at September 30, 2005**	**As at March 31, 2005**
Taxation	28.33	7.57
Wealth Tax	0.03	0.03
Fringe Benefit Tax	0.99	-
Staff Benefit Schemes		
- Leave Encashment	2.87	1.54
- Gratuity	0.58	1.45
	32.80	**10.59**

13. Schedule of Deferred Tax Liabilities (Net) as at September 30, 2005 and March 31, 2005.

(Amount Rs. in Millions)

Particulars	**As at September 30, 2005**	**As at March 31, 2005**
Deferred Tax Liabilities		
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	44.72	44.04
Effect of expenditure not debited to profit and loss account but allowed in tax	1.44	1.44
Gross Deferred Tax Liabilities	**46.16**	**45.48**
Deferred Tax Assets		
Carry forward of unabsorbed depreciation and business loss	0.99	-
Effect of expenditure debited to profit and loss account in the current year but allowable for tax purposes in following years	1.38	2.47
Provision for doubtful debts and advances	0.16	0.08
Gross Deferred Tax Assets	**2.53**	**2.54**
Net Deferred Tax Liability	**43.63**	**42.94**

14. Schedule of Secured Loans as at September 30, 2005 and March 31, 2005.

(Amount Rs. in Millions)

Particulars	As at September 30, 2005	As at March 31, 2005
5,000 Non Convertible Debentures of Rs. 10,000 each issued to ICICI Bank Limited (Refer Note (a) below)	50.00	50.00
Less: Installments redeemed	19.79	13.54
	30.21	36.46
Term Loan from State Bank of Patiala (Refer Note (b) below)	64.89	77.91
Term Loan from United Bank of India (Refer Note (c) below)	95.00	100.00
Term Loan from Union Bank of India (Refer Note (d) below)	200.00	90.00
Term Loan from Kotak Mahindra Bank Limited (Refer Note (e) below)	100.00	-
Car finance loan from ICICI Bank Limited (Refer Note (f) below)	0.03	0.13
Car finance loan from ABN AMRO Bank (Refer Note (g) below)	0.31	0.57
Car finance loan from ICICI Bank Limited (Refer Note (h) below)	0.36	-
Other loans		
Term Loan from Infrastructure Leasing and Financial Services Limited (ILFS) (Refer Note (i) below)	96.43	100.00
Term Loan from Small Industries Development Bank of India (Refer Note (j) below)	98.65	50.00
	685.88	**455.07**

a) 5,000 Redeemable Non - Convertible Debentures (NCD) of Rs.10,000/- each bearing interest @ ICICI Bank cost of funds plus 3.33% p.a. privately placed with ICICI Bank Limited. The NCD's are secured by mortgage of land at Village Irana, District Mehsana; plant and machinery (immovable or movable), tangible movable assets (other than the assets which form part of the current assets) pertaining to PVR Metropolitan, PVR Juhu, PVR Bangalore and PVR Santacruz and such plant and machinery and tangible movable assets acquired by the Parent Company at any time after the execution of and during the continuance of the indenture. These are further secured by rights of the Parent Company in respect of Intellectual Property Rights, Goodwill and Parent Company's rights, title and interest in the undertakings of the Parent Company; and all such assets acquired by the Parent Company after the execution of and during the continuance of the indenture. Charges by way of mortgage of land will rank pari passu with the security created for non-fund based facility. Charge by way of hypothecation of the whole of the movable properties and other movable assets and immovable assets are ranking pari passu with other lenders. These are further secured by first charge against the mortgage of personal properties of two directors of Parent Company at Vasant Vihar and Jhandewalan, New Delhi and at Sonepat, Haryana and are also secured by the personal guarantee of two directors of the Parent Company. The NCD's are repayable in 48 monthly installments of Rs. 1.04 million each after a moratorium period of 12 months i.e. from March 15, 2004.

b) The Parent Company has taken term loan from State Bank of Patiala, which is secured by first charge by way of hypothecation of the whole of the movable properties including movable plant and machinery, machinery spares, tools and accessories and other movable assets (except vehicles hypothecated to banks) of all current and future operating theatres of the Parent Company ranking pari passu with other lenders. It is further secured by the personal guarantee of two directors of the Parent Company. The term loan is repayable in 50 equated monthly installments of Rs. 2.78 million each. The loan carries interest rate of 10.00%.

c) The Parent Company has taken term loan from United Bank of India, which is secured by a first charge on all movable (excluding vehicles hypothecated to banks) and immovable assets of the Parent Company including its movable plant and machinery, machinery spares, tools and accessories and other movables both present and future. Charge by way of hypothecation of the whole of the movable properties and other movable assets are ranking pari passu with other lenders. It is further secured by the personal guarantee of two directors of the Parent Company. The term loan is repayable in 60 monthly installments of Rs. 1.67 million each after a moratorium period of 18 months from the drawdown of first tranche of the sanctioned loan. The loan carries interest rate of 9.00%.

d) The Parent Company has taken term loan from Union Bank of India, which is secured by a first charge on all the tangible movable machinery and plant both present and future, whether lying loose or stored, ranking pari passu with other lenders. It is further secured by the personal guarantee of two directors of the Parent Company. The term loan is repayable in 60 monthly installments of Rs. 3.33 million commencing from December 31, 2005. The loan carries interest rate of 8.50%.

e) The Parent Company has taken term loan from Kotak Mahindra Bank Limited, which is secured by way of undertaking of the Parent Company to create security on property to be purchased from Phoenix Mills Limited to whom an advance of Rs. 202.75 millions was given. This loan is further secured by personal guarantee of two directors of the Parent Company and Corporate guarantee of a Subsidiary. The term loan is repayable in 6 months. The loan carries interest rate of 7.90%.

f) Car finance loan from ICICI Bank Limited is to be secured by hypothecation of vehicle purchased out of the proceeds of the loan. The loan carries interest rate of 11.57%.

g) Car finance loan from ABN Amro Bank is to be secured by hypothecation of vehicle purchased out of the proceeds of the loan. The loan carries interest rate of 5.36%.

h) Car finance loan from ICICI Bank Limited is to be secured by hypothecation of vehicle purchased out of the proceeds of the loan. The loan carries interest rate of 9.59%.

i) The Parent Company has taken term loan from ILFS, which is secured by a pari passu first charge on all present and future movables (except vehicles hypothecated to banks) and immovable fixed assets and current assets (including income/receivables/revenues) of all current and future operating theatres of the Parent Company. It is further secured by the personal guarantee of two directors of the Parent Company. The term loan is repayable in 56 monthly installments of Rs. 1.79 million each commencing from September 30, 2005. The loan carries interest rate of 9.25%.

j) The Parent Company has taken term loan from Small Industries Development Bank of India (SIDBI), which is secured by a first pari passu charge by way of hypothecation of all the movable assets (except vehicles hypothecated to banks) both present and future, of all the movable assets (except vehicles hypothecated to banks) both present and future, of all cinemas of the Parent Company. It is further secured by a second charge on personal properties of a director of Parent Company at Vasant Vihar and Jhandewalan, New Delhi and is also secured by the personal guarantee of two directors of the Parent Company. The term loan is repayable in 32 monthly installments of Rs. 1.35 million each, 33 monthly installments of Rs. 1.70 million each and 1 monthly installment of Rs. 0.70 million and after a moratorium period of 18 months from the drawdown of first tranche of the sanctioned loan. The loan carries interest rate of 9.25%.

k) Non fund based facility utilized by the Parent Company as on March 31, 2005 from a bank for Rs.0.07 million was secured by first legal mortgage of land at Gujarat, and pari passu charge on the property consisting of movable properties, intangible properties and general assets. These charges will rank pari passu with the security created for Redeemable non-convertible debentures. It is further secured by first charge against the mortgage of personal properties of two directors of the Parent Company at Vasant Vihar and Jhandewalan, New Delhi and at Sonepat, Haryana.

PVR CINEMAS

15. Schedule of Unsecured Loans as at September 30, 2005 and March 31, 2005.

(Amount Rs. in Millions)

Particulars	As at September 30, 2005	As at March 31, 2005
0% Optionally convertible debentures (OCD's) of Rs. 47.50 each	-	85.11
Less: Converted into equity shares	-	85.11
(Refer Note (a) below)	**-**	**-**
From a Director by a Subsidiary	1.36	1.36
From a body corporate	1.45	1.61
Other loan:		
From a bank		
Short Term Loan from Yes Bank Limited (Refer Note (b) below)	50.00	10.00
	52.81	**12.97**

a) The Parent Company had during the year March, 2003, issued zero percent unsecured, Optionally convertible debentures (OCD), of the face value of Rs. 47.50 each at par, which were redeemable at a premium varying from Rs. 24.32 to Rs. 51 (depending upon the period for which the OCD is outstanding) by utilizing cash flows or by raising debt at any time after March 31, 2005 but before March 31, 2007. The debentureholder had the option but not the obligation to convert the unredeemed OCD into equity shares at any time before March 31, 2007 in the ratio of 1 fully paid up equity share of Rs. 10 each for each unredeemed OCD of Rs. 47.50, in full settlement. The Parent Company has during the year ended March 31, 2005, converted these OCD into equity shares since the debenture holder has during the year March 31, 2005 exercised the option to convert the OCD into equity shares.

b) Short term loan from Yes Bank Limited is repayable within one year from the date of draw down. The loan carries interest rate of 8.00%.

16. Segment Information

Business Segments

As at September 30, 2005, the PVR Group has organized its operations into two primary segments, Exhibition of Films and Distribution of Films. These have been identified taking into account the nature of activities carried out. The PVR Group's operations pre dominantly relate to exhibition of films. Other business segment i.e. distribution of films is very small and reported under Others category.

Costs directly attributable to either segment are accounted for in the respective segment.

The following table presents the revenue and profit information of the business segments for the period ended September 30, 2005 and certain asset and liability information regarding business segments as at September 30, 2005.

Revenue

Business Segments	Film Exhibition	Others	Elimination	Total
Income from Operations	543.18	5.59	(1.18)	547.59
Other Income	13.03			13.03
Total Revenue	556.21	5.59	(1.18)	560.62

Business Segments	Film Exhibition	Others	Elimination	Total
Results				
Segment Results	77.81	(2.40)	-	75.41
Operating Profit				75.41
Interest Expense				16.15
Interest Income				1.06
Provision for taxes (including Deferred Tax)				23.20
Net Profit				37.12
Other Information				
Segment Assets	1767.33	27.95	(27.99)	1767.29
Unallocated Assets				40.69
Total Assets				1807.98
Segment Liabilities	211.10	13.67	(5.12)	219.65
Unallocated Liabilities				812.73
Total Liabilities				1032.38
Capital Expenditure	477.14	5.74		482.88
Depreciation/Amortisation	33.54	2.01		35.55
Provision for Doubtful Debts	0.22	-		0.22

Geographical Segments:

The PVR Group sells its products/services mostly within India with insignificant export income and does not have any operations in economic environments with different risks and returns, hence, it is considered operating in a single geographical segment.

17. Related Party Disclosure

Rs. in millions

	Enterprises having control or significant influence over the Company		Partnership Firm		Key Management Personnel (Managing Director and Executive Director)		Enterprises owned or significantly influenced by key management personnel or their relatives		Grand Total	
Transactions during the period/year	30-Sep -05	31-Mar -05	30-Sep -05	31-Mar -05	30-Sep -05	31-Mar -05	30-Sep -05	31-Mar -05	30-Sep -05	31-Mar -05
<u>Interest Received</u>										
PVR Pictures Limited	-	-	-	-	-	-	-	1.51	-	1.51
PVR Factory Distribution Network	-	-	0.15	-	-	-	-	-	0.15	-
<u>Rent expense</u>										
Priya Exhibitors Private Limited	6.01	10.27	-	-	-	-	-	-	6.01	10.27
Leisure World Limited	-	-	-	-	-	-	4.80	6.12	4.80	6.12
Ajjay Bijli	-	-	-	-	1.73	2.30	-	-	1.73	2.30
Sanjeev Kumar	-	-	-	-	0.92	1.22	-	-	0.92	1.22
<u>Remuneration paid</u>										
Ajjay Bijli	-	-	-	-	3.24	4.33	-	-	3.24	4.33
Sanjeev Kumar	-	-	-	-	1.73	2.31	-	-	1.73	2.31
<u>Freight Expense</u>										
ATC Carrier Private Limited	-	-	-	-	-	-	-	0.00	-	0.00
The Amritsar Transport Co. Private Limited	-	-	-	-	-	-	-	0.16	-	0.16
<u>Film Distributors Share expense (net of recovery towards publicity)</u>										
PVR Factory Distribution Network	-	-	-	-	-	-	0.76	1.83	0.76	1.83
PVR Pictures Limited	-	-	-	-	-	-	-	9.92	-	9.92
<u>Fixed Assets Purchased</u>										
Priya Exhibitors Private Limited	-	0.08	-	-	-	-	-	-	-	0.08
<u>Security deposit given</u>										
Priya Exhibitors Private Limited	-	2.50	-	-	-	-	-	-	-	2.50
Leisure World Limited	-	-	-	-	-	-	-	2.40	-	2.40
<u>Purchase of shares</u>										
Ajjay Bijli	-	-	-	-	0.24	-	-	-	0.24	-
Sanjeev Kumar	-	-	-	-	0.24	-	-	-	0.24	-
Sandhurao Bijli	-	-	-	-	-	-	0.01	-	0.01	-
Selena Bijli	-	-	-	-	-	-	0.00	-	0.00	-
<u>Unsecured Loan Taken</u>										
The Phoenix Mills Limited	-	-	-	-	-	-	-	1.71	-	1.71
<u>Loan Repaid</u>										
Ashok Kumar Ruia	-	-	-	-	-	0.72	-	-	-	0.72
Atul K Ruia	-	-	-	-	-	0.00	-	-	-	0.00
The Phoenix Mills Limited	-	-	-	-	-	-	0.14	0.13	0.14	0.13
R.R. Hosiery Private Limited	-	-	-	-	-	-	-	0.34	-	0.34
<u>Advance against Share Capital</u>										
PVR Pictures Limited	-	-	-	-	-	-	-	14.50	-	14.50

Rs. in millions

	Enterprises having control or significant influence over the Company		Partnership Firm		Key Management Personnel (Managing Director and Executive Director)		Enterprises owned or significantly influenced by key management personnel or their relatives		Grand Total	
Intercorporate Deposits Given										
PVR Pictures Limited	-	-	-	-	-	-	-	4.50	-	4.50
Intercorporate Deposits repaid										
PVR Pictures Limited	-	-	-	-	-	-	-	13.50	-	13.50
Guarantees Taken (Personal Guarantees)										
Ajjay Bijli	-	-	-	-	-	*	-	-	-	*
Sanjeev Kumar	-	-	-	-	-	*	-	-	-	*
Assets Mortgaged										
Ajjay Bijli	-	-	-	-	-	-	-	-	-	-
Sanjeev Kumar	-	-	-	-	-	-	-	-	-	-
Infusion of Preference Share Capital										
Ajjay Bijli	-	-	-	-	106.42	-	-	-	106.42	-
Western India Trustee and Executor Company Limited (India Advantage Fund-1)	93.58	-	-	-	-	-	-	-	93.58	-
Infusion of Equity (including share premium)										
Western India Trustee and Executor Company Limited (India Advantage Fund-1)	-	94.70	-	-	-	-	-	-	-	94.70
Conversion of Optionally Convertible Debentures into Equity (including share premium)										
Western India Trustee and Executor Company Limited (India Advantage Fund-1)	-	85.11	-	-	-	-	-	-	-	85.11
Optionally Convertible Debentures (OCD)										
Western India Trustee and Executor Company Limited (India Advantage Fund-1)	-	20.19	-	-	-	-	-	-	-	20.19
Premium on redemption of OCD written back upon conversion into equity shares										
Western India Trustee and Executor Company Limited (India Advantage Fund-1)	-	9.99	-	-	-	-	-	-	-	9.99
Balance outstanding at the end of the period/year										
Trade Payable										
PVR Pictures Limited	-	-	-	-	-	-	-	0.65	-	0.65
PVR Factory Distribution Network	-	-	-	-	-	-	0.29	-	0.29	-
K Sera Sera Production Limited	-	-	-	-	-	-	0.10	-	0.10	-
Priya Exhibitors Private Limited	0.79	0.52	-	-	-	-	-	-	0.79	0.52
Leisure World Limited	-	-	-	-	-	-	0.00	0.00	0.00	0.00
The Amritsar Transport Co. Private Limited	-	-	-	-	-	-	0.03	0.03	0.03	0.03

Rs. in millions

	Enterprises having control or significant influence over the Company		Partnership Firm		Key Management Personnel (Managing Director and Executive Director)		Enterprises owned or significantly influenced by key management personnel or their relatives		Grand Total	
Ajjay Bijli	-	-	-	-	0.23	0.05	-	-	0.23	0.05
Sanjeev Kumar	-	-	-	-	0.13	0.08	-	-	0.13	0.08
Unsecured Loan										
The Phoenix Mills Limited	-	-	-	-	-	-	1.45	1.58	1.45	1.58
Ashok Kumar Ruia	-	-	-	-	1.37	1.37	-	-	1.37	1.37
Unsecured Loan Given										
PVR Factory Distribution Network	-	-	1.00	-	-	-	-	-	1.00	-
Advance Recoverable										
K Sera Sera Production Limited	-	-	-	-	-	-	1.00	-	1.00	-
Security deposits										
Priya Exhibitors Private Limited	2.50	2.50	-	-	-	-	-	-	2.50	2.50
Leisure World Limited	-	-	-	-	-	-	2.40	2.40	2.40	2.40
Guarantees Taken (Personal Guarantees)										
Ajjay Bijli	-	-	-	-	*	*	-	-	*	*
Sanjeev Kumar	-	-	-	-	*	*	-	-	*	*
Assets Mortgaged										
Ajjay Bijli	-	-	-	-	*	*	-	-	*	*
Sanjeev Kumar	-	-	-	-	*	*	-	-	*	*
Intercorporate Deposits										
PVR Pictures Limited	-	-	-	-	-	-	-	5.00	-	5.00
Advance against Share Capital										
PVR Pictures Limited	-	-	-	-	-	-	-	14.50	-	14.50

Holding Company	Bijli Investments Private Limited (formerly Bijli Investments Limited) (upto May 19, 2003)
Key Management Personnel	Ajjay Bijli, Sanjeev Kumar, Ashok Kumar Ruia, Atul K Ruia and Ram Gopal Verma
Relatives of Key Management Personnel	Sandhuro Rani Bijli and Selena Bijli
Enterprises having control or significant influence over the Parent Company	Bijli Investments Private Limited Priya Exhibitors Private Limited Western India Trustee and Executor Company Limited (India Advantage Fund-1) (with effect from May 19, 2003)
Enterprises owned or significantly influenced by key management personnel or their relatives	PVR Pictures Limited till April 4, 2005 The Amritsar Transport Co. (P) Limited ATC Carriers Private Limited Leisure World Limited (formerly Leisure World Private Limited) PVR Factory Distribution Network till April 4, 2005 The Phoenix Mills Limited RR Hosiery Private Limited K Sera Sera Production Limited

Notes:

a. * The Parent Company has availed loans from banks, a body corporate and Small Industries Development Bank of India (SIDBI) of Rs. 654.96 millions and had issued Non Convertible Debentures (NCD) to a bank amounting to Rs. 30.21 millions, which are secured by personal guarantee of two directors of the Parent Company. Further, NCD and non fund based facility from a bank are secured by way of a first charge on personal properties of two directors of the Parent Company at Vasant Vihar and Jhandewalan, New Delhi and at Sonepat, Haryana and loan from SIDBI is further secured by second charge on personal properties of a director of Parent Company at Vasant Vihar and Jhandewalan, New Delhi. The Parent Company has, availed dropline overdraft facility from a bank, which is secured by the personal guarantee of two directors and two shareholders of the Parent Company.

b. The above particulars exclude expenses reimbursed to/by related parties.

c. No amount has been provided as doubtful debt or advance/written off or written back in the year in respect of debts due from/to above related parties except as disclosed above.

18. The Parent Company has entered into a Revenue Sharing and Co-ordination agreement with CCPL Developers Private Limited (CCPL) to operate and manage multi-screen cinema at PVR EDM (commenced operations from March 31, 2005) in coordinated manner. The revenue department, Uttar Pradesh has, vide letter no. 386/2005-06 dated September 1, 2005 (effective from March 31,2005) granted entertainment tax exemption to CCPL. The Parent Company has, based on above exemption certificate lodged a claim of Rs 9.54 millions towards its proportionate share on CCPL on account of entertainment tax already deposited by CCPL during the six months period ended September 30, 2005. Necessary credit of the aforesaid amount has been taken in the accounts for the period ended September 30, 2005.

19. The Parent Company has disputed demand raised by BSES Rajdhani Power Limited amounting to Rs. 4.72 millions, against which the Parent Company had deposited a sum of Rs. 1.50 millions as per court order in an earlier year. The Parent Company had filed Writ petition before Hon'ble High Court at New Delhi against the above demand. The Parent Company had, in the years ended March 31, 2001 and 2000, provided Rs. 1.33 millions and Rs 1.04 millions respectively against the said demand, as advised by the Parent Company's advocate. The Hon'ble High Court has directed the Parent Company to approach Consumer Grievance Redressal Forum to decide the matter. The said forum has recently given directions and guidelines for raising the bill by BSES Rajdhani Power Limited. As advised by the Parent Company's advocate , amount provided in the books is adequate and meets out the forum's direction.

20. The Board of Directors of the Parent Company have approved an Employee Share Purchase Scheme (ESPS) and Employee Stock Option Plan (ESOP) vide a resolution passed at the Board Meeting of the Parent Company held on September 8, 2005. The said resolution was adopted by shareholders of the Parent Company at the extra ordinary general meeting held on September 15, 2005.

    Under the ESPS scheme, the Parent Company has allotted 80,000 equity shares under lock-in period of one year from the date of allotment, of the face value of Rs 10 each at Rs 20 each to the eligible employees of the Parent Company on September 22, 2005. The difference between the issue price and fair value, amounting to Rs. 4.46 millions (excluding Rs. 0.35 million debited to Pre-operative Expenses) has been charged to Profit & Loss Account.

    Under ESOP, the Parent Company has granted, option (s) equivalent to 118,000 equity shares of the face value of Rs. 10/- each, on October 10, 2005 at Rs. 20/- each to each of the eligible employees of the Parent Company joined prior to March 31, 2003 and 52,000 equity shares of the face value of Rs 10 each at Rs. 47.50 to each on October 10, 2005 of the eligible employees of the Parent Company who joined after March 31, 2003.

    The eligible employees of the Parent Company have been given 12 months and 18 months period from the date of Option (s) to exercise the Option(s).

21. Schedule of Earning Per Share for the six months period ended September 30, 2005 and year ended March 31, 2005.

Particulars	Six months period ended September 30, 2005	Year ended March 31, 2005
Net Profit as per profit and loss account (Amount Rs. in millions)	37.12	36.77
Less: Dividend on Preference Shares and tax thereon	0.25	-
Net Profit for calculation of basis and diluted EPS	36.87	36.77
a. Weighted average number of equity shares in calculating basic and diluted EPS:		
Number of equity shares outstanding at the beginning of the year.	17,097,370	13,311,850
Equity shares allotted on August 30, 2004 (outstanding for 214 days)	-	630,000
Equity shares allotted on March 9, 2005 (outstanding for 23 days)	-	839,730
Equity shares allotted on March 22, 2005 (outstanding for 10 days)	-	2,315,790
Equity shares allotted on September 22, 2005 (outstanding for 9 days)	80,000	-
Number of equity shares outstanding at the end of the year.	17,177,370	17,097,370
Weighted number of equity shares of Rs. 10 each outstanding during the period/year.	**17,101,304**	**13,797,581**
Basic Earnings Per Share	2.16	2.67
Diluted Earnings Per Share	2.16	2.67

(Amount Rs. in millions)

		As at September 30, 2005	As at March 31, 2005
22.	Capital Commitments		
	Estimated amount of contracts remaining to be executed on capital account and not provided for.	380.72	563.12
23.	Contingent Liabilities (not provided for) in respect of:		
	a) Case pending with Custom Department on account of provisional assessment of an import*	Amount not ascertainable	Amount not ascertainable
	b) Some labour cases pending*	Amount not ascertainable	Amount not ascertainable
	c) Claims against the Parent Company not acknowledged as debts*	1.29	1.29

*Based on the discussions with the solicitors/meeting the terms and conditions by the PVR Group, the management believes that the PVR Group has a strong chance of success in the cases and hence no provision there against is considered necessary.

24.	Remuneration to Directors		
24.1	Managing Director's Remuneration		
	Salary	2.88	3.84
	Contribution to Provident fund	0.35	0.46
	Perquisites*	1.74	2.33
		4.97	**6.63**
24.2	Executive Director's Remuneration		
	Salary	1.53	2.04
	Contribution to Provident fund	0.18	0.25
	Perquisites*	0.93	1.25
		2.64	**3.54**

*Actual and/or as evaluated under the Income Tax Rules, 1962.

As per our report of even date For and on behalf of the Board of Directors

For S.R. Batliboi & Co.

A. Chartered Accountants

per Anil Gupta
Partner
Membership No. 87921

Ajjay Bijli
[Managing Director
Chairman]

Sanjeev Kumar
[Executive Director]

N.C. Gupta
[Company Secretary]

Place : New Delhi
Date : November 7, 2005

Annexure V

STATEMENT OF ACCOUNTING RATIOS BASED ON CONSOLIDATED FINANCIAL STATEMENTS OF PVR LIMITED

	Six months period ended 30-Sep-05	Year ended 31-Mar-05
Basic Earnings per share (Rs.)*	2.16	2.67
Diluted Earnings per share (Rs.)*	2.16	2.67
Cash Earnings per share (Rs.)	4.27	7.30
Return on net worth%	6.49%	6.98%
Net asset value per equity share (Rs.)	33.19	38.17
Weighted average number of Dilutive equity shares outstanding during the year/period	**17,101,304**	**13,797,581**
Weighted average number of basic equity shares outstanding during the year/period	**17,101,304**	**13,797,581**
Total number of shares outstanding at the end of the year/period	**17,177,370**	**17,097,370**

Notes:

1. The ratios have been computed as below :

Basic Earnings per share (Rs.)	Net profit/(loss) (after tax) attributable to equity shareholders / Weighted average number of equity shares outstanding during the period/year
Diluted Earnings per share (Rs.)	Net profit/(loss) (after tax) attributable to equity shareholders / Weighted average number of Dilutive equity shares outstanding during the period/year
Cash Earnings per share (Rs.)	Net profit/(loss) (before depreciation / amortization and deferred taxes, after current tax and fringe benefit tax) attributable to equity shareholders / Weighted average number of basic equity shares outstanding during the period/year
Return on net worth before adjusting exceptional item (%)	Net profit/(loss) after tax and dividend on preference shares as per Profit and Loss Account / Net worth at the end of the period/year (excluding preference share capital)
Net asset value per equity share (Rs)	Net worth excluding preference share capital at the end of the period/ year and after tax and dividend on preference shares. / Weighted average number of basic equity shares outstanding at the end of the period/year

2. Weighted average number of equity shares is the number of equity shares outstanding at the beginning of the year, adjusted by the number of equity shares issued during the year multiplied by the time-weighting factor. The time-weighting factor is the number of days for which the specific shares are outstanding as a proportion of the total number of days during the period/year.

3. Weighted average number of dilutive equity shares is the number of equity shares outstanding at the beginning of the year, adjusted by the number of equity shares issued and advance against share capital received during the year multiplied by the time - weighting factor. The time-weighting factor is the number of days for which the specific shares and advance against share capital are outstanding as a proportion of the total number of days during the period/year.

4. Net profit, as appearing in the summary profit and loss account of the respective year/period, has been considered for the purpose of computing the above ratios. These ratios are computed on the basis of unconsolidated financial statements of the Company.

*5. Earnings per share calculations are done in accordance with Accounting Standard 20 “Earnings Per Share” issued by the Institute of Chartered Accountants of India.

6. The Company has made allotment of equity shares of Rs. 10/- each on the following dates:

Date of Allotment	No. of Equity Shares
Opening balance as on April 1, 2004	13,311,850
August 30, 2004	630,000
March 9, 2005	839,730
March 22, 2005	2,315,790
September 22, 2005	80,000
	17,177,370

Annexure VI

CAPITALISATION STATEMENT BASED ON CONSOLIDATED FINANCIAL STATEMENTS OF PVR LIMITED

Amount (Rs in Millions)

	Pre Issue Six months period ended 30-Sep-05	Post Issue *
Short term debt	152.81	
Long term debt	585.88	
Total debt	**738.69**	
Shareholders' funds		
- Equity Share Capital	171.77	
- Preference Share Capital	200.00	
- Securities Premium Account	257.13	
- Debenture Redemption Reserve	22.60	
- Profit and Loss Account	124.08	
- Capital Reserve on Consolidation	0.02	
- Miscellaneous Expenditure	(7.80)	
(To the extent not Written off or adjusted)		
-Goodwill on Consolidation	(1.26)	
Total shareholders' funds	**766.54**	
Long term debt/equity	0.76	

* Share Capital and Reserves and Surplus (Total Shareholders Funds) would be calculated on conclusion of the Book Building Process.

Long term debt/equity $= \frac{\text{Long Term Debt}}{\text{Total Shareholders' Funds}}$

Annexure VII

DETAILS OF OTHER INCOME BASED ON CONSOLIDATED FINANCIAL STATEMENTS OF PVR LIMITED

The details of other income of PVR GROUP exceeding 20% of the net profit before tax of respective year/period is as follows:

Amount (Rs in Millions)

	Six month period ended 30-Sep-05	Year ended 31-Mar-05	Nature	Arising out of
Interest received on				
-Bank Deposits	0.39	0.79	Non Recurring	Other than normal business activities
-Others	0.66	2.58	Non Recurring	Other than normal business activities
Rent received	6.74	7.52	Recurring	Normal business activities
Sign on fee received from customers	2.70	5.28	Recurring	Normal business activities
Miscellaneous income	3.59	3.53	Recurring	Normal business activities
Miscellaneous income/ write back (net)	-	1.04	Non Recurring	Other than normal business activities
Total	**14.08**	**20.74**		

Working Notes

Particulars	**Six months period ended 30-Sep-05**	**Year ended 31-Mar-05**
Other income (A)	14.08	20.74
Net profit before tax (B)	60.32	53.00
Percentage (A/B)%	23%	39%

CR RETAIL MALLS (INDIA) PRIVATE LIMITED

I. SUMMARY STATEMENT OF PROFIT AND LOSS ACCOUNT

The Profit and Loss Account of CR Retail Malls (India) Private Limited for six months period ended September 30, 2005 and period ended March 31, 2005 respectively, after making restatements and grouping adjustments are set out below:

Particulars	Six months period ended September 30, 2005	Year Ended March 2005
INCOME		
Turnover		
Income	-	-
Operating Income	**-**	**-**
Other Income	**0.29**	**0.47**
Total Income	**0.29**	**0.47**
EXPENDITURE		
Administrative and Other Cost	0.04	0.04
Total Expenditure	**0.04**	**0.04**
Profit before Tax	**0.25**	**0.43**
Income tax/wealth tax/provision for earlier years written back	(0.09)	0.07
Total Tax expense/(credit)	0.09	(0.07)
Net profit for the period	**0.16**	**0.50**
Brought Forward (Loss) from Previous Year/Period	(1.12)	(1.62)
(Deficit) carried to Balance Sheet	**(0.96)**	**(1.12)**

CR RETAIL MALLS (INDIA) PRIVATE LIMITED

II. SUMMARY STATEMENT OF ASSETS AND LIABILITIES

Assets and Liabilities of CR Retail Malls (India) Private Limited at the end of each financial year/period, after making restatements and grouping adjustment are set out below:

Amount (Rs in Million)

	September 30, 2005	March 31, 2005
APPLICATION OF FUNDS		
Investments:	**7.00**	**7.00**
Current Assets, Loans and Advances:		
Interest Accrued on Long Term Investments	0.63	0.33
Cash & Bank Balances	0.01	0.08
Loans and Advances	1.42	1.55
Total (A)	**2.06**	**1.97**
Current Liabilities:		
Current Liabilities	0.10	0.01
Total (B)	**0.10**	**0.01**
Net Current Assets (A-B)	**1.96**	**1.95**
Total	**8.96**	**8.95**
SOURCES OF FUNDS		
Loan Funds		
Unsecured Loans	2.82	2.97
Total	**2.82**	**2.97**
Net worth	**6.14**	**5.98**
Represented by		
Equity Share Capital	7.10	7.10
Profit & Loss Account	(0.96)	(1.12)
Net worth	**6.14**	**5.98**

For **Girish Associates**
Chartered Accountants

For and on behalf of the Board of Directors

per Girish Sheth
Proprietor
Membership No.
Place : New Delhi
Date : October 24, 2005

Mr. Ajjay Bijli
[Director]

Mr. Sanjeev Kumar
[Director]

PVR PICTURES LIMITED

I. SUMMARY STATEMENT OF PROFIT AND LOSS ACCOUNT

The Profit and Loss Account of PVR Picture Limited for six months period ended Sept 30, 2005, after making grouping adjustments are set out below:

Amount (Rs in Million)

Particulars	**Period ended September 30, 2005**
INCOME	
Turnover	
Sale of Film rights and distribution of films	4.52
Operating Income	**4.52**
Share of Profit from a Partnership firm	0.33
Other Income	0.30
Total Income	**5.15**
EXPENDITURE	
Personnel Cost	1.68
Operating Cost	1.45
Selling Cost	0.47
Administrative and Other Cost	1.67
Total Expenditure	**5.27**
Profit (EBITDA)	**(0.12)**
Interest charges	0.31
Profit before depreciation and tax	**(0.43)**
Depreciation/amortization	1.98
(Loss) before Tax	**(2.41)**
Current Tax Expense	-
Fringe Benefit Tax	0.18
Deferred Tax (credit)	(0.99)
Total Tax expense/(credit)	(0.81)
Net (loss) for the period	**(1.60)**
Brought Forward Profit from the previous year	0.04
(Deficit) carried to Balance Sheet	**(1.56)**

PVR PICTURES LIMITED

II. SUMMARY STATEMENT OF ASSETS AND LIABILITIES

Assets and Liabilities of PVR Pictures Limited at the end of financial period, after making grouping adjustment are set out below:

Amount (Rs in Million)

Particulars	Sept 30, 2005
APPLICATION OF FUNDS	
Fixed Assets :	
Gross Block	0.34
Less : Depreciation	0.12
Net Block	0.22
Intangible Assets (net of amortisation and including capital work in progress, capital advances and expenditure during development stage)	10.87
Total	**11.09**
Deferred Tax Assets (Net)	**0.95**
Investment in Partnership Firm	1.63
Current Assets, Loans and Advances:	
Sundry Debtors	6.93
Cash & Bank Balances	3.21
Loans and Advances	4.63
Total (A)	**14.77**
Current Liabilities:	
Current Liabilities	13.02
Provisions	-
Total (B)	**13.02**
Net Current Assets (A-B)	**1.75**
Total	**15.42**
SOURCES OF FUNDS	
Loan Funds	
Unsecured Loans from Holding Company	2.00
Total	**2.00**
Net worth	**13.42**
Represented by	
Equity Share Capital	15.00
Profit & Loss Account	(1.56)
Miscellaneous Expenditure	(0.02)
(To the extent not written off)	
Net worth	**13.42**

For Ashok Arora & Company
Chartered Accountants

per
Partner: Mr. Ashok K. Arora
Membership No. 80404
Place : New Delhi
Date : October 24, 2005

For and on behalf of the Board of Directors

Mr. Ajjay Bijli
[Director]

Mr. Sanjeev Kumar
[Director]

PVR FACTORY DISTRIBUTION NETWORK

II. SUMMARY STATEMENT OF ASSETS AND LIABILITIES

Assets and Liabilities of PVR Factory Distribution Network at the end of financial period, after making grouping adjustment are set out below:

Amount (Rs in Million)

As at	September 30, 2005
APPLICATION OF FUNDS	
Fixed Assets :	
Net Block	0.27
Total	**0.27**
Current Assets, Loans and Advances:	
Sundry Debtors	1.19
Cash & Bank Balances	3.23
Loans and Advances	2.55
Total (A)	**6.97**
Current Liabilities:	
Current Liabilities	1.65
Provisions	0.34
Total (B)	**1.99**
Net Current Assets (A-B)	**4.98**
Total	**5.25**
SOURCES OF FUNDS	
Loan Funds	
Unsecured Loan from a partner	2.00
Total	**2.00**
Net worth	**3.25**
Represented by	
Partner's Capital	3.25
Net worth	**3.25**

PVR FACTORY DISTRIBUTION NETWORK - A PARTNERSHIP FIRM

I. SUMMARY STATEMENT OF PROFIT AND LOSS ACCOUNT

The Profit and Loss Account of PVR Factory Distribution Network for six months period ended September 30, 2005, after making grouping adjustments are set out below:

(Rs. in millions)

Particulars	**Period ended September 30, 2005**
INCOME	
Turnover	
Income from distribution of films	2.15
Total Operating Income	**2.15**
EXPENDITURE	
Personnel Cost	0.60
Operating Cost	0.14
Administrative and Other Cost	0.06
Total Expenditure	**0.80**
Profit (EBITDA)	**1.35**
Interest charges	0.30
Profit before depreciation and taxation	**1.05**
Depreciation	0.05
Profit before Taxation	**1.00**
Current Tax Expense	0.34
Fringe Benefit Tax	0.00
Total Tax expense	0.34
Net profit for the period (Transferred to Partner's Capital Accounts)	**0.66**
PVR Pictures Limited	0.32
K Sera Sera Production Limited	0.17
Verma Corporation Limited	0.17

For **Girish Neelam & Associates**
Chartered Accountants

per Girish Nathani
Partner
Membership No. 88716

Place : New Delhi
Date : October 24, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS ON AN UNCONSOLIDATED BASIS

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements included in this report, along with the section titled "Summary Financial and Operating Information" beginning on page 6. You should also read the section titled "Risk Factors" beginning on page xi, which discusses a number of factors and contingencies that could impact our Company's financial condition and results of operations.

The following discussion relates to our Company on an unconsolidated basis and is based on our Company's restated unconsolidated financial statements, which have been prepared in accordance with Indian GAAP, the accounting standards referred to in Section 211(3C) of the Companies Act and the other applicable provisions of the Companies Act. The following discussion is also based on internally prepared statistical information and on publicly available information.

Our Company's fiscal year ends on March 31 of each year so all references to a particular fiscal year are to the twelve months ended March 31 of that year.

Overview

We are India's largest multiplex cinema operator by number of screens. (*Source:* Yes Bank Report.) We established the first Multiplex Cinemas in India, PVR Anupam, in Saket, Delhi in 1997 and the largest Multiplex Cinema, PVR Bangalore in 2004. As of October 31, 2005, our geographically diverse cinema circuit in India consisted of 10 cinemas with a total of 39 screens in five A-class cities. Of these 10 cinemas, we operated seven Multiplex Cinemas and two single screen cinemas and we managed one cinema with three screens.

Our brand, *PVR,* is one of India's most recognized film exhibition brands. PVR cinemas had 4.9 million patrons in fiscal 2005 and 4.2 million patrons for the six months ended September 30, 2005.

Our Company has grown rapidly in recent years. Our total income and net profit after tax have grown at a CAGR of 40.8% and 35.1%, respectively from fiscal 2001 to fiscal 2005.

As part of our strategy to grow our film exhibition business on a national footprint, we plan to launch 18 cinemas with a total of 82 screens by the end of fiscal 2008.

Factors Affecting Our Financial Results

Our business is subject to various risks and uncertainties, including those discussed in the section titled "Risk Factors". Some of the important factors that have affected, and we expect will to continue to affect, our results of operations, financial condition and cash flows are discussed below.

Box Office Revenue and Food and Beverage Revenue

Our total income is primarily affected by the number of patrons that visit our cinemas, our occupancy rate, our average ticket price, and our food and beverages revenue per patron. The following table sets forth certain key financial, operating and statistical information for our business:

	Six Months ended September 30, 2005(6)	Year ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2003
Number of Screens	39	39	19	12
Number of Screens under Franchise/ Management Contracts (included in above)	3*	3*	-	-
Number of Seats	8,540	8,540	5,005	3,695
Number of Session Seats(1) (million)	8.0	11.7	8.5	6.8
Number of Patrons (million)	4.2	4.8	3.4	3.0
Box Office Revenue(2) (Rs. Million)	369.4	446.2	311.8	247.6
Occupancy Rate(3) (%)	52.5	41.1	39.9	43.9
Box Office Revenue per patron (4) (Rs.)	88.0	92.3	91.7	82.6
Food and Beverages Revenue(5) (Rs. million)	115.2	142.9	103.6	82.3
Food and Beverages Revenue per Patron(6) (Rs.)	27.5	29.6	30.5	27.4

** PVR SRS is operated under our management fee/ franchise model. We earn a management fee from the operation of this cinema and do not get the revenue from the sale of tickets or food and beverages revenue. The above table does not include figures for PVR SRS.*

(1) Number of session seats is the total number of seats multiplied by the number of screenings during the period.

(2) Box office revenue is our income from sales of tickets of films net of state entertainment taxes paid and income from revenue sharing.

(3) Occupancy rate is total number of patrons as a percentage of the number of session seats.

(4) Box office revenue per patron is box office revenue divided by the total number of patrons.

(5) Food and beverages revenue is our income from sale of food and beverage net of sales taxes/VAT.

(6) Food and beverages revenue per patron is revenue from sales of food and beverages net of sales taxes/VAT divided by the number of patrons.

(7) The figures given for the four-month period are the actual figures and have not been annualised. Therefore, these figures are not comparable with the figures in the prior fiscal year periods.

Box Office Revenue

Our box office revenue depends on the number of patrons that visit our cinemas and the average ticket price that we charge our patrons. Both these factors are critical for optimising the profitability of our cinemas and form an integral part of our management information system. Our box office revenue net of entertainment taxes has grown at a CAGR of 34.2% from fiscal 2003 to fiscal 2005 and contributed 66.3%, 63.1%, 62.7% and 62.9% of our total income in the six months ended September 30, 2005, fiscal 2005, fiscal 2004 and fiscal 2003, respectively.

Number of Patrons. The number of patrons that visit our cinemas is one of the key parameters that help us to evaluate our performance. The growth in the number of our patrons has been primarily due to the opening of new cinemas, while we have been able to maintain relatively stable occupancy levels in our existing cinemas despite increased competition. In addition to the opening of new cinemas, we endeavour to increase the number of our patrons through the use of flexible ticket pricing to attract patrons at various points in time of the day and the week, by maximizing the number of screenings of popular movies to increase our capacity (session seats), through bulk sales of tickets, by providing remote access (our website, telephones) to patrons for buying tickets, movie focused marketing and promotional activities to attract patrons to our cinemas and to increase the profile of films played at our cinemas. We believe that the other important factors influencing the overall occupancy rate of a cinema are the quality of services, the level of technology and the brand of a cinema.

Average Ticket Price. Prior to April 1, 2005, we only varied ticket prices for most of our multiplexes (Delhi and Haryana) based on our assessment of a film's potential popularity. However, for the six months ended September 30, 2005 we have also implemented a flexible ticket pricing strategy for all our multiplexes wherein discounted ticket prices are charged for shows on Monday to Thursday, when demand is less. However, our ability to increase our ticket prices at each of our cinemas is restricted by competition from other cinema operators in the catchment area and the price sensitivity of the population in the catchment area. In addition, certain states require our Company to obtain approval before we increase the ticket prices.

Food and Beverages Revenue

A significant percentage of our revenues are contributed from the sale of food and beverages in our cinemas. We generally try to maximize the revenues from the sale of food and beverages by increasing the number of transactions within the limited time our patrons have prior to the start of a film or during the interval of a film and by increasing the average transaction size. We attempt to increase the number of transactions by installing adequate number of points of sale counters, suggestive selling to patrons, service on seats and pre-sale of food and beverage vouchers with bulk sale of tickets. We attempt to increase our average transaction size by selling a combination of two or more products at a price cheaper than the total of each of those items purchased separately, thereby appealing to our patrons' desire to obtain better value for money. Our food and beverages revenue, net of sales tax/VAT, has grown at a CAGR of 31.8% from fiscal 2003 to fiscal 2005 and contributed 20.7%, 20.2%, 20.8% and 20.9% of our total income in the six months ended September 30, 2005, fiscal 2005, fiscal 2004 and fiscal 2003, respectively.

Advertisement Revenue

We utilise our existing cinema infrastructure to display advertisements for our customers. The various options that we offer to our customers include on-screen 35 millimetre films, in-foyer displays, and advertisements in PVR's in-house magazine, *Movies First*. Our gross margin on advertisement revenue is high as our costs of display of these advertisements are almost negligible. Our advertisement customers also participate and sponsor our various promotional activities targeted to increase the number of patrons at our cinemas. Our advertisement revenue net of service tax has grown at a CAGR of 38.7% from fiscal 2003 to fiscal 2005 and has contributed 8.3%, 12.4%, 11.7% and 11.5% of our total income in the six months ended September 30, 2005, fiscal 2005, fiscal 2004 and fiscal 2003, respectively. Changes in our advertisement revenue have a larger percentage impact on our profit before tax than changes in our other sources of revenue, due to higher margins from advertisement revenues.

Royalty Income

Royalty income (pouring rights) is income received from certain of our beverage suppliers for us agreeing not to sell directly competing products. Royalty income constituted 1.0%, 1.2%, 1.3% and 1.4% of our total income in the six months ended September 30, 2005, fiscal 2005, fiscal 2004 and fiscal 2003, respectively. As we incur no direct cost related to royalty income, any changes in our royalty income will have a larger percentage impact on our profit before tax than changes in some of our other sources of revenue.

Distributors' Share (Film Hire Costs)

We generally pay film distributors a percentage of net sales of tickets of films (sale of tickets of films net of state entertainment taxes and local body levies) for each film and the applicable percentage is negotiated from film to film for Indian produced movies and periodically for major international studio film releases. In case of Multiplexes where entertainment tax exemptions are available, like for our PVR EDM Multiplex, distributor's share is calculated on the net ticket sale, i.e., after deducting the notional entertainment tax payable as per rates applicable in the respective state. Film hire costs represented 39.9%, 39.6%, 42.0% and 34.6% of our box office revenue for the six months ended September 30, 2005, fiscal 2005, fiscal 2004 and fiscal 2003, respectively.

Entertainment Tax Benefits and Exemptions

In order to encourage investment in multiplex cinemas, various state governments have granted reductions in the applicable rate of entertainment tax or entertainment tax exemptions. For further details on these various state entertainment tax rates and the availability of exemptions and reductions thereto, please see the section titled "Industry" beginning on page 48.

Entertainment tax in India has historically been high which had till recently restricted the growth of the film exhibition industry. However, over the years, there has been a gradual rationalization of the state entertainment taxes in many states where entertainment tax rates were exorbitant. The following table highlights the reduction in the state entertainment taxes in the recent years:

State	Year of Change	Earlier Rate	Current Rate
Delhi	Fiscal 2004	60%	30%
Haryana	Fiscal 2002	100%	50%
Karnataka	Fiscal 2005	70%	40%
Maharashtra	Fiscal 2003	60%	45%

These reductions have given a new lease of life to many cinema operators across the country. One of the factors we examine before deciding to set-up new multiplexes is the applicable state entertainment tax rate and the availability of state entertainment tax exemptions. For details on the state entertainment tax exemptions applied for by us in respect of our existing and proposed multiplexes, please see the section titled "Government and other Approvals" beginning on page 232.

As of September 30, 2005, we have availed the benefits of an exemption from state entertainment taxes at PVR EDM, which began operations on March 31, 2005. PVR EDM is exempt from state entertainment taxes until March 30, 2010 or the exemption amount reaching Rs. 95.3 million, whichever is earlier. As a result PVR EDM is entitled to an exemption of Rs. 12 million in state entertainment taxes for the six months ended September 30, 2005.

The expiry of state entertainment tax benefits and exemptions in states where we have our cinemas may result in a reduction in our total income as it would increase the amount of state entertainment taxes paid.

Seasonality of Film Exhibition Business

Historically, our revenues have been higher during the first half of the fiscal year due to summer vacations and release of big budget Indian movies during this period. As a result of this, our quarter-to-quarter results may not be comparable or provide a meaningful indicator of our future performance.

Critical Accounting Policies

The preparation of our unconsolidated financial statements requires us to make estimates and judgements that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities in those financial statements. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The notes to our unconsolidated restated financial statements included in this Red Herring Prospectus contain a summary of our significant accounting policies. Set forth below are our critical accounting policies:

Expenditure on New Projects and Substantial Expansion

All direct and indirect expenditure incurred in relation to a new cinema project until such time as the project is operational is capitalised. Income earned during the project implementation period is adjusted against the total of the indirect expenditure incurred on the project. All direct and indirect capital expenditure on expanding or upgrading an existing cinema is capitalised.

Depreciation

We have made significant investments in film exhibition equipment and in fitting-out our cinemas. We depreciate leasehold improvements, which represent expenses incurred towards civil works, interior furnishings, etc., for our cinemas that are on leased premises, over the unexpired period of lease on a straight line basis. We depreciate all other assets on a straight-line basis at the rates computed based on estimated useful life of the assets, which are equal to the corresponding rates prescribed in Schedule XIV to the Companies Act, 1956. Set forth below is a table detailing the useful life of certain of our assets.

Asset	Useful Life
Sound and Projection Equipment	13
Concession Equipment	13
Air Conditioning Plant	13
Carpets	10
Seating System	10

Business requirements or the underlying technology may change in the future, which could cause the actual useful life to differ from the statutorily prescribed rates or useful lives estimates. Any deviation of actual useful lives from the statutorily prescribed rates or useful lives estimates could have a significant adverse effect on our future operating results.

Revenues

Gross income

Our gross income consists of:

- Income from sale of tickets of films is the total amount paid by patrons for admission to our cinemas and includes state entertainment taxes
- Income from revenue sharing is our share of income from sale of tickets of films at PVR EDM. Income from revenue share does not include state entertainment tax.
- Income from sale of film rights and distribution comprises of theatrical revenue from distribution of films, sale of satellite/television rights to films and sale of home video rights to films.
- Income from sale of food and beverages is the total amount paid by patrons at our in-cinema concession stands for food and beverages and includes sales taxes.
- Advertisement revenue includes our income from on-screen advertisements, off-screen advertisements and cinema association activities and also includes service tax.
- Management fees include:
  - o Project evaluation and advisory fee received as a fixed fee or a percentage of the total project costs.
  - o Basic revenue share fee/ management fee for services provided by us generally to the property developer in relation to the multiplex, which is usually a percentage of turnover.
  - o Incentive fee calculated as a percentage of gross operating profit (before interest, depreciation and management fee).
- Royalty income (pouring rights) is income received from certain of our beverage suppliers for us agreeing not to sell directly competing products.
- Other income include rent income from surplus space adjacent to our cinemas that has been leased to third parties, interest received on surplus operating cash flow and other miscellaneous income. As our business generally has negative working capital requirements, we expect interest to be a recurring source of income.

We use Vista software, which is used worldwide, across all our cinemas to capture box office sales, food and beverage sales and sale of tickets on the internet. The revenues in all our cinemas are collected in cash and deposited in banks on a daily basis through an effective cash management system into a common account.

Total Income

Our total income is our gross income net of all direct taxes (state entertainment taxes paid on sale of tickets of films, sales taxes/VAT on sale of food and beverages and service tax on advertisement revenue and management fees). The table below provides a break-up of our total income net of taxes for the six months ended September 30, 2005, fiscal 2005, fiscal 2004 and fiscal 2003 and their respective percentage of our total income for the corresponding periods, respectively.

	Six Months ended September 30, 2005		**Year ended March 31, 2005**		**Year ended March 31, 2004**		**Year ended March 31, 2003**	
	Rs. Million	**% of Total Income**	**Rs. Million**	**% of Total Income**	**Rs. Million**	**% of Total Income**	**Rs. Million**	**% of Total Income**
Box Office Revenue	369.4	66.3%	446.2	63.1%	311. 8	62.7%	247.6	62.9%
Food and Beverages Revenue	115.2	20.7%	142.9	20.2%	103.6	20.8%	82.3	20.9%
Advertisement Revenue	46.4	8.3%	87.2	12.4%	58.3	11.7%	45.3	11.5%
Sale of Film Rights and Distribution of Films	2.0	0.4%	0.5	0.1%	1.4	0.3%	2.7	0.7%
Management Fees	4.6	0.8%	0.9	0.1%	0.0	0.0	0.0	0.0%
Royalty income	5.6	1.0%	8.7	1.2%	6.6	1.3%	5.4	1.4%
Other Income	13.9	2.5%	20.2	2.9%	15.7	3.2%	10.3	2.6%
Total Income	**557.1**	**100%**	**706.7**	**100%**	**497.4**	**100%**	**393.7**	**100%**

Expenditure

Our Company's expenditure mainly comprises of direct cost, personnel cost, operating cost, selling cost, and administrative and other costs. Because the majority of our costs such as film distributors' share, consumption of food and beverages and rent are linked to the number of patrons and the number of cinemas we operate, increases in the number of patrons and the number of cinemas under our operation have resulted in an increase in our total costs. Our total costs other than interest, depreciation and tax, as a percentage of our total income were 79.9 %, 81.3%, 83.1% and 80.6% for the six months ended September 30, 2005, fiscal 2005, fiscal 2004 and fiscal 2003, respectively.

Direct Cost

Direct cost comprises:

- costs relating to film distributors' share (film hire);
- costs relating to the consumption of food and beverages;
- management fees paid to PEPL, one of our Promoters, for management and marketing services provided to us (the agreement pursuant to which these services were provided expired in March 2004) ;
- other miscellaneous direct costs, including news reel charges paid to the Government of India and commission paid to film distribution agents.

Personnel Cost

Personnel cost is the expenditure incurred on employees and comprises salaries, wages and allowances, contributions to provident and other funds, gratuity payments, staff welfare costs, and recruitment and training costs. For our cinema staff, we have a group incentive system for each of our cinemas, wherein we give monthly incentives to our cinema staffs on their exceeding the monthly targets of the cinemas managed by them.

ESPS and ESOS.

We have recently established an ESPS and an ESOS. Under our ESPS, some of our employees were allotted 80,000 Equity Shares at a price of Rs. 20 per Equity Share. Under our ESOS, we have granted 118,000 options to some of our employees at a price of Rs. 20 and 52,000 options at a price of Rs. 47.5. Since this price represents a price that is less than the fair value of the Equity Shares, we will have to recognize the difference between the fair value and the grant price in our income statement over the vesting period spread across fiscal 2006 and fiscal 2007.

For details of our ESPS and ESOS please see the section titled "Capital Structure" beginning on page 19.

Operating Cost

Operating cost comprises:

- rent for our cinemas and corporate offices – rental payments for some of our cinemas include a component based on a percentage of our revenue on the achievement of certain benchmarks such as occupancy rate or a minimum box office revenue; and
- other operating costs, including: repair and maintenance costs relating our cinemas and our corporate office and the equipment installed thereon; security charges for third-parties to provide security at our cinemas; electricity charges and water charges; and insurance charges.

Selling Cost

Selling cost comprises expenditure on advertisement and publicity and sales and business promotion.

Administrative and Other Cost

Administrative and other cost is the expenditure incurred on various administrative and other overheads, such as travelling, printing & stationery, professional fees, communication expenses, bank charges and charges for prepayment of term loans.

Set forth below is a table showing our expenditure by line item and significant components thereof, EBITDA, interest, depreciation, profit before tax and profit after tax for the six months ended September 30, 2005; the six months ended September 30, 2004; fiscal 2005; fiscal 2004 and fiscal 2003 and their respective percentage of our total income for the corresponding periods, respectively.

	Six Months ended September 30, 2005		Six Months ended September 30, 2004		Year ended March 31, 2005		Year ended March 31, 2004		Year ended March 31, 2003	
	Rs. Million	% of Total Income	Rs. Million	% of Total Income	Rs. Million	% of Total Income	Rs. Million	% of Total Income	Rs. Million	% of Total Income
Total Income	557.1	100%	338.6	100%	706.7	100%	497.4	100%	393.7	100%
Expenditure:										
Direct Cost	186.9	33.5%	111.4	32.9%	226.5	32.1%	176.6	35.5%	130.9	33.2%
Film Distributor's Share	147.4	26.5%	86.3	25.5%	176.7	25.0%	130.8	26.3%	85.6	21.8%
Consumption of Food and Beverages	36.5	6.6%	22.8	6.7%	45.7	6.5%	32.5	6.5%	29.3	7.4%
Management Fees	0.00	0.0%	0.0	0.0%	0.0	0.0%	10.8	2.2%	14.3	3.6%
Other Direct Cost	3.0	0.5%	2.3	0.7%	4.1	0.6%	2.5	0.5%	1.7	0.4%
Personnel Cost	59.9	10.8%	33.1	9.8%	74.4	10.5%	58.8	11.8%	40.4	10.3%
Operating Cost	143.5	25.8%	85.0	25.1%	189.3	26.8%	127.9	25.7%	95.1	24.2%
Rent for Cinemas and Corporate Office	63.4	11.4%	40.3	11.9%	93.0	13.2%	60.4	12.1%	40.6	10.4%
Other Operating Cost	80.1	14.4%	44.7	13.2%	96.3	13.6%	67.5	13.6%	54.5	13.8%
Selling Cost	23.3	4.2%	15.4	4.5%	41.3	5.8%	19.0	3.8%	25.6	6.5%
Administrative and Other Costs	31.5	5.6%	16.6	4.9%	43.4	6.1%	31.2	6.3%	25.2	6.4%
Total Expenditure	445.10	79.9%	261.5	77.2%	574.9	81.3%	413.5	83.1%	317.2	80.6%
EBITDA	112.0	20.1%	77.2	22.8%	131.8	18.7%	83.9	16.9%	76.5	19.4%
Interest Charges	16.1	2.9%	9.7	2.9%	23.9	3.4%	19.1	3.8%	18.8	4.8%
Depreciation and Amortization	33.4	6.0%	24.9	7.4%	55.2	7.8%	38.4	7.7%	30.3	7.7%
Profit before Tax	62.5	11.2%	42.5	12.5%	52.7	7.5%	26.4	6.4%	27.4	6.9%
Profit after Tax	38.7	7.0%	26.9	7.9%	36.5	5.2%	15.7	3.3%	18.3	4.6%

Six months ended September 30, 2005 compared with six months ended September 30, 2004

Some of the significant developments during the six months ended September, 2005 as compared with September 30, 2004 were:

- In November 2004, the opening of PVR Bangalore, an eleven-screen cinema with a total of 2011 seats.
- In November 2004, the opening of PVR SRS, a three-screen cinema with a total of 776 seats.
- In March 2005, the opening of PVR EDM, a three-screen cinema with a total of 720 seats.
- We received an entertainment tax exemption for our PVR EDM cinema effective from March 31, 2005.
- In September 2005, we issued shares to our employees under our ESPS.

Total Income

For the six months ended September 30, 2005, our total income was Rs. 557.1million as compared to Rs. 338.6 million for the six months ended September 30, 2004. Of our total revenues, our box office revenue and food and beverages revenue were Rs. 369.4 million and Rs 115.2 million, respectively for the six months ended September 30, 2005 as compared to Rs. 214.3 million and Rs. 72.7 million respectively for the six months ended September 30, 2004. Our box office revenues and food and beverage revenues increased due to opening of three new cinemas post September 2004 and increased admissions in some of our existing cinemas.

During the six months ended September 30, 2005, we introduced a new flexible ticket pricing strategy for all our cinemas wherein different ticket prices were charged at different times in the day and different days of the week to cater to various consumer segments. With the implementation of this strategy the average ticket prices have dropped marginally, however, admissions in our cinemas have increased, leading to an overall increase in our box office revenues. Our total patrons increased from 2.2 million patrons in the six months ended September 30, 2004 to 4.2 million patrons in the six months ended September 30, 2005, whereas our average ticket price has reduced from Rs. 95.2 in the six months ended September 30, 2004 to Rs. 88.1 in the six months ended September 30, 2005. Our food and beverage revenues for the six months ended September 30, 2005 have increased to Rs. 115.2 million from Rs. 72.7 million for the six months ended September 30, 2004. We have differential pricing strategies for our food and beverages in the different regions in which we operate based on consumer spending habits in each region. We opened a number of cinemas post September 30, 2004, such as PVR Bangalore, where the average prices for food and beverages are lower than the prices for food and beverages in our cinemas based elsewhere, resulting in lower food and beverages revenues per patron. Our average food and beverage revenue per patron were Rs. 27.5 for the six months ended September 30, 2005 compared to Rs. 33.1 for the six months ended September 30, 2004.

The prices we charge our patrons for food and beverages include applicable state sales taxes/VAT. The introduction of VAT on April 1, 2005 resulted in an increase in the effective tax on sales of food and beverages, which we did not pass on to our patrons. As a result of this, our food and beverages revenue per patron, excluding VAT, decreased in the six months ended September 30, 2005 compared with six months ended September 30, 2004.

Total Expenditure

Our total expenditure was Rs. 445.1 million for the six months ended September 30, 2005 compared to Rs. 261.5 million for the six months ended September 30, 2004. Total costs as percentage of total income increased from 79.9% for the six months ended September 30, 2005, compared to 77.2%, for the six months ended September 30, 2004. Our personnel cost as a percentage of total income also increased to 10.8% from 9.8%, primarily because of one time provisioning of employee compensation cost incurred on issuance of shares to employees under the ESPS. Also, our administrative costs have increased during this period as a result of additional costs incurred to further enhance the security systems in our cinemas.

Interest Charges

Interest charges were Rs. 16.2 million for the six months ended September 30, 2005 compared to Rs. 9.7 million for the six months ended September 30, 2004. The increase was primarily due to our increased borrowings for funding our new Multiplexes.

Depreciation and Amortization

Depreciation and amortization was Rs. 33.4 million for the six months ended September 30, 2005 compared to Rs. 24.9 million for the six months ended September 30, 2004. This increase was due to the charging of depreciation on fixed assets relating to new cinemas opened after September 2004.

Profit Before Tax

Our profit before tax for the six months ended September 30, 2005 was Rs. 62.5 million representing 11.2% of our total income compared to Rs. 42.5 million representing 12.5% of our total income for the six months ended September 30, 2004. Our profit before tax decreased as a percentage of our total income primarily on accounts of employee compensation cost of Rs. 4.5 million incurred on issuance of shares to employees under the ESPS.

Profit After Tax

Our profit after tax for the six months ended September 30, 2005 was Rs. 38.7 million compared to Rs. 26.9 million for the six months ended September 30, 2004. Our effective tax rate increased despite the fact that the Government decreased the rate of corporate income tax from 36.9% to 33.7% due to the additional impost of fringe benefit tax and a reduction in allowable depreciation rates under income tax regulations.

Fiscal 2005 Compared with Fiscal 2004

Some of the key developments during fiscal 2005 were:

- In May 2004, the opening of PVR Faridabad, a two-screen cinema. This Multiplex had 0.3 million patrons during fiscal 2005.
- In May 2004, the opening of PVR Plaza, a single-screen cinema. This cinema had 0.2 million patrons during fiscal 2005.
- In November 2004, the opening of PVR Bangalore, an eleven-screen cinema. This Multiplex had 0.7 million patrons during fiscal 2005.
- In November 2004, we began to manage PVR SRS, a three-screen cinema at the SRS Mall, Faridabad. PVR SRS is operated under our management/franchise model. We earn a management fee from the operation of this cinema and do not get the revenue from the sale of tickets, or food and beverages revenue. We do not include patrons at PVR SRS in calculating the number of patrons at our cinemas.
- On March 31, 2005, we opened our new cinema PVR EDM, a three-screen cinema.

Primarily as a result of the opening of PVR Faridabad, PVR Plaza and PVR Bangalore, the number of patrons at our cinemas increased by 1.4 million, or 42.1%, from 3.4 million in fiscal 2004 to 4.8 million in fiscal 2005.

Total Income

Total income increased by Rs. 209.3 million, or 42%, from Rs. 497.4 million in fiscal 2004 to Rs. 706.7 million in fiscal 2005. This increase was primarily due to a 43.1% increase in our box office revenue and a 37.9% increase in our food and beverages revenue, both of which were primarily due to the increase in the number of patrons following the opening of PVR Faridabad, PVR Plaza and PVR Bangalore.

Total Expenditure

Total expenditure increased by Rs. 161.4 million, or 39.0%, from Rs. 413.5 million in fiscal 2004 to Rs. 574.9 million in fiscal 2005. The primary reason for the increase in total expenditure was the cost relating to our operations at PVR Faridabad, PVR Plaza and PVR Bangalore, which opened in fiscal 2005.

Total costs as percentage of total income declined from 83.1% in fiscal 2004 to 81.3% in fiscal 2005, primarily as a result of the following:

- Personnel cost as a percentage of total income reduced in fiscal 2005 to 10.5% compared with 11.8% in fiscal 2004 as our corporate personnel costs were defrayed over a larger total income base with PVR Faridabad, PVR Plaza and PVR Bangalore opening in fiscal 2005.
- Advertising costs as a percentage of total income increased from 3.8% in fiscal 2004 to 5.8% in fiscal 2005 primarily as a result of one time advertisement cost incurred on the launch of PVR Faridabad, PVR Plaza and PVR Bangalore and PVR EDM.
- Reduction in film distributors' share as a percentage of total income, which decreased from 26.3% in fiscal 2004 to 25.0% in fiscal 2005 and 42.0% to 39.6% as a percentage of net box office collection over the same period. PVR Gurgaon had to pay higher film hire charges in fiscal 2004 due to competition from other multiplex operators faced in its first year of operations. However, these film hire charges were more in line with those of our other cinemas in fiscal 2005 resulting in reduction of our film hire charges.

Interest Charges

Interest charges increased by Rs. 4.8 million, from Rs. 19.1 million in fiscal 2004 to Rs. 23.9 million in fiscal 2005. This increase was primarily due to charging of our interest expenses on funds borrowed for our new cinemas opened in fiscal 2005, which were earlier capitalized as part of the pre-operative expenses.

Depreciation and Amortization

Depreciation and amortization increased by Rs. 16.8 million, from Rs. 38.4 million in fiscal 2004 to Rs. 55.2 million in fiscal 2005. This increase was due to the charging of depreciation on fixed assets relating to our new cinemas opened in fiscal 2005.

Profit Before Tax

Profit before tax increased by Rs. 26.3 million, or 100.0%, from Rs. 26.4 million in fiscal 2004 to Rs.52.7 million in fiscal 2005.

Taxation

Our income tax expenses increased by 51.6% from Rs. 10.7 million in fiscal 2004 to Rs. 16.2 million in fiscal 2005, mainly because of the increase in our taxable income. Our effective rate of tax was 30.8% in fiscal 2005 and 40.7% in fiscal 2004. Of our total income tax expense of Rs. 16.2 million in fiscal 2005, our current income tax expense was Rs. 7.6 million and our deferred income tax was Rs. 8.6 million.

Profit after tax

Profit after tax increased by Rs. 20.8 million, or 132.5%, from Rs 15.7 million in fiscal 2004 to Rs. 36.5 million in fiscal 2005.

Fiscal 2004 compared with Fiscal 2003

A significant development during fiscal 2004 was the opening of PVR Gurgaon, a seven-screen cinema with a total of 1,310 seats. This Multiplex had 0.5 million patrons in fiscal 2004.

Primarily as a result of the opening of PVR Gurgaon, the number of patrons at our cinemas increased by 0.4 million, or 13.5%, from 3.0 million in fiscal 2003 to 3.4 million in fiscal 2004.

Total Income

Total income increased by Rs. 103.7 million, or 26.3%, from Rs. 393.7million in fiscal 2003 to Rs. 497.4 million in fiscal 2004. This increase was primarily due to a 25.9% increase in our box office revenue and a 26.0% increase in our food and beverages revenue, both of which were primarily due to the increase in the number of patrons following the opening of PVR Gurgaon.

Total Expenditure

Our total expenditure increased by Rs. 96.3 million, or 30.4%, from Rs. 317.2 million in fiscal 2003 to Rs. 413.5 million in fiscal 2004. This increase was primarily due to costs relating to the operations of PVR Gurgaon.

As percentage of our total income, total expenditure increased from 80.6% in fiscal 2003 to 83.1% in fiscal 2004. This increase was primarily because of the following reasons:

- Film distributor's share for the films exhibited at PVR Gurgaon increased due to competitive pressures in the new territory in the first year of operations.
- Personnel cost as a percentage of total income increased from 10.3% in fiscal 2003 to 11.8% in fiscal 2004, which was primarily due to the hiring of additional employees at the corporate level to meet the growing demands of our business.
- One-time prepayment charges of Rs. 3.2 million paid in fiscal 2004 for conversion of our high interest bearing term loans.

Interest Charges

Interest charges increased by Rs. 0.3 million, from Rs. 18.8 million in fiscal 2003 to Rs. 19.1 million in fiscal 2004.

Depreciation and Amortization

Depreciation and amortization increased by Rs. 8.1 million, from Rs. 30.3 million in fiscal 2003 to Rs. 38.4 million in fiscal 2004. This increase was due to the start of the depreciation of fixed assets relating to PVR Gurgaon.

Profit Before Tax

Profit before tax declined by Rs. 1.0 million, or 3.9%, from Rs. 27.4 million in fiscal 2003 to Rs. 26.4 million in fiscal 2004.

Taxation

Our income tax expenses increased by 17.6% from Rs. 9.1 million in fiscal 2003 to Rs. 10.7 million in fiscal 2004, mainly because of the increase in our taxable income. Our effective rate of tax was 40.7% in fiscal 2004 and 33.2% in fiscal 2003. Of our total income tax expense of Rs. 10.7 million in fiscal 2004, our current income tax expense was Rs.1.7 million and our deferred income tax expense was Rs. 9.0 million.

Profit After Tax

Our profit after tax declined by Rs. 2.7 million, or 14.4%, from 18.3 million in fiscal 2003 to Rs. 15.7 million in fiscal 2004. This decrease was primarily on account of a Rs. 1.6 million increase in our tax expenses in fiscal 2004. This increase was due to the fact that our book profit was higher than our profit under the provisions of the I.T. Act and as a result we were required to pay minimum alternate tax on our book profit.

Review of Asset and Liabilities

Fixed Assets

Fixed assets comprise:

- gross block, which is mainly comprised of sound and projection equipment, concession equipment and air-conditioning plants, furniture and fixtures, office equipment, computers and vehicles;
- capital work in progress including capital advances, which mainly relates to capital expenditure on new cinemas; and
- expenditure during the construction period (pending allocation), which mainly relates to capital expenditure on new cinemas.

	Six months ended September 30, 2005	Year ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2003
Gross Block	848.3	829.0	480.7	316.7
Less Depreciation	190.6	159.5	111.7	74.1
Net Block	657.7	669.5	369.0	242.6
Capital Work in Progress	530.6	137.6	84.6	109.1
Pre-operation expenses yet to be capitalized	97.3	37.7	32.2	31.9

Current Assets, Loans and Advances

Current assets, loans and advances are comprised mainly of:

- Loans and advances; which primarily relates to security deposits paid to the lessor of our cinemas;
- Cash and bank balances;
- Sundry debtors, which primarily relates to debts owed to us by advertisers; and
- Inventories, which are food and beverages to be sold at our in-cinema concession stands.

Current Liabilities and Provisions

Current liabilities primarily comprise of amounts payable to film distributors (film hire costs), food and beverage suppliers, and state entertainment taxes (which are generally payable on a weekly basis).

Deferred Tax Liabilities

Deferred tax liability comprises of the income tax benefits which have already been availed by us due to the timing difference between our taxable income and accounting income

Secured Loans and Unsecured Loans

Secured loans are comprised of long-term debt and certain short-term debt. Unsecured loans are comprised of certain short-term debt.

Long-Term and Short-Term Debt

The following table sets forth our short-term, long-term and total indebtedness as at September 30, 2005, March 31, 2005, March 31, 2004 and March 31, 2003.

(Rs. in million)

	As at September 30, 2005	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003
Short-term Debt	150.0	10 .0	4.1	67.9
Long-term Debt	585.9	455.1	298.3	176.6
Total Debt	**735.9**	**465.1**	**302.4**	**244.5**

Long-Term Debt

Set forth below is a table showing our debt maturity profile as of September 30, 2005.

(Rs. in million)

	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Long Term Debt	585.9	128.9	251.4	189.8	15.8

The terms of certain of our borrowings contain certain restrictive covenants. As of the date of this Red Herring Prospectus, we believe that we are in full compliance with all the covenants and undertakings for all the loans availed as described above.

For more information on our debt obligations, please see the section titled "Financial Indebtedness" beginning on page 81.

Liquidity and Capital Resources

In general, our working capital requirements are negative. Our box office revenues and food and beverage revenues (which together have constituted more than 85% of our total income in the six months ended September 30, 2005, fiscal 2005, fiscal 2004 and fiscal 2003) are received in cash while we generally avail credit facilities of 30 days from our vendors and various service providers. Our funding requirements have only been to finance the opening of our new cinemas. To fund these cinemas, we have relied principally on long-term and short-term borrowings, issuances of equity share capital and our cash flows from operations.

As of September 30, 2005, our Company had Rs. 183.3 million in cash and cash equivalents on hand compared with Rs. 94.9 million, Rs. 26.2 million and Rs. 96.5 million as of March 31, 2005, 2004 and 2003, respectively.

Set forth below is a table showing our cash flows from operations, cash flow from investing activities and cash investments in expansion and financing activities for the six months ended September 30, 2005, fiscal 2005, fiscal 2004 and fiscal 2003, respectively.

(Rs. in million)

	Six Months ended September 30, 2005	**Year ended March 31, 2005**	**Year ended March 31, 2004**	**Year ended March 31, 2003**
Cash flow from Operations	106.0	176.8	(37.7)	76.8
Cash Flow from Investing activities	(460.4)	(417.2)	(158.0)	(149.9)
Cash Flow from Financing activity	442.7	309.1	125.4	112.0
Net increase in Cash and Cash Equivalents	**88.3**	68.7	(70.3)	38.9

Capital expenditure plans

We plan to finance new cinema projects, expand our film distribution business, invest in upgrading our audio and projection equipment, and renovate some of our existing cinemas. These activities will be partly financed from the net proceeds of the Issue and the remainder will be financed from long-term borrowings and cash flow from operations. Please see the section titled "Objects of the Issue" beginning on page 31.

Off-Balance Sheet Arrangements

As of September 30, 2005, we have not provided any financial guarantee for any entity. However, our promoters have provided personal guarantees and in a few cases their personal properties as collateral for certain loans availed by us. For details, please see the section titled "Related Party Transactions" beginning on page 129.

Contingent Liability

There are claims made against the Company which are not acknowledged as debts amounting to Rs.1.3 million as on September 30, 2005.

Quantitative and Qualitative Disclosure About Market Risk

The functional currency of our Company is the Indian Rupee. All our revenues are denominated in the Indian Rupee and most of our expenses are denominated in the Indian Rupee. Our transactions in foreign currency are mainly restricted to making payments for the film distribution rights that we acquire for English movies. As a result, we do not have any material exposure to changes in foreign exchange rates.

Our exposure to interest rate risks relates primarily to our debt for funding our capital requirements for new cinemas.

Changes in accounting policies in the last three years

Intangible assets

The provision relating to Intangible Assets as per Accounting Standard 26 on Intangible Assets issued by The Institute of Chartered Accountants of India became mandatory for us from April 1, 2003. Accordingly, we have capitalized the amount of additional expenditure on software development, acquisition of film rights and website development under the head of Intangible Assets in the balance sheet for the year ended March 31, 2004. For the purpose of our restated assets and liabilities and restated profit and loss account as of and for the year ended March 31, 2003, the standard has been applied retrospectively. However, the retrospective application of this standard had no impact on our profit for fiscal 2003 or on our balance sheet as of March 31, 2003.

Tax effect of shares/debentures placement expenses adjusted directly against securities premium account

During the years ended March 31, 2003, 2004 and 2005, we incurred expenses on issuing our equity shares and debentures in private placements. Our policy has been to adjust these costs against the securities premium account as and when the new projects, where these proceeds have been utilised start commercial operations, and not charge them to the profit and loss account. As per a clarification issued by the Institute of Chartered Accountants of India, dated September 5, 2005, we are required to charge these costs to securities premium account net of tax. Consequently, we have made the required adjustment in our restated statement of profit or loss and restated statement of assets and liabilities. This has increased the balance of the securities premium account by Rs. 0.57 million and Rs. 0.65 million as on March 31, 2004 and 2005, respectively. Correspondingly, the total tax expense in the profit and loss account for the years ended March 31, 2003 and 2004 has also been restated, resulting in an increase in that line item of Rs. 0.66 million and Rs. 1.20 million, respectively.

Significant developments after September 30, 2005 that may affect our future operations

Except for the grant of 170,000 stock options to Eligible Employees under the terms of our ESOS, there has been no material development since our last audited balance sheet date of September 30, 2005. For details of the grant of options under our ESOS please see the section titled "Capital Structure" beginning on page 19.

Except as disclosed above, to our knowledge no circumstances have arisen since the date of the last financial statements which materially and adversely affect or are likely to affect, the trading and profitability of the Company or the value of the its assets or its ability to pay its liabilities within the next 12 months.

Except as disclosed above, there are no subsequent developments after the date of the Auditors report dated November 7, 2005 which we believe are expected to have material impact on the reserves, profits, earnings per share or book value of the Company.

Future relationships between costs and income

To our knowledge there are no known factors which will have a material adverse impact on our operations and profitability.

Transactions with related parties

For details, please see the section titled "Related Party Transactions" beginning on page 129.

Competitive conditions

Our competitors vary from territory to territory and range in size from small independent single screen exhibitors to large national chains. As a result, our cinemas are subject to varying degrees of competition in the territories in which they operate. For details of the risks arising out of competition an alternative forms of entertainment please see the section titled "Risk Factors" beginning on page xi.

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, our subsidiaries and our Promoters 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 or our Promoters as of the date of this Red Herring Prospectus.

Litigation against our Company

A. Contingent liabilities not provided for as on March 31, 2005: Rs. 1,288,311

B. Litigation against our Company

1. Criminal cases

A first information report dated September 14, 2005 has been filed by Mr. Qamar Chaudhary, with the station house office, Indirapuram, Kaushambi, Ghaziabad, alleging misbehavior against his wife and sister at PVR EDM, by certain people including the staff of PVR EDM. No formal chargesheet has been filed in the matter.

2. Cases relating to statutory authorities

2.1 Customs duty cases

The Additional Commissioner of Customs Indira Gandhi International Airport, New Delhi issued a show cause notice (C.No.VIII (AP)/10/COURIER/112/2001/4191) dated September 16, 2002 against our Company under section 124 of the Customs Act, 1962. The notice required us to show cause as to why (a) the feature film "Chocolat" should not be assessed at a value of Rs. 389,148; and (b) penalty should not be imposed under section 112(a) of the Customs Act, 1962 for misdeclaration of the value of the imported product willfully with an intention to evade customs duty. We have replied to the notice and written a letter to the Additional Commissioner accepting the assessable value as stated by the Additional Commissioner but requesting the dropping of the penalty proceedings. We are awaiting the final assessment of the feature film.

2.2 Labour related and other cases

Our Promoter, PEPL, has disputes pending before the Labour Court in Delhi in respect of five workmen who have contested their dismissal and have claimed back wages with full salary from the date of dismissal and other benefits with interest thereon. In the event these disputes are decided against PEPL, the financial obligation arising therefrom, would as per our arrangement with PEPL, have to be borne by us. In four of the cases the workmen are to give evidence and in one case the enquiry officer is to be cross examined as management witness.

The inspector under the Employees' State Insurance Act, 1948, Okhla, New Delhi is scrutinizing our records for the period 1997 to 2002.

2.3 Weight and measures

(i) We have received summons dated August 2, 2005 bearing no. 251/05 from the Courts of Special Metropolitan Magistrate, New Delhi in respect of complaint filed by the Inspector of Legal Metrology, Weights and Measures Department, Government of NCT of Delhi allegedly for less content found on weighment in the popcorn tub in respect of the PVR Vikaspuri. Now the case is listed for submission of written statement. The matter is listed for hearing on February 15, 2006.

(ii) We have received summons dated July 19, 2005 bearing no. 49/05 from the Courts of Special Metropolitan Magistrate, New Delhi in respect of complaint filed by the Weight and Measures Deptt, Legal Metrology alleging we, have not displayed the quantity of the product on the display board in PVR Saket. The matter was heard on November 11, 2005 and was dismissed.

2.4 Income tax cases

(i) An appeal filed by us is pending before the Income Tax Appellate Tribunal for the financial year 1998-99 (Income Tax Assessment year 1999-00). The Deputy Commissioner had passed an order on May 26, 2002 wherein he has disallowed the various items of expenses. The order of the assessing authority was, therefore, challenged by filing the appeal before the Commissioner of Income Tax (Appeal, New Delhi) our Appeal was partly allowed by order dated December 11, 2002 in respect of the total income assessed for the Company.

We have filed a second appeal before the Income Tax Appellate Tribunal, New Delhi. The items of expenditure which are now the subject matter the second appeal are:

(a) Disallowance on new project development expenses of Rs. 144,239;

(b) Out of the employer and employees contribution to provident fund and to the employees state insurance fund, Rs. 239,877.

The case was heard on July 14, 2005 and has been adjourned to November 23, 2005.

We have already deposited the entire amount due and payable under protest. In the event that the claim is decided against us, the tax liability would be calculated on an assessable income of Rs. 384,116 and would be adjustable against the amount paid by us.

(ii) *Income Tax Assessment Year 2003-04:*

We have received a notice dated May 20, 2005 from the Deputy Commissioner of Income Tax where he has asked us to meet him in relation to providing some further information inconnection with the return of income submitted by us for the assessment year 2003-04. We have provided information to the assessing authority and the assessment hearings are pending.

(iii) *Income Tax Assessment year 2004-05:*

We have received a notice dated August 10, 2005 from the Deputy Commissioner of Income Tax where he has asked us to meet him in relation to further information in connection with the return of income submitted by us for the assessment year 2004-05. We are scheduled to meet the assessing authority on November 25, 2005.

3. Counter claims in suits of recovery

The Additional District Judge, Delhi passed a decree in a suit (No. 77/03) filed by Mr. Kedarnath Gupta on May 13, 2005 ordering us to pay a sum of Rs. 246,875 together with future interest at the rate of nine percent per annum from the date of filing of the suit till realization. We have filed an appeal before the High Court of Delhi praying to set aside the judgment and decree filed a counter claim for an amount of Rs. 268,770. The matter is yet to be listed in the High Court of Delhi. Our appeal has been admitted and we have deposited Rs. 300,000 with the Registrar of the High Court. Operation of the decree has been stayed till the next date of hearing which is December 15, 2005. The respondent has to file the reply.

4. Consumer cases

(i) There are four consumer cases pending before the District Consumer Dispute Redressal Forum against our Company. The total amount of the claims are approximately Rs. 295,300. Three of these cases involve complaints made against our Company in respect of our alleging that our cinema at PVR, Gurgaon has not allowed outside articles in the cinema premises and also for charging in excess of maximum retail price printed on certain items. The matters are listed for argument on applications for cross examination filed by us. The next date of hearing for these cases is December 15, 2005. One case involves a complaint in relation to refund for tickets in relation to a movie show which was cancelled at PVR Saket, where we have been asked to respond through an authorized agent on November 23, 2005.

(ii) **Appeal No. 2/04, PVR vs. Kapil Mitra**

Mr. Kapil Mitra fled a complaint against us alleging that the cinema at PVR Naraina has not allowed outside articles and eatables within the cinema premises and claiming damages and compensation etc. The District Consumer Form has without hearing us passed an order dated February 12, 2003 to pay Rs. 10,000 as punitive damages and Rs. 2,000 to the complainant as cost of the proceedings. Our Company has filed an appeal before the State Consumer Dispute Redressal Forum contesting the averments made against us in the order passed by the District Consumer Redressal Forum and praying for setting aside the judgment/order of the District Consumer Forum. The next date of hearing is March 30, 2006.

5. Miscellaneous

(i) The District Magistrate, Bangalore Urban District, Office of the Deputy Commissioner, has issued a notice dated March 4, 2005 bearing No: MAG(2) ENT CR 39/2001-2002, instructing us to pay an amount of Rs. 733,220 to the office of the District Magistrate towards outstanding payments to the Films Division, Ministry of Information and Broadcasting. We have filed a writ petition (WP No.15237/2005) in the High Court at Karnataka challenging the said notice. As directed by the High Court we have deposited Rs. 854,000 with the court. The court has issued notices to the respondents to file their reply.

(ii) **Bangalore Film Certification**

Censor Board officials raided the cinema premises on August 20, 2005 and informed that some excluded scenes in the Tamil Film (Atdu) have not been deleted from the film being exhibited at PVR Bangalore. The Censor Board official had therefore filed a first information report and proceeded the matter in the Court. Bail was granted to our employees and the matter is currently on board before the Additional Magistrate, Bangalore Urban District. The police are yet to file a formal chargesheet in the matter.

(iii) **PVR vs Delhi Vidyut Board/BSES Rajdhani Power Ltd. ("BSES")**

PVR filed a writ petition in the High Court of Delhi against a demand of Rs. 4,724,073 raised by BSES against us. The Court granted the conditional interim order staying the demand raised by BSES on the condition that we deposited a sum of Rs. 1,500,000 before them. We deposited this amount before the High Court, as directed. The High Court referred the dispute for resolution to the Permanent Lok Adalat. The Permanent Lok Adalat was unable to resolve the matter and we filed another writ petition before the High Court of Delhi. The High Court directed that the case could be dealt with and decided by the Consumer Grievance Redressal Forum. The case had since been transferred to the Consumer Grievance Redressal Forum which, through a speaking order dated October 18, 2005 has laid down guidelines on the basis of which the bill has to be revised by BSES. We are awaiting the revised bill, which has to be adjusted against the deposit of Rs. 1,500,000 already made by us in court.

6. Outstanding dues to small scale undertakings

There are no outstanding litigations involving our Company in respect of small scale undertakings or any other creditors to whom we owed a sum of Rs. 100,000 or above for a period more than 30 days except the a decree in a suit (No. 77/03) filed by Mr. Kedarnath Gupta on May 13, 2005 ordering us to pay a sum of Rs. 246,875, details of which have been disclosed above.

Material developments

Please see the section titled "Managements' Discussion and Analysis of Financial Condition and Results of Operations on an unconsolidated basis - Significant Developments after September 30, 2005 that may affect our future operations" on page 224.

Litigation against our directors

Our directors have no outstanding litigation towards tax liabilities, criminal/civil prosecution for any offences (irrespective of whether they are specified under paragraph (i) of Part 1 of Schedule XIII of the Companies Act), disputes, defaults, non payment of statutory dues, in their individual capacity or in connection with our Company and other Companies with which the Directors are associated, except as below:

Mr. Ajjay Bijli

The I.T. Department had reopened tax matter pertaining to assessment year 1982-83 in respect of return filed by Mr. Ajjay Bijli's late father Mr. K. M. Bijli. The income tax authorities had assessed an income of Rs. 10,662,575 for the assessment year 1982-83. The order of the Joint Commissioner of Income Tax was challenged in the appeal filed before the Commissioner of Income Tax (Appeals), Delhi, (the "CIT (Appeals)") who has partly allowed the appeal and the income assessed was reduced to Rs. 1,613,597. Against the confirmation of additions by CIT (Appeals), Mr. Ajjay Bijli had preferred a second appeal before the Income Tax Appellate Tribunal ("ITAT") New Delhi. The ITAT allowed the appeal and deleted the additions made by the assessing officer. All income computed by the assessing officer as assessable income was reversed by ITAT and no payment was to be made by Mr. Ajjay Bijli. Against the order of the ITAT, the I.T. Department has preferred further appeal before the High Court at Delhi. The matter is pending before the High Court.

Mr. Sanjeev Kumar

Nil

Mr. Sumit Chandwani

Nil

Mr. Sunay Mathure

Nil

Mr. Vikram Bakshi

Nil

Mr. Amit Burman

Nil

Mr. Renaud Jean Palliere

Nil

C. Litigation against our Subsidiaries

We have two subsidiaries:

1. PVR Pictures; and
2. CR Retail.

1. PVR Pictures

Contingent liabilities not provided for as on September 30, 2005 are as follows:

Nil

Pending litigation against PVR Pictures as on September 14, 2005

The company had acquired the distribution rights of a movie "Chicago" from Miramax International, New York in the year 2003 and had imported film prints and paid custom duty on the same. The Custom Department, GATT valuation cell, Mumbai has sought certain clarifications with regard to the import of the prints, value of the goods and certain other matters. The matter has been transferred to the office of Commissioner of Custom (Import and General) New Custom House, Special Valuation Branch, New Delhi. PVR Pictures has provided such clarifications as have been requested by the Department of Customs, New Delhi.

2. CR Retail

Contingent liabilities not provided for as on September 30, 2005:

Nil

Pending litigation against CR Retail as on September 30, 2005:

Nil

D. Litigation against our Promoters

We have three Promoters:

1. Mr. Ajjay Bijli;
2. Priya Exhibitors Private Limited; and
3. Bijli Investments Private Limited.

1. Mr. Ajjay Bijli

Please see above for description of cases pending against Mr. Bijli.

2. Priya Exhibitors Private Limited

Contingent liabilities not provided for as on March 31, 2005 are as follows:

Claims not acknowledged by the company as a liability:

Sales Tax: Rs. 626,159.

The above amount is based on demand raised which the company is contesting with the concerned authorities. Outflows, if any, arising out of these claims would depend on the outcome of the decision of the appellant authority and the company's rights for future appeals. No reimbursements are expected.

Pending litigation against PEPL as on September 14, 2005

Our Promoter, PEPL, has disputes pending before the Labour Court in Delhi in respect of five workmen who have contested their dismissal and have claimed back wages with full salary from the date of dismissal and other benefits with interest thereon. In the event these disputes are decided against PEPL, the financial obligation arising therefrom, would as per PVR's arrangement with PEPL, have to be borne by PVR. In four of the cases the workmen are to give evidence and in one case the enquiry officer is to be cross examined as management witness.

WP(C) No. 7426/2000, Priya Exhibitors Pvt. Ltd. vs. The Delhi Vidyut Board (the "DVB")/BSES Rajdhani

The DVB has levied surcharge on PEPL at the rate of 3% per month, i.e., 36% p.a., in respect of a demand which was under dispute in litigation. This surcharge, amounting to Rs. 1,493,933, was levied by DVB, consequent to PEPL being unsuccessful in winning the case. Subsequently, PEPL had filed a writ petition in the High Court at Delhi against such levy of surcharge. The case is pending before the High Court.

C.S. No. 39/1 of 2004, Gainda Mal Hemraj vs. Vijay Seth and Priya Exhibitors

This case was filed by a dealer of Swatch watches at Shimla against a customer who had purchased the watch from the dealer and passed defamatory remarks against the dealer. Consequently, the dealer has filed a case against the customer, Mr. Vijay Seth made PEPL a proforma party to the case. The case is pending before Civil Judge, Junior Division.

3. Bijli Investments Private Limited

Contingent liabilities not provided for as on March 31, 2005 are as follows:

Nil

Pending litigation against BIPL as on September 14, 2005

Against a penalty of Rs. 48,719 levied by the Income Tax Officer, New Delhi, by order dated July 27, 2005 for the assessment year 2002-03, allegedly for concealment of income, consequent to disallowance of various business expenditure, BIPL has filed an appeal before the Commissioner of Income Tax (Appeals), New Delhi. The appeal is pending.

E. Litigation against Promoter group Companies

Our Promoter Group companies are as follows:

1. The Amritsar Transport Company Private Limited;
2. ATC Carriers Private Limited; and
3. Leisure World Limited.

1. The Amritsar Transport Company Private Limited

Contingent liabilities not provided for as on March 31, 2005 are as follows:

Claims against the company not acknowledged as debt, amount to Rs. 26,533,000, out of which Rs. 16,000,000 relates to a motor accident claim in respect of the company's vehicles which are insured comprehensively.

Performance guarantees issued by the bank amount to Rs. 1,294,000.

Pending litigation against ATCL as on September 14, 2005

Litigation involving civil and economic offences:

In September 2004, a fire broke out at delivery godown of the company at Jammu. ATCL received claims from various parties/customers aggregating to Rs. 1,500,000 approximately out of which 26 claims involving an amount of Rs. 8,42,131 (together with claims of interest and expenses thereon) are pending. The godown was insured for Rs. 5,000,000.

There are 43 cases pending against ATCL which relate to damage, shortage, non delivery of the goods occurred in the course of business. These claims are pending before various forums, such as High Court, National/State/ District Consumer Forum, city civil court at various stages of evidence and hearing at different stations. The total amount involved in these cases is Rs. 47,80,398 (together with expenses and interest thereon). The above said list include eight cases, involving total amount of Rs. 1,344,828, in which ATCL has filed appeals before the higher forums against the order of subordinate forums.

In total, 111 claims are pending against ATCL. These cases have been filed by customers of ATCL and involve an amount of Rs. 3,719,106 out of which ATCL has rejected 33 claims, involving an amount of Rs. 550,479 as per ATCL's policy.

There are total of six claims pending against the company which relate to accidental death and damage caused by lorries belonging to the company while transporting goods in the course of business. These claims are pending before motor accident claims tribunal at various stations and at various stages of evidence and hearing. The total amount of such claims is Rs. 15,987,000 together with expenses and interest thereon which include one appeal filed before the High Court at Chandigarh against the motor accident claims tribunal.

ATCL has received three notices from the erstwhile Tata Finance Limited ("TFL") for paying an aggregate amount of Rs. 173,445 as compensation on overdue charges. This amount has been claimed by TFL on account of alleged default in the payment of monthly installments of vehicles taken on hire purchase basis from the above mentioned company.

ICICI Bank Limited has issued a letter to ATCL demanding a payment of Rs. 22,233 on account of non-payment of an installment against the loan taken for a car on hire purchase basis.

Litigation including labour laws, winding up petitions or closure

There are total four labour law cases against the company; of these three cases have been filed under the Minimum Wages Act, 1948, Industrial Disputes Act, 1947 and the Payment of Wages Act, 1936 by an employee and one case by another employee. The total amount involved in these cases is approximately Rs. 700,000. These claims are pending before the appropriate labour court.

2. ATC Carriers Private Limited

Contingent liabilities not provided for as on March 31, 2005 are as follows:

Nil.

Pending litigation against ATC Carriers as on September 14, 2005

Nil.

3. Leisure World Limited

Contingent liabilities not provided for as on March 31, 2005 are as follows:

Nil.

Pending litigation against LWL as on September 14, 2005

Nil

GOVERNMENT AND OTHER APPROVALS

In view of the approvals listed below, we can undertake this Issue and our current business activities and no further material approvals from any governmental or regulatory authority or any other entity are required to undertake the Issue or continue our business activities. Unless otherwise stated, these approvals are all valid as of the date of this Red Herring Prospectus.

I. Approvals for our Business

It may be noted that for some cinema projects, depending upon the agreement that we enter into with the builder/developer, the builder/developer is required to obtain all/some licences/approvals for the construction, occupation and operation of the multiplex/cinema.

Unless otherwise mentioned below, we have not applied for any other approvals, nor received any other approvals for our proposed cinema projects as mentioned in the section titled "Objects of the Issue" beginning on page 31.

We have received the following Government and other approvals pertaining to our business:

1. Premises at PVR Anupam, Saket, New Delhi.

Approval	Reference Number	Issue Date	Expiry Date
No Objection Certificate from the Deputy Commissioner of Police (Traffic) granting traffic clearance.	3506	February 28, 1997	N.A.
Occupancy certificate from the Delhi Development Authority.	88(3)81/Bldg.	April 29, 1997	N.A.
No Objection Certificate from the Delhi Fire Service.	F6/DPC/MS/97/Cinema/587	May 27, 1997	N.A.
No Objection Certificate from the Assistant Electrical Inspector, New Delhi.	ED11(03)SD/97	May 27, 1997	N.A.
No Objection Certificate from the Municipal Corporation of Delhi.	DHO/SZ/97/201	May 30, 1997	N.A.
Licence for the cinema canteen from the Health Department of the Municipal Corporation of Delhi under the Delhi Municipal Corporation Act, 1957.	3283	June 4, 1997	March 31, 2006
Licences from the Health Department of the Municipal Corporation of Delhi under the Delhi Municipal Corporation Act, 1957.	3284, 3285, 3286 and 3287	June 4, 1997	March 31, 2006
Registration under the Employees State Insurance Act, 1948.	11-42575-121/ZONE-5/97	June 12, 1997	N.A.
Sales tax registration under the Delhi Sales Tax Act, 1975.	2/96/194755/0697	September 30, 1997	N.A.
Registration under the Employees' Provident Fund and Miscellaneous Provisions Act, 1952.	E/DL/20029/Coverage/4096 Code Number DL/20029	March 20, 1998	N.A

Licence for the cinema canteen from the Health Department of the Municipal Corporation of Delhi under the Delhi Municipal Corporation Act, 1957.	3473	August 25, 1999	March 31, 2006
Admission fee and tax collection authorisation under the Delhi Entertainment and Betting Tax Act, 1996.	F21(1)99-2000/ETO/8404	February 8, 2000	N.A.
Registration for payment of service tax under Section 69 of the Finance Act,	Adv/DL-1/PVRSL/1168/2001	September 6, 2001	Valid till the holder carries on the activity 1994. for which the certificate has been issued or where surrender of the certificate is accepted.
Cinema licences under the Delhi Cinematograph Rules, 2002.	29196/DCP/Lic(Cinema)29197/ DCP/Lic(Cinema) 29198/DCP/Lic(Cinema) 29199/DCP/Lic(Cinema)	December 23, 2002	November 28, 2012
Certificate for registration of an eating house.	ETHL/DCPLic/1999/128/ Mal Nagar	April 20, 2004	December 31, 2006
Certificate for supply of approved films.	N.A.	April 1, 2005	March 31, 2006
Public performance licence.	25/D/3145	June 20, 2005	June 19, 2006
Licence for working a lift under the Delhi Lift Rules, 1962.	1137/83/697	May 28, 1999	N.A.
Licence for differential pricing of tickets.	26229/DCP/Lic. (Cinema)	August 31, 2005	March 31, 2006

Consents/Licences for which renewals have been applied:

- Application dated October 10, 2005 for renewal of film storage licence bearing number 223, which expired on October 12, 2005.

2. Premises at PVR Priya, Vasant Vihar, New Delhi.

Approval	Reference Number	Issue Date	Expiry Date
Registration under the Employees State Insurance Act, 1948.	11-42575-121/ZONE-5/97	June 12, 1997	N.A.
Sales tax registration under the Delhi Sales Tax Act, 1975.	2/96/194755/0697	September 30, 1997	N.A.
Registration under the Employees' Provident Fund and Miscellaneous Provisions Act, 1952.	E/DL/20029/Coverage/4096 Code Number DL/20029	March 20, 1998	N.A.
No Objection Certificate from the Delhi Fire Service under the Delhi Cinematograph Rules, 1981.	F6/DFS/MS/99/Cinema/1877	December 31, 1999	N.A.
No Objection Certificate from the Office of the Electrical Inspector under the Delhi Cinematograph Rules, 1981.	ED.11(59)99/08	January 6, 2000	N.A.

Licence for cinema canteen from the Health Department of the Municipal Corporation of Delhi under the Delhi Municipal Corporation Act, 1957.	3522	July 9, 2001	March 31, 2006
Licence for running of cinema under the Delhi Municipal Corporation Act, 1957.	2301	August 9, 2001	March 31, 2006
Registration for payment of service tax under Section 69 of the Finance Act, 1994.	Adv/DL-1/PVRSL/1168/2001	September 6, 2001	Valid till the holder carries on the activity for which the certificate has been issued or where surrender of the certificate is accepted.
Certificate of registration of an eating house under the Delhi Police Act, 1978.	99/Vasant Vihar	September 24, 2001	December 31, 2005
Certificate for supply of approved films.	N.A.	April 1, 2005	March 31, 2006
Public performance licence.	25/D/3144	June 20, 2005	June 19, 2006
Cinema licence under the Delhi Cinematographic Rules, 2002.	24991/DCP/Lic.Cinema	August 17, 2005	March 4, 2013
Licence for differential pricing of tickets.	26235/DCP/Lic. (Cinema)	August 31, 2005	March 31, 2006

Consents/Licences for which renewals have been applied:

- Application dated October 26, 2005 for renewal of film storage licence, which expired on November 1, 2005.

3. Premises at PVR Naraina, New Delhi.

Approval	Reference Number	Issue Date	Expiry Date
Registration under the Employees State Insurance Act, 1948.	11-42575-121/ZONE-5/97	June 12, 1997	N.A.
Sales tax registration under the Delhi Sales Tax Act, 1975.	2/96/194755/0697	September 30, 1997	N.A
Registration under the Employees' Provident Fund and Miscellaneous Provisions Act, 1952.	E/DL/20029/Coverage/4096 Code Number DL/20029	March 20, 1998	N.A.
Grant of permission for computerisation of cinema tickets under the Delhi Entertainments and Betting Tax Act, 1996.	F.21(2)/2001-2002/ETO/2158	February 23, 2001	N.A.
Occupancy certificate from the Municipal Corporation of Delhi.	01/CC/B/KBZ/2001/6623/6/2001	July 23, 2001	N.A.

No Objection Certificate from the Office of the Executive Engineer (Building), Municipal Corporation of Delhi.	D/EE(B)/KBZ/2001/2142	July 24, 2001	N.A.
No Objection Certificate from the Office of the Electrical Inspector.	ED.11(28)/2001	July 26, 2001	N.A.
No Objection Certificate from the Health Department of the Municipal Corporation of Delhi.	446/DHO/KB2/K(H)/2001	July 26, 2001	N.A.
No Objection Certificate from the Delhi Fire Service under the Delhi Cinematograph Rules, 1981.	F6/MS/DFS/Cinema/2001/1515 F6/MS/DFS/Cinema/2001/1516 F6/MS/DFS/Cinema/2001/1517 F6/MS/DFS/Cinema/2001/1518	July 30, 2001	N.A.
Admission fee and tax collection authorisation certification under the Delhi Entertainments and Betting Tax Act, 1996.	F.21(2)/2001-2/ETO	August 1, 2001	N.A.
Registration for payment of service tax under Section 69 of the Finance Act, 1994.	Adv/DL-1/PVRSL/1168/2001	September 6, 2001	Valid till the holder carries on the activity for which the certificate has been issued or where surrender of the certificate is accepted.
Cinema licences from the Municipal Corporation of Delhi under the Delhi Municipal Corporation Act, 1957.	2884, 2885, 2886, 2887	October 15, 2001	March 31, 2006
Cinema canteen licences from the Municipal Corporation of Delhi under the Delhi Municipal Corporation Act, 1957.	2888, 2889	October 15, 2001	March 31, 2006
Cinema operating licences under the Delhi Cinematograph Rules, 2002.	18833/DCP/Lic(Cinema) 18834/DCP/Lic(Cinema) 18835/DCP/Lic(Cinema) 18836/DCP/Lic(Cinema)	July 31, 2002	July 31, 2012
Certificate of registration of an eating house under the Delhi Police Act, 1978.	ETHL/DCPH/2002/25/Naraina	August 20, 2002	December 31, 2005
Cinema licence from the Municipal Corporation of Delhi under the Delhi Municipal Corporation Act, 1957.	2854	February 10, 2004	March 31, 2006
Certificate for supply of approved films.	N.A.	April 1, 2005	March 31, 2006

Certificate for storage of cinematography.	2854	February 10, 2004	March 31, 2006
Licence for differential pricing of tickets.	26231/DCP/Lic. (Cinema)	August 31, 2005	March 31, 2006
Public performance licence.	25/D/3317	August 18, 2005	August 17, 2006

4. Premises at PVR Vikaspuri, New Delhi.

Approval	Reference Number	Issue Date	Expiry Date
Registration under the Employees State Insurance Act, 1948.	11-42575-121/ZONE-5/97	June 12, 1997	N.A.
Registration under the Employees' Provident Fund and Miscellaneous Provisions Act, 1952.	E/DL/20029/Coverage/4096 Code Number DL/20029	March 20, 1998	N.A.
Grant of permission for computerisation of cinema tickets under the Delhi Entertainments and Betting Tax Act, 1996.	F.21(1)/2001-2002/ETO/2161	July 23, 2001	N.A.
Registration for payment of service tax under Section 69 of the Finance Act, 1994.	Adv/DL-1/PVRSL/1168/2001	September 6, 2001	Valid till the holder carries on the activity for which the certificate has been issued or where surrender of the certificate is accepted.
Provisional occupancy certificate from the Delhi Development Authority.	2378	September 14, 2001	N.A.
No Objection Certificate from the Delhi Development Authority.	E.13(43)/82/Bldg/Pt/2642	October 18, 2001	N.A.
No Objection Certificate from the Office of the Electrical Inspector in respect of electrical installations.	ED.5(100)//2001/231E	October 19, 2001	N.A.
Cinema Licences from the Health Department, Municipal Corporation of Delhi issued under the Delhi Municipal Corporation Act, 1957.	491, 492, 493	November 16, 2001	March 31, 2006
Licence for canteen from the Health Department, Municipal Corporation of Delhi issued under the Delhi Municipal Corporation Act, 1957.	494	November 16, 2001	March 31, 2006
No Objection Certificate from the Delhi Fire Service in respect of fire protection arrangements.	F6/MS/DFS/Cinema/2001/ 2348	November 6, 2001	N.A.

No Objection Certificate from the Deputy Commissioner of Police (Traffic).	32714	November 9, 2001	N.A.
Certificate of registration of an eating house under the Delhi Police Act, 1978.	ETHL/DCP Lic/2002/ 113/Vikaspuri	September 15, 2002	December 31, 2005
Cinema operating licences under the Delhi Cinematograph Rules, 2002.	28799/DCS/Lic(Cinema) 28800/DCS/Lic(Cinema) 28801/DCS/Lic(Cinema)	December 18, 2002	November 8, 2012
Public performance licence.	25/D/3572	January 5, 2005	January 4, 2006
Certificate for supply of approved films.	N.A.	April 1, 2005	March 31, 2006
Licence for differential pricing of tickets.	26233/DCP/Lic. (Cinema)	August 31, 2005	March 31, 2006

5. Premises at PVR Plaza, Connaught Place, New Delhi.

Approval	Reference Number	Issue Date	Expiry Date
Registration under the Employees State Insurance Act, 1948.	11-42575-121/ZONE-5/97	June 12, 1997	N.A.
Registration under the Employees' Provident Fund and Miscellaneous Provisions Act, 1952.	E/DL/20029/Coverage/4096 Code Number DL/20029	March 20, 1998	N.A.
Registration for payment of service tax under Section 69 of the Finance Act, 1994.	Adv/DL-1/PVRSL/1168/2001	September 6, 2001	Valid till the holder carries on the activity for which the certificate has been issued or where surrender of the certificate is accepted.
Completion certificate from the New Delhi Municipal Corporation.	N.A.	March 4, 2004	N.A.
No Objection Certificate from the Delhi Fire Service.	F6/MS/DFS/Cienma/2004/991	May 8, 2004	N.A.
No Objection Certificate from the Office of the Electrical Inspector.	ED.11(70)/2004/2265	May 5, 2004	N.A.
No Objection Certificate from the New Delhi Municipal Corporation.	D-918-919/CA/UC/N	May 13, 2004	N.A.
Cinema operating licence under the Cinematograph Act, 1952.	CNML/DCPL/Lic./2004/1	May 14, 2004	May 13, 2014
Admission fee and tax collection authorisation certificate under the Delhi Entertainment and Betting Tax Act, 1996.	F.21.CD/2004-05/DTO/1126	May 14, 2004	N.A.

Certificate for supply of approved films.	N.A.	April 1, 2005	March 31, 2006
Public performance licence.	25/D/3068	May 21, 2005	May 20, 2006
Licence from the New Delhi Municipal Council for sale of edibles under the Delhi Prevention of Food Adulteration Act, 2002.	062	July 29, 2005	March 31, 2008
Licence for differential pricing of tickets.	26236/DCP/Lic. (Cinema)	August 31, 2005	March 31, 2006

6. Premises at PVR Gurgaon, Haryana.

Approval	Reference Number	Issue Date	Expiry Date
Registration under the Employees State Insurance Act, 1948.	11-42575-121/ZONE-5/97	June 12, 1997	N.A.
Registration under the Employees' Provident Fund and Miscellaneous Provisions Act, 1952.	E/DL/20029/Coverage/4096 Code Number DL/20029	March 20, 1998	N.A.
Registration for payment of service tax under Section 69 of the Finance Act, 1994.	Adv/DL-1/PVRSL/1168/2001	September 6, 2001	Valid till the holder carries on the activity for which the certificate has been issued or where surrender of the certificate is accepted.
Occupation certificate from the Director, Town and Country Planning.	19675	December 31, 2002	N.A.
Registration under the Central Sales Tax Act, 1956.	GRE/23135(Central)	February 14, 2003	Valid from January 21, 2003 until cancelled.
Sales tax registration under the Haryana General Sales Tax Act, 1973.	GRE/23135	February 14, 2003	March 31, 2007
No Objection Certificate from the Municipal Corporation, Gurgaon.	FS2003/72	April 16, 2003	N.A.
No Objection Certificate from the Traffic Police, Gurgaon.	9703	May 8, 2003	N.A.
No Objection Certificate from the Civil Surgeon, Gurgaon.	PFA/2003/611	May 9, 2003	N.A.
Registration under the Punjab Shops and Establishments Act, 1958.	R.No./EEM/2003/469	June 19, 2003	March 31, 2006
Clearance from the District Health Officer.	PFA/2004/1134	September 15, 2004	N.A.

No Objection Certificate from the Electrical Inspectorate, Haryana under the Punjab Cinemas (Regulation) Act, 1952.	548	February 17, 2005	N.A.
No Objection Certificate from the Fire Department.	FS/05/276	February 17, 2005	N.A.
Certificate for supply of approved films.	N.A.	April 1, 2005	March 31, 2006
Public performance licence.	25/D/3067	May 24, 2005	May 23, 2006
Permission for differential pricing of tickets.	N.A.	August 16, 2005	N.A.
Cinema Licence.	2141/LP	May 13, 2003	February 13, 2006

Consents/Licences for which renewals have been applied:

Application dated May 30, 2003 for grant of permission for computerisation of cinema tickets, which expired on June 15, 2003.

7. Premises at PVR Faridabad, Haryana.

Approval	Reference Number	Issue Date	Expiry Date
Registration under the Employees State Insurance Act, 1948.	11-42575-121/ZONE-5/97	June 12, 1997	N.A.
Registration under the Employees' Provident Fund and Miscellaneous Provisions Act, 1952.	E/DL/20029/Coverage/4096 Code Number DL/20029	March 20, 1998	N.A.
Registration for payment of service tax under Section 69 of the Finance Act, 1994.	Adv/DL-1/PVRSL/1168/2001	September 6, 2001	Valid till the holder carries on the activity for which the certificate has been issued or where surrender of the certificate is accepted.
Grant of permission for computerisation of tickets under the Punjab Entertainment Duty Act, 1955.	871/T-1	May 14, 2004	N.A.
Registration under the Punjab Shops and Commercial Establishments Act, 1958.	FBD/L110/889/19/5/2004	May 19, 2004	March 31, 2006
Certificate for supply of approved films.	N.A.	April 1, 2005	March 31, 2006
Public performance licence.	25/D/3069	May 3, 2005	May 2, 2006
Cinema licences under the Punjab Cinema Regulation Act, 1952.	6200	April 30, 2004	January 29, 2006

8. Premises at PVR Bangalore, Karnataka.

Approval	Reference Number	Issue Date	Expiry Date
Registration for payment of service tax under Section 69 of the Finance Act, 1994.	Adv/DL-1/PVRSL/1168/2001	September 6, 2001	Valid till the holder carries on the activity for which the certificate has been issued or where surrender of the certificate is accepted.
Occupation certificate from the Bangalore Mahanagara Palike.	LP.177/2000-01	January 16, 2004	N.A.
Sales tax registration.	92913398	February 28, 2004	N.A.
No Objection Certificate from the Electrical Inspector under the Karnataka Cinemas (Regulation) Rules, 1971.	6972-76-04-05	June 24, 2004	April 23, 2007
Registration under the Employees State Insurance Act, 1948.	11-42575-121(BNG)	June 29, 2004	N.A.
Professional tax registration.	170514-9	July 15, 2004	With effect from June 1, 2004
Registration under the Employees' Provident Fund and Miscellaneous Provisions Act, 1952.	KN/CIR-9/SAO/EMS/ENF/ 34570/117/2004-05 Code Number KN/34570	July 19, 2004	N.A.
Permit to pay entertainment tax under the Karnataka Entertainment Tax Act, 1958.	—	November 10, 2004	N.A.
Licences for registration of canteens by the Bangalore Mahanagara Palike.	ET.PT.01/04-05	November 10, 2004	March 31, 2006
Permission under the Karnataka Entertainment Tax Act, 1958 for issue of computerized tickets.	ENT.CR.04/2004-05	November 10, 2004	N.A.
Registration under the Karnataka Shops and Establishments Act, 1961.	Insp./4/BG63/Estb. No. 1036	December 13, 2004	December 31, 2008
Certificate for supply of approved films.	N.A.	April 1, 2005	March 31, 2006
Licence for exhibition of cinematograph shows under the Karnataka Cinemas (Regulation) Rules, 1971.	MAG(2)ENT.CR39/01-02	August 31, 2005	August 31, 2006
Registration under the Contract Labour (Regulation and Abolition) Act, 1970.	ALCB-4\CLA\P-53\2004-05	July 28, 2004	N.A.
Public performance licence.	25/D/3219	July 23, 2005	July 22, 2006

9. **Premises at PVR EDM, Ghaziabad, Uttar Pradesh.**

Approval	Reference Number	Issue Date	Expiry Date
Registration under the Employees State Insurance Act, 1948.	11-42575-121/ZONE-5/97	June 12, 1997	N.A.
Registration under the Employees' Provident Fund and Miscellaneous Provisions Act, 1952.	E/DL/20029/Coverage/4096 Code Number DL/20029	March 20, 1998	N.A.
Registration for payment of service tax under Section 69 of the Finance Act, 1994.	Adv/DL-1/PVRSL/1168/2001	September 6, 2001	Valid till the holder carries on the activity for which the certificate has been issued or where surrender of the certificate is accepted.
Sales tax registration under the Central Sales Tax Act, 1956.	GB 5369974	February 1, 2005	March 31, 2008
Sales tax registration under the Uttar Pradesh Sales Tax Act, 1948.	GB-0468522	February 1, 2005	March 31, 2008
Cinema licence.	3063/MK-2004-05	March 31, 2005	March 31, 2006
Public performance licence.	25/D/3012	March 31, 2005	March 31, 2006
Approval for supply of approved films.	N.A.	April 1, 2005	March 31, 2006
Canteen licence.	THA(SK)909	April 1, 2005	March 31, 2006
Approval for sale of computerised tickets.	104/MK/2005-06	May 19, 2005	N.A.
Show tax registration.	216/2004-05	June 14, 2005	N.A.
Registration under the Uttar Pradesh Shops and Establishments Act, 1962.	1/6233F	April 15, 2005	March 31, 2009

10. Premises at Central Mall, Hyderabad, Andhra Pradesh.

Approval	Reference Number	Issue Date	Expiry Date
Registration for payment of service tax under Section 69 of the Finance Act, 1994.	Adv/DL-1/PVRSL/1168/2001	September 6, 2001	Valid till the holder carries on the activity for which the certificate has been issued or where surrender of the certificate is accepted.
Sales tax registration under the Central Sales Tax Act, 1956.	PJT/12/2/3248/2004-05	March 4, 2005	Valid from February 1, 2005 until cancelled.
Sales tax registration under the Andhra Pradesh General Sales Tax Act, 1957.	PJT/12/2/3838/2004-05	March 4, 2005	Valid from February 1, 2005 until cancelled.
Registration under the Andhra Pradesh State Tax on Professions, Trades, Callings and Employment Act, 1987.	PJT/12/02/PT/359/2005-06 PJT/12/02/PT/224/2005-06	May 20, 2005	N.A.
Registration under the Employees State Insurance Act, 1948.	11-42575-121(Hyd)	May 24, 2005	N.A.

11. Premises at Juhu, Mumbai.

Approval	Reference Number	Issue Date	Expiry Date
Registration for payment of service tax under Section 69 of the Finance Act, 1994.	Adv/DL-1/PVRSL/1168/2001	September 6, 2001	Valid till the holder carries on the activity for which the certificate has been issued or where surrender of the certificate is accepted.
Sales tax registration under the Bombay Sales Tax Act, 1959.	1014093	December 2, 2004	Effective from September 22, 2004
Sales tax registration under the Central Sales Tax Act, 1956.	400049/C-1920	December 2, 2004	Valid from September 22, 2004 until cancelled.
No Objection Certificate for construction of multiplex theatre from the Executive Engineer, Public Works Department.	NMD/PB	July 29, 2002	N.A.

No Objection Certificate for construction of multiplex theatre from the Chief Fire Officer, Mumbai Fire Brigade.	FBM/S/504/384	September 28, 2004	N.A.
No Objection Certificate for construction of multiplex theatre from the Electrical Inspector.	57352/2005	June 2, 2005	N.A.
No Objection Certificate for construction of multiplex theatre from the Municipal Corporation of Greater Mumbai.	CE/8389/WS/AK	November 25, 2004	N.A.

Consents/Licences which have been applied for:

- Application dated August 4, 2005 for grant of No Objection Certificate by the Electrical Inspector.
- Application dated August 16, 2005 for grant of No Objection Certificate by the Chief Fire Officer, Mumbai Fire Brigade.

12. Corporate Office at DLF Corporate Park, Gurgaon.

Approval	Reference Number	Issue Date	Expiry Date
Registration under the Punjab Shops and Establishments Act, 1958 for Priya Village Roadshow Limited.	R.No./EEM/2002/373	May 17, 2002	March 31, 2007

13. Corporate Office at Connaught Place, New Delhi.

Approval	Reference Number	Issue Date	Expiry Date
Certificate of Importer-Exporter Code granted by the Office of the Joint Director General of Foreign Trade, Ministry of Commerce, Government of India.	0596002033 .	April 10, 1996	N.A

14. Entertainment Tax Exemptions

In respect of some of our proposed Multiplex cinemas, the concerned developer, third party or our relevant subsidiary have filed applications for grant of exemptions from payment of entertainment tax with the relevant authorities which are at various stages of process and consideration.

Exemptions applied for by the Company

14.1 Cinema at Juhu, Mumbai.

By letter dated August 18, 2004 bearing number AJI/MSD/KK/Multiplex/04, the Additional District Collector, Mumbai Suburban District, a conditional letter of intent has been granted to Priya Village Roadshow Limited for construction of a multiplex in Juhu.

The said conditional letter of intent stipulates, *inter alia*, the following conditions:

- Submission of registered purchase agreement deed, and all required permissions and approvals to the District Collector within three months from the date of the letter of intent.

- Submission of the completion certificate from the Mumbai Municipal Corporation within 24 months from the date of the letter of intent.
- The cinema shall run continuously for ten years.
- Creation of a charge in favour of the Government of Maharashtra on the land on which the cinema is constructed for a period ten years from the date of commencement of operations at the complex.
- Until expiry of the concessional period, service tax cannot be charged.
- The entrance charge imposed must not be lower than the prevailing rate in the movie theatres operating in the district.
- The cinema operators must mandatorily provide the facilities and services specified by the government during the concession period.
- The complex must have a seating capacity for 1250 persons and at least four theatres.
- One movie theatre must be utilised for screening of drama programmes, and for a period of month annually, Marathi movies must be screened in a theatre.

We have fulfilled some of these conditions and are in the process of fulfilling the other conditions mentioned above.

The exemption under the conditional letter of intent contemplates complete condonation from payment of entertainment tax for a period of three years from the date of commencement of operations of the multiplex. For the subsequent two years, there shall be exemption from payment of 75% of the entertainment tax. From the sixth year onwards, regular entertainment tax shall be payable.

Exemptions applied for by our Subsidiaries

14.2 Cinema at Phoenix Mills, Lower Parel, Mumbai.

Under Government Order No. ENT1099/CR76/T-1 dated September 20, 2004 and Government resolution number CR76/T-1 dated January 4, 2003 of the Forest and Revenue Department, a conditional letter of intent dated September 29, 2004 has been issued to CR Retail. In the event that the conditions in the letter of intent are fulfilled to the satisfaction of the Collector of Mumbai, an entertainment tax exemption in respect of the cinema being developed at Phoenix mills may be granted to CR Retail.

The conditional letter of intent contains, *inter alia*, the following terms and conditions:

- The applicant must submit to the Collector of Mumbai the registered agreement for rights of development of the land or registered agreement for purchase of land within three months from date of the letter of intent.
- All necessary permissions for non-agricultural use of land, approvals of the Public Works Department, the Town Planning Department and the Municipal Corporation shall be submitted to the Collector of Mumbai before commencement of construction work.
- Within 24 months from the date of issue of the conditional letter of intent, the completion certificate for the multiplex cinema, cinema license, performance license for video games or for other entertainment programmes and an undertaking for continuous use of the multiplex for a period of ten years shall be submitted to the Collector of Mumbai.
- Agreement for creating right/charge in favour of the government on the land of the cinema complex in favour of the Government for a period of ten years from the date of opening of the cinema complex to be executed with the Collector of Mumbai.

- If the obligatory facilities required to be provided are discontinued or not continuously provided for ten years it shall be presumed that no concession for payment of entertainment duty was given.

Exemptions applied for by the developers of the project

14.3 Cinema at EDM, Ghaziabad

In respect of cinema at EDM, Ghaziabad, by order number 1233/11 dated August 11, 2005 issued by the Government of Uttar Pradesh, exemption has been granted to CCPL Developers Pvt. Ltd., the developers of the cinema, from payment of entertainment tax for a period of five years or till date of recovery of the capital expenditure incurred on the project, whichever is earlier.

14.4 Cinema at The Forum, Bangalore

By the terms of Government Order bearing No. VA.PRA.U391:PRA.VA.YP:2003 dated February 1, 2005, exemption has been granted to Prestige Estates Projects Pvt. Ltd. (the developer of the cinema at the Forum, Bangalore) from payment of 100% of the entertainment tax for the first three years, and 75% of the entertainment tax for the next two years. The exemption is subject to the condition that out of the 11 screens, in three screens, Kannada films shall be compulsorily screened, and such three screens shall be of seat capacities which are higher than the seat capacity of other screens. Further, if the screening of the cinematograph shows is stopped for any reason, the period of eligibility for tax exemption shall not be extended beyond the period specified above.

We have not availed of the said exemption till date due to commercial considerations, since screening of Kannada movies in three screens having the highest seating capacity would prove to be commercially unviable for the sustainability of the project. We have written to the Government of Karnataka by letter dated February 22, 2005 requesting that the said qualification be removed, and are awaiting a response from them.

14.5 Cinema at Mulund, Mumbai.

Bu its letter bearing number AG/MUG/KK/Multiplex-2002 dated August 22, 2002 permission has been granted to Nirmal Lifestyle, the developer, for complete exemption from payment of entertainment tax in respect of the cinema at Mulund for the initial three years of operation. For the subsequent two years, 75% exemption from payment of entertainment tax is available. Further, as per the conditions subject to which the exemption has been granted, the cinema theatre must run continuously for a period of 10 years, failing which the exemption will be revoked.

14.6 Cinema at Indore.

Entertainment World Developers Pvt. Ltd., Indore has received letter number B-5-13/05/2/Five dated August 6, 2005 from the Entertainment Tax Department of the Government of Madhya Pradesh granting in-principle approval for grant of entertainment tax exemption to the multiplex complex proposed to be developed in Indore subject to compliance with the following conditions, among others:

- A five cinema screen shall be constructed, having total seating capacity of 1,180.
- The total cost of construction of the multiplex would be Rs. 719,300,000.
- The multiplex complex shall contain a video game arcade, fast food centre and children's entertainment centre.
- The multiplex complex shall be completed, with all the facilities, within one year from the date of grant of in principle approval, failing which the same shall stand cancelled.

In case of non-compliance with any of the conditions specified, the in-principle approval shall automatically stand cancelled.

On completion of construction of the multiplex, in accordance with the conditions specified by the terms of the in-principle approval, an application must be submitted for exemption from payment of entertainment tax. The same shall then be considered by the state government, and a decision taken.

14.7 Cinema at Odeon, Ghatkopar.

The conditional letter of intent bearing number MTC 3802/S.R. dated August 17, 2004 issued under Government Order No. ENT1099/CR76/T-1 dated September 20, 2004 and Government resolution number CR76/T-1 dated January 4, 2003 of the Forest and Revenue Department grants permission to Odeon Shringar Multiplex Pvt. Ltd., Mumbai to build a multiplex theatre, subject to compliance with the following conditions, among others:

- Necessary services shall be provided in the multiplex for a period of ten years.
- Registered agreement relating to sale deed of the plot concerned must be submitted to the Collector, Mumbai, along with all permission letters relating to such plot within three months from the date of the conditional letter of intent.
- Commencement certificate of the Bombay Municipal Corporation regarding commencement of construction must be submitted to the Collector, Mumbai within six months from the date of the conditional letter of intent.
- Cinema theatre certificate must be submitted to the Collector, Mumbai, along with all permission letters relating to such plot within 24 months from the date of the conditional letter of intent.

Subject to compliance with these conditions, exemption may be granted to the multiplex from payment of entertainment tax for three years, and relief from payment of 75% of the entertainment tax for the next two years. During such exemption period, the cinema theatre owner cannot charge service tax or charge lesser entry tax than the minimum entry tax in the district.

The conditional permission granted may be cancelled in the event of non compliance with all conditions specified in the Government resolution number CR76/T-1 dated January 4, 2003.

II. Intellectual property registrations

II.1 We have received the following registration certificates for our trademarks and service marks in various classes under the Trade Marks Act, 1999:

Application Number	Mark	Expiry Date
1098317	"Wide Screen Café"	April 24, 2012
1098318	"Wide Screen Café"	April 24, 2012
1098319	"Wide Screen Café"	April 24, 2012
1098320	"Wide Screen Café"	April 24, 2012
1094204	"PVR Pictures"	April 11, 2012
1079437	"PVR"	February 8, 2012
1079440	"PVR"	February 8, 2012
861355	"PVR Priya Village Roadshow— The Only Way to go to the Movies"	June 16, 2009
861356	"PVR Priya Village Roadshow"	June 16, 2009
1008271	"Priya Much More Than Movies"	May 9, 2011
1008272	"Priya Much More Than Movies"	May 9, 2011

II.2 We have filed the following applications for registration of trade marks and service marks, which are pending registration in various classes under the Trade Marks Act, 1999:

Application Number	Mark
1355753	"PVR"
1355755	"PVR"
1355756	"PVR"
1355757	"PVR"
1355758	"PVR"
1079436	"PVR" (logo)
1079438	"PVR" (logo)
1079439	"PVR" (logo)
1079441	"PVR" (logo)
1079442B	"PVR" (logo)
1079443B	"PVR" (logo)
1296543	"PVR" (logo)
1353392	"PVR" (logo)
1094202	"PVR Cinemas"
1094197	"PVR Cinemas"
1296551	"PVR Cinemas" (logo)
1094199	"PVR Pictures"
1296550	"PVR Pictures" (logo)
1094200	"PVR Cinemas Unmistakably PVR"
1094203	"PVR Cinemas Unmistakably PVR"
1094201	"PVR Cinemas Unmistakably PVR" (with popcorn logo)
1094198	"PVR Cinemas Unmistakably PVR" (with popcorn logo)
861351	"PVR Priya Village Roadshow"
861352	"PVR Priya Village Roadshow—Life is a Movie—Enjoy the Show"
861353	"PVR Priya Village Roadshow—Life is a Movie—Enjoy the Show"
861354	"PVR Priya Village Roadshow—The Only Way to go to the Movies"
1009233	"Priya Much More Than Movies"
1009234	"Priya Much More Than Movies"
1324657	"Munch Factory"
1098305	"Star Grub Factory" (logo)
1098306	"Star Grub Factory" (logo)
1098307	"Star Grub Factory" (blue logo)
1098308	"Star Grub Factory" (blue logo)
1098309	"Star Grub Factory" (logo)
1098310	"Star Grub Factory" (logo)
1098311	"Star Grub Factory" (green logo)
1098312	"Star Grub Factory" (green logo)
1098313	"Star Grub Factory" (logo)
1098314	"Star Grub Factory" (logo)
1098315	"Star Grub Factory" (logo)
1098316	"Star Grub Factory" (yellow logo)
1160953	"Movie Café"
1160955	"Movie Café"
1160954	"Quick Tix"
1160952	"Quick Tix" (cyber café ticketing design)
1378759	"Nosh"

II.3 We have filed the following oppositions to applications for registration of marks filed by third parties who are not associated with the Company, its Promoters or its Promoter Group companies:

- Our Company has filed notice of opposition in the trade marks registry against an application filed by PM Mall Private Limited for registration of the mark “Mall PVR” in Class 28.
- Our Company has filed notice of opposition in the trade marks registry against an application filed by Satguru Collection for registration of the mark “PVR” in Class 25.

III. Other approvals

We have received the following approvals relating to the Issue:

III.1 Approvals from the lenders of the Company:

- Letter dated September 2, 2005 from IL&FS conveying their consent to the Issue subject to the following conditions:
  1. promoters continuing to be in management control of the Company;
  2. there being no dues outstanding against any facility granted to the Company or to any other company in the same group; and
  3. adherence of all stipulated facility covenants for all facilities extended to all companies in the same group by IL&FS.
- Letter dated September 2, 2005 from ICICI Bank Limited conveying no objection to the issuance of equity shares by the Company aggregating to Rs. 1250 million by way of an initial public offer. The consent is subject to the Company adhering to all stipulated facility covenants, obtaining of no-objection certificates from all other secured lenders of the Company and obtaining all necessary regulatory and statutory approvals.
- Letter dated August 31, 2005 from Yes Bank Limited conveying no objection to the Company raising equity through an initial public offering and/or an offer for partial sale of equity by the existing shareholders of the Company.
- Letter dated September 5, 2005 from Kotak Mahindra Bank Limited conveying their permission and consent to the Company for making an initial public offering, which would involve issue of fresh equity shares by the Company, and would entail a change in its capital structure.
- Letter dated September 8, 2005 from the SIDBI conveying no objection to the Company’s proposal to raise fresh equity share capital by way of an initial public offering. The consent is subject to the Company obtaining no-objection certificates from all other secured lenders of the Company.
- Letter dated September 12, 2005 from the United Bank of India conveying no objection for raising equity through an initial public offering. The consent is subject to the condition that there will be no change in the management of the Company and the promoters will have complete control over the affairs of the Company, and that the promoters’ holding will not be less than 20% of the post Issue equity capital of the Company.

III.2 RBI Approval

We have on November 11, 2005 received approval of the RBI in permitting transfer of shares from the Selling Shareholder to non residents in terms of the A.P. (Dir Series) Circular number 16 dated October 4, 2004.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The shareholders have, pursuant to a resolution dated August 18, 2005 under Section 81(1A) of the Companies Act, authorised the Issue in accordance with applicable law.

The Selling Shareholder has by way of a letter dated September 28, 2005, authorised the Offer for Sale.

Prohibition by SEBI

Our Company, our Directors, our Promoters, Directors or the person(s) in control of our Promoters, our Subsidiaries, our affiliates and companies with which our Directors are associated with as directors, have not been prohibited from accessing or operating in capital markets under any order or direction passed by SEBI.

Eligibility of the issuer company

We are eligible for the Issue as per Clause 2.2.1 of the SEBI 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 pre-Issue net worth of not less than Rs. 10 million in each of the three preceding full years;
- 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;
- The proposed Issue size would not exceed five times the pre-Issue net worth as per the audited accounts for the year ended March 31, 2005;
- We have not changed our name during the last one year.

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:

(in Rs. million)

	fiscal 2001	fiscal 2002	fiscal 2003	fiscal 2004	fiscal 2005
Distributable Profits(1)	10.96	16.24	18.30	15.61	36.49
Net Worth (2)	103.19	140.40	203.37	299.51	526.36
Net Tangible Assets (3)	196.43	305.99	473.90	633.98	1031.44
Monetary Assets(4)	23.79	57.69	96.54	26.20	94.94
Monetary Assets as a % of Net Tangible Assets	12.11 %	18.85 %	20.37 %	4.13 %	9.20%

(1) Distributable profits have been defined in terms of section 205 of the Companies Act.

(2) Net worth has been defined as the aggregate of equity share capital and reserves, excluding miscellaneous expenditures, if any.

(3) Net tangible assets means the sum of all net assets of the Company excluding intangible assets as defined in Accounting Standard 26 issued by Institute of Chartered Accountants of India.

(4) Monetary assets comprise of cash and bank balances, public deposit account with the Government.

Further, in accordance with Clause 2.2.2A of the SEBI Guidelines, we undertake that the number of allottees, i.e., Persons receiving Allotment in the Issue 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 Shareholder and our Company 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 RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, ICICI SECURITIES LIMITED AND KOTAK MAHINDRA CAPITAL COMPANY LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURES 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 ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS AND THE RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS, ICICI SECURITIES LIMITED AND KOTAK MAHINDRA CAPITAL COMPANY LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED OCTOBER 3, 2005 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 Red Herring Prospectus pertaining to the said Issue.

(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 issue, projected profitability, price justification and the contents of the documents mentioned in the annexure and other papers furnished by the company, we confirm that:

- **(A) The Red Herring Prospectus forwarded to SEBI is in conformity with the documents, materials and papers relevant to the Issue;**
- **(B) All the legal requirements connected with the said Issue as also the guidelines, instructions, etc. ISSUED by SEBI, the government and any other competent authority in this behalf have been duly complied with; and**
- **(C) The disclosures made in the Red Herring Prospectus are true, fair and adequate to enable the investors to make a <u>well-informed decision</u> as to the investment in the proposed Issue.**
- **(D) BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID.**
- **(E) When underwritten, we shall satisfy ourselves about the worth of the underwriters to fulfil their underwriting commitments."**
- **(F) WE CERTIFY THAT WRITTEN CONSENT FROM THE PROMOTERS HAS BEEN OBTAINED FOR**

INCLUSION OF THEIR SECURITIES AS PART OF PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF THE PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/ SOLD/ TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH THE SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE RED HERRING PROSPECTUS."

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE ROC IN TERMS OF SECTION 60B OF THE COMPANIES ACT. ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE 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.

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

Disclaimer from our Company, the Selling Shareholder and the BRLMs

Our Company, our Directors, the Selling Shareholder 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.pvrcinemas.com, 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, the Selling Shareholder and us dated October 3, 2005 and the Underwriting Agreement to be entered into among the Underwriters, the Selling Shareholder and us dated [●].

All information shall be made available by us and BRLMs to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centers etc.

Disclaimer in respect of jurisdiction

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian Mutual Funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), 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). 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 this Issue will be subject to the jurisdiction of appropriate court(s) in New Delhi only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Red Herring Prospectus has been 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.

Disclaimer clause of the NSE

As required, a copy of this offer document has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given by its letter ref.: NSEILIST/18176-R dated November 01, 2005 permission to the Issuer to use NSE's name in this Red Herring Prospectus as one of the stock exchanges on which this Issuer's securities are proposed to be listed. NSE has scrutinized the Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that this Issuer's securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this Issuer, its Promoters, its management or any scheme or project of the Issuer.

Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription /acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Disclaimer clause of the BSE

As required, a copy of this Red Herring Prospectus has been submitted to the BSE. BSE has given by its letter dated November 4, 2005, permission to the Company to use BSE's name in this Red Herring Prospectus as one of the stock exchanges on which this Company's further securities are proposed to be listed. BSE has scrutinised this Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. BSE does not in any manner:

(i) warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; or

(ii) warrant that this Company's securities will be listed or will continue to be listed on BSE; or

(iii) take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed to mean that this Red Herring Prospectus has been cleared or approved by BSE.

Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Filing

A copy of the Red Herring Prospectus has been filed with SEBI at Corporation Finance Department, Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai 400 021 for its observation and SEBI has given its observations.

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, will be delivered for registration to the ROC and a copy of the Prospectus required to be filed under Section 60 of the Companies Act would be delivered for registration with ROC situated at Pariyavaran Bhawan, CGO Complex, New Delhi 110 003.

Listing

Applications have been made to the NSE and BSE for permission to deal in and for an official quotation of the Equity Shares of our Company. We have received in principle approvals from the NSE and the BSE dated November 7, 2005 and

November 4, 2005, respectively. BSE shall be the Designated Stock Exchange with which the basis of allocation will be finalised for the QIB Portion, the Non-Institutional Portion and Retail Portion.

If the permission to deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchanges, our Company 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 our Company becomes liable to repay it (i.e., from the date of refusal or within 15 days from the date of Bid/ Issue Closing Date, whichever is earlier), then our Company shall, on and from expiry of eight days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

Our Company 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 Allotment for the Issue.

Consents

Consents in writing of our Directors, the Company Secretary and Compliance Officer, the Auditors, the Domestic Legal Counsel, the International Legal Counsel, the Bankers to the Issue, Bankers to the Company and the Book Running Lead Managers, the Syndicate Members, the Escrow Collection Bankers and the Registrar to the Issue to act in their respective capacities, have been obtained and filed along with a copy of the Red Herring Prospectus with the ROC as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the ROC.

S.R. Batliboi & Co., 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 for registration with the ROC.

Expert opinion

Except as stated in the sections titled “Objects of the Issue”, “Statement of Tax Benefits” and “Financial Statements” beginning on pages 31, 43 and 131 respectively, of the Red Herring Prospectus, we have not obtained any expert opinions.

Expenses of the Issue

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

Activity	**Expense (in Rs. Millions)**
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 Issue expenses	[●]

** Will be incorporated after finalisation of Issue Price*

The Company shall pay the listing fees. All other expenses with respect to the Issue will be borne by us and the Selling Shareholder, to reflect the incremental cost pursuant to the Offer for Sale.

Fees payable to the Book Running Lead Managers and Syndicate Members

The total fees payable by us and the Selling Shareholder to the Book Running Lead Managers (including underwriting commission and selling commission) will be as per Engagement Letter dated October 3, 2005 a copy of which is available for inspection at our registered office.

Fees payable to the Registrar to the Issue

The fees payable by us and the Selling Shareholder to the Registrar to the Issue for processing of application, data entry, printing of CAN/ refund order, preparation of refund data on magnetic tape, printing of bulk mailing register will be as per the Memorandum of Understanding signed with our Company and the Selling Shareholder dated October 3, 2005.

The Registrar to the Issue will be reimbursed for all out-of-pocket expenses including cost of stationery, postage, stamp duty and communication expenses. Adequate funds will be provided by us to the Registrar to the Issue to enable them to send refund orders or Allotment advice by registered post/ speed post/ under certificate of posting.

Previous rights and public issues

We have not made any public issue Equity Shares and except as stated in the section titled "Capital Structure" beginning on page 19 we have not made any rights issue either in India or abroad in the five years preceding the date of this Red Herring Prospectus.

Issues otherwise than for cash

We have not issued any Equity Shares for consideration otherwise than for cash.

Commission and brokerage paid on previous Equity Issues by us

Since this is the initial public offer of the Company, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of our Equity Shares since our inception.

Companies under the same management

We do not have any other company under the same management within the meaning of erstwhile Section 370(1B) of the Companies Act except as stated below:

(1) PVR Pictures; and

(2) CR Retail.

Promise v/s Performance – last issue of group/ associate companies

None of our Promoter companies are listed and consequently we are not required to furnish details of promise v/s performance in respect of the last issues of our Promoter companies.

Outstanding debentures or bonds or redeemable preference shares

Except as stated herein, there are no outstanding bonds or redeemable preference shares and other instruments issued by us as of the date of this Red Herring Prospectus. We have on September 23, 2005 issued 5% redeemable preference shares to Mr. Ajjay Bijli and the Selling Shareholder. For details regarding these preference shares, please see the section titled "Capital Structure" beginning on page 19.

However, we have recently established an ESOS. None of the options under the ESOS are outstanding as on the date of filing of this Red Herring Prospectus. For details on the ESOS, please see the section titled "Capital Structure" beginning on page 19.

We had issued debentures worth Rs. 50 million to ICICI Bank Limited. For details regarding these debentures, please see the section titled "Financial Indebtedness" beginning on page 81.

Stock market data for our Equity Shares

This being an initial public offering of our Company, the Equity Shares are not listed on any stock exchange.

Mechanism for redressal of investor grievances

The Memorandum of Understanding between the Registrar to the Issue, the Selling Shareholder and us, will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of letters of Allotment, demat credit, refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, application number, number of 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 by our Company

We estimate that the average time required by us or the Registrar to the Issue 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 and the Selling Shareholder have appointed Mr. N. C. Gupta, our company secretary as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue related problems. He can be contacted at the following address:

Mr. N. C. Gupta
PVR Limited
Block 2A, 2nd Floor,
DLF Corporate Park,
DLF Qutab Enclave- III
Gurgaon 122 002,
Haryana, India
Tel: +91 124 2549 300
Fax: +91 124 5063 273
E-mail: ipo@pvrcinemas.com

Changes in Auditors

We have not changed our Auditors over the last three years.

Capitalisation of Reserves or Profits

We have not capitalised any reserves or profits since our incorporation.

Revaluation of assets

There has been no revaluation of assets by our Company.

Payment or benefit to officers of our Company

Except as stated otherwise in this Red Herring Prospectus, no amount or benefit has been paid or given or is intended to be paid or given to any of our officers except the normal remuneration for services rendered as Directors, officers or employees, since incorporation of our Company.

None of the beneficiaries of loans and advances and sundry debtors are related to the Directors of our Company.

ISSUE STRUCTURE

The present Issue of 7,700,000 Equity Shares, comprising a Fresh Issue of 5,700,000 Equity Shares at a price of Rs. [●] for cash, aggregating Rs. [●] million and an Offer for Sale of 2,000,000 Equity Shares at a price of Rs. [●] for cash, aggregating Rs. [●] million, comprises (a) Promoter's Contribution of 300,000 Equity Shares; (b) Reservation for Employees of 150,000 Equity Shares and (c) Net Issue to the Public of 7,250,000 Equity Shares. The Net Issue to the public is being made through the Book Building Process and the Allocation of Equity Shares offered in the Employees Reservation Portion shall be at the Issue Price, subject to a maximum Bid of Rs. 2,500,000. The Issue together with the Offer for Sale, if fully subscribed will aggregate Rs. [●] million.

	Employees	**QIBs**	**Non-Institutional Bidders**	**Retail Individual Bidders**
Number of Equity Shares*	Upto 150,000 Equity Shares, subject to a maximum Bid of Rs. 2,500,000.	Upto 3,625,000 Equity Shares.	Minimum of 1,087,500 Equity Shares or Net Issue less allocation to QIB Bidders and Retail Individual Bidders.	Minimum of 2,537,500 Equity Shares or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders.
Percentage of Issue size available for Allocation	Upto 1.95% of the size of the Issue.	Upto 50% of the Net Issue or the Net Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders. However, upto 5% of the QIB Portion shall be available for allocation proportionately to Mutual Funds only.	Minimum of 15% of the Net Issue or the Net Issue less allocation to QIB Bidders and Retail Individual Bidders.	Minimum of 35% of the Net Issue or the Net Issue less allocation to QIB Bidders and Non-Institutional Bidders.
Basis of Allocation if respective category is oversubscribed	Proportionate, subject to a maximum Allocation of Rs. 2,500,000 per Employee.	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 QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate.	Proportionate.
Minimum Bid	25 Equity Shares and in multiples of 25 Equity Shares thereafter.	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of 25 Equity Shares.	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of 25 Equity Shares.	25 Equity Shares and in multiples of 25 Equity Shares
Maximum Bid	Such number of Equity Shares such that the total Bid Amount does not exceed Rs. 2,500,000.	Such number of Equity Shares not exceeding the Issue, subject to applicable limits.	Such number of Equity Shares not exceeding the Issue subject to applicable limits.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000.
Mode of Allotment	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.
Bid/ Allotment lot	25 Equity Shares and in multiples on 25 Equity Shares.	25 Equity Shares and in multiples on 25Equity Shares	25 Equity Shares and in multiples on 25 Equity Shares	25 Equity Shares and in multiples on 25 Equity Shares
Trading Lot	One Equity Share.	One Equity Share.	One Equity Share.	One Equity Share.

	Employees	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Who can Apply**	Permanent employees on the rolls of the Company as on September 1, 2005.	Public financial institutions, as specified in Section 4A of the Companies Act: scheduled commercial banks, Mutual Funds, foreign institutional investors registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million in accordance with applicable law.	Resident Indian individuals, NRIs, HUF (in the name of Karta), companies, bodies corporate, scientific institutions societies and trusts.	Individuals, including NRIs and HUF (in the name of Karta), such that the Bid Amount does not exceed Rs. 100,000.
Terms of Payment	Margin Amount applicable to Employees shall be payable at the time of submission of Bid cum Application Form to the members of the Syndicate.	Margin Amount applicable to QIB Bidders shall be payable at the time of submission of Bid cum Application Form to the members of the Syndicate.	Margin Amount applicable to Non-Institutional Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate.	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate.
Margin Amount	Full Bid Amount on bidding.	Atleast 10% of the Bid Amount on bidding.	Full Bid Amount on bidding.	Full Bid Amount on bidding.

** Subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in any category, 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. However, if the aggregate demand by Mutual Funds is less than 181,250 Equity Shares (assuming QIB Portion is 50% of the Issue size, i.e. 3,625,000 Equity Shares), the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has been met, under-subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company, in consultation with the BRLMs and the Designated Stock Exchange.*

*** In case the Bid cum Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form.*

ISSUE PROCEDURE

Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein up to 50% of the Net Issue shall be available for allocation on a proportionate basis to QIBs, including upto 5% of the QIB Portion which shall be available for allocation to Mutual Funds only. Further, not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to the Retail Individual Bidders and not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price. It may be noted that the Bids received in the Employees Reservation Portion shall not be considered for the purposes of determining the Issue Price through the Book Building Process.

Bidders are required to submit their Bids through the Syndicate. Further, QIB Bids can be submitted only through Syndicate Members. Our Company, in consultation with the BRLMs, may reject any Bid procured from QIBs , for reasons to be recorded in writing provided that such rejection shall be made at the time of acceptance of the Bid and the reasons therefor shall be disclosed to the Bidders.. In case of Non-Institutional Bidders and Retail Individual Bidders, our Company would have a right to reject the Bids only on technical grounds.

Investors should note that the Equity Shares would be allotted to all successful Bidders only in the dematerialised form. Bidders will not have the option of getting allotment of the Equity Shares in physical form. The Equity Shares on allotment shall be traded only in the dematerialised segment of the Stock Exchanges.

Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the ROC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised our Company to make the necessary changes in 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, NRIs applying on a non-repatriation basis	White
Non-Residents, NRIs, FVCIs, FIIs, etc. applying on a repatriation basis	Blue
Employees	Pink

Who can Bid

1. Indian nationals resident in India who are majors, or in the names of their minor children as natural/legal guardians, in single or joint names (not more than three);

2. 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 Non-Residents including NRIs on a repatriation basis or a non-repatriation basis subject to applicable laws

4. Insurance companies registered with the Insurance Regulatory and Development Authority, India;

5. Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in equity shares;
6. As permitted by the applicable laws, provident funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to invest in equity shares;
7. Pension funds with a minimum corpus of Rs. 250 million and who are authorised under their constitution to invest in equity shares;
8. Mutual Funds registered with SEBI;
9. Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to the RBI regulations and the SEBI guidelines and regulations, as applicable);
10 Multilateral and bilateral development financial institutions;
11. State Industrial Development Corporations;
12. Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/societies and who are authorised under their constitution to hold and invest in equity shares;
13. FII registered with SEBI;
14. Venture capital funds registered with SEBI;
15. Foreign venture capital investors registered with SEBI; and
16. Scientific and/or industrial research organisations authorised to invest in equity shares.

Note: Further, the BRLMs and Syndicate Members shall not be entitled to subscribe to this issue in any manner except towards fulfilling their underwriting obligation.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

Maximum and minimum Bid size

(a) **For Retail Individual Bidders:** The Bid must be for a minimum of 25 Equity Shares and in multiples of 25 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 or revision of the Price Band or on exercise of option to bid at Cut-off Price, 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 Issue Price as determined at the end of the Book Building Process.

(b) **For Non-Institutional Bidders and QIB Bidders**: The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 25 Equity Shares. A Bid cannot be submitted for more than the Issue Size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid /Issue Closing Date.

In case of revision in Bids, the Non Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non Institutional Bidders and QIB Bidders are not entitled to the option of bidding at Cut-off Price.

(c) **For Bidders in the Employees Reservation Portion:** The Bid must be for a minimum of 25 Equity Shares and in multiples of 25 Equity Shares thereafter. The maximum Bid in this portion cannot exceed Rs. 2,500,000. In the event the Bid amount in the Employees Reservation Portion is in excess of Rs. 2,500,000, the Bid may be rejected. Bidders in the Employees Reservation Portion applying for a for an amount of up to Rs. 1,00,000 in any of the bidding options may bid at 'Cut off'.

Information for the Bidders:

(a) Our Company has filed the Red Herring Prospectus with the ROC.

(b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.

(c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/or the Bid cum Application Form can obtain the same from our registered office or from any of the members of the Syndicate.

(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.

Method and Process of Bidding

(a) The Syndicate Members shall accept Bids from the Bidders during the Bidding/ Issue Period in accordance with the terms of the Syndicate Agreement.

(b) Investors who are interested in subscribing to our Equity Shares should approach any of the members of the Syndicate or their authorised agent(s) to register their Bid.

(c) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details please see section titled "Issue Procedure - Bids at Different Price Levels" beginning on page 261) within the Price Band and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.

(d) 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 this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the section titled "Issue Procedure - Build up of the book and revision of Bids" beginning on page 264.

(e) The Syndicate Members 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.

During the Bidding/ Issue Period, Bidders may approach a members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the Bids, subject to the terms of the Syndicate Agreement and this Red Herring Prospectus.

(f) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph titled "Issue Procedure - Terms of payment and payment into the Escrow Account" beginning on page 271.

Bids at different price levels

(a) The Price Band has been fixed at Rs. 200 to Rs. 240 per Equity Share of Rs. 10 each, Rs. 200 being the Floor Price and Rs. 240 being the Cap Price. The Bidders can bid at any price within the Price Band, in multiples of Re. 1.

(b) In accordance with the SEBI Guidelines, our Company reserves the right to revise the Price Band during the Bidding/ Issue Period. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band.

(c) In case of revision in the Price Band, the Bidding/ Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bidding /Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a public notice in two national newspapers (one each in English and Hindi) and a regional newspaper, and also by indicating the change on the websites of the BRLMs and at the terminals of the members of the Syndicate.

(d) We and the Selling Shareholder, in consultation with the BRLMs, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation to, the Bidders.

(e) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. **Retail Individual Bidders and Employees bidding in the Employees Reservation Portion for an amount of up to Rs. 100,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for Employees bidding in excess of Rs. 100,000, QIB Bidders and Non Institutional Bidders and such Bids from Employees, QIBs and Non Institutional Bidders shall be rejected.**

(f) Bidders who bid at Cut-off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Bidders bidding at Cut-Off shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by theBidders, who Bid at Cut-Off(i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), theBidders who Bid at Cut-off, shall receive the refund of the excess amounts from the Escrow Account.

(g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders, who had bid at Cut-Off 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 Syndicate Member to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 100,000, the Bid will be considered for allocation under the Non-Institutional Portion in terms of this Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of 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.

(h) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders and Employees bidding as part of the Employees Reservation Portion, 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.

(i) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 25 Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.

Application in the Issue

Equity Shares being issued through the Red Herring Prospectus can be applied for in the dematerialized form only.

Bids by Mutual Funds

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand is greater than 181,250 Equity Shares, Allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Funds Portion. The remaining demand by Mutual Funds shall, as part of the aggregate demand by QIBs, be made available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

Multiple Bids

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 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 NRIs

NRI Bidders to comply with the following:

1. Individual NRI Bidders can obtain the Bid cum Application Forms from our Registered Office, our corporate office, members of the Syndicate or the Registrar to the Issue.
2. NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange shall be considered for allotment. NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid cum Application Form meant for resident Indians (White in color).

Escrow Mechanism

We and the Selling Shareholder shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of the 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 Issue Account as per the terms of the Escrow Agreement. Payments of refund to the Bidders shall also be made from the Escrow Account as per the terms of the Escrow Agreement and this Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between us, the Selling Shareholder, the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of payment and payment into the Escrow Accounts

Each Bidder, shall pay the applicable Margin Amount, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details please see the section titled "Issue Procedure - Payment Instructions" beginning on page 270) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid cum Application Forms accompanied by cash shall not be accepted. The maximum Bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Issue Account of the Company with the Banker(s) to the Issue. The balance amount after transfer to the Issue Account of the Company shall be held for the benefit of the Bidders who are entitled to refunds on the Designated Date, and no later than 15 days from the Bid /Issue Closing Date, the Escrow Collection Bank(s) shall refund all monies to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allotment to the Bidders.

Each category of Bidders i.e. QIB Bidders, Non Institutional Bidders, Retail Individual Bidders and the Employees would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form. The Margin Amount payable by each category of Bidders is mentioned in the section titled "Issue Structure" on page 256. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the 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. However, if the members of the Syndicate do not waive such payment, the full amount of payment has to be made at the time of submission of the Bid cum Application Form.

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 allotment, will be refunded to such Bidder within 15 days from the Bid /Issue Closing Date, failing which we shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

Electronic registration of Bids

(a) The Syndicate Members will register the Bids using the on-line facilities of the BSE and the NSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.

(b) The BSE and the NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Syndicate Members and their authorised agents during the Bidding/Issue Period. The Syndicate Members can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on a regular basis. On the Bid /Issue Closing Date, the Syndicate Members 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 BSE and the NSE displayed on-line at all bidding centers and at the website of BSE and NSE. A graphical representation of consolidated demand and price would be made available at the bidding centers during the Bidding/ Issue Period.

(d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

- Name of the investor
- Investor category – individual, corporate, NRI, FII, or Mutual Fund etc.
- Numbers of Equity Shares bid for

- Bid price
- Bid cum Application Form number
- Whether Margin Amount has been made upon submission of Bid cum Application Form
- Depository participant identification no. and client identification no. 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) It is to be distinctly understood that the permission given by the BSE and the NSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company or the BRLMs are cleared or approved by the BSE and the NSE; 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 Promoters, our management or any scheme or project of our Company.

(h) It is also to be distinctly understood that the approval given by the BSE and the NSE should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the BSE and the NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that our Equity Shares will be listed or will continue to be listed on the BSE and the NSE.

Build up of the book and revision of Bids

(a) Bids of various Bidders/ registered through the Syndicate Members shall be electronically transmitted to the BSE or the NSE mainframe on a regular basis.

(b) The book gets built up at various price levels. This information will be available with the BRLMs on a regular basis.

(c) During the Bidding /Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band during the Bidding /Issue Period using the printed Revision Form which is a part of the Bid cum Application Form.

(d) Revisions can be made in both the desired number of Equity Shares and the Bid 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.

(e) The Bidder can make this revision any number of times during the Bidding/ Issue Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. **Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.**

(f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of 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.

(g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**

(h) Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for Allocation. In case of discrepancy of data between the BSE or the NSE 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 /Issue Closing Date, the BRLMs will analyze the demand generated at various price levels.

(b) We, together with the Selling Shareholder, in consultation with the BRLMs, shall finalise the “Issue Price” and the number of Equity Shares to be allocated in each investor category

(c) The allocation to Non-Institutional Bidders and Retail Individual Bidders of not less than 15% and 35% of the Net Issue respectively, and the allocation to QIBs for up to 50% of the Net Issue, would be on proportionate basis, in the manner specified in the SEBI Guidelines and this Red Herring Prospectus, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.

(d) Undersubscription, if any, in any category would be allowed to be met with spill over from any of the other categories at the discretion of our Company and the Selling Shareholder in consultation with the BRLMs. However, if the aggregate demand by Mutual Funds is less than 181,250 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 the event that the aggregate demand in the QIB Portion has been met, under-subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company and the Selling Shareholder, in consultation with the BRLMs and the Designated Stock Exchange.

(e) The BRLMs, in consultation with us, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.

(f) Allocation to Non-Residents applying on repatriation basis will be subject to the applicable law.

(g) We reserve the right to cancel the Issue any time after the Bid /Issue Opening Date but before the Allotment without assigning any reasons whatsoever.

(h) In terms of the SEBI Guidelines, QIBs shall not be allowed to withdraw their Bid after the Bid /Issue Closing Date.

Signing of Underwriting Agreement and ROC Filing

(a) We, the Selling Shareholder, the BRLMs and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue 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 Issue Price and Issue size and would be complete in all material respects.

Advertisement regarding Issue Price and Prospectus

A statutory advertisement will be issued by our Company after the filing of the Prospectus with the ROC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of CAN

(a) Upon approval of the basis of allotment by the Designated Stock Exchange, the BRLMs or the Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue.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 and the Employee Reservation Category. However, Bidders should note that the Company shall ensure that the date of Allotment of the Equity Shares to all Bidders, in all categories, shall be done on the same date.

(b) The BRLMs or the members of the Syndicate would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares Allocated to such Bidder. Those Bidders who have paid the Margin Amount into the Escrow Account at the time of bidding shall pay in the balance amount into the Escrow Account by the Pay-in Date specified in the CAN.

(c) Bidders who have been allocated Equity Shares and who have already paid into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of their cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed as a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares to be allotted to such Bidder.

Designated Date and Allotment of Equity Shares

(a) Our Company will ensure that the Allotment of Equity Shares is done within 15 days of the Bid /Issue Closing Date. After the funds are transferred from the Escrow Account to the Issue 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 Allotment.

(b) As per the SEBI Guidelines, **Equity Shares will be issued and allotted only in the dematerialised form to the allottees**. Allottees will have the option to re-materialise the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.

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 Allotment. We shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500 by "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or First Bidder's sole risk within 15 days of the Bid /Issue Closing Date.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, we undertake that:

- Allotment shall be made only in dematerialised form within 15 days from the Bid /Issue Closing Date;
- Dispatch of refund orders shall be done within 15 days from the Bid /Issue Closing Date; and
- We shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if Allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 day time prescribed above.

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, blue or pink in colour) as the case may be.

c) Ensure that the details about your Depository Participant and beneficiary account are correct as Equity Shares will be allotted in the dematerialized form only.

d) Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a 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 Permanent Account Number (PAN) allotted under the IT Act. The copies of the PAN card or PAN allotment letter should be submitted with the 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.

Don'ts:

(a) Do not Bid for lower than the minimum Bid size.

(b) Do not Bid/revise Bid price to less than the lower end of the Price Band or higher than the higher end of the Price Band.

(c) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate.

(d) Do not pay the Bid 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(for Employees bidding for an amount above Rs. 1,00,000, 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 Issue size and/or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations.

(h) **Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.**

INSTRUCTIONS FOR COMPLETING THE BID CUM APPLICATION FORM

Bidders can obtain Bid cum Application Forms and/or Revision Forms from the members of the Syndicate.

Bids and Revisions of Bids

Bids and revisions of Bids must be:

(a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (White, Blue or Pink colour).

(b) In single 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. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.

(d) The Bids from the Retail Individual Bidders must be for a minimum of 25 Equity Shares and in multiples of 25 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 such that the Bid Amount exceeds Rs. 100,000 and in multiples of 25 Equity Shares. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.

(f) For Employees Reservation Portion, the Bid must be for a minimum of 25 Equity Shares and in multiples of 25 Equity Shares therafter, subject to the maximum Bid Amount not exceeding Rs. 2,500,000 for each Employee. In the_event the Bid amount in the Employees Reservation Portion is in excess of Rs. 2,500,000, the Bid may be rejected. In single name or in joint names (not more than three, and in the same order as their Depository Participant details).

(g) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bids by Employees in the Employees Reservation Portion

Bids under Employee Reservation Portion by employees shall be made only in the prescribed Bid cum Application Form or Revision Form (i.e. pink colour) and Employees, applying in this Employees Reservation Portion should mention their employee number in the Bid cum Application Form.

The following may be noted in respect of Bids by Employees in the Employees Reservation Portion:

- In case of joint Bids, the sole/first Bidder should be an Employee. Only those Bids by Employees that are at or above the Issue Price would be considered for Allocation.
- Employees who Bid for Equity Shares for a value of up to Rs. 100,000 at Cut off.
- The maximum Bid in this category by any Employee cannot exceed Rs. 2,500,000.
- Employees can also Bid in the Net Issue to the public portion and such Bids shall not be treated as multiple Bids.
- If the valid Bids in this category is less than or equal to 150,000 Equity Shares at or above the Issue Price, full Allocation shall be made to the Employees to the extent of their valid Bids. Under subscription, if any, in the Employees Reservation Portion will be added back to the Net Issue to the public, and the undersubscription can be met with spill over from any other category at the discretion of the Company and the Selling Shareholder, in consulation with the BRLMs.
- If the valid Bids in this category is greater than 150,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For a description of the proportionate basis of Allocation please see the section titled "Issue Procedure - Basis of Allocation" beginning on page 275.

Bidder's depository 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 Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation ("Demographic Details"). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

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 Issue, the required Demographic Details as available on its records.

Refund orders/allocation advices/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the 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 Depository Participant's identity (DP ID) and the beneficiary account number, then such Bids are liable to be rejected.

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 Issue 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. 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 Company 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 accept or reject any Bid in whole or in part, in either case, without assigning any reason 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 accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of the Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of the Bids made by provident funds, subject to applicable law, with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason 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/the BRLMs may deem fit.

We, in our absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

Bids by Non-Residents, NRIs and FIIs on a repatriation basis

Bids and revision to the Bids 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).
3. NRIs for a Bid Amount of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation; by other eligible Non-Resident Bidders for a minimum of such number of Equity Shares and in multiples of 25 thereafter that the Bid Amount exceeds Rs. 100,000. For further details please see section titled "Issue Procedure - Maximum and minimum Bid size" beginning on page 259.
4. In the names of individuals, or in the names of FIIs, FVCIs, etc but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only, 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 Non-Resident External (NRE) accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

It is to be distinctly understood that there is no reservation for Non-Residents, NRIs and FIIs and all Non-Residents, NRI and FII applicants 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 this Issue.

PAYMENT INSTRUCTIONS

We shall open Escrow Accounts with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

Payment into Escrow Account

(i) The Bidders for whom the applicable margin is equal to 100% shall, with the submission of the Bid cum Application Form draw a payment instrument for the Bid Amount in favour of the Escrow Account and submit the same to the members of the Syndicate.

(ii) In case the above Margin Amount paid by the Bidders during the Bidding/ Issue Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs.

(iii) The payment instruments for payment into the Escrow Account should be drawn in favour of:

(a) In case of resident QIB Bidders: "**Escrow Account- PVR Public Issue- QIB-R**"

(b) In case of non resident QIB Bidders: "**Escrow Account- PVR Public Issue- QIB-NR**"

(c) In case of Resident Bidders: **"Escrow Account – PVR Public Issue"**

(d) In case of Non-Resident Bidders: **"Escrow Account – PVR Public Issue** - **NR"**

(e) In case of Employees: "**Escrow Account – PVR Public Issue –Employee**"

- In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in NRE accounts or Foreign Currency Non-Resident (FCNR) accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE or FCNR account.

- In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to a Special Rupee Account.

(iv) Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Account.

(v) The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.

(vi) On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Issue Account.

(vii) On the Designated Date and not later than 15 days from the Bid /Issue Closing Date, the Escrow Collection 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.

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/moneyorders/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.

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 as per the Demographic Details received from the Depository.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

Bids by the Employees can also be made in the Employee Reservation Category and the Net Issue to the public category and such Bids will not be considered to be multiple Bids.

The Company and the Selling Shareholder reserve the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

'PAN' or 'GIR' 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. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN, as the Bid is liable to be rejected on this ground.** In case the sole/ First Bidder and joint Bidder(s) is/ are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/ or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the sole/ First Bidder and each of the joint Bidder(s), as the case may be, would be required to submit Form 60 (form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in Rule 114B 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 may be applicable.**

Unique Identification Number ("UIN")

With effect from July 1, 2005, SEBI has decided to suspend all fresh registrations for obtaining Unique Identification Number (UIN) and the requirement to contain/ quote UIN under the SEBI (Central Database of Market Participants) Regulations, 2003 and circular issued in connection thereto by its circular bearing number MAPIN/Cir-13/2005.

Right to reject Bids

In case of QIB Bidders, the Company, in consultation with the BRLMs may reject a bid placed by a qualified QIB for reasons to be recorded in writing, provided that such rejection shall be made at the time of acceptance of the Bid and the reasons therefore shall be disclosed to the QIB Bidders. In case of QIB Bidders, Non-Institutional Bidders and Retail Individual Bidders, we have a right to reject Bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

Grounds for technical rejections

Bidders are advised to note that Bids are liable to be rejected 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 minors;
5. **PAN not stated if Bid is for Rs. 50,000 or more and GIR number furnished instead of PAN;**
6. Bids for lower number of Equity Shares than specified for that category of investors;
7. Bids at a price less than lower end of the Price Band;
8. Bids at a price more than the higher end of the Price Band;
9. Bids at Cut-Off by Employees bidding for an amount above Rs. 1,00,000, Non-Institutional Bidders and QIB Bidders;
10. Bids for number of Equity Shares, which are not in multiples of 25;
11. Category not ticked;
12. Multiple Bids as defined in this Red Herring Prospectus;
13. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
14. Bids accompanied by stockinvest/money order/postal order/cash;
15. Signature of sole and/or joint Bidders missing;
16. Bid cum Application Form does not have the stamp of the BRLMs or the Syndicate Members;
17. Bid cum Application Form does not have the Bidder's depository account details;

18. Bid cum Application Form is not delivered by the Bidder within the time prescribed as per the Bid cum Application Form, Bid /Issue Opening Date advertisement and this Red Herring Prospectus and as per the instructions in this Red Herring Prospectus and the Bid cum Application Form;

19. 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 depositary participant's identity (DP ID) and the beneficiary account number;

    a. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. See the details regarding the same in the section titled "Issue Procedure – Bids at Different Price Levels" beginning on page 261;

    b. Bids by QIBs not submitted through ICICI Brokerage Services Limited and Kotak Securities Limited

20. Bids by OCBs;

21. Bids by U.S. persons other than "qualified institutional buyers" as defined in Rule 144A of the Securities Act; and

Equity Shares in dematerialised form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a de-materialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode). Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

In this context, two agreements have been signed among our Company, the respective Depositories and the Registrar to the Issue:

i) an agreement dated October 10, 2005 between NSDL, us and Registrar to the Issue;

ii) an agreement dated November 17, 2005 between CDSL, us and Registrar to the Issue.

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 this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, 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.

PRE-ISSUE AND POST ISSUE RELATED PROBLEMS

We have appointed Mr. N. C. Gupta, as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

Mr. N. C. Gupta
PVR Limited
Block 2A, 2nd Floor,
DLF Corporate Park,
DLF Qutab Enclave- III
Gurgaon 122 002,
Haryana,India
Tel: +91 124 2549 300
Fax: +91 124 5063 273
E-mail: ipo@pvrcinemas.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 Issue 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 Issue Price.
- The Net Issue size less allocation to Non-Institutional Bidders and QIB Bidders shall be available for allocation to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the valid Bids in this category is for less than or equal to 2,537,500 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.
- If the valid Bids in this category is greater than 2,537,500 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 25 Equity Shares and in multiples of 25 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 Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Net Issue size less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the valid Bids in this category is less than or equal to 1,087,500 Equity Shares at or above the Issue Price, full allotment shall be made to Non-Institutional Bidders to the extent of their valid Bids.
- In case the aggregate valid Bids in this category is greater than 1,087,500 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of 25 Equity Shares and in multiples of 25 Equity Shares thereafter. For the method of proportionate basis of allocation refer below.

C. For QIBs

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the QIB Bidders will be made at the Issue Price.
- The Net Issue size less allocation to Non-Institutional Portion and Retail Portion shall be available for proportionate allocation to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- However, eligible Bids by Mutual Funds only shall first be considered for allocation proportionately in the Mutual Fund Portion. After completing proportionate allocation to Mutual Funds for an amount of upto 181,250 Equity Shares (the Mutual Fund 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 Fund Portion). For the method of allocation in the QIB Portion please see the paragraph titled "Illustration of Allotment to QIBs" appearing below. If the valid Bids by Mutual Funds is less than 181,250 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and allocated proportionately to the QIB Bidders. In the event that the valid Bids 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. For the purposes of this paragraph it has been assumed that the QIB Portion for the purposes of the Issue amounts to 50% of the Net Issue size, i.e. 3,625,000 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 Issue Price.
    - (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available to all QIB Bidders as set out in (b) below;
  - (b) In the second instance allocation to all QIBs shall be determined as follows:
    - (i) In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.

(ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.

(iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

- Except for any shares allocated to QIB Bidders due to undersubscription in the Retail Portion and/or Non Institutional Portion, the aggregate allocation to QIB Bidders shall be made on a proportionate basis up to a maximum of 3,625,000 Equity Shares For the method of proportionate basis of allocation refer below.

D. For Employees:

- Bid received in this category will not be taken into account for price discovery.
- Bids received from the Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the Employees will be made at the Issue Price.
- If the valid Bids in this category is less than or equal to 150,000 Equity Shares at or above the Issue Price, full allotment shall be made to the Employees to the extent of their valid bids.
- In case the valid Bids in this category is greater than 150,000 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of 25 Equity Shares and in multiples of 25 Equity Shares thereafter. For the method of proportionate basis of allocation refer below.

Method of Proportionate basis of allocation in the Issue

Bidders will be categorized according to the number of Equity Shares applied for by them.

(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.

In all Bids where the proportionate allotment is less than 25 Equity Shares per Bidder, the allotment shall be made as follows:

- Each successful Bidder shall be allotted a minimum of 25 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; and
- Each successful Bidder shall be allotted a minimum of 25 Equity Shares.

If the proportionate allotment to a Bidder is a number that is more than 25 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.

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.

Illustration of Allotment to QIBs and Mutual Funds ("MF")

A. Issue details

Sr. No.	Particulars	Issue details
1	Issue size	200 million Equity Shares
2	Allocation to QIB (50% of the Net Issue)	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	Share bid for (in million)	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	24.95	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 "Issue Structure" beginning on page 256.
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 :
   - For QIBs other than Mutual Funds (A1 to A5)= Number of Equity Shares Bid for X 95 / 495
   - 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
   - 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.

DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS

We shall ensure dispatch of allotment advice, refund orders and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within 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.

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 7 (seven) working days of finalisation of the basis of allotment.

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

- allotment of Equity Shares shall be made only in dematerialised form within 15 (fifteen) days of the Bid /Issue Closing Date;
- dispatch of refund orders within 15 (fifteen) days of the Bid /Issue 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 Guidelines.
- The Promoter's Contribution in full shall be brought in advance by PEPL before the Bid/Issue Opening Date.

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 this Issue 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 allotment;
- that the funds required for dispatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us;
- the Promoter's Contribution in full, shall be brought in advance by PEPL before the Bid / Issue Opening Date;
- that the refund orders or allotment advice to the NRIs or FIIs shall be dispatched within specified time; and
- that no further issue 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.

Undertakings by the Selling Shareholder

The Selling Shareholder undertakes as follows:

- the Equity Shares being sold pursuant to the Offer for Sale are free and clear of any liens or encumbrances, and shall be transferred to the successful Bidders within the specified time; and
- The Selling Shareholder has authorized the Company Secretary and Compliance Officer and the Registrar to the Issue to redress complaints, if any, of the investors;

Utilisation of Issue proceeds

Our Board of Directors certify that:

- all monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- details of all monies utilised out of Issue referred above shall be disclosed under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilised;
- details of all unutilised monies out of the Issue, if any shall be disclosed under the appropriate head in our balance sheet indicating the form in which such unutilised monies have been invested;
- we shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy of the Government of India notified through press notes and press releases issued from time to time and the FEMA and circulars and notifications issued thereunder. While the policy of the Government 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 of the Government, 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 and reporting requirements for making such investment. **As per current foreign investment policies, foreign direct investment in the film sector is allowed upto 100% under the automatic route.**

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without prior RBI approval, so long as the price of equity shares to be issued is not less than the price at which equity shares are issued to residents. In our Company, as of date the aggregate FII holding cannot exceed 24% of the total issued share capital.

Subscription by NRIs/ FIIs

It is to be distinctly understood that there is no reservation for Non-Residents, NRIs and FIIs and all Non-Residents, NRI and FIIs applicants will be treated on the same basis as other categories for the purpose of allocation.

As per the RBI regulations, OCBs cannot participate in this Issue.

The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act, and (ii) 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.

As per the current regulations, the following restrictions are applicable for investments by FIIs:

No single FII can hold more than 10% of the post-issue paid-up capital of our Company (i.e., 10% of 22,877,370 Equity Shares). In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of total issued capital of our Company in case such sub account is a foreign corporate or an individual.

As of now, the aggregate FII holding in our Company cannot exceed 24% of the total issued capital of our Company. With approval of our Board and that of the shareholders by way of a special resolution, the aggregate FII holding limit can be enhanced up to 100%; however till date no such resolution has been recommended to our shareholders for approval.

The above information is given for the benefit of the Bidders. Our Company 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.

MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF OUR COMPANY

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the 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 as detailed below. Please note that the each provision herein below is numbered as per the corresponding article number in the Articles of Association and defined terms herein have the meaning given to them in the Articles of Association.

Share Capital, Increase In And Reduction Of Capital

3.1 The authorized share capital of the Company shall be as prescribed in the Memorandum of Association.

3.2 Subject to provisions of the Act, the Company in General Meeting, may increase the share capital by such sum to be divided into shares of such amount as the resolution shall prescribe.

3.3 Terms of Issue of Debentures: Any debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares, attending (but not voting) at the General Meeting, appointment of Directors and otherwise Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in the General Meeting by a Special Resolution.

3.4 Terms of Issue of Shares: New shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the General Meeting resolving upon the creation whereof shall direct. Provided that no shares (not being preference shares) shall be issued carrying voting rights in the Company as to dividend capital or otherwise which are disproportionate to the rights attaching to the holders of other shares (not being preference shares). The rights to exercise a call on shares of the Company cannot be given to any person except with the sanction of the Company in a general meeting.

3.5 Further issue of shares

3.5.1 Where at the time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares 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 Directors 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.

3.5.2. Notwithstanding anything contained in sub-clause 3.5.1 hereof, the further shares aforesaid may be offered to any person (whether or not those persons include the persons referred to in clause (a) of sub-clause (1) 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, 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 of Directors in this behalf that the proposal is most beneficial to the Company.

3.5.3 Nothing in sub-clause (c) of 3.5.1 hereof shall be deemed:

(a) To extend the time within which the offer should be accepted; or

(b) To authorise any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.

3.5.4 Nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debenture issued or loans raised by the Company.

(i) To convert such debentures or loans into shares in the Company; or

(ii) To subscribe for shares in the Company (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.

(a) 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

(b) in the case of debentures or loans or other than debentures issued to or loans obtained from 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.

3.6 Except so far as otherwise provided by the conditions of issue or by these Articles any capital raised by the creation of new shares shall be considered part of the original capital and shall be subject to the provisions herein contained with reference to the payment of calls and installments transfer and transmission, forfeiture, lien, surrender, voting and otherwise.

3.7 Subject to the provisions of the Act the Company in a General Meeting, may from time to time sub-divide or consolidate its shares or any of them and exercise any of the other powers conferred by Sub-Section (i) (a) to (e) of Section 94 of the Act and shall file with the Registrar such notice in exercise of any such powers as may be required by the Act.

3.8 Notwithstanding anything contained in these Articles, the Company shall be entitled to purchase its own shares and specified securities, as permitted by law, and in connection thereto the Board may, when and if thought fit, buy back such of the Company's own shares or specified securities permitted by law, as it may think fit, subject to such limits, upon such terms and conditions, and in such manner as may be prescribed by law and subject to such approvals as may be necessary.

Shares

4.1 Subject to the provisions of the Act and these Articles, the shares shall be under the control of the Board, who may, subject to these Articles, 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 at a discount (subject to compliance with the provisions of Section 79 and other applicable provisions of the Act) and at such times as they may from time to time think fit and proper and with the sanction of the Members in General Meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the Directors think fit and may issue and allot shares in the capital of the Company on payment in full or in 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 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 any shares shall not be given to any person or persons without the sanction of the Members in General Meeting.

4.2 The Company shall be entitled to dematerialize or rematerialize any or all of its shares, debentures and other marketable securities pursuant to the Depositories Act, 1996 and, subject to these presents, to offer its shares, debentures and other securities for subscription in a dematerialized form.

4.3 Every person subscribing to securities offered by the Company shall have the option either to receive the security certificates or to hold the securities with a depository. If a person opts to hold the securities with a depository, the Company shall intimate such depository the details of allotment of the security. On receipt of such information, the depository shall enter in its records the name of the allottee as the beneficial owner of the security.

4.4 Every person who is the beneficial owner of the securities can at any time opt out of a depository, in the manner provided by the Depositories Act, 1996. The Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificates of securities.

4.5 All securities held by a depository shall be dematerialized and be in fungible form. Nothing contained in Section 153, of the Act shall apply to a depository in respect of securities held by it on behalf of the beneficial owners.

4.6 Notwithstanding anything to the contrary contained in the Act or the Articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner.

4.7 Save as otherwise provided in Article 4.6 above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.

4.8 Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a Member of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a depository.

4.10 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 upon production and surrender thereof to the Company, a new certificate may be issued in lieu thereof, and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the Company and on execution of such indemnity as the Company deem adequate, being given, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate. Every certificate under the Articles shall be issued without payment of fees or if the Directors so decide, or on payment of such fees (not exceeding Rs.2/- for each certificate) as the Directors shall prescribe. Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where is no further space on the back thereof for endorsement of transfer. Provided that notwithstanding what is stated above the Directors shall comply with such Rules or Regulation or requirements of any Stock Exchange or the Rules made under the Act or the rules made under Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable in this behalf.

4.11 Every member shall be entitled, without payment, to one or more certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the Directors so approve (upon paying such fees as the Directors may from time to time determine) to several certificates, each for one or more of such shares and the Company shall complete and have ready for delivery such certificates within three months from the date of allotment. Unless the conditions of issue thereof otherwise provide, or within one month of the receipt of application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its shares, as the case may be. Every 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 be in such form as the directors may prescribe or approve, provided that in respect of a share of shares held jointly by several persons, the Company shall not be borne to issue more than one certificate and delivery of a certificate of shares to one of several right holders shall be sufficient delivery to all such holder.

Calls And Forfeiture Of Shares

6.1 The Board may, from time to time, subject to the terms on which any shares may have been issued and subject to the conditions of allotment, by a resolution passed at a meeting of the Board (and not by circular resolution) make such call as it thinks fit upon the Members in respect of all moneys unpaid on the shares held by them respectively and each Member shall pay the amount of every call so made on him to the person or persons and at the time and place appointed by the Board. A call may be made payable by installments.

6.2 The Directors may, from time to time, at their discretion, extend the time fixed for the payment of any call and may extend such time as to the payment of any call for any of the Members; but no Member shall be entitled to such extension save as a matter of right.

6.3 Not less than 30 days' notice in writing of any call shall be given by the Company specifying the time and place of payment, and the person or persons to whom such call shall be paid. Provided that before the time for payment of such call, the Directors may by notice in writing to the Members revoke or postpone the same.

6.4 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 Articles, be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable and in case of non-payment all the relevant provisions of these Articles as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

6.5 A call shall be deemed to have been made at the time when the resolution of the Directors authorizing such call was passed and may be made payable by Members on such date or at the discretion of the Directors on such subsequent date as shall be fixed by the Directors.

6.6 If any Member fails to pay any call due from him on the date appointed for payment thereof, or any such extension thereof as aforesaid, he shall be liable to pay interest on the same from the day appointed for the payment thereof to the time of actual payment at such rate as shall, from time to time be fixed by the Board. However the Board shall be at liberty to waive payment of any such interest wholly or in part.

6.7 Neither a judgment nor a decree in favour of the Company for calls or other moneys due in respect of any shares nor any part payment or satisfaction thereunder nor the receipt by the Company of a portion of any money which shall from time to time be due from any Member in respect of any shares either by way of principal or interest nor any indulgence granted by the Company in respect of payment of any money shall preclude the forfeiture of such shares as herein provided.

6.8 The Directors may if they think fit receive from any Member willing to advance the same all or any part of the money due upon the shares held by him beyond the sums actually called up, and upon the moneys so paid in advance or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made the Company may pay interest at such rate not exceeding, unless the Company in

General Meeting directs, six percent per annum, as may be agreed between the Board and the Member paying the sum in advance. However, such amounts paid in advance will not confer a right to dividend or participate in profits.

6.9 No Member shall be entitled to receive any dividend or to exercise any privilege as a Member until he shall have paid all calls for the time being due and payable on every share held by him whether alone or jointly with any person, together with interest and expenses, if any.

6.10 On the trial or hearing of any action or suit brought by the Company against any Member or his legal representatives for the recovery of any moneys 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's are sought to be recovered, is entered in the Register of Members as a Member/one of the Members at or any subsequent date on which the moneys sought to be recovered are alleged to have become due on the shares and that the resolution making the call is duly recorded in the Minute book and the notice of such call was duly given to the Member, holder or joint-holder or his legal representatives sued in pursuance of these presents. It shall not be necessary to prove the appointment of Directors who made such call nor that the quorum of Directors was present at the Board at which any such call was made nor that the Meeting at which any such call was made had been duly convened or constituted nor any other matter whatsoever but the proof of the matters aforesaid shall be conclusive evidence of the debt.

6.11 Forfeiture

6.11.1 If a Member or debenture-holder fails to pay any call or the allotment money which was deferred or kept as term deposit as a condition of subscription or installment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or allotment money or installment remains unpaid serve a notice on him requiring payment of so much call or installment as is unpaid, together with any interest which may have accrued.

6.11.2 The notice aforesaid shall:

(a) name a further day (not being earlier than the expiry of fourteen days from the date of service of the notice) on or before which the payment required by the notice is to be made; and

(b) state that, in the event of non-payment on or before the day so named, the shares or debentures in respect of which the call was made will be liable to be forfeited.

(c) If the requirements of any such notice as aforesaid are not complied with any share or debenture in respect of which the notice has been given, may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect.

6.11.3 A forfeited share or debenture may be sold or otherwise disposed of on such terms and in such manner as the Board thinks fit.

6.11.4 At any time before a sale or disposal as aforesaid, the Board may cancel the forfeiture on such terms as it thinks fit.

6.12 Effect of Forfeiture

(i) A person whose shares or debentures have been forfeited shall cease to be Member or holder in respect of the forfeited shares or debentures, but shall notwithstanding the forfeiture remain liable to pay to the Company all moneys which, at the date of forfeiture, were presently payable by him to the Company in respect of the share or debenture.

(ii) The liability of such person shall cease if and when the Company shall have received payment in full of all such moneys in respect of the shares or debentures.

6.13 Declaration and other provisions of Forfeiture

(i) A duly verified declaration in writing that the declarant is a Director, Manager or the Secretary of the Company and that a share or debenture in the Company has been duly forfeited on the date stated in the declaration, shall be conclusive evidence of the facts therein stated, as against all persons claiming to be entitled to the share or debenture.

(ii) The Company may receive the consideration, if any, given for the share or debenture on any sale or disposal thereof and may execute a transfer of the share or debenture in favour of the persons to whom the share or debenture is sold or disposed of.

(iii) The transferee shall thereupon be registered as the holder of the share or debenture.

(iv) The transferee shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share or debenture be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share or debenture.

(v) The provision of these Articles as to forfeiture shall apply in the case of non-payment of any sum which, by the term of issue of a share or debenture, becomes payable at a fixed time, whether on account of the nominal value of the share or debenture or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

(vi) The Board may accept from any shareholder/debenture holder on such terms and conditions as shall be agreed a surrender of all or any of his shares/debentures.

6.14 The Company shall have a first and paramount lien upon all the shares/debentures (other than fully paid-up shares/ debentures) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares/debentures and no equitable interest in any share shall be created except upon the footing and condition that this Article will have full effect. And such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares/debentures. Unless otherwise agreed the registration of a transfer or shares / debentures shall operate as a waiver of the Company's lien if any, on such shares/debentures. The Directors may at any time declare any shares/debentures wholly or in part to be exempt from the provisions of this clause.

Transfer and transmission of Shares, nomination

7.1 The Company shall keep a "Register of Transfers" and therein shall be fairly and distinctly entered particulars of every transfer or transmission of any share.

7.2 A common instrument of transfer shall be used which shall be in writing in case of shares/debentures held in physical form 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.

7.3 The instrument of transfer in case of shares/debentures held in physical form shall be in writing and all provisions of Section 108 of the Companies Act, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.

7.4 Subject to the provisions of the Listing Agreements, in the event that the proper documents have been lodged, the Company shall register the transfer of securities in the name of the transferee except:

(a) when the transferee is, in exceptional circumstances, not approved by the Directors in accordance with the provisions contained herein;

(b) when any statutory prohibition or any attachment or prohibitory order of a competent authority restrains the Company from transferring the securities out of the name of the transferor;

(c) when the transferor object to the transfer provided he serves on the Company within a reasonable time a prohibitory order of a court of competent jurisdiction.

7.4A (a) The AB Group shall not transfer or create an encumbrance (other than encumbrance in favor of Financial Institutions and/or Banks) the Shares of the Company held by them, if this leads to their shareholding in the Company falling below 26% of the total issued, subscribed and paid up capital of the Company as then existing, without the prior written consent of the Investor.

(b) The Investor shall be free and fully entitled to sell or otherwise Transfer any or all of its Shares (and attendant interest) to any person including independent Third Parties.

7.5 The Board may in accordance with Section 111A of the Act, refuse to register the transfer of, or the transmission by operation of law of the right to, any shares or interest of a Member in or debentures of the Company. The Company shall within one month from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was delivered to Company, send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission, as the case may be, giving reasons for such refusal. Provided that the registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except where the Company has a lien on shares.

7.6 Subject to the provisions of sections 109 and 109A of the Act, a transfer of the shares or other interest in the Company of a deceased Member thereof made by his legal representative shall although the legal representative is not himself a Member, be as valid as if he had been a Member at the time of the execution of the instrument of transfer.

7.7 The instrument of transfer shall, after registration, be retained by the Company and shall remain in its custody. All the instruments of transfer which the Directors may decline to register shall on demand be returned to the persons depositing the same. The Directors may cause to be destroyed all transfer deeds lying with the Company after such period as may be prescribed.

7.8 Subject to the provisions of section 109A of the Act and clauses 7.14 and 7.15 of these Articles, the executors or administrators of a deceased Member or a holder of a succession certificate or other legal representative or nominee in respect of shares of a deceased Member where he was a sole or only surviving holder shall be the only person whom the Company will be bound to recognize as having any title to the shares registered in the name of such Member and the Company shall not be bound to recognize such executors, administrators or holder unless such executors or administrators shall have first obtained probate or letters of administration or such holder is the holder of a succession certificate or other legal representation, from a court of competent jurisdiction or in the case of nomination, on the production of such evidence as the Board may require, as the case may be.

Provided that in any case where the Directors, at their absolute discretion, think fit, the Directors may dispense with production of probate or letters of administration or succession certificate or other legal representation or other evidence and register the name of any person who claims to be absolutely entitled to the share standing in the name of a deceased Member as a Member, in accordance with the provisions of these Articles.

7.9 Any person becoming entitled to any share 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 Directors (which they shall not be under any obligation to give) upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of his title as the Directors shall require, either be registered as a Member in respect of such shares or may subject to the regulations as to transfer contained in these presents and applicable law, transfer such shares to some other person. This Article, in these presents, is referred to as the “Transmission Clause”.

7.10 The Directors shall have the same right to refuse to register a person entitled by transmission to any shares or his nominee as if he were the transferee named in an ordinary transfer presented for registration.

7.11 Every transmission of a share shall be verified in such manner as the Directors may require and the Company may refuse to register any transmission until the same be so verified or until or unless an indemnity be given to the Company with regard to such registration which the Directors at their discretion shall consider sufficient, provided nevertheless that there shall not be any obligation on the Company or the Directors to accept any indemnity.

7.12 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..

7.13 The Company shall incur no liability or responsibility whatever in consequence of their registering or giving effect to any transfer of shares made or purporting to be made by the apparent legal owner thereof (as shown or appearing in the Register of Members) to the prejudice of persons having or claiming any equitable right, title or interest to or in the same shares notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer, and may have entered such notice or referred thereto in any book of the Company and the Company shall not be bound or required to regard or attend to give effect to any notice which may be given to them of any equitable right, title or interest or be under any liability whatsoever for refusing or neglecting to do so 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 Directors shall so think fit.

7.14 Nomination

7.14.1 Every share/bond/debenture holder of the Company and a depositor under the Company's Public Deposit Scheme (Depositor) of the Company may at any time, nominate in the prescribed manner, a person to whom his shares/bonds/debentures or deposits in the Company shall vest in the event of his death.

7.14.2 Where the shares or bonds or debentures or deposits in the Company are held by more than one person jointly, the joint holder may together nominate, in the prescribed manner, a person to whom all the rights in the shares or bonds debentures or deposits in the Company, as the case may be, shall vest in the event of death of all the joint holders.

7.14.3 Notwithstanding anything contained in these articles, or any other law for the time being in force or in disposition, whether testamentary or otherwise, in respect of such shares/ bonds/debentures or deposits in the Company, where a nomination made in the prescribed manner purport to confer on any person the right to vest the shares/bonds/debentures or deposits in the Company, the nominee shall on the death of the share/bond / debenture holder or a depositor, as the case may be, or on the death of the joint holders become entitled to all the rights in such shares/bonds/debentures or deposits, as the case may be, to the exclusion of all persons, unless the nomination is varied, cancelled in the prescribed manner.

7.14.4 Where the nominee is a minor, it shall be lawful for the holder of the shares/bonds/debentures or deposits, to make the nomination to appoint, in the prescribed manner, any person to become entitled to shares/bonds/ debentures or deposits in the Company, in the event of his death, during the minority.

7.15 Transmission Of Securities By Nominee

7.15.1 Notwithstanding anything provided in these Articles, a nominee, 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 share/bond/debenture or deposits, as the case may be; or

(b) to make such transfer of the share/bond/debenture or deposits, as the case may be, as deceased share/ bond/debenture holder or depositor could have made;

(c) if the nominee elects to be registered as holder of the share/bond/debenture or deposits, himself, 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 the death certificate of the deceased share/bond/debenture holder or depositor, as the case may be;

7.15.2 A nominee shall be entitled to the same dividends and other advantages to which he would be entitled to, if he were the registered holder of the share/bond/debenture or deposits except that he shall not, before being registered as a Member in respect of his share/bond/debenture or deposits be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company.

Provided further that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share/bond/debenture or deposits, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable or rights accruing in respect of the share/bond/debenture or deposits, until the requirements of the notice have been complied with.

Division Of Profits And Dividend

8.1 The profits of the Company available for payment of dividend subject to any special rights relating thereto created or authorised to be created by these presents and subject to the provisions of the Act and these presents as to the reserve fund and amortisation of capital shall be divisible among the Members in proportion to the amount of capital paid-up by them respectively. Provided always that (subject as aforesaid) any capital paid-up on a share during the period in respect of which a dividend is declared shall only entitle the holder of such share to an apportioned amount of such dividend as from the date of payment.

8.2 No dividend shall be declared or paid by the Company for any financial year except out of profits of the Company for that year arrived after providing for the depreciation in accordance with the provisions of sub-section (2) of section 205 of the act or out of profits of the Company for any previous financial year or years arrived after providing for the depreciation in accordance with applicable laws and remaining undistributed or out of both or out of moneys provided by the government for the payment of dividend in pursuance of a guarantee given by the government. No dividend shall carry interest against the Company.

8.3 The Board may, before recommending any dividend, set aside out of the profits of the Company such sums as it thinks proper as a reserve or reserves which shall, at the discretion of the Board, be applicable for any purpose to which the profits of the Company may be properly applied, including provision for meeting contingencies or for equalizing dividends; and pending such application, may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Board may, from time to time, think fit.

8.4 The Board may also carry forward any profits which it may think prudent not to divide, without setting them aside as a reserve.

8.5 Subject to the rights of persons, if any, entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as paid on shares in respect whereof the dividend is paid, but if and so long as nothing is paid upon any of the shares in the Company, dividends may be declared and paid according to the amounts of the shares.

8.6 All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid; but, subject to the provisions of the Listing Agreements, if any share is issued on terms providing that it shall rank for dividend as from a particular date, such share shall rank for dividend accordingly.

8.7 The Board may deduct from any dividend payable to any Member all sums of money, if any, presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company.

8.8 No amount paid or credited as paid on a share in advance of calls shall be treated for the purposes of these Articles as paid on the share.

8.9 For the purpose of the last preceding article, the declaration of the directors as to the amount of the profits of the Company shall be conclusive.

8.10 Subject to the provisions of section 205 of the act as amended, no dividend shall be payable except in cash.

8.11 A transfer of shares shall not pass the right to any dividend declared thereon after transfer and before the registration of the transfer.

8.12 Any one of the several persons who are registered as the joint holders of any share, may give effectual receipts for all dividends and payments on accounts of dividends in respect of such shares.

8.13 Unless otherwise directed any dividend may be paid by cheque or demand draft or warrant or such other permissible means to the registered address of the Member or person entitled or in the case of joint holding, to the registered address of that one whose name stands first in the register in respect of joint holding and every cheque, demand draft or warrant so sent shall be made payable to the Member or to such person and to such address as the shareholder or the joint shareholders in writing may direct.

8.14 The Company in a General Meeting may declare a dividend to be paid to the Members according to their rights and interests in the profits and may fix the time for payment, but no dividend shall exceed the amount recommended by the directors.

8.15 The directors may, from time to time, pay to the Members such interim dividends, as in their judgment the position of the Company justifies.

8.16 Where the Company has declared a dividend but which has not been paid or the dividend warrant in respect thereof has not been posted within 30 days from the date of declaration to any shareholder entitled to the payment of the dividend, the Company shall within 7 days from the date of expiry of the said period of 30 days, open a special account in that behalf in any scheduled bank called "Unpaid Dividend of Limited" and transfer to the said account, the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted.

8.17 Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the Company to the Investor Protection Fund in accordance with the provisions of section 205A (5) and other applicable provisions of the Act.

8.18 No unclaimed or unpaid dividend shall be forfeited by the Board.

Capitalization Of Reserve

9.1 The Company in General Meeting may, upon the recommendation of the Board, resolve—

(a) that it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the Company's reserve accounts, or to the credit of the profit and loss account, or otherwise available for distribution; and

(b) that such sum be accordingly set free for distribution in the manner specified in clause 20.2 amongst the Members who would have been entitled thereto, if distributed by way of dividend and in the same proportions.

9.2 The sum aforesaid shall not be paid in cash but shall be applied, subject to the provision contained in clause 9.3, either in or towards—

(i) paying up any amounts for the time being unpaid on any shares held by such Members respectively;

(ii) paying up in full, unissued shares of the Company to be allotted and distributed, credited as fully paid-up, to and amongst such Members in the proportions aforesaid; or

(iii) partly in the way specified in sub-clause (i) and partly in that specified in sub-clause (ii).

Provided however that such payment shall be accepted by such shareholders in full satisfaction of their interest in the said capitalized sum.

9.3 A share premium account and a capital redemption reserve account may, for the purposes of this regulation, only be applied in the paying up of unissued shares to be issued to Members of the Company as fully paid bonus shares.

9.4 The Board shall give effect to the resolution passed by the Company in pursuance of this regulation.

9.5 Whenever such a resolution as aforesaid shall have been passed, the Board shall—

(a) make all appropriations and applications of the undivided profits resolved to be capitalised thereby, and all allotments and issues of fully paid shares, if any; and

(b) generally do all acts and things required to give effect thereto.

9.6 The Board shall have full power—

(a) to make such provision, by the issue of fractional certificates or by payment in cash or otherwise as it thinks fit, for the case of shares or debentures becoming distributable in fractions; and also

(b) to authorise any person to enter, on behalf of all the Members entitled thereto, into an agreement with the Company providing for the allotment to them respectively, credited as fully paid-up, of any further shares to which they may be entitled upon such capitalisation, or (as the case may require) for the payment up by the Company on their behalf, by the application thereto of their respective proportions of the profits resolved to be capitalised, of the amounts or any part of the amounts remaining unpaid on their existing shares.

9.7 **Any agreement made under such authority shall be effective and binding on all such Members.**

Borrowing Powers

11.1 Subject to the provisions of Section 58A, 292 and 293 of the Act and these Articles, the Board may, from time to time at its discretion by a resolution passed at a meeting of the Board, accept deposits from Members either in advance of calls or otherwise and generally raise or borrow or secure the payment of any sum or sums of money for the purposes of the Company. Provided, however where the moneys to be borrowed together with moneys already borrowed (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) exceed the aggregate of the paid-up capital of the Company and its free reserves (not being reserves set apart for any specific purpose) the Board shall not borrow such moneys without consent of the Company in General Meeting.

11.2 The payment or repayment of moneys borrowed as aforesaid may be secured in such manner and upon such terms and conditions in all respects as the Special Resolution shall prescribe including by the issue of debentures or debenture – stock of the Company, charged upon all or any part of the property of the Company, (both present and future) including its uncalled capital for the time being; and debentures, debenture – stock and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

11.3 Any bonds, debentures, debenture stock or other securities issued or to be issued by the Company shall be under the control of the Board who may issue them upon such terms and conditions and in such manner and for such consideration as they shall consider to be for the benefit of the Company.

11.4 Subject to the provisions of the Act and applicable law, any bonds, debentures, debenture stock or other securities may be issued at a discount, premium or at par or otherwise and may be issued on condition that they shall be converted into shares of any denomination and with any special privileges and conditions as to redemption, surrender, drawing, allotment of shares, appointment of Directors, attending (but not voting) at the General Meeting or otherwise. Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in the General Meeting by a special resolution.

11.5 If any uncalled capital of the Company is included in or charged by any mortgage or other security, the Directors may authorize the person in whose favour such mortgage or security is executed or any other person in trust for him to make calls on the Members in respect of such uncalled capital and the provisions hereinbefore contained in regard to calls shall mutatis mutandis apply to calls made under such authority and such authority may be made exercisable either conditionally or unconditionally and either presently or contingently and either to the exclusion of the Directors' power or otherwise and shall be assignable if expressed so to be.

11.6 The Directors shall cause a proper register to be kept in accordance with the provisions of Section 143 of the Act of all mortgages and charges specifically affecting the property of the Company and shall duly comply with the requirements of the Act in regard to registration of mortgages and charges and in regard to inspection to be given to creditors or Members of the Register of Charges and of copies of instruments creating charges. Such sum as may be prescribed by the Act shall be payable by any person other than a creditor or Member of the Company for each inspection of the Register of Charges.

General Meetings

12.1 All General Meetings other than the Annual General Meeting shall be called Extra ordinary General Meetings.

12.2 The Board may, whenever it thinks fit, call an Extraordinary General Meeting and it shall do so upon a requisition in writing by any Member or Members holding in the aggregate not less than one-tenth of such of the paid-up capital as at that date carries the right of voting in regard to the matter in respect of which the requisition has been made. Such requisition shall state the reason for calling the meeting.

12.3 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 be present when the meeting proceeds to business.

12.4 No business shall be discussed at any General Meeting except the election of a Chairman, whilst the Chair is vacant.

12.5 **The Chairman or in his absence the Vice Chairman, if any, of the Board shall preside as Chairman at every General Meeting of the Company.**

12.6 If there be no Chairman or, if at any meeting he shall not be present within 15 minutes after the time appointed for holding such meeting, or is unwilling to act, Directors present shall elect one of their number to be the chairman of the meeting.

12.7 If within half an hour from the time appointed for the General Meeting, a quorum is not present, the meeting, if convened on the requisition of Members, 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 Board may determine. If at such adjourned meeting also a quorum is not present within half an hour from the time appointed for holding the meeting the Members present shall be a quorum and may transfer the business for which the meeting was called.

12.8 **The Chairman may, with the consent of any meeting at which a quorum is present, and shall, if so directed by the meeting adjourn any meeting from time to time, and from place to place.**

12.9 No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting is adjourned for more than 30 days, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid, it shall not be necessary to give any notice of the adjournment or of the business to be transacted at an adjourned Meeting.

12.10 At any General Meeting, a resolution put to 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 a show of hands) ordered to be taken by the Chairman of the meeting of his own motion or demanded by any Member or Members present in person or by Proxy and holding shares in the Company which confer a power to vote on the resolution not being less than one tenth of the total voting power in respect of the resolution or on which an aggregate sum of not less than fifty thousand rupees has been paid up and unless a poll is so ordered to be taken or 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 minute book of the Company shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against that resolution.

12.11 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. A poll demanded on any other question shall be taken at such time not being later than forty eight hours from the time when the demand was made, as the Chairman may direct.

12.12 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.

12.13 Where a poll is to be taken, the Chairman of the meeting shall appoint two scrutineers to scrutinize the votes given to the poll and to report thereon to him. The Chairman shall have power, at any time before the result of the poll is declared, to remove a scrutineer from office and to fill vacancies in the office of the scrutineer arising from such removal or from any other cause. 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.

12.14 The result of the poll shall be deemed to be the decision of the meeting on the resolution on which the poll was taken.

12.15 In the case of any equality of votes, whether on a 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 votes to which he may be entitled as a Member.

12.16 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.

12.17 Notwithstanding anything contained in the provisions of these presents, the provisions of section 192A of the Act and the rules made thereunder, shall apply in relation to passing of resolutions by Postal Ballot.

12.18 Subject to the provisions of the Act:

(a) on a show of hands, every Member present in person shall have one vote; and

(b) On a poll, the voting rights of Members shall be as provided in Section 87 of the Act.

12.19 Any Member of unsound mind or in respect of whom an order has been made by any Court having jurisdiction to 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 a poll, vote by Proxy.

12.20 A body corporate (whether a company within the meaning of the Act or not) may, if it is a Member, by resolution of its Board or other governing body authorize such person as it thinks fit to act as its representative at any meeting of the Company in accordance with the provisions of Section 187 of the Act. The production at the meeting of a copy of such resolution duly signed by one Director or such body corporate or by a member of its governing body and certified by him as being a true copy of the resolution shall on production at the meeting be accepted by the Company as sufficient evidence of the validity of his appointment.

12.21 Any person entitled under the Transmission Clause to transfer any shares may vote at General Meetings in respect thereof as if he was the registered holder of such shares provided that at least forty eight hours before the time of holding the meeting or adjourned meeting, as the case may be, at which he proposes to vote he shall satisfy the Board of his right to transfer such shares unless the Board has previously admitted his right to vote at such meeting in respect thereof.

12.22 Any Member who is entitled to attend and vote at a meeting of Company shall be entitled to appoint another person (whether a Member or not) as his proxy to attend and vote instead of himself. A Proxy so appointed shall not have any right to speak at the meeting.

12.23 Votes may be given either personally or by attorney or by Proxy or in the case of a body corporate by a representative duly authorized as aforesaid.

12.24 No person shall act as Proxy unless the instrument of his appointment and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall have been deposited at the registered office of the Company at least 48 hours before the time for holding the meeting at which the person named in the instrument of proxy proposes to vote and in default the instrument appointing the Proxy shall not be treated as valid. No attorney shall be entitled to vote unless the power of attorney or other instrument appointing him as attorney or a notarially certified copy thereof has either been registered in the records of the Company at any time not less than 48 hours before the time of the meeting at which the attorney proposes to vote or is deposited at the registered office not less than 48 hours before the time of such meeting as aforesaid. Notwithstanding that a power of attorney of that authority has been registered in the records of the Company, the Company may by- notice in writing addressed to the Members or the attorney at least seven days before the date of a meeting require him to produce the original power of attorney or authority and unless the same is thereupon deposited with the Company not less than 48 hours before the time fixed for the meeting, the attorney shall not be entitled to vote at such meeting unless the Board, at its absolute discretion, excuse such non-production and deposit. Every Member entitled to vote at a meeting of the Company or on any resolution to be moved thereat shall be entitled, during the period beginning 24 hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, to inspect the proxies lodged at any time during the business hours of the Company provided that not less than three days notice in writing of the intention to inspect is given to the Company.

12.25 If any such instrument of appointment be confined to the object of appointing a Proxy or substitute for voting at meetings of the Company, it shall remain permanently or for such time as the Board may determine, in the custody of the Company and if embracing other objects a copy thereof, examined with the original, shall be delivered to the Company to remain in the custody of the Company.

12.26 A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death of the principal or revocation of the proxy or of any power of attorney under which such proxy was signed or the transfer of share in respect of which the vote is given, provided that no intimation in writing of the death, revocation or transfer shall have been received at the registered office before meeting.

12.27 No objection shall be made to the validity of the vote except at the 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.

12.28 The Chairman of any meeting shall be the sole judge of the validity of every vote cast at such meeting. The Chairman present at the taking of a poll shall be the sole judge of the validity of every vote cast at such poll.

12.29 Any Member whose name is entered in the Register of Members, or who is a beneficial owner of the shares shall enjoy the same right and be subject to the same liabilities as all other Members of the same class.

12.30 **Postal Ballot:** Notwithstanding anything contained in the Articles of the Company, the Company do adopt the mode of passing resolutions by the Members of the Company by means of Postal Ballot (which includes voting by electronic mode) and/or other ways as may be prescribed in the Companies (Passing of Resolutions by Postal Ballot) Rules, 2001 in respect of the matters specified in said Rules as modified from time to time instead of transacting such business in a General Meeting of the Company subject to compliances with the procedure for such postal ballot and/ or other requirements prescribed in the rules in this regard.

13. So long as the Investor holds Shares representing more than 5% of the total issued, subscribed and paid up equity share capital of the Company, a resolution in respect of the following Fundamental Issues shall require the prior written consent of the Investor:

i) Amendment of the Articles of Association or Memorandum of Association of the Company;

ii) Changes in the authorized or issued share capital of the Company or the issue of any Shares or equity linked instruments;

iii) Reconstitution of the board including changes in the number of directors, rotation of directors (excluding non-retiring directors), etc;

iv) Acquisition or disposition of shares or any other investments whose value individually exceeds Rs. 25,00,00,000/- (Rupees Twenty Five Crores) in a financial year;

v) Borrowing of debt or arranging of financing for any projects or borrowings in excess of the amounts approved in the annual budget;

vi) Approval of the aggregate remuneration of any of the directors, or key managerial personnel in excess of Rs. 40,00,000/- (Rupees Forty Lakhs) for each such individual;

vii) Entering into any arrangement or transaction with any affiliate, group company, director/ related party (including rental arrangements or transactions for supply to/ sale by the Company);

viii) Passing a resolution for liquidated, winding up, amalgamation or merger with any other entity;

ix) Decisions on appointment and/or change of statutory and/or internal auditors;

x) Commencement or settlement of litigation where the amount claimed is in excess of Rs. 25,00,000/-.

Board Of Directors And Board Meetings

14.1 The Board will comprise of a minimum of three and a maximum of twelve Directors._The Board of Directors of the Company shall immediately after the IPO comprise of not less than 6 (six) directors, of which the promoters shall be entitled to nominate for appointment 2 (two) directors, IAF shall be entitled to nominate for appointment 1 (one) director and 3 (three) directors shall be independent directors. Further, so long as Mr. Ajjay Bijli along with his relatives and affiliates holds more than 26% of the total issued subscribed and paid up share capital of the Company, the AB Group shall:

(a) in the event the chairman of the Board is executive, be entitled to nominate for appointment 1/3rd of the total number of directors on the Board; and

(b) in the event the chairman of the Board is non-executive, be entitled to nominate for appointment ½ of the total number of directors on the Board.

14.2 So long as the Investor along with its affiliates, holds more than 5% of the total issued, paid up and subscribed share capital of the Company, the Investor shall be entitled to nominate for appointment 1 (one) director on the board of directors of the Company. The appointment/resignation of any of the directors nominated by the Investor shall not require approval of the Board for it to become effective. Further, so long as the Investor holds more than 5% of the total issued, subscribed and paid up share capital of the Company, the Investor shall have the right to nominate Director(s) on the board of directors of all present and future subsidiaries of the Company, in proportion to its shareholding in the Company.

14.3 The following persons shall be appointed as non-retiring whole-time directors of the Company:

(i) Mr. Ajjay Bijli; and

(ii) Mr. Sanjeev Kumar.

14.4 Subject to sections 198, 309 and other applicable provisions of the Act, the Directors shall be paid such salary and/ or allowances as the shareholders may, from time to time, determine. The remuneration of directors shall, in so far as it consists of a monthly payment, be deemed to accrue from day to day. Subject to the provisions of Section 314 of the Act, such reasonable additional remuneration as may be fixed by the shareholders may be paid to any one or more of the Directors for extra or special services rendered by him or them or otherwise. In addition to the remuneration payable to the Directors under this Act, all reasonable expenses of Directors, including the Nominee Directors, for attending meetings of the Board (including travel and stay costs) or otherwise in connection with the business may be borne by the Company. These rights shall be equally applicable to directors who have been nominated by the Investor. Provided that, if any director nominated by the Investor is also an officer of the Investor, and if the Investor so advises, the sitting fees in relation to such Directors shall accrue to the Investor and the same shall accordingly be paid by the Company directly to the Investor.

14.5 Two-thirds (any fraction to be rounded off to the next number) of the Directors shall be persons whose period of office shall be liable to determination by rotation and save as otherwise expressly provided in the Act, be appointed by the Company in General Meeting.

14.6 At every Annual General Meeting of the Company held next after the date of General Meeting in which first Directors are appointed, in accordance with section 255 of the Act, one-third of such Directors for the time being liable to retire by rotation or if their number is not three or a multiple of three, than the number nearest to one-third, shall retire from office.

14.7 Directors to retire by rotation at every Annual General Meeting shall be those (other than the Managing Director of the Company, and such other non-retiring Directors) who have been longest in office since their last appointment but as between persons who become Directors on the same day, those who are to retire shall, unless otherwise agreed among themselves, by determined by lot.

14.8 A retiring Director shall be eligible for re-election. The Company at the Annual General Meeting in which Director retires, may fill-up the vacated office by appointing the retiring Director or some other person thereto.

14.9 If the place of retiring Director is not so filled up and the meeting has not expressly resolved not to fill the vacancy, the meeting shall stand adjourned till the same day in the next week, at the same time and place, or if that day is a public holiday, at the same time and place, and if at the adjourned meeting also, the place of retiring Director is not filled up and that meeting also has not expressly resolved not to fill the vacancy, the retiring Director shall be deemed to have been re-appointed at the adjourned meeting, unless:

(i) at that meeting or at the previous meeting, a resolution for the re-appointment of such Director has been put to the meeting and lost;

(ii) the retiring Director has, by a notice in writing addressed to the Company or its Board, expressed his unwillingness to be so re-appointed;

(iii) he is not qualified or is disqualified for appointment;

(iv) a resolution, whether special or ordinary, is required for his appointment by virtue of any provisions of the Act.

(v) the proviso to sub section (2) of section 263 is applicable to the case.

14.10 Immediately prior to the initial public offering, Mr. Ajjay Bijli shall be appointed as the chairman of the Board. The Chairman shall have a casting vote.

14.11 All acts done by any meeting of the Board or a Committee thereof or by any person acting as a director, shall notwithstanding that it may be afterwards discovered that there was some defect in the appointment of any one or more such directors or of any person acting as aforesaid, or that they or any of them were disqualified, be valid as if every such director or such person had been duly appointed was qualified to be a director.

14.12 Subject to the provisions of the Act, by giving written notice of at least 14 days to the Company, each Director shall have the right, from time to time, to nominate any one person as his alternate and terminate such person's appointments as his alternate.

14.13 Subject to provisions of the Act, the Listing Agreements and applicable law, meetings of the Board shall be held once in every three months and at least four such meetings shall be held every year. Except in the event of emergency circumstances or in the absence of the Chairman, meetings of the Board shall always be convened by the Chairman. All meetings of the Board shall be held upon the issuance of a fourteen day notice. No meeting shall have been validly convened until notice of such meeting of the Board has been given in writing to all the Directors at least 14 days prior to the proposed date of the meeting at the address notified to the Company accompanied with all relevant agenda papers. Provided however that the accidental omission to give notice of any meetings of the Board to any Director shall not invalidate any resolution passed at any meeting.

14.14 The quorum necessary for the transaction of business of the Directors shall be one third of the total strength of Directors (any fraction contained in that one third being rounded off as one) or two Directors whichever is higher as provided in Section 287 of the Act.

14.15 Subject to the provisions of Section 292 of the Act, a resolution of the Board shall be valid and effectual as if it had been passed at a properly convened and quorate meeting of the Board, if a written draft thereof together with the necessary ancillary documents (if any) is circulated to all the Directors at their respective notified addresses and is approved in writing by a majority of the Directors.

14.16 Subject to fundamental issue matters listed in Article 13 above, all matters shall be decided by the Board by a simple majority.

14.17 Each Director shall be entitled to exercise one vote.

14.18 The Directors shall not be required to hold any qualification shares.

14.17 Committee of Directors

14.17.1 The Board may, subject to the provision of Section 292 and other applicable provisions of the Act, delegate any of their powers to committees ("**Committees**") consisting of such member or members of their body as they think fit and they may from time to time revoke such delegation. Provided that, so long as the Investor holds shares representing more than 5% of the total issued, subscribed and paid up share capital of the Company, it shall be entitled to nominate its nominee on each Committee. Any Committee so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed on it by the Directors including with relation to sub-delegation of its powers or any other matter. The proceedings of such a Committee shall be placed before the Board at its subsequent meeting.

14.17.2 The meeting and proceedings of any such Committee consisting of two or more members shall, subject to applicable law, be governed by the provisions of the Act for regulating the meetings and proceeding of the Directors, so far as the same are applicable thereto.

14.17.3 A Committee may elect a Chairman at its meeting; however if no such Chairman is elected, or if at any meeting the Chairman is not present within 15 minutes after the time appointed for holding the same, the members present may choose one of their members to be Chairman of the meeting.

14.17.4 The Board may pay all the expenditure incurred in setting up and registering the Company.

Managing Director

15.1 Subject to the provisions of the Act and these Articles, the shareholders may by way of a resolution passed in a general meeting have the power to appoint from time to time a person as the Managing Director of the Company, upon such terms and conditions as the shareholders think fit. Once appointed, the Board may by resolution vest in such Managing Director such of the powers hereby vested in the Board generally as it thinks fit, and such powers may be made exercisable for such period or periods and upon such condition and subject to such restrictions as the Board may determine.

15.2 Subject to the provisions of Law and requisite permission/ approvals of the shareholders and the Central Government, if required, the remuneration of the managing Director shall be such as may be determined by the Board from time to time and may be by way of monthly payment, fee for each meeting or participation in profits of by any or all these modes or any other mode not expressly prohibited by the Act.

15.3 The terms and period of appointment of the Managing Director shall be determined by the Company from time to time. Provided that the term of appointment of the Managing Director shall except in case of exceptional circumstances be for a minimum period of five years.

15.4 The managing Director shall act under the general supervision of the Board.

Winding Up

20.1 If the Company shall be would 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 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 paid up capital, such assets shall be distributed amongst the Members in proportion to the original paid up capital as the shares held by them respectively. But this clause is to be without prejudice to the rights of the holders of shares issued upon special terms and conditions

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 us. These contracts, copies of which have been attached to the copy of the Red Herring Prospectus, delivered to the ROC for registration and also the documents for inspection referred to hereunder, may be inspected at the corporate office of our Company situated at Block 2A, 2nd Floor, DLF Corporate Park, DLF Qutab Enclave - III, Gurgaon 122 002, Haryana, India from 10.00 am to 4.00 pm on working days from the date of the Red Herring Prospectus until the Bid/ Issue Closing Date.

Material Contracts

1. Letter of appointment dated October 3, 2005 to ICICI Securities Limited and Kotak Mahindra Capital Company Limited from our Company appointing them as BRLMs.
2. Memorandum of Understanding dated October 3, 2005 between us, the Selling Shareholder and the BRLMs.
3. Memorandum of Understanding dated September 30, 2005 executed by us and the Selling Shareholder with Registrar to the Issue.
4. Escrow Agreement dated [●] between us, the Selling Shareholder, the BRLMs, Escrow Collection Banks, and the Registrar to the Issue.
5. Syndicate Agreement dated [●] between us, the Selling Shareholder and the BRLMs and Syndicate Members.
6. Underwriting Agreement dated [●] between us, the Selling Shareholder, the BRLMs and the Syndicate Members.
7. Shareholders' Agreement dated March 12, 2003 executed between our Company, our Promoters, the Selling Shareholders, Mr. Sanjeev Kumar and Mrs. Sandhuro Rani as amended by way of a letter dated September 8, 2005 executed between the aforesaid persons and an amendment agreement dated September 8, 2005 executed between our Company, our Promoters and the Selling Shareholder.
8. Employment agreement dated August 5, 2003 between the Company and Mr. Ajjay Bijli, our Chairman cum Managing Director.
9. Amendment Agreement dated August 18, 2005 to the employment agreement between the Company and Mr. Ajjay Bijli.
10. Employment agreement dated August 5, 2003 between the Company and Mr. Sanjeev Kumar, (whole time Director).
11. Amendment to employment agreement dated August 18, 2005, between the Company and Mr. Sanjeev Kumar, (whole time Director).
12. Appointment letter dated November 9, 2005 issued by PVR Limited in respect of appointment of IL & FS Trust Company Ltd. as a material document.

Material Documents

1. Our Memorandum and Articles of Association as amended till date.
2. Our certificate of incorporation dated April 26, 1995.
3. Shareholders' resolutions dated August 18, 2005 in relation to this Issue and other related matters.
4. Letter dated September 28, 2005 from the Selling Shareholder authorizing the Offer for Sale component of the Issue.
5. Resolutions of the Board dated September 30, 2005, approving the Draft Red Herring Prospectus and resolutions of the committee of the Board dated November 21, 2005 and [●] approving the Red Herring Prospectus and the Prospectus.

6. Resolutions of the general body for appointment and remuneration of our whole-time Directors.

7. Report of the statutory Auditors, S.R. Batliboi & Co, Chartered Accountants, prepared as per Indian GAAP and mentioned in this Red Herring Prospectus.

8. Copies of annual reports of our Company and our subsidiary.

9. Consents of the Auditors, being S.R. Batliboi & Co, Chartered Accountants, for inclusion of their report on accounts in the form and context in which they appear in this Red Herring Prospectus.

10. General Powers of Attorney executed by the Directors of us in favour of person(s) for signing and making necessary changes to this Red Herring Prospectus and other related documents.

11. Consents of Auditors, Bankers to the Company, BRLMs, Syndicate Members, Registrar to the Issue, Escrow Collection Bank(s), Banker to the Issue, Domestic Legal Counsel to the Issue, International Legal Counsel to the Issue, our Directors, Company Secretary and Compliance Officer, as referred to, in their respective capacities.

12. Applications dated October 4, 2005 for in-principle listing approval from the NSE and the BSE, respectively.

13. In-principle listing approval dated November 7, 2005 and November 4, 2005 from the NSE and the BSE respectively.

14. Tripartite agreement between NSDL, us and the Registrar to the Issue dated October 10, 2005.

15. Tripartite agreement between CDSL, us and the Registrar to the Issue dated November 17, 2005.

16. Due diligence certificate dated October 4, 2005 to SEBI from ICICI Securities Limited and Kotak Mahindra Capital Company Limited.

17. SEBI observation letter bearing number CFD/DIL/SM/ISSUES/53532/2005 dated November 9, 2005.

18. Employee Stock Option Scheme and Employee Stock Purchase Scheme as approved by our shareholders on September 15, 2005

19. Application for RBI approval dated September 30, 2005 in respect of Offer for Sale to Non-Residents.

20. Approval from the RBI dated November 11, 2005 in respect of Offer for Sale to Non-Residents.

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 us 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 the by Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this 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 thereunder or guidelines issued, as the case may be. We and the signatories mentioned below further certify that all statements in this Red Herring Prospectus are true and correct.

SIGNED BY ALL DIRECTORS

Mr. Ajjay Bijli

Mr. Sanjeev Kumar

Mr. Sumit Chandwani

Mr. Amit Burman

Mr. Vikram Bakshi

Mr. Renaud Jean Palliere

Signed by Mr. Ajjay Bijli, the Chairman cum Managing Director

Signed by Mr. Sanjay Malhotra, Chief Financial Officer

SIGNED BY THE SELLING SHAREHOLDER

Signed on behalf of the Selling Shareholder by Mr. Sumit Chandwani

Date : November 21, 2005.
Place : New Delhi.

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