RED HERRING PROSPECTUS
Please read Section 60B of the Companies Act, 1956
Dated March 22, 2006
100% Book Built Issue

Sun TV Limited

(Our Company was incorporated as Sumangali Publications Private Limited on December 18, 1985. The word 'private' in the name of our Company was deleted with effect from July 1, 1996 pursuant to Section 43A(1A) of the Companies Act, 1956. The name of our Company was changed to Sun TV Limited by a special resolution of the members passed at an extraordinary general meeting held on March 23, 2000. The fresh certificate of incorporation consequent to the change of name was granted to our Company on March 27, 2000, by the Registrar of Companies, Tamil Nadu. The word 'private' was reinserted in the name of the Company by the provisions of Section 43A(2A) of the Companies Act, 1956 on October 9, 2001. The status of our Company was subsequently changed to a public limited company by a special resolution of the members passed at an extraordinary general meeting held on December 15, 2005. The fresh certificate of incorporation consequent on change of name was granted to our Company on December 27, 2005, by the Registrar of Companies, Tamil Nadu.)

Registered Office and Corporate Office: 367/369, Anna Salai, Teynampet, Chennai 600 018, India
Tel: (91 44) 2431 8181; Fax: (91 44) 2434 2729
(Our registered office was shifted from 182, Kodambakkam High Road, Chennai 600 034, India to 367/369, Anna Salai, Teynampet, Chennai 600 018, India by a resolution of our Board dated December 5, 2005.)
Email: investors@sunnetwork.in; Website: http://www.sunnetwork.in; Contact Person : R. Ravi (Company Secretary and Compliance Officer)

PUBLIC ISSUE OF 6,889,000 EQUITY SHARES OF RS. 10 EACH FOR CASH AT A PRICE OF RS [●] PER EQUITY SHARE INCLUDING A SHARE PREMIUM OF RS. [●] PER EQUITY SHARE, AGGREGATING RS. [●] MILLION (THE "ISSUE"). THE ISSUE WOULD CONSTITUTE 10% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF THE COMPANY.

PRICE BAND: RS. 730/- TO RS. 875/- PER EQUITY SHARE OF FACE VALUE RS. 10.

THE FACE VALUE OF THE EQUITY SHARES IS RS. 10 AND THE FLOOR PRICE IS 73 TIMES OF THE FACE VALUE AND THE CAP PRICE IS 87.5 TIMES OF THE FACE VALUE

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

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

RISK IN RELATION TO THE FIRST ISSUE

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

GENERAL RISKS

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

ISSUER'S ABSOLUTE RESPONSIBILITY

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

LISTING ARRANGEMENT

The Equity Shares offered through this Red Herring Prospectus are proposed to be listed on the BSE and the NSE . We have received in-principle approval from BSE and NSE for the listing of our Equity Shares pursuant to letters dated February 21, 2006 and February 22, 2006, respectively. For purposes of this Issue, the Designated Stock Exchange is BSE.

BOOK RUNNING LEAD MANAGER	SENIOR CO – BOOK RUNNING LEAD MANAGER	REGISTRAR TO THE ISSUE
Kotak Mahindra Capital Company Limited 3rd Floor, Bakthawar 229, Nariman Point Mumbai 400 021, India Tel: (91 22) 5634 1100 Fax: (91 22) 2284 0492 Email: suntv.ipo@kotak.com Website: www.kotak.com Contact Person: Mr.Sunil Amin	**DSP Merrill Lynch Limited** Mafatlal Centre, 10th Floor Nariman Point Mumbai 400 021, India Tel: (91 22) 2262 1071 Fax: (91 22) 2262 1182 Email: sun_ipo@ml.com Website: www.dspml.com Contact Person: Mr. N.S.Shekhar	**Karvy Computershare Private Limited** "Karvy House", 46, Avenue 4 Street No.1, Banjara Hills Hyderabad 500 034, India Tel: (91 40) 2331 2454 Fax: (91 40) 2331 1968 Email: suntv.ipo@karvy.com Website: www.karvy.com Contact Person: Mr. Murali Krishna

BID/ ISSUE PROGRAMME

BID/ ISSUE OPENS ON : MONDAY, APRIL 03, 2006	BID/ ISSUE CLOSES ON : FRIDAY, APRIL 07, 2006

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SECTION I- GENERAL

DEFINITIONS AND ABBREVIATIONS

Term	Description
"We", "us", "our", "Issuer", "the Company" and "our Company".	Unless the context otherwise indicates or implies, refers to Sun TV Limited
Our "Subsidiaries"	Unless the context otherwise indicates or requires, refers to Kal Radio Limited and South Asia FM Limited

Company Related Terms

Term	Description
Articles	Articles of Association of our Company
Auditors	The statutory auditors of our Company, S.R. Batliboi & Associates, Chartered Accountants.
Board/ Board of Directors	Board of Directors of our Company
Directors	Directors of Sun TV, unless otherwise specified
Registered Office of the Company	367/369, Anna Salai, Teynampet, Chennai 600 018, India
SCV	SCV is the brand name under which the MSO business, a division of Kal Cables Private Limited is operated

Issue Related Terms

Term	Description
Allotment	Unless the context otherwise requires, the issue and allotment of Equity Shares, pursuant to the Issue
Allottee	The successful Bidder to whom the Equity Shares are/ have been issued
Articles/Articles of Association	Articles of Association of our Company
Banker(s) to the Issue	The Hongkong and Shanghai Banking Corporation Limited, UTI Bank Limited, HDFC Bank Limited, Kotak Mahindra Bank Limited , ICICI Bank Limited, Standard Chartered Bank
Bid	An indication to make an offer during the Bidding Period by a prospective investor to subscribe to the Equity Shares of our Company at a price within the Price Band, including all revisions and modifications thereto
Bid / Issue Closing Date	The date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in a widely circulated English national newspaper, a Hindi national newspaper and a Tamil newspaper with wide circulation
Bid / Issue Opening Date	The date on which the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in a widely circulated English national newspaper, a Hindi national newspaper and a Tamil newspaper with wide circulation
Bid Amount	The highest value of the optional Bids indicated in the Bid-cum-Application Form and payable by the Bidder on submission of the Bid in the Issue

Term	Description
Bid-cum-Application Form	The form in terms of which the Bidder shall make an offer to purchase Equity Shares of our Company in terms of the Red Herring Prospectus and the Bid-cum-Application Form
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid-cum-Application Form.
Bidding / Issue Period	The period between the Bid/ Issue Opening Date and the Bid/ Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids
Book Building Process/ Method	Book building route as provided in Chapter XI of the SEBI DIP Guidelines, in terms of which this Issue is being made
BRLM	Book Running Lead Manager to the Issue, in this case being Kotak Mahindra Capital Company Limited
CAN/ Confirmation of Allocation Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalized and above which no Bids will be accepted
Cut-off Price	The Issue Price finalised by our Company in consultation with the BRLM and the SCBRLM
DSP	DSP Merrill Lynch Limited having its registered office at Mafatlal Centre, 10th Floor, Nariman Point, Mumbai 400 021, India
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account after the Prospectus is filed with the RoC, following which the Board of Directors shall allot Equity Shares to successful Bidders
Designated Stock Exchange	BSE
Draft Red Herring Prospectus	The Draft Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not contain complete particulars on the price at which the Equity Shares are offered and the size (in terms of value) of the Issue
ECS	Electronic Clearing Service
Eligible NRI	NRI from such jurisdiction outside India where its not unlawful to make an offer or invitation under the Issue
Equity Shares	Equity shares of our Company of Rs. 10 each unless otherwise specified in the context thereof
Escrow Account	Account opened with the Escrow Collection Bank(s) for the Issue and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid
Escrow Agreement	Agreement to be entered into by our Company, the Registrar, BRLM, SCBRLM, the Syndicate Member and the Escrow Collection Bank(s) for collection of the Bid Amounts and where applicable, refunds 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 whom the Escrow Account will be opened and in this case being The Hongkong and Shanghai Banking Corporation Limited, UTI Bank Limited, HDFC Bank Limited, Kotak Mahindra Bank Limited , ICICI Bank Limited, Standard Chartered Bank

Term	Description
First Bidder	The Bidder whose name appears first in the Bid-cum-Application Form or Revision Form
Floor Price	The lower end of the Price Band, above which the Issue Price will not be finalized and below which no Bids will be accepted
Issue	The fresh issue of 6,889,000 Equity Shares of Rs. 10 each at a price of [•] each for cash, aggregating [•] by the Company under the RHP and the Prospectus
Issue Price	The final price at which Equity Shares will be issued and allotted in terms of the Red Herring Prospectus or the Prospectus. The Issue Price will be decided by the Company in consultation with the BRLM and the SCBRLM on the Pricing Date
Issue Size	6,889,000 Equity Shares of Rs. 10 each to be issued to the Investors at the Issue Price
KMCC	Kotak Mahindra Capital Company Limited having its registered office at 3rd Floor, Bakthawar, 229 Nariman Point, Mumbai 400 021, India
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 10% to 100% of the Bid Amount
Mutual Fund Portion	5% of the QIB Portion or 206,670 Equity Shares (assuming the QIB Portion is for 60% of the Issue Size) available for allocation to Mutual Funds only, out of the QIB Portion
Mutual Funds	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996
Non Institutional Bidders	All Bidders that are not QIBs or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 1,00,000
Non Institutional Portion	The portion of the Issue being 688,900 Equity Shares of Rs. 10 each available for allocation to Non Institutional Bidders
Pay-in Date	Bid Closing Date or the last date specified in the CAN sent to Bidders, as applicable
Pay-in-Period	(a) With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date; and extending until the Bid/ Issue Closing Date; and (b) With respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date and extending until the closure of the Pay-in Date
Price Band	Price band of a minimum price (floor of the price band) of Rs. 730/- and the maximum price (cap of the price band) of Rs. 875/- and includes revisions thereof
Pricing Date	The date on which our Company in consultation with the BRLM and SCBRLM finalizes the Issue Price
Promoter	Mr. Kalanithi Maran
Prospectus	The Prospectus to be filed with the RoC in terms of Section 60 of the Companies Act, containing, inter alia, the Issue Price that is determined at the end of the Book Building process, the size of the Issue and certain other information

Term	Description
Public Issue Account	Account opened with the Bankers to the Issue to receive monies from the Escrow Account on the Designated Date
QIB Margin Amount	An amount representing at least 10% of the Bid Amount
QIB Portion	The portion of the Issue being 4,133,400 Equity Shares of Rs. 10 each to be allotted to QIBs
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIIs registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million
RTGS	Real Time Gross Settlement
Refunds through electronic transfer of funds	Refunds through electronic transfer of funds means refunds through ECS, Direct Credit or RTGS as applicable
Registrar to the Issue	Registrar to the Issue, in this case being Karvy Computershare Private Limited, having its registered office as indicated on the cover page
Retail Individual Bidder(s)	Individual Bidders (including HUFs and NRIs) who have not Bid for Equity Shares for an amount more than or equal to Rs. 1,00,000 in any of the bidding options in the Issue
Retail Portion	The portion of the Issue being 2,066,700 Equity Shares of Rs. 10 each available for allocation to Retail 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 Red Herring Prospectus which will be filed with RoC in terms of Section 60B of the Companies Act, at least 3 days before the Bid/ Issue Opening Date
SCBRLM	The Senior Co-Book Running Lead Manager, in this case being DSP
Stock Exchanges	BSE and NSE
Syndicate	The BRLM, the SCBRLM and the Syndicate Member
Syndicate Agreement	Agreement between the Syndicate and the Company in relation to the collection of Bids in this Issue
Syndicate Member	Kotak Securities Limited
TRS/ Transaction Registration Slip	The slip or document issued by the Syndicate to the Bidder as proof of registration of the Bid
Underwriters	The BRLM, SCBRLM and the Syndicate Member
Underwriting Agreement	The Agreement between the members of the Syndicate and our Company to be entered into on or after the Pricing Date

Conventional and General Terms

Term	Description
A/c	Account
Act or Companies Act	Companies Act, 1956 and amendments thereto
AGM	Annual General Meeting
AS	Accounting Standards issued by the Institute of Chartered Accountants of India
AY	Assessment Year
BSE	Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
Depositories	NSDL and CDSL
Depositories Act	Depositories Act, 1996 as amended from time to time
DP/ Depository Participant	A depository participant as defined under the Depositories Act, 1996
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EGM	Extraordinary General Meeting
EPS	Earnings Per Share i.e., profit after tax for a fiscal year divided by the weighted average outstanding number of equity shares at the end of that fiscal year
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999 read with rules and regulations thereunder and amendments thereto
FII(s)	Foreign Institutional Investors (as defined under FEMA (Transfer or Offer of Security by a Person Resident outside India) Regulations, 2000) registered with SEBI under applicable laws in India
Financial Year/ Fiscal/ FY	Period of twelve months ended March 31 of that particular year
FIPB	Foreign Investment Promotion Board
GDP	Gross Domestic Product
GoI/Government	Government of India
HNI	High Networth Individual
HUF	Hindu Undivided Family
I.T. Act	The Income Tax Act, 1961, as amended from time to time
Indian GAAP	Generally Accepted Accounting Principles in India
IPO	Initial Public Offering
Memorandum	Memorandum of Association of our Company
Mn / mn	Million
NA	Not Applicable

Term	Description
NAV	Net Asset Value being paid up equity share capital plus free reserves (excluding reserves created out of revaluation) less deferred expenditure not written off (including miscellaneous expenses not written off) and debit balance of Profit and Loss account, divided by number of issued equity shares
NOC	No Objection Certificate
NR	Non-resident
NRE Account	Non Resident External Account
NRI	Non Resident Indian, is a person resident outside India, as defined under FEMA and the FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
OCB	A company, partnership, society or other corporate body owned directly or indirectly to the extent of atleast 50% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Transfer or Issue of Foreign Security by a Person resident outside India) Regulations, 2000
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number alloted under the Income Tax Act, 1961,
PIO	Persons of Indian Origin
QIB	Qualified Institutional Buyer
RBI	The Reserve Bank of India
RONW	Return on Net Worth
Rs.	Indian Rupees
SCRA	Securities Contracts (Regulation) Act, 1956, as amended from time to time
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992
SEBI Act	Securities and Exchange Board of India Act 1992, as amended from time to time
SEBI Guidelines	SEBI (Disclosure and & Investor Protection) Guidelines, 2000 as amended from time to time
Sec.	Section
SIA	Secretariat for Industrial Assistance
Stock Exchange(s)	BSE and/ or NSE as the context may refer to
US / USA	United States of America
USD or $ or US $	United States Dollar

Industry Related Terms

Term	Description
A Cities	Cities in India with a population of more than 2 million, as specified in the Phase II Policy and the Tender Document
A+/Metro Cities/ Metropolitan Cities	Delhi, Mumbai, Chennai and Kolkata, as specified in the Phase II Policy and Tender Document
AIR	All India Radio
B Cities	Cities in India with a population of more than 1 million and up to 2 million, as specified in the Phase II Policy and the Tender Document
BECIL	Broadcast Engineering Consultants India Limited
C Cities	Cities in India with a population of more than 0.3 million and up to 1 million, as specified in the Phase II Policy and the Tender Document
CAG	Comptroller and Auditor General
CAS	Conditional Access System
D Cities	Cities in India with a population of more than 0.1 million and upto 0.3 million, as specified in the Phase II Policy and the Tender Document
DD	Doordarshan
DoT	Department of Telecommunications
DSNG	Digital Satellite News Gathering
DTH	Direct to Home
FICCI	Federation of Indian Chambers of Commerce and Industry
FM	Frequency Modulated waves, which are sound waves in the range of 87.5MHz to 108 MHz
FTA	Free to Air
LCO	Local Cable Operator
LOI	Letter of Intent
MIB	Ministry of Information and Broadcasting
MoC&IT	Ministry of Communications and Information Technology
MoHA	Ministry of Home Affairs
MSO	Multi Service Operator
OTEF	One-Time-Entry Fee, as specified under the Phase II Policy, is (i) the entry fee quoted by the successful bidder of a new radio channel under the Phase II bidding process and (ii) the entry fee payable by licensees under Phase I Policy who migrate to the Phase II Policy, and for such licensee is equal to average of all successful bids under Phase II for that city, or region, as applicable
NRSC	National Readership Studies Council

Term	Description
Phase I Policy	Policy of the MIB issued as per Tender Notice No.212/2/99-B(D) issued in October 1999 to auction 108 frequencies in the FM spectrum across 40 cities in India though an open bidding auction process
Phase II Policy	Policy on Expansion of FM Radio Broadcasting Services Through Private Agencies (Phase –II) issued by Ministry of Information and Broadcasting, Government of India on July 13, 2005
PIB	Press and Information Bureau
SACFA	Standing Advisory Committee on Radio Frequency Allocation
SMATV	Satellite Master Antenna Television
SNG	Satellite News Gathering
TDSAT	Telecom Dispute Settlement Appellate Tribunal
TAM	TAM Media Research
TRAI	The Telecom Regulatory Authority of India
TRAI Act	The Telecom Regulatory Authority Act, 1997
TRP	Television Rating Points
TVR	Television Viewership Ratings
Tender Document	The tender document issued by the MIB on September 21, 2005, under the Phase II Policy, as amended from time to time
Uplinking Guidelines	Guidelines for Permission or License for Uplinking from India issued by the MIB on December 2, 2005
Wireless Act	The Indian Wireless Telegraphy Act, 1933
WPC	Wireless Planning & Coordination Wing

CERTAIN CONVENTIONS; USE OF INDUSTRY AND MARKET DATA

Unless stated otherwise, the financial data in this Red Herring Prospectus is derived from our restated financial statements prepared in accordance with the SEBI Guidelines included in this Red Herring Prospectus or our audited financial statements. 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.

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. While this Red Herring Prospectus includes a section titled "Summary of Significant Differences between Indian GAAP and US GAAP" on page 245, which has not been prepared, examined or reviewed by the Company's auditors. 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 or the financial disclosures presented in this Red Herring Prospectus should accordingly be limited.

Defined terms and the respective definitions are set forth in the section titled "Definitions and Abbreviations" on page i. In the section titled "Main Provisions of Articles of Association of Sun TV Limited", defined terms have the meaning given to such terms in the Articles of Association of the Company.

Market and industry data used in this Red Herring Prospectus has been obtained or derived from industry publications and sources. These publications generally state that the information contained therein has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured and accordingly, no investment decisions should be made based on such information. Although we believe industry data used in this Red Herring Prospectus is reliable, it has not been verified. Similarly, internal Company reports, while believed by us to be reliable, have not been verified by any independent sources.

Further, the extent to which the market and industry data presented in this Red Herring Prospectus is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data. There are no standard data gathering methodologies in the industry in which we conduct our business, and methodologies and assumptions may vary widely among different industry sources. While we have provided a short note on methodology in the section titled "Industry" on page 40, such a note is necessarily limited in its scope and detail and reliance thereon should accordingly be limited.

FORWARD-LOOKING STATEMENTS

This Red Herring Prospectus contains certain "forward-looking statements". These forward looking statements generally can be identified by words or phrases such as "aim", "anticipate", "believe", "expect", "estimate", "intend", "objective", "plan", "project", "shall", "will", "will continue", "will pursue" or other words or phrases of similar import. Similarly, statements that describe our strategies, objectives, plans or goals are also forward-looking statements. All forward looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement.

Important factors that could cause actual results to differ materially from our expectations include, but are not limited to, the following:

- Declines in advertising or other forms of revenue;
- Our ability to cater to viewer preferences and maintain audience shares;
- Our ability to acquire programming and artistic talent;
- Our ability to respond to competition;
- Challenges relating to our expansion plans, including for our radio business;
- Consequences of converting our free-to-air channels to pay channels;
- Dependence on key personnel;
- Conflicts of interest with affiliated companies;
- Changes in government policies and regulatory actions that apply to or affect our business;
- Technological failures and natural disasters; and
- Developments affecting the Indian economy and the economies of the regional markets we serve.

For further discussion of factors that could cause our actual results to differ, see the sections titled "Risk Factors" and "Management's Discussion of Financial Conditions and Results of Operations" on pages xi and 227. Neither our Company, nor the BRLM or the SCBRLM, nor any member of the Syndicate nor any of their respective affiliates has any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company, the BRLM and the SCBRLM will ensure that investors in India are informed of material developments until the time of the grant of listing and trading permission by the Stock Exchanges.

SECTION II- RISK FACTORS

An investment in Equity Shares involves a high degree of risk. You should carefully consider all the information in this Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. If any of the following risks actually 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.

Internal Risk Factors and Risks Relating to Our Business

Our Chairman's family has strong ties to a dominant political party in Tamil Nadu, which could result in perceptions that we are partisan and which could in turn adversely affect us.

Members of our Chairman's family have been active in the Dravida Munnetra Kazhagam (the "DMK"), a dominant political party in Tamil Nadu. Although the Company is non-partisan, there is no assurance that it will not be perceived as having a political allegiance, and there is no assurance that such perception will not have adverse effects on our business.

Our Chairman and Managing Director, who is also our Promoter, has three criminal cases pending against him.

Mr. Kalanithi Maran, who is our Chairman and Managing Director and also our Promoter, has three criminal cases pending against him.

A notice under Section 91 of the Code of Criminal Procedure, 1973, was issued by the investigating officer in August 2001, against Mr. Maran in his capacity as managing director of our Company directing him to produce certain tapes relating to the telecast of footage by Sun TV in relation to the arrest of a former Chief Minister of Tamil Nadu, The Madras High Court quashed the notice following a petition by the Company. The Government of Tamil Nadu has filed a petition before the Supreme Court of India against the order of the Madras High Court. The petition is currently pending adjudication before the Supreme Court.

A criminal appeal has been filed before the Madras High Court against our Company represented by our Managing Director, Mr. Kalanithi Maran. This appeal has been filed against an order of the Metropolitan Magistrate's Court, Saidapet, Chennai dismissing a criminal complaint filed against our company on grounds of alleged copyright infringement in relation to a Tamil language feature film.

In addition, Mr. Maran is a defendant in a criminal defamation action. Petitions seeking the quashing of the criminal complaint have been filed before the Andhra Pradesh High Court.

For more information regarding these legal proceedings, see the section titled "Outstanding Litigation and Material Developments" on page 252.

There are outstanding litigations against us.

Our Company is involved in certain legal proceedings and claims in India in relation to certain civil matters. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. We have in the past and may in the future need to make provisions in our financial statements on account of such proceedings, which could increase our current liabilities and provisions. We cannot assure you that these legal proceedings will be decided in our favor. Any adverse decision may have a significant effect on our business and results of operations.

There are three criminal proceedings filed against us on various grounds including copyright infringement, defamation and a compliant requiring the production of certain material in connection with an investigation.

A total of 59 civil suits have been initiated against our Company in various fora. The aggregate liability arising against our Company in respect of these civil suits is approximately Rs. 20.70 million.

There is one workmen's compensation case filed against us for an amount aggregating Rs. 0.3 million.

There is one Motor Vehicles Accident claim filed against us for an amount aggregating Rs. 0.25 million.

There are two petitions filed before the TDSAT against our Company. No claim for damages has been made under these petitions.

There are 12 writ petitions filed against us seeking to prohibit the broadcast of certain content on our channels and mandating the supply of decoders. There are no monetary claims made under these petitions.

There are 22 criminal complaints filed initiated by us for recovery of an amount aggregating approximately Rs. 0.3 million. These complaints have been filed on grounds of forgery, copyright infringement, and recovery of dues under S.138 of the Negotiable Instruments Act, 1881.

There are 19 civil suits filed initiated by us for recovery of an amount aggregating approximately Rs. 3.5 million seeking a recovery of certain sums and injunctive relief on grounds of infringement of copyright.

We have filed three writ petitions against certain license fee claims by the MIB. We have recently paid the amounts claimed and intend to withdraw the petitions when they are listed for hearing.

For more information regarding these legal proceedings, see the section titled "Outstanding Litigation and Material Developments" on page 252.

A portion of the net proceeds of the Issue are intended to be utilized for the capitalization of our Subsidiaries.

We have given an inter-corporate deposit of Rs. 1,902.65 million to our Subsidiaries, for the purpose of bidding for radio FM licenses under the Phase II Policy. The net proceeds of the Issue will be used to capitalize our Subsidiaries to the extent stated in "Objects of the Issue" on page 21. Our Subsidiaries on capitalisation will repay the inter-corporate deposit provided by us, and we will in turn repay the banks. In the event that our Subsidiaries do not repay this amount or do not repay the amount in a timely manner or at all, our financial condition my be adversely affected.

Our revenues are dependent on advertising income, which could decline due to a variety of factors.

Our primary source of revenue is advertising income, which is influenced by various factors, including primarily the viewership of our programs. In the nine months ending December 31, 2005 and the year ending March 31, 2005, advertising income was 58.9% and 51.7% of our total income, respectively. Advertising is also affected by general economic conditions, and a downturn in the economy generally or in particular industries and markets served by our advertising customers may cause advertisers to decrease advertising budgets. We generate income from a limited number of advertisers. In the nine months ended December 31, 2005, our top ten and twenty advertisers accounted for approximately 24% and 32%, respectively, of our total advertising revenue, and approximately 40% of our total advertising revenue came from advertising customers in the fast moving consumer goods industries. The loss of any of our major advertisers, and in particular advertisers in the fast moving consumer goods industries, could cause our advertising income to decline.

Further, in the advertising market, television and radio compete with other advertising media, in particular, the print media. As a consequence, our advertising income will be influenced by the extent to which advertisers prefer to advertise on television compared to other media. Although we may be able to increase our income from pay channels and generate other income sources in the future, we will continue to substantially rely on advertisement revenues. Any change in advertiser preferences regarding our channels, which may arise due to the loss of market share, general economic conditions, changes in the media preferences of advertising customers or other reasons, will adversely affect our business and financial condition.

Our advertisers generally make commitments to purchase advertising time only a short period in advance. They can terminate contracts before completion or choose not to renew contracts on short notice. Non-payment or delay in payment by our advertisers can result in bad debts. In addition, we are limited by a fixed amount of available advertising time, and our rates are affected by the prices charged by our competitors. Thus, our ability to leverage any increase in viewership ratings to charge additional rates is limited.

Our commercial success depends on our ability to cater to viewer preferences and maintain high audience shares.

The commercial success of our television channels depends largely on our ability to plan, acquire, produce and broadcast television programming that matches viewer preferences and attracts high audience shares. There can be no assurance that we will continue to be able to cater to viewer preferences, or that viewers will continue to watch programs on our channels as often as in the past. We cannot be certain that a new program, whether produced by a third party producer or by us, will be popular until it is launched. In addition, even if our programs appeal to viewers, their success is also affected by the quality of and viewer preference for competing simultaneously aired television programming, as well as the availability of alternative forms of entertainment and other leisure activities. If some or all television programs shown on our channels are less attractive in the future than in the past, advertisers could reduce their advertising on our channels and the value of our programming content could decrease, having an adverse impact on our business and financial condition.

Our ability to acquire desired programming and artistic talent may be adversely affected by competition and increasing prices.

Our success depends in part on our ability to acquire popular movies and to contract for the production of popular serials at reasonable prices. We may face competition from other television stations in acquiring movies, and from television stations and other entertainment companies in making arrangements with popular producers, actors, writers and other artistic talent for the production of serials and other programming, including in-house programming. Further, prices to acquire desired programming have generally increased. The inability to obtain high quality programming or the talent to produce such programming on reasonable terms, or at all, could have an adverse effect on our business and financial condition.

We operate in an intensely competitive industry.

We compete for revenues, viewers and programming primarily with other private television networks and Doordarshan (the government owned broadcaster). Our radio stations face competition from other radio stations such as All India Radio and Radio Mirchi. Some of our competitors such as Prasar Bharti, Star Group Limited, Zee TV Limited are national or international companies that have substantially greater resources (including financial, programming and other types of resources) than we do and may have stronger relationships with large advertising customers. See also “Industry” on page 40 for names of the channels operated by our competitors. Doordarshan is the sole terrestrial broadcaster and reaches all television homes, not just those that are cable and satellite homes. It also must be mandatorily carried by all cable operators on the prime band under a direction from the Government, and has access to greater resources than we do. In certain regions, we may also face competition from our own affiliates. In addition, technological developments have significantly lowered barriers to entry for new competitors, and could continue to increase competition in the industry. For example, the development of DTH television is expected to bring a number of new entrants into the market. There may also be regulatory changes which increase competition, such as regulations that permit private companies to offer terrestrial broadcasting in competition with Doordarshan, as well as changes regarding cable subscription rates. Our success in the future will depend significantly on our ability to maintain and increase market share in the face of such competition, particularly if we expand into areas outside southern India and into programming in languages in which we do not have significant programming content.

SUN TV LIMITED

We are a regional broadcaster, which may limit our opportunities for growth as well as our attractiveness to advertising customers and others.

We are a regional broadcaster primarily serving Tamil Nadu and Kerala. We have built a significant market share in our primary markets. However, our opportunities for growth may require expansion into other geographic areas or into other forms of activity, and entry into such markets could involve significant costs and risks. We have recently been awarded radio licenses in various cities throughout India, and we may face challenges in expanding into these new markets. In addition, large international advertising customers may not be attracted to us if they believe they are only able to reach a small and distinct audience. Also, we may not attract international distributors or local advertisers in international markets or retain the international alliances we currently have if there is a perception that our channels would not appeal to a significant number of people outside India, particularly expatriates who speak the languages in which we offer programming. Such a perception could adversely affect our growth prospects.

If we launch new channels or expand into new media operations or new geographic areas, we could face operational challenges and significant resource commitments.

We are in the process of developing new television channels targeting a range of viewer preferences. We cannot assure you that we will be able to launch these channels or that, if launched, they will succeed. In particular, the success of any new channel that we launch will depend on our ability to develop attractive programming that generates adequate viewership and enables us to sell advertising time at profitable rates.As part of our growth strategy, we may distribute our content through other platforms, including broadband and mobile. We have also recently been awarded radio licenses covering various regions in India, and may consider expanding our television operations into other parts of India that we are not currently in. We may face significant challenges in our expansion efforts, including the availability of sufficient capital resources, adequate management attention and new forms of competition. We cannot assure you that the attributes and strengths that have made us a successful regional broadcaster, such as our understanding of regional preferences and ownership of extensive and high quality local language content, will enable us to be successful in regions outside our existing markets or in expanding into new delivery platforms. Our expansion in international markets may be adversely affected by the actions of our international distribution alliance partners. We may also choose to expand through acquisitions, which involve transactional, financing and integration risks. Our ability to successfully manage any further expansion will require the continued enhancement of our operational, management and financial resources and controls. Our failure to manage any such expansion effectively could adversely affect our business.

The transition to pay channel status could result in a decline in our audience share and have other adverse effects on our business.

We intend to make all of our channels pay channels in the near future. There is no assurance that we will not lose viewers when we convert the Sun TV channel, our other free-to-air Tamil channels or our Malayalam channels into pay channels. Any decline in audience share could result in a decline in advertising income and could otherwise adversely affect our revenues. The conversion of our existing free-to-air channels to pay channels could also subject us to adverse actions by parties such as MSOs and local cable operators. If we were to face such actions in Tamil Nadu or Kerala, or if the MSOs and cable operators in these states refuse to carry our channels as pay channels, our business would be adversely affected.

Our pay channel revenues are determined by negotiations with cable operators, and may reflect under-reporting of subscribers by cable operators.

The Indian cable television market has historically been characterized by under-reporting of subscribers by cable operators. Our pay channel revenues are determined by negotiations with the cable operators, which may in turn be based on under-reporting of subscribers by the operators. There is no assurance that this situation will change in the near future. When we convert our existing free-to-air channels to the pay channel format or if we start new pay channels, we will continue to be subjected to the under-reporting of subscribers by cable operators, which would adversely affect our revenues and profitability.

We may not be able to successfully expand our radio business.

We have been successful in bidding for new FM radio licenses pursuant to the bidding process recently conducted by the Government under its FM Phase II Policy and have conveyed our intention to retain and operationalize 41 licenses. For further details, see "Objects of the Issue" on page 21.

We cannot assure you that we will be successful in developing and operating these new FM radio stations. Assuming we retain 41 licenses, we expect to spend approximately Rs. 1,773.57 million, to acquire the licenses and an additional Rs. 2,134.23 million, to develop and launch these new FM stations, which amount includes equipment, offices, studios and related facilities as well as pre-operating costs. This amount will be funded with a portion of the net proceeds of this Issue. See "Objects of the Issue" on page 21. However, it is possible our costs could be greater. We will face management, operational and competitive challenges in developing these stations. Some of the radio licenses we have been awarded cover markets in which we do not currently have a significant presence and which will require programming in languages other than Tamil and Malayalam. We cannot assure you that we will be able to acquire and broadcast content that will adequately appeal to listener preferences in these markets, or that we will be able to acquire the services of anchors, artistes and other talent that will be attractive to listeners and advertisers in these markets.

Further, we are not allowed to broadcast news and current affairs programs under the terms of current regulations, whereas the state owned radio stations may do so, which may adversely affect the attractiveness of our programming.

The Government's licensing policies contain various restrictions that could affect our radio business adversely.

Our ownership and operation of FM radio stations is governed by licenses granted by the Government. These licenses are for limited terms with no guarantee of renewal. Our current three licenses expire in 2010. The licenses also restrict the number of radio stations we may own. We have recently been awarded additional radio licenses in various cities throughout India. The new licenses will be valid for a period of ten years from the dates of the respective channels becoming operational. Our existing licenses and our new licenses do not allow us to broadcast news and current affairs programs and also contain other restrictions on our operations, including restrictions on borrowing and lending, outsourcing content, hiring or leasing broadcasting equipment, channel names and the sale or leasing of channels or broadcasting services. The terms of the licenses, and the inability to renew our licenses, could have an adverse effect on our business. See also "Regulations and Policies" on page 65 and "Objects of the Issue" on page 21.

Our operations are concentrated in a single facility in Chennai, and we are vulnerable to natural disasters or other events that could disrupt those operations.

Substantial parts of our operations are located in one facility in Chennai. We are therefore vulnerable to the effects of a natural disaster, such as an earthquake, flood or fire, or other calamity or event that disrupts our ability to conduct our business or that causes material damage to our property at this location. Although we have backup facilities for many aspects of our operations, it is not possible to provide a percentage of the total operations that are backed up. We would have to contract with third parties for broadcasting capabilities and it could be difficult for us to maintain or resume quickly our operations in the event of a significant disaster at this facility. We do not have business interruption insurance, and we cannot assure you that our property insurance would cover any loss or damage to our assets.

Technological failures could adversely affect our business.

We rely on sophisticated production and broadcast equipment, communications equipment and other information technology to conduct our business. Although we have backup equipment in some cases, if we were to experience significant damage to certain equipment or other technological breakdowns to equipment or systems, it could disrupt our ability to produce or broadcast our programming, our internal decision-making or other critical aspects of our business. Further, all of our broadcasting is done by uplink to a single satellite. If this satellite were to cease to be available to us for any reason, we would have to secure access to an alternative satellite, and it is not clear whether such access would be available or on what terms, or how long it would take us to secure such access. Although we maintain insurance for our assets which covers them against damage, we do not maintain business interruption insurance. Therefore, any equipment or technological failure or damage that results in a disruption of our services could lead to loss of revenues. In addition, we are currently in the process of implementing new software systems to manage our accounting and certain other back office functions. If we experience integration problems or other difficulties during the transition to the new systems, or if the new systems do not perform as expected, our business could be adversely affected.

Our reputation and values associated with our name are important assets of our business.

The Sun TV name is an important asset of the Sun TV channel and of our entire business, and maintaining the reputation of and value associated with the Sun TV name is central to our success. There can be no assurance that we will always be able to accomplish this objective. Our reputation may be harmed if we have technical difficulties with our broadcasts, broadcast unpopular programs, experience adverse reaction to the proposed conversion of our free-to-air channels to pay channels, or for other reasons. Substantial erosion in the reputation of, or value associated with, the Sun TV name could adversely affect our business.

We are dependent on a number of key personnel and creative talent, and the loss of or inability to attract or retain such persons could adversely affect us.

Our performance depends largely on the efforts and abilities of senior management and other personnel, including our present officers. In particular, our Chairman and Managing Director, Mr. Maran, founded the Sun TV business and has been its leader since its inception. The loss of the services of Mr. Maran would have a material adverse impact on our business. We do not maintain key-man insurance. We are also dependent on other members of our senior management team, including some who have been with the Company since its inception, and the loss of the services of some of these individuals could adversely affect us. Our performance also depends on our ability to identify, attract and retain talent such as producers, actors, directors, program anchors and journalists, and if we are unable to attract or retain such persons as required, our business could be adversely affected.

Our Chairman has equity interests in affiliated companies that operate television channels and other media businesses that may compete with us. In addition, we provide services to and have other transactions with these affiliated companies, and these arrangements may create conflicts of interest or otherwise not be in our best interests.

Our Chairman has significant equity interests in affiliated companies that operate other television broadcasting and print media businesses, including Gemini TV Private Limited and Udaya TV Private Limited, which broadcast Telugu and Kannada language channels that are broadcast in south India. However, we do not own any part of these affiliated companies. These other channels are broadcast, and the publications are distributed, into the regions we serve, and thus they compete with us for audience share and advertising revenues. There may also be competition between us and these other media outlets for producers, actors, directors, program anchors and journalists, managerial persons and other talent or assets necessary to conduct our business. In addition, we provide services to, and receive certain services from, other television channels, including the use of uplinking, news production, control room and studio facilities. There may be conflicts of interest that arise as a result of these relationships, including in the allocation of resources and of business opportunities. We cannot assure you that such conflicts or situations will be resolved in a manner that is most favorable to our Company. In addition, the approvals for uplinking Udaya News, Ushe TV, Aditya TV and Teja News, which are channels run by affiliated companies in which our Chairman has a significant equity interest, have also been granted in the name of our Company. We could decide, or be required, in the future to modify the arrangements with respect to these approvals, and any such modification could have costs or regulatory or other consequences which could be adverse to us. For further details on our affiliated companies, see the section titled "Our Promoter" on page 93. In addition, our Chairman also holds minority interests of 11% and 5% in our two Subsidiaries that hold radio licenses. See "History and Corporate Structure" on page 75.

Our principal shareholder, Mr. Maran, will hold a majority of our Equity Shares after the Issue and can therefore determine the outcome of shareholder voting.

After the completion of this Issue, our principal shareholder will hold approximately 89.99% of our Equity Shares. So long as our principal shareholder owns a majority of our Equity Shares, he will be able to elect our entire Board of Directors and control most matters affecting us, including the appointment and removal of our officers, our business strategy and policies, any determinations with respect to mergers, business combinations and acquisitions or dispositions of assets, our dividend policy and our capital structure and financing. Further, the extent of his shareholding in us may result in delay or prevention of a change of management or control of our company, even if such a transaction may be beneficial to our other shareholders.

There are technological limitations to the expansion of television channels.

There are technological limitations to the extent to which we can expand our network of channels. For example, at present the cable connections between cable operators and subscribers are predominantly in the analog format, which limits the bandwidth available for the transmission of new channels. While digital technology and devices such as set top boxes are beginning to be used in "last mile" connectivity, we cannot assure you that if we decide to expand our channel offerings, we will be able to do so on reasonable terms, on a timely basis, or at all.

Changes in technology may render our current technologies obsolete or require us to make substantial capital investments.

The broadcasting industry is subject to rapid changes in technology. Although we strive to keep our technology in line with the latest international technological standards, the technology currently employed by us may become obsolete. The cost of implementing new technology could be significant and could adversely affect our business and financial condition. In addition, our ability to respond to technological changes may depend upon our ability to obtain additional financing, which we may not be able to obtain on favorable terms.

Misappropriation of our intellectual property rights could harm our competitive position.

Our library of acquired and in-house programming is one of our most valuable assets. We rely on a copyright and license agreements, among other things, to protect our intellectual property rights. These protections may not be sufficient to prevent unauthorized parties from infringing upon or misappropriating our programs in the jurisdictions in which we operate. Changes to intellectual property law could also adversely affect the intellectual property protection available to our programming content, thereby reducing the value of such content. Further, local cable operators occasionally try to use our signals as their own broadcasts and we may be required to take legal action to prevent such misappropriation. In addition, although we believe that our products, services and proprietary information do not infringe upon the intellectual property rights of others and that we have all the rights necessary to use the intellectual property employed in our business, there can be no assurance that infringement claims will not be asserted against us.

We have limited protection of our "Sun TV" logo and other marks and logos.

While we have the trademark on the Sun TV logo in the US, our trademark application in India is still pending as of the date of this Red Herring Prospectus. During the pendency of our application, our logo may not have statutory protection and we would have to rely upon an action under common law to enforce our trademark. If we were to be unable to successfully enforce our trademark, we may need to change our logo. Any such change could materially and adversely impact our business.

We require certain approvals or licenses to conduct our business, and the failure to obtain these in a timely manner or at all may adversely affect our operations.

We require certain approvals, licenses, registrations and permissions for the operation of our business, some of which are pending and for which we may either have to make or are in the process of making an application for obtaining the approval or its renewal. For more information, see the section titled "Government Approvals" on page 267. If we fail to obtain any of these approvals or licenses, or renewals thereof, in a timely manner, on acceptable terms, or at all, our business may be adversely affected.

Our business is subject to extensive regulation by the Government, and failure to comply with such regulations could have an adverse effect on our business.

The Indian television and FM broadcasting industry is subject to significant Government regulation. Our licenses to uplink news from India provide broad discretion to the Government to influence the conduct of our businesses by giving it the right to modify, at any time, the terms and conditions of our licenses and take over our news channels or terminate or suspend our licenses in the interests of national security or in the event of a national emergency, war or similar situation. Under our licenses, the Government may also impose certain penalties including suspension, revocation or termination of a license, in the event of default by us. Our business could be adversely affected if we fail to comply with these regulations or if there are adverse changes to the regulatory environment. Our business could also be adversely affected by regulations affecting other parties that are important to the conduct of our business.

We may face defamation charges for inadvertent errors in reporting.

While presenting news as it happens, we rely on individual reporters as well as secondary sources for news gathering. Although we take prudent care to verify the source and correctness of information, our news may have certain inadvertent errors because of incorrect or non-factual information given by reporters or secondary sources. This may expose us to litigation or defamation charges, which could adversely affect our goodwill and business.

Your holdings may be diluted by additional issuances of equity or sales by our principal shareholder, which may adversely affect the market price of our Equity Shares.

Any future issuance of our Equity Shares may dilute the positions of investors in our Equity Shares, which could adversely affect the market price of our Equity Shares. Additionally, sales of a large number of our Equity Shares by our principal shareholder could adversely affect the market price of our Equity Shares. Any perception that such primary or secondary sales may occur could also adversely affect the market price of our Equity Shares.

If our employees unionize we may be subject to industrial unrest, slowdowns and increased wage costs.

India has stringent labor legislation that protects the interests of workers, including legislation that sets forth detailed procedures for the establishment of unions, dispute resolution and employee removal and legislation that imposes certain financial obligations on employers upon retrenchment. Although our employees are not currently unionized there can be no assurance that they will not unionize in the future. If our employees unionize, it may become difficult for us to maintain flexible labor policies, and our business may be adversely affected.

We have not entered into any definitive agreements to utilize the net proceeds of the Issue and the requirement of funds has not been appraised.

We intend to use the net proceeds of the Issue for the purposes described in the section titled “Objects of the Issue” on page 21. The objects of the Issue have not been appraised by any bank or financial institution. We have not entered into any definitive agreements to utilize the net proceeds of the Issue. The deployment of funds as stated in the section titled “Objects of the Issue” on page 21 is entirely at the discretion of our Board. All the figures included under the section titled “Objects of the Issue” are based on our own estimates.

Our registered office and other premises from which we operate are not owned by us.

We do not own the premises on which our registered office and other offices, including our production and uplinking facilities in Chennai, are located. We operate from rented and leased premises. If any of the owners of these premises do not renew the agreements under which we occupy the premises or renew such agreements on terms and conditions unfavourable to us, we may suffer a disruption in our operations. For further details, see the section titled “Our Business-Properties” on page 64.

Certain of our Promoter group companies have incurred losses.

Nine of our 21 Promoter Group companies incurred losses during the past three years. These are not expected to have any negative impact on our business. For details see the section titled “Our Promoter” on page 93.

(In Rs.)

Name of the Company	Profit/Loss after Tax		
	March 31, 2003	March 31, 2004	March 31, 2005
Kal Cables Private Limited	N.A.	(816,991)	(1,549,842)
Kal Comm Private Limited	460,009.72	(2,243,227)	2,199,885
Kal Investments (Madras) Private Limited	(450)	(2,800)	(3,000)
KPK Publications Private Limited	522,473	(545,324)	180,067
Kungumam Nithiyagam Private Limited	(240)	(3,400)	(6,100)
Salem Murasu Private Limited	229,418	239,645	(242,596)
Sumangali Publication Private Limited	(188,619)	(22,461)	N.A.
Sun Direct TV Private Limited	N.A.	N.A.	(6,202,504)
HFO Entertainment Private Limited	(847,288)	(744,995)	78,735

We paid dividends of Rs. 1,850 million before this Issue to our existing shareholders, but we do not have any specified dividend policy for when we become a public company. We also issued bonus shares in the ratio 30:1 before this Issue to our existing shareholders, but we do not have any specified policy on issues of bonus shares for when we become a public company.

In November and December 2005, we paid an aggregate of Rs. 1,850 million in dividends to our existing shareholders, including our Chairman and his wife, who held in excess of 99.99% of our outstanding shares at the time. Investors who subscribe to Equity Shares in this Issue will not receive any portion of the dividends paid last year. We have not previously paid annual dividends and we have no specified dividend policy for future periods. We will determine future dividends on an annual basis taking into account our results of operations, financial condition and anticipated capital requirements. Therefore, there is no assurance as to the amount of dividends, if any, that you will receive in the future. In December 2005, we also issued 60,000,150 equity shares of Rs. 10 each as bonus shares in the ratio 30:1 to our existing shareholders, including our Chairman and Managing Director and his wife, who held in excess of 99.99% of our outstanding shares at the time. These shares were issued by capitalizing the accumulated profits of our Company. We have not previously issued bonus shares and we have no specified policy on issues of bonus shares for future periods. We will determine future issues of bonus shares on an annual basis taking into account our results of operations, financial condition and capital requirements. Therefore, there is no assurance as to the number of bonus shares, if any, that you will receive in the future.

Failure to meet our contingent liabilities could adversely affect our financial position.

As of December 31, 2005 and for the year ending March 31, 2005 our contingent liabilities were as set forth in the table below. Any failure on our part to meet our contingent liabilities could adversely affect our financial position.

Schedule of Capital commitments and contingent liabilities

(Rs. Million)

Particulars	31.12.2005	31.03.2005
Outstanding commitments on capital contracts (net of advances)	30.5	-
Income tax demand relating to assessment year 1998-99	-	-
Commitments for acquisition of Film and program broadcasting rights (net of advances)	59.2	81.3

There are outstanding litigations against certain of our promoter group companies.

Certain of our promoter group companies namely Gemini TV Private Limited, Udaya TV Private Limited, Kal Cables Private Limited, Kal Comm Private Limited, Kovai Murasu Private Limited, Kal Cables Private Limited, Kal Publications Private Limited have litigation pending against them. Brief details of the same are as follows;

Two criminal complaints have been filed against Udaya TV Private Limited on grounds of defamation and contempt of court.

Udaya TV Private Limited has been named a respondent in three sets of writ petitions have been filed by various petitioners on various grounds including the conversion of certain channels into pay channels and wrongful denial of access to signals.

Twelve civil suits have been filed against Udaya TV Private Limited and others by various plaintiffs on various grounds including broadcast of defamatory and objectionable content and copyright infringement. The aggregate monetary compensation claimed in the instant suits is approximately Rs. 3.06 million. One consumer complaint has been filed against Udaya TV Private Limited on seeking grant of access to televisions signals and seeking compensation amounting to approximately Rs. 0.23 million.

A total of four criminal proceedings have been filed against Gemini TV Private Limited on various grounds including copyright infringement and defamation

A total of 19 civil suits have been filed against Gemini TV Private Limited on various grounds including alleged defamation, alleged copyright infringement, and wrongful denial of access to cable signals. The aggregate monetary compensation claimed in the instant suits is approximately Rs. 28.45 million.

Gemini TV Private Limited has been named as a respondent in six writ petitions initiated on various grounds including alleged denial of access to cable signals.

A total of 22 petitions have been filed before the TDSAT by various petitioners against Gemini TV Private Limited various grounds seeking grant of access to signals of Gemini TV.

A petition has been against Gemini TV Private Limited before the MRTP commission on on grounds of alleged unfair trade practices on the part of Gemini TV Private Limited.

A consumer complaint has been filed against Gemini TV Private Limited and two others seeking directions restoring access to cable signals.

A petition has been filed before the Labour Officer for Concilliation, Chennai against Gemini TV Private Limited. The Petitioner in the matter has sought reinstatement into service.

Kal Comm Private Limited has been named as a respondent in one writ petition filed in connection with the grant of access to cable television signals.

One civil suit has been filed against Kal Comm Private Limited. The said suit pertains to general restrictions over construction on certain premises where properties belonging to various entities and persons including Kal Comm Private Limited are located.

There are three petitions filed before the TDSAT against Kal Comm Private Limited. The said petitions seek the grant of access to cable signals.

One criminal Complaint has been filed against Kovai Murasu Private Limited in relation to the certain allegedly libellous statements published in a newspaper published by it.

Two criminal cases have been filed against Kal Cables Private Limited in relation to alleged infringement of copyright

Kal Cables Private Limited has been named as a respondent in five writ petitions filed in connection with the grant of access to cable television signals.

Kal Publications Private Limited has one criminal case pending against it on grounds of the publication of certain allegedly obscene content on a newspaper published by it.

Kal Publications Private Limited has one civil case pending against it on grounds of the publication of certain allegedly misleading content on a magazine published by it.

For more information regarding these legal proceedings, see the section titled "Outstanding Litigation and Material Developments" on page 252.

External Risk Factors

Our business could be adversely impacted by economic, political and social developments in India and particularly in the regional markets that we serve.

Our performance and growth are dependent on the health of the Indian economy and in particular the economies of the regional markets we serve. These economies could be adversely affected by various factors, such as political and regulatory action including adverse changes in liberalization policies, social disturbances, terrorist attacks and other acts of violence or war, natural calamities, interest rates, commodity and energy prices and various other factors. Any slowdown in these economies could adversely affect our advertisers and viewers, which in turn would adversely impact our business and financial performance and the price of our Equity Shares.

Valuation methodology and accounting practice in media businesses may change.

There is no standard valuation methodology or accounting practices in internet, media and related industries. The valuations in the media industry are presently high and may not be sustained in future. Additionally, current valuations may also not be reflective of future valuations within the industry.

Restrictions on foreign investment in our Company limit our ability to raise capital outside India.

According to the prescribed limits under the Foreign Exchange Management Act, 1999 ("FEMA") and the applicable regulations thereunder, the Industrial Policy of the Government of India and the Uplinking Guidelines, not more than 26% of the equity capital of a company engaged in uplinking news and current affairs content, can be held by foreign investors, who may invest only through the foreign direct investment ("FDI") route.

However, since we also have an FM broadcasting business, we are subject to recent regulations intended to liberalize the FM broadcasting sector, which permit foreign investment, including FDI, investments by NRIs, investments by PIO and portfolio investments, of up to 20% of the equity of FM broadcasting businesses, subject to the guidelines issued by the MIB. This limit is also stipulated by the Government's draft license agreement under the Phase II Policy.

Accordingly, foreign investment in our Company is limited to 20% of our paid up equity capital, which may limit our ability to seek and obtain additional equity investments from foreign investors. This in turn may adversely affect our ability to raise capital, the market price of our Equity Shares and the expansion of our business.

Further, if the Government does not approve any additional FDI in us, equity ownership in the Company by, our ability to obtain investments from, or ability to enter into acquisitions with, foreign investors, will be limited. In addition, making investments in or acquiring foreign companies by us may require various approvals from the Government and the relevant foreign jurisdiction, and we may not be able to obtain such approvals. For more details on the restrictions applicable to the broadcasting sector please refer to the section titled "Regulations and Policies" on page 65.

After this Issue, the price of our Equity Shares may be volatile, or an active trading market for our Equity Shares may not develop.

Prior to this Issue, there has been no public market for our Equity Shares. The trading price of our Equity Shares may fluctuate after this Issue due to a wide variety of factors, including our results of operations and the performance of our business, competitive conditions and general economic, political and social factors, volatility in the India and global securities markets, the overall market for television broadcasting, the performance of the Indian and global economy and significant developments in India's fiscal regime. There can be no assurance that an active trading market for our Equity Shares will develop or be sustained after this Issue, or that the price at which our Equity Shares are initially offered will correspond to the prices at which they will trade in the market subsequent to this Issue.

Notes to Risk Factors

1. Public Issue of 6,889,000 Equity Shares of Rs. 10 each for cash at a price of Rs. [•] per Equity Share aggregating Rs. [•] million. The Issue would constitute 10% of the fully diluted post issue paid-up capital of the Company.
2. The networth of the Company was Rs. 2,966.8 million as of December 31, 2005 as per our restated financial statements included in this Red Herring Prospectus.
3. The net asset value per Equity Share of Rs. 10 each was Rs. 47.85 as of December 31, 2005, as per our restated financial statements included in this Red Herring Prospectus.
4. The average cost of acquisition of our Equity Shares by our Promoter is Rs. 6.19 per Equity Share. The average cost of acquisition of Equity Shares by our Promoter has been calculated by taking the average of the amount paid by him to acquire the Equity Shares issued by us, including bonus shares. For details please see the section titled "Capital Structure" on page 16.
5. During the period October 2005 to January 2006, our Promoter acquired Equity Shares from other shareholders at a price ranging from Rs. 10 per share to Rs. 3,173.04 per share. See note 8 in "Capital Structure- Notes to

Capital Structure on page 16.

6. In terms of Rule 19 (2)(b) of the SCRR, this being an Issue for less than 25% of the post–Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Issue will be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs"), out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, up to 10% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.
7. Our Promoter, Directors and Key Managerial Personnel are interested in our Company by virtue of their shareholding, if any, in our Company. See "Capital Structure" and "Our Management" on page 16 and page 83, respectively.
8. Other ventures promoted by our Promoter are interested to the extent of their shareholding in the Company. See "Capital Structure" on page 16. Certain of our Promoter Group Companies also have contracts with our Company in relation to their business. See "Our Business" on page 48.
9. Trading in Equity Shares of our Company for all investors shall be in dematerialised form only.
10. Any clarification or information relating to the Issue shall be made available by the BRLM, the SCBRLM and our Company to the investors at large and no selective or additional information would be available for a section of investors in any manner whatsoever. Investors may contact the BRLM , the SCBRLM and the Syndicate Member for any complaints pertaining to the Issue.
11. Investors may note that in case of over-subscription in the Issue, allotment to Qualified Institutional Bidders, Non-Institutional Bidders and Retail Bidders shall be on a proportionate basis. For more information, please refer to the section titled "Basis of Allotment" on page 299.
12. Investors are advised to refer to the section titled "Basis for Issue Price" on page 30.
13. Related Party Transactions:

(All amounts are in millions of Indian Rupees, unless otherwise stated)

Particulars	Nature of Relationship	Name of the Related party	December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003
Income:						
Income from services rendered	Enterprises in which promoter has significant influence	Gemini TV Private Limited	31.3	46.4	31.0	0.2
		Udaya TV Private Limited	14.5	18.0	18.0	0.4
		Kungumam Publications Private Limited	2.2	2.5	-	-
		KPK Publications Private Limited	0.9	-	-	-
		Kal Comm Private Limited	372.9	384.2	319.5	52.5

(All amounts are in millions of Indian Rupees, unless otherwise stated)

Particulars	Nature of Relationship	Name of the Related party	December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003
Interest and other income	Enterprises in which promoter has significant influence	Kungumam Publications Private Limited	1.3	0.6	-	-
		Udaya TV Private Limited	0.3	0.6	0.5	-
		KPK Publications Private Limited	0.2	-	-	-
		Gemini TV Private Limited	-	0.1	0.2	-
		Kal Comm Private Limited	-	0.5	-	-
		Kal Cables Private Limited	7.6	-	-	-
	Promoter	Mr. Kalanithi Maran	*	4.8	-	-
Reimbursement of cost of shared services	Enterprises in which promoter has significant influence	Gemini TV Private Limited	1.9	2.5	1.5	4.4
		Udaya TV Private Limited	0.7	0.8	-	3.6
Expenses: Services received	Enterprises in which promoter has significant influence	Kal Comm Private Limited	18.0	24.0	24.0	-
		Kal Cables Private Limited	-	296.1	375.9	-
		Kungumam Publications Private Limited	-	1.5	-	0.6
		Gemini TV Private Limited	-	-	-	330.2
	Enterprises in which relatives of the promoter has significant interest	HFO Entertainment Private Limited	0.9	-	-	-
	Relatives of the promoter	Mrs. Mallika Maran	0.2	0.2	0.2	0.2

(All amounts are in millions of Indian Rupees, unless otherwise stated)

Particulars	Nature of Relationship	Name of the Related party	December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003
Interest Expense	Enterprises in which promoter has significant influence	Udaya TV Private Limited	2.5	-	-	-
		Kal Cables Private Limited	0.3	-	-	-
		Gemini TV Private Limited	0.1	-	-	-
Write off of advances	Enterprises in which promoter has significant influence	Sumangali Publications Private Limited	1.1	-	-	-
Managerial remuneration	Promoter	Mr. Kalanithi Maran	8.4	333.5	37.6	6.2
	Relatives of the promoter	Mrs. Kavery Kalanithi	0.4	-	-	-
Dividends Paid	Promoter	Mr. Kalanithi Maran	1,743.6	-	-	-
	Relatives of the promoter	Mrs. Mallika Maran	106.4	-	-	-
Other transactions						
Purchase of fixed assets	Enterprises in which promoter has significant influence	Gemini TV Private Limited	-	0.2	-	-
Purchase of shares in Kal Radio Limited	Promoter	Mr. Kalanithi Maran	222.5	-	-	-
Sale of Assets	Enterprises in which promoter has significant influence	Kungumam Publications Private Limited	0.7	-	-	-
		Kal Cables Private Limited	6.7	-	-	-
Proceeds from sale of investments	Promoter	Mr. Kalanithi Maran	**	-	-	-
Transfer of liabilities	Enterprises in which promoter has significant	Kal Cables Private Limited	11.2	-	-	-

(All amounts are in millions of Indian Rupees, unless otherwise stated)

Particulars	Nature of Relationship	Name of the Related party	December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003
Proceeds from sale of CAS Division	Enterprises in which promoter has significant influence	Kal Cables Private Limited	33.9	-	-	-
Investments Made	Subsidiary	South Asia FM Limited	95.0			
Inter-corporate deposit granted by the Company	Enterprises in which promoter has significant influence	Kal Comm Private Limited	-	60.0	-	-
		Asia Radio Broadcast Private Limited	30.0	-	-	-
Loan granted by the Company	Enterprises in which promoter has significant influence	KPK Publications Private Limited	8.5	-	-	-
Inter-corporate deposit repaid to the Company	Enterprises in which promoter has significant influence	Kal Comm Private Limited	-	60.0	-	-
Advances made by the Company	Enterprises in which promoter has significant influence	Kal Comm Private Limited	2.1	-	-	-
	Subsidiary	South Asia FM Limited	0.9	-	-	-
	Promoter	Mr. Kalanithi Maran	323.3	880.0	-	-
Refund of advances to the Company	Promoter	Mr. Kalanithi Maran	322.5	882.3	-	-

* Represents Rs. 15,000 being profit on sale of investments.

** Represents Rs. 17,500 being proceeds from sale of investments.

(All amounts are in millions of Indian Rupees, unless otherwise stated)

Particulars	Nature of Relationship	Name of the Related party	December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003
Issue of shares	Enterprises in which promoter has significant influence	Kal Comm Private Limited	@	-	-	-

(All amounts are in millions of Indian Rupees, unless otherwise stated)

Particulars	Nature of Relationship	Name of the Related party	December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003
		Kal Cables Private Limited	@	-	-	-
		Network Cable Solutions Private Limited	@	-	-	-
		Kal Publications Private Limited	@	-	-	-
	Relatives of the promoter	Mrs. Kavery Kalanithi	@	-	-	-
Issue of bonus shares	Enterprises in which promoter has significant influence	Kal Comm Private Limited	*	-	-	-
		Kal Cables Private Limited	*	-	-	-
		Network Cable Solutions Private Limited	*	-	-	-
		Kal Publications Private Limited	*	-	-	-
	Promoter	Mr. Kalanithi Maran	600.0	-	-	-
	Relatives of the promoter	Mrs. Kavery Kalanithi	*	-	-	-
		Mrs. Mallika Maran	*	-	-	-
Inter-corporate deposit taken by the company	Enterprises in which promoter has significant influence	Gemini TV Private Limited	370.0	-	-	-
		Udaya TV Private Limited	280.0	-	-	-
		Kal Cables Private Limited	28.0	-	-	-
Inter-corporate deposit repaid by the company	Enterprises in which promoter has significant influence	Gemini TV Private Limited	352.0	-	-	-
Refund of deposits by the Company	Enterprises in which promoter has significant influence	Kal Comm Private Limited	-	39.8	-	-

(All amounts are in millions of Indian Rupees, unless otherwise stated)

Particulars	Nature of Relationship	Name of the Related party	December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003
Share of ERP costs	Enterprises in which promoter has significant influence	Gemini TV Private Limited	15.1	-	-	-
		Udaya TV Private Limited	7.0	-	-	-
		Kungumam Publications Private Limited	3.3	-	-	-
		Kal Publications Private Limited	1.4	-	-	-
		Kal Cables Private Limited	0.8	-	-	-
Present value of minimum lease payments	Enterprises in which promoter has significant influence	Kungumam Publications Private Limited	3.3	1.3	-	-
<u>Outstanding balances</u>						
Accounts receivable	Enterprises in which promoter has significant influence	Kal Comm Private Limited	244.1	133.0	80.9	67.2
		Gemini TV Private Limited	-	4.5	-	2.7
		Kungumam Publications Private Limited	6.2	7.9	-	-
		Udaya TV Private Limited	2.1	-	2.9	1.2
		KPK Publications Private Limited	0.9	-	-	-
Loans and advances	Enterprises in which promoter has significant influence	Gemini TV Private Limited	13.3	-	1.9	-
		Asia Radio Broadcast Private Limited	30.0	-	-	-
		KPK Publications Pvt. Limited	8.7			

(All amounts are in millions of Indian Rupees, unless otherwise stated)

Particulars	Nature of Relationship	Name of the Related party	December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003
		Kal Comm Private Limited	7.1	-	-	-
		Udaya TV Private Limited	7.0	-	-	-
		Kal Cables Private Limited	6.7	-	-	-
		Kungumam Publications Private Limited	3.3	-	-	3.5
		Kal Publications Private Limited	1.4	-	-	-
		Sumangali Publications Private Limited	-	1.1	1.1	1.1
		Kal Investments (Madras) Private Limited	-	-	-	0.1
		Kungumam Nithyagam Private Limited	-	-	-	0.1
	Subsidiary	South Asia FM Limited	0.9	-	-	-
	Promoter	Mr. Kalanithi Maran	5.6	4.8	2.3	6.4

@ Represents Rs. 10 being par value of one equity shares issued.

* Represents Rs. 300 being par value of thirty bonus shares issued.

(All amounts are in millions of Indian Rupees, unless otherwise stated)

Particulars	Nature of Relationship	Name of the Related party	December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003
Inter-corporate deposits Payable	Enterprises in which promoter has significant influence	Udaya TV Private Limited	(280.0)	-	-	-
		Kal Cables Private Limited	(28.0)	-	-	-
		Gemini TV Private Limited	(18.0)	-	-	-
Accounts Payable	Enterprises in which promoter has significant influence	Kal Cables Private Limited	-	(46.7)	(63.0)	-

(All amounts are in millions of Indian Rupees, unless otherwise stated)

Particulars	Nature of Relationship	Name of the Related party	December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003
		Udaya TV Private Limited	-	(1.7)	-	-
		Gemini TV Private Limited	-	-	(1.9)	-
Interest accrued but not due	Enterprises in which promoter has significant influence	Udaya TV Private Limited	(2.5)	-	-	-
		Kal Cables Private Limited	(0.3)	-	-	-
		Gemini TV Private Limited	(0.1)	-	-	-
Deposit payable	Enterprises in which promoter has significant influence	Kal Comm Private Limited	-	-	(39.8)	-

Note:

The disclosure of transactions and balances of promoter group for each of the years presented is extracted from the audited unconsolidated financial statements of the Company.

SECTION III – INTRODUCTION

SUMMARY OF OUR BUSINESS, STRENGTHS AND STRATEGY

Business Overview

We are the largest television broadcaster in the south Indian states of Tamil Nadu and Kerala and are also one of the largest television broadcasters in India, in terms of audience share. (source: TAM) See “Industry” on page 40. We offer four Tamil language channels, including our flagship channel, Sun TV, and two Malayalam channels, including Surya TV. Our channels collectively had the highest audience share of any network in Tamil Nadu for each of the past three years, and the highest audience share in Kerala during the same period. (source: TAM) See “Industry” on page 40. In addition, our flagship channel Sun TV had the second largest audience share of any television channel in all of India during this period. (source: TAM) See “Industry” on page 40. Currently, Sun TV, KTV and Sun Music are the top three leading channels in Tamil Nadu in terms of audience share. (source: TAM) See “Industry” on page 40. We enjoy strong brand recognition, which we have achieved through, among other things, an emphasis on local language programming that appeals to the particular preferences of the viewers in the regions we serve. We also operate leading Tamil radio stations under the name Suryan FM, and have recently been awarded additional radio licenses in various cities throughout India under the Government’s Phase II Policy.

Our Sun TV channel was launched in 1993 by our Chairman, Mr. Kalanithi Maran, along with several other members of our current senior management team. Sun TV was one of India’s first regional satellite television channels. We focused on developing our own programming with a popular, local flavor and significant audience participation in order to appeal to the preferences of our viewers. This programming included game shows and other contests, talk shows and other variety shows. We also commissioned and promoted the development of serials. As our business grew, we launched additional channels in Tamil and expanded into Malayalam channels. In the first half of 2003, we launched Tamil FM radio stations in the cities of Chennai, Coimbatore and Tirunelveli.

We do not own any part of Gemini TV Private Limited and Udaya TV Private Limited, which are affiliated companies in which our Chairman has significant equity interests, and which offer Telegu and Kannada channels.

Based on our restated financial statements, for the year ended March 31, 2005, we generated total income and net profit after tax of Rs. 3,011 million and Rs. 768 million. For the nine months ended December 31, 2005, we generated total income and net profit after tax of Rs. 2,527 million and Rs. 1,013 million.

Competitive Strengths

Our principal competitive strengths include the following:

Leadership position.

We hold leading market positions in the principal television and radio markets we serve. In Tamil Nadu, we had a combined audience share for all of our Tamil television channels of 60% and 71% for the year ended March 31, 2005 and the nine months ended December 31, 2005, respectively, compared to a 5% and 5% audience share for such periods for our closest competitor. (source:TAM) In Kerala, we had a combined audience share for all of our Malayalam television channels of 29% and 32% for the year ended March 31, 2005 and the nine months ended December 31, 2005, respectively, compared to a 27% and 26% audience share for such periods for our closest competitor. (source:TAM) Our Suryan FM Radio stations have had the highest ratings in Tamil Nadu. (Sources: NRS 2005)

Popular programming content.

We have built extensive programming content, including what we believe is one of the largest movie libraries in India. We hold the rights for approximately 2,650 full-length movies, of which approximately 60% are Tamil movies and 40% are Malayalam movies. We have acquired a significant proportion of recently released movies in these languages, including many which have had the commercial success at the box office. We believe that our audience share and well known brand name in the markets we serve provide us with a competitive advantage in the acquisition of popular serials and other programming. In addition, we have built internal production capabilities which allow us to develop new programming quickly and efficiently in response to changes in local preferences or the actions of our competitors. Our programming assets are also enhanced by our advanced technological capabilities in production and broadcasting, such as digital play-out technology, which provides superior picture quality to our viewers.

Business strategy which generates commercially successful programming without significant investment by us.

We rely on a strategy of providing time slots to leading independent producers that enables us to obtain commercially successful programming from them without significant investment. Under the time slot model, we enter into an agreement with an independent producer for a fixed fee, and the producer then produces a serial or other program at its expense which is aired during the time slot. Time slots are sold in half hour blocks, which include a total of six or seven minutes of advertising. The producer is given the right to sell and retain the revenue from four of these minutes of advertising. We sell and retain the revenue from the other two (or three) minutes, as well as the right to sell title and other types of sponsorship for the program. Because higher ratings for the program generate higher advertising rates, producers are incentivized to produce high quality programs that appeal to viewers. Greater viewership in turn enables us to earn higher revenue for our two (or three) minutes as well as from title and other types of sponsorship. In addition, we avoid making investments in the production of the programming. This strategy ensures that we and the producers share an interest in generating commercially successful programming that maximizes advertising revenue, while at the same time enabling us to avoid having to make significant investments in new programming.

Emphasis on regional tastes and audience preferences.

We believe that a key factor in our success is our ability to cater to local tastes and audience preferences. We have concentrated on developing local language programming and on particular types and formats of programming that appeal to the specific preferences of viewers in the regions we serve. For example, we have acquired an extensive library of Tamil and Malayalam movies, developed game shows and other programming that emphasize local audience participation and built relationships with producers for the production of serials that use locally popular stars or that involve stories and themes that resonate with local audiences. We have also changed our programming formats from time to time to respond to changes in local preferences. According to TAM Media Research, for the last full week in each of the fiscal years ended March 31, 2003, 2004 and 2005 and the nine months ended December 31, 2005, our programming accounted for 100% of the top 100 rated half hour time slots in Tamil Nadu and approximately 50% of the top 100 rated half hour time slots in Kerala in terms of audience share. (source: TAM)

Experienced team of senior management.

Our operations are led by an experienced senior management group that functions well as a team, and that has the expertise and vision to continue to expand our business. Our Chairman and Managing Director, Mr. Kalanithi Maran, started the Sun TV business when he was 27 years old. He is the recipient of numerous entrepreneurial awards, including the Ernst & Young Outstanding Businessman Award for the entertainment and information sector in India in 2004, the 'Commendation for Displaying Extraordinary Corporate Leadership and Entrepreneurial Spirit' in 2005 by CNBC Television, the Worldcom 'Indian Young Business Achiever Award' in 1999 and the 'Rajiv Gandhi Best Entrepreneur' Award in 1995. He represented India at the World Young Business Achiever Awards in Portugal in 1999 and was also awarded the Worldcom 'World Young Business Achiever Award' in 1999 for creativity. Many of the other members of our current senior management have worked with Mr. Maran since our business was founded. These individuals have established track records of success in television broadcasting, marketing and sales, as well as a proven ability to work together.

Revenue and profit growth and stable financial position.

From fiscal 2001 to fiscal 2005, our total income grew at a compound annual growth rate of 19.5% and our net profit after tax grew at a compound annual growth rate of 17.1%. Our net profit after tax as a percentage of total income has averaged 27.6% over the past five fiscal years. Furthermore, as of December 31, 2005 we had reserves and surplus of Rs. 2,347 million and outstanding loans of only Rs. 719 million. We believe we are in a stable financial position to take advantage of future opportunities, including acquisitions, to expand our business.

Strategy

The key elements of our strategy for growth include the following:

Strengthen our market leadership through popular and innovative programming.

We intend to continue to produce and broadcast programming that enables us to maintain our market leadership in the television and radio markets we serve. We will continue to be a market innovator in programming formats, scheduling and genre-specific channels. We will maintain and strengthen our relationships with producers, actors and program anchors to ensure that we can continue to acquire high quality serials and other programming. We will also continue to produce our own programming that responds to local preferences. We were one of the first channels in India to conduct game shows featuring prize give-aways, conduct participatory live talk shows and start a 24-hour all-news channel. We intend to also increase the breadth of our broadcast offerings by developing new channels to appeal to particular segments of the audience.

Realize greater revenue from advertisers and viewers.

We believe that advertising spending in India will increase substantially with the general growth of the Indian economy and the increased purchasing power of consumers in the country. We also believe that television and radio will continue to grow as advertising media as they become accessible to larger sections of India's population. If we continue to maintain our strong brand recognition and popular content and thereby high market share for our television channels and radio stations, we should be well positioned to benefit from these economic factors, if realized, and generate greater revenue from advertisers. We also believe that we can generate greater revenue from our viewers by making all of our channels pay channels, which we intend to do in the near future. In addition, regulatory reforms such as the expansion of conditional access systems and direct-to-home ("DTH") broadcasting may help address the currently prevalent underreporting of subscribers, which would have a positive effect on our revenues from viewers.

Leverage our investment in our programming content.

We are one of the leading broadcasters and producers of Tamil and Malayalam programming content. We intend to continue to develop and leverage that content across our existing channels and any new channels that we introduce. We plan to expand our production facilities so as to produce more non-serial in-house content, such as game shows. We will continue to build our programming and movie libraries and attract popular producers, actors, directors and other talent that is key to producing high quality content. Because we have the right to broadcast and disseminate the titles in our library in a variety of ways, we may also have opportunities to create revenue streams from our content by exploiting other existing distribution methods as well as through new platforms and technologies.

Look for attractive opportunities for geographic expansion.

We intend to look for attractive opportunities to expand our geographic coverage. We expect that this will include strengthening our presence in the countries in which we currently have international alliances and entering new markets in which there are large numbers of Tamil and Malayalam speaking people, whether in India or outside. In addition, we will consider opportunities for expansion into other regions in India, particularly in areas with a distinctive local culture or language that may be well suited to our expertise in developing strong local programming. Under the Phase II Policy, our Subsidiaries have been awarded radio licenses in various cities throughout India, which would enable us to expand into language markets other than Tamil and Malayalam.

Take advantage of new opportunities that are created by technological developments.

We intend to take advantage of technological developments that may make new methods of distribution commercially viable, which in turn would create opportunities for new services to consumers and enable us to expand our presence into new media platforms. This may include developing opportunities to reach new audiences through new distribution platforms and using new technologies to provide new offerings to our cable subscribers as those technologies expand in India. We believe we can capitalize on these opportunities because of our regional strength, extensive programming assets and technological capabilities.

Industry Overview

For further details refer to "Industry" page 40.

SUMMARY FINANCIAL INFORMATION

The following table sets forth summary financial information derived from our financial statements as of and for the fiscal years ended March 31, 2003, 2004 and 2005 and the nine months ended December 31, 2004 and 2005. As required by the SEBI Guidelines, our financial statements as of and for the fiscal years ended March 31, 2003, 2004 and 2005 and the nine months ended December 31, 2005, have been restated. The summary financial information presented below should be read in conjunction with the financial statements included in this Red Herring Prospectus, the notes thereto and the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 227. Indian GAAP differs in certain significant respects from US GAAP. For more information on these differences, see the section titled "Summary of Significant Differences between Indian GAAP and US GAAP" on page 245.

Summary Income Statement Information

Rs. in millions

	Year ended March 31			Nine months ended December 31,	
	2003	**2004**	**2005**	**2004**	**2005**
Income					
Advertising income	1,221.7	1,549.1	1,556.6	1,178.4	1,489.0
Broadcast fees	477.7	458.3	494.7	378.3	434.1
Income from pay channels	79.9	393.7	397.7	286.2	372.9
Cable distribution revenues*	387.8	274.9	356.1	267.6	—
Program licensing income	43.9	48.7	87.7	59.9	125.7
License income	—	—	10.3	4.6	5.3
Income from content trading	—	—	—	—	6.1
Less service tax	(62.5)	(108.2)	—	—	—
Net sale of services	**2,148.5**	**2,616.6**	**2,903.1**	**2,175.0**	**2,433.1**
Other income	33.4	66.6	107.4	72.0	93.9
Total income	**2,181.9**	**2,683.2**	**3,010.5**	**2,247.0**	**2,527.0**
Expenditure					
Cost of revenue	1,035.9	1,169.8	1,188.0	894.8	740.3
Employee remuneration and benefits	75.7	113.2	419.1	313.9	76.0
General, administration and selling expenses	153.2	184.8	143.2	97.6	127.5
Financial charges	3.0	2.2	35.9	24.5	32.4
Total expenditures	**1,267.8**	**1,470.0**	**1,786.2**	**1,330.8**	**976.2**
Profit before tax	**914.1**	**1,213.2**	**1,224.3**	**916.2**	**1,550.8**
Provision for taxation	330.9	435.9	456.8	341.0	537.8
Net profit after tax	**583.2**	**777.3**	**767.5**	**575.2**	**1,013.0**
Adjustments for restatement	1.4	(4.0)	12.2	—	10.6
Net profit, as restated	**584.6**	**773.3**	**779.7**	—	**1,023.6**

** We have ceased to manage the SCV business and, effective as of April 1, 2005, this business is excluded from our results of operations*

Summary Balance Sheet Information

Rs. in millions

	As of March 31,		As of December 31, 2005
	2004	2005	
Assets			
Fixed assets (net block)	936.4	981.6	955.9
Capital work-in-progress including capital advances	8.4	519.8	92.8
Intangible assets (net block) [1]	68.5	87.7	53.1
Investments	3.3	3.5	318.3
Non-current assets[2]	456.4	353.0	258.9
Current assets, Loans and Advances:			
Inventories	1.1	2.4	1.7
Sundry debtors[3]	518.1	650.7	975.8
Cash and bank balances	1,140.6	1,853.0	624.9
Other current assets	291.6	342.0	834.1
Loans and advances	201.8	107.3	157.8
Total Assets	3,626.2	4,901.0	4,273.3
Liabilities and Provisions			
Secured loans	—	421.9	393.2
Unsecured loans	—	—	326.0
Deferred tax liability (net)	44.9	47.7	31.3
Current liabilities and provisions:			
Sundry creditors	113.4	140.3	58.6
Book overdraft from banks	1.0	1.6	—
Advance from customers	28.6	53.1	56.3
Deposit from customers	56.5	22.3	6.5
Interest accrued but not due	—	—	2.9
Accrued expenses	108.8	161.4	354.9
Provision for taxation (net of advance payment)	—	—	76.8
Total Liabilities and Provisions	**353.2**	**848.3**	**1,306.5**

1. *For film and program broadcasting rights, includes rights available for use as of the balance sheet date.*
2. *Film and broadcast rights where the right to telecast commences after 12 months from the balance sheet date.*
3. *Less provision for doubtful debts. All debts considered doubtful are fully provided for.*

Net Worth

Rs. in millions

	As of March 31,		As of December 31, 2005
	2004	2005	
Share Capital (A)	**20.0**	**20.0**	**620.0**
General reserve	0.1	0.1	0.1
Accumulated profit	3,252.9	4,032.6	2,346.7
Total Reserves and Surplus (B)	**3,253.0**	**4,032.7**	**2,346.8**
Net Worth (A + B)	**3,273.0**	**4,052.7**	**2,966.8**

1. *In December 23, 2005, we issued bonus shares of Rs. 10 each in the ratio of 30:1 to the shareholders.*
2. *We paid interim dividends of Rs. 1,500 Million and Rs. 350 million, on November 18, 2005 and December 10, 2005, respectively.*

Summary Cash Flow Information

Rs. in millions

	Year ended March 31,			Nine months ended December 31, 2005
	2003	2004	2005	
Net cash flow from operating activities	817.7	1,138.1	1,200.8	1,187.8
Net cash flow from (used in) investing activities	(623.9)	(503.1)	(875.5)	(571.8)
Net cash flow from (used in) financing activities	59.9	(51.1)	386.9	(1,844.1)
Cash and cash equivalents at end of period	**563.5**	**1,147.4**	**1,852.8**	**624.9**

THE ISSUE

Equity Shares offered:	
Fresh Issue by the Company	6,889,000 Equity Shares of face value of Rs. 10 each
Of which	
A) Qualified Institutional Buyers (QIB) portion	At least 4,133,400 Equity Shares of face value of Rs. 10 each ***(Allocation on a proportionate basis)***
Of which	
Available for allocation to Mutual Funds only	206,670 Equity Shares of face value of Rs. 10 each ***(Allocation on a proportionate basis)***
Balance for all QIBs including Mutual Funds	3,926,730 Equity Shares of face value of Rs. 10 each ***(Allocation on a proportionate basis)***
B) Non-Institutional Portion	Up to 688,900 Equity Shares of face value of Rs. 10 each ***(Allocation on a proportionate basis)***
C) Retail Portion	Up to 2,066,700 Equity Shares of face value of Rs. 10 each ***(Allocation on a proportionate basis)***
Equity Shares outstanding prior to the Issue	62,000,155 Equity Shares of face value of Rs. 10 each
Equity Shares outstanding after the Issue	68,889,155 Equity Shares of face value of Rs. 10 each
Use of Issue Proceeds	See the section titled "Objects of the Issue" on page 21.

GENERAL INFORMATION

Our Company was incorporated as Sumangali Publications Private Limited on December 18, 1985. The word 'private' in the name of our Company was deleted with effect from July 1, 1996 pursuant to Section 43A(1A) of the Companies Act, 1956. The name of our Company was changed to Sun TV Limited by a special resolution of the members passed at an extraordinary general meeting held on March 23, 2000. The fresh certificate of incorporation consequent to the change of name was granted to our Company on March 27, 2000, by the Registrar of Companies, Tamil Nadu. The word 'private' was reinserted in the name of the Company by the provisions of Section 43A(2A) of the Companies Act, 1956 on October 9, 2001. The status of our Company was subsequently changed to a public limited company by a special resolution of the members passed at an extraordinary general meeting held on December 15, 2005. The fresh certificate of incorporation consequent on change of name was granted to our Company on December 27, 2005, by the Registrar of Companies, Tamil Nadu.

Registered Office

Sun TV Limited
367/369, Anna Salai
Teynampet
Chennai 600 018, India
Registration Number: 18-012491

Our registered office was shifted from 182, Kodambakkam High Road, Chennai 600 034, India to 367/369, Anna Salai, Teynampet, Chennai 600 018, India with effect from December 12, 2005 by a resolution of our Board dated December 5, 2005.

Address of Registrar of Companies

Office of the Registrar of Companies, Tamil Nadu (Chennai)
Ministry of Company Affairs
Block No. 6, B Wing
Second Floor, Shastri Bhavan
26, Haddows Road
Chennai 600 006, India

Board of Directors of the Issuer

Name, Designation, Occupation	Age	Address
Mr. Kalanithi Maran Chairman and Managing Director *Business*	40	4, Second Avenue Boat Club Road Chennai 600 028
Mrs. Kavery Kalanithi Joint Managing Director *Business*	36	4, Second Avenue Boat Club Road Chennai 600 028
Mr. S. Sridharan Non Executive Independent Director *Business*	44	AH-9, (Old Number 78) Fifth Street Shanti Colony Anna Nagar, Chennai 600040
Mr. M. K. Harinarayanan Non Executive Independent Director *Business*	42	New Number 9 Gajapathi Street Shenoy Nagar, Chennai 600030
Mr. J. Ravindran Non Executive Independent Director *Advocate*	32	Vimala Illam 33, K. G. Traditions North Gopalapuram Chennai 600 086

Name, Designation, Occupation	Age	Address
Mr. Nicholas Martin Paul Non Executive Independent Director *Business*	38	Flat B, Alsa Samudram. 24, 4th Seaward Road Valmiki Nagar, Thiruvanmiyur Chennai 600 041

For further details of our directors, see the section titled "Our Management" on page 83.

Company Secretary and Compliance Officer

Mr. R. Ravi
Sun TV Limited
367/369, Anna Salai
Teynampet, Chennai 600 018, India
Tel: (91 44) 2431 8181
Fax: (91 44) 2434 2729
Email: investors@sunnetwork.in
Website: www.sunnetwork.in

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

Book Running Lead Manager

Kotak Mahindra Capital Company Limited
3rd Floor, Bakthawar
229, Nariman Point, Mumbai 400 021
India
Tel: (91 22) 5634 1100
Fax: (91 22) 2284 0492
Email: suntv.ipo@kotak.com
Website: www.kotak.com
Contact Person: Mr. Sunil Amin

Senior Co – Book Running Lead Manager

DSP Merrill Lynch Limited
Mafatlal Centre, 10th Floor
Nariman Point, Mumbai 400 021
India
Tel: (91 22) 2262 1071
Fax: (91 22) 2262 1182
Email: sun_ipo@ml.com
Website: www.dspml.com
Contact Person: Mr. N.S. Shekhar

Syndicate Member

Kotak Securities Limited
Bakhtawar, 1st Floor
229, Nariman Point
Mumbai 400 021
India
Tel : (91 22) 5634 1100
Fax : (91 22) 5630 3927
Email : ulhas.sawant@kotak.com
Website: www.kotak.com
Contact Person: Mr.Ulhas Sawant

Domestic legal advisors to the BRLM and SCBRLM

Amarchand & Mangaldas & Suresh A. Shroff & Co.
201, Midford House, Midford Garden (Off M. G. Road)
Bangalore 560 001
Tel: (91 80) 2558 4870
Fax: (91 80) 2558 4266

International legal counsel to the BRLM and SCBRLM

Cravath, Swaine & Moore LLP
Worldwide Plaza, 825 Eighth Avenue
New York, NY 10019-7475, USA
Tel: (1 212) 474 1000
Fax: (1 212) 474 3700

Registrar to the Issue

Karvy Computershare Private Limited
"Karvy House", 46, Avenue 4
Street No.1, Banjara Hills
Hyderabad 500 034
Tel: (91 40) 2331 2454
Fax: (91 40) 2331 1968
Email: suntv.ipo@karvy.com
Website: www. karvycomputershare.com
Contact Person: Mr. Murali Krishna

Bankers to the Issue and Escrow Collection Banks

The Hongkong and Shanghai Banking Corporation Limited
52/60, Mahatma Gandhi Road,
Mumbai 400 001.
Tel: (91 22) 2268 1673 / 2268 1290
Fax: (91 22) 2273 4388
Contact Person: Mr. Dhiraj Bajaj
Email: dhirajbajaj@hsbc.co.in
Website: www.hsbc.co.in

UTI Bank Limited
82, Dr. Radhakrishnan Salai,
Mylapore, Chennai 600 004.
Tel: (91 44) 2811 6070 Ext: 182
Fax: (91 44) 2811 1084
Contact Person: Mr. P. Devarajan
Email: p.devarajan@utibank.co.in
Website: www.utibank.com

HDFC Bank Limited
26A Narayan Properties
Chandivali Farm Road
Saki Naka
Mumbai 400 072
Tel: (91 22) 2856 9009
Fax: (91 44) 2856 9256
Contact Person: Mr. Viral Kothari
Email: viral.kothari@hdfcbank.com
Website: www.hdfcbank.com

Kotak Mahindra Bank Limited
Capitale,
555 Anna Salai,
Teynampet Branch
Chennai 600 018
Tel: (91 44) 4204 0205
Fax: (91 44) 4204 0212
Contact Person: Mr. Hubert Didymus
Email: Hubert.didymus @kotak.com
Website: www.kotak.com

ICICI Bank Limited
Capital Markets Division
30, Mumbai Samachar Marg
Mumbai 400 001
Contact Person: Mr. Sidhartha Routray
Email: sidhartha Sankar Routhray@icicibank.com
Website: www.icicibank.com

Standard Chartered Bank
90, MG Road
Mumbai 400 001
Tel: (91 22) 2265 1371
Fax: (91 44) 2268 3221
Email: vispi.h.marshall@in.standardchartered.com
Website: www.standardchartered.co.in

Bankers to the Company

ABN Amro Bank
19/1, Haddows Road
Chennai 600 006
Tel: (91 44) 2821 7171
Fax: (91 44) 2823 4688
Email: preethi.vijay@in.abnamro.com
Website: www.abnamro.co.in

City Union Bank Limited
Mandaveli Branch, Mandveli
Chennai 600 028
Tel: (91 44) 2493 7874
Fax: (91 44) 2461 0024
Email: cub036@cityunionbank.com
Website: www.cityunionbank.com

Kotak Mahindra Bank Limited
Capitale, 555, Anna Salai
Teynampet Branch
Chennai 600 018
Tel: (91 44) 4204 0210
Fax: (91 44) 4204 0211
Email: hubert.didymus@kotak.com
Website: www.kotak.com

The Karur Vysya Bank Limited
KVB Towers, Ground Floor
568, Anna Salai, Teynampet
Chennai 600 018
Tel: (91 44) 2434 1125
Fax: (91 44) 2434 0877
Email: kvbcs@kvbmail.com
Website: www.kvb.co.in

Indian Bank
Kodambakkam Branch
Chennai 600 024
Tel: (91 44) 24843531
Email: ibkodam@indianbank.co.in
Website: www.indian-bank.co.in

Standard Chartered Bank
Grindlays Gardens,
No.1, Haddows Road
Chennai 600 006
Tel: (91 44) 28219661
Fax: (91 44) 2821 9668
Email: customer.care@in.standardchartered.com
Website: www.standardchartered.co.in

ICICI Bank Limited.
1, Cenotaph Road, Teynampet
Chennai 600 018
Tel: (91 44) 2436 4703
Fax: (91 44) 2434 4710
Email: ops01@icicibank.com
Website: www.icicibank.com

HDFC Bank Limited.
759, ITC Centre
Anna Salai, Chennai 600 002
Tel: (91 44) 55003333
Fax: (91 44) 28591865
Email: itcretail/retail/itc/hbl@hdfcbank.com
Website: www.hdfcbank.com

Auditors

S.R. Batliboi & Associates, Chartered Accountants
TPL House, Second Floor
3, Cenotaph Road, Teynampet
Chennai 600 018, India
Tel: (91 44) 2431 1440
Fax: (91 44) 2431 1450

Monitoring Agency

Karnataka State Financial Corporation
No. 1/1, Thimmaiah Road
Near Cantonment Railway Station
Bangalore 5600052
Tel: 080 22250137
Fax: 080 22250136
Email : ksfc_md@sify.com
Website: ksfc.kar.nic.in

Inter se List of Responsibilities between Book Running Lead Manager and Senior Co-Book Running Lead Manager

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

Activity	Responsibility	Co-ordinator
Capital Structuring with relative components and formalities such as type of instruments, etc.	KMCC & DSPML	KMCC
Due-diligence of the company including its operations/management/business plans/legal, etc. Drafting and design of the Draft RHP and of statutory advertisement including memorandum containing salient features of the Prospectus. The BRLM and the SCBRLM shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, the RoC and SEBI, including finalisation of Prospectus and the RoC filing	KMCC & DSPML	KMCC
Drafting and approval of all publicity material other than statutory advertisements as mentioned above, including roadshow presentation, corporate advertisement, brochures, etc.	KMCC & DSPML	KMCC
Appointment of intermediaries viz. Registrar(s), Banker(s), Printer(s), and advertising agency to the Issue.	KMCC & DSPML	KMCC
Non-Institutional and Retail Marketing of the Issue, which will cover, *inter alia*, • Formulating marketing strategies, preparation of publicity budget • Finalize Media & PR strategy • Finalizing centers for holding conferences for brokers, etc. • Follow-up on distribution of publicity and Issuer material including form, prospectus and deciding on the quantum of the Issue material • Finalize collection centers	KMCC & DSPML	KMCC
Domestic Institutional marketing of the Issue, which will cover, inter alia, • Finalizing the list and division of investors for one to one meetings, and • Finalizing road show schedule and investor meeting schedules	KMCC & DSPML	DSPML
International Institutional marketing of the Issue, which will cover, inter alia, • Institutional marketing strategy including road-show marketing presentation • Finalizing the list and division of investors for one to one meetings, and • Finalizing road show schedule and investor meeting schedules	KMCC & DSPML	KMCC
Pricing, Managing the Book, co-ordination with Stock Exchanges for Book Building software, bidding terminals and mock trading finalisation of pricing in consultation with the company	KMCC & DSPML	KMCC
Post bidding activities including management of escrow accounts, co-ordination of allocation, intimation of allocation and dispatch of refunds to bidders, etc. The post issue activities for the Issue will involve essential sfollow-up steps including finalisation of trading and dealing of instruments and dispatch of certificates and demat and delivery of shares with the various agencies connected with the work such as the Registrar(s) to the Issue and the bank handling refund business. The merchant banker shall be responsible for ensuring that these agencies fulfill their functions and enable it to discharge this responsibility through suitable agreements with our company	KMCC & DSPML	DSPML

Even if many of these activities will be handled by other intermediaries, the designated BRLM and SCBRLM shall be responsible for ensuring that these agencies fulfil their functions and enable them to discharge this responsibility through suitable agreements with the Company.

Credit Rating

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

IPO Grading

We have not opted for the grading of this Issue from a credit rating agency.

Trustees

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

Book Building Process

Book building, with reference to the Issue, refers to the process of collection of Bids on the basis of the Red Herring Prospectus within the Price Band. The Issue Price is finalized after the Bid/ Issue Closing Date. The principal parties involved in the Book Building Process are:

1. The Company;
2. BRLM and the SCBRLM;
3. Syndicate Member who is an intermediary registered with SEBI or registered as brokers with BSE/NSE and eligible to act as Underwriters. The Syndicate Member is appointed by the BRLM and the SCBRLM; and
4. Registrar to the Issue.

This being an issue for less than 25% of the post–Issue capital of the Company, the Issue is being made through the 100% Book Building Process in accordance with the SEBI Guidelines read with Rule 19(2)(b) of the SCRR, wherein at least 60% of the Issue will be allocated on a proportionate basis to QIBs, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, up to 10% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.

Pursuant to recent amendments to SEBI Guidelines, QIBs are not allowed to withdraw their Bids after the Bid/Issue Closing Date. Please refer to the section titled “Issue Procedure” on page 282 for more details.

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

While the process of Book Building under the SEBI Guidelines is not new, investors are advised to make their own judgment about investment through this process prior to making a Bid or Application in the Issue.

Illustration of Book Building and Price Discovery Process *(Investors should note that this example is solely for illustrative purposes and is not specific to the Issue)*

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

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

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

Steps to be taken by the Bidders for bidding:

1. Check eligibility for making a Bid (see section titled "Issue Procedure - Who Can Bid" on page 282);
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 the section titled "Issue Procedure - 'PAN' or 'GIR' Number" on page 295); and
4. Ensure that the Bid-cum-Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid-cum-Application Form.

Withdrawal of the Issue

Our Company, in consultation with the BRLM and the SCBRLM, reserves the right not to proceed with the Issue any time after the Bid/Issue Opening Date without assigning any reason therefor.

Bid/Issue Programme

Bidding Period/Issue Period

BID/ISSUE OPENS ON	**:**	**MONDAY,**	**APRIL 3, 2006**
BID/ISSUE CLOSES ON	**:**	**FRIDAY,**	**APRIL 7, 2006**

Bids and any revision in Bids shall be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid-cum-Application Form and uploaded until such time as permitted by the BSE and the NSE on the Bid /Issue Closing Date.

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

In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of the Price Band, subject to the Bidding Period/Issue Period not exceeding 10 days. Any revision in the Price Band and the revised Bidding Period/ Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release, and also by indicating the change on the websites of the BRLM and the SCBRLM 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 the filing of the Prospectus with RoC, we will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through the Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLM and the SCBRLM shall be responsible for bringing in the amount devolved in the event that the Syndicate Member does not fulfill its underwriting obligations. The Underwriting Agreement is dated [•].

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

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

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. In mn)
Kotak Mahindra Capital Company Limited Bakthawar, 3rd Floor 229, Nariman Point Mumbai 400 021 India	3,444,400	[•]
DSP Merril Lynch Limited Mafatlal Centre, 10th Floor Nariman Point Mumbai 400 021 India	3,444,500	[•]
Kotak Securities Limited Bakhtawar, 1st Floor 229, Nariman Point Mumbai 400 021 India	100	[•]

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

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

Allocation among the Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLM, the SCBRLM and the Syndicate Member shall be responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default in payment, the respective Underwriter, in addition to other obligations defined in the underwriting agreement, will also be required to procure/subscribe to equity shares to the extent of the defaulted amount.

CAPITAL STRUCTURE

Our Equity Share capital before the Issue and after giving effect to the Issue, as at the date of filing of this Red Herring Prospectus with SEBI, is set forth below:

(Rs., except share data)

		Aggregate Value at Face Value	Aggregate Value at Issue Price
A.	**Authorized Equity Capital**		
	100,000,000 Equity Shares of face value of Rs. 10 each	1,000,000,000	[•]
B.	**Issued, Subscribed And Paid-Up Equity Capital before the Issue**		
	62,000,155 Equity Shares of Rs. 10 each fully paid-up before the Issue	620,001,550	[•]
C.	**Present Issue in terms of this Red Herring Prospectus**		
	6,889,000 Equity Shares of Rs. 10 each*	68,890,000	[•]
D.	**Equity Capital after the Issue**		
	68,889,155 Equity Shares of face value of Rs. 10/- each	688,891,550	[•]
E.	**Securities Premium Account**		
	Before the Issue	Nil	
	After the Issue	[•]	

* *The present Issue has been authorized by the Board of Directors in their meeting on December 23, 2005, and by the shareholders of our Company at an EGM held on December 23, 2005.*

We have received approval from the FIPB by their letter dated February 27, 2006 for the Issue of Equity Shares to eligible NRIs, FIIs, foreign venture capital investors registered with SEBI, multilateral and bilateral development financial institutions and other Eligible foreign investors up to 20% of the paid up equity capital of our Company. The MIB has, by way of its letter dated February 16, 2006 bearing number 1404/4/2000-TV(I) indicated its no objection to the Issue;

a) The initial authorized capital of Rs. 400,000 comprising of 4,000 Equity Shares of Rs. 100 each was increased to Rs. 50,000,000 comprising of 5,000,000 Equity Shares of Rs. 10 each pursuant to a resolution of the shareholders at an EGM held on March 23, 1995.

b) The authorized capital of Rs. 50,000,000 comprising of 5,000,000 Equity Shares of Rs. 10 each was increased to Rs. 1,000,000,000 comprising of 100,000,000 Equity Shares of Rs. 10 each pursuant to a resolution of the shareholders at an EGM held on December 23, 2005.

Notes to Capital Structure

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

Date of Allotment	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Consid-eration	Reasons for Allotment	Cumulative No. of Equity Shares	Cumulative Paid-up share capital (Rs.)	Cumulative Share Premium (Rs.)
December 12, 1985	200	100	100	Cash	Subscription to the Memorandum	200	20,000	-
March 23, 1995	2,000	10	Equity Shares of face value Rs. 100 each were sub-divided into Equity Shares of face value Rs. 10 each			2,000	20,000	
March 27, 1995	398,000	10	10	Cash	Further allotment	400,000	4,000,000	Nil
					Bonus issue in the ratio of 1:1	800,000	8,000,000	-

Date of Allotment	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Consid-eration	Reasons for Allotment	Cumulative No. of Equity Shares	Cumulative Paid-up share capital (Rs.)	Cumulative Share Premium (Rs.)
September 15, 2003	1,200,000	10	10	Cash	Further allotment	2,000,000	20,000,000	Nil
December 5, 2005	5	10	Nil	Cash	Allotment prior to conversion of the company into a public company	2,000,005	20,000,050	Nil
December 23, 2005	60,000,150	10	10	-	Bonus issue in the ratio of 30:1	62,000,155	620,001,550	

2. ***Promoter Contribution and Lock-in***

All Equity Shares which are being locked in are eligible for computation of Promoter's contribution and lock in under clause 4.6 of the SEBI Guidelines.

(a) Details of Promoters Contribution locked in for three years:

Name of Promoter	Date on which Equity Shares were allotted	Nature of payment of consideration	*Number of Equity Shares of Rs. 10 each locked -in	% of post-Issue paid up capital
Mr. Kalanithi Maran	December 23, 2005	Bonus	13,777,831	20.00

* Commencing from the date of the Allotment of the Equity shares in the Issue.

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

In addition to the lock-in of the Promoter's contribution specified above, the entire pre-Issue Equity Share capital comprising of 48,222,324 Equity Shares of the Company shall be locked in for a period of one year from the date of allotment of Equity Shares 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 the equity shares is one of the terms of the sanction of the loan.

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

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

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

   (a) Our top seven shareholders and the number of Equity Shares of Rs.10 each held by them as of the date of filing this Red Herring Prospectus with SEBI and ten days prior to filing with SEBI, is as follows:

S.No.	Name of the Shareholder	No. of Equity Shares	Percentage Shareholding
1.	Mr. Kalanithi Maran	61,999,969	99.99
2.	Mrs. Mallika Maran	31	0.00#
3.	Mrs. Kavery Kalanithi	31	0.00#
4.	Kal Comm Private Limited	31	0.00#
5.	Kungumam Publications Private Limited	31	0.00#
6.	Mr. K. Shanmugam	31	0.00#
7.	Kal Publications Private Limited	31	0.00#
	TOTAL	**62,000,155**	**100**

0.00005%

   (b) Our top six shareholders and the number of equity shares held by them two years prior to date of filing of this Red Herring Prospectus with SEBI is as follows:

S.No.	Name of the Shareholder	No. of Equity Shares	Percentage Shareholding
1.	Mr. Kalanithi Maran	1,200,000	60.00
2.	Kungumam Publications Private Limited	190,000	9.5
3.	Kal Investments (Madras) Private Limited.	190,000	9.5
4.	Kungumam Nithiyagam Private Limited	190,000	9.5
5.	Mrs. M.K.Dayalu	115,000	5.75
6.	Mrs. Mallika Maran	115,000	5.75
	TOTAL	**2,000,000**	**100**

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

   The table below presents our shareholding pattern before the proposed Issue and as adjusted for the Issue.

Shareholder	Category Equity Shares owned before the Issue		Equity Shares owned after the Issue	
	No. of shares	%	No. of shares	%
Promoter				
Mr. Kalanithi Maran*	61,999,969	99.99	61,999,969	89.99
Sub Total (A)	61,999,969	99.99	61,999,969	89.99
Promoter Group				
Relatives and other individuals#	93	0.00	93	0.00
Promoter Group Companiesá	93	0.00	93	0.00
Sub Total (B)	**186**	**0.00@**	**186**	**0.00@**
Public(C)	Nil	Nil	**6,889,000**	**10.00**
Total share capital (A+B+C)	**62,000,155**	**100.00**	**68,889,155**	**100.00**

* *Promoter Director*

 # Mrs. Mallika Maran, Mrs. Kavery Kalanithi and Mr. K. Shanmugam

á Kal Comm Private Limited, Kungumam Publications Private Limited, Kal Publications Private Limited

@ 0.00005%

5. None of our Directors or Key Managerial Personnel hold Equity Shares in the Company, other than as follows:

S. No.	Name of the Shareholder	No. of Equity Shares	Pre-Issue Percentage Shareholding	Post-Issue Percentage Shareholding
1.	Mr. Kalanithi Maran	619,99,969	99.99	89.99
2.	Mrs. Kavery Kalanithi	31	0.00	0.00
3.	Mr. K. Shanmugam	31	0.00	0.00

6. Our Company, our Directors and the BRLM and the SCBRLM have not entered into any buy-back and/or standby arrangements for the purchase of Equity Shares of our Company from any person, other than as disclosed in this Red Herring Prospectus.

7. Other than set out in "Capital Structure- Notes to Capital Structure- Share Capital History of the Company", our Promoter has not been issued Equity Shares for consideration other than cash.

8. There have been no transfers of Equity Shares by the Promoter and the Promoter Group within the last six months other than as disclosed below:

Transferor	Transferee Equity Shares	Number of Equity Share (Rs.)	Price Per	Date Of Transfer
Mrs. M.K.Dayalu	Mr. Kalanithi Maran	115,000	3,173.04	October 28, 2005
Kungumam Publications Private Limited	Mr. Kalanithi Maran	190,000	10	November 10, 2005
Kungumam Nithiyagam Private Limited	Mr. Kalanithi Maran	190,000	10	November 10, 2005
Kal Investments (Madras) Private Limited	Mr. Kalanithi Maran	190,000	10	November 10, 2005
Mrs. Mallika Maran	Mr. Kalanithi Maran	114,999	10	December 16, 2005
Kal Cables Private Limited	Kungumam Publications Private Limited	31	10	January 9, 2006
Network Cable Solutions Private Limited	Mr. K.Shanmugam	31	10	January 9, 2006

9. At least 60% of the Issue shall be available for allocation on a proportionate basis to QIBs, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Up to 10% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in any category, except the QIB Portion, would be met with spill over from other categories at our sole discretion in consultation with the BRLM and the SCBRLM.

10. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into our Equity Shares.

11. 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.

12. We have not raised any bridge loan against the proceeds of the Issue.

13. An oversubscription to the extent of 10% of the Issue can be retained for the purposes of rounding off to the nearest multiple of 8 while finalizing the Basis of Allotment.
14. Except as disclosed herein, there would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Red Herring Prospectus to SEBI until the Equity Shares issued/ to be issued pursuant to the Issue have been listed.
15. We presently do not intend or propose to alter our capital structure for six months from the date of opening of the Issue, 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. However, during such period or at a later date, we may issue Equity Shares or issue Equity Shares or securities linked to Equity Shares to finance an acquisition, merger or joint venture by us or as consideration for such acquisition, merger or joint venture, or for regulatory compliance or such other scheme of arrangement if an opportunity of such nature is determined by our Board to be in the interest of the Company.
16. We have not issued any Equity Shares out of revaluation reserves or for consideration other than cash except for bonus shares out of free reserves.
17. 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.
18. As of date of this Red Herring Prospectus, the total number of holders of Equity Shares is seven.

OBJECTS OF THE ISSUE

The objects of this Issue are to raise capital for financing the growth of our business and achieve the benefits of listing ("Objects") as set forth below. We believe that the listing of our Equity Shares will enhance our brand name.

We intend to utilize the proceeds of the Issue, after deducting underwriting and management fees, selling commissions and other expenses associated with the Issue ("Net Proceeds"), for financing the growth of our business.

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

The details of the utilization of Net Proceeds of this Issue, along with the year wise break-up of utilization of the Net Proceeds from this Issue are summarized in the table below:

(In Rs. Million)

S. No.	Utilization of Net Proceeds	Estimated Amount	Estimated Net Proceeds utilization as on March 31,		
			2006	2007	2008
1.	Capitalization of our Subsidiaries	3,557.7	1,423.47	2,134.23	-
2.	Launch of new TV channels	1,136.87	703.38	433.49	-
3.	Construction of an owned corporate office, studio facilities and additional uplinking infrastructure	623.40	-	173.40	450.00
4.	Purchase of new equipment and up-gradation of existing equipment	312.63	-	312.63	-
5.	General corporate purposes	[•]	[•]	[•]	[•]
	Total	**[•]**	**[•]**	**[•]**	**[•]**

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

We propose to fund the above expenditure as set forth below:

Means of Finance	Amount (Rs. Million)
Net Proceeds of the Issue	[•]

Details of the Objects

Capitalization of our Subsidiaries

We propose to launch new FM radio stations across India through our two subsidiaries, South Asia FM Limited and Kal Radio Limited. Our Subsidiaries have successfully bid for new FM radio licenses under the Phase II Policy, and will be able to retain 41 of them. Our Subsidiaries have been informed by the MIB by letter dated February 13, 2006 that our Subsidiaries are permitted to operate FM radio stations in 45 cities.

We currently operate FM Radio stations in Chennai, Coimbatore, Tirunelvelli, and our affiliate company Udaya TV Private Limited operates a FM Radio station in Visakhapatnam. Applications have been made to the MIB for the transfer of the FM Radio licenses in these four cities to our Subsidiaries. See "Government Approvals" on page 267. Therefore, our Subsidiaries are permitted to operate FM Radio stations in 41 cities under the FM Phase II Policy, in addition to the four existing FM Radio stations.

As per the letter, dated February 15, 2006, from our Subsidiaries to the MIB, the following are the 41 cities where our Subsidiaries have conveyed their intention to retain and operate FM radio stations:

Name of the Subsidiary	Name of cities
Kal Radio Limited	Bangalore, Hyderabad, Madurai, Vijayawada, Gulbarga, Kannur, Kozhikode, Mangalore, Mysore, Pondicherry, Tirupati, Trissur, Tuticorin, Warangal, Rajamundry, Thiruvananthapuram, Trichy, Cochin (wait-listed)
South Asia FM Limited	Pune, Lucknow, Ahmedabad, Kanpur, Jaipur, Indore, Nagpur, Vadodara, Nasik, Bhopal, Rajkot, Asansol, Jabalpur, Aurangabad, Varanasi, Allahabad, Jamshedpur, Bhubaneshwar, Siliguri, Guwahati, Aizwal, Gangtok, Shillong

The confirmation of the MIB in this respect is awaited. In the event of a change in the 41 cities in which we propose to operationalise FM Radio stations, the total bid amount paid by our Subsidiaries may change, to the extent of the bid amount for such city as paid by our Subsidiaries.

The break-up of the total estimate of the expenses to be incurred by our Subsidiaries towards total bid amount for FM radio licenses retained and for the purpose of launching and operationalizing the 41 FM radio stations, is as set forth below:

(In Rs. Million)

S. No.	Expense	South Asia FM Limited	Kal Radio Limited	Total
1.	Repayment of inter-corporate deposit to us	682.92	740.55	1,423.47
2.	Purchase of broadcasting equipment, Setting-up of local offices and radio studios	916.76	717.47	1,634.23
3.	Pre-operative expenses	280.49	219.51	500.0
	TOTAL	**1,880.17**	**1,677.53**	**3,557.70**

We intend to capitalize our Subsidiaries to the extent of Rs. 3,557.70 million from the Net Proceeds of the Issue.

Repayment of inter-corporate deposit to us

Our Subsidiaries had funded the bid amount for the FM Radio licenses under the Phase II Policy out of its capitalisation and inter-corporate deposits from us, the details of which as of March 10, 2006 are set forth below:

(In Rs. Million)

S. No.	Funding Source	South Asia FM Limited	Kal Radio Limited	Total
1.	Inter-corporate deposits from us	908.75	993.90	1,902.65
2.	Out of capitalisation of Subsidiaries at incorporation	100.10	250.0	350.10
	TOTAL	**1,008.85**	**1,243.90**	**2,252.75**

(Source: As per K.Ramkrish & Co., Chartered Accountants certificate, dated March 10, 2006)

In terms of the Memorandum of Understanding ("MOU") both dated December 28, 2005 between our Company and our Subsidiaries, Kal Radio Limited and South Asia FM Limited are permitted to borrow monies from our Company as inter-corporate deposits, such that monies already borrowed and to be borrowed do not exceed Rs. 1,000 million and Rs. 1,250 million, respectively. We are charging our Subsidiaries an interest of 8%, and the loans are repayable within 180 days from the date of the agreements.

The inter-corporate deposit amount given by us to our Subsidiaries was funded by us as set forth below:

Fund Source	Amount (Rs. Million)
City Union Bank Ltd.	1,602.50
Yes Bank Ltd.	300.00
Internal accruals	0.15
Total	**1,902.65**

(Source: As per K.Ramkrish & Co., Chartered Accountants certificate, dated March 10, 2006)

The funds requirement by our Subsidiaries for the 41 FM Radio licenses to be retained have been funded as set forth below:

(In Rs. Million)

S. No.	Funding Source	South Asia FM Limited	Kal Radio Limited	Total
1.	Inter-corporate deposits from us	682.92	740.55	1423.47
2.	Out of capitalisation of Subsidiaries at incorporation	100.1	250.0	350.10
	TOTAL	**783.02**	**990.55**	**1,773.57**

(Source: As per K.Ramkrish & Co., Chartered Accountants certificate, dated March 10, 2006)

The difference between the amount paid by us as inter-corporate deposit to our Subsidiaries for the purpose of bidding under the Phase II Policy and the inter-corporate deposit amount utilized by our Subsidiaries for the 41 FM Radio stations amounting to Rs. 479.18 will be repaid to us by our Subsidiaries and will not form a part of the Objects of the Issue. We propose to utilize the said amount to repay the loan taken from the aforesaid banks.

The amount of Rs. 1,423.47 million, which is equivalent to the amount of inter-corporate deposits utilized by our Subsidiaries for the 41 FM radio stations, will be repaid to us, upon capitalization of our Subsidiaries by us with a portion of the net proceeds of the Issue and is a part of the Objects of the Issue. We will use the amount so repaid to repay the debt taken from banks that funded the deposit.

Purchase of broadcasting equipment, Setting-up of local offices and radio studios

We estimate that a total expenditure of approximately Rs. Rs. 1,634.23 million towards acquisition of broadcasting equipment, setting-up of 41 local offices and radio studios, would be required by our Subsidiaries.

Purchase of broadcasting equipments includes FM transmitters, FM antennae and payment for common infrastructure. The estimates for FM transmitter and FM antennae are as per quotations received from Broadcast Electronics, Inc., dated December 10, 2005 and Radio Frequency Systems GmbH, dated December 29, 2005, respectively.

The setting up costs would include office costs (includes civil work, flooring, carpentry, painting and electrical work), purchase of various hardware including computers and communication equipment, purchase of vehicles, purchase and installation of air conditioners etc. The estimate for office costs is based on quotations received from Priya Decors dated January 24, 2006, the estimate for vehicles is from Lanson Motors Private Limited dated January 13, 2006, the estimate for UPS systems is based on quotations received from ITS Interactive Power Solutions Private Limited dated January 13, 2006 and the estimate for purchase of air conditioners is based on quotations received from Air-O-Matic Systems, a unit of Rameshwar and Santwil Private Limited, dated January 13, 2006. Estimates in the case of other computer and communication equipment are based on internal management estimates.

We estimate expenses to be incurred by our Subsidiaries towards setting up of studios that would include costs incurred towards the purchase of equipment for On-Air studio, production studio, voice over booth and radio automation equipment etc. The estimate for these costs is based on quotations received from Technomedia Solutions Private Limited, dated January 16, 2006.

Pre-operative expenses

We have estimated an expenditure of Rs. 500 million by our Subsidiaries towards pre-operating costs relating to obtaining frequency allocation, SACFA clearance, overheads prior to commencement of commercial operations and launch expenses.

Launch of new TV channels

To further strengthen our regional content offering and to maintain and enhance our market leadership in regional television content, we propose to launch three new regional television channels. These channels are expected to focus on specific programming formats and genres. The launch of the new channels are expected to increase the breadth of our broadcast offerings and appeal to specific segments of our audience.

We estimate to incur Rs. 1,136.87 million towards the launch of the aforesaid TV channels in purchasing new equipment. The break-up of the expenditure on the new launch of new channels is as set forth below:

S. No.	Expenditure on	Amount (Rs. Million)
1.	Playout setup and recorders	125.63
2.	Cameras and equipments	319.89
3.	Telecini equipments	121.20
4.	Graphic equipments	52.26
5.	SNG Vans	224.80
6.	Flyaway systems	37.49
7.	Media assets	255.60
	Total	**1136.87**

Playout set-up and recorders: Playout set-up includes equipments cost relating to hardware, software licenses and maintenance contracts. Our cost estimate for the playout set-up is based on quotations received from Real Image Media Technologies Private Limited, dated January 18, 2006.

Cameras and equipments: Cameras and equipments includes base system, frame options, audio router, video router, control panel, cables, software options, storage, adapters, encoders, hardware options and various modules. Our cost estimate is based on quotations received from Cineom Broadcast India Private Limited dated January 6, 2006.

Tele-cine equipments: The Tele-cini equipment includes various equipments such as film imaging system, gates, image conversion, image control, gamma control, saturation control, film transport control, high definition video, grace grain reducer, audio option, control workstation and a comprehensive support agreement. Our cost estimate for the Tele-cini equipment is based on the quotation received from Cinecita Comoptronics Industries Private Limited, dated January 6, 2006.

Graphic equipments: The graphic equipment includes the on-air graphic template creation and active page software modules, the playout & control software modules, the on-air graphic creation, playout & control hardware modules, news room software modules, installation & training module, graphic creation options, tracking technology option to connect the on-air graphics to the virtual video and related hardware & softwares. Our estimate for the graphic equipment is based on the quotation received from ORAD Hi Tec Systems Limited dated January 12, 2006 and from Cintamani Computers dated January 13, 2006.

SNG Vans: The SNG Van is a Ku band vehicle system for uplinking programs directly from the site of shooting. The SNG Van is a Mercedes sprinter van which includes the radio-frequency system, production equipment, package for local integration and a digital compression system. Our estimate is based on quotations for four SNG vans received from Vislink Communications Limited, dated January 6, 2006.

Flyaway systems: The Ku band flyaway system inlcudes a compact antennae, encoder, GPS reciever and compass, satellite orbit calculation software, 'L' band upconverter and documentation. Our estimate for the flyaway system is based on quotation for three flyaway system received from Vislink Communications Limited, dated January 6, 2006.

Media assets: Media asset includes the broadcast play-out and archival system. Our estimates are based on quotation received from Technomedia Solutions Private Limited, dated January 16, 2006.

Construction of an owned corporate office, new studios and additional uplinking infrastructure

We estimate to incur Rs. 623.40 million towards construction of our corporate office building, new studios and purchase of additional uplinking infrastructure. Of the Rs. 623.40 million, Rs. 450.00 million is proposed to be utilized for the civil work, flooring, furnishing, painting, electrical work and interiors of our new corporate office and studios and Rs. 173.40 million towards the purchase and setting up of additional uplinking equipments at our new corporate office.

We propose to shift our registered and corporate office from its present location to Mylapore division, Chennai. The new location will also house our new studios and additional uplinking infrastructure. This land has been acquired by us. On February 3, 2006, we entered into an agreement with True Value (I) Private Limited, for the construction on and development of the land. For further details see “Our Business” on page 48.

Our estimate of Rs. 450 million towards civil work, flooring, furnishing, painting, electrical work and interiors of our new corporate office and studios is based on quotation from Priya Decors, dated January 24, 2006.

Additional uplinking infrastructure: We propose to set-up additional uplinking infrastructure to include C-Band antenna sub-system, high power amplifier, fast tuning channel selector, convertor with switch module, amplitude equalizer, compression sub-systems, and related services. We estimate to incur Rs. 173.40 million. Our cost estimates are based on quotations received from Globecomm Systems Inc., dated January 6, 2006.

Purchase new equipment and upgrade of existing equipment

Some of our equipment has been rendered obsolete with time and therefore, we are required to upgrade the same to the existing available technology. We estimate to incur Rs. 312.63 million towards purchase of new equipment and upgradae of existing equipments, which includes TV equipment, upgrading the SNG system and purchase and implementation of additional SAP software.

S. No.	Equipment	Equipment Purchase Cost (Rs. Million)
1.	TV equipment up-grades	145.76
2.	Upgrades of SNG systems	99.07
3.	SAP implementation and consultancy charges	67.8
	TOTAL	**312.63**

TV Equipment upgrades: TV equipment includes upgrading of the two DSX-telecini machines to HD upgrades, upgradation of existing graphic software and work stations and proposal for linear to non linear changeover for post production. Additonal equipments such as DVstation mainframe, the transport stream module, video quality monitor module, audio quality modue, router control software, digital legaliser, windows software and serial digital sync generator, For the above mentioned upgrades and equipments we estimate to incur Rs. 145.76 million based on quotations received from Cintel International Ltd, Cintamani Computer, Pixelmetrix Corporation USA, Videotek USA, LeCroy USA and Agilent Technologies.

Upgradation of SNG systems: We propose to upgrade our existing ‘C’ band SNG system to KU Band. Our estimates are based on quotation received from Vislink Communications Limited, dated January 9, 2006.

SAP Implementation and consulting charges: We estimate a total expenditure of Rs. 67.80 million towards implementation of mySAP Individual Solution (mySAP Enterprise Resource Planning) and consulting charges payable to Siemens Information Systems Limited. The implementation of mySAP Individual Solution includes license cost for 766 users at a cost of Rs. 49.8 million, based on license agreement with SAP India Systems dated October 17, 2005. The consulting charges of Rs. 18 million is as per the master consulting agreement with Siemens Information Systems Limited.

General Corporate Purposes

We, in accordance with the policies set up by our Board, will have flexibility in applying the remaining Net Proceeds of this Issue, for general corporate purposes towards investment in distribution platforms such as the emerging DTH platforms, investment in overseas distribution arrangements and strategic initiatives and acquisitions.

As at the date of this Red Herring Prospectus, we have not entered into any letter of intent or any other commitment or defintive agreements for any such investment in distribution platforms such as the emerging DTH platforms, investment in overseas distribution arrangements and strategic initiatives and acquisitions. Our Board of Directors typically reviews various opportunities periodically.

Our management, in response to the competitive and dynamic nature of the industry, will have the discretion to revise its business plan from time to time and consequently our funding requirement and deployment of funds may also change. This may also include rescheduling the proposed utilization of Net Proceeds and increasing or decreasing expenditure for a particular object vis-à-vis the utilization of Net Proceeds. In case of a shortfall in the Net Proceeds of the Issue, our management may explore a range of options including utilizing our internal accruals or seeking debt from future lenders. The management expects that such alternate arrangements would be available to fund any such shortfall.

Issue Expenses

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

(Rs. in million)

Activity	Expenses
Lead management fee and underwriting commissions	[•]
Advertising and Marketing expenses	[•]
Printing and stationery	[•]
Others (Monitoring agency fees, Registrars fee, legal fee, etc.)	[•]
TOTAL	[•]

Working Capital Requirement

The Net Proceeds of this Issue will not be used to meet our working capital requirements as we expect sufficient internal accruals to meet our existing working capital requirements.

Interim use of funds

Our management, in accordance with the policies established by our Board of Directors from time to time, will have flexibility in deploying the Net Proceeds of the Issue. Pending utilization for the purposes described above, we intend to invest the funds in fixed deposits.

TERMS OF THE ISSUE

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

Note: The SEBI Guidelines were recently amended on September 19, 2005. Pursuant to these amendments certain significant changes have been made, including with regard to the allocation procedure for QIBs. Certain changes may be made to the terms of the Issue and the description of Issue procedure based on discussions that the BRLM and the SCBRLM may have with, or clarifications that they may obtain from, SEBI and the Stock Exchanges.

Authority for the Issue

The Issue has been authorized by a resolution of our Board dated December 5, 2005 and by special resolution adopted pursuant to Section 81(1A) of the Companies Act, at an extraordinary general meeting of the shareholders of our Company held on December 23, 2005.

We have received approval from the FIPB by their letter dated February 27, 2006, for the Issue of Equity Shares and preferential allotment of Equity Shares to eligible NRIs, FIIs, foreign venture capital investors registered with SEBI, multilateral and bilateral development financial institutions.and other eligible foreign investors upto 20% of the paid up equity capital of Sun TV Limited post the Issue.

The MIB, by its letter dated February 16, 2006 bearing number 1404/4/2000-TV(I) has indicated its no objection to the Issue subject to the following conditions:

1. The Company continues to comply with the provisions of the Uplinking Guidelines and should obtain prior approval of the MIB before effecting any change in the shareholding of the largest Indian shareholder, as is required under clause 3.1.2 of the Uplinking Guidelines.
2. Company complies with the conditions of the FM licenses as prescribed under the Phase II Policy.
3. The foreign investment in the Company including FDI do not exceed 20% of the total paid up equity.
4. As per clause 3.1.5 of the Uplinking Guidelines, that the Company intimate the MIB of the changes in FDI, within 15 days of such change and while effecting changes in the shareholding patterns, the Company ensure its continued compliance with clauses 3.1.1 and 3.1.2 of the Uplinking Guidelines.
5. As per clause 3.1.5 of the Uplinking Guidelines, the Company intimate the MIB of the names and details of all persons, not being resident Indians, who are proposed to be inducted in the Board.
6. The Company ensure that even if FII's buy into the Issue, their foreign equity holding does not exceed the limit as prescribed in Sl. No. (3) above.

Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of our Memorandum and Articles and shall rank pari-passu with the existing Equity Shares of our Company including rights in respect of dividend. The Allottees in receipt of allotment of Equity Shares under this Issue will be entitled to dividends and other corporate benefits, if any, declared by the Company after the date of allotment.

Mode of Payment of Dividend

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

Face Value and Issue Price

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

Compliance with SEBI Guidelines

We shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholder

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

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

For a detailed description of the main provisions of our Articles relating to voting rights, dividend, forfeiture and lien and/or consolidation/splitting, please refer to the section titled "Main Provisions of Our Articles of Association" on page 308.

Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form. As per the SEBI Guidelines, the trading of our Equity Shares shall only be in dematerialised form. Since trading of our Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment in this Issue will be only in electronic form in multiples of 8 Equity Share, subject to a minimum allotment of 8 Equity Shares.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with the competent courts/authorities in Chennai, Tamil Nadu, India.

Nomination Facility to Investor

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

In accordance with Section 109B of the Companies Act, any Person who becomes a nominee by virtue of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as the holder of the Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialised form, there is no need to make a separate nomination with us. Nominations registered with respective depository participant of the applicant would prevail. If the investors require to change their nomination, they are requested to inform their respective depository participant.

Minimum Subscription

If our Company does not receive the minimum subscription of 90% of the Issue, including devolvement of underwriters within 60 days from the Bid/Issue Closing Date, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after our Company becomes liable to pay the amount, our Company shall pay interest prescribed under Section 73 of the Companies Act.

Further in terms of Clause 2.2.2A of the SEBI Guidelines, we shall ensure that the number of prospective allottees to whom Equity Shares will be allotted will not be less than 1,000.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933 (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act in reliance on Rule 144A under the Securities Act, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

BASIS FOR ISSUE PRICE

The Issue Price will be determined by the Company in consultation with the BRLM and the SCBRLM on the basis of assessment of market demand for the offered Equity Shares by the Book Building Process. The face value of the Equity Shares is Rs. 10 and the Issue Price is 73.0 times the face value at the lower end of the Price Band and 87.5 times the face value at the higher end of the Price Band.

Qualitative Factors

For some of the qualitative factors, which may form the basis for computing the price refer to "Summary of Our Business, Strengths and Strategy" on page 1 and Risk Factors on page xi.

Quantitative Factors

Some of the quantitative factors, which may form the basis for computing the price, are:

1. Basic and Diluted Earnings per Share (EPS)

Year Ended	EPS (Annualized) (Rs.)	Weight
March 31, 2003	9.43	1
March 31, 2004	12.47	2
March 31, 2005	12.57	3
December 31, 2005	16.51	4
Weighted Average	13.81	

Note:

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

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

a) Based on nine months ended December 31, 2005, EPS is Rs 16.51

b) P/E based on twelve months ended March 31, 2005: [•]

c) P/E based on weighted average EPS: Rs [•]

d) Industry P/E

i. Highest - 110.4

ii. Lowest – 1.1

iii. Industry composite – 39.1

(Source: Capital Market Volume XX/26, dated February 27– March 12, 2006. Category - Entertainment / Electronic Media Software)

3. Average Return on Net Worth (RoNW)

Year Ended	RoNW (Annualized) (%)	Weight
March 31, 2003	23	1
March 31, 2004	24	2
March 31, 2005	19	3
December 31, 2005	35	4
Weighted Average	26.8	

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

4. ***Minimum Return on Total Net Worth after Issue needed to maintain Pre-Issue EPS for nine months ended December 31, 2005 of Rs. 16.51 is* [•]*%***

5. ***Net Asset Value (NAV)***

NAV as at December 31, 2005 (Rs.)	:	Rs. 47.85
NAV after the Issue (Rs.)	:	Rs. [•]
Issue Price	:	Rs. [•]

NAV per equity share has been calculated as shareholders' equity less miscellaneous expenses as divided by weighted average number of equity shares.

The Issue Price of Rs. [•] has been determined on the basis of the demand from investors through the Book-Building Process and is justified based on the above accounting ratios.

6. Comparison with other listed companies

Particulars	EPS (Rs.)@	P/E (times) ^ ^	Book Value per share (Rs.)@
Zee Telefilms Limited*	3.9	54	51.80

* *Zee Telefilms Limited is the only comparable listed company, in the Indian media and the broadcasting sector, which offers the similar breadth of content offering as our Company such as news and current affairs, music, general entertainment etc. Source: Capital Market February 27– March 12, 2006 Volume XX/26.*

@ *As of the year ended March 31, 2005*

^ ^ *Closing Price as on February 20, 2006*

STATEMENT OF TAX BENEFITS

Auditor's Report

Statement of Possible Income-tax Benefits available to Sun TV Limited *[formerly, Sun TV Private Limited]* ('the Company') and its Shareholders

We hereby report that the enclosed annexure states the possible income-tax benefits available to the Company and its shareholders under the current direct tax laws presently in force in India. In addition, wherever appropriate, changes proposed under the Finance Bill, 2006 have been indicated by way of a footnote.

Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the statute. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions.

The benefits discussed below are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

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

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

The contents of this annexure are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company and the interpretation of the current direct tax laws presently in force in India.

S.R. Batliboi & Associates
Chartered Accountants

per Mahendra Jain
partner
Membership No.: 205839

Chennai
March 9, 2006

STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS

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 tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions as may be prescribed under the relevant sections of the Income-tax Act, 1961 ('the Act').

The following are the benefits that may be available to the Company and the prospective shareholders under the Act.

1. Benefits applicable to the Company/prospective shareholders

1.1 Dividends exempt under section 10(34) of the Act

Dividends (whether interim or final) declared, distributed or paid by a domestic company are exempt in the hands of the Company/prospective shareholders, in its capacity as a registered shareholder, as per the provisions of Section 10(34) of the Act, if the same is subject to dividend distribution tax under section 115O of the Act. However, section 94(7) of the Act provides that losses arising from the sale/transfer of shares purchased upto three months prior to the record date and sold within three months after such date, will be disallowed to the extent dividend on such shares are claimed as tax exempt by the shareholder.

1.2 Computation of capital gains

Capital assets may be categorized into short term capital assets and long term capital assets based on the period of their holding. All capital assets (except shares held in a company or any other security listed in a recognized stock exchange in India or a unit of the UTI or a unit of a mutual fund specified under section 10(23D) or a zero coupon bond[1]) are considered to be long term capital assets if they are held for a period in excess of 36 months. However, shares held in a company or any other security listed in a recognized stock exchange in India or a unit of the UTI or a unit of a mutual fund specified under section 10(23D) or a zero coupon bond, shall be considered as long term capital assets if they are held for a period in excess of 12 months.

Consequently, capital gains arising on sale of share held in a company or any other security listed in a recognized stock exchange in India or a unit of the UTI or a unit of a mutual fund specified under section 10(23D) or a zero coupon bond, held for more than 12 months would be considered as "long term capital gains".

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

However, in context of transfer of shares of an Indian company held by a non-resident, the computation of long term capital gains is to be determined in the foreign currency initially utilized for the purpose of acquiring the shares[2] . The capital gain (ie, sale proceeds less cost of acquisition/improvement) so computed in the original foreign currency is then required to be converted into Indian rupees at the prevailing prescribed rate of exchange. Accordingly, it may be noted that the benefit of indexation is not available if the shares are purchased in foreign currency by a non-resident.

1.3 Exemption of long term capital gains

- As per the provisions of Section 10(38) of the Act, long term capital gain arising from transfer of an equity share in a company or unit of an equity oriented fund is exempt from income-tax if the transaction for sale is chargeable to securities transaction tax under Chapter VII of the Finance (No.2) Act, 2004[3] .
- Additionally, in terms of section 88E of the Act, the securities transaction tax paid in respect of taxable securities transaction entered into in the course of business would be eligible for a rebate from the amount of income-tax on the income chargeable under the head "Profits and gains of business and profession" arising from taxable securities transaction. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains, for the amounts paid on account of securities transaction tax.

[1] *As defined in section 2(48) of the Act*

[2] *As per the first proviso to section 48 of the Act*

[3] *The Finance Bill, 2006 proposes to include income by way of long term capital gains, which is exempt under section 10(38) of the Act, in computing the 'book profits' under section 115JB of the Act. The said amendment is proposed to be effective from the Assessment Year 2007-08.*

- As per the provisions of Section 54EC of the Act and subject to the conditions specified therein, capital gains arising from transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in "long term specified assets"[4] (as defined under the said section) within six months from the date of transfer. Further, in the case of individuals, it may be noted that no deduction shall be available under section 80C, in respect of the amounts that are taken into consideration for the purpose of section 54EC of the Act.
- As per the provisions of Section 54ED[5] of the Act and subject to the conditions specified therein, capital gains arising from transfer of long term capital assets, being listed securities or units of a mutual fund specified under section 10(23D) of the Act or of the UTI, shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an "eligible issue of capital" within six months from the date of transfer of the said long term capital assets.

  Eligible issue of capital has been defined as an issue of equity shares which satisfies the following conditions–

  - The issue is made by a public company formed and registered in India; and
  - The shares forming part of the issue are offered for subscription to the public.

  Further, in the case of individuals, it may be noted that no deduction shall be available under section 80C, in respect of the amounts that are taken into consideration for the purpose of section 54ED of the Act.

  In addition to the benefits mentioned above, the Company and its prospective shareholders would be entitled to the following specific benefits subject to satisfaction of the conditions prescribed under the relevant sections of the Act.

2. Specific benefits available to the Company

The following benefits are in addition to the benefits provided in Paragraph 1, above.

2.1 Taxation of capital gains (other than those discussed in Paragraph 1.3 above)

Nature of gain	Benefit available/Rate of taxation
Long term capital gain	• As per the provisions of Section 112(1)(b) of the Act, long term capital gains would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). • However, as per the proviso to Section 112(1) of the Act, if the tax payable in respect of long term capital gains resulting on transfer of listed securities or units or zero coupon bonds, calculated at the rate of 20 percent with indexation benefit exceeds the tax payable on gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at the rate of 10 percent without indexation benefit (plus applicable surcharge and education cess).
Short term capital gain	• Gains arising on transfer of a short term capital assets are currently chargeable to tax at the rate of 30 percent (plus applicable surcharge and education cess). • However, as per section 111A of the Act, short term capital gain arising from transfer of an equity share in a company or a unit of an equity oriented fund would be taxable at 10 percent (plus applicable surcharge and education cess), if the transaction for sale is chargeable to securities transaction tax under Chapter VII of the Finance (No.2) Act, 2004.

4 *The Finance Bill, 2006 proposes to restrict the scope of the term "long term specified asset" to only cover investments effected in those bonds which are redeemable after three years, and are issued by the National Highways Authority of India, or by the Rural Electrification Corporation Limited, on or after April 1, 2006 and are notified by the Central Government for the purposes of the said section. The said amendment is proposed to be effective from April 1, 2006.*

5 *The Finance Bill, 2006 proposes to withdraw the exemption provided under section 54ED with effect from the Assessment Year 2007-08.*

2.2 Unabsorbed depreciation and business losses

As per the provisions of section 32(2) of the Act, where full allowance cannot be given to the depreciation allowance in any year, the same can be carried forward and claimed in the subsequent year(s). Further, as per the provisions of section 72 of the Act, unabsorbed business losses which is not set off in any previous year can be carried forward and set off against the business profits of the subsequent assessment year(s), subject to a maximum of eight assessment years. However, the carry forward and set off of business losses are subject to restrictions specified in section 79 and section 80.

2.3 Others

- Subject to compliance of certain conditions laid down in section 32 of the Act, the Company will be entitled to a deduction for depreciation:
  - In respect of tangible assets at the rates prescribed under the Income tax Rules, 1962;
  - In respect of intangible assets being in the nature of know-how, patents, copy-rights, trademarks, licenses, franchises or any other business or commercial right of similar nature acquired on or after April 1, 1998 at the rates prescribed under the Income tax Rules, 1962;
- Under section 35D of the Act, a deduction equal to one-fifth of certain specified expenditure, including specified expenditure incurred in connection with the issue for the extension of the industrial undertaking, for a period of five successive years subject to the limits provided and the conditions stated under the said section.
- Under section 115JAA(1A) of the Act, credit shall be allowed for any tax paid under section 115JB of the Act (MAT) for any assessment year commencing on or after April 1, 2006 against the tax payable under the provisions of the Act other than section 115JB. Such set off is however restricted to the difference between tax on income computed in accordance with the provisions of the Act other than section 115JB and the tax payable under section 115JB. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the provisions of the Act excluding section 115JB. Such MAT credit shall not be available for set-off beyond five years[6] succeeding the year in which the MAT credit initially arose.

3. Benefits available to resident individual shareholders

The following benefits are in addition to the benefits stated in Paragraph 1 above.

3.1 Income of a minor exempt up to a certain limit

Under Section 10(32) of the Act, any income of minor children clubbed in the total income of the parent under Section 64(1A) of the Act will be exempt from tax to the extent of Rs. 1,500 per minor child.

3.2 Taxation of capital gains (other than those discussed in Paragraph 1.3 above)

	Rate of taxation/Benefit available
Long term capital gain	• As per the provisions of Section 112(1)(b) of the Act, long term capital gains would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). • However, as per the proviso to Section 112(1) of the Act, if the tax payable in respect of long term capital gains resulting on transfer of listed securities or units or zero coupon bonds, calculated at the rate of 20 percent with indexation benefit exceeds the tax payable on gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at the rate of 10 percent without indexation benefit (plus applicable surcharge and education cess).

6 *The Finance Bill, 2006 proposes to amend the provisions of section 115JAA of the Act, to provide that the amount of tax credit so determined shall be allowed to be carried forward and set-off for seven assessment years immediately succeeding the assessment year in which the tax credit becomes allowable under the said section. The said amendment is proposed to be effective from the Assessment Year 2007-08.*

	• As per the provisions of Section 54F of the Act and subject to the conditions specified therein, gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to income-tax to the extent the entire net consideration received on such transfer is invested within the prescribed period in a residential house either purchased or constructed.
Short term capital gain	• Gains arising from the transfer of short term capital assets are currently chargeable to tax at 30 percent (plus applicable surcharge and education cess). • However, as per section 111A of the Act, short term capital gain arising from transfer of an equity share in a company or a unit of an equity oriented fund would be taxable at 10 percent (plus applicable surcharge and education cess), if the transaction for sale is chargeable to securities transaction tax under Chapter VII of the Finance (No.2) Act, 2004

4. Benefits available to Non-Resident Indian (as defined in section 115C(e) of the Act) shareholders

The following benefits are in addition to the benefits stated in Paragraph 1 above.

4.1 Income of a minor exempt up to a certain limit

Under Section 10(32) of the Act, any income of minor children clubbed in the total income of the parent under Section 64(1A) of the Act will be exempt from tax to the extent of Rs 1,500 per minor child.

4.2 Taxation of capital gains – Options available under the Act (other than those discussed in Paragraph 1.3 above)

(A) Where shares have been subscribed in convertible foreign exchange - Option available under Chapter XII-A of the Act

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

- As per the provisions of Section 115D read with Section 115E of the Act and subject to the conditions specified therein, long term capital gains arising on transfer of an Indian company's shares, will be subject to tax at the rate of 10 percent (plus applicable surcharge and education cess), without indexation benefit.
- As per the provisions of Section 115F of the Act and subject to the conditions specified therein, gains arising from the transfer of a long term capital asset being shares in an Indian company shall not be chargeable to tax if the entire net consideration received on such transfer is invested within a period of six months from the date of transfer in any specified asset[7] or savings certificates[8]. If only part of such net consideration is so invested, then such gains would not be chargeable to tax on a proportionate basis.
- As per the provisions of Section 115G of the Act, Non-Resident Indians are not obliged to file a return of income under Section 139(1) of the Act, if their only source of income is income from investments or long term capital gains or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.
- Under Section 115H of the Act, where the Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under Section 139 of the Act to the effect that the provisions of the Chapter XII-A shall continue to apply to him in relation to such investment income derived from certain specified assets (as prescribed in section 115H) for that year and subsequent assessment years until such assets are transferred or converted into money.
- As per the provisions of Section 115I of the Act, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that assessment year under Section 139 of the Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

[7] *As defined under section 115C(f) of the Act*

[8] *As referred to in clause (4B) of section 10 of the Act.*

(B) Where the shares have been subscribed in Indian Rupees

Nature of gain	Rate of taxation/Benefit available
Long term capital gain	• As per the provisions of Section 112(1)(c) of the Act, long term capital gains would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). • However, as per the proviso to Section 112(1) of the Act, if the tax payable in respect of long term capital gains resulting on transfer of listed securities or units or zero coupon bonds, calculated at the rate of 20 percent with indexation benefit exceeds the tax payable on gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at the rate of 10 percent without indexation benefit (plus applicable surcharge and education cess). As per the provisions of Section 112(1)(b) of the Act, long term capital gains as computed above would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). • As per the provisions of Section 54F of the Act and subject to the conditions specified therein, gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to income-tax to the extent the entire net consideration received on such transfer is invested within the prescribed period in a residential house either purchased or constructed.
Short term capital gain	• Gains arising from the transfer of short term capital assets are currently chargeable to tax at 30 percent (plus applicable surcharge and education cess). • However, as per section 111A of the Act, short term capital gain arising from transfer of an equity share in a company or a unit of an equity oriented fund would be taxable at 10 percent (plus applicable surcharge and education cess), if the transaction for sale is chargeable to securities transaction tax under Chapter VII of the Finance (No.2) Act, 2004

4.3 Provisions of the Act vis-à-vis provisions of the tax treaty

As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the relevant tax treaty to the extent they are more beneficial to the non-resident Indian.

5. Benefits available to other Non-Residents shareholders

The following benefits are in addition to the benefits stated in Paragraph 1 above.

5.1 Income of a minor exempt up to a certain limit

Under Section 10(32) of the Act, any income of minor children clubbed in the total income of the parent under Section 64(1A) of the Act will be exempt from tax to the extent of Rs. 1,500 per minor child.

5.2 Taxation of capital gains (other than those discussed in Paragraph 1.3 above)

	Benefit available
Long term capital gain	• As per the provisions of Section 112(1)(c) of the Act, long term capital gains would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). • However, as per the proviso to Section 112(1) of the Act, if the tax payable in respect of long term capital gains resulting on transfer of listed securities or units or zero coupon bonds, calculated at the rate of 20 percent with indexation benefit exceeds the tax payable on gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at the rate of 10 percent without indexation benefit (plus applicable surcharge and education cess). • As per the provisions of Section 54F of the Act and subject to the conditions specified therein, in the case of an individual, gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax to the extent the entire net consideration received on such transfer is invested within the prescribed period in a residential house either purchased or constructed.
Short term capital gain	• As per section 111A of the Act, short term capital gain arising from transfer of an equity share in a company or a unit of an equity oriented fund would be taxable at 10 percent (plus applicable surcharge and education cess), if the transaction for sale is chargeable to securities transaction tax under Chapter VII of the Finance (No.2) Act, 2004.

5.3 Provisions of the Act vis-à-vis provisions of the treaty

As per section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the relevant tax treaty to the extent they are more beneficial to the non-resident.

6. Benefits available to Foreign Institutional Investors ("FIIs")

The following benefits are in addition to the benefits stated in Paragraph 1 above.

6.1 Taxability of capital gains (other than those discussed in Paragraph 1.3 above)

- As per the provisions of section 115AD of the Act, FIIs will be taxed on the capital gains income at the following rates:

Nature of income	**Rate of tax**
Long term capital gains	10 percent
Short term capital gains	30 percent / 10 percent[9]

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

In accordance with the provisions of section 196D(2), no deduction of tax shall be made from any income, by way of capital gains arising on transfer of securities referred to section 115AD payable to a FII.

6.2 Provisions of the Act vis-à-vis provisions of the treaty

As per section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the relevant tax treaty to the extent they are more beneficial to the non-resident.

[9] Reduced rate of 10 percent if the transaction for sale is chargeable to securities transaction tax under Chapter VII of the Finance (No.2) Act, 2004.

7. Benefits available to Mutual Funds

As per the provisions of section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made thereunder, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorized by the Reserve Bank of India would be exempt from income tax, subject to such conditions as may be prescribed in this behalf. In addition, in accordance with the provisions of section 10(35) of the Act any income by way of income received in respect of units of a Mutual Fund specified under section 10(23D) is exempt from tax in the hands of the recipient.

8. Benefits available to 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 the 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, are exempt from income-tax. However, the income distributed by the Venture Capital Companies / Funds to its investors would be taxable in the hands of the recipients.

9. Benefits available under the Wealth Tax Act, 1957

Shares of a company held by the shareholder will not be treated as an asset within the meaning of section 2(ea) of the Wealth Tax Act, 1957. Hence shares of the company are not liable to wealth tax.

SECTION IV: ABOUT THE COMPANY

INDUSTRY

The industry data set forth below is based on industry information collected by third parties. The industry sources cited herein include TAM Media Research ("TAM"), the National Readership Studies Council ("NRSC") survey published in 2005 ("NRS 2005"), the FICCI-PriceWaterhouseCoopers report of March 2005 titled "Indian Entertainment Industry - An Unfolding Opportunity" (the "FICCI-PwC report") and the CII-KPMG report of 2005 titled "Indian Entertainment Industry - Focus 2010: Dreams to Reality" (the "CII-KPMG Report"). Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but that their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured and accordingly, investment decisions should not be based on such information.

Note Regarding Methodology

Data presented in this Red Herring Prospectus on audience share for television channels and networks is sourced from TAM Media Research, an independent market research organization in India.

Ratings are produced every week and are available by subscription to TAM, which provides the subscriber with software with which to obtain the data. Principally, two types of ratings are produced: television viewership ratings or "TVRs", which are used to rate different programs broadcast during the same time slot, and "shares", which are used to determine the combined viewership of channels. A TVR measures the audience watching a particular program as a percentage of the total actual audience in the particular market during that time. A share, referred to throughout this Red Herring Prospectus as an "audience share", measures the audience watching a particular channel as a percentage of the total actual audience in the market at that time. Ratings are gathered by placing meters in select sample locations in chosen TAM markets. Ratings are generally computed for the 2 a.m. to 2 p.m. period in a day, or for any part of a day, subject to a minimum of a half hour time slot, and are calculated for the week from Sunday to Saturday. In this Red Herring Prospectus, ratings for any particular year are computed by the software by combining the ratings for all the weeks in that year. Sometimes, a single rating is not available for the entire specified period and has to be split into ratings for more than one period because of the introduction or exclusion of TAM markets in a certain region. The target group for all ratings calculations in this Red Herring Prospectus has been "C&S 4+", which is the group comprising cable and satellite television viewers above the age of 4.

Data presented in this Red Herring Prospectus on estimates of radio listeners is sourced from the NRSC.

NRS surveys are typically conducted annually. Field work is generally conducted over a period of about four months, and the estimates contained in the resulting survey relate only to this period. For example, NRS 2005 used data collected between November 2004 and March 2005. The surveys indicate estimates for the number of adults in the selected market who listened to a particular radio station in the week before they were surveyed, expressed either as an absolute number or a percentage of the total population of adults in that market. Data is gathered through survey interviews, where participants are asked which radio stations they listened to during the past week. The percentages of the estimates may not add up to 100%, since a particular listener may have listened to more than one radio station. Estimates are compiled by collecting data from a statistically determined random sample of the total number of adults (comprising all individuals aged 12 years and above) in the chosen market. Data is displayed by entering certain survey parameters into software provided by the NRSC. Currently, ACNielsen, an independent market research organization, collects NRS survey data for the NRSC.

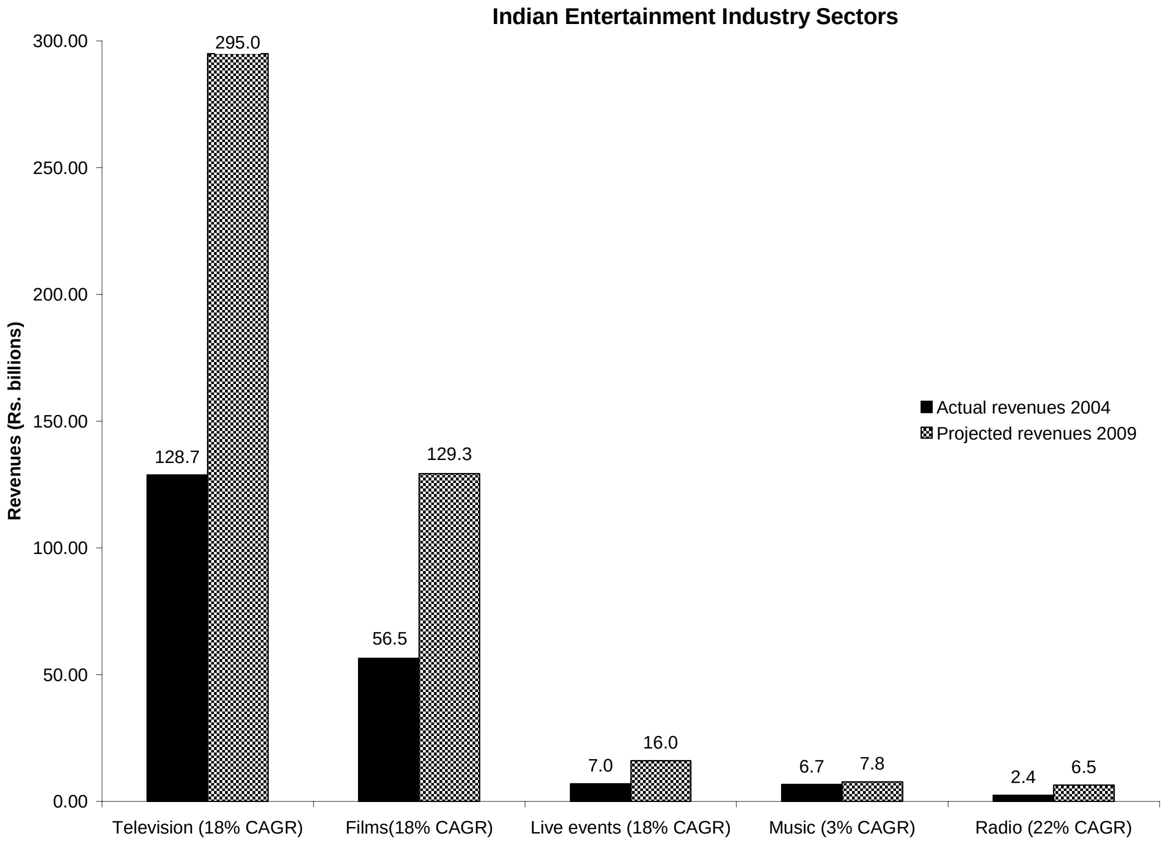
General

The Indian television market consists of terrestrial broadcasting which is provided solely by the state-owned broadcaster, Doordarshan, and cable and satellite broadcasting, which is provided by Doordarshan as well as other Indian and foreign broadcasters.

The Indian television market had more than 119 million television households at the end of fiscal 2004, making it the third largest television market in the world after the United States and China. Of these, about 50 million households were cable television households, which represent a penetration rate of approximately 42% of the total television households and approximately 25% of the total households in India. The percentage of households with televisions was approximately 60% in fiscal 2004. An estimated nine million television sets were sold in India in 2004. Of the 25 million households that bought television sets over the three fiscal years ended March 31, 2004, 19 million, or 77% were rural households. (Source: CII-KPMG Report)

In 2004, approximately 87.6% of the total number of 10.6 million television households in Tamil Nadu and the union territory of Pondicherry were cable and satellite households, compared to 56.3% for all of India. In 2004, approximately 61.1% of the total number of 4.5 million television households in Kerala were cable and satellite households, compared to 56.3% for all of India. (Source: NRS 2005)

The following chart sets forth the 2004 actual revenues and 2009 projected revenues (according to FICCI _- PWC) for the Indian entertainment industry as a whole and for the various segments of the industry, including television (television revenues include revenues to broadcasters as well as to cable operators).



(Source for actual and projected revenues: FICCI-PwC report)

History and Development

The Indian television industry commenced in 1959, when Doordarshan began its terrestrial broadcasts in black and white. The commercial television industry began in the early 1990s. At that time, Indian law prohibited the entry of private companies into terrestrial broadcasting. In the early 1990s, foreign broadcasters such as CNN and Star TV and domestic broadcasters such as Zee TV began broadcasting satellite television into India. Sun TV was launched as the first regional satellite television channel in 1993. The number of channels grew quickly thereafter. Today, the typical cable and satellite household receives about 90 channels in the analog mode, of which around 50 are free-to-air channels and around 40 are pay channels. In 2003, direct-to-home ("DTH") television was introduced in India. There are more than 350 channels operating in the country as a whole. (Source: FICCI-PwC report)

Structure of the Indian Television Broadcasting Industry

The Indian television broadcasting industry can be divided into two categories:

Terrestrial broadcasting

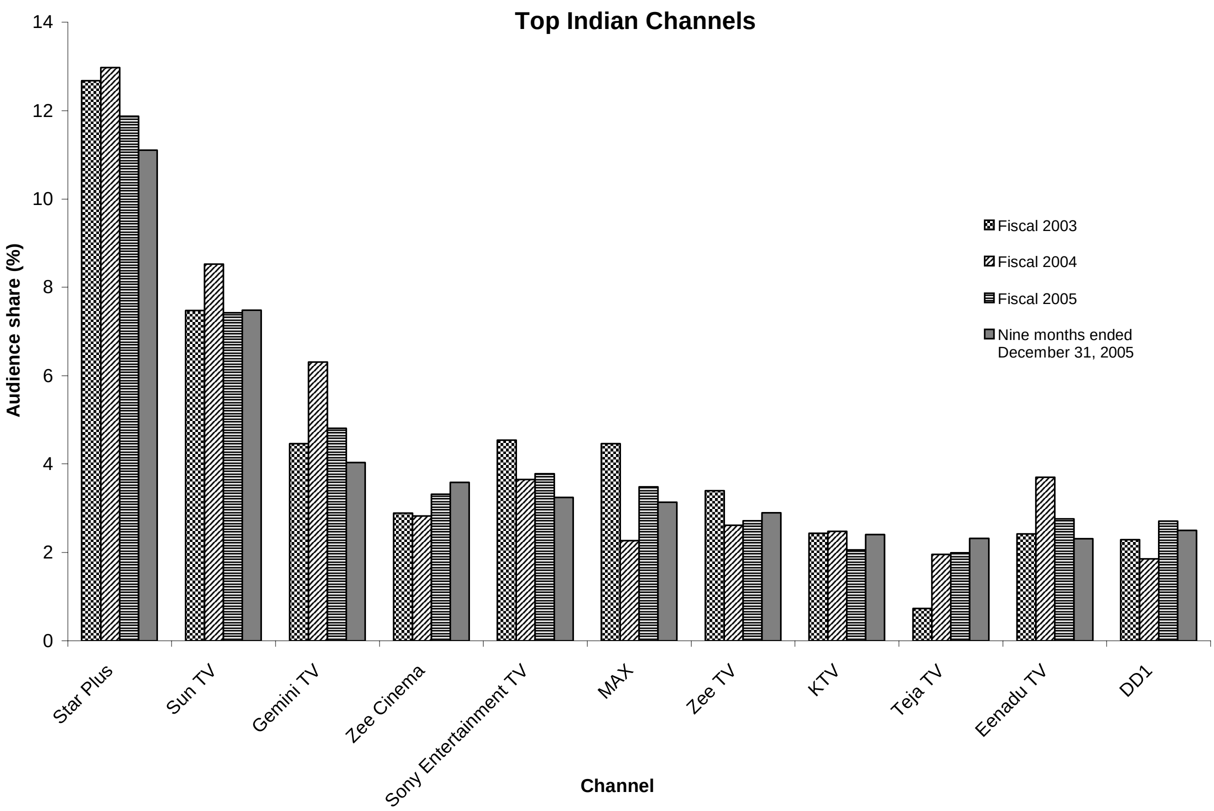
This is broadcast through transmitters and received by households through antennas. Prasar Bharati (Broadcasting Corporation of India) is the only terrestrial broadcaster in India and is owned by the Government of India. It operates several channels under the umbrella brand "Doordarshan". As the terrestrial broadcaster, Doordarshan can potentially be accessed by all television households. In addition to its national channels in Hindi and English, Doordarshan broadcasts several regional language channels that are broadcast in particular regions of the country.

Cable and satellite broadcasting

This is broadcast by uplink of the channel to a satellite, which then provides the downlink signal to a wide region. The downlink signal is received by ground-based cable distributors through dish antennas, amplifiers and decoders.

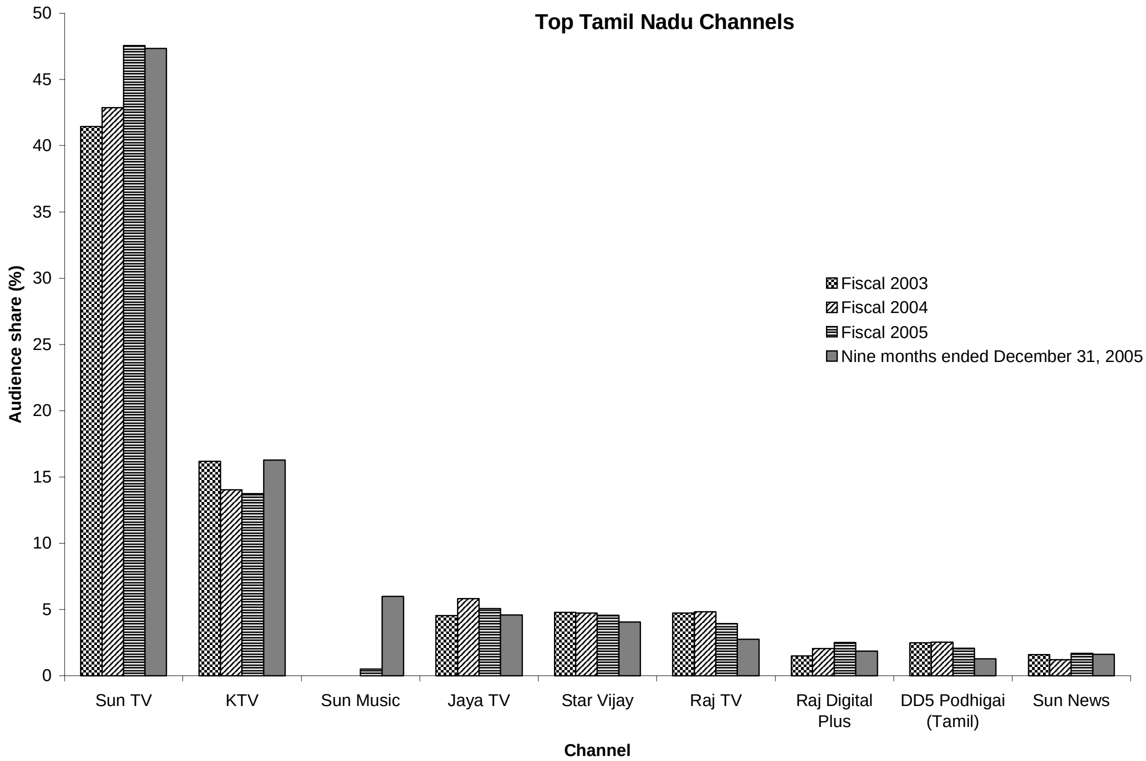
The distribution of cable and satellite channels to households is then carried out by cable, and has been characterized by complexity and fragmentation. There are a large number of operators in India, consisting of MSOs, as well as LCOs who provide the "last mile" connection. In most areas, there is only one provider of the last mile connection.

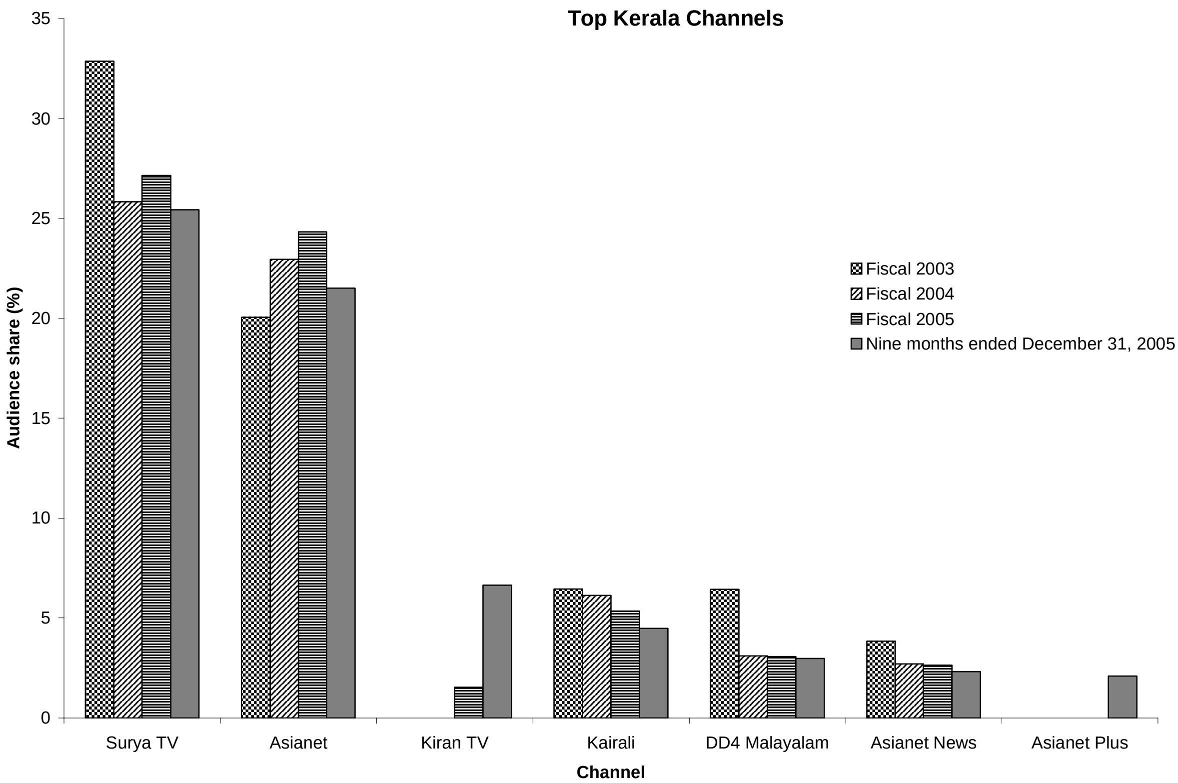
Cable and Satellite Broadcasters. The major cable networks include nationwide networks such as Star, Zee and Sony Entertainment Television, and regional networks such as the Company. Doordarshan also has national as well as regional satellite channels. The following charts show the largest channels in India by audience share for the fiscal years ended March 31, 2003, March 31, 2004 and March 31, 2005, and the nine months ended December 31, 2005.



Source: TAM

The following charts show the largest channels in the Tamil Nadu and Kerala markets by audience share for the years ended March 31, 2003, March 31, 2004 and March 31, 2005 and the nine months ended December 31, 2005.





DTH

DTH is currently offered in India by DishTV, which is a part of the Zee TV Group and DD Direct Plus, which is a part of Doordarshan. Recent press reports indicate that there will be other entrants into the DTH business in the near future, including a joint venture between the TATA group and Star TV.

Revenue Streams

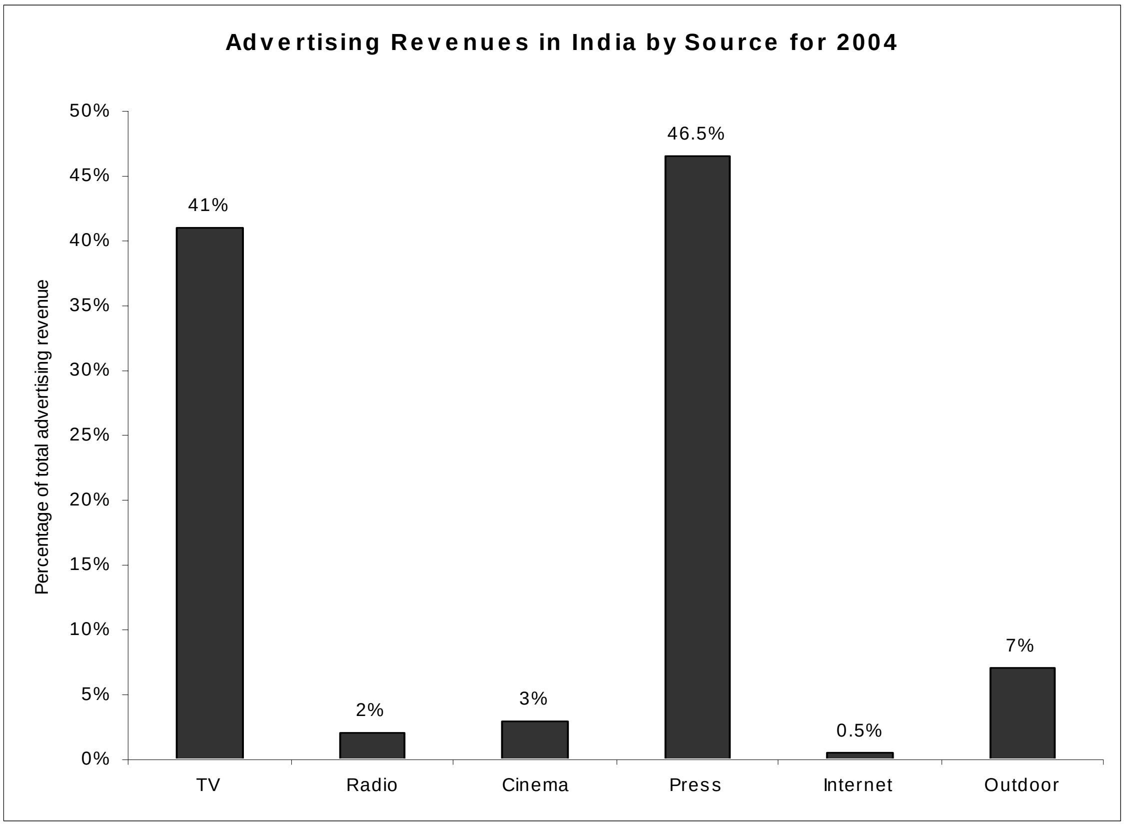
The revenues of cable and satellite broadcasters generally consist of the following sources:

- advertising,
- subscription, including from international arrangements, and
- content syndication.

Advertising.

Broadcasters earn revenues from advertising by selling time spots that are interspersed in the channel's regular programmes, sponsorships (including title sponsorships) and banners/crawlers that are displayed on a part of the television screen while regular programmes are broadcast.

The television advertising market has grown over the last several years, particularly as the share of advertising on television relative to all media has grown. Television advertising grew by 13.4%, 9.5% and 8.1% in fiscal 2004, 2003 and 2002, respectively, compared to the prior fiscal year. Revenues from Indian television advertising were about Rs. 48 billion in fiscal 2004, which represented 41% of the total revenues from advertising on all kinds of media in India in that year of approximately Rs. 118 billion. The following chart shows the share of television advertising as compared to other forms of media advertising in India in fiscal 2004.



(Source: FICCI-PwC report)

Subscription.

Broadcasters provide cable channels to cable operators either on a "free to air" basis or a pay basis. In the case of pay channels, the cable operators receive monthly fees from subscribers, which are shared with the broadcaster based on the number of subscribers declared by the cable operators. In most areas except Chennai, a subscriber pays a fixed fee for all pay channels offered by the operator. Under the CAS system, which is currently in place only in Chennai, a subscriber may choose to pay only for those pay channels that the subscriber wishes to receive, although subscribers in Chennai also have the option to receive a package of free-to-air channels for a flat fee. Revenues from subscription, which include revenue earned by broadcasters and cable operators, were about Rs. 75 billion in fiscal 2004. (Source: FICCI-PwC report)

The Indian cable and satellite television market has also been characterized by relatively low subscription rates, or the monthly fees paid by subscribers, compared to other countries. In addition, there has been alleged underreporting of subscriber numbers by some operators. Average subscription rates in India for cable and satellite channels were approximately Rs. 174 per subscriber per month in 2004. (Source: FICCI-PwC report) Subscription revenues have grown in recent years due to expansion of the number of cable and satellite homes, as well as the development of pay channels.

Broadcasters also earn revenue for the broadcast of their programming in other countries. This is done through various technologies, such as cable, DTH and terrestrial broadcast, through arrangements with broadcasters, cable operators and other industry participants. Typically, these are revenue-sharing arrangements based on the total number of subscribers. This programming is typically directed at the non-resident population or others interested in Indian news and culture. www.indiandiaspora.nic.in, a website operated by the Government of India, reported that, as of December 2001, there were more than 16 million non-resident Indians and persons of Indian origin living outside India, with more than 500,000 in each of nine countries.

Content Syndication.

Broadcasters also sell content from their libraries to other users, including other broadcasters and content producers. This accounted for Rs. 5.7 billion in the year ended March 31, 2004. (Source: FICCI-PwC report)

Industry Outlook

Some of the factors that could have an effect on growth in television broadcasting industry revenues are:

Increases in advertising revenues: Advertising spending is determined by several factors, including the overall economic and regulatory climate for existing and new industries, economic growth, competition and the availability of media. Some of the factors that could influence television advertising revenues are the following:

- India has had a high real GDP growth rate (at factor cost), of 6.9% in fiscal 2005 and 8.5% in fiscal 2004, according to the Central Statistical Organisation in the Ministry of Statistics and Programme Implementation.
- Many industries that are currently experiencing rapid growth generally choose to advertise on television and other mass media, including the automotive, telecommunications, pharmaceuticals, banking and insurance industries.
- India has a comparatively low proportion of advertising expenditures to GDP. This was 0.5% in 2004, when compared to the United States (1.3%) and the United Kingdom (0.9%) in the same period. (Source: CII-KPMG Report)

Increase in television advertising's share of total advertising revenue: The share of television advertising as a percentage of total advertising revenue grew steadily in the 1990s. Although it has remained relatively stable in recent years at around 41%, there may be potential for further growth with increased consumerism and the continued entry of global brands in India.

Increase in cable and satellite television homes: The number of cable and satellite households in India grew to 50 million at the end of fiscal 2004. At the same time, the proportion of cable and satellite households to the total number of television households increased to 25%. (Source: FICCI-PwC report) Continued increase in the number of cable and satellite households could contribute to increased advertising and subscription revenues.

Increase in cable revenues: In addition to possible growth due to an increase in the number of cable and television homes, overall subscription revenues may grow as more channels become pay channels and if subscription rates increase. In addition, the share of subscription revenues allocated to broadcasters could increase with the implementation of the CAS, DTH and other new technologies, as well as regulatory or other measures that could potentially address the problem of under-reporting of subscribers.

Increases in other revenue streams: Revenues from international arrangements could increase as international markets are addressed through focused programming and greater penetration. Content syndication could also grow through international interest in India as well as the growth of the domestic broadcasting industry. The use of new media for broadcast of our content through other platforms including mobile and broadbandcould also increase revenues.

In addition, regulation of the Indian television market has had and will continue to have a significant effect on the opportunities for broadcasters. The Government has been considering opening up the terrestrial broadcasting sector to private companies for several years, although no action has yet been taken. The Government has also been considering reforms of the cable and satellite broadcasting segment, including changes relating to regulation and implementation of CAS legislation. The industry is also witnessing the introduction of DTH as an alternative platform for satellite broadcasting, and the regulations concerning cross-ownership of DTH platforms by broadcasters will have an important impact on the evolution of this market. For further details, see the section titled "Regulations and Policies" on page 65.

The Indian Radio Broadcasting Industry

The radio broadcasting industry in India currently consists mainly of AM and FM stations operated by governmental entities featuring all kinds of radio programming, as well as FM stations operated by private entities featuring mainly entertainment-based programming. Private entities were invited to bid for 108 FM licenses in Phase I of the government's policy on licensing of FM radio stations in 2000. 40 licenses were awarded, of which 21 were in operation at the end of fiscal 2004. Under the Phase II Policy, 338 channels in 91 cities across India were available for bidding in fiscal 2006. No bidder can retain more than 15% of the total FM channels allocated in the country. The new licenses will be valid for ten years from the date of commencement of operations. (Source: Telecom Regulatory Authority of India). Bidders that acquired multiple numbers of licenses included ENIL, Adlabs Films, MBPL and Synergy Media. (Source: Telecom Regulatory Authority of India). Under the terms of the licenses, private broadcasters are not permitted to broadcast news and current affairs. In addition, private broadcasters pay a license fee to the Government, which under the Phase I policy was a fixed fee and under the Phase II policy will be revenue based, in addition to a one-time entry fee.

The chart below shows the major private entities operating FM radio stations in India according to information available at www.mib.nic.in, a website operated by the Government, as of January 12, 2005 (which does not include the results of the FM Phase II bidding):

Company	Radio Stations	Cities
Entertainment Network (India) Limited	Radio Mirchi	Mumbai, New Delhi, Kolkata, Chennai, Indore, Pune, Ahmedabad
Music Broadcast (Private) Limited	Radio City	Mumbai, New Delhi, Kolkata, Bangalore, Lucknow
Living Media	Red FM	Mumbai, New Delhi
Sun TV Private Limited	Suryan FM	Chennai, Coimbatore, Tirunelveli
Hitz FM Radio India Private Limited	Amar FM	Kolkata
India FM Radio Private Limited	Power FM	Kolkata
Radio Mid Day West (India) Private Limited	Go FM	Mumbai
Udaya TV Private Limited	Vishaka	Visakhapatnam

Satellite radio is currently available only from WorldSpace India Pvt. Ltd., which provides about 40 channels featuring music, news, weather, sports and talk radio. Besides satellite radio, which is primarily supported by subscription revenue, the Indian radio broadcasting industry is mainly supported by advertising.

Revenues across all radio stations involving all kinds of radio broadcast amounted to around Rs. 2 billion in fiscal 2004, of which the state-run broadcaster, All India Radio, contributed 55%. Total radio industry revenues increased by around 20% compared to the previous fiscal year. The radio industry's share of advertising revenue across all media in India in fiscal 2004 was 1.9%, compared to 1.7% in fiscal 2003 and 1.6% in 2002. (Source: CII-KPMG report)

Regulations in the Indian Television and Radio Broadcasting Industries

See the section titled "Regulations and Policies" on page 65.

OUR BUSINESS

Business Overview

We are the largest television broadcaster in the south Indian states of Tamil Nadu and Kerala and are also one of the largest television broadcasters in India, in terms of audience share. (source: TAM) See "Industry" on page 40. We offer four Tamil language channels, including our flagship channel, Sun TV, and two Malayalam channels, including Surya TV. Our channels collectively had the highest audience share of any network in Tamil Nadu for each of the past three years, and the highest audience share in Kerala during the same period. (source: TAM) See "Industry" on page 40. In addition, our flagship channel Sun TV had the second largest audience share of any television channel in all of India during this period. (source: TAM) See "Industry" on page 40. Currently, Sun TV, KTV and Sun Music are the top three leading channels in Tamil Nadu in terms of audience share. (source: TAM) See "Industry" on page 40. We enjoy strong brand recognition, which we have achieved through, among other things, an emphasis on local language programming that appeal to the particular preferences of the viewers in the regions we serve. We also operate leading Tamil radio stations under the name Suryan FM, and have recently been awarded additional radio licenses in various cities throughout India under the Government's Phase II Policy.

Our Sun TV channel was launched in 1993 by our Chairman, Mr. Kalanithi Maran, along with several other members of our current senior management team. Sun TV was one of India's first regional satellite television channels. We focused on developing our own programming with a popular, local flavor and significant audience participation in order to appeal to the preferences of our viewers. This programming included game shows and other contests, talk shows and other variety shows. We also commissioned and promoted the development of serials. As our business grew, we launched additional channels in Tamil and expanded into Malayalam channels. In the first half of 2003, we launched Tamil FM radio stations in the cities of Chennai, Coimbatore and Tirunelveli.

We do not own any part of Gemini TV Private Limited and Udaya TV Private Limited, which are affiliated companies in which our Chairman has significant equity interests, and which offer Telegu and Kannada channels.

Based on our restated financial statements for the year ended March 31, 2005, we generated total income and net profit after tax of Rs. 3,011 million and Rs. 768 million. For the nine months ended December 31, 2005, we generated total income and net profit after tax of Rs. 2,527 million and Rs. 1,013 million.

Competitive Strengths

Our principal competitive strengths include the following:

Leadership position.

We hold leading market positions in the principal television and radio markets we serve. In Tamil Nadu, we had a combined audience share for all of our Tamil television channels of 60% and 71% for the year ended March 31, 2005 and the nine months ended December 31, 2005, respectively, compared to a 5% and 5% audience share for such periods for our closest competitor. (source: TAM) In Kerala, we had a combined audience share for all of our Malayalam television channels of 29% and 32% for the year ended March 31, 2005 and the nine months ended December 31, 2005, respectively, compared to a 27% and 26% audience share for such periods for our closest competitor. (source: TAM) Our Suryan FM Radio stations have had the highest ratings in Tamil Nadu in 2005. (Sources: NRS 2005)

Popular programming content.

We have built extensive programming content, including what we believe is one of the largest movie libraries in India. We hold the rights for approximately 2,650 full-length movies, of which approximately 60% are Tamil movies and 40% are Malayalam movies. We have acquired a significant proportion of recently released movies in these languages, including many which have had the commercial success at the box office. We believe that our audience share and well known brand name in the markets we serve provide us with a competitive advantage in the acquisition of popular serials and other programming. In addition, we have built internal production capabilities which allow us to develop new programming quickly and efficiently in response to changes in local preferences or the actions of our competitors. Our programming assets are also enhanced by our advanced technological capabilities in production and broadcasting, such as digital play-out technology, which provides superior picture quality to our viewers.

***Business strategy which generates commercially successful programming without significant investment by us*.**

We rely on a strategy of providing time slots to leading independent producers that enables us to obtain commercially successful programming from them without significant investment. Under the time slot model, we enter into an agreement with an independent producer under which the producer agrees to produce a serial or other program at its expense, and to pay us a fee for airing it during a particular time slot. Time slots are sold in half hour blocks, which include a total of six or seven minutes of advertising. The producer is given the right to sell and retain the revenue from four of these minutes of advertising. We sell and retain the revenue from the other two (or three) minutes, as well as the right to sell title and other types of sponsorship for the program. Because higher ratings for the program generate higher advertising rates, producers are incentivized to produce high quality programs that appeal to viewers. Greater viewership in turn enables us to earn higher revenue for our two (or three) minutes as well as from title and other types of sponsorship. In addition, we avoid making investments in the production of the programming. This strategy ensures that we and the producers share an interest in generating commercially successful programming that maximizes advertising revenue, while at the same time enabling us to avoid having to make significant investments in new programming.

Emphasis on regional tastes and audience preferences.

We believe that a key factor in our success is our ability to cater to local tastes and audience preferences. We have concentrated on developing local language programming and on particular types and formats of programming that appeal to the specific preferences of viewers in the regions we serve. For example, we have acquired an extensive library of Tamil and Malayalam movies, developed game shows and other programming that emphasize local audience participation and built relationships with producers for the production of serials that use locally popular stars or that involve stories and themes that resonate with local audiences. We have also changed our programming formats from time to time to respond to changes in local preferences. According to TAM Media Research, for the last full week in each of the fiscal years ended March 31, 2003, 2004 and 2005 and the nine months ended December 31, 2005, our programming accounted for 100% of the top 100 rated half hour time slots in Tamil Nadu and approximately 50% of the top 100 rated half hour time slots in Kerala in terms of audience share. (Source : TAM)

Experienced team of senior management.

Our operations are led by an experienced senior management group that functions well as a team, and that has the expertise and vision to continue to expand our business. Our Chairman and Managing Director, Mr. Kalanithi Maran, started the Sun TV business when he was 27 years old. He is the recipient of numerous entrepreneurial awards, including the Ernst & Young Outstanding Businessman Award for the entertainment and information sector in India in 2004, the 'Commendation for Displaying Extraordinary Corporate Leadership and Entrepreneurial Spirit' in 2005 by CNBC Television, the Worldcom 'Indian Young Business Achiever Award' in 1999 and the 'Rajiv Gandhi Best Entrepreneur' Award in 1995. He represented India at the World Young Business Achiever Awards in Portugal in 1999 and was also awarded the Worldcom 'World Young Business Achiever Award' in 1999 for creativity. Many of the other members of our current senior management have worked with Mr. Maran since our business was founded. These individuals have established track records of success in television broadcasting, marketing and sales, as well as a proven ability to work together.

Revenue and profit growth and stable financial position.

From fiscal 2001 to fiscal 2005, our total income grew at a compound annual growth rate of 19.5% and our net profit after tax grew at a compound annual growth rate of 17.1%. Our net profit after tax, as restated, as a percentage of total income has averaged 27.6% over the past five fiscal years. Furthermore, as of December 31, 2005, we had reserves and surplus of Rs. 2,347 million and outstanding loans of only Rs. 719 million. We believe we are in a stable financial position to take advantage of future opportunities, including acquisitions, to expand our business.

Strategy

The key elements of our strategy for growth include the following:

Strengthen our market leadership through popular and innovative programming.

We intend to continue to produce and broadcast programming that enables us to maintain our market leadership in the television and radio markets we serve. We will continue to be a market innovator in programming formats, scheduling and genre-specific channels. We will maintain and strengthen our relationships with producers, actors and program anchors to ensure that we can continue to acquire high quality serials and other programming. We will also continue to produce our own programming that responds to local preferences. We were one of the first channels in India to conduct game shows featuring prize give-aways, conduct participatory live talk shows and start a 24-hour all-news channel. We intend to also increase the breadth of our broadcast offerings by developing new channels to appeal to particular segments of the audience.

Realize greater revenue from advertisers and viewers.

We believe that advertising spending in India will increase substantially with the general growth of the Indian economy and the increased purchasing power of consumers in the country. We also believe that television and radio will continue to grow as advertising media as they become accessible to larger sections of India's population. If we continue to maintain our strong brand recognition and popular content and thereby high market share for our television channels and radio stations, we should be well positioned to benefit from these economic factors, if realized, and generate greater revenue from advertisers. We also believe that we can generate greater revenue from our viewers by making all of our channels pay channels, which we intend to do in the near future. In addition, regulatory reforms such as the expansion of conditional access systems and direct-to-home ("DTH") broadcasting may help address the currently prevalent underreporting of subscribers, which would have a positive effect on our revenues from viewers.

Leverage our investment in our programming content.

We are one of the leading broadcasters and producers of Tamil and Malayalam programming content. We intend to continue to develop and leverage that content across our existing channels and any new channels that we introduce. We plan to expand our production facilities so as to produce more non-serial in-house content, such as game shows. We will continue to build our programming and movie libraries and attract popular producers, actors, directors and other talent that is key to producing high quality content. Because we have the right to broadcast and disseminate the titles in our library in a variety of ways, we may also have opportunities to create revenue streams from our content by exploiting other existing distribution methods as well as through new platforms and technologies.

Look for attractive opportunities for geographic expansion.

We intend to look for attractive opportunities to expand our geographic coverage. We expect that this will include strengthening our presence in the countries in which we currently have international alliances and entering new markets in which there are large numbers of Tamil and Malayalam speaking people, whether in India or outside. In addition, we will consider opportunities for expansion into other regions in India, particularly in areas with a distinctive local culture or language that may be well suited to our expertise in developing strong local programming. We have been awarded radio licenses in various cities throughout India, which would enable us to expand into language markets other than Tamil and Malayalam.

Take advantage of new opportunities that are created by technological developments.

We intend to take advantage of technological developments that may make new methods of distribution commercially viable, which in turn would create opportunities for new services to consumers and enable us to expand our presence into new media platforms. This may include developing opportunities to reach new audiences through new distribution platforms and using new technologies to provide new offerings to our cable subscribers as those technologies expand in India. We believe we can capitalize on these opportunities because of our regional strength, extensive programming assets and technological capabilities.

Regions Served By Our Television Channels

The primary regions we serve are Tamil Nadu and Kerala, which are two states in south India. Our channels are also carried in other parts of India and in certain other countries where there are significant numbers of Tamil or Malayalam speaking persons.

Tamil Nadu.

According to the Census of 2001, Tamil Nadu had a population of over 62 million people, a literacy rate of over 73%, compared to 64.8% for India as a whole, and an urban population of 44%. In fiscal 2005, Tamil Nadu's GDP at constant 1993-1994 prices grew by 8.7% over the previous year, compared to 6.9% for India as a whole, according to a website maintained by the Ministry of Statistics and Programme Implementation of the Government of India. Chennai, which until 1996 was known as Madras, is the state capital. The official, and strongly predominant, language is Tamil. Tamil Nadu has a well-developed movie and television entertainment industry, and according to www.statistics.tn.nic.in, a website maintained by the Government of Tamil Nadu, had a percentage of television coverage of 93.6% both in terms of area and population, as compared to 78.2% and 90.1% for India as a whole. In 2004, approximately 87.6% of the total number of 10.6 million television households in Tamil Nadu and the union territory of Pondicherry were cable and satellite households, compared to 56.3% for all of India. (Source: NRS 2005)

Kerala.

According to the Census of 2001, Kerala had a population of 32 million people and the highest literacy rate among all Indian states of 91%, compared to 64.8% for India as a whole. In fiscal 2005, Kerala's GDP at constant 1993-1994 prices grew by 8.8% over the previous year, compared to 6.9% for India as a whole, according to a website maintained by the Ministry of Statistics and Programme Implementation of the Government of India. Its economy is primarily agrarian, and it lacks the large, dense urban areas or heavy industry found in many other parts of India. Its capital is Thiruvananthapuram and its official language is Malayalam, although a significant number of Tamil-speaking people are present in the state. In 2004, approximately 61.1% of the total number of 4.5 million television households in Kerala were cable and satellite households, compared to 56.3% for all of India. (Source: NRS 2005)

Other Regions in India.

All of our Tamil and Malayalam channels are available as free-to-air channels to cable operators throughout India, except KTV, Sun News and Sun Music, which are available as pay channels. The combined audience share for all our Tamil channels on an all-India basis, excluding Tamil Nadu, for the year ended March 31, 2005 and the nine months ended December 31, 2005 was 1.6% and 1.8%, respectively. (source: TAM) The combined audience share for our Malayalam channels on an all-India basis, excluding Kerala, for the same periods was 0.2% and 0.2%, respectively. (source: TAM) We have a significant presence in Bangalore, which is the capital of the south Indian state of Karnataka and which has a sizeable Tamil speaking population. In Bangalore, the Sun TV channel had an audience share of 12.2% and 15.3% in the year ended March 31, 2005, and the nine months ended December 31, 2005, compared to the other leading channel, Udaya TV, which is a channel run by one of our affiliated companies and which had an audience share of 14.1% and 14.2% for the same periods. (source: TAM)

International.

Some of our channels are carried in countries other than India that have concentrations of Tamil and Malayalam speaking persons. These include parts of the United States, the United Kingdom, Singapore, Malaysia, Indonesia, Australia, New Zealand, Sri Lanka, South Africa, and many countries in the Middle East. See "Distribution and Infrastructure - international distribution." Based on available data from our international distributors, we had more than 100,000 international subscribers as of December 31, 2005.

Our Television Channels

We currently operate four Tamil channels and two Malayalam channels. All of our channels are broadcast 24 hours per day, seven days a week. The Telegu and Kannada channels offered by our affiliates, Gemini TV Private Limited and Udaya TV Private Limited, are not part of our Company.

Tamil channels.

We currently offer four Tamil channels, each with distinctive programming content. In the nine months ended December 31, 2005, our Tamil channels had a combined audience share of 71.2% in Tamil Nadu, compared to the 4.6% share of our closest competitor. (source: TAM) Our Tamil channels are as follows:

Sun TV. The Sun TV channel was launched in 1993 and is our flagship channel. It broadcasts programs targeted at a broad cross-section of the Tamil-speaking audience. It offers a wide variety of programs in the Tamil language, including serials, movies, movie-based shows, news, talk shows, game shows and children's shows. It had an audience share of 47.3% in the nine months ended December 31, 2005. (source: TAM)

Approximately 75% of the programming on the Sun TV channel in terms of total broadcast hours is considered in-house, which means we produce it ourselves or it constitutes movies that we have acquired. The remaining 25% consists of programming that we acquire from independent producers. These producers bear the production costs of the programs and provide them to us on an exclusive basis. We enter into agreements with producers to broadcast programs or serials for a fixed fee during certain time slots. Under the agreements, the producers have the right to the revenue from the sale of advertising time during these time slots. Typically, the producers have the right to sell advertising time for four minutes out of six or seven minutes per half-hour time slot. We retain the right to the revenue from the sale of advertising time for the other two or three minutes.

We consider "prime time" to be 7 p.m. to 11 p.m. on weekdays, 6 p.m. to 11 p.m. on Saturdays and 7 a.m. to 11 p.m. on Sundays. Prime time is primarily devoted to movies and serials. The following table shows our typical programming schedule on weekdays:

Hours	Program
7:00 a.m. - 9:00 a.m.	Breakfast show (news break from 8:00 a.m. to 8:30 a.m.)
9:00 a.m. - 11:00 a.m.	Talk shows, movie-based shows, comedy shows
11:00 a.m. - 1:30 p.m.	Serials
1:30 p.m. - 2:00 p.m.	News
2:00 p.m. - 4:30 p.m.	Movie
4:30 p.m. - 5:00 p.m.	Shows for children and cultural shows
5:00 p.m. - 8:00 p.m.	Serials (news update from 6:30 p.m. to 6:33 p.m.)
8:00 p.m. - 8.30 p.m.	News
8:30 p.m. - 9:00 p.m.	Serials / comedy shows, movie-based shows, movie songs
9:00 p.m. - 11:00 p.m.	Serials
11:00 p.m. - 11:30 p.m.	Movie-based shows
11:30 p.m. - midnight	News
Midnight - 7 a.m.	Movie songs

The schedule for weekends is similar to the schedule for weekdays, except that more movies and a lesser number of serials are shown on weekends, and the breakfast show is replaced with movie-based shows and other variety shows.

Sun News. Sun News was launched in 2000 as one of the first 24-hour news channels in India and broadcasts national and international news, business and financial affairs. Sun News broadcasts exclusively in Tamil, although on some programs we run English "crawlers" at the bottom of the screen. We produce Sun News programming in-house, utilizing a team of producers, editors and other technical staff, anchors and reporters. We also subscribe to internationally-recognized news agencies such as Reuters and APTN. We also have informal mutual arrangements with other leading national news channels in India for sharing breaking news. Sun News had an estimated 1.63% audience share in Tamil Nadu for the nine months ended December 31, 2005. (source: TAM) Sun News has been a pay channel since January 2003, except in Chennai, where it is currently offered on a free-to-air basis by the MSO.

KTV. KTV was launched in 2001 and is a 24-hour channel showing Tamil movies and movie-based programming. We have an extensive library of Tamil language movies, including movies of all genres, and also broadcast movie-based shows such as movie review shows, thematic movie-based shows and talk shows with movie stars. These shows are typically produced in-house. KTV had an estimated 16.3% audience share in Tamil Nadu for the nine months ended December 31, 2005. (source: TAM) KTV has been a pay channel since January 2003, except in Chennai, where it is currently offered on a free-to-air basis by the MSO.

Sun Music. Sun Music was launched in 2004 and is a 24-hour Tamil music channel. This channel is aimed at a younger audience that enjoys the latest music, and features content drawn from our movie library. The program format consists of a "video jockey" or host, who introduces music videos, movie songs or other short features and takes call-in questions and comments from the audience. The format is live for around 18 hours each day. Sun Music had an estimated 6% audience share in Tamil

Nadu for the nine months ended December 31, 2005. (source: TAM) Sun Music has been a pay channel since it was launched, except in Chennai, where it is currently offered on a free-to-air basis by the MSO.

Malayalam channels.

We offer two Malayalam language channels which are similar in programming format to certain of our Tamil channels. According to TAM Media Research, for the nine months ended December 31, 2005, our Malayalam channels had a combined audience share of 32.1%, compared to a 25.9% combined share for the channels operated by our closest competitor. (source: TAM) None of our Malayalam channels is currently a pay channel.

Surya TV. Surya TV was launched in October 1998 and is modelled on the Sun TV channel format. It is a premium entertainment channel targeting Malayalam-speaking viewers. It offers a wide variety of programs, including movies, movie-based shows, talk shows, game shows, serials and news. In-house programming, including movies and programs produced or commissioned by us, amounted to approximately 80% of the channel's total aired programming in the year ended March 31, 2005. Approximately 20% of Surya TV's programming was acquired from independent producers. A significant portion of Surya TV's programming consists of serials based on novels written by popular Malayalam authors.

We consider prime time to be 6 p.m. to 10:30 p.m. on weekdays and Saturdays, and 8 a.m. to 10:30 p.m. on Sundays. The following table shows a typical weekday schedule on Surya TV:

Hours	Program
6:00 a.m. - 7:00 a.m.	Religious programs
7:00 a.m. - 9:00 a.m.	Breakfast show (news break from 7:30 a.m. to 8:00 a.m.)
9:00 a.m. - 9:30 a.m.	Book review show
9:30 a.m. - 11:30 a.m.	Movie-based shows, variety shows
11:30 a.m. - 1:30 p.m.	Serials
1:30 p.m. - 1:45 p.m.	News
1:45 p.m. - 4:30 p.m.	Movie
4:30 p.m. - 6:00 p.m.	Variety shows, game shows, comedy shows, shows for children
6:00 p.m. - 6:30 p.m.	News
6:30 p.m. - 10:00 p.m.	Serials
10:00 p.m. - 11:00 p.m.	Variety shows, comedy shows
11:00 p.m. - 11:30 p.m.	News
11:30 p.m. - 6:00 a.m.	Movie songs, movies and repeats of movie-based shows and variety shows

The schedule for weekends is similar to the schedule for weekdays, except that more movies are shown on weekends, and serials and the breakfast show are replaced with movie-based shows and other variety shows.

For the nine months ended December 31, 2005, Surya TV had an estimated 25.4% audience share in Kerala. (source: TAM)

Kiran TV. Kiran TV was launched in January 2005 and is a 24-hour music and movie channel. An important target audience for Kiran TV consists of children and young adults. It features full length movies in the Malayalam language from our library during prime-time hours. Daytime programming consists of music programming using a format similar to Sun Music, as well as other talk and informative programs featuring movie songs and scenes. For the nine months ended December 31, 2005, Kiran TV had an estimated 6.7% audience share in Kerala. (source: TAM)

Programming

We believe that an important determinant of our success has been our ability to generate local language programming that appeal to the specific tastes of the people in the regions we serve. Both Tamil Nadu and Kerala have distinctive cultures, and we seek to offer programming that is responsive to local preferences. We aim to remain constantly sensitive to such preferences, and consider audience feedback to be an important determinant of future programming. As a consequence, our programs enjoy high viewer ratings in Tamil Nadu and Kerala. For example, according to TAM Media Research, for the last full week in each of the fiscal years ended March 31, 2003, 2004 and 2005 and the nine months ended December 31, 2005, our programming accounted for 100% of the top 100 rated half hour time slots in Tamil Nadu and approximately 50% of the top 100 rated half hour time slots in Kerala. (Source : TAM)

The table below shows the approximate total hours of programming broadcast on Sun TV by major category for the year ended March 31, 2005 and the nine months ended December 31, 2005:

	Year ended March 31, 2005		Nine months ended December 31, 2005	
Type of Program	**Hours Broadcast**	**Percentage**	**Hours Broadcast**	**Percentage**
Owned programming				
Movies	1,170	13.4%	877	13.3%
News	728	8.3%	546	8.3%
In-house productions: game shows, talk shows, breakfast shows and other variety shows	1,846	21.1%	1,384	21.1%
Movie songs and news headlines	818	9.4%	613	9.4%
Midnight fillers	2,006	22.9%	1,504	22.9%
Total	6,568	75.0%	4,924	75.0%
Acquired programming				
Serials and acquired game shows	2,192	25.0%	1,647	25.0%
Total	2,192	25.0%	1,647	25.0%
Grand Total	8,760	100.0%	6,571	100.0%

The table below shows total hours of programming broadcast on Surya TV by major category for the year ended March 31, 2005 and the nine months ended December 31, 2005:

	Year ended March 31, 2005		Nine months ended December 31, 2005	
Type of Program	**Hours Broadcast**	**Percentage**	**Hours Broadcast**	**Percentage**
Owned programming				
Movies	1,716	19.6%	1,287	19.6%
Serials	1,170	13.3%	848	12.9%
News	639	7.3%	480	7.3%
In-house productions: talk shows, game shows, breakfast shows and other variety shows	2,107	24.1%	1,580	24.0%
Midnight fillers	1,490	17.0%	1,118	17.0%
Total	7,122	81.3%	5,313	80.8%

Type of Program	Year ended March 31, 2005		Nine months ended December 31, 2005	
	Hours Broadcast	Percentage	Hours Broadcast	Percentage
Acquired programming				
Serials	1,638	18.7%	1,259	19.2%
Total	1,638	18.7%	1,259	19.2%
Grand Total	**8,760**	**100.0%**	**6,572**	**100.0%**

Serials.

Serials are shows with multiple episodes, and are typically either dramas or comedies. Serials constitute a major component of our programming. Most of the programming acquired by us from independent producers is in the form of serials. During the last full calendar weeks of fiscal 2004, fiscal 2005, and December 31, 2005, 51%, 58% and 51% of the top 100 half-hour programming slots in Tamil Nadu were occupied by serials. (source: TAM) For the same periods, 57%, 59% and 48% of the top 100 half-hour time slots in Kerala were occupied by serials. (source: TAM)

The running period of a serial generally ranges from approximately one to three years on Sun TV, and six months to two years on Surya TV, depending on prevailing popular themes. Our longest running serials ever were *Metty Oli* on Sun TV, with 810 episodes, and *Sthree Jenmam* on Surya TV, with 569 episodes. Currently, our most popular serials are *Kolangal* on Sun TV, which has had more than 500 episodes, and *Kavyanjali* on Surya TV, which has had more than 400 episodes. Serials are very popular with our audiences partly because they feature movie stars of the past, as well as stories and themes that resonate with local audiences.

For the Sun TV channel, we generally contract with independent producers for the production of serials under the time slot model which, as described above, enables us to limit production costs and risking our capital. For Surya TV, we still produce certain of our own serials, but began offering time slots in March 2004. We plan to offer more time slots in the future depending on increased interest from independent producers. In providing a time slot, we typically contract for the production of a serial for 13 weeks of episodes to be aired during a specified time slot.

We approve the general themes, content and casting of serials, and we retain approval over other aspects of the product, such as the selection of senior technical staff. We also specify the exact running time of programs and the amount of advertising time to be included. However, the specifics of each episode and the production are left to the producer. We also retain the right to remove or cancel a serial for any reason. In such a case, we forego any time slot fees not yet received (for episodes not broadcast as of the date of cancellation), but we are not required to otherwise refund any monies received or pay any compensation to the producer under the terms of our agreements.

Our contracts with producers typically have exclusivity provisions. The producer agrees not to broadcast the serial (or any dubbed version) on any other satellite television or terrestrial television channel in India or overseas during the period in which we broadcast the serial. In addition, during such period, the producer agrees not to produce any other serial or program for broadcast on any other channel in Tamil Nadu or Kerala as the case may be, other than Doordarshan.

In certain circumstances, on Surya TV, which has a significant number of viewers interested in literature, we obtain television serial rights to popular novels through producers. We pay the producer a fee for a serial based on a novel and the producer approaches the novelist and obtains the rights for the serial.

***Movies*.**

Movies are extremely popular in south India, and have been an important component of our programming since our inception. We have a large movie library, with broadcast rights to over 2,650 full length movies, including approximately 1,600 Tamil movies, 1,000 Malayalam movies and 50 English movies. In recent years, we have typically paid between Rs. 10 million and Rs. 50 million for the rights to a Tamil movie and between Rs. 2 million and Rs. 4.5 million for the rights to a Malayalam movie. For movies with popular actors, producers or directors, we try to acquire broadcast rights before the movie completes production. For movies whose commercial success is more difficult to predict, we purchase rights upon release or after observing box office receipts. For Malayalam movies, we often buy the rights through intermediaries who resell rights purchased from the producers. For movies whose rights are not purchased, we often obtain limited rights to songs and scenes if we view them as having commercial potential. Movies that were successful at the box office for which we purchased rights in the calendar year 2005 include *Chandramukhi*, *Tirupaatchi*, *Arindhum Ariyamalum* and *Anniyan* in Tamil and *Sethurama Iyer C.B.I.*, *Vajram*, *Wanted* and *Kazhcha* in Malayalam.

Typically, the rights that we buy for Tamil and Malayalam movies are extensive, and include, among others, broadcast through satellite, terrestrial means, DTH, cable, the Internet, broadband, telephone, mobile phones and radio and distribution through VCD and DVD. We do not pay any additional royalties depending on the number of times broadcast or the methods of dissemination, except for movie songs for radio broadcast, for which we pay the standard industry royalty each time a song is broadcast.

In India, there is customarily a waiting period for a television broadcaster that has purchased rights to a movie to broadcast the movie on its channels so that the television broadcast does not adversely affect theatre revenues. Generally, Tamil movies and Malayalam movies have a three-year and two-year waiting period, respectively. We sometimes pay an extra fee to producers to waive this waiting period.

The Tamil movies for which we purchase rights are generally first broadcast at prime-time on the Sun TV channel, then during prime time again after a year, then again on the Sun TV channel and then on KTV. The Malayalam movies for which we purchase rights are generally first broadcast on Surya TV and repeated three to five times on Surya TV, starting six months after the first telecast on Surya TV, before being shown on Kiran TV. Occasionally, for example on festival days, we may choose to telecast a movie first on KTV and Kiran TV before showing them on Sun TV and Surya TV. Popular movies that have been broadcast in the calendar year 2005 and have achieved high television ratings are *Giri*, *Jayam*, *Padayappa*, *Youth* and *Unnai Ninaithu* in Tamil and *Vellithira*, *Meeshamadhavan*, *Chathurangam*, *Kattu Chembakam* and *Narasimham* in Malayalam.

We often promote movies through our movie review programs and by playing songs from those movies on our television channels and the Suryan FM radio stations.

News.

We produce news programming in-house for broadcast on Sun News, our 24 hour news channel, as well as for news programs on the Sun TV and Surya TV channels. Sun TV broadcasts four half hour news programs every day, and Surya TV broadcasts four half hour news programs and one fifteen minute news program every day. The studio for the Sun TV news shows is in our Chennai headquarters, while Surya TV news shows are produced at our Thiruvananthapuram studio. Mixing and final editing of news for both the Tamil channels and Malayalam channels is done by our central news department in Chennai. Feeds for news programs on Sun TV, Surya TV and Sun News are obtained from a central news room at our Chennai headquarters. We have a production team dedicated to our news programming, supported by an extensive network of “stringers”, or freelance reporters, in our primary markets. We also have arrangements with international news agencies, such as Reuters and APTN, mainly for international news feeds, as well as informal arrangements with certain leading national news channels in India for sharing breaking news.

Other television shows produced by Sun TV.

We produce a variety of other types of programs with our in-house team of producers, writers, directors, technicians and anchors. We have studio facilities at our Chennai headquarters, which are used for most of our in-house production, and at Thiruvananthapuram for some of our in-house Malayalam programming. Generally, programs are made for a minimum 13-week run, which may be extended (or in some cases, cancelled early) depending on their popularity. Our other programming includes the following types:

Game shows. We produce some of our own game shows, ranging from quiz shows to talent contests to games of skill. Since the early years of Sun TV, shows with prize giveaways have been popular with our audiences. Game shows on Sun TV, which have generally been weekly shows, have included *Tik Tik Tik*, where participants had to accomplish certain tasks in a short span of time, *Super Kudumbam*, a quiz show where families compete with each other, featuring a live audience, *Vilai Enna?*, where participants had to guess the price of featured products and *Koteeswaran*, a quiz show where participants are awarded monetary prizes for correctly guessing answers to multiple-choice questions. Our most popular current game show is *Thanga Vaettai*, which is a quiz show where families compete with each other. Game shows on Surya TV, which have generally been weekly shows, have included *Kodeeswaran*, a quiz show where participants are awarded monetary prizes for correctly guessing answers to multiple-choice questions. Our most popular current game show is *Kalikalam*, which is an outdoor show with varying formats.

Talk shows and other variety shows. We produce various daily and weekly talk shows and variety shows, which are generally hosted by popular entertainers. These include *Arattai Arangam*, hosted by Visu, featuring discussions of current social issues, and *Patti Manram*, a debate hosted by Soloman Pappiah and broadcast on festive days, as well as concluded shows such as *Saptha Swarangal*, a music contest, and *Thillana Thillana*, a dance contest. Our shows feature games, interviews, singing, dancing and other light entertainment. Our in-house producers for these shows stay closely attuned to viewer preferences and constantly seek out popular personalities and actors from upcoming movies to feature as guest stars. This category also includes events-based formats that offer performances featuring movie stars, such as *A Time for Heroes*, hosted by the Tamil actor Kamal Haasan and the Hollywood actor Richard Gere. Surya TV also features comedy shows featuring parodies of current issues, and shows featuring reports and documentaries on crime.

Music.

Sun Music and Kiran TV utilize our extensive music library and feature music-based shows produced in-house. Both channels mainly target younger audiences who are interested in the latest music hits. Much of our music library comes from our movie library, as music from movies is very popular in India. In addition, for movies for which we do not have perpetual full rights, we often obtain limited rights to music and scenes. Our music-based shows are hosted by young video jockeys and offer audience participation through live call-ins, letters and SMS messages. Our music-based shows include *Tring Tring*, *Bio Data* and *Blade No.1* on Sun TV, and *Darling Darling* and *Postbox* on Surya TV.

Internal Review

We have internal procedures to review programs prior to broadcast. Our in-house reviewers censor and edit programs and advertisements if they deem it necessary based on our internal guidelines, keeping in mind viewer preferences and sensitivities. We specifically monitor the use of foul and abusive language, politically controversial statements and the attire of program participants and actors.

Proposed New Channels

To further strengthen our content offering and enhance our market leadership, we propose to launch three new regional channels. For further details, see the section titled "Objects of the Issue" on page 21.

Sources of Revenue

The following table sets forth the various sources of our revenue from broadcasting services as a percentage of total income, for each of the three years ended March 31, 2005 and the nine months ended December 31, 2005 and 2004.

	Sources of Revenue as Percentage of Total Income*				
	Year ended March 31,			**Nine months ended December 31,**	
	2003	**2004**	**2005**	**2004**	**2005**
Advertising income	56.0%	57.7%	51.7%	52.4%	58.9%
Broadcast fees	21.9%	17.1%	16.4%	16.8%	17.2%
Income from pay channels	3.7%	14.7%	13.2%	12.7%	14.8%
Cable distribution revenues**	17.8%	10.2%	11.8%	11.9%	-
Program licensing income	2.0%	1.8%	2.9%	2.7%	5.0%
License income	-	-	0.4%	0.2%	0.2%
Income from content trading	-	-	-	-	0.2%

* *Without giving effect to service taxes in fiscal 2003 and 2004.*

** *We have ceased to manage the SCV business and, effective as of April 1, 2005, this business is excluded from our results of operations.*

Advertising income

The largest portion of our income is derived from the sale of advertising.

In general, per half hour show, six minutes are available for advertising on the Sun TV channel and six and a half minutes are available on Surya TV, with more advertising time during certain periods. On Sun TV, advertising time increases to about seven minutes per half hour during festival periods in January, April and November and on certain national holidays. On Surya TV, advertising time increases to about seven and a half minutes per half hour during festival periods in April, September and December. Advertising time for movies broadcast during prime time is higher than for other programming, ranging between twenty minutes and one hour of advertising per two and a half hour long movie.

Advertising rate structure.

We have fixed advertising rate structures for each channel. Pricing is based on ten second increments, and prices vary depending on the time slot, *i.e.*, whether the time slot is prime time or non-prime time, and, in the case of prime time hours on certain of our channels, the program. We use four pricing categories for prime time on Sun TV and three categories for prime time on Surya TV. Non-prime time programs are charged depending on the time of telecast and the ratings of the program. The following table shows rate ranges for our channels (Rs. per ten second spot) as of December 31, 2005:

Channel	Rate range (Rs.)
Sun TV	5,000-25,000
Sun News	400-1,000
KTV	2,500-13,000
Sun Music	500-2,500
Surya TV	3,000-9,000
Kiran TV	450-700

In addition, we charge a premium for an advertiser to be a "title sponsor," in which case the name of the advertiser or the advertised product is featured in the title of the program. The title sponsor also gets between 60 and 90 seconds of advertising time and 30 seconds of mention per half hour, during the brief periods between when the program pauses for the commercial break and the commercial break itself. The fee to be the title sponsor of a prime time Sun TV show is typically between Rs.150,000 to Rs. 200,000 per half hour for the highest advertising rate category. Contracts with title sponsors are for a minimum of 13 weeks. Currently, all prime time serials, in addition to Sunday morning serials and some daily shows, have title sponsors. In addition to title sponsorships, we offer other categories of sponsorship, namely co-sponsorship and presenting sponsorship, which cost less than title sponsorship. In September 2005, we increased our advertising rates for the Sun TV channel by 7%, which marked our first rate increase in three years. For Surya TV, we have increased our published advertising rates gradually since the channel was launched in 1998.

Our advertising rates are typically not subject to negotiation. That is, we typically do not alter pricing depending on who the customer is or when an order is placed. In addition, because advertising agencies get a standard 15% of the gross advertising fee, we generally offer a trade discount of 15% to advertisers that book advertising directly with us. With the exception of certain title sponsorships, there is no minimum period for which advertising time has to be purchased. In fiscal 2005, however, Surya TV granted concessions on its published rates to certain advertisers in response to competitive pressures.

For programs that are produced by independent producers, the producer is entitled to sell and retain the revenue with respect to four minutes per half hour, and we sell and retain the revenue for the remaining two (or three) minutes.

Advertising customers.

We sell advertising time to a diverse group of advertisers. The table below presents the percentages of our advertising income generated by particular sectors during the year ended March 31, 2005 and the nine months ended December 31, 2005:

Sector	Year ended March 31, 2005	Nine months ended December 31, 2005
Fast moving consumer goods	41.3	39.7
Retailers	22.7	27.3
Consumer durables	8.9	10.6
Automobiles	9.5	6.8
Services Sector	8.2	6.0
Telecom	2.7	3.9
Other	6.7	5.7
Total	100	100

In the nine months ended December 31, 2005, our top ten and twenty advertisers accounted for approximately 24% and 32%, respectively, of our total advertising income. We have separate marketing teams for the Tamil and Malayalam channels, with a separate head of marketing and advertising sales for each of the four Tamil channels and a head of marketing and advertising sales for the two Malayalam channels. Advertising time is marketed and sold for each channel separately. Advertising for our radio stations is handled by a separate team at Suryan FM.

Other Sources of Revenue

In addition to advertising income, we generate revenue from the following sources:

Broadcast fees for time slots.

As described above under "—Programming—Serials," we provide time slots to independent producers who produce serials or other shows, such as game shows, for broadcast on our channels. The producer pays us a fixed fee for each episode that is telecast. The typical broadcast fee for Sun TV ranges between Rs.110,000 and Rs.160,000 per half hour per episode for a prime time show, and between Rs.60,000 and Rs.85,000 per half hour per episode at all other times. The typical broadcast fee for Surya TV is about Rs.40,000 per half hour per episode for a prime time show, and between Rs.15,000 and Rs.20,000 per half-hour per episode at other times. Generally, our contracts with producers call for the production and broadcast of 13 episodes for weekly serials or shows and 65 episodes for daily serials, which may then be extended for an additional 13 episodes or 65 episodes at a time as applicable. We retain the right to cancel a serial at any time, in which case we forego the future time slot revenue. Time slots for festival days on Sun TV are generally only provided for time-bands in the afternoon. Prime time slots are retained by us for our own programming. On Surya TV, the time slot fee generally increases by between Rs.15,000 and Rs.20,000 on some festival days when our normal programming continues to be broadcast during prime time. On other holidays, we only broadcast our own programming.

Pay channel income.

All of our Tamil and Malayalam channels were historically free to air channels. In January 2003, we converted KTV and Sun News into pay channels, and we launched Sun Music as a pay channel in 2004 (under the name "SCV Live"). Except in Chennai, these three channels are offered by cable operators as a package or "bouquet" to viewers, typically with other third party pay channels as well. We receive a fee based on the number of subscribers declared by the operator. Historically, there has been underreporting of subscribers by many operators, and thus the fees we receive are based on negotiations between us and the operators. Chennai is currently the only place in India in which a conditional access system ("CAS") has been implemented. Under CAS, a viewer can select and pay for only those individual channels he wishes to receive by purchasing a set top box and a decoder card. Currently in Chennai, viewers can either choose to subscribe to individual channels in this manner, or they can subscribe to a package of "free-to-air" channels. We are currently offering all of our Tamil channels as part of this package. The Government of India attempted to implement CAS in the past but was unsuccessful. CAS may be introduced in other parts of India in the future. For further details, see the section titled "Regulations and Policies" on page 65.

Our Malayalam channels are not pay channels. We intend to make all of our channels pay channels in the near future.

One of the MSO in Chennai as well as in Madurai, Coimbatore, Tiruchirapalli, Tirunelveli and Tiruppur is SCV, which is owned and controlled by Kal Cables Private Limited, an affiliated company in which our Chairman has a majority equity interest. Until March 31, 2005, we were involved in operating a number of aspects of SCV, and therefore the revenues and costs of SCV were included in our financial statements. Also, until March 31, 2005, the CAS business of SCV in Chennai was administered by a division of our Company. We transferred the assets and liabilities of this division to Kal Cables Private Limited as of that date to consolidate distribution assets under one company. However, our Company will continue to avail of the services of Kal Cables Private Limited for the distribution of our channels. From April 1, 2005, our financial statements do not include the results of SCV and the CAS division. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Factors Affecting Our Results of Operations".

Program licensing income from international distributors.

Through a combination of broadcast, repackaging and DTH distribution, our channels are seen in selected international markets. We receive fees from international distributors who carry our channels based on the number of their subscribers who subscribe to our channels, except in Sri Lanka, where we only share advertising revenue with our distributor, and Malaysia, Indonesia and Brunei, where we are paid a flat fee by our distributor. See "Distribution and Infrastructure - International Distribution."

License income.

License income is generated by the sale to our affiliated channels of interests in certain of the movies for which we purchase rights, particularly English movies.

Viewer SMS messages.

From September, 2005, we stared airing viewers' SMS messages as crawlers on some of our channels. This option also helps us attract viewers, especially younger viewers, and increases their viewing time. Viewers can send SMS messages from their mobile phones for a set fee. Some of these messages are aired on weekends on Sun TV and Sun Music, and some others are used to determine prize-winners of certain game shows. We earn revenue, typically through a revenue sharing arrangement with the mobile service provider, based on the number of messages received by the mobile service provider in response to our programming.

Distribution and Infrastructure

Basic technology of distribution.

All of our channels are broadcast from our facilities in Chennai by uplink to a New Skies Satellite Services satellite We also have access to some additional capacity for our operations and expansion plans arising from an agreement dated February 6, 2006, with the Indian government to use the Insat 4C satellite.. We have the right to use two transponders on the satellite. For our pay channels, after we uplink the encrypted signal to the satellite, the signal is beamed back to a satellite dish operated by MSOs or LCOs. The operators downlink the signals, convert them to analog format, and distribute them to smaller LCOs or to viewers' homes.

Our studios in Kerala uplink news and other programming by satellite to our Chennai headquarters, where the signal is downlinked and undergoes post-production before being uplinked for broadcast. In addition, we have a mobile uplink unit that our reporters use to uplink live or taped news stories directly to the satellite. For broadcast to selected international markets that are outside the footprint of the satellite, the transmission is made in part by cable.

We broadcast our programs in digital format. We were one of the first broadcasters in India to use digital broadcasts, and were one of the first to own a teleport and have a digital satellite news gathering network.

Distribution in India.

Our channels are distributed in India by MSOs and LCOs. The distribution business is characterized by complexity and fragmentation and there is no reliable data on the number of operators in India as a whole, or in Tamil Nadu or Kerala.

International distribution.

We have contracts with international broadcasters to provide our broadcasts to them for distribution in selected countries where there are significant populations of Tamil and Malayalam speakers. We estimate, based on data provided by our international distributors; that our channels reach over 100,000 international subscribers. The main regions where our broadcasts are viewed are the Indian sub-continent, Southeast Asia, the Middle East, North America and Europe.

International broadcasts typically receive the same satellite feed as in India, except in Sri Lanka, where the advertisements are removed when the feed is downlinked and broadcast terrestrially, and Malaysia, Indonesia and Brunei, where the feed is broadcast without any advertisements.

Relationships with Certain Affiliated Entities

We provide certain services to Gemini TV, Teja TV and Udaya TV, which are channels run by affiliated companies in which our Chairman has a significant equity interest. The services include mainly the use of play-out and uplinking facilities. We do not own any part of these affiliated companies, including Gemini TV Private Limited and Udaya TV Private Limited. The affiliated channels pay us for these services, pursuant to terms contained in our agreements with them. In addition, the approvals for uplinking Udaya News, Ushe TV, Aditya TV and Teja News, which are also channels run by affiliated companies in which our Chairman has a significant equity interest, have been granted in the name of Sun TV. Income and expenses attributable to these channels are reflected in the financial statements of the companies which run these channels. See "Risk Factors - Our Chairman has equity interests in affiliated companies that operate television channels and other media businesses that may compete with us. In addition, we provide services to and have other transactions with these affiliated companies, and these arrangements may create conflicts of interest or otherwise not be in our best interests." We shall adopt the necessary procedures and practices as permitted by law to address any conflict situations, as and when they may arise.

Prior to April 1, 2005, we were responsible for operating a number of aspects of the business of SCV, an MSO owned by Kal Cables Private Limited, which is an affiliated company in which our Chairman has a significant equity interest. As of March 31, 2005, the agreement under which we operated aspects of the SCV business was terminated. Also, as of March 31, 2005, we transferred the assets and liabilities of our CAS division, which administered SCV's CAS business in Chennai, to Kal Cables Private Limited.

Our pay channel fees from MSOs outside of Chennai are collected by Channel Plus, a division of Kal Comm Private Limited, which is an affiliated company in which our Chairman has a significant equity interest. Channel Plus charges us fees for its collection services pursuant to an agreement that we have with it.

For further details on our affiliated companies and the Chairman's equity interest therein, see the section titled "Our Promoter" on page 93.

Radio

Suryan FM comprises three 24-hour radio stations in Tamil Nadu, in the cities of Chennai, Coimbatore and Tirunelveli. The stations were launched in the first half of 2003. Licenses for these stations were obtained in Phase I of the bidding process conducted by the Indian Government in 2000. Since the licenses do not allow news or current affairs to be broadcast, these stations generally carry only movie-based programming, such as popular movie songs. In Coimbatore and Tirunelveli, Suryan FM is the only private FM station. Data from the NRS 2005 survey estimates that 39.5% of all individuals in Chennai above the age of 12 listened to Suryan FM within the week before they were surveyed, compared to 26.8% for its nearest competitor. (Source: NRS 2005).

We have been awarded a total of 67 new FM radio licenses pursuant to the bidding process recently conducted by the Government under its FM Phase II Policy. Under the Phase II Policy, we are permitted to retain up to 15% of the total FM channels, including our existing licenses and the license under which our affiliate Udaya TV operates a radio station in Vishakhapatnam. Applications have been made to the MIB for the transfer of these four licenses to our Subsidiaries. The remaining licenses will have to be surrendered. Our Subsdiaries have been permitted by a letter from the MIB dated February 13, 2006 to operate our FM radio stations in 45 cities. Our Subsidiaries have decided to retain licenses for the list of cities below, as per their letter to the MIB dated February 15, 2006, and await the confirmation of the MIB.

Name of the Subsidiary	Name of cities
Kal Radio Limited	Bangalore, Hyderabad, Madurai, Vijayawada, Gulbarga, Kannur, Kozhikode, Mangalore, Mysore, Pondicherry, Tirupati, Trissur, Tuticorin, Warangal, Rajamundry, Thiruvananthapuram, Trichy, Cochin (wait-listed)
South Asia FM Limited	Pune, Lucknow, Ahmedabad, Kanpur, Jaipur, Indore, Nagpur, Vadodara, Nasik, Bhopal, Rajkot, Asansol, Jabalpur, Aurangabad, Varanasi, Allahabad, Jamshedpur, Bhubaneshwar, Siliguri, Guwahati, Aizwal, Gangtok, Shillong

We believe that expanding our radio operations into new regions is an attractive business opportunity and may help create other expansion opportunities. See "Objects of the Issue" on page 21 for a discussion of the costs of obtaining and developing the new licenses. The annual license fees we currently pay for our existing radio stations are fixed in amount. In fiscal 2007 we will begin paying fees based on a revenue sharing arrangement under the FM Phase II Policy, In connection with the transition we will pay a one time fee of Rs. 250 million.

We have a separate sales and marketing department for Suryan FM, responsible for selling advertising time on our three stations. Suryan FM's advertisers are typically local businesses, and we generally charge between Rs.300 and Rs.1,000 per ten seconds of advertising time. In the year ended March 31, 2005 and the nine months ended December 31, 2005, Suryan FM generated 9.3% and 8.8% of our total advertising income.

Market Share and Competition

We face varying degrees of competition from established and new competitors in the markets we serve. We compete for advertising revenue with other television broadcasters, including Doordarshan's Tamil and Malayalam channels (DD5 Podhigai and DD4 Malayalam, respectively), other radio stations, online and print media and other advertising outlets. There is also competition for movie rights, particularly in the case of Malayalam movies because these rights are typically purchased from intermediaries. Alternative sources of entertainment compete with us if they reduce the number of people watching broadcast television. Current and future technological developments may also affect competition within the television industry.

Television.

Tamil Nadu. Currently, we have the three leading television channels in Tamil Nadu in terms of audience share. Our largest television broadcasting competitors in Tamil Nadu are Jaya TV, Raj TV and Star Vijay. When sports events are telecast live, we also face competition from Doordarshan's sports channel, DD Sports. Aside from Jaya TV, all of our competitors only offer pay channels. However, these channels are offered free-to-air in Chennai.

The table below presents the audience share for each of our Tamil channels in Tamil Nadu, as compared to the shares of our principal competitor channels in Tamil Nadu for fiscal 2005, 2004 and 2003, as well as the nine months ended December 31, 2005:

	TAMIL NADU			
	Nine months ended December 31, 2005	Fiscal year		
		2005	2004	2003*
Our Tamil Channels				
Sun TV	47.3	47.5	42.9	41.4
KTV	16.3	13.7	14.0	16.2
Sun News	1.6	1.7	1.2	1.6
Sun Music	6.0	0.5	n/a	n/a

	TAMIL NADU			
	Nine months ended December 31, 2005	Fiscal year		
		2005	2004	2003*
Competitor Channels				
Jaya TV	4.6	5.1	5.8	4.6
Raj TV	2.8	4.0	4.8	4.7
Raj Digital Plus	1.9	2.5	2.1	1.5
Star Vijay	4.1	4.6	4.7	4.8
DD5 Podhigai (C&S homes)	1.3	2.1	2.5	2.5

* *Weighted average for two periods, arising from modifications by TAM Media Research to its viewership markets. The audience shares (in the same order as in the table above) according to TAM Media Research for the period (1) April 1, 2002 to November 30, 2002 were 41.3, 16.5, 1.72, n/a, 4.6, 5.0, 1.4, 4.7 and 2.6, and (2) December 1, 2002 to March 29, 2003 were 41.7, 15.4, 1.4, n/a, 4.5, 4.3, 1.7, 4.9 and 2.2.*

(source: TAM)

Kerala. Our largest television broadcaster competitors in Kerala are Asianet, DD4 Malayalam and Kairali. When sports events are telecast live, we also face competition from Doordarshan's sports channel, DD Sports. The table below presents the audience share for each of our Malayalam channels in Kerala, as compared to the shares of our principal competitor channels in Kerala for fiscal 2005, 2004 and 2003, as well as the nine months ended December 31, 2005:

	KERALA			
	Nine months ended December 31, 2005	Fiscal year		
		2005	2004	2003*
Our Malayalam Channels				
Surya TV	25.4	27.1	25.8	32.87
Kiran TV	6.7	n/a	n/a	n/a
Competitor Channels				
Asianet	21.5	24.3	22.9	20.1
DD4 Malayalam (C&S homes)	3.0	3.1	3.1	6.4
Kairali	4.5	5.35	6.1	6.5
Asianet News	2.3	2.6	2.7	3.8
Asianet Plus	2.1	n/a	n/a	n/a

* *Weighted average for two periods, arising from modifications by TAM Media Research to its viewership markets. The audience shares (in the same order as in the table above) according to TAM Media Research for the period (1) April 1, 2002 to February 8, 2003 were 33.9, n/a, 19.9, 6.9, 6.4, 3.9 and n/a, and (2) April 1, 2002 to February 8, 2003 were 26.0, n/a, 20.8, 3.7, 6.6, 3.2 and n/a.*

(source: TAM)

Radio.

Suryan FM Radio competes for listenership and advertising income with other stations in Chennai, Coimbatore and Tirunelveli. Our largest competitors in the radio market are AIR Gold, AIR Rainbow and All India Radio, which are all owned and controlled by the Government, as well as Radio Mirchi. All of our FM competitors offer programming that is similar to Suryan FM's. Non-FM competitors like All India Radio offer different kinds of programming, such as news and current affairs, and sports.

Properties

Our corporate headquarters and registered office are located in Chennai, India, in leased facilities of approximately 38,000 square feet. These facilities house our studio facilities, news department, control room, uplink facility and library for all of our channels. In addition, our general, administrative and sales offices are in these facilities. We also own approximately 169,000 square feet of property adjoining Mylapore division , Chennai, and we intend to shift our headquarters and registered office there in the near future. For the purpose of developing this land, we have entered into an agreement for joint development dated February 3, 2006 with a land developer in Chennai, wherein the land developer has agreed to construct a commercial building consisting of a single block having two levels of basement with 14 upper floors with an overall super built area of 300,000 sq.ft. on one parcel of the land. The land developer has also been granted the right to construct 300,000 sq. ft. of super built up on another portion of land at the same location, at their discretion, and to sell the same to third parties. In consideration thereof, the land developer is required to pay to us a refundable security deposit of Rs. 10 million, and a further sum of Rs. 20 million at the time of execution of the sale power by us in respect of the portion of land upon which the land developer has constructed his 300,000 sq. ft. The construction is expected to be completed within 18 months from the date of the receipt of the all the necessary statutory and regulatory approvals required, for the construction of our office premises, which is required to be obtained by the land developer within of six months from the date of the submission of the plans for the construction to the competent authority, which in turn is to take place within one month of their finalization.

The main facility for the Malayalam channels is at Thiruvananthapuram, which houses the entire production facility for those channels. We also have a number of regional offices in Tamil Nadu and Kerala.

Employees

As of December 31, 2005, we had a total permanent full-time work force of 699 employees, compared to 693 and 663 employees as of March 31, 2005 and March 31, 2004. We also contract certain workers, such as reporters, anchors and talk show hosts. Of the 699 people employed by our television channels as of December 31, 2005, 290 employees worked in programming, 161 in administration, 80 in technical and 26 in marketing.

Our success depends to a large extent on our ability to recruit, train and retain high quality professionals. Accordingly, we place special emphasis on the human resources function in our organization. We provide certain of our employees with group mediclaim policies and gratuity, in addition to statutory benefits. Certain senior officers are provided with company cars. Our employees are not represented by unions and they do not have collective bargaining agreements. We believe that our relationship with our employees is good.

Intellectual Property

We have a number of intellectual property rights that we seek to protect to the fullest extent practicable. See "Programming Movies." We believe that we are not dependent on any of our intellectual property rights individually, although collectively, they are of material significance to our business. We have registered trademarks for the Sun News, Suryan FM and Sun Music logos in India and for the Sun TV logo in the United States, and have applied for trademarks for the Sun TV name and logo, as well as logos for Surya TV, KTV and the Sun Network in India, trademarks for the Surya TV and KTV logos in the United States and community trademarks for the Sun TV, KTV and Surya TV logos in the European Community. There are court injunctions prohibiting us from broadcasting some of the movies in our library owing to pending copyright disputes and other litigation.

REGULATIONS AND POLICIES

The following description is a summary of the relevant regulations and policies as prescribed by the Ministry of Information and Broadcasting, the Department of Telecommunications, the Reserve Bank of India and the GoI. The information detailed in this chapter has been obtained from the websites of the relevant regulators and publications available in the public domain.

The Government of India has, over the years, formulated various regulations which specifically apply to companies operating in the television broadcasting and transmission of FM radio sectors. These regulations are made applicable either by means of statutory enactment governing broadcasting, by action of the regulators who govern this area and are also made applicable as conditions under certain licenses that are required to be acquired prior to the broadcasting of information.

Some of the important legislation in this area is:

The Indian Wireless Telegraphy Act, 1933 (the "Wireless Act")

The Wireless Act governs all forms of "wireless communication", i.e.; transmission and reception without the use of wires or other continuous electrical conductors between the transmitting and the receiving apparatus. It stipulates that no person shall possess wireless telegraphy apparatus without obtaining a license in respect thereof.

Applications under the Wireless Act are made to the Wireless Planning & Coordination Wing ("WPC"), a wing of the Ministry of Communications, created in 1952. The WPC is the national radio regulatory authority responsible for frequency spectrum management, including licensing to wireless users (government and private) in India. It exercises the statutory functions of the Central Government and issues licenses to establish, maintain and operate wireless stations. The WPC is divided into major sections like licensing and receival, new technology group and Standing Advisory Committee on Radio Frequency Allocation (the "SACFA"). SACFA makes the recommendations on major frequency allocation issues and clearance from the SACFA is required prior to commencing FM broadcasts. It is also involved in formulation of the frequency allocation plan, making recommendations to the International Telecom Union and clearance of all wireless installations in the country. Clearance from the WPC is required for the usage of certain equipment for television broadcasting including Satellite News Gathering ("SNG") and Digital Satellite News Gathering ("DSNG") equipment and teleports.

The Telecom Regulatory Authority Act, 1997 (the "TRAI Act")

The TRAI Act established the Telecom Regulatory Authority of India ("**TRAI**") and the Telecom Disputes Settlement and Appellate Tribunal ("**TDSAT**"). The TRAI and TDSAT are the regulatory and appellate bodies in India which regulate telecommunication services and adjudicate disputes in relation thereto, respectively.

Under the TRAI Act, the TRAI is empowered to make recommendations to the Central Government or the entity empowered under the Telegraph Act to issue licenses in connection with matters such as the need and timing for introduction of new service providers, terms and conditions of licenses issued to service providers and the revocation of licenses for non-compliance with terms and conditions. The functions to be discharged by the TRAI include ensuring compliance with the terms and conditions of licenses, regulate revenue sharing arrangements among service providers and specifying the standards of quality of service to be provided by service providers.

The TRAI is empowered to call upon any service provider at any time to furnish in writing such information or explanation as is required or to conduct an investigation into the affairs of any service provider or issue directions in respect thereof.

FM broadcasting services were brought under the ambit of TRAI Act on January 9, 2004 by means of a notification.

Regulations Governing Television Broadcasting

Television broadcasting in India is governed by regulations which apply to the various stages of gathering, processing, uplinking, down linking and accessing the television programming. In addition to the said legislation, the industry is also governed by an industry regulator.

Regulation by the TRAI

As in the case in the FM sector, television broadcasting was brought under the ambit of the TRAI by classifying broadcasting and cable services as "telecommunications" on January 9, 2004. The TRAI has been mandated to review policy governing broadcasting and cable services and has made significant recommendations and interventions in relation to the Conditional Access System ("CAS") Regime.

Regulations for uplinking

The gathering, uplinking and broadcasting of television based content in India was governed by a series of guidelines promulgated by the MIB. These included the "Guidelines for uplinking from India" notified in July 2000, the "Guidelines for Uplinking of News and Current Affairs TV Channels from India" notified in March 2003, and the "Guidelines for use of SNG/DSNGs" notified in May 2003.

On December 2, 2005, the above guidelines were consolidated into the "Guidelines for Uplinking from India" ("Uplinking Guidelines") which relate to:

(i) Permission for setting up of Uplinking Hub/Teleports;

(ii) Permission for Uplinking a Non-News and Current Affairs TV Channel;

(iii) Permission for Uplinking a News and Current Affairs TV Channel;

(iv) Permission for Uplinking by Indian News Agency;

(v) Permission for use of SNG/DSNG Equipments in C Band and KU Band; and

(vi) Permission for Temporary Uplinking.

Permission for Setting up of Uplinking Hub/ Teleports.

Companies making applications to establish uplinking hubs or teleports in India are required to satisfy certain capital adequacy requirements based on the number of channels being broadcast, for example a company with teleport with single channel capacity is required to maintain a net worth of Rs. 10 million and a company with teleport with 15 channel capacity is required to maintain a net worth of Rs. 30 million. Further, foreign equity holding including NRI/OCB/PIO investment is not permitted to exceed 49%.

Licenses granted are valid for a period of ten years. A one time license fee is payable for every teleport licensed under the above system and uplinking is permitted only for channels which are approved for uplinking by the MIB.

Permission for Uplinking Non-News &Non Current Affairs TV Channel

This permission enables the uplinking of channels which do not include elements of news & current affairs in their programme content. Applicants with one channel are required to maintain net worth of Rs. 15 million for one channel and Rs. 10 million for every additional TV channel.

Licenses granted are valid for a period of ten years. The company is also required to comply with the procedure laid down in the downlinking guidelines notified by the MIB.

Under these guidelines sports channels and sports management companies having TV broadcasting rights are required to shares their feed with Prasar Bharati for national and international sporting events of national importance, held in India or abroad, for terrestrial transmission and DTH broadcasting subject to certain conditions. Revenue sharing in such conditions is prescribed in the ratio of 75:25 in favour of the company holding the license.

Permission for News & Current Affairs TV Channel

These guidelines apply to channels having any element of News & Current Affairs content in their programming content. Under the guidelines, foreign equity holding including FDI/FII/NRI investment in such companies is not to exceed 26% of the paid up equity of the company. However, entities making portfolio investment in the form of FII/NRIs deposits are not to be treated as "persons acting in concert" with FDI investors.

While calculating the foreign holding component for the above limit, the equity of foreign entities in Indian shareholder companies of the company applying for uplinking permissions is reckoned as foreign holding in the applicant company. However, the indirect FII equity in a company as of 31st March of the year would be taken for the purposes of pro-rata reckoning of foreign holdings.

Under the Uplinking Guidelines at least 51% of the total equity (excluding the equity held by Public Sector Banks and Public Financial Institutions as defined in section 4A of the Act) in the company, is to held by the largest Indian shareholder, which in case of an individual, would include all relatives of such shareholder and all companies in which such shareholder has controlling interest and who have entered into a legally binding agreement to act as a single unit. Licenses granted are valid for a period of ten years.

The company is required to disclose all material agreements in the nature of shareholders agreements, loan agreements and such other agreements that are finalized or are proposed to be entered into by it at the time of application for permission to uplink. Any subsequent changes in said agreements or the foreign direct investment in the company is to be disclosed to the MIB, within 15 days of the occurrence thereof.

Upon the finalization of the Basis of Allotment, our Company would also be required to notify the MIB, of the percentage of the foreign direct investment pursuant to the Issue.

The company is required to intimate the names and details of all non resident persons proposed on the board of directors of the company and any foreigners/NRIs to be employed/engaged in the company either as consultants (or in any other capacity) for more than 60 days in a year, or, as regular employees to the MIB.

Under the Uplinking Guidelines at least 75% of the directors on the board of directors of the company and all key executives and editorial staff including the CEO, known by any designation and/ or head of the channel, are required to be resident Indians. As of date of this Red Herring Prospectus all our Directors are resident Indians. All appointments of key personnel (executive and editorial) are to be made by the company without any reference on/ from any other company, Indian or foreign. The representation on the board of directors of the company is required to be as far as possible proportionate to the shareholding.

Companies are required to have complete management control, operational independence and control over its resources and assets and must have adequate financial strength for running a news and current affairs TV channel.

Companies with one channel are required to maintain net worth of Rs. 30 million for one channel and Rs. 20 million for every additional TV channel.

Basic Conditions/Obligations

Permission for usage of facilities/infrastructure for live news/footage collection and transmission, irrespective of the technology used, is only to be granted to channels uplinked from India.

The uplinking company or channel is further required to ensure that its news and current affairs content provider(s), if any, are accredited with the Press Information Bureau and that it uses only equipment which is duly authorised and permitted by the competent authority.

The company/channel is to undertake to comply with the programme and advertising codes, keep a record of the content uplinked for a period of 90 days and to produce the same before any agency of the government, as and when required,

The applicant company/channel is required comply with all the terms and conditions of the permission/approval prescribed by the MIB and failure to comply with any of the terms and conditions will result in withdrawal of such permission/approval and suspension/cancellation of the wireless operating licence issued by the WPC.

The licensee is required to sign a licence agreement after allotment of frequency by WPC. The license agreement is to specify detailed terms and conditions under which the licence is to be operated. Within one year from the date of signing of licence agreement, the applicant company is required to obtain SACFA clearance, set up the necessary broadcast facilities and obtain a Wireless Operating Licence from the Wireless Advisor in the WPC Wing of the Ministry of Communications and Information Technology and pay the spectrum usage fee as determined by the WPC.

Permission for the use of Satellite News Gathering Technology

The use of SNG and DSNG equipment is restricted to certain types of users, each of whom have to have to apply to the MIB and obtain permission for the same. PIB accredited content provider(s) if any, are permitted to use SNG/DSNG for collection/ transmission of news/footage. These channels are permitted to use the technology to gather live news or footage and for point to point transmission entertainment channels uplinking from their own teleport are permitted to use SNG/DSNG for their approved channels, and for transfer of video feeds to the permitted teleport.

All foreign channels, permitted entertainment channels uplinked from India and entities permitted to use SNG/DSNG equipment are required to seek temporary uplinking permission for using SNG/DSNG for any live coverage/footage collection and transmission on case to case basis. Certain technical and other restrictions are applicable to usage within these permitted categories such as captive usage.

1. Uplinking is to be carried out only in the encrypted mode, so as to be receivable only in closed user group. Signals are to be down linked only at the permitted teleport of the licensee and uplinked for broadcasting through permitted satellite only through such teleports.
2. Content collected through SNG/DSNG technology is required to conform to Programme and Advertisement Codes.
3. The use of SNG/DSNG is prohibited in certain regions by the Ministry of Home Affairs ("MoHA"), defense installations and in certain areas cordoned off for security purposes.
4. The company is required to inform the MIB about placement of their terminals.
5. The usage term for SNG/DSNG equipment extends up to the period of the channel permission for news and current affairs content providers for such channels and up to the period of the teleport license for teleport owners.
6. Permissions are required to be taken from the WPC for the use of SNG/DSNG technology and for frequency authorization. The WPC permission is renewable annually.
7. Usage of the SNG/DSNG technology is also permitted in the KU Band.

Penalties for violations of the said guidelines include suspensions of the corresponding uplinking licenses for various periods of time, and / or prohibitions on broadcasting material during the permission period.

Foreign Investment

Under Press Note No. 01 (2006) Series on Foreign Direct Investment (FDI) in Up-linking of TV Channels, FDI in the Up-linking of TV Channels is permitted as under:

1. FDI up to 49% is permitted with prior approval of the Government for setting up the Up-linking Hub/ Teleport;
2. FDI up to 100% is allowed with prior approval of the Government for Up-linking a Non-News & Current Affairs TV Channel;
3. FDI (including investment by Foreign Institutional Investors (FIIs) up to 26% is permitted with prior approval of the Government for Uplinking a News & Current Affairs TV Channel subject to the condition that the portfolio investment in the form of FII/ NRI deposits shall not be "persons acting in concert" with FDI investors.

A company permitted to uplink a channel is required to certify the continued compliance of the above requirement at the end of each financial year. While calculating foreign equity of the applicant company, the foreign holding component, if any, in the equity of the Indian shareholder companies of the applicant company is to be duly reckoned on a pro-rata basis, so as to arrive at the total foreign holding in the applicant company. However, the indirect FII equity in a company as on 31st March of the year is to be taken for the purposes of pro-rata reckoning of foreign holdings. Further, FDI in the Up-linking TV Channels will be subject to compliance with the Uplinking Guidelines and policy of the MIB as may be notified from time to time.

FM Broadcasting

Private radio broadcasting in India can be carried out by privately owned broadcasters upon their acquisition of a license to broadcast. These licenses were given out by a competitive bidding process. Some of these licenses have already been granted in this manner and certain other licenses are to be granted under a bidding process that is currently underway.

Foreign Investment

Under Press Note No. 6 (2005) Series on Foreign Direct Investment in Terrestrial Broadcasting FM, foreign investment, including FDI, NRI and PIO investments and portfolio investments up to 20% equity for FM radio Broadcasting services subject to such terms and conditions as specified from time to time by the MIB. Some of these conditions require that:

- One Indian individual or company owns more than 50% of the paid up equity excluding the equity held by banks and other lending institutions.
- The majority shareholder exercises management control over the applicant entity.
- The company has only resident Indians as Directors on the Board.
- All key executive officers of the applicant entity are resident Indians.

If during the currency of the permission period, the government policy on FDI/FII is modified, the permission holders is required to conform to the revised guidelines within a period of six months from the date of such notification, failing which it is to be treated as non-compliant of Grant of Permission Agreement, and liable for punitive action.

No permission holder is to be permitted to change the ownership pattern of the company through transfer of shares of the major shareholders to any new shareholders without the written permission of the MIB, which is not be granted for a period of five years from the date of operationalisation of the permission, subject to the condition that the new shareholders conform to all the prescribed eligibility criteria.

Phase I Policy

The Government of India permitted private FM radio stations on a license fee basis ("Phase 1 Policy") under the 9th Plan Period. In May 2000, an auction was conducted pursuant to Tender Notice No. 212/2/99-B(D) by the MIB to auction 108 Frequencies in the FM Spectrum across 40 Cities in India through an open auction bidding process. A total of 37 licenses were issued out of which 24 are operational (of which two have been granted deemed operational status, pending commencement of actual broadcast). The Phase I Policy required successful bidders to make payments of annual license fees.

Phase II Policy

Subsequently, the Government of India, Ministry of Information & Broadcasting formulated a policy on expansion of FM radio broadcasting services through private agencies ("Phase II Policy"). As in the Phase-I Policy, the objectives of the Phase II Policy were to attract private agencies to supplement and complement the efforts of All India Radio by operationalizing radio stations that provide programmes with local content and relevance, improve the quality of fidelity in reception and generation, encouraging participation by local talent and generating employment.

Some salient features of the Phase II Policy under which a total of 338 channels in 91 cities across the country were made available for bidding to Indian private companies, were:

Process of bidding

Permission under the Phase II Policy was granted on the basis of a closed tender competitive bidding process, based on the One Time Entry Fee ("OTEF") quoted by the bidders.

Participants of Phase I Policy, including those licensees who were eligible for automatic migration for channels already operationalised by them, were granted the option to be considered for the pre-qualification round for fresh tendering under Phase II Policy, subject to their fulfilling the prescribed eligibility criteria.

Eligibility Criteria

Only companies registered under the Indian Companies Act, 1956 were eligible for bidding and obtaining permission for FM radio channels.

Further, companies controlled by persons convicted of certain offences, companies which are subsidiaries, group companies or under common management with other applicant companies, companies controlled by or affiliated religious bodies, political bodies or advertising agencies were not eligible for bidding under the Phase II Policy.

In addition to the above criteria, companies seeking to bid under the Phase II Policy were required to satisfy the certain minimum net worth criteria which were determined based on the number of regions and number of channels per centre which the company sought to bid for.

applicant companies under the Phase II Policy were further required to conform to the regulations governing foreign shareholding in it.

Process of granting permission:

Separate Financial Bid for each Channel

Pre-qualified applicants could required to apply for the allotment of only one channel in each city through a separate financial bid for payment of OTEF for each channel.

Channels available under Phase II Policy in each city were allocated in accordance with descending order of valid financial bids received. In the event of the number of valid bids being more than the available number of frequencies, those unsuccessful valid bidders, who were above the reserve OTEF limit, and who were willing to continue the deposit of their performance bank guarantee for the amount equal to 50% of their respective financial bids, were placed in a waiting list in accordance with the descending order of their financial bids for a period of two years.

Every successful bidder was asked to deposit the balance 50% of his financial bid through a demand draft within a period of seven days of being declared a successful bidder.

Any successful bidder, who failed to deposit the balance 50% of the bid amount within the prescribed period, was to be immediately disqualified from taking part in any fresh bidding anywhere in the country for a period of five years. Further, the original payment made through demand draft for 50% of the bid amount is to be forfeited immediately.

On deposit of the balance 50% of the bid amount within the stipulated time, and fulfilment of other eligibility conditions, the successful bidders were issued LOIs to enable the company to obtain frequency allocation, SACFA clearance, achieve financial closure and appoint all key executives, enter into agreements with Doordarshan/All India Radio/BECIL and deposit the requisite amounts towards land/tower lease rent, common transmission infrastructure etc. and comply with requisite conditions of eligibility for signing the "Grant of Permission Agreement" within a period of nine months from the date of issue of LOIs.

In the event of the failure of any LOI holder to comply with the eligibility conditions for the Grant of Permission Agreement or failing to sign the Grant of Permission Agreement within the prescribed period of nine months from the date of issue of LOI, the full deposit of the bid amount is to be forfeited without further notice, and LOI and the allocation of frequency, if any, is to stand cancelled. The frequency so released may be allotted to the next highest bidder from the waiting list.

Grant of Permission Agreement

On complying with all the requisite conditions of eligibility, and furnishing a PBG for an amount equal to the annual fee (10% of reserve OTEF), the LOI holder and the MIB will sign the Grant of Permission Agreement in the prescribed format. Besides the MIB is to issue permission after signing the agreement to enable the permission holder to install the radio station, obtain Wireless Operating License (WOL) and operationalise the channel within a period of one year from the date of signing the Grant of Permission Agreement. The period of permission is to be reckoned from the date of operationalisation or one year from the date of signing of the Grant of Permission Agreement, whichever is earlier.

In the event of the failure of the permission holder to operationalise the channel within the stipulated period, the permission holder is to become liable to pay the annual fee, which is to be recovered in one lump sum from the PBG furnished by the permission holder and the permission holder asked to furnish a fresh PBG to cover next year's fee. In the event of the permission holder failing to operationalise the channel within a period of eighteen months from the date of signing the Grant of Permission Agreement, or failing to furnish PBG for the next year's annual fee within a period of three months from the date of invoking the PBG, whichever is earlier, the Grant of Permission Agreement is to be revoked and the permission holder debarred from bidding for the same city for a period of five years from the date of revocation of permission.

License Fees and Duration

Annual Fee is to be charged @ 4% of gross revenue, for the year or @ 10% of the Reserve OTEF limit for the concerned city, whichever is higher. Gross Revenue for this purpose is defined in the Phase II Policy as being calculated on the basis of billing rates, which shall include discounts, if any, given to the advertisers and any commissions paid to the advertising agencies. Barter advertising contracts shall also be included in gross revenues of either licensee on the basis of their respective relevant billing rates. Gross revenue is further defined in the Tender Document issued on September 30, 2005, as the gross inflow of cash, receivables or other consideration arising in the course of ordinary activities of the FM radio broadcasting enterprise from rendering of services and from the use by others of the enterprise resources yielding rent, interest, dividend, royalties, commissions, etc. Gross Revenue is to be calculated without deduction of taxes and agency commissions, on the basis of billing rates, net of discounts to advertisers. Barter advertising contracts are also to be included in the gross revenues on the basis of relevant billing rates. In the case of a permission holder providing or receiving goods and services from other companies that are owned or controlled by the owners of the permission holder, all such transactions are to be valued at normal commercial rates and included in the profit and loss account of the permission holder to calculate its gross revenue. Gross Revenue is to be calculated without the deduction of taxes.

The first year from the date of signing the Grant of Permission Agreement is to be reckoned as the commissioning period. The first year's fee is to become payable with effect from the date of operationalisation of the channel or expiry of one year from the date of signing the Grant of Permission Agreement, whichever is earlier. The permission holder is to initially pay advance quarterly instalments on the basis of the Reserve OTEF formula till the end of the financial year. Once the final fee for the financial year is determined on the basis of gross revenue share formula, the permission holder is to pay the balance in one lump sum within a period of one month from the date of such determination, in any case not later than last day of September of the following year.

From the second year onwards, the permission holder is to pay advance license fee on the basis of 4% gross revenue share of the first year or 10% of reserve OTEF, whichever is higher, within the first fortnight of each quarter, and balance due of final annual fee by the last day of September of the following year.

Gross revenue is to be calculated on the basis of billing rates, which is to include discounts, if any, given to the advertisers and any commissions paid to the advertising agencies. Barter advertising contracts are also to be included in gross revenues of either licensee on the basis of their respective relevant billing rates.

Every permission holder is to furnish a bank guarantee for the amount of annual fee calculated on the basis of Reserve OTEF formula, and maintain its validity throughout the currency of the permission. Any default in payment of determined annual fee is to be recovered from the bank guarantee and if the amounts due are more, the permission holder is to be asked to furnish additional bank guarantees to cover the balance.

Every permission holder is to maintain separate financial accounts for each channel, which are to be audited by chartered accountants. In the case of a permission holder providing or receiving goods and services from other companies that owned or controlled by the owners of the permission holder, all such transactions is to be valued at normal commercial rates and included in the profit and loss account of the permission holder to calculate its gross revenue.

Under the Phase II Policy, the Government has reserved the right to get the accounts of any permission holder audited by CAG or any other professional auditors at their discretion. In case of difference between the financial results determined by the chartered accountant and the government appointed auditors, the views of the government appointed auditor is to prevail to the extent of determining gross revenues of the permission holder.

Every permission under the Phase II Policy is to be valid for a period of ten years from the date of operationalisation of the channel. There is to be no provision for its extension and the permission is to automatically lapse at the end of the period and the permission holder is to have no rights whatsoever to continue to operate the channel after the date of expiry. Government at the appropriate time is to determine procedure for issue of fresh permissions and no concessional treatment is to be afforded to the permission holders in the allotment of channels thereafter.

Single permission per City

Every applicant is to be allowed to run only one channel per city provided the total number of channels allocated to the entity is within the overall ceiling of 15% of all allocated channels in the country.

No permission holder is to outsource, through any long-term production or procurement arrangement, more than 50% of its total content, of which not more than 25% of its total content is to be outsourced to a single content provider.

No permission holder is to hire or lease more than 50% of broadcast equipment on long-term basis.

No permission holder is to enter into any borrowing or lending arrangement with other permission holder or entities other than recognized financial institutions, which may restrict its management or creative discretion to procure or broadcast content.

Total number of frequencies that an entity may hold:

No entity is to hold permissions for more than 15% of all channels allotted in the country. In the event of allotment of more channels than prescribed, the entity will have the discretion to decide which channels it would like to surrender and the government is to refund its OTEF for these channels in full.

Cross Media Ownership

If during the currency of the permission period, government policy on cross-media ownership is announced, the permission holder is obliged to conform to the revised guidelines within a period of six months from the date of such notification, failing which it is to be treated as being non-compliant with the Grant of Permission Agreement, and liable for punitive action. Provided however, in case the permission holder is not in a position to comply with cross media restrictions for *bona fide* reasons to the satisfaction of the MIB, the Permission Holder would be given an option of furnishing one month's exit notice and the entry fee for the remaining period, to be calculated on pro rata basis, is to be refunded to the permission holder.

News and Current Affairs Programs

No news and current affairs programs are permitted under the Phase II Policy.

Code of Conduct

Every permission holder is to follow the AIR Program and Advertising Code as amended from time to time. In the event of the government announcing the setting up of a Broadcast Regulatory Authority, by whatever name called, and the content regulations are modified, the permission holder is to be obliged to conform to the revised guidelines. No permission holder is to use brand names or owners' names or corporate-group names to identify its channel to gain commercial advantage over other permission holders.

The MIB is to have the right to suspend the permission of one or more permission holders in public interest or national security to prevent the misuse of their respective channels and the permission holders is to be obliged to immediately comply with the directives of the Government.

Penalty for Non operationalisation of Awarded Licenses

Each permission holder is to operationalise the channel within 18 months of the date of signing of the Grant of Permission Agreement, failing which the permission will be revoked, and permission holder is to be debarred from allotment of another channel in the same city for a period of five years from the date of such revocation. The frequency so released will be allotted to a fresh successful bidder.

The MIB may also revoke the permission if the channel is closed down for more than six months for whatever reason.

Networking

An entity will be permitted to network its channels in C & D category cities within a region only. No two entities are to be permitted to network any of their channels in any category of cities.

Number of Frequencies:

A total of 338 channels in 91 cities across the country were made available for bidding by Indian private companies.

Co-location

It has been made mandatory for all operators under the Phase II Policy regime to co-locate transmission facilities in all the 91 cities, on terms and conditions to be prescribed separately. In 81 cities, the facilities would be co-located on existing AIR/DD towers, while in remaining 9 cities, new towers is to be got constructed by the Ministry, through Broadcast Engineering Consultants India Limited (BECIL), for the purpose.

Pending creation of co-location facilities by BECIL in due course, the successful bidders in these 9 cities will be permitted to operationalise their channels on individual basis for a period of two years, at the end of which they is to shift their operations to the new facilities. Permission to run its individual channel will be granted to each successful bidder only after it has entered into an agreement with BECIL and made full payments towards its share in the common infrastructure. In the case of Mumbai, even the existing operators is to be permitted to migrate to Phase 2 only after they have entered into agreements with BECIL and made the required payments towards their share in the common infrastructure for co-location.

BECIL is to act as the system integrator for providing the common transmission infrastructure and will help the LOI holder/ permission holders to obtain SACFA clearance and frequency allocation on prescribed terms and conditions. After grant of permission, each permission holder is to obtain wireless operational license, for which WPC, DoT, MoC&IT will be requested to grant priority clearance.

Penalties

In the event of a permission holder letting its facilities being used for transmitting any objectionable, unauthorized content, messages or communication inconsistent with public interest or national security or failing to comply with the directions, the permission granted is to be revoked and the permission holder is to be disqualified to hold any such permission in future, apart from liability for punishment under other applicable laws.

Further, in the event of a permission holder violating any of the terms and conditions of permission, or any other provisions of the Phase II Policy, the MIB is to have the right to impose the following penalties:

In the event of first violation, suspension of the permission and prohibition of broadcast up to a period of 30 days.

In the event of second violation, suspension of the permission and prohibition of broadcast up to a period of 90 days.

In the event of third violation, revocation of the permission and prohibition of broadcast up to the remaining period of the permission.

In the event of the failure of the permission holder to comply with the penalties imposed within the prescribed time, revocation of permission and prohibition to broadcast for the remaining period of the permission and disqualification to hold any fresh permission in future for a period of five years.

In the event of suspension of permission, the permission holder will continue to discharge its obligations under the Grant of Permission Agreement including the payment of fee.

In the event of revocation of permission, the permission holder will lose the OTEF. The Government is to not be responsible for any investment towards the operationalisation of the channel, not limited to capital and operating expenditure, in case of imposition of any penalty referred above.

All the penalties mentioned above are to be imposed only after giving a written notice to the permission holder to rectify the violation within a period of 15 days, failing which he is to be liable for the proposed penalty.

Dispute Resolution Mechanism

In the event of any question, dispute or difference arising under the Grant of Permission Agreement or in connection thereof, except as to the matter, the decision of which is specifically provided under this Grant of Permission Agreement, the same is to be referred to the sole arbitration of the Secretary, Department of Legal Affairs or his nominee.

Migration of Phase 2 Licenses

Licensees under the Phase I Policy, who have actually operationalized their channels have been given the option to migrate to the Phase II Policy Regime. They were to have to exercise their initial option to automatically migrate to the Phase II Policy regime under the Phase II Policy by April 1, 2005 in accordance with the terms and conditions of migration or continue under the Phase I Policy or surrender their licenses with one month's notice.

Surrendered channels were included for allotment under the Phase II Policy bidding process.

All payments made by operationalised license holders under the Phase I Policy in excess of amounts due till the cut-off date, are to be given credit and adjusted against their OTEF for the Phase I Policy license.

Each operationalised license holder under the Phase I Policy, who are eligible for automatic migration, are to pay OTEF equal to the average of all successful bids received under the Phase II Policy in that city. In the event of no successful bid in the city, such OTEF amount is to be equal to the average of all successful bids received in that category of cities in that region. In the event of no successful bid in any metro city, such OTEF amount is to be equal to the average of all successful bids received in all the four metro cities.

On exercising their option to automatically migrate to the Phase II Policy license holders under the Phase I Policy were issued a fresh permission with the same terms and conditions as for successful bidders of the Phase II Policy.

In the event of any operationalised license holder of the Phase I Policy has declined to opt for automatic migration, it is to continue to be governed by the terms and conditions of its original license under the Phase I Policy regime, as modified from time to time.

In the event of opting to close down its radio station, an operationalised license holder under the Phase I Policy is to give a notice of termination with a minimum period of one month at the end of which the MIB may cancel its license and permit it to close down the station, and may allocate the frequency so released to the next highest eligible bidder under the Phase II Policy.

HISTORY AND CORPORATE STRUCTURE

Our History

Our Company was incorporated as Sumangali Publications Private Limited on December 18, 1985. The word 'private' in the name of our Company was deleted with effect from July 1, 1996 pursuant to Section 43A(1A) of the Companies Act, 1956. The name of our Company was changed to Sun TV Limited by a special resolution of the members passed at an extraordinary general meeting held on March 23, 2000. The fresh certificate of incorporation consequent to the change of name was granted to our Company on March 27, 2000, by the Registrar of Companies, Tamil Nadu. The word 'private' was reinserted in the name of the Company by the provisions of Section 43A(2A) of the Companies Act, 1956 on October 9, 2001. The status of our Company was subsequently changed to a public limited company by a special resolution of the members passed at an extraordinary general meeting held on December 15, 2005. The fresh certificate of incorporation consequent on change of name was granted to our Company on December 27, 2005, by the Registrar of Companies, Tamil Nadu. Additionally, the registered office was shifted from 182, Kodambakkam High Road, Chennai 600 034, India to 367/369, Anna Salai, Chennai 600 018, India with effect from December 12, 2005 by a resolution of our Board dated December 5, 2005.

Broadcasting

Sun TV was first launched in Tamil, on April 14, 1993 with three hours of programming every day, by Mr. Kalanithi Maran. The amount of programming was gradually increased over a period of time with Sun TV becoming a 24 hour channel in January 1995. Sun TV is currently a free to air channel.

Following the launch of Sun TV, we launched Sun News, our news and current affairs based channel in May 2000. We launched KTV, a 24 hour film based Tamil channel with its primary focus on films and film based programme in October 2002. We launched Sun Music, the first 24 hour Tamil music channel, in September, 2004. This channel features film and non film based programmes. Sun News, KTV and Sun Music were subsequently converted into pay channels.

We launched our first Malayalam channel Surya TV in October 1998. The channel has a programming mix of both film based and non film based programmes. We launched a film and music based 24 hour Malayalam language channel, Kiran TV, in January 2005.

FM RADIO

We launched our first radio Frequency Modulation (FM) channel in Tamil in three major cities of Tamil Nadu, i.e., Chennai in May 2003 and in Coimbatore and Tirunelveli in March 2003.

As on December 31, 2005, we had two subsidiaries namely Kal Radio Limited and South Asia FM Limited. Kal Radio Limited and South Asia FM Limited were incorporated for the purpose of bidding for FM licences under the Phase II Policy of MIB. For further details on the Phase II FM licenses see the section titled "Regulations and Policies" on page 65 and "Our Business – Radio" on page 61 and "Objects of the Issue" on page 21.

Key Events and Milestones

Year	Key Events, Milestones and Achievements
April 1993	Sun TV channel commences broadcasts on a four and a half hour per day, time sharing basis
January 1995	24 hour broadcasts of Sun TV
September 1998	Domestic uplinking commences from Chennai through VSNL
October 1998	Surya TV channel launched
March 2000	Domestic uplinking through own teleport commences from Chennai
March 2000	Fully digital transmission of all TV channels commences
May 2000	Sun News channel launched
October 2001	KTV channel launched

SUN TV LIMITED

Year	Key Events, Milestones and Achievements
March 2003	Suryan FM launched in Coimbatore and Tirunelveli
May 2003	Suryan FM launched in Chennai
January 2005	Kiran TV channel launched
September 2004	Sun Music channel launched

Main Objects

1. To carry on the business of Printing and Publication of newspapers, journals, magazines, periodicals, books, photographs, in English, Tamil and other languages both in India and abroad.
2. To carry on the business of printing, Lithography, composing, job printing, Stereotypers, engravers, die-sinkers, book binders, designers, type founders, paper & ink manufacturers, books sellers and advertisers.
3. To deal in paper, ink, printing ink and materials and stationery articles.
4. To carry on business as commission agents, brokers and selling agents of newspapers, journals, magazines, periodicals, books and other publications.
5. To carry on business of film magazines, video film makers and designers, distribution and production and exhibition of cine films, video films.
6. To produce, manufacture, import, export, export buy sell, design, exhibit, put to use, distribute or otherwise deal in all kinds of Video films, Cine films, film magazines and related softwares.
7. To telecast, relay, uplink and exhibit films and softwares through satellite, earth stations, Television stations, Video parlours or any other relay station either in or outside India and either directly or on lease/hire basis.
8. To buy, sell take on lease or hire to give on lease or hire or sublease, any satellite transponders, relay stations and related machineries and equipments either within or outside India and to act as agents or deal in any manner in and for the above.
9. To relay and broadcast audio programmes through any mode of communication including radio and audio tapes and for this purpose buy, sell, take on lease or hire and give on lease/sub lease or hire any radio or audio relay stations or any other relay centre through or from Government or other agencies either in or outside India.
10. To operate cable TV and for this purpose do such act or things which are generally required by a cable TV operator.
11. To produce manufacture, import, export, buy, sell, design, put to use, distribute or otherwise deal in all kinds of television sets, audio and video recorders, video and audio tapes, Video and audio relay equipments and machineries, cable TV relay systems, antennas, and all such things which are necessary, incidental and ancillary to above items.
12. To carry, establish, design, develop, implement, install, operate and provide the services related to E-mail, Internet, Electronic Data Interchange, Facsimile services, Direct To Home Satellite Television Services, Radio Broadcasting and Wireless Communication, Networking, Intra Net Services, to establish, create, design, sell, lease or market Internet Web sites and Web pages and related product promotion, linking web servers through satellite or otherwise, to transfer, develop or uplink any kind of software for commercial information, downloading and uplinking of data and information including Audio or Video images, to broadcast any kind of Audio and Video Programmes through any mode of Communication or any kind of Electronic and/or Computer Medium or through any Network, usage of Integral Service Digital Networks, High Speed V-Sat Networks, on line Services, to provide for Enterprise Resource Planning, Data Warehouses, E-Commerce and related business tools, to provide Voice Mail related services, running Networks via inter connected LANs and WANs and/or through Internet and Intra Net applications, user interface services, services connected with Multimedia, to establish any kind of Information Hubs and entertainment Kiosks to provide Mass Communication and Entertainment Services using any of the means as aforesaid and other allied services incidental or ancillary thereto.
13. To carry on the business as Internet Service Providers, Network Telecommunication and Telephony Service providers and to conceptualise, design, develop and implement projects and data communication services and to establish, set up and provide such facilities connected thereto including establishment of Telecommunication Networks, Local Area Networks,

Wide Area Networks and Telephony Networks, to establish and provide services connected with Audio and Video conferencing facilities either directly or through any kind of Network whether in India or elsewhere and to provide any kind of Data Processing, Data Transfers, Data Conversions whether Audio, Video or otherwise including on site and off shore Telecommunication Services and consultancy services in relation thereto.

14. To carry on the business of Computer Software Development, Television Softwares and Programs, System Softwares, Application Softwares and to undertake and execute all kinds of Commercial, Financial and Trading Operations, to provide Data Base Management Services, Compilation of Data Bases, Data Management, integration of any kind of systems, Transaction processing, to provide services to the end users with respect to internet and its application, including system and application softwares and to execute any kind of off shore Project Development and to provide Services in connection thereto.

15. To manufacture, assemble, trade, deal, install, contract, export, import, Computer Hardwares, Softwares, System Accessories, processors, peripherals, consumable, devices, products, computer software solutions and to provide services to end user in relation thereto including development of Systems whether on hardware or software segment, customised or otherwise and to act as contractors for commissioning any projects on turnkey basis or to deal in any other manner including storing, packing, transporting, converting, repairing, installing and maintenance of all kinds of Computer hardwares, Telecommunication equipments, antennas and other associated and allied equipments.

Amendments to our Memorandum of Association

Date	Nature of Amendment
March 23, 1995	The Authorised capital of the Company was increased from Rs.0.4 million to Rs.50 million by means of special resolution. The share capital of the Company was sub-divided from one equity share of Rs. 100 each into ten equity shares of Rs. 10 each.
July 19, 1995	Objects Clause of the Memorandum of Association was altered by addition of Clauses 6 to 11.
July 1, 1996	The word private in the name of our Company was deleted pursuant to Section 43A(1A) of the Companies Act, 1956.
February 24, 1999	Objects Clause of the Memorandum of Association was altered by addition of Clauses 12 to 15.
March 27, 2000	Name of our Company changed from Sumangali Publications Limited to Sun TV Limited
October 9, 2001	The word private was reinserted in the name of the Company by the provisions of Section 43A(2A) of the Companies Act 1956 on October 9, 2001
December 23, 2005	The authorized capital of Rs. 50,000,000 comprising of 5,000,000 Equity Shares of Rs. 10 each was increased to Rs. 1000,000,000 comprising of 100,000,000 Equity Shares of Rs. 10.
December 27, 2005	Name of our Company changed from Sun TV Private Limited to Sun TV Limited

Details of our Subsidiaries

Kal Radio Limited

Kal Radio Limited was originally incorporated as Kal Radio Private Limited on October 7, 2005 and has its registered office at 367/369, Anna Salai, Teynampet, Chennai 600 018 for the purpose of carrying out the business of all types of radio broadcasting and for operating FM radio stations in south India. Consequent to a special resolution of its members dated December 15, 2005, its status was changed from a private limited company to a public limited company and was renamed as Kal Radio Limited, and a fresh certificate of incorporation dated December 27, 2005 was issued by the Registrar of Companies, Tamil Nadu.

Kal Radio Limited had bid for FM radio licenses under the Phase II Policy for cities in southern India and has conveyed its intention to MIB to retain and operate FM Radio stations in Bangalore, Hyderabad, Madurai, Vijayawada, Gulbarga, Kannur, Kozhikode, Mangalore, Mysore, Pondicherry, Tirupati, Trissur, Tuticorin, Warangal, Rajamundry, Thiruvananthapuram, Trichy and Cochin (wait-listed). For further details in relation to the Phase II Policy see chapter titled "Regulations and Policies" and "Objects of the Issue” on page 65 and page 21, respectively..

Main Objects of Kal Radio Limited

1. To carry on the business of all types of Radio Broadcasting including Frequency Modulated Radio Broadcasting, Satellite Radio, Internet Radio and to carry on the business of procuring, leasing, establishing and operating all types of telecommunication and space linkage systems.
2. To carry on the business of procuring, leasing, establishing and operating all types of wire line and wireless telecommunication, radio and television broadcasting and other systems utilizing the convergence of computers, communication and broadcasting technologies.
3. To plan, establish, develop, provide, operate, maintain Direct Broadcast Services for Radio, Audio and data signals, all services of convergent technologies and other telecommunication services as are in use elsewhere or to be developed in future and to act as satellite based service provider and carry on the business of generation, distribution, redistribution, receiver, transmitter of radio, audio and video signals.
4. To plan, establish, develop, provide, operate, and maintain wired and wireless including cable or satellite based communications or broadcasting or to maintain radio, audio and video services, maritime and aeronautical communication services.
5. To manufacture, assemble, put to place, setup, plant, establish, develop, acquire, purchase, launch, relaunch, hire, lease, time share, manage, maintain, operate, run, replace, sale, upgrade, or otherwise commercially exploit, satellite, space craft, ground station assets, terrestrial towers, transponders, control stations, via uplink or downlink or otherwise for the purpose of transmitting, relaying, telecommunicating, broadcasting, narrowcasting, telecasting, any form of radio, audio, video, data, text signals both terrestrially and spatially.
6. To telecast, relay, uplink and exhibit films and software through satellite, earth stations, Television stations, Video parlors or any other relay station either in or outside India and either directly or on lease/hire basis and to buy, sell take on lease or hire to give on lease or hire or sublease, any satellite transponders, relay stations and related machineries and equipments either within or outside India and to act as agents or deal in any manner in and for the above.
7. To operate cable TV and for this purpose do such act or things which are generally required by a cable TV operator and to carry on business as Multi System Operator for Cable Television business and to do such act or thing as required.
8. To carry on business of film magazines, video film makers and designers, distribution and production and exhibition of cine films, video films and to produce, manufacture, import, export, buy sell, design, exhibit, put to use, distribute or otherwise deal in all kinds of Video films, Cine films, film magazines and related softwares.
9. To carry on the business of Printing and Publication of newspapers, journals, magazines, periodicals, books, photographs, in English, Tamil and other languages both in India and abroad and to carry on the business of printing, lithography, composing, job printing, stereo typers, engravers, die-sinkers, book binders, designers, type founders, paper & ink manufacturers, books sellers and advertisers and to deal in paper, ink, printing ink and materials and stationery articles and to carry on business as commission agents, brokers and selling agents of newspapers, journals, magazines, periodicals, books and other publications.
10. To produce manufacture, import, export, buy, sell, design, put to use, distribute or otherwise deal in all kinds of radio sets, television sets, audio and video recorders, video and audio tapes, Video Compact Discs (VCD), Digital Video Discs (DVD), Video and audio relay equipments and machineries, cable TV relay systems, antennas, set top boxes, digital satellite receivers, dish antennas, multiplexes, modulators, Direct to Home satellite receivers.
11. To carry, establish, design, develop, implement, install, operate and provide services related to E-mail, Internet, Electronic Data Interchange, Facsimile services, Direct To Home Satellite Television Services and Wireless Communication, Networking, Intra Net Services, to establish, create, design, sell, lease or market Internet Web sites and Web pages and related product promotion, linking web servers through satellite or otherwise, to transfer, develop or uplink any kind of software for commercial information, downloading and uplinking of data and information including Audio or Video images, to broadcast any kind of Audio and Video Programmes through any mode of Communication or any kind of Electronic and/or Computer Medium or through any Network, usage of Integral Service Digital Networks, High Speed V-Sat Networks, on line Services,

to provide for Enterprise Resource Planning, Data Warehouses, E-Commerce and related business tools, to provide Voice Mail related services, running Networks via inter connected LANs and WANs and/or through Internet and Intra Net applications, user interface services, services connected with Multimedia, and other entertainment services using any of the means as aforesaid,

12. To build, own, operate, take on lease, hire, sub-lease, let on hire, sell, satellite earth station teleports, other communication and broadcasting relay stations, Call Centers, Digital Studios, any kind of communication networks, Virtual Private Network (VPN),wireless communication, broadband services, Telephony services, to provide entertainment, video on demand, information related services through Internet / Intranet, Internet through Cable, Telephony on Internet, video on telephony, to establish Entertainment, communication and Internet Hubs, Studios and Kiosks for mass communication and entertainment, to establish Telecommunication Networks, Local Area Networks, Wide Area Networks and Telephony Networks, to establish and provide services connected with Audio and Video conferencing facilities either directly or through any kind of Network whether in India or elsewhere and to provide any kind of Data Processing, Data Transfers, Data Conversions whether Audio, Video or otherwise including on site and off shore Telecommunication Services

13. To carry on the business of Computer Software Development, Television Softwares and Programs, System Softwares, Application Softwares and to undertake and execute all kinds of Commercial, Financial and Trading Operations, to provide Data Base Management Services, Compilation of Data Bases, Data Management, integration of any kind of systems, Transaction processing, to provide services to the end users with respect to internet and its application, including system and application softwares and to execute any kind of off shore Project Development and consultancy services in relation thereto.

14. To manufacture, assemble, trade, deal, install, contract, export, import, Computer Hardwares, Softwares, System Accessories, processors, peripherals, consumables, devices, products, computer software solutions and to provide services to end user in relation thereto including development of Systems whether on hardware or software segment, customised or otherwise and to act as contractors for commissioning any projects on turnkey basis or to deal in any other manner including storing, packing, transporting, converting, repairing, installing and maintenance of all kinds of Computer hardwares, Telecommunication equipments, antennas and other associated and allied equipments.

Shareholders as of March 7, 2006

Shareholder	**Holding *(in Percentage)***
Sun TV Limited	89.00
Mr. Kalanithi Maran	10.5
Mrs. Kavery Kalanithi	0.5
Kal Comm Private Limited	0.0
Kungumam Publications Private Limited	0.0
Mr. K.Shanmugam	0.0
Kal Publications Private Limited	0.0

Directors as of March 7, 2006

The Board of Directors of Kal Radio Limited comprises of Mr. Kalanithi Maran (Chairman and Director), Mr. K.Shanmugam (Managing Director), Mrs. Kavery Kalanithi (Director) and Mr. J.Ravindran (Director).

Financial performance

The company has not completed its first accounting period.

South Asia FM Limited

South Asia FM Limited was originally incorporated as South Asia FM Private Limited on November 9, 2005 and has its registered office at 367/369, Anna Salai, Teynampet, Chennai 600 018 for the purpose of carrying out the business of all types of radio broadcasting and for operating FM radio stations in north, east and west India. Consequent to a special resolution of its members dated December 15, 2005, its status was changed from a private limited company to a public limited company and was renamed as South Asia FM Limited, and a fresh certificate of incorporation dated December 27, 2005 was issued by the Registrar of Companies, Tamil Nadu.

South Asia FM Private Limited had bid for FM radio licenses under the Phase II Policy for cities in north, east and west India and has conveyed its intention to MIB to retain and operate FM Radio stations in Pune, Lucknow, Ahmedabad, Kanpur, Jaipur, Indore, Nagpur, Vadodara, Nasik, Bhopal, Rajkot, Asansol, Jabalpur, Aurangabad, Varanasi, Allahabad, Jamshedpur, Bhubaneshwar, Siliguri, Guwahati, Aizwal, Gangtok, Shillong. For further details in relation to the Phase II Policy see chapter titled “Regulations and Policies” and “Objects of the Issue” on page 65 and page 21, respectively.

Our Subsidiary is currently under discussions with various parties for strategic investment. As on the date of this Red Herring Prospectus, our Subsidiary has not entered into any definitive agreements or decisions with any party for strategic investment.

Main Objects of South Asia FM Limited

1. To carry on the business of all types of Radio Broadcasting including Frequency Modulated Radio Broadcasting, Satellite Radio, Internet Radio and to carry on the business of procuring, leasing, establishing and operating all types of telecommunication and space linkage systems.
2. To carry on the business of procuring, leasing, establishing and operating all types of wire line and wireless telecommunication, radio and television broadcasting and other systems utilizing the convergence of computers, communication and broadcasting technologies.
3. To plan, establish, develop, provide, operate, maintain Direct Broadcast Services for Radio, Audio and data signals, all services of convergent technologies and other telecommunication services as are in use elsewhere or to be developed in future and to act as satellite based service provider and carry on the business of generation, distribution, redistribution, receiver, transmitter of radio, audio and video signals.
4. To plan, establish, develop, provide, operate, and maintain wired and wireless including cable or satellite based communications or broadcasting or to maintain radio, audio and video services, maritime and aeronautical communication services.
5. To manufacture, assemble, put to place, setup, plant, establish, develop, acquire, purchase, launch, relaunch, hire, lease, time share, manage, maintain, operate, run, replace, sale, upgrade, or otherwise commercially exploit, satellite, space craft, ground station assets, terrestrial towers, transponders, control stations, via uplink or downlink or otherwise for the purpose of transmitting, relaying, telecommunicating, broadcasting, narrowcasting, telecasting, any form of radio, audio, video, data, text signals both terrestrially and spatially.
6. To telecast, relay, uplink and exhibit films and software through satellite, earth stations, Television stations, Video parlors or any other relay station either in or outside India and either directly or on lease/hire basis and to buy, sell take on lease or hire to give on lease or hire or sublease, any satellite transponders, relay stations and related machineries and equipments either within or outside India and to act as agents or deal in any manner in and for the above and to operate cable TV and for this purpose do such act or things which are generally required by a cable TV operator and to carry on business as Multi System Operator for Cable Television business and to do such act or thing as required.
7. To carry on business of film magazines, video film makers and designers, distribution and production and exhibition of cine films, video films and to produce, manufacture, import, export, buy sell, design, exhibit, put to use, distribute or otherwise deal in all kinds of Video films, Cine films, film magazines and related softwares and to carry on the business of Printing and Publication of newspapers, journals, magazines, periodicals, books, photographs, in English, Tamil and other languages both in India and abroad and to carry on the business of printing, lithography, composing, job printing, stereo typers, engravers, die-sinkers, book binders, designers, type founders, paper & ink manufacturers, books sellers and advertisers and to deal in paper, ink, printing ink and materials and stationery articles and to carry on business as commission agents, brokers and selling agents of newspapers, journals, magazines, periodicals, books and other publications.
8. To produce manufacture, import, export, buy, sell, design, put to use, distribute or otherwise deal in all kinds of radio sets, television sets, audio and video recorders, video and audio tapes, Video Compact Discs (VCD), Digital Video Discs (DVD),Video and audio relay equipments and machineries, cable TV relay systems, antennas, set top boxes, digital satellite

receivers, dish antennas, multiplexes, modulators, Direct to Home satellite receivers.

9. To carry, establish, design, develop, implement, install, operate and provide services related to E-mail, Internet, Electronic Data Interchange, Facsimile services, Direct To Home Satellite Television Services and Wireless Communication, Networking, Intra Net Services, to establish, create, design, sell, lease or market Internet Web sites and Web pages and related product promotion, linking web servers through satellite or otherwise, to transfer, develop or uplink any kind of software for commercial information, downloading and uplinking of data and information including Audio or Video images, to broadcast any kind of Audio and Video Programmes through any mode of Communication or any kind of Electronic and/or Computer Medium or through any Network, usage of Integral Service Digital Networks, High Speed V-Sat Networks, on line Services, to provide for Enterprise Resource Planning, Data Warehouses, E-Commerce and related business tools, to provide Voice Mail related services, running Networks via inter connected LANs and WANs and/or through Internet and Intra Net applications, user interface services, services connected with Multimedia, and other entertainment services using any of the means as aforesaid.

10. To build, own, operate, take on lease, hire, sub-lease, let on hire, sell, satellite earth station teleports, other communication and broadcasting relay stations, Call Centers, Digital Studios, any kind of communication networks, Virtual Private Network (VPN),wireless communication, broadband services, Telephony services, to provide entertainment, video on demand, information related services through Internet / Intranet, Internet through Cable, Telephony on Internet, video on telephony, to establish Entertainment, communication and Internet Hubs, Studios and Kiosks for mass communication and entertainment, to establish Telecommunication Networks, Local Area Networks, Wide Area Networks and Telephony Networks, to establish and provide services connected with Audio and Video conferencing facilities either directly or through any kind of Network whether in India or elsewhere and to provide any kind of Data Processing, Data Transfers, Data Conversions whether Audio, Video or otherwise including on site and off shore Telecommunication Services

11. To carry on the business of Computer Software Development, Television Softwares and Programs, System Softwares, Application Softwares and to undertake and execute all kinds of Commercial, Financial and Trading Operations, to provide Data Base Management Services, Compilation of Data Bases, Data Management, integration of any kind of systems, Transaction processing, to provide services to the end users with respect to internet and its application, including system and application softwares and to execute any kind of off shore Project Development and consultancy services in relation thereto.

12. To manufacture, assemble, trade, deal, install, contract, export, import, Computer Hardwares, Softwares, System Accessories, processors, peripherals, consumables, devices, products, computer software solutions and to provide services to end user in relation thereto including development of Systems whether on hardware or software segment, customised or otherwise and to act as contractors for commissioning any projects on turnkey basis or to deal in any other manner including storing, packing, transporting, converting, repairing, installing and maintenance of all kinds of Computer hardwares, Telecommunication equipments, antennas and other associated and allied equipments.

Shareholders as of March 7, 2006

The equity shares of South Asia FM Limited are as follows:

Shareholders	**Holding *(in Percentage)***
Sun TV Limited	94.91
Mr. Kalanithi Maran	5.09
Mrs. Kavery Kalanithi	0.0
Kal Comm Private Limited	0.0
Kungumam Publications Private Limited	0.0
Mr. K.Shanmugam	0.0
Kal Publications Private Limited	0.0

Directors as of March 7, 2006

The Board of Directors of South Asia FM Limited comprises of Mr. Kalanithi Maran (Chairman and Director), Mr. K.Shanmugam (Managing Director), Mrs. Kavery Kalanithi (Director), and Mr. J.Ravindran (Director).

Financial performance

The company has not completed its first accounting period.

OUR MANAGEMENT

Board of Directors

Under our Articles of Association we are required to have no less than six directors and no more than twelve directors. We currently have three directors on our Board.

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

Name, Father's/Spouse's Name, Address, Designation, Occupation and Term	Nationality	Age	Other Directorships
Mr. Kalanithi Maran S/o Mr. S. N. Maran 4, Second Avenue Boat Club Road Chennai 600 028 Chairman and Managing Director *Business* Whole Time Director Not liable to retire by Rotation.	Indian	40	a. D.K. Enterprises Private Limited b. Gemini TV Private Limited c. Kal Cables Private Limited d. Kal Radio Limited e. Kal Comm Private Limited f. Kal Investments (Madras) Private Limited g. Kal Publications Private Limited h. Kovai Murasu Private Limited i. KPK Publications Private Limited j. KS Publications Private Limited k. Kungumam Nithiyagam Private Limited l. Kungumam Publications Private Limited m. Network Cable Solutions Private Limited n. Salem Murasu Private Limited o. South Asia FM Limited p. Sumangali Publications Private Limited q. Sun Academy Private Limited r. Sun Direct TV Private Limited s. Udaya TV Private Limited t. Vellore Murasu Private Limited
Mrs. Kavery Kalanithi W/o Mr. Kalanithi Maran 4, Second Avenue Boat Club Road Chennai 600 028 Joint Managing Director *Business* Liable to retire by Rotation	Indian	36	a. Gemini TV Private Limited b. Kal Investments (Madras) Private Limited c. Kal Comm Private Limited d. Kal Publications Private Limited e. Kal Radio Limited f. Kovai Murasu Private Limited g. KPK Publications Private Limited h. KS Publications Private Limited i. Kungumam Nithiyagam Private Limited j. Kungumam Publications Private Limited k. Salem Murasu Private Limited l. South Asia FM Limited m. Sun Direct TV Private Limited n. Udaya TV Private Limited o. Vellore Murasu Private Limited

Name, Father's/Spouse's Name, Address, Designation, Occupation and Term	Nationality	Age	Other Directorships
Mr. S. Sridharan S/o Mr. R. S. Swaminathan AH-9, (Old Number 78), Fifth Street Shanti Colony, Anna Nagar Chennai 600 040 Non Executive Independent Director *Business* Liable to retire by Rotation	Indian	44	a. The Madras Stock Exchange Limited b. Egberts India Private Limited c. Newry Properties Private Limited d. Ceebros Investment Private Limited e. Sabari Foundation and Construction India Private Limited f. Baroque Constructions Private Limited g. J.G.M. Investment Private Limited h. Sonex Housing Private Limited
Mr. M. K. Harinarayanan S/o Mr. M.C. Krishamoorthy New Number 9, Gajapathi Street, Shenoy Nagar, Chennai 600030 Non Executive Independent Director *Business* Liable to retire by Rotation	Indian	42	Nil
Mr. J. Ravindran S/o Mr. G. Jagadeesan Vimala Illam, 33, K. G. Traditions North Gopalapuram, Chennai 600 086 Non Executive Independent Director *Advocate* Liable to retire by Rotation	Indian	32	Nil
Mr. Nicholas Martin Paul S/o Mr. K. P. Paul Flat B, Alsa Samudram, 24, Fourth Seaward Road, Valmiki Nagar, Thiruvanmiyur Chennai 600 041 Non Executive Independent Director *Business* Liable to retire by Rotation	Indian	38	a. Tan Business Ventures Private Limited b. P & N Foods (Managing Partner)

Brief Biographies of our Directors

Mr. Kalanithi Maran has a bachelor's degree in commerce from the University of Madras, Chennai and a masters Degree in Business Administration from the University of Scranton, Pennsylvania, USA. After his post-graduation he joined the family business, a publication company of five publications (dailies and weeklies), as an apprentice. In 1990 he took over as the Chairman of our Company and of the other Promoter Group Companies. He launched one of the first regional video magazines 'Poomalai' in Tamil in 1991. Under his leadership our Company launched Sun TV in 1993, one of India's first international regional language satellite television channels, and Suryan FM. He is currently in charge of the day to day operations and activities of our Company. He has been awarded the 'Rajiv Gandhi Best Entrepreneur Award' in 1995, the Worldcom 'Indian Young Business Achiever Award' in 1999. He represented India at the World Young Business Achiever Awards in Portugal in 1999 and was also awarded the Worldcom 'World Young Business Achiever Award' in 1999 for creativity. He was awarded the 'Indian Junior Chamber Zone XVI – Outstanding Young Person' award in 2000, the Ernst and Young 'Outstanding Businessman Award' for the entertainment and information sector in 2004, and the Indian Today 'Service Czars Tamil Nadu's New Age Titans' in 2005. He has also been awarded a 'Commendation for Displaying Extraordinary Corporate Leadership and Entrepreneurial Spirit' in 2005 by CNBC Television.

Mrs. Kavery Kalanithi has a bachelor's degree in arts from University of Madras, Chennai. She is actively involved in the business and operations of our Company including monitoring the viewer feedback with regard to the programming and deciding the content mix on various channels of our Company. She also assists in the selection of anchors, newscasters and programme presenters. She is also actively involved in philanthropic activities and is on the board of trustees of Sun Foundation, a public charitable organization, supervising the day to day functioning of the Sun Foundation. She is married to Mr. Kalanithi Maran.

Mr. S. Sridharan has a bachelor's degree in Commerce from the University of Madras. He has over 18 years of experience in stock broking and is a member of the Madras Stock Exchange Limited. He was previously vice president of the Madras Stock Exchange Limited and is currently a director on the board of Madras Stock Exchange Limited. He was an elected director of the Associate Chamber of Capital Market.

Mr. M.K. Harinarayanan is an entrepreneur. He is actively involved in the management of a brick kiln owned by his family and has modernized the same. He is a developer of residential layouts in Chennai and operates service apartments. He was the Tamil Nadu snooker champion in 2003.

Mr. J. Ravindran has a bachelors in arts and law degree from the University of Madras. An advocate by profession, Mr. Ravindran practices before various appellate courts and tribunals. He is currently standing counsel for the Government of India, Bharat Sanchar Nigam Limited, Chennai Telephones and the Pachaiyappa's Trust. Mr. Ravindran has previously acted as standing counsel for the Chennai Municipal Development Authority, the Tamil Nadu Civil Supplies Corporation, the Tamil Nadu Slum Clearance Board and the Chennai Central Co-operative Bank.

Mr. Nicholas Martin Paul has a bachelors degree in history from the University of Madras. Mr. Paul is an entrepreneur by profession and is the Managing Director of Tan Business Ventures Private Limited and the Managing Partner of M/s P & N Foods, where his job functions include launching new products, identification of cost drivers and overseeing operations . Mr. Paul is a keen sports enthusiast who has participated in various competitive sports tournaments at the state and National levels and is involved with community development programs, medical camps and educational sponsorships.

Borrowing powers of the Board

Our Articles, subject to the provisions of the Act, authorise our Board, at its discretion, to generally raise or borrow or secure the payment of any sum or sums of money for the purposes of the Company. Our members have, pursuant to a resolution dated December 23, 2005 authorised our Board to borrow monies together with moneys already borrowed by us, in excess of the aggregate of the paid-up capital of the Company and its free reserves, not exceeding Rs. 10,000 million at any time.

Corporate Governance

The provisions of the Listing Agreement to be entered into with the Stock Exchanges with respect to corporate governance will be applicable to us immediately upon the listing of our Equity Shares with the Stock Exchanges. We have complied with the corporate governance code in accordance with Clause 49 (as applicable), especially in relation to broad basing of our board, constitution of committees. The Company undertakes to take all necessary steps to comply with all the requirements of Clause 49 of the Listing Agreement to be entered into with the Stock Exchanges.

Currently our board has six Directors, of which the Chairman of the Board is an executive Director, and in compliance with the requirements of Clause 49 of the Listing Agreement, we have two executive Directors and four independent directors on our Board.

Audit Committee

The Audit Committee was constituted by our Directors at their Board meeting held on February 15, 2006. The purpose of the audit committee is to ensure the objectivity, credibility and correctness of the company's financial reporting and disclosure processes, internal controls, risk management policies and processes, tax policies, compliance and legal requirements and associated matters. The audit committee consists of Mr. M.K Harinarayan (Chairman), Mr. S Sridharan, Mr. J. Ravindran and Mr. Nicholas Martin Paul.

The terms of reference of the audit committee are as follows:

- Regular review of accounts, accounting policies, disclosures, etc.
- Review of the major accounting entries based on exercise of judgment by management and review of significant adjustments arising out of audit.
- Qualifications in the draft audit report.
- Establishing and reviewing the scope of the independent audit including the observations of the auditors and review of the quarterly, half-yearly and annual financial statements before submission to the Board.
- The Committee shall have post audit discussions with the independent auditors to ascertain any area of concern.
- Establishing the scope and frequency of internal audit, reviewing the findings of the internal auditors and ensuring the adequacy of internal control systems.
- To look into reasons for substantial defaults in the payment to depositors, debenture holders, shareholders and creditors.
- To look into the matters pertaining to the Director's Responsibility Statement with respect to compliance with Accounting Standards and accounting policies.
- Compliance with Stock Exchange legal requirements concerning financial statements, to the extent applicable.
- The Committee shall look into any related party transactions i.e., transactions of the company of material nature, with promoters or management, their subsidiaries or relatives etc., that may have potential conflict with the interests of company at large.
- Appointment and remuneration of statutory and internal auditors.
- Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by the Audit Committee.

Investor Grievance Committee

The Investor Grievance Committee was constituted by our Directors at their Board meeting held on February 15, 2006. This Committee is responsible for the redressal of shareholder grievances. The Investor Grievances Committee consists of Mr. S Sridharan (Chairman), Mr. M.K Harinarayan, Mr. J. Ravindran and Mr. Nicholas Martin Paul.

The terms of reference of the Investor Grievance Committee are as follows:

- To approve share transfers and transmissions.
- To approve splitting of share certificates, consolidation of share certificates and related matters including issue of fresh share certificates in lieu of the split / consolidated certificates.
- Issue of duplicate share certificates in lieu of lost, mutilated and destroyed certificates.

- Matters relating to dematerialisation of shares and securities.
- Investor relations and redressal of shareholders grievances in general and relating to non receipt of dividends, interest, non receipt of balance sheet etc in particular.
- Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by the Shareholders and investor relations committee

Remuneration Committee

The Remuneration Committee was constituted by our Directors at their Board meeting held on February 15, 2006. The Remuneration Committee consists of Mr. J. Ravindran (Chairman), Mr. M.K Harinarayan, Mr. S Sridharan and Mr. Nicholas Martin Paul.

The terms of reference of the Remuneration Committee are as follows:

"To determine on behalf of the Board of Directors and the shareholders the agreed terms of reference, the Company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment."

Shareholding of our Directors in the Company

Our Articles of Association do not require our Directors to hold any qualification Equity Shares in our Company. The following table details the shareholding of our Directors in their personal capacity and either as sole or first holder, as at the date of this Red Herring Prospectus.

S. No.	Name of the Shareholder	No. of Equity Shares	Pre-Issue Percentage Shareholding	Post-Issue Percentage Shareholding
1.	Mr. Kalanithi Maran	61,999,969	99.99	89.90
2.	Mrs. Kavery Kalanithi	31	0	0

Interests of Directors

All of our Directors may be deemed to be interested to the extent of fees payable to them for attending meetings of the Board or a committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them under our Articles of Association, and to the extent of remuneration paid to them for services rendered as an officer or employee of our Company.

Our Directors may also be regarded as interested in the Equity Shares, if any, held by them or that may be subscribed by or allotted to the companies, firms, trusts, in which they are interested as directors, members, partners, trustees and promoters, pursuant to this Issue. All of our Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares. Mr. Kalanithi Maran also holds shares in our Subsidiaries that have been awarded FM radio licenses under the Phase II Policy. See "History and Corporate Structure" on page 75 and "Objects of the Issue" on page 21. Mr. Kalanithi Maran and Mrs. Kavery Kalanithi are entitled to receive remuneration from us. For further details see the section titled "Our Management- Remuneration of Directors" on page 88. Also see the section titled "Management's Discussion and Analysis of Financial Conditions and Results of Operations" on page 227 for a discussion of commissions paid to Mr. Maran in fiscal 2005 and 2004.

Except as stated in the section titled "Related Party Transactions" on page 106, and to the extent of shareholding in our Company, our Directors do not have any other interest in our business.

Our Directors have no interest in any property acquired by our Company within two years of the date of this Red Herring Prospectus.

Our Articles provide that our Directors and officers shall be indemnified by our Company against loss in defending any proceeding brought against Directors and officers in their capacity as such, if the indemnified Director or officer receives judgement in his favour or is acquitted in such proceeding. We currently do not have any directors' and officers' insurance policy.

Our Articles provide that where our Directors become personally liable for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage, charge or security cover affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors any loss in respect of such liability.

Remuneration of our Executive Directors

Mr. Kalanithi Maran, Chairman and Managing Director

Mr. Kalanithi Maran was appointed as our Chairman and Managing Director pursuant to Section 269 and other applicable provisions of the Companies Act, 1956 and Article 15.1 of the Articles of Association of the Company, for a period of five years with effect from December 15, 2005, pursuant to a resolution of our Board on December 5, 2005 a resolution of our shareholders at the EGM held on December 15, 2005 and under an agreement dated January 9, 2006 executed between our Company and Mr. Kalanithi Maran, the significant employment terms are as follows:

Particulars	Remuneration
Salary until the year end March 31, 2006	Part A- The salary for the year ended March 31, 2006, salary be subject to a maximum of 5% of the net profits of the Company in accordance with the provisions of the Companies Act
Part B-	Salary from (April 1, 2006 onwards)
Salary from April 1, 2006 onwards	In the scale of Rs. 36,000,000 to Rs. 47,916,000 per annum
Leave Travel Allowance	Rs.3,600,000 to Rs. 4,791,600 per annum
Other Allowance; Special Allowance	Rs.5,400,000 to Rs. 7,187,400 per annum
Utilities and Education	Rs. 2,700,000 to Rs. 3,593,700 per annum.
Ex-gratia	Rs. 3,600,000 to Rs. 4,791,600
Others	Rs. 8,700,000 to Rs. 11,579,700
Annual Increment	As may be decided by the Board from time to time.
Other Perquisites	• In addition to the above salary, the Company will provide a car maintained by the Company and one driver for official and personal use as per rules of the Company. The Company will provide one telephone at residence and one mobile phone. • The Company will provide him with rent free furnished residential accommodation (furnished or otherwise) or house rent allowance at the rate of 60% of the basic salary per month. • The Company will pay medical insurance coverage premium for family for hospitalization in India. Medical expenses incurred in India or abroad including hospitalization will be paid / reimbursed by the Company. • Corporate membership in two clubs will be made available to meet business associates during employment with the Company. • The Company will reimburse the entertainment expenses incurred by the Chairman and Managing Director in the course of business. • The Company will reimburse the expenses incurred for subscribing to newspapers and magazines by our Managing Director. • The Managing Director will be entitled for personal accident insurance as per Company rules.

Particulars	Remuneration
Retirement Benefit	• The Company will pay contribution at a percentage of salary towards provident fund/pension/superannuation fund provided that such contribution shall not exceed the limit laid down under the Income Tax Act, 1961. • The Company will contribute to gratuity at a rate not exceeding half a month's salary for each completed year of service.
Leave Entitlement	As per rules of the Company

Apart from the above, our Chairman and Managing Director will also be entitled to receive a performance linked bonus based on the performance parameters as may be laid down by the Board from time to time. The agreement provides that in the event of the salary already paid for a financial year to our Chairman and Managing Director being less than 5% or such prescribed percentage of the total profits of our Company as calculated in terms of the provisions of the Companies Act, the difference shall be paid as *ex gratia*. Further, in the event of absence or inadequacy of profits or loss in any financial year, the maximum remuneration specified under the provisions of the Companies Act shall be payable.

Mrs. Kavery Kalanithi, Joint Managing Director

Mrs. Kavery Kalanithi was appointed as our Joint Managing Director pursuant to applicable provisions of the Companies Act, 1956, for a period of five years with effect from December 15, 2005, pursuant to a resolution of our Board on December 5, 2005 a resolution of our shareholders at the EGM held on December 15, 2005 and under agreement dated January 9, 2006 executed between our Company and Mrs. Kavery Kalanithi, the salient employment terms are as follows:

Particulars	Remuneration
Salary until the year end March 31, 2006	Part A- The salary for the year ended March 31, 2006, salary be subject to a maximum of 5% of the net profits of the Company in accordance with the provisions of the Companies Act
Part B-	Salary from (April 1, 2006 onwards)
Salary until the year end March 31, 2006	The salary for the year ended March 31, 2006, salary be subject to a maximum of 5% of the net profits of the Company
Part B Salary from (April 1, 2006 onwards)	
Salary from April 1, 2006 onwards	In the scale of Rs. 36,000,000 to Rs. 47,916,000 per annum
Leave Travel Allowance	Rs.3,600,000 to Rs. 4,791,600 per annum
Other Allowance; Special Allowance	Rs.5,400,000 to Rs. 7,187,400 per annum
Utilities and Education	Rs. 2,700,000 to Rs. 3,593,700 per annum.
Ex-gratia	Rs. 3,600,000 to Rs. 4,791,600
Others	Rs. 8,700,000 to Rs. 11,579,700
Annual Increment	As may be decided by the Board from time to time.
Other Perquisites	• In addition to the above salary, the Company will provide a car maintained by the Company and one driver for official and personal use as per rules of the Company. The Company shall provide one telephone at residence and one mobile phone. • The Company will provide her with rent free furnished residential accommodation (furnished or otherwise) or house rent allowance at the rate of 60% of the basic salary per month.

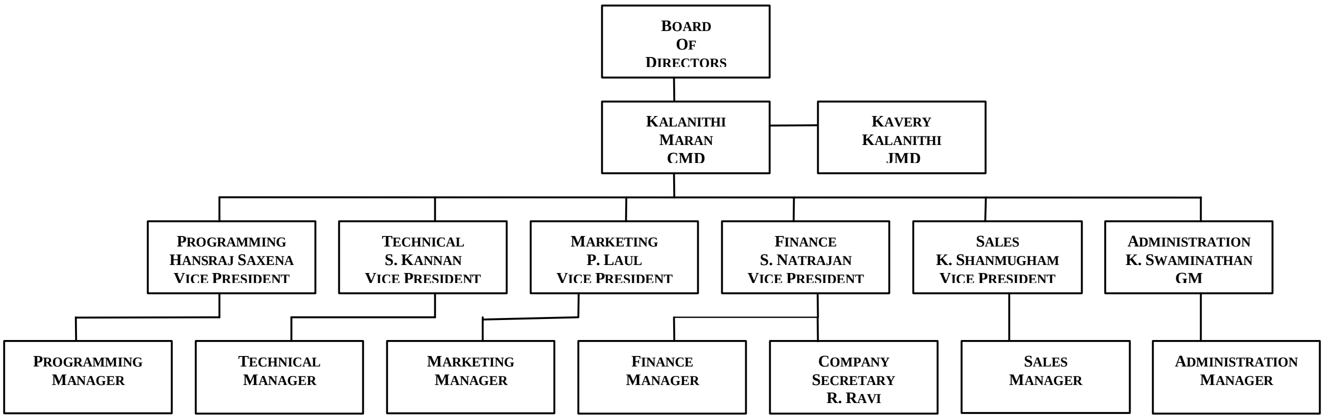
Particulars	Remuneration
	• The Company will pay medical insurance coverage premium for her family for hospitalization in India. Medical expenses incurred in India or abroad including hospitalization will be paid / reimbursed by the Company. • Corporate membership in two clubs will be made available to meet business associates during employment with the Company. • The Company will reimburse the entertainment expenses incurred by the Joint Managing Director in the course of business. • The Company will reimburse the expenses incurred for subscribing to newspapers and magazines by the Joint Managing Director. • The Joint Managing Director will be entitled for personal accident insurance as per Company Rules.
Retirement Benefit	• The Company will pay contribution at a percentage of salary towards provident fund/pension/superannuation fund provided that such contribution shall not exceed the limit laid down under the Income Tax Act, 1961. • The Company will contribute to gratuity at a rate not exceeding half a month's salary for each completed year of service.
Leave Entitlement	As per rules of the Company

Apart from the above, our Joint Managing Director shall also be entitled to receive a performance linked bonus based on the performance parameters as may be laid down by the Board from time to time. The agreement provides that in the event of the salary already paid for a financial year to our Joint Managing Director being less than 5% or such prescribed percentage of the total profits of our Company as calculated in terms of the provisions of the Companies Act, the difference shall be paid as *ex gratia*. Further, in the event of absence or inadequacy of profits or loss in any financial year, the maximum remuneration specified under the provisions of the Companies Act shall be payable.

Changes in Our Board of Directors during the last three years

Name	Date Of Appointment	Date of Cessation	Reason
Mrs. Kavery Kalanithi	June 16, 2005	-	Appointed
Mr. S. Selvam	-	January 23, 2006	Resigned
Mr. S. Sridharan	January 23, 2006	-	Appointed
Mr. M. K. Harinarayanan	January 23, 2006	-	Appointed
Mr. J. Ravindran	February 15, 2006	-	Appointed
Mr. Nicholas Martin Paul	February 15, 2006	-	Appointed

Managerial Organizational Structure



Key Managerial Personnel

The details regarding our key managerial personnel are as follows:

Mr. S. Natrajan, Vice President (Finance), 47 years, has a bachelor's degree in commerce from the University of Madras with distinction. He has been associated with our Company since 1993 and is responsible for the accounting and financial functions of the Company as well as execution of strategic initiatives. His functions also include liaising with various governmental organizations and authorities. Prior to joining our Company Mr. Natrajan worked with Kungumam Publications Private Limited for 12 years in the finance department. His gross remuneration in fiscal 2005 was Rs. 0.83 million.

Mrs. P. Laul, Vice President (Marketing), 66 years, has a master's degree in literature from the University of Madras. She joined our Company in 1994 as Chief Marketing Manager and is currently responsible for overseeing the marketing function in our Company, including marketing research and analysis. She is also been instrumental in the formulation, implementation of our marketing strategy for the sale of advertising time on our channels and she also handles our relationships with our advertisers. Prior to joining our Company, she was the Chief Advertisement Manager (Southern Region) of Express Group of Newspapers for 14 years. Her gross remuneration in fiscal 2005 was Rs. 0.87 million.

Mr. K. Shanmugam, Vice President (Sales), 40 years, has a bachelor's degree in science from the University of Madras and Post Graduate Degree in Management from the Loyola Institute of Business Administration, Chennai. He has been associated with our Company since 1994. His responsibilities include the development, procurement, quality control, scheduling and sale of time slots for all outsourced content used in our channels. He is also responsible for managing our overseas operations and alliances. He started his career with Glaxo India Limited as a trainee, subsequently joined India Cements Limited as Marketing Officer and thereafter joined our Company as Chief Manager. His gross remuneration in fiscal 2005 was Rs. 0.83 million.

Mr. Hansraj Saxena, Vice President (Programming), 40 years, has a bachelor's degree in physics from the University of Madras. Prior to joining our Company he was employed as a manager by Kungumam Publications Private Limited. Thereafter he joined our Company in 1990 as Manager (Programmes). His responsibilities include the production of all in-house programming, overall channel development, brand positioning, promotional activities, content management, market and competitor research and strategic planning. His other responsibilities include movie acquisitions. His gross remuneration in fiscal 2005 was Rs. 0.80 million.

Mr. S. Kannan, Vice President (Technical), 35 years, has a diploma in electricals and electronics from CNT Polytechnic, Chennai. Prior to joining our Company he worked as a systems engineer for Kungumam Publications Private Limited. Thereafter he joined our Company in 1990 as Manager (Technical). He is responsible for the design, procurement, maintenance and upgradation of our technical infrastructure including video and audio recording and transmission equipment. He has received specialized technical training from Continental Microwave UK, Harmonic Inc. and JVC in relation to the maintenance of Video and RF broadcast equipment. His gross remuneration in fiscal 2005 was Rs. 0.83 million.

Mr. K Swaminathan, General Manager (Administration), 40 years, has a bachelor's degree in commerce from University of Madras and also has a diploma in computer applications. He has been associated with the Company since 1993. Prior to joining the Company, he worked in a chartered accountancy firm. His present responsibilities include general administration, human resource management, infrastructure and property procurement, employee welfare and facilities management. His gross remuneration in fiscal 2005 was Rs. 0.42 million.

Mr. R. Ravi, Company Secretary, 39 years, has a bachelor's degree from the University of Madras and is an Associate Member of Institute of Company Secretaries of India. He has been associated with our Company from 2001. Prior to joining the Company, he worked with Teledata Informatics Limited between 2000 and 2001. He is responsible for the Secretarial and compliance functions of the Company. His gross remuneration in fiscal 2005 was Rs. 0.25 million.

All our key managerial personnel are permanent employees of our Company.

Shareholding of the Key Managerial Personnel

Other than as disclosed in "Capital Structure" on page 16 none of the key managerial personnel hold Equity Shares in the Company.

Bonus or profit sharing plan of the Key Managerial Personnel

There is no bonus or profit sharing plan for our Key Managerial Employees.

Interest of Key Managerial Personnel

The key managerial personnel of our Company do not have any interest in our Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business and to the extent of Equity Shares held by them in the Company.

Changes in the Key Managerial Personnel

There have been no changes in our key managerial personnel in the last three years up to the date of filing this Red Herring Prospectus.

OUR PROMOTER

Mr. Kalanithi Maran has a bachelor's degree in commerce from the University of Madras, Chennai and a masters Degree in Business Administration from the University of Scranton, Pennsylvania, USA. After his post-graduation he joined the family business, a publication company of five publications (dailies and weeklies), as an apprentice. In 1990 he took over as the Chairman of our Company and of the other Promoter Group Companies. He launched one of the first regional video magazines 'Poomalai' in Tamil in 1991. Under his leadership our Company launched Sun TV in 1993, one of India's first international regional language satellite television channels, and Suryan FM. He is currently in charge of the day to day operations and activities of our Company. He has been awarded the 'Rajiv Gandhi Best Entrepreneur Award' in 1995, the Worldcom 'Indian Young Business Achiever Award' in 1999. He represented India at the World Young Business Achiever Awards in Portugal in 1999 and was also awarded the Worldcom 'World Young Business Achiever Award' in 1999 for creativity. He was awarded the 'Indian Junior Chamber Zone XVI – Outstanding Young Person' award in 2000, the Ernst and Young 'Outstanding Businessman Award' for the entertainment and information sector in 2004, and the Indian Today 'Service Czars Tamil Nadu's New Age Titans' in 2005. He has also been awarded a 'Commendation for Displaying Extraordinary Corporate Leadership and Entrepreneurial Spirit' in 2005 by CNBC Television.

His voter ID is TN/02/010/0048006 issued on August 13, 1998 and his driving license is R/TN/07X/012595/2005 issued on September 4, 2005.

We confirm that the Permanent Account Number, Bank Account Number and Passport Number of our Promoter have been submitted to the BSE and NSE at the time of filing this Red Herring Prospectus with them.

Promoter Group

Relatives of the Promoter that form part of the Promoter Group under Clause 6.8.3.2(m) of the SEBI Guidelines

Name of the Person	Relationship
Mrs. Mallika Maran	Mother
Mr. Dayanidhi Maran	Brother
Mrs. Anbukarasi Maran	Sister
Mrs. Kavery Kalanithi	Wife
Ms. Kaviya Kalanithi	Daughter
Mrs. Neena Belliappa	Wife's Mother
Mrs. Serina Belliappa	Wife's Sister

Companies promoted by our Promoter under Clause 6.8.3.2(m) of the SEBI Guidelines

Vellore Murasu Private Limited

The company carries on the business of publication of newspapers and weekly magazines and was incorporated on October 21, 1963. It has its registered office at 229, Kutchery Road, Mylapore, Chennai 600 004.

Shareholding as of March 7, 2006

The equity shares of Vellore Murasu Private Limited are held by Mr. Kalanithi Maran (90%) and Kal Comm Private Limited (10%).

Directors as of March 7, 2006

The board of directors of Vellore Murasu Private Limited comprises of Mr. Kalanithi Maran (Director) and Mrs. Kavery Kalanithi (Director).

Financial Performance

(In Rs. except share data)

	Fiscal year ended March 31, 2005	Fiscal year ended March 31, 2004	Fiscal year ended March 31, 2003
Sales and other income	11,826,404	12,136,139	11,905,432
Profit/Loss after tax	215,140	220,382	226,427
Reserves and Surplus	7,728,207	7,513,067	7,292,684
Equity capital (par value Rs. 10/- per share)	238,040	238,040	238,040
Earnings per share (Rs)	9.04	9.26	9.51
Book value per equity share (Rs.)	334.66	325.62	316.36

Kovai Murasu Private Limited

The company carries on the business of publication of magazines and was incorporated on February 26, 1960. It has its registered office at 229, Kutchery Road, Mylapore, Chennai – 600 004.

Shareholding as on March 7, 2006

The equity shares of Kovai Murasu Private Limited are held by Mr. Kalanithi Maran (90%) and Kal Comm Private Limited (10%).

Directors as on March 7, 2006

The Board of Directors of Kovai Murasu Private Limited comprises of Mr. Kalanithi Maran (Director) and Mrs. Kavery Kalanithi (Director).

Financial Performance

(In Rs. except share data)

	Fiscal year ended March 31, 2005	Fiscal year ended March 31, 2004	Fiscal year ended March 31, 2003
Sales and other income	1,75,76,896	1,71,96,335	19,557,355
Profit/Loss after tax	1,01,649	2,79,699	2,22,360
Reserves and Surplus	1,83,88,305	1,82,86,655	1,80,06,956
Equity capital (par value Rs. 10/- per share)	4,33,720	4,33,720	4,33,720
Earnings per share (Rs)	2.34	6.45	5.13
Book value per equity share (Rs.)	433.97	431.62	425.17

K.S. Publications Private Limited

The company carries on the business of publication of newspapers, magazines etc and was incorporated on June 5, 1997. It has its registered office at 1, Royal Road, Trichy 620 001.

Shareholding as of March 7, 2006

The equity shares of K.S Publications Private Limited are held by Mr. Kalanithi Maran (90%) and Kal Comm Private Limited

(10%).

Directors as of March 7, 2006

The board of directors of K.S Publications Private Limited comprises of Mr. Kalanithi Maran (Chairman and Director) and Mrs. Kavery Kalanithi (Director).

Financial Performance

(In Rs. except share data)

	Fiscal year ended March 31, 2005	Fiscal year ended March 31, 2004	Fiscal year ended March 31, 2003
Sales and other income	378,573,043	354,026,896	337,497,751
Profit/Loss after tax	254,774	28,430	880,454
Reserves and Surplus	5,889,055	5,634,281	5,605,851
Equity capital (par value Rs. 10/- per share)	4,365,800	4,365,800	4,365,800
Earnings per share (Rs)	0.58	0.07	2.02
Book value per equity share (Rs.)	23.49	22.91	22.84

Kal Publications Private Limited

The company carries on the business of publication of newspapers, magazines etc. and was incorporated on October 7, 2005. It has its registered office at 229, Kutchery Road, Mylapore, Chennai 600 004.

Shareholding as of March 7, 2006

The equity shares of Kal Publications Private Limited are held by Mr. Kalanithi Maran (95%) and Mrs. Kavery Kalanithi (5%).

Directors as of March 7, 2006

The board of directors of Kal Publications Private Limited comprises of Mr. Kalanithi Maran (Chairman and Director), Mrs. Kavery Kalanithi (Director) and Mr. Ramesh R. M. R.

Financial Performance

Financial information for the company is not available, as it has not completed its first accounting period.

Salem Murasu Private Limited

The company carries on the business of publication of magazines and newspapers and was incorporated on November 3,1959 and has its registered office at 229, Kutchery Road, Mylapore, Chennai 600 004

Shareholding as of March 7, 2006

The equity shares of Salem Murasu Private Limited are held by Mr. Kalanithi Maran (90%) and Kal Comm Private Limited (10%).

Directors as of March 7, 2006

The board of directors of Salem Murasu Private Limited comprises of Mr. Kalanithi Maran (Chairman and Director) and Mrs. Kavery Kalanithi (Director).

Financial Performance

(In Rs. except share data)

	Fiscal year ended March 31, 2005	Fiscal year ended March 31, 2004	Fiscal year ended March 31, 2003
Sales and other income	14,829,590	14,792,402	15,662,240
Profit/Loss after tax	(242,596)	239,645	229,418
Reserves and Surplus	7,260,620	7,503,217	7,263,571
Equity capital (par value Rs. 10/- per share)	455,980	455,980	455,980
Earnings per share (Rs)	N.A.	5.26	5.03
Book value per equity share (Rs.)	169.23	174.55	169.30

Kal Cables Private Limited (formerly known as Kal Communications Private Limited)

The company is engaged in providing downlinking services as a multi system operator and was incorporated on April 25, 2003. It has its registered office at 367/369, Anna Salai, Teynampet, Chennai 600 018.

Shareholding as of March 7, 2006

The equity shares of Kal Cables Private Limited are held by Mr. Kalanithi Maran (75%) and D.K. Enterprises Private Limited (25%).

Directors as of March 7, 2006

The board of directors of Kal Cables Private Limited comprises of Mr. Kalanithi Maran (Chairman and Director) and Mr. K. Shanmugam (Director).

Financial Performance

(In Rs. except share data)

	Fiscal year ended March 31, 2005	Fiscal year ended March 31, 2004
Sales and other income	279,032,318	369,612,206
Profit/Loss after tax	(1,549,842)	(816,991)
Reserves and Surplus	Nil	Nil
Equity capital (par value Rs. 10/- per share)	100,000	100,000
Earnings per share (Rs)	N. A.	N. A.
Book value per equity share (Rs.)	N. A.	N. A.

Sun Academy Private Limited

The company was incorporated on June 17, 2004 with the object of establishing educational institutions. It has its registered office at Maratha Bhavan, 16 A Thimmiah Road, Vacant Nagar, Bangalore 560 052.

Shareholding as of March 7, 2006

The equity shares of Sun Academy Private Limited are held by Kal Comm Private Limited (50%), Mr. S. Udhayanidhi (24%), Mr. Dayanidhi Maran (15%), Mr. S. Selvam (10%) and Mr. Kalanithi Maran (1%).

Directors as of March 7, 2006

The board of directors of Sun Academy Private Limited comprises of Mr. S. Udhayanidhi (Director), Mr. Kalanithi Maran (Director), Mr. S. Selvam (Director) and Mr. K. Shanmugam (Director).

Financial Performance

The company has not carried out any operations since inception.

The directors of Sun Academy Private Limited have made an application to the Registrar of Companies under the terms of the Simplified Exit Scheme 2005, dated June 1, 2005 for striking off the company from the Register of Companies.

Gemini TV Private Limited

The company carries on the business of television broadcasting and was originally incorporated on July 2, 1996. It has its registered office at 367/369, Anna Salai, Teynampet, Chennai 600 018. The company's flagship channel is Gemini TV (a Telugu general entertainment channel).

Directors as of March 7, 2006

Name	Designation
Mr. Kalanithi Maran	Chairman and Managing Director
Mr. A. Manohar Prasad	Joint Managing Director
Mr. P. Kiran	Director
Mrs. Kavery Kalanithi	Director

Shareholding as of March 7, 2006

Shareholder	Holding (in Percentage)
Mrs. K. Bharathi	30.00
Mr. Kalanithi Maran	26.50
Kal Comm Private Limited	23.50
Mrs Indira Anand	16.00
Mr. A Sai Siva Jyoti	4.00
Others	0.0004

Financial Performance

(In Rs. except share data)

	Fiscal year ended March 31, 2005	Fiscal year ended March 31, 2004	Fiscal year ended March 31, 2003
Sales and other income	1,545,772,299	1,214,740,216	1,096,207,912
Profit/Loss after tax	371,897,850	380,426,687	154,763,706
Reserves and Surplus	1,171,809,867	799,912,017	419,485,330
Equity capital (par value Rs. 10/- per share)	100,000,000	100,000,000	100,000,000
Earnings per share (Rs)	37.19	38.04	15.48
Book value per equity share (Rs.)	127.18	89.99	51.95

Kal Comm Private Limited (formerly known as Kal Exim Private Limited)

The company was incorporated on April 1, 1989 and is engaged in the business of distribution of TV software. It has its registered office at 367/369, Anna Salai, Teynampet, Chennai 600 018.

Shareholding as of March 7, 2006

The equity shares of Kal Comm Private Limited are held by Mr. Kalanithi Maran (90%) and Mrs. Kavery Kalanithi (10%).

Directors as of March 7, 2006

The board of directors of Kal Comm Private Limited comprises of Mr. Kalanithi Maran (Chairman and Director) and Mrs. Kavery Kalanithi (Director).

Financial Performance

(In Rs. except share data)

	Fiscal year ended March 31, 2005	**Fiscal year ended March 31, 2004**	**Fiscal year ended March 31, 2003**
Sales and other income	32,984,360	38,315,124	337,416,820
Profit/Loss after tax	2,199,885	(2,243,227)	46.000,972
Reserves and Surplus	82,132,243	79,932,358	82,175,585
Equity capital (par value Rs. 100/- per share)	100,000	100,000	100,000
Earnings per share (Rs)	2,199.89	N.A,	46,000.97
Book value per equity share (Rs.)	82,232.24	80,032.36	82,275.59

Kal Investments (Madras) Private Limited

The company was incorporated to carry on the business of investment in securities and was incorporated on September 15, 1992. It has its registered office at 367/369, Anna Salai, Teynampet, Chennai 600 018. The company has not carried out any operations since inception. The company does not have a SEBI or RBI registration.

Shareholding as of March 7, 2006

The equity shares of Kal Investments (Madras) Private Limited are held by Mrs. Mallika Maran (33.33%) and Mr. Kalanithi Maran (66.67%).

Directors as of March 7, 2006

The board of directors of Kal Investments (Madras) Private Limited comprises of Mr. Kalanithi Maran (Chairman and Director), Mr. S. Selvam (Director) and Mrs. Kavery Kalanithi (Director).

Financial Performance

(In Rs. except share data)

	Fiscal year ended March 31, 2005	**Fiscal year ended March 31, 2004**	**Fiscal year ended March 31, 2003**
Sales and other income	Nil	Nil	8,000
Profit/Loss after tax	(3,000)	(2,800)	(450)
Reserves and Surplus	(38,050)	(35,050)	(32,250)
Equity capital (par value Rs. 100/- per share)	150,000	150,000	100,000
Earnings per share (Rs)	N. A.	N. A.	N. A.
Book value per equity share (Rs.)	74.63	76.63	78.50

KPK Publications Private Limited

The company carries on the business of publication of newspapers, magazines etc and was incorporated on March 23, 1999. It has its registered office at 1, Royal Road, Trichy 620 001.

Shareholding as of March 7, 2006

The equity shares of KPK Publications Private Limited are held by Mr. Kalanithi Maran (90%) and Kal Comm Private Limited (10%).

Directors as of March 7, 2006

The board of directors of KPK Publications Private Limited comprises of Mr. Kalanithi Maran (Chairman and Director) and Mrs. Kavery Kalanithi (Director).

Financial Performance

(In Rs. except share data)

	Fiscal year ended March 31, 2005	Fiscal year ended March 31, 2004	Fiscal year ended March 31, 2003
Sales and other income	72,469,943	77,947,566	117,648,563
Profit/Loss after tax	180,067	(545,324)	522,473
Reserves and Surplus	3,930,704	3,750,637	4,295,962
Equity capital (par value Rs. 10/- per share)	2,500,000	2,500,000	2,500,000
Earnings per share (Rs)	0.72	N.A.	2.09
Book value per equity share (Rs.)	25.72	22.82	27.18

Kungumam Nithiyagam Private Limited

The company has been set up with the object of carrying out hire purchase financing and was incorporated on November 19, 1991. It has its registered office at 367/369, Anna Salai, Teynampet, Chennai 600 018. The company has not carried out any operations since inception. The company does not have a SEBI or RBI registration.

Shareholding as of March 7, 2006

The equity shares of Kungumam Nithiyagam Private Limited are held by Mr. Kalanithi Maran (66.67%), and Mrs. Mallika Maran (33.33%).

Directors as of March 7, 2006

The board of directors of Kungumam Nithiyagam Private Limited comprises of Mr. Kalanithi Maran (Chairman and Director), Mrs. Kavery Kalanithi (Director) and Mr. S. Selvam (Director).

Financial Performance

(In Rs. except share data)

	Fiscal year ended March 31, 2005	Fiscal year ended March 31, 2004	Fiscal year ended March 31, 2003
Sales and other income	Nil	Nil	11,000
Profit/Loss after tax	(6,100)	(3,400)	(240)
Reserves and Surplus	(35,369)	(28,265)	(24,865)
Equity capital (par value Rs. 100/- per share)	990,000	990,000	300,000
Earnings per share (Rs)	N. A.	N. A.	N. A.
Book value per equity share (Rs.)	96.53	97.15	91.72

Udaya TV Private Limited

The company carries on the business of television broadcasting and was incorporated on May 2, 1994. It has its registered office at 367/369, Anna Salai, Teynampet, Chennai 600 018. The company has also launched Vishaka FM, in Visakhapatnam, Andhra Pradesh in 2003. An application has been made to the MIB for the transfer of the FM license to Kal Radio Limited, our Subsidiary.

Shareholding as of February 1, 2006

The equity shares of Udaya TV Private Limited are held by Mr. Kalanithi Maran (66.67%), Mr. S. Selvam (16.67%) and Mrs. S. Selvi (16.66%).

Directors as of March 7, 2006

The board of directors of Udaya TV Private Limited comprises of Mr. Kalanithi Maran (Chairman and Director), Mr. S. Selvam (Director) and Mrs. Kavery Kalanithi (Director).

Financial Performance

(In Rs. except share data)

	Fiscal year ended March 31, 2005	**Fiscal year ended March 31, 2004**	**Fiscal year ended March 31, 2003**
Sales and other income	737,438,008	740,020,218	604,029,126
Profit/Loss after tax	109,691,300	203,966,849	75,478,492
Reserves and Surplus	1,050,876,306	941,185,005	737,218,156
Equity capital (par value Rs. 10/- per share)	6,000,000	6,000,000	6,000,000
Earnings per share (Rs)	182.81	339.95	125.80
Book value per equity share (Rs.)	1761.46	1578.64	1238.70

Kungumam Publications Private Limited

The company carries on the business of publishing a weekly magazine and was incorporated on January 7, 1978. It has its registered office at 229, Kutchery Road, Mylapore Chennai – 600 004.

Shareholding as of March 7, 2006

The equity shares of Kungumam Publications Private Limited are held by Mr. Kalanithi Maran (54.84%), Mrs. Mallika Maran (38.71%) and Mr. S. Selvam (6.45%).

Directors as of March 7, 2006

The board of directors of Kungumam Publications Private Limited comprises of Mr. Kalanithi Maran (Chairman and Director), Mrs. Kavery Kalanithi (Director) and Mr. S. Selvam (Director).

Financial Performance

(In Rs. except share data)

	Fiscal year ended March 31, 2005	**Fiscal year ended March 31, 2004**	**Fiscal year ended March 31, 2003**
Sales and other income	126,363,901	35,419,535	35,205,704
Profit/Loss after tax	283,010	2,198,273	1,381,773
Reserves and Surplus	6,753,644	6,470,634	4,272,361
Equity capital (par value Rs. 100/- per share)	108,500	108,500	108,500
Earnings per share (Rs)	260.84	2026.06	1273.52
Book value per equity share (Rs.)	6324.56	6063.72	4037.66

Network Cable Solutions Private Limited

The company carries on the business of cable distribution and was incorporated on November 5, 2003. It has its registered office at 367/369, Anna Salai, Teynampet, Chennai 600 018.

Shareholding as of March 7, 2006

The equity shares of Network Cable Solutions Private Limited are held by Mr. Kalanithi Maran (75%) and D.K. Enterprises Private Limited (25%).

Directors as of March 7, 2006

The board of directors of Network Cable Solutions Private Limited comprises of Mr. Kalanithi Maran (Chairman and Director) and Mr. K. Shanmugam (Director).

Financial Performance

(In Rs. except share data)

	Fiscal year ended March 31, 2005	**Fiscal year ended March 31, 2004**
Sales and other income	3,215,985	943,168
Profit/Loss after tax	1,301,952	452,293
Reserves and Surplus	1,754,245	452,293
Equity capital (par value Rs. 10/- per share)	100,000	100,000
Earnings per share (Rs)	130.20	45.23
Book value per equity share (Rs.)	185.42	55.23

Sumangali Publications Private Limited

The company was incorporated on October 24, 1994 to carry on the business of manufacture, import, distribution and otherwise dealing in all kinds of video films, cine films, film magazines and related software. Its registered office at No. 367/369, Anna Salai, Teynampet, Chennai 600 018.

Shareholding as of March 7, 2006

The equity shares of Sumangali Publications Private Limited are held by Mr. Kalanithi Maran (66.67%) and Mrs. Mallika Maran (33.33%).

Directors as of March 7, 2006

The board of directors of Sumangali Publications Private Limited comprises of Mr. Kalanithi Maran (Director) and Mr. S. Selvam (Director).

Financial Performance

(In Rs. except share data)

	Fiscal year ended March 31, 2005	**Fiscal year ended March 31, 2004**	**Fiscal year ended March 31, 2003**
Sales and other income	22,172	5,000	515000
Profit/Loss after tax	(22,461)	(188,619)	(12655)
Reserves and Surplus	(236,916)	(214,456)	—
Equity capital (par value Rs. 100/- per share)	150,000	100,000	20000
Earnings per share (Rs)	N. A.	N. A.	N. A.
Book value per equity share (Rs.)	N. A.	N. A.	N. A.

No business has been carried on by Sumangali Publications Private Limited for the past one year and consequently, an application, dated July 1, 2005 has been made by the directors of Sumangali Publications Private Limited for striking off the company from the Register of Companies.

Sun Direct TV Private Limited

The company was incorporated to carry on the business of direct to home television content distribution and was incorporated on February 16, 2005. It has its registered office at 367/369, Anna Salai, Teynampet, Chennai 600 018. The company has not received the license for providing of DTH services.

Shareholding as of March 7, 2006

The equity shares of Sun Direct TV Private Limited are held by Mr. Kalanithi Maran (96.67%) and Mrs. Kavery Kalanithi (3.33%).

Directors as of March 7, 2006

The board of directors of Sun Direct TV Private Limited comprises Mr. Kalanithi Maran (Chairman and Director) and Mr. Kavery Kalanithi (Director).

Financial Performance

(In Rs. except share data)

	Fiscal year ended March 31, 2005
Sales and other income	6,163,973
Profit/Loss after tax	(6,202,504)
Reserves and Surplus	(6,202,504)
Equity capital (par value Rs. 10/- per share)	1,500,000,000
Earnings per share (Rs)	N. A.
Book value per equity share (Rs.)	9.96

DMS Entertainment Private Limited:

The company carries on the business of running theatres and cultural events and was incorporated on August 24, 1999. It has its registered office at No.1, Lynwood Lane, Nungambakkam, Chennai – 600 034.

Shareholding as of March 7, 2006

The equity shares of DMS Entertainment Private Limited are held by DK Enterprises Private Limited (60%) and Mrs. Priya Dayanidhi (40%)

Directors as of March 7, 2006

The board of directors of DMS Entertainment Private Limited comprises of Mrs. Priya Dayanidhi (Director) and Mr. Mohamed Ishrath (Director).

Financial Performance:

(In Rs. except share data)

	Fiscal year ended March 31, 2005	Fiscal year ended March 31, 2004	Fiscal year ended March 31, 2003
Sales and other income	2,129,246	1,699,972	2,575,823
Profit/Loss after tax	155,630	74,920	154,458
Reserves and Surplus	4,571,005	4,415,375	4,340,455
Equity capital (par value Rs. 10/- per share)	1,000,000	1,000,000	1,000,000
Earnings per share (Rs)	1.56	0.75	1.54
Book value per equity share (Rs.)	55.71	54.15	53.40

HFO Entertainment Private Limited:

The company carries on the business of renting out entertainment equipment and was incorporated on 15th November 2000. It has its registered office at No.1, Lynwood Lane, Nungambakkam, Chennai – 600 034.

Shareholding as of March 7, 2006

The equity shares of HFO Entertainment Private Limited are held by DK Enterprises Private Limited (33.33%), DMS Entertainment Private Limited (33.33%) and Mrs. Priya Dayanidhi (33.33%)

Directors as of March 7, 2006

The Board of Directors of HFO Entertainment Private Limited comprises Mrs. Priya Dayanidhi (Director) and Mr. Mohamed Israth (Director)

Financial Performance:

(In Rs. except share data)

	Fiscal year ended March 31, 2005	Fiscal year ended March 31, 2004	Fiscal year ended March 31, 2003
Sales and other income	4,305,528	4,242,024	7,972,730
Profit/Loss after tax	78,735	(744,995)	(84528)
Reserves and Surplus	1,105,754	1,027,019	1,772,012
Equity capital (par value Rs. 10/- per share)	2,250,000	2,250,000	2,250,000
Earnings per share (Rs)	0.35	N.A.	N.A.
Book value per equity share (Rs.)	13.42	13.11	16.09

DK Enterprises Private Limited

The company carries on the business of merchants, traders, and processors of garments, carpets, leather fabrics, or in general, of any fibers manufactured and of spinning, blending, combining, weaving, knitting, bleaching, processing, dyeing, printing, making or otherwise turning to account any other fabric or finished articles thereof and of manufacturing the chemicals, dyestuffs, equipments, washing, bleaching and dyeing materials, raw materials, packing materials and all other requisites needed for all or any of the above purposes and of the by-products which can be conveniently produced there and for software development and services and was incorporated on August 18 2004. It has its registered office at No.1, Lynwood Lane, Nungambakkam, Chennai – 600 034.

Shareholding as of March 7, 2006

The equity shares of DK Enterprises Private Limited are held by Dayanidhi Maran (91%) and Mrs. Priya Dayanidhi (9%)

Directors as of March 7, 2006

The Board of Directors of DK Enterprises Private Limited comprises Mr. Kalanithi Maran (Director) and Mrs. Priya Dayanidhi (Director).

Financial Performance

(In Rs. except share data)

	Fiscal year ended March 31, 2005
Sales and other income	-
Profit/Loss after tax	-
Reserves and Surplus	-
Equity capital (par value Rs. 10/- per share)	100000
Earnings per share (Rs)	-
Book value per equity share (Rs.)	

Sun Foundation

Sun Foundation is public charitable trust established by means of a deed of declaration of public charitable trust dated March 3, 2004. The office of the trust is located at 367/369, Anna Salai, Teynampet, Chennai 600 018.

Constitution

The permanent trustees of the trust are Mr. Kalanithi Maran (the Chairman and Managing Trustee) and Mrs. Kavery Kalanithi.

The objects of the trust include the establishment and management of educational institutions, hospitals, dispensaries, Non Governmental Organizations and other institutions, promotion of sports and other activities, the rendering of public utility and humanitarian services and the establishment of scholarships, all for the benefit of the public.

Financial Performance for fiscal year ended March 31, 2005.

(In Rs.)

Liabilities	Rs.	Rs.	Assets	Rs
Capital Fund			Bank Balance	
Opening Balance	1,001.00		Balance with Savings Bank A/c with	
Add: Excess of Income	1,817,628.00		City Union Bank, Mandaveli Branch	1,818,629.00
over Expenditure for the year		1,818,629.00		
		1,818,629.00		1,818,629.00

M/s S & S. Textiles

The firm is a partnership registered under the Indian Partnership Act, 1932 and carries on the business of trading in sarees and dress materials. It was constituted on February 3, 2006 with its official address at No. 28, Second Street, South Gopalapuram, Chennai, 600 086. .

Constitution as of March 7, 2006

S. No.	Name of Partner	Percentage share in Profits and Losses
1.	Mrs. Selvi Selvam	33.33%
2.	Mrs. Kavery Kalanithi	33.33%
3.	Mrs. Priya Dayanidhi	33.33%

Financial Performance

The firm has not completed its first accounting period.

The MMF Trust (Murasoli Maran Family Trust)

The MMF Trust (Murasoli Maran Family Trust) was established under a deed of declaration of trust dated June 28, 1983 and the memorandum of family settlement dated April 10, 1995. The trust was primarily established for the benefit of the family of Mr. S.N. Maran. The office of the trust is located at No. 18, Second Street, Gopalapuram 600 086.

Trustees

The trustees of the trust are Mr. Kalanithi Maran (Managing Trustee) and Mrs. Mallika Maran.

Beneficiaries

The MMF trust was established for the benefit of the family of the late Mr. S.N. Maran. The board of trustees of the MMF trust are authorised to receive the income of the trust on behalf of the beneficiaries of the trust in the proportion of their share of the benefits of the trust. The beneficiaries of the trust are Kavery Kalanithi , Priya Dayanidhi, Anbukarsi Educational Trust, Anbukarsi Marriage Trust, Kaviya Kalanithi, Karan Dayanidhi, Divya Dayanidhi, Kalanithi Male Child Trust, Kalanithi Maran, Dayanithi Maran, Anbukarsi Maran, Anbukarsi Male Child Trust, Anbukarsi Female Child Trust and Mallika Maran .:

The details of the entities that form the beneficiaries of the MMF Trust are as follows:

a. The Anbukarsi Educational Trust, the trustees of which are Mr. Kalanithi Maran and Mrs. Mallika Maran and the beneficiary of which is Mrs. Anbukarasi Maran

b. The Anbukarsi Marriage Trust, the trustees of which are Mr. Kalanithi Maran and Mrs. Mallika Maran and the beneficiary of which is Mrs. Anbukarasi Maran

c. The Anbukarsi Male Child Trust, the trustees of which are Mr. Kalanithi Maran and Mrs. Mallika Maran and the beneficiary of which is Mrs. Anbukarasi Maran

d. The Anbukarsi Female Child Trust, the trustees of which are Mr. Kalanithi Maran and Mrs. Mallika Maran and the beneficiary of which is Mrs. Anbukarasi Maran

e. The Kalanidhi Male Child Trust the trustees of which are Mr. Kalanithi Maran and Mrs. Mallika Maran and the beneficiary of which is the male child of Mr. Kalanithi Maran

Financial Performance

(In Rs.)

	Fiscal year ended March 31, 2005	**Fiscal year ended March 31, 2004**	**Fiscal year ended March 31, 2003**
Income from Property	3,206,567	1,840,879	4,836,603
Income from Other Sources	931,228	813,583	568,911
Total Income	4,137,795	2,654,462	5,405,514
Gross Profita	2,208,985	2,241,085	2,313,024
Initial Corpus Fund	10,000	10,000	10,000
Beneficiaries Account	24,865,398	21,429,483	18,761,071

a Excess of income over expenditure carried over to the beneficiaries.

Disassociation by the Promoter in the last three years

Name of the Company	Relationship with the Promoter	Reasons for Disassociation	Date of Disassociation
Asia Radio Broadcast Private Limited	The entire equity shares capital was held by Mr. Kalanithi Maran and Mrs. Kavery Kalanithi	The entire equity shares were sold to AV Digital Networks Private Ltd.	December 31, 2005

RELATED PARTY TRANSACTIONS

(All amounts are in millions of Indian Rupees, unless otherwise stated)

Particulars	Nature of Relationship	Name of the Related party	December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003
Income:						
Income from services rendered	Enterprises in which promoter has significant influence	Gemini TV Private Limited	31.3	46.4	31.0	0.2
		Udaya TV Private Limited	14.5	18.0	18.0	0.4
		Kungumam Publications Private Limited	2.2	2.5	-	-
		KPK Publications Private Limited	0.9	-	-	-
		Kal Comm Private Limited	372.9	384.2	319.5	52.5
Interest and other income	Enterprises in which promoter has significant influence	Kungumam Publications Private Limited	1.3	0.6	-	-
		Udaya TV Private Limited	0.3	0.6	0.5	-
		KPK Publications Private Limited	0.2	-	-	-
		Gemini TV Private Limited	-	0.1	0.2	-
		Kal Comm Private Limited	-	0.5	-	-
		Kal Cables Private Limited	7.6	-	-	-
	Promoter	Mr. Kalanithi Maran	*	4.8	-	-
Reimbursement of cost of shared services	Enterprises in which promoter has significant influence	Gemini TV Private Limited	1.9	2.5	1.5	4.4
		Udaya TV Private Limited	0.7	0.8	-	3.6
Expenses:						
Services received	Enterprises in which promoter has significant influence	Kal Comm Private Limited	18.0	24.0	24.0	-

(All amounts are in millions of Indian Rupees, unless otherwise stated)

Particulars	Nature of Relationship	Name of the Related party	December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003
		Kal Cables Private Limited	-	296.1	375.9	-
		Kungumam Publications Private Limited	-	1.5	-	0.6
		Gemini TV Private Limited	-	-	-	330.2
	Enterprises in which relatives of the promoter has significant interest	HFO Entertainment Private Limited	0.9	-	-	-
	Relatives of the promoter	Mrs. Mallika Maran	0.2	0.2	0.2	0.2
Interest Expense	Enterprises in which promoter has significant influence	Udaya TV Private Limited	2.5	-	-	-
		Kal Cables Private Limited	0.3	-	-	-
		Gemini TV Private Limited	0.1	-	-	-
Write off of advances	Enterprises in which promoter has significant influence	Sumangali Publications Private Limited	1.1	-	-	-
Managerial remuneration	Promoter	Mr. Kalanithi Maran	8.4	333.5	37.6	6.2
	Relatives of the promoter	Mrs. Kavery Kalanithi	0.4	-	-	-
Dividends Paid	Promoter	Mr. Kalanithi Maran	1,743.6	-	-	-
	Relatives of the promoter	Mrs. Mallika Maran	106.4	-	-	-
Other transactions Purchase of fixed assets	Enterprises in which promoter has significant influence	Gemini TV Private Limited	-	0.2	-	-
Purchase of shares in Kal Radio Limited	Promoter	Mr. Kalanithi Maran	222.5	-	-	-
Sale of Assets	Enterprises in which promoter has significant influence	Kungumam Publications Private Limited	0.7	-	-	-

(All amounts are in millions of Indian Rupees, unless otherwise stated)

Particulars	Nature of Relationship	Name of the Related party	December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003
		Kal Cables Private Limited	6.7	-	-	-
Proceeds from sale of investments	Promoter	Mr. Kalanithi Maran	**	-	-	-
Transfer of liabilities	Enterprises in which promoter has significant	Kal Cables Private Limited	11.2	-	-	-
Proceeds from sale of CAS Division	Enterprises in which promoter has significant influence	Kal Cables Private Limited	33.9	-	-	-
Investments Made	Subsidiary	South Asia FM Limited	95.0			
Inter-corporate deposit granted by the Company	Enterprises in which promoter has significant influence	Kal Comm Private Limited	-	60.0	-	-
		Asia Radio Broadcast Private Limited	30.0	-	-	-
Loan granted by the Company	Enterprises in which promoter has significant influence	KPK Publications Private Limited	8.5	-	-	-
Inter-corporate deposit repaid to the Company	Enterprises in which promoter has significant influence	Kal Comm Private Limited	-	60.0	-	-
Advances made by the Company	Enterprises in which promoter has significant influence	Kal Comm Private Limited	2.1	-	-	-
	Subsidiary	South Asia FM Limited	0.9	-	-	-
	Promoter	Mr. Kalanithi Maran	323.3	880.0	-	-
Refund of advances to the Company	Promoter	Mr. Kalanithi Maran	322.5	882.3	-	-

* Represents Rs. 15,000 being profit on sale of investments.

** Represents Rs. 17,500 being proceeds from sale of investments.

(All amounts are in millions of Indian Rupees, unless otherwise stated)

Particulars	Nature of Relationship	Name of the Related party	December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003
Issue of shares	Enterprises in which promoter has significant influence	Kal Comm Private Limited	@	-	-	-
		Kal Cables Private Limited	@	-	-	-
		Network Cable Solutions Private Limited	@	-	-	-
		Kal Publications Private Limited	@	-	-	-
	Relatives of the promoter	Mrs. Kavery Kalanithi	@	-	-	-
Issue of bonus shares	Enterprises in which promoter has significant influence	Kal Comm Private Limited	*	-	-	-
		Kal Cables Private Limited	*	-	-	-
		Network Cable Solutions Private Limited	*	-	-	-
		Kal Publications Private Limited	*	-	-	-
	Promoter	Mr. Kalanithi Maran	600.0	-	-	-
	Relatives of the promoter	Mrs. Kavery Kalanithi	*	-	-	-
		Mrs. Mallika Maran	*	-	-	-
Inter-corporate deposit taken by the company	Enterprises in which promoter has significant influence	Gemini TV Private Limited	370.0	-	-	-
		Udaya TV Private Limited	280.0	-	-	-
		Kal Cables Private Limited	28.0	-	-	-
Inter-corporate deposit repaid by the company	Enterprises in which promoter has significant influence	Gemini TV Private Limited	352.0	-	-	-

(All amounts are in millions of Indian Rupees, unless otherwise stated)

Particulars	Nature of Relationship	Name of the Related party	December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003
Refund of deposits by the Company	Enterprises in which promoter has significant influence	Kal Comm Private Limited	-	39.8	-	-
Share of ERP costs	Enterprises in which promoter has significant influence	Gemini TV Private Limited	15.1	-	-	-
		Udaya TV Private Limited	7.0	-	-	-
		Kungumam Publications Private Limited	3.3	-	-	-
		Kal Publications Private Limited	1.4	-	-	-
		Kal Cables Private Limited	0.8	-	-	-
Present value of minimum lease payments	Enterprises in which promoter has significant influence	Kungumam Publications Private Limited	3.3	1.3	-	-
<u>Outstanding balances</u>						
Accounts receivable	Enterprises in which promoter has significant influence	Kal Comm Private Limited	244.1	133.0	80.9	67.2
		Gemini TV Private Limited	-	4.5	-	2.7
		Kungumam Publications Private Limited	6.2	7.9	-	-
		Udaya TV Private Limited	2.1	-	2.9	1.2
		KPK Publications Private Limited	0.9	-	-	-
Loans and advances	Enterprises in which promoter has significant influence	Gemini TV Private Limited	13.3	-	1.9	-
		Asia Radio Broadcast Private Limited	30.0	-	-	-
		KPK Publications Pvt. Limited	8.7			

(All amounts are in millions of Indian Rupees, unless otherwise stated)

Particulars	Nature of Relationship	Name of the Related party	December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003
		Kal Comm Private Limited	7.1	-	-	-
		Udaya TV Private Limited	7.0	-	-	-
		Kal Cables Private Limited	6.7	-	-	-
		Kungumam Publications Private Limited	3.3	-	-	3.5
		Kal Publications Private Limited	1.4	-	-	-
		Sumangali Publications Private Limited	-	1.1	1.1	1.1
		Kal Investments (Madras) Private Limited	-	-	-	0.1
		Kungumam Nithyagam Private Limited	-	-	-	0.1
	Subsidiary	South Asia FM Limited	0.9	-	-	-
	Promoter	Mr. Kalanithi Maran	5.6	4.8	2.3	6.4

@ Represents Rs. 10 being par value of one equity shares issued.

* Represents Rs. 300 being par value of thirty bonus shares issued.

(All amounts are in millions of Indian Rupees, unless otherwise stated)

Particulars	Nature of Relationship	Name of the Related party	December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003
Inter-corporate deposits Payable	Enterprises in which promoter has significant influence	Udaya TV Private Limited	(280.0)	-	-	-
		Kal Cables Private Limited	(28.0)	-	-	-
		Gemini TV Private Limited	(18.0)	-	-	-
Accounts Payable	Enterprises in which promoter has significant influence	Kal Cables Private Limited	-	(46.7)	(63.0)	-

(All amounts are in millions of Indian Rupees, unless otherwise stated)

Particulars	Nature of Relationship	Name of the Related party	December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003
		Udaya TV Private Limited	-	(1.7)	-	-
		Gemini TV Private Limited	-	-	(1.9)	-
Interest accrued but not due	Enterprises in which promoter has significant influence	Udaya TV Private Limited	(2.5)	-	-	-
		Kal Cables Private Limited	(0.3)	-	-	-
		Gemini TV Private Limited	(0.1)	-	-	-
Deposit payable	Enterprises in which promoter has significant influence	Kal Comm Private Limited	-	-	(39.8)	-

EXCHANGE RATES

The following table sets forth, for each period indicated, information concerning the number of Rupees for which one US Dollar could be exchanged at the noon buying rate in the City of New York on the last business day of the applicable period for cable transfers in Rupees as certified for customs purposes by Federal Reserve Bank of New York. The row titled 'average' in the table below is the average of the daily rate for each day in the period.

Exchange Rate Data	Fiscal 2005
Period end	43.62
Average	44.86
Low	46.45
High	43.27

DIVIDEND POLICY

The declaration and payment of dividends will be recommended by our Board of Directors and approved by our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial condition. The Board may also from time to time pay interim dividends. All dividend payments are made in cash to the shareholders of the Company. The dividends declared by our Company during the last five fiscal years have been presented below:

	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003	Year ended March 31, 2004	Year ended March 31, 2005	Nine months ended December 31, 2005
Face Value of Equity Share (per share)	Rs. 10	Rs. 10	Rs. 10	Rs. 10	Rs. 10	Rs. 10
Interim Dividend on Equity Shares (Rs. in million)	Nil.	Nil.	Nil.	Nil.	Nil.	1,850.
Final Dividend on Equity Shares (Rs. in million)	Nil.	Nil.	Nil.	Nil.	Nil.	Nil.
Dividend Rate (%)	Nil.	Nil.	Nil.	Nil.	Nil.	9,250%
Dividend Tax (Rs. in million)	Nil.	Nil.	Nil.	Nil.	Nil.	259.5

The Board of Directors, at its meetings held on November 18, 2005 and December 10, 2005, declared interim dividends of Rs. 1,500 Million and Rs. 350 million, respectively. The interim dividends were declared out of the accumulated profits of the Company. For further details refer to "Financial Statements" on page 115.

The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future.

SECTION V: FINANCIAL STATEMENTS

FINANCIAL INFORMATION OF SUN TV LIMITED

UNCONSOLIDATED SUMMARY STATEMENTS OF ASSETS AND LIABILITIES AND UNCONSOLIDATED SUMMARY STATEMENT OF PROFITS AND LOSSES, AS RESTATED AND UNCONSOLIDATED CASH FLOWS, AS RESTATED, UNDER INDIAN GAAP AS AT AND FOR THE YEARS ENDED MARCH 31, 2001, 2002, 2003, 2004 AND 2005 AND AS AT AND FOR THE NINE MONTH PERIOD ENDED DECEMBER 31, 2005

AND

CONSOLIDATED SUMMARY STATEMENTS OF ASSETS AND LIABILITIES, PROFIT AND LOSS, AS RESTATED FOR THE NINE MONTH PERIOD ENDED DECEMBER 31, 2005

Report by the Auditors of the Company as required by Part II of Schedule II to the Companies Act, 1956 and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000

March 9, 2006

To
The Board of Directors
Sun TV Limited *(Formerly Sun TV Private Limited)*
367 & 369, Anna Salai,
Teynampet,
Chennai – 600 018

Dear Sirs,

We have examined the unconsolidated financial information of Sun TV Limited ('Sun TV' or 'the Company') *(formerly Sun TV Private Limited)* annexed to this report and initialed by us for identification purposes, which have been prepared in accordance with the requirements of:

a. paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b. the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ('the Guidelines') and related clarification issued by the Securities and Exchange Board of India ('SEBI') on January 19, 2000 as amended by circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005, in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992;

c. the terms of reference received from the Company, requesting us to carry out work, proposed to be included in the Red Herring Prospectus and the Prospectus (collectively, 'the Offer Documents') of the Company in connection with its proposed Initial Public Offer ('IPO'); and

d. the Guidance Note on Reports in Company Prospectus and Guidance Note on Audit Reports/ Certificates on Financial Information in Offer Documents issued by the Institute of Chartered Accountants of India ('ICAI').

The Company proposes to make an IPO for a fresh issue of 6,889,000 equity shares having a face value of Rs 10 per equity share at an issue price as may be decided by the Board of Directors, to be arrived at by the 100% book building scheme (referred to as 'the issue').

Financial information as per unconsolidated audited financial statements of Sun TV Limited

1. We have examined the attached unconsolidated restated summary statement of assets and liabilities of the Company as at December 31, 2005, March 31, 2005, 2004, 2003, 2002 and 2001 and the attached unconsolidated restated summary statement of profits and losses for each of the period/years ended on those dates ('Unconsolidated Restated Summary Statements') (see Annexure I and II) as prepared by the Company and approved by the Board of Directors. The unconsolidated restated profits have been arrived at after making such adjustments and regroupings as in our opinion are

appropriate and as more fully described in the notes to the unconsolidated restated financial statements appearing in Annexure III to this report. We have audited the unconsolidated financial statements of the Company for the years ended March 31, 2001, 2002, 2003, 2004 and 2005 and for the nine month period ended December 31, 2005.

Based on our examination of the Unconsolidated Restated Summary Statements, we confirm that:

- The impact arising on account of changes in accounting policies adopted by the Company as at and for the nine month period ended December 31, 2005 have been adjusted with retrospective effect in the attached Unconsolidated Restated Summary Statements;
- The prior period items have been adjusted in the Unconsolidated Restated Summary Statements in the years to which they relate;
- There are no extraordinary items which need to be disclosed separately in the Unconsolidated Restated Summary Statements; and
- There are no qualifications in the auditors' reports, which require any adjustments to the Unconsolidated Restated Summary Statements

2. The summary of significant accounting policies adopted by the Company pertaining to the unconsolidated audited financial statements for the nine month period ended December 31, 2005 are enclosed as part of Annexure III-A to this report.

Consolidated Financial information of Sun TV Limited and its subsidiaries

3. We have examined the attached restated consolidated summary statement of assets and liabilities of the Company as at December 31, 2005 and the attached restated consolidated summary statement of profit and loss for nine month period ended December 31, 2005 ('consolidated restated summary statements') (see Annexure V and VI) as prepared by the Company and approved by the Board of Directors. These profits have been arrived at after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the notes appearing in Annexure VII to this report. The financial statements of the Company's subsidiaries, Kal Radio Limited and South Asia FM Limited for the period from the date of incorporation to December 31, 2005, have been audited and reported upon by M/s. K. Ramkrish & Co. We have relied upon the report of the auditor of the subsidiaries in our examination of the consolidated financial information in so far as such financial information or components thereof included in the consolidated financial statements relate to those subsidiaries.
4. Based on our examination of these consolidated summary statements, we confirm that:
   - The impact of changes in accounting policies adopted by the Company as at and for the nine months period ended December 31, 2005 have been adjusted with retrospective effect in the attached consolidated restated summary statements;
   - The prior period items have been adjusted in the consolidated restated summary statements in the period to which they relate;
   - There are no extraordinary items, which need to be disclosed separately in the consolidated restated summary statements; and
   - There are no qualifications in the auditors' reports, which require any adjustments to the consolidated restated summary statements.
5. The summary of significant accounting policies adopted by the Company together with the notes pertaining to the audited consolidated financial statements for the nine month period ended December 31, 2005 are enclosed as Annexure VII and VII-A to this report.

Other financial information

6. We have examined the following unconsolidated other financial information of the Company for each of the years /periods presented which are proposed to be included in the Offer Documents as approved by you and annexed to this report:

DETAILS OF OTHER FINANCIAL INFORMATION EXAMINED	ANNEXURE REFERENCE
Summary statement of Cash flows, as restated	IV
Details of other income	VIII-A
Capitalisation statement as at December 31, 2005	VIII-B
Details of Loans	VIII-C
Details of Investments	VIII-D
Details of Promoter group for the years ended March 31, 2003, 2004, 2005 and for the nine month period ended December 31, 2005 :	
- Details of Promoter group	VIII-E-1
- Details of transactions with Promoter group and details of outstanding balances	VIII-E-2
Accounting ratios based on the restated profits relating to earnings per share, net asset value per share and return on net worth	VIII-F
Statement of tax shelters	VIII-G

We have been informed that the Company has declared dividend on equity shares at 9,250% for the nine month period ended December 31, 2005. Further, we have been informed that the Company has not declared any dividend on equity shares for the years ended March 31, 2005, 2004, 2003, 2002 and 2001.

7. In respect of the 'consolidated financial information of Sun TV Limited and its subsidiaries' contained in this report, we have relied upon the audited financial statements of subsidiaries which have been audited by a firm of Chartered Accountants other than us, as referred to in paragraph 3 above.
8. The 'financial information as per audited financial statements', 'other financial information' and 'consolidated financial information of Sun TV Limited and its subsidiaries' referred to above have been prepared in accordance with Part II of Schedule II of the Act and the Guidelines.
9. The sufficiency of the procedures performed, as set forth in the above paragraphs of this report, is the sole responsibility of the Company. Consequently, we make no representation regarding the sufficiency of the procedures described above either for the purposes for which this report has been requested or for any other purpose.
10. This report should not be in any way construed as a reissuance or redating of any of the previous audit reports issued by us nor should this report be construed as a new opinion on any of the financial statements referred to herein.
11. This report is intended solely for your information and for inclusion in the Offer Documents in connection with the proposed IPO of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

S.R. Batliboi & Associates
Chartered Accountants

per Mahendra Jain
partner
Membership No.: 205839

Chennai
March 9, 2006

ANNEXURE I: UNCONSOLIDATED SUMMARY STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

(All amounts are in millions of Indian Rupees, unless otherwise stated)

		As at December 31, 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
A.	**Fixed assets :**						
	Gross block	1,865.1	1,796.3	1,604.0	1,373.3	1,171.8	1,173.4
	Less: Accumulated Depreciation	(909.2)	(814.7)	(667.6)	(532.3)	(424.5)	(311.9)
	Net block	955.9	981.6	936.4	841.0	747.3	861.5
	Capital work-in-progress including capital advances	92.8	519.8	8.4	23.0	18.2	-
	Intangible assets :						
	Gross block	953.4	662.0	302.5	576.5	284.9	148.7
	Less: Amortisation	(900.3)	(574.3)	(234.0)	(504.2)	(263.4)	(148.7)
	Net block	53.1	87.7	68.5	72.3	21.5	-
		1,101.8	1,589.1	1,013.3	936.3	787.0	861.5
B.	**Investments**	**318.3**	**3.5**	**3.3**	**0.8**	**0.8**	**0.8**
C.	**Non-current assets**	**258.9**	**353.0**	**456.4**	**530.4**	**319.5**	**218.4**
D.	**Current assets, Loans and Advances :**						
	Inventories	1.7	2.4	1.1	3.5	1.7	9.9
	Sundry debtors	975.8	650.7	518.1	415.9	291.1	255.0
	Cash and bank balances	624.9	1,853.0	1,140.6	563.5	309.8	181.1
	Other current assets	834.1	342.0	291.6	113.9	173.9	64.9
	Loans and advances	157.8	107.3	201.8	248.1	176.7	70.3
	Total	**2,594.3**	**2,955.4**	**2,153.2**	**1,344.9**	**953.2**	**581.2**
E.	**Liabilities and provisions**						
	Secured loans	393.2	421.9	-	61.9	-	-
	Unsecured loans	326.0	-	-	-	-	-
	Current liabilities and provisions	556.0	378.7	308.3	223.5	120.3	190.6
	Deferred tax liability (net)	31.3	47.7	44.9	39.3	37.1	39.2
	Total	**1,306.5**	**848.3**	**353.2**	**324.7**	**157.4**	**229.8**
F.	**Networth (A+B+C+D-E)**	**2,966.8**	**4,052.7**	**3,273.0**	**2,487.7**	**1,903.1**	**1,432.1**

(All amounts are in millions of Indian Rupees, unless otherwise stated)

		As at December 31, 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**
	Represented by						
G.	Share capital	620.0	20.0	20.0	8.0	8.0	4.0
H.	**Reserves and surplus**						
	General reserve	0.1	0.1	0.1	0.1	0.1	0.1
	Accumulated profit	2,346.7	4,032.6	3,252.9	2,479.6	1,895.0	1,428.0
	Total	2,346.8	4,032.7	3,253.0	2,479.7	1,895.1	1,428.1
I.	Networth (G+H)	2,966.8	4,052.7	3,273.0	2,487.7	1,903.1	1,432.1

Note:

The above unconsolidated summary statement is to be read with Notes to the restated financial statements and Significant policies as appearing in Annexure III and III-A.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

Mahendra Jain
Partner
Membership No.: 205839

Chennai
March 9, 2006

For and on behalf of the Board of Directors

Kalanithi Maran
Chairman and Managing Director

Chennai
March 9, 2006

ANNEXURE II: UNCONSOLIDATED SUMMARY STATEMENT OF PROFITS AND LOSSES, AS RESTATED

(All amounts are in millions of Indian Rupees, unless otherwise stated)

	Period ended December 31, 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
INCOME						
Sale of services	2,433.1	2,903.1	2,724.8	2,211.0	1,560.1	1,451.4
Less: Service tax	-	-	(108.2)	(62.5)	(16.5)	-
TOTAL	**2,433.1**	**2,903.1**	**2,616.6**	**2,148.5**	**1,543.6**	**1,451.4**
Other income	93.9	107.4	66.6	33.4	63.9	23.8
TOTAL INCOME (A)	**2,527.0**	**3,010.5**	**2,683.2**	**2,181.9**	**1,607.5**	**1,475.2**
EXPENDITURE						
Cost of revenues	740.3	1,188.0	1,169.8	1,035.9	699.1	562.8
Employees' remuneration and benefits	76.0	419.1	113.2	75.7	61.8	52.9
General and administration expenses	124.9	134.1	163.7	145.7	97.3	138.0
Selling expenses	2.6	9.1	21.1	7.5	22.3	16.5
Financial charges	32.4	35.9	2.2	3.0	1.4	5.3
TOTAL EXPENDITURE (B)	976.2	1,786.2	1,470.0	1,267.8	881.9	775.5
Profit before tax (A-B)	1,550.8	1,224.3	1,213.2	914.1	725.6	699.7
Provision for taxation						
- Current tax	544.2	449.0	430.3	328.7	257.6	280.0
- Tax relating to earlier years / period	8.0	5.0	-	-	0.9	11.1
- Deferred tax	(16.4)	2.8	5.6	2.2	-	-
- Fringe benefit tax	2.0	-	-	-	-	-
Net Profit after tax (C)	1,013.0	767.5	777.3	583.2	467.1	408.6
Adjustment on account of change in accounting policy						
Deferred tax (See Note No.1 (a) of Annexure III)	-	-	-	-	2.1	(6.9)
Other Adjustments						
Current tax adjustments (See Note No.2 (a) of Annexure III)	-	5.0	-	(5.0)	0.9	10.3
Advance written off recovered 2005-06 (See Note No.2 (b) of Annexure III)	(0.4)	-	0.4	-	-	-

(All amounts are in millions of Indian Rupees, unless otherwise stated)

	Period ended December 31, 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
Bad debts recovered 2005-06 (See Note No.2 (b) of Annexure III)	(1.6)	0.5	1.1	-	-	-
Bad debts recovered 2004-05 (See Note No.2 (b) of Annexure III)	-	(2.4)	1.5	0.9	-	-
Bad debts recovered 2003-04 (See Note No.2 (b) of Annexure III)	-	-	(3.1)	2.5	-	-
Bad debts recovered 2000-01 (See Note No.2 (b) of Annexure III)	-	-	-	-	-	(1.4)
Interest expense (See Note No.2 (c) of Annexure III)	-	21.7	-	-	-	(2.9)
Interest on license fees (See Note No.2 (f) of Annexure III)	4.6	(4.6)	-	-	-	-
Provisions written back (See Note No.2 (d) of Annexure III)	-	-	(3.9)	3.0	0.9	-
Prior period item (See Note No.2 (e) of Annexure III)	8.0	(8.0)	-	-	-	-
Total other adjustments	**10.6**	**12.2**	**(4.0)**	**1.4**	**1.8**	**6.0**
Tax impact on adjustments	**-**	-	-	-	-	-
Total of adjustments after tax impact (D)	**10.6**	**12.2**	**(4.0)**	**1.4**	**3.9**	**(0.9)**
Net profit/(loss), as restated (C+D)	**1,023.6**	**779.7**	**773.3**	**584.6**	**471.0**	**407.7**
Profit/(loss) at the beginning of the period	4,032.6	3,252.9	2,479.6	1,895.0	1,428.0	1,020.3
Profit/(loss) available for appropriation	5,056.2	4,032.6	3,252.9	2,479.6	1,899.0	1,428.0
Interim Dividend	(1,850.0)	-	-	-	-	-
Tax on Dividend	(259.5)	-	-	-	-	-
Issue of bonus shares	(600.0)	-	-	-	(4.0)	-
Balance carried forward, as restated	**2,346.7**	**4,032.6**	**3,252.9**	**2,479.6**	**1,895.0**	**1,428.0**

Note:

1. The above statement is to be read with Notes to the restated financial statements and Significant policies as appearing in Annexure III and III-A.
2. The reconciliation between the audited and restated accumulated profit and loss balance as at April 1, 2000, is given in Annexure II-A

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

Mahendra Jain
Partner
Membership No.: 205839

Chennai

March 9, 2006

For and on behalf of the Board of Directors

Kalanithi Maran
Chairman and Managing Director

Chennai

March 9, 2006

ANNEXURE II-A : UNCONSOLIDATED PROFIT AND LOSS ACCOUNT AS AT APRIL 1, 2000 (RESTATED)

(All amounts are in millions of Indian Rupees, unless otherwise stated)

Profit and Loss Account as at April 1, 2000 (Audited)	1,080.4
Deferred tax (See Note No.1(a) of Annexure III)	(32.2)
Bad debts recovered 2003-04 (See Note No.2 (b) of Annexure III)	0.6
Bad debts recovered 2000-01 (See Note No.2 (b) of Annexure III)	1.4
nterest expense (See Note No.2 (c) of Annexure III)	(18.8)
Tax relating to earlier years (See Note No.2 (a) of Annexure III)	(11.1)
Profit and Loss Account as at April 1, 2000 (Restated)	1,020.3

ANNEXURE III: NOTES ON ADJUSTMENTS FOR UNCONSOLIDATED RESTATED FINANCIAL STATEMENTS

1. Changes in Accounting Policies

a) Deferred Tax

The Company adopted Accounting Standard 22, Accounting for taxes on Income ('AS-22') issued by the ICAI for the first time in preparing the financial statements for the year ended March 31, 2003. For the purpose of this report, AS-22 has been applied retrospectively for the years ended March 31, 2001 and 2002. Accordingly, a deferred tax asset/ liability has been recorded in the respective years of origination, as an adjustment on account of changes in the accounting policy with the corresponding effect to the unconsolidated summary statement of profits and losses and accumulated profits as at April 1, 2000, as restated.

2. Other material adjustments

a) Short/excess provision for income tax

Provision for current taxes which included taxes relating to earlier years has been restated in the respective year to which it relates.

b) Debts/advances written off

Accounts receivable/advances written off as irrecoverable in one year and subsequently recovered are recognised as income in the profit and loss accounts of the respective years/ periods in which the recovery is made. For the purpose of the unconsolidated restated summary statement of profits and losses, amounts written off and subsequently recovered have been restated to the respective years/ periods, when such amounts were written off.

c) Interest expense

During the financial year ended March 31, 2005 the Company had expensed an amount of Rs 21.7 million being interest in respect of certain disputed tax matters of earlier years as the final outcome of such disputed matters was determined in the current financial year. For the purpose of unconsolidated restated summary statement of profits and losses, the interest expense has been adjusted in the unconsolidated financial statements of the respective years to which it relates.

d) Provisions no longer required written back

The Company had recorded a wealth tax provision of Rs 3 million and Rs 0.9 million for the years ended March 31, 2003 and 2002 respectively. During the year ended March 31, 2004, the aggregate wealth tax provision of Rs 3.9 million was reversed since in the opinion of the management such provision was no longer required. For the purpose of unconsolidated restated summary statement of profits and losses, the amount written back has been adjusted to the income of the years to which the provision relates.

e) Prior period item

The Company has accrued a current tax liability of Rs 8 million pertaining to the assessment year 2005 – 06 as a prior period item in the audited unconsolidated financial statements for the nine month period ended December 31, 2005. For the purpose of unconsolidated restated summary statement of profits and losses, the tax expense has been adjusted in the restated profit and loss account of March 31, 2005.

f) Interest on license fee

The Company has provided for an interest expense aggregating to Rs 12.7 million on license fee payable on the outstanding balance as at December 31, 2005, based on the demand received from Ministry of Information and Broadcasting ('MIB'). For the purpose of unconsolidated restated summary statement of profits and losses, the interest expense of Rs 4.6 million relating to year ended March 31, 2005, has been adjusted in the restated profit and loss account of that year.

3. **Material Regroupings**

a) *Intangible assets*

Effective March 31, 2005, the Company had for the first time adopted Accounting Standard 26, Intangible assets ('AS – 26') and had accordingly reclassified certain acquired broadcast rights of feature films as Intangible assets. For the purpose of the unconsolidated summary statement of assets and liabilities (as restated) the Company has reclassified the acquired broadcast rights for feature films on a similar basis as adopted for March 2005 in each of the years presented. Such regrouping has no effect on the unconsolidated income statement for any of the years/ period presented.

b) *Presentation of Advance tax and Provision for taxation*

For the year ended March 31, 2001, advance tax paid on account of current tax liability was grouped under the balance sheet caption 'Loans and Advances' and the cumulative provision for current taxes was shown under the caption 'Provisions'. Effective March 31, 2002, the Company had presented its cumulative current tax liability in the balance sheet as net of advance taxes paid and had included the balance under 'Loans and Advances' or 'Provisions' as appropriate. The classification in the unconsolidated restated summary statement of assets and liabilities, for the previous year ended March 31, 2001 has been regrouped and disclosed accordingly.

4. **Non-Adjustment items**

a) *Cessation of cable TV operations*

The Company's agreement with Kal Cables Private Limited for providing cable TV services through the multi-system operation (MSO) under the brand name 'SCV' ceased effective March 31, 2005. As the agreement was not renewed for further periods subsequent to that date, the unconsolidated financial statements for the nine month period ended December 31, 2005 do not include the revenues and related expenses in respect of such business. For the years ended March 31, 2005, 2004, 2003, 2002 and 2001 the Company had recorded revenues of Rs 382 million, Rs 362 million, Rs 427 million, Rs 254 million and Rs 112 million respectively from the cable TV business.

b) *Sale of Conditional Access System (CAS) division*

Effective April 1, 2005, the Company has sold the assets and liabilities related to CAS division to Kal Cables Private Limited for an aggregate consideration of Rs 33.9 million. Accordingly, the unconsolidated financial statements for the nine month period ended December 31, 2005 do not include revenues and costs related to that division. The revenues from the division for the years ended March 31, 2005 and 2004 (the year of commencement of the division) were Rs 43 million and Rs 11 million respectively.

5. **Schedule of Sundry debtors as at December 31, 2005, March 31, 2005, March 31, 2004, March 31, 2003, March 31, 2002 and March 31, 2001**

(Rs in millions)

Particulars	**31.12.2005**	**31.03.2005**	**31.03.2004**	**31.03.2003**	**31.03.2002**	**31.03.2001**
Sundry debtors						
(Unsecured, considered good)						
Outstanding for a period exceeding six months						
- Considered good	17.7	28.6	29.3	102.0	27.8	51.8
- Considered doubtful	8.4	-	-	5.1	-	-
Others	958.1	622.1	488.8	313.9	263.3	203.2
	984.2	**650.7**	**518.1**	**421.0**	**291.1**	**255.0**
Less: Provision for doubtful debts	(8.4)	-	-	(5.1)	-	-
	975.8	**650.7**	**518.1**	**415.9**	**291.1**	**255.0**

6. Schedule of Other current assets as at December 31, 2005, March 31, 2005, March 31, 2004, March 31, 2003, March 31, 2002 and March 31, 2001

(Rs in millions)

Particulars	**31.12.2005**	**31.03.2005**	**31.03.2004**	**31.03.2003**	**31.03.2002**	**31.03.2001**
Other current assets						
Film and program broadcasting rights						
Balance, beginning of year / period	336.0	286.2	108.7	172.2	63.9	39.2
Rights transferred from non-current assets	236.4	406.5	407.7	228.0	244.6	94.7
Rights transferred to intangible assets	(292.5)	(356.7)	(230.2)	(291.5)	(136.3)	(70.0)
Balance, end of year / period	**279.9**	**336.0**	**286.2**	**108.7**	**172.2**	**63.9**
Interest accrued on fixed deposits	22.9	6.0	5.4	5.2	1.7	1.0
Assets held for disposal	518.5	-	-	-	-	-
Share issue expenses	12.8	-	-	-	-	-
	834.1	**342.0**	**291.6**	**113.9**	**173.9**	**64.9**

7. Schedule of Non-current assets as at December 31, 2005, March 31, 2005, March 31, 2004, March 31, 2003, March 31, 2002 and March 31, 2001

(Rs in millions)

Particulars	**31.12.2005**	**31.03.2005**	**31.03.2004**	**31.03.2003**	**31.03.2002**	**31.03.2001**
Non-current assets						
Film and program broadcasting rights						
Balance, beginning of year / period	353.0	456.4	530.4	319.5	218.4	133.4
Additions during the year / period	142.3	303.1	333.7	438.9	345.7	179.7
Rights transferred to other current assets	(236.4)	(406.5)	(407.7)	(228.0)	(244.6)	(94.7)
	258.9	**353.0**	**456.4**	**530.4**	**319.5**	**218.4**

8. Schedule of Loans and advances as at December 31, 2005, March 31, 2005, March 31, 2004, March 31, 2003, March 31, 2002 and March 31, 2001

(Rs in millions)

Particulars	31.12.2005	31.03.2005	31.03.2004	31.03.2003	31.03.2002	31.03.2001
Loans and advances						
(Unsecured, considered good)						
Advances recoverable in cash or in kind, or for value to be received	49.3	20.3	6.2	14.7	10.3	15.8
Advances towards cinema rights	39.8	37.6	69.3	109.0	65.9	23.2
Inter - corporate deposits	30.0	-	8.5	-	-	-
Inter - corporate loan	8.7	-	-	-	-	-
Deposits with Government agencies	6.3	6.1	5.6	4.7	9.8	10.2
Rental and other deposits	10.0	10.8	12.3	12.4	9.9	12.2
Advance income-tax and taxes deducted at source, net of provision for income-tax	-	18.1	22.0	28.7	7.3	-
Prepaid expenses	13.1	11.5	77.9	78.6	73.5	8.9
Balances with Excise authorities	0.6	2.9	-	-	-	-
	157.8	**107.3**	**201.8**	**248.1**	**176.7**	**70.3**

9. Schedule of Current liabilities and provisions as at December 31, 2005, March 31, 2005, March 31, 2004, March 31, 2003, March 31, 2002 and March 31, 2001

(Rs in millions)

Particulars	31.12.2005	31.03.2005	31.03.2004	31.03.2003	31.03.2002	31.03.2001
Current liabilities						
Sundry creditors	58.6	140.3	113.4	90.8	51.3	108.3
Book overdraft from banks	-	1.6	1.0	-	-	-
Advance from customers	56.3	53.1	28.6	25.6	14.6	21.0
Deposit from customers	6.5	22.3	56.5	44.0	-	-
Interest accrued but not due	2.9					
Accrued expenses	354.9	161.4	108.8	63.1	54.4	32.4
	479.2	**378.7**	**308.3**	**223.5**	**120.3**	**161.7**
Provisions						
Employee benefit plans	-	-	-	-	-	2.7
Provision for taxation (net of advance payments)	76.8	-	-	-	-	26.2
	556.0	**378.7**	**308.3**	**223.5**	**120.3**	**190.6**

10. Schedule of Deferred tax liability as at December 31, 2005, March 31, 2005, March 31, 2004, March 31, 2003, March 31, 2002 and March 31, 2001

(Rs in millions)

Particulars	**31.12.2005**	**31.03.2005**	**31.03.2004**	**31.03.2003**	**31.03.2002**	**31.03.2001**
Deferred tax liability / (asset) represents the aggregate tax effect of the timing						
difference arising from :						
- Depreciation	40.3	51.7	49.6	45.4	39.1	39.9
- Provision for Ex gratia	(5.3)	(4.0)	(3.6)	(1.4)	(0.9)	(0.7)
- Provisions for doubtful debts	(3.7)	-	-	(1.9)	-	-
- Service tax	-	-	(1.1)	(2.8)	(1.1)	-
	31.3	**47.7**	**44.9**	**39.3**	**37.1**	**39.2**

11. Schedule of Capital commitments and contingent liabilities as at December 31, 2005, March 31, 2005, March 31, 2004, March 31, 2003, March 31, 2002 and March 31, 2001

(Rs in millions)

Particulars	**31.12.2005**	**31.03.2005**	**31.03.2004**	**31.03.2003**	**31.03.2002**	**31.03.2001**
Outstanding commitments on capital contracts (net of advances)	30.5	-	23.3	1.0	50.0	-
Income tax demand relating to assessment year 1998-99	-	-	-	-	-	1.9
Commitments for acquisition of Film and program broadcasting rights (net of advances)	59.2	81.3	65.3	-	-	-

ANNEXURE III-A: SIGNIFICANT ACCOUNTING POLICIES FOR RESTATED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation of unconsolidated financial statements

The unconsolidated financial statements of Sun TV Limited (formerly Sun TV Private Limited) ('Sun TV') have been prepared on a historical cost basis in accordance with the accounting standards issued by the Institute of Chartered Accountants of India as referred to in section 211(3C) of the Companies Act, 1956 (the Act). All items of income and expenditure having a material bearing on the unconsolidated financial statements have been recognized on the accrual basis.

All assets and liabilities (other than borrowings and deferred taxes) that are expected to be settled in the ordinary course of business within 12 months from the balance sheet date are separately stated as current assets or current liabilities respectively. The accounting policies applied by the Company, are consistent with those used in the previous year.

These accompanying unconsolidated restated financial statements have been stated in millions of rupees and accordingly transactions or balances less than Rs 0.1 million are not considered material and hence not disclosed.

b) Use of estimates

The preparation of unconsolidated financial statements in conformity with generally accepted accounting principles in India requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the unconsolidated financial statements and notes thereto and the reported amounts of revenues and expenses during the accounting period. Examples of such estimates include provision for doubtful debts accounts, economic useful lives of fixed assets, etc. Actual results could differ from those estimates.

c) Fixed assets and depreciation

Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes all direct expenses incurred to bring an asset to working condition for its intended use. Financing costs relating to acquisition of fixed assets are also included to the extent they relate to the period till such assets are ready to be put to use.

Amounts paid under contract terms for purchasing fixed assets and fixed assets acquired but not put to use at the balance sheet date are classified as capital work in progress.

Assets intended to be sold or otherwise disposed off within twelve months from the Balance Sheet date are classified as other current assets and are disclosed as assets held for disposal.

Depreciation

Depreciation on fixed assets other than intangible assets and leasehold improvements is provided on written down value method, pro-rata to the period of use of the assets, at the annual depreciation rates stipulated in schedule XIV to the Companies Act, 1956 or based on estimated useful lives of the assets, whichever is higher as follows:

	Per cent
Buildings	5.00%
Plant and machinery	13.91 - 40.00%
Data processing equipment	40.00%
Furniture and fittings	13.91 - 18.10%
Office equipment	13.91 -18.10%
Motor Vehicles	25.89%

Leasehold improvements are depreciated over the lower of estimated useful lives of the assets or the remaining primary period of the lease.

Fixed assets individually costing Rs 5,000 or less are entirely depreciated on purchase.

d) Intangible assets

- Computer software

  Costs incurred towards purchase of computer software are depreciated using the straight-line method over a period of three years.

- Film and program broadcasting rights

  Future revenues from the broadcast of film and program rights are not estimable with any reasonable accuracy as these are susceptible to a variety of factors, such as the level of market acceptance of television products, programming viewer-ship, advertising rates etc. and accordingly cost related to film and program broadcasting rights are fully expensed in the year of first telecast.

e) 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 amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets 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. After impairment, depreciation is provided on the revised carrying amount of the assets.

f) Investments

Current investments

Investments in readily realizable securities that are intended to be held for a period not exceeding one year from the date of purchase are classified as current investments and are valued at the lower of cost and fair value at the balance sheet date. Fair value is determined as the market value of the securities.

Long-term investments

Securities intended at the time of investment to be held for 12 months or more are classified as long term investments and are stated at cost, adjusted for any diminution in value that is not temporary in nature. Long term investment that are intended to be disposed within 12 months from the balance sheet date are reclassified as current investments, and are transferred at the lower of cost and carrying value as at the date of the transfer.

g) Film and program broadcasting rights ('Rights')

Acquired rights for the broadcast of feature films and other long-form programming such as multi-episode television serials are stated at cost. Rights, where the right to telecast commences after 12 months from the balance sheet date are disclosed as Non current assets and rights, where the right to telecast commences within 12 months from the balance sheet date are disclosed as other current assets.

Rights disclosed under intangible assets represents, rights which are available for use as at the balance sheet date.

h) Inventories

Inventories comprising consumables and media such as video and audio cassettes stated at the lower of cost and net realizable value. Cost includes all expenses incurred in bringing the inventory to its present location and condition, and issues are expensed on the weighted average cost basis.

i) Employee benefit plans

Employee benefit plans comprise both defined benefit and defined contribution plans.

The Company contributes to gratuity fund maintained by the Life Insurance Corporation of India (LIC) based upon actuarial valuation.

Provident fund is a defined contribution plan. Each eligible employee and the Company make equal contributions at a percentage of the basic salary specified under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952. The Company has no further obligations under the plan beyond its periodic contributions.

j) Taxation

Provision for current income tax is made on assessable income at the tax rate applicable to the relevant assessment year. Deferred income taxes are recognised for the future tax consequences attributable to timing differences between unconsolidated financial statement determination of income and their recognition for tax purposes. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in income using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised and carried forward 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. Fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act.

k) Earnings per share

The earnings considered in ascertaining the Company's earnings per share comprise of the net profit after tax. The number of shares used in computing the basic earnings per share is the weighted average number of equity shares outstanding during the year / period as adjusted for bonus issue subsequent to the Balance sheet date and prior to adoption of the unconsolidated financial statements by the Board of Directors. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving the basic earning per share and also the weighted average number of shares, of any shares, which would have been issued on the conversion of all dilutive potential equity shares.

l) Revenue recognition

- Advertising income and broadcast fees are recognized when the related commercials or programming is telecast.
- Program licensing income represents income from the export of program software content, and is recognized in accordance with the terms of agreements with customers.
- Income from pay channels represents subscription fees billed to cable operators towards pay-channels operated by the Company, and are recognised in the period during which the service is provided. Subscription fees are determined based on management's best estimates of the number of subscription points to which the service is supplied, at contractually agreed rates.
- Cable distribution revenues represent revenues earned from cable operators, for distribution of pay channels through the multi-system operations of the Company, effected through the brand name "SCV", and are recognised in the period during which the service is provided. The Company collects distribution charges from cable operators, and pays subscription charges to its service providers for infrastructural facilities, use of brand name, and related support. As the Company is completely responsible for the day-to-day running of the multi-system operations, pricing of its services, collection from cable operators, etc, the Company is the "principal" in such transactions and, therefore, recognises the gross value of billings made by it as its revenues, and charges levied on the Company by its service providers stated above, as related costs of operations.
- Revenues from barter transactions, and the related costs, are recorded at fair values of the services rendered and services received, as estimated by management.
- License fee represents income from sale of film and program broadcasting rights.
- Income from content trading represent revenue earned from mobile service providers for SMS based services. Income is recognized on receipt of SMSs by the mobile service providers from the subscribers at the agreed rates.
- Interest income is recognized on time proportionate basis.

m) Foreign currency transactions

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Foreign currency monetary assets and liabilities at the Balance Sheet date are translated into rupees at the rate of exchange prevailing on that date. All exchange differences are dealt with in the unconsolidated statement of profit and loss account, except those relating to the acquisition of fixed assets, which are adjusted in the cost of the relevant assets.

n) Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

o) Segment reporting

The Company's operations predominantly relate to broadcasting and, accordingly, this is the only primary reportable segment.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

Mahendra Jain
Partner
Membership No.: 205839

Chennai

March 9, 2006

For and on behalf of the Board of Directors

Kalanithi Maran
Chairman and Managing Director

Chennai

March 9, 2006

ANNEXURE IV: UNCONSOLIDATED SUMMARY STATEMENT OF CASH FLOWS, AS RESTATED

(All amounts are in millions of Indian Rupees, unless otherwise stated)

		Period ended December 31, 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
A.	**Cash flow from operating activities**						
	Net profit before taxation, and extraordinary items, as restated	1,553.4	1,239.5	1,209.2	920.5	726.5	695.4
	Adjustments for:						
	Depreciation on fixed assets	107.7	152.9	137.2	114.2	118.4	122.9
	Amortisation of intangible assets	326.2	340.4	234.0	240.8	114.7	70.1
	(Profit) / loss on sale of fixed assets	(0.6)	0.2	-	(0.7)	0.1	0.4
	Profit on sale of CAS division	(12.0)	-	-	-	-	-
	Profit on sale of Investment	@	-	-	-	-	-
	Translation (gain) / loss on foreign currency cash and cash equivalents, debtors and current liabilities and provisions	(0.2)	(0.4)	6.8	-	-	-
	Provision for bad debts	8.4	-	-	5.1	-	-
	Interest income	(65.6)	(98.4)	(51.2)	(30.6)	(24.3)	(16.3)
	Liability no longer required	-	-	-	-	(30.0)	-
	Provision no longer required	-	-	-	-	(1.9)	-
	Bad debts adjustment	-	-	(2.6)	(3.4)	-	-
	Wealth tax adjustment	-	-	-	(3.0)	(0.9)	-
	Profit on sale of division	-	-	-	-	(1.4)	-
	Dividend income	(0.2)	(0.3)	(0.2)	(0.1)	(0.1)	(0.1)
	Interest expense	26.5	17.9	1.2	2.0	0.6	7.4
	Operating profit before working capital changes	1,943.6	1,651.8	1,534.4	1,244.8	901.7	879.8
	(Increase)/Decrease in sundry debtors	(332.2)	(127.1)	(101.0)	(129.9)	(35.9)	(72.3)
	(Increase)/Decrease in inventories	0.7	(1.3)	2.4	(1.8)	8.2	1.7
	Decrease in non current assets	236.4	389.2	407.6	228.1	244.6	94.7
	(Increase)/Decrease in loans and advances	(119.8)	116.1	(169.4)	(46.8)	(99.1)	(6.9)
	(Increase) in other current assets	(236.4)	(406.5)	(188.1)	(228.1)	(244.6)	(94.7)
	Increase/(Decrease) in current liabilities and provisions (Refer note c below)	147.5	57.2	84.8	106.2	(44.1)	(140.9)
	Cash generated from operations	1,639.8	1,679.4	1,570.7	1,172.5	730.8	661.4
	Income taxes paid	(452.0)	(478.6)	(432.6)	(354.8)	(257.0)	(280.7)
	Net cash flow from operating activities	1,187.8	1,200.8	1,138.1	817.7	473.8	380.7

(All amounts are in millions of Indian Rupees, unless otherwise stated)

		Period ended December 31, 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.	**Cash flows (used in) / from investing activities**						
	Purchase of fixed assets	(71.6)	(169.1)	(233.4)	(208.7)	(35.1)	(212.0)
	Purchase of intangible assets	(143.7)	(288.6)	(333.7)	(438.9)	(345.7)	(179.7)
	Purchase of investments	(317.5)	-	(2.6)	-	-	-
	Sale of investment	2.7*	-	-	-	-	-
	(Increase) / decrease in capital work in progress (including capital advances)	(91.8)	(511.3)	14.5	(4.8)	(18.2)	17.3
	Proceeds from sale of fixed assets	1.2	1.3	0.9	1.4	30.7	1.1
	Interest received	48.7	92.0	51.0	27.0	23.7	16.3
	Dividends received	0.2	0.2	0.2	0.1	0.1	0.1
	Net cash flow (used in) / from investing activities	(571.8)	(875.5)	(503.1)	(623.9)	(344.5)	(356.9)
C.	**Cash flows from financing activities**						
	Secured loans (repaid) / availed	(28.7)	421.9	(61.9)	61.9	-	-
	Unsecured loans availed	326.0	-	-	-	-	-
	Interim Dividends paid	(1,850.0)	-	-	-	-	-
	Tax on interim dividends paid	(259.5)	-	-	-	-	-
	Share issue expense	(3.7)	-	-	-	-	-
	Proceeds from share capital	* *	-	12.0	-	-	-
	Interest paid	(28.2)	(35.0)	(1.2)	(2.0)	(0.6)	(4.5)
	Net cash flow (used in) / from financing activities	(1,844.1)	386.9	(51.1)	59.9	(0.6)	(4.5)
	Net (decrease) / increase in cash and cash equivalents	(1,228.1)	712.2	583.9	253.7	128.7	19.3
	Cash and cash equivalents at the beginning of the year / period	**1,853.0**	**1,140.6**	**563.5**	**309.8**	**181.1**	**161.8**
	Cash and cash equivalents at the end of the year / period	**624.9**	**1,852.8**	**1,147.4**	**563.5**	**309.8**	**181.1**

@ Represent Rs. 10,265 being profit made on sale of investments.

* Include Rs. 17,500 being sale proceeds from sale of investments made in Kungumam Publications Private Limited

* * Represents proceeds of Rs. 50 from issue of five shares at Rs. 10 each.

(All amounts are in millions of Indian Rupees, unless otherwise stated)

		Period ended December 31, 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
	Notes:						
a)	The reconciliation to the cash and bank balances as given in Annexure - I is as follows :						
	Cash and bank balances, per Annexure - I	**624.9**	**1,853.0**	**1,140.6**	**563.5**	**309.8**	**181.1**
	Less : Effect of changes in exchange rate on cash and cash equivalents	-	(0.2)	6.8	-	-	-
	Cash and cash equivalents, end of year	**624.9**	**1,852.8**	**1,147.4**	**563.5**	**309.8**	**181.1**
b)	Components of cash and cash equivalents						
	Cash and cheques on hand	3.1	12.4	2.2	2.7	16.0	30.1
	With banks - on current account	82.1	109.7	110.9	88.8	56.1	9.3
	- on deposit account (restricted)	439.6	526.8	25.5	21.3	40.0	44.8
	- on deposit account (unrestricted)	100.1	1,204.1	1,002.0	450.7	197.7	96.9
c)	Adjustments for increase/decrease in current liabilities related to acquisition of fixed assets have been made to the extent identified.						

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

Mahendra Jain
Partner
Membership No.: 205839

Chennai
March 9, 2006

For and on behalf of the Board of Directors

Kalanithi Maran
Chairman and Managing Director

Chennai
March 9, 2006

ANNEXURE V: CONSOLIDATED SUMMARY STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

(All amounts are in millions of Indian Rupees, unless otherwise stated)

		As at December 31, 2005
A.	**Fixed assets :**	
	Gross block	1,865.1
	Less: Accumulated Depreciation	(909.2)
	Net block	955.9
	Capital work-in-progress including capital advances	92.8
	Intangible assets :	
	Gross block	953.4
	Less: Amortisation	(900.3)
	Net block	53.1
		1,101.8
B.	**Investments**	**0.8**
C.	**Non-current assets**	**258.9**
D.	**Current assets, Loans and Advances :**	
	Inventories	1.7
	Sundry debtors	975.8
	Cash and bank balances	975.0
	Other current assets	834.1
	Loans and advances	156.9
	Total	**2,943.5**
E.	**Liabilities and provisions**	
	Secured loans	393.2
	Unsecured loans	327.4
	Current liabilities and provisions	556.0
	Deferred tax liability (net)	31.3
	Total	**1,307.9**
F.	**Miscellaneous expenditure (to the extent not written off or adjusted)**	**2.1**
G.	**Networth (A+B+C+D-E+F)**	**2,999.2**
	Represented by	
H.	**Share capital**	**620.0**

(All amounts are in millions of Indian Rupees, unless otherwise stated)

		As at December 31, 2005
I.	**Reserves and surplus**	
	General reserve	0.1
	Accumulated profit	2,346.7
	Total	**2,346.8**
J.	**Minority Interest**	**32.4**
K.	**Networth (H+I+J)**	**2,999.2**

Note:

The above consolidated summary statement is to be read with notes to the consolidated restated financial statements and significant policies as appearing in Annexure VII and VII-A.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

Mahendra Jain
Partner
Membership No.: 205839

Chennai
March 9, 2006

For and on behalf of the Board of Directors

Kalanithi Maran
Chairman and Managing Director

Chennai
March 9, 2006

ANNEXURE VI: CONSOLIDATED SUMMARY STATEMENT OF PROFIT AND LOSS, AS RESTATED

(All amounts are in millions of Indian Rupees, unless otherwise stated)

	Period ended December 31, 2005
INCOME	
Sale of services	2,433.1
TOTAL	**2,433.1**
Other income	93.9
TOTAL INCOME (A)	**2,527.0**
EXPENDITURE	
Cost of revenues	740.3
Employees' remuneration and benefits	76.0
General and administration expenses	124.9
Selling expenses	2.6
Financial charges	32.4
TOTAL EXPENDITURE (B)	**976.2**
Profit before tax (A-B)	1,550.8
Provision for taxation	
- Current tax	544.2
- Tax relating to earlier years / period	8.0
- Deferred tax	(16.4)
- Fringe benefit tax	2.0
Net Profit after tax (C)	**1,013.0**
Adjustment on account of change in accounting policy	
Other Adjustments	
Advance written off recovered 2005-06 (See Note No.1 (a) of Annexure VII)	(0.4)
Bad debts recovered 2005-06 (See Note No.1 (a) of Annexure VII)	(1.6)
Interest on license fees (See Note No.1 (b) of Annexure VII)	4.6
Prior period item (See Note No.1 (c) of Annexure VII)	8.0
Total other adjustments	**10.6**
Tax impact on adjustments	**-**
Total of adjustments after tax impact (D)	**10.6**
Net profit/(loss), as restated (C+D)	**1,023.6**

(All amounts are in millions of Indian Rupees, unless otherwise stated)

	Period ended December 31, 2005
Profit/(loss) at the beginning of the period	4,032.6
Profit/(loss) available for appropriation	5,056.2
Interim Dividend	(1,850.0)
Tax on Dividend	(259.5)
Issue of bonus shares	(600.0)
Balance carried forward, as restated	**2,346.7**

Note:

The above consolidated restated statement is to be read with notes to the consolidated restated financial statements and significant policies

as appearing in Annexure VII and VII-A.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

Mahendra Jain
Partner
Membership No.: 205839

Chennai
March 9, 2006

For and on behalf of the Board of Directors

Kalanithi Maran
Chairman and Managing Director

Chennai
March 9, 2006

ANNEXURE VII: NOTES ON ADJUSTMENTS FOR CONSOLIDATED RESTATED FINANCIAL STATEMENTS

1 Other material adjustments

a) *Debts/advances written off*

Accounts receivable/advances written off as irrecoverable in one year and subsequently recovered are recognised as income in the profit and loss accounts of the respective years/ periods in which the recovery is made. For the purpose of the consolidated restated summary statement of profits and losses, amounts written off and subsequently recovered have been restated to the respective years/ periods, when such amounts were written off.

b) *Interest on license fee*

The Company has provided for an interest expense aggregating to Rs 12.7 million on license fee payable on the outstanding balance as at December 31, 2005, based on the demand received from Ministry of Information and Broadcasting ('MIB'). For the purpose of consolidated restated summary statement of profits and losses, the interest expense of Rs 4.6 million relating to year ended March 31, 2005, has been adjusted in the restated profit and loss account of that year.

c) *Prior period item*

The Company has accrued a current tax liability of Rs 8 million pertaining to the assessment year 2005 – 06 as a prior period item in the audited consolidated financial statements for the nine month period ended December 31, 2005. For the purpose of consolidated restated summary statement of profits and losses, the tax expense has been adjusted in the restated profit and loss account of March 31, 2005.

ANNEXURE VII-A: SIGNIFICANT ACCOUNTING POLICIES FOR CONSOLIDATED RESTATED FINANCIAL STATEMENTS

Statement of significant accounting policies

a) Basis of preparation and consolidation of financial statements

The consolidated financial statements are prepared under the historical cost convention, on the accrual basis of accounting and to comply in all material respects with the mandatory accounting standards issued by the Institute of Chartered Accountants of India to reflect the financial position of Sun TV together with its subsidiaries, KRL and SAFL ('Subsidiaries'). Further, the consolidated financial statements are presented in the general format specified in Schedule VI to the Companies Act, 1956 ('the Act'). However, as these consolidated financial statements are not statutory financial statements, full compliance with the above Act are not required and so they do not reflect all the disclosure requirements of the Act.

The consolidated financial statements of the Group have been prepared based on a line-by-line consolidation of the balance sheet and loss and cash flows of Sun TV, KRL and SAFL as at December 31, 2005.

All material inter-company transactions and balances between the entities included in the consolidated financial statements have been eliminated.

The accompanying consolidated financial statements have been stated in millions of rupees and accordingly transactions or balances less than Rs 0.1 million are not considered material and hence not disclosed.

b) Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in India requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and notes thereto and the reported amounts of revenues and expenses during the accounting period. Examples of such estimates include provision for doubtful debts accounts, economic useful lives of fixed assets, etc. Actual results could differ from those estimates.

c) Fixed assets and depreciation

Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes all direct expenses incurred to bring an asset to working condition for its intended use. Financing costs relating to acquisition of fixed assets are also included to the extent they relate to the period till such assets are ready to be put to use.

Amounts paid under contract terms for purchasing fixed assets and fixed assets acquired but not put to use at the Balance Sheet date are classified as capital work in progress.

Assets intended to be sold or otherwise disposed off within twelve months from the Balance Sheet date are classified as other current assets and are disclosed as assets held for disposal.

Depreciation

Depreciation on fixed assets other than intangible assets and leasehold improvements is provided on written down value method, pro-rata to the period of use of the assets, at the annual depreciation rates stipulated in schedule XIV to the Companies Act, 1956 or based on estimated useful lives of the assets, whichever is higher as follows:

	Per cent
Buildings	5.00%
Plant and machinery	13.91 - 40.00%
Data processing equipment	40.00%
Furniture and fittings	13.91 - 18.10%
Office equipment	13.91 -18.10%
Motor Vehicles	25.89%

Leasehold improvements are depreciated over the lower of estimated useful lives of the assets or the remaining primary period of the lease.

Fixed assets individually costing Rs 5,000 or less are entirely depreciated on purchase.

d) Intangible assets

- Computer software

  Costs incurred towards purchase of computer software are depreciated using the straight-line method over a period of three years.

- Film and program broadcasting rights

  Future revenues are not estimable with any reasonable accuracy as these are susceptible to a variety of factors, such as the level of market acceptance of television products, programming viewer-ship, advertising rates etc. and accordingly cost related to film and program broadcasting rights are fully expensed on the date of first telecast.

e) 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 amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets 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. After impairment, depreciation is provided on the revised carrying amount of the assets.

f) Investments

Current investments

Investments in readily realizable securities that are intended to be held for a period not exceeding one year from the date of purchase are classified as current investments and are valued at the lower of cost and fair value at the balance sheet date. Fair value is determined as the market value of the securities.

Long-term investments

Securities intended at the time of investment to be held for 12 months or more are classified as long term investments and are stated at cost, adjusted for any diminution in value that is not temporary in nature. Long term investment that are intended to be disposed within 12 months from the balance sheet date are reclassified as current investments, and are transferred at the lower of cost and carrying value as at the date of the transfer.

g) Film and program broadcasting rights (‘Rights’)

Acquired rights for the broadcast of feature films and other long-form programming such as multi-episode television serials are stated at cost. Rights, where the right to telecast commences after 12 months from the balance sheet date are disclosed as non-current assets and rights, where the right to telecast commences within 12 months from the balance sheet date are disclosed as other current assets.

Rights disclosed under intangible assets represent rights, which are available for use as at the balance sheet date.

h) Inventories

Inventories comprising consumables and media such as video and audio cassettes are stated at the lower of cost and net realizable value. Cost includes all expenses incurred in bringing the inventory to its present location and condition, and issues are expensed on the weighted average cost basis.

i) Employee benefit plans

Employee benefit plans comprise both defined benefit and defined contribution plans.

The Company contributes to gratuity fund maintained by the Life Insurance Corporation of India (LIC) based upon actuarial valuation.

Provident fund is a defined contribution plan. Each eligible employee and the Company make equal contributions at a percentage of the basic salary specified under the Employees’ Provident Funds and Miscellaneous Provisions Act, 1952. The Company has no further obligations under the plan beyond its periodic contributions.

j) Taxation

Provision for current income tax is made on assessable income at the tax rate applicable to the relevant assessment year. Deferred income taxes are recognised for the future tax consequences attributable to timing differences between consolidated financial statement determination of income and their recognition for tax purposes. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in income using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised and carried forward 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. Fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act.

k) Earnings per share

The earnings considered in ascertaining the Company's earnings per share comprise of the net profit after tax. The number of shares used in computing the basic earnings per share is the weighted average number of equity shares outstanding during the year/period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving the basic earning per share and also the weighted average number of shares, of any shares, which would have been issued on the conversion of all dilutive potential equity shares.

l) Foreign currency transactions

- Advertising income and broadcast fees are recognized when the related commercials or programme is telecast.
- Program licensing income represents income from the export of program software content, and is recognized in accordance with the terms of agreements with customers.
- Income from pay channels represents subscription fees billed to cable operators towards pay-channels operated by the Company, and are recognised in the period during which the service is provided. Subscription fees are determined based on management's best estimates of the number of subscription points to which the service is supplied, at contractually agreed rates.
- Cable distribution revenues represent revenues earned from cable operators, for distribution of pay channels through the multi-system operations of the Company, effected through the brand name "SCV", and are recognised in the period during which the service is provided. The Company collects distribution charges from cable operators, and pays subscription charges to its service providers for infrastructural facilities, use of brand name, and related support. As the Company is completely responsible for the day-to-day running of the multi-system operations, pricing of its services, collection from cable operators, etc, the Company is the "principal" in such transactions and, therefore, recognises the gross value of billings made by it as its revenues, and charges levied on the Company by its service providers stated above, as related costs of operations.
- Revenues from barter transactions, and the related costs, are recorded at fair values of the services rendered and services received, as estimated by management.
- License fee represents income from sale of film and program broadcasting rights.
- Income from content trading represent revenue earned from mobile service providers for SMS based services. Income is recognized on receipt of SMSs by the mobile service providers from the subscribers at the agreed rates.
- Interest income is recognized on time proportionate basis.

m) Foreign currency transactions

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Foreign currency monetary assets and liabilities at the Balance Sheet date are translated into rupees at the rate of exchange prevailing on that date. All exchange differences are dealt with in the consolidated statement of profit and loss account, except those relating to the acquisition of fixed assets, which are adjusted in the cost of the relevant assets.

n) Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

o) Segment reporting

The Groups operations predominantly relate to broadcasting and, accordingly, this is the only primary reportable segment.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

Mahendra Jain
Partner
Membership No.: 205839

Chennai
March 9, 2006

For and on behalf of the Board of Directors

Kalanithi Maran
Chairman and Managing Director

Chennai
March 9, 2006

ANNEXURE VIII-A: DETAILS OF OTHER INCOME

(All amounts are in millions of Indian Rupees, unless otherwise stated)

	Period ended December 31, 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
Other income, as per unconsolidated Summary Statement of Profits and Losses, as restated (A)	91.9	105.5	62.6	39.8	64.8	22.4
Net Profit before tax, as per Unconsolidated Summary Statement of Profits and Losses, as restated (B)	1,553.4	1,239.5	1,209.2	920.5	726.5	695.4
Percentage (A/B)	**6%**	**9%**	**5%**	**4%**	**9%**	**3%**

Sources and Particulars of Other Income	**Nature**	**Period ended December 31, 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**
Interest income from bank	Recurring	65.6	98.4	51.2	30.6	24.3	16.3
Commission	Non-recurring	-	3.8	4.2	-	-	-
Bad debts recovered	Non-recurring	-	0.5	2.6	4.2	0.7	-
Advance written off recovered	Non-recurring	-	-	0.4	-	-	-
Provisions written back	Non-recurring	-	-	-	3.0	2.7	-
Dividend income	Non-recurring	0.2	0.3	0.2	0.1	0.1	0.1
Profit on sale of CAS division	Non-recurring	12.0	-	-	-	-	-
Profit on sale of assets (net)	Non-recurring	0.6	-	-	0.7	-	-
Liability no longer required	Non-recurring	-	-	-	-	30.0	
Profit on sale of division	Non-recurring	-	-	-	-	1.4	-
Gain on foreign exchange fluctuation	Recurring	4.3	0.5	-	-	1.4	1.7
Miscellaneous income	Non-recurring	9.2	2.0	4.0	1.2	4.2	4.3
Other income as per unconsolidated restated profit and loss account (C)		**91.9**	**105.5**	**62.6**	**39.8**	**64.8**	**22.4**

Note:

1. The classification of "Other Income" as recurring and non-recurring is based on the current operations and business activity of the Company as determined by Management.
2. The details of "Other Income" disclosed above are stated after adjusting the effect of restatement. The same have been shown gross of restatement in the summary statement of profits and losses, as restated and the adjustments have been listed separately under the head "Other Adjustments" therein.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

Mahendra Jain
Partner
Membership No.: 205839

Chennai
March 9, 2006

For and on behalf of the Board of Directors

Kalanithi Maran
Chairman and Managing Director

Chennai
March 9, 2006

ANNEXURE VIII-B: CAPITALISATION STATEMENT AS AT DECEMBER 31, 2005

(All amounts are in millions of Indian Rupees, unless otherwise stated)

	Pre-issue as at December 31, 2005	**Post Issue***
Short-term debt (A)	719.2	
Long-term debt (B)	-	
Total debt (C = A+B)	**719.2**	
Shareholders' funds		
Equity share capital	620.0	
Reserves and surplus, as restated	2,346.8	
Total shareholders' funds (D)	**2,966.8**	
Long-term debt/Shareholders' funds (B/D)	-	
Total debt/Shareholders' funds (C/D)	**0.24**	

* Share Capital and Reserves, post issue can be ascertained only on the conclusion of the book building process

Notes:

1. Reserves and surplus include General Reserve and accumulated balance of Unconsolidated Profit and Loss Account as at December 31, 2005, as restated.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

Mahendra Jain
Partner
Membership No.: 205839

Chennai
March 9, 2006

For and on behalf of the Board of Directors

Kalanithi Maran
Chairman and Managing Director

Chennai
March 9, 2006

ANNEXURE VIII-C: DETAILS OF LOANS AND PRINCIPAL TERMS AND CONDITIONS OF LOANS OUTSTANDING AS AT DECEMBER 31, 2005

(All amounts are in millions of Indian Rupees, unless otherwise stated)

I) Details of loan

	As at December 31, 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
Secured loans	393.2	421.9	-	61.9	-	-
Unsecured loans	326.0	-	-	-	-	-

II) Details of principal terms and conditions of loans outstanding as at December 31, 2005

Name of the Lendor	Amount	Interest rate	Repayment terms	Security
Secured loans				
State Bank of India	393.2	7.00% payable monthly	Repayable on demand	Secured by 100% money deposit margin
	393.2			
Unsecured loans				
Udaya TV Private Limited	280.0		Repayable within 180 days	
Gemini TV Private Limited	18.0	8.00% payable at the end of tenure	Repayable within 180 days	
Kal Cables Private Limited	28.0		Repayable within 180 days	
	326.0			
	719.2			

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

Mahendra Jain
Partner
Membership No.: 205839

Chennai
March 9, 2006

For and on behalf of the Board of Directors

Kalanithi Maran
Chairman and Managing Director

Chennai
March 9, 2006

ANNEXURE VIII - D: DETAILS OF INVESTMENTS

(All amounts are in millions of Indian Rupees, unless otherwise stated)

	As at December 31, 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
Quoted Investments						
In Promoter Group Companies	-	-	-	-	-	-
Others	0.8	3.5	3.3	0.8	0.8	0.8
Total (A)	0.8	3.5	3.3	0.8	0.8	0.8
Unquoted Investments						
In Promoter Group Companies	317.5	@	@	@	@	@
Others	*	*	*	*	-	-
Total (B)	317.5	@ +*	@ +*	@ +*	@ +*	@ +*
Grand Total C= (A+B)	318.3	3.5	3.3	0.8	0.8	0.8
Less: Provision for diminution in value of investments (D)	-	-	-	-	-	-
Net Investments	318.3	3.5	3.3	0.8	0.8	0.8
Market value of Quoted Investments	3.4	5.7	5.1	0.9	0.9	0.9

@ Represents Rs 2,500/- invested in Kungumam Publications Private Limited (Promoter Group Company).

* Represents Rs 500/- invested in National Savings Certificates.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

Mahendra Jain
Partner
Membership No.: 205839

Chennai
March 9, 2006

For and on behalf of the Board of Directors

Kalanithi Maran
Chairman and Managing Director

Chennai
March 9, 2006

ANNEXURE VIII-E-1: DETAILS OF PROMOTER GROUP

Particulars	December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003
Nature of relationship	**Name of Party**	**Name of Party**	**Name of Party**	**Name of Party**
Promoter	Mr. Kalanithi Maran	Mr. Kalanithi Maran	Mr. Kalanithi Maran	Mr. Kalanithi Maran
Relatives of the promoter	Mrs. Mallika Maran Mrs. Kavery Kalanithi	Mrs. Mallika Maran	Mrs. Mallika Maran	Mrs. Mallika Maran
Subsidiary companies	Kal Radio Limited South Asia FM Limited			
Companies in which promoter or his relatives have significant influence	Kal Comm Private Limited	Kal Comm Private Limited *(Formerly Kal Exim Private Limited)*	Kal Exim Private Limited	Kal Exim Private Limited
	Kal Cables Private Limited	Kal Cables Private Limited *(Formerly Kal Communications Private Limited)*	Kal Communications Private Limited	Udaya TV Private Limited
	Udaya TV Private Limited	Udaya TV Private Limited	Udaya TV Private Limited	Gemini TV Private Limited
	Gemini TV Private Limited	Gemini TV Private Limited	Gemini TV Private Limited	Kungumam Publications Private Limited
	Kungumam Publications Private Limited	Kungumam Publications Private Limited	Kungumam Publications Private Limited	Kungumam Nithyagam Private Limited
	Kungumam Nithyagam Private Limited	Kungumam Nithyagam Private Limited	Kungumam Nithyagam Private Limited	Kal Investments (Madras) Private Limited
	Kal Investments (Madras) Private Limited	Kal Investments (Madras) Private Limited	Kal Investments (Madras) Private Limited	Sumangali Publications Private Limited
	Network Cable Solutions Private Limited	Network Cable Solutions Private Limited	Network Cable Solutions Private Limited	
	Sumangali Publications Private Limited	Sumangali Publications Private Limited	Sumangali Publications Private Limited	
	Sun Direct TV Private Limited	Sun Direct TV Private Limited		
	KPK Publications Private Limited			
	Kal Publications Private Limited			
	HFO Entertainment Private Limited			
	Asia Radio Broadcast Private Limited			

Note:

The details of the companies or persons who constitute the promoter group and their relationship is as disclosed by the Company in respect of parties with whom the Company has had transactions / balances during the respective year / period.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

Mahendra Jain
Partner
Membership No.: 205839

Chennai
March 9, 2006

For and on behalf of the Board of Directors

Kalanithi Maran
Chairman and Managing Director

Chennai
March 9, 2006

ANNEXURE VIII-E-2: DETAILS OF TRANSACTIONS WITH PROMOTER GROUP AND DETAILS OF OUTSTANDING BALANCES

(All amounts are in millions of Indian Rupees, unless otherwise stated)

Particulars	Nature of Relationship	Name of the Related party	December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003
Income:						
Income from services rendered	Enterprises in which promoter has significant influence	Gemini TV Private Limited	31.3	46.4	31.0	0.2
		Udaya TV Private Limited	14.5	18.0	18.0	0.4
		Kungumam Publications Private Limited	2.2	2.5	-	-
		KPK Publications Private Limited	0.9	-	-	-
		Kal Comm Private Limited	372.9	384.2	319.5	52.5
Interest and other income	Enterprises in which promoter has significant influence	Kungumam Publications Private Limited	1.3	0.6	-	-
		Udaya TV Private Limited	0.3	0.6	0.5	-
		KPK Publications Private Limited	0.2	-	-	-
		Gemini TV Private Limited	-	0.1	0.2	-
		Kal Comm Private Limited	-	0.5	-	-
		Kal Cables Private Limited	7.6	-	-	-
	Promoter	Mr. Kalanithi Maran	*	4.8	-	-
Reimbursement of cost of shared services	Enterprises in which promoter has significant influence	Gemini TV Private Limited	1.9	2.5	1.5	4.4
		Udaya TV Private Limited	0.7	0.8	-	3.6
Expenses:						
Services received	Enterprises in which promoter has significant influence	Kal Comm Private Limited	18.0	24.0	24.0	-
		Kal Cables Private Limited	-	296.1	375.9	-
		Kungumam Publications Private Limited	-	1.5	-	0.6

(All amounts are in millions of Indian Rupees, unless otherwise stated)

Particulars	Nature of Relationship	Name of the Related party	December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003
		Gemini TV Private Limited	-	-	-	330.2
	Enterprises in which relatives of the promoter has significant interest	HFO Entertainment Private Limited	0.9	-	-	-
	Relatives of the promoter	Mrs. Mallika Maran	0.2	0.2	0.2	0.2
Interest Expense	Enterprises in which promoter has significant influence	Udaya TV Private Limited	2.5	-	-	-
		Kal Cables Private Limited	0.3	-	-	-
		Gemini TV Private Limited	0.1	-	-	-
Write off of advances	Enterprises in which promoter has significant influence	Sumangali Publications Private Limited	1.1	-	-	-
Managerial remuneration	Promoter	Mr. Kalanithi Maran	8.4	333.5	37.6	6.2
	Relatives of the promoter	Mrs. Kavery Kalanithi	0.4	-	-	-
Dividends Paid	Promoter	Mr. Kalanithi Maran	1,743.6	-	-	-
	Relatives of the promoter	Mrs. Mallika Maran	106.4	-	-	-
Other transactions						
Purchase of fixed assets	Enterprises in which promoter has significant influence	Gemini TV Private Limited	-	0.2	-	-
Purchase of shares in Kal Radio Limited	Promoter	Mr. Kalanithi Maran	222.5	-	-	-
Sale of Assets	Enterprises in which promoter has significant influence	Kungumam Publications Private Limited	0.7	-	-	-
		Kal Cables Private Limited	6.7	-	-	-
Proceeds from sale of investments	Promoter	Mr. Kalanithi Maran	**	-	-	-
Transfer of liabilities	Enterprises in which promoter has significant influence	Kal Cables Private Limited	11.2	-	-	-

(All amounts are in millions of Indian Rupees, unless otherwise stated)

Particulars	Nature of Relationship	Name of the Related party	December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003
Proceeds from sale of CAS Division	Enterprises in which promoter has significant influence	Kal Cables Private Limited	33.9	-	-	-
Investments Made	Subsidiary	South Asia FM Limited	95.0	-	-	-
Inter-corporate deposit granted by the Company	Enterprises in which promoter has significant influence	Kal Comm Private Limited	-	60.0	-	-
		Asia Radio Broadcast Private Limited	30.0	-	-	-
Loan granted by the Company	Enterprises in which promoter has significant influence	KPK Publications Private Limited	8.5	-	-	-
Inter-corporate deposit repaid to the Company	Enterprises in which promoter has significant influence	Kal Comm Private Limited	-	60.0	-	-
Advances made by the Company	Enterprises in which promoter has significant influence	Kal Comm Private Limited	2.1	-	-	-
	Subsidiary	South Asia FM Limited	0.9	-	-	-
	Promoter	Mr. Kalanithi Maran	323.3	880.0	-	-
Refund of advances to the Company	Promoter	Mr. Kalanithi Maran	322.5	882.3	-	-
* Represents Rs. 15,000 being profit on sale of investments.						
** Represents Rs. 17,500 being proceeds from sale of investments.						
Issue of shares	Enterprises in which promoter has significant influence	Kal Comm Private Limited	@	-	-	-
		Kal Cables Private Limited	@	-	-	-
		Network Cable Solutions Private Limited	@	-	-	-
		Kal Publications Private Limited	@	-	-	-
	Relatives of the promoter	Mrs. Kavery Kalanithi	@	-	-	-

(All amounts are in millions of Indian Rupees, unless otherwise stated)

Particulars	Nature of Relationship	Name of the Related party	December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003
Issue of bonus shares	Enterprises in which promoter has significant influence	Kal Comm Private Limited	*	-	-	-
		Kal Cables Private Limited	*	-	-	-
		Network Cable Solutions Private Limited	*	-	-	-
		Kal Publications Private Limited	*	-	-	-
	Promoter	Mr. Kalanithi Maran	600.0	-	-	-
	Relatives of the promoter	Mrs. Kavery Kalanithi	*	-	-	-
		Mrs. Mallika Maran	*	-	-	-
Inter-corporate deposit taken by the company	Enterprises in which promoter has significant influence	Gemini TV Private Limited	370.0	-	-	-
		Udaya TV Private Limited	280.0	-	-	-
		Kal Cables Private Limited	28.0	-	-	-
Inter-corporate deposit repaid by the company	Enterprises in which promoter has significant influence	Gemini TV Private Limited	352.0	-	-	-
Refund of deposits by the Company	Enterprises in which promoter has significant influence	Kal Comm Private Limited	-	39.8	-	-
Share of ERP costs	Enterprises in which promoter has significant influence	Gemini TV Private Limited	15.1	-	-	-
		Udaya TV Private Limited	7.0	-	-	-
		Kungumam Publications Private Limited	3.3	-	-	-
		Kal Publications Private Limited	1.4	-	-	-
		Kal Cables Private Limited	0.8	-	-	-
Present value of minimum lease payments	Enterprises in which promoter has significant influence	Kungumam Publications Private Limited	3.3	1.3	-	-

(All amounts are in millions of Indian Rupees, unless otherwise stated)

Particulars	Nature of Relationship	Name of the Related party	December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003
Outstanding balances						
Accounts receivable	Enterprises in which promoter has significant influence	Kal Comm Private Limited	244.1	133.0	80.9	67.2
		Gemini TV Private Limited	-	4.5	-	2.7
		Kungumam Publications Private Limited	6.2	7.9	-	-
		Udaya TV Private Limited	2.1	-	2.9	1.2
		KPK Publications Private Limited	0.9	-	-	-
Loans and advances	Enterprises in which promoter has significant influence	Gemini TV Private Limited	13.3	-	1.9	-
		Asia Radio Broadcast Private Limited	30.0	-	-	-
		KPK Publications Pvt. Limited	8.7	-	-	-
		Kal Comm Private Limited	7.1	-	-	-
		Udaya TV Private Limited	7.0	-	-	-
		Kal Cables Private Limited	6.7	-	-	-
		Kungumam Publications Private Limited	3.3	-	-	3.5
		Kal Publications Private Limited	1.4	-	-	-
		Sumangali Publications Private Limited	-	1.1	1.1	1.1
		Kal Investments (Madras) Private Limited	-	-	-	0.1
		Kungumam Nithyagam Private Limited	-	-	-	0.1
	Subsidiary	South Asia FM Limited	0.9	-	-	-
	Promoter	Mr. Kalanithi Maran	5.6	4.8	2.3	6.4

@ Represents Rs. 10 being par value of one equity shares issued.

* Represents Rs. 300 being par value of thirty bonus shares issued.

(All amounts are in millions of Indian Rupees, unless otherwise stated)

Particulars	Nature of Relationship	Name of the Related party	December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003
Inter-corporate deposits Payable	Enterprises in which promoter has significant influence	Udaya TV Private Limited	(280.0)	-	-	-
		Kal Cables Private Limited	(28.0)	-	-	-
		Gemini TV Private Limited	(18.0)	-	-	-
Accounts Payable	Enterprises in which promoter has significant influence	Kal Cables Private Limited	-	(46.7)	(63.0)	-
		Udaya TV Private Limited	-	(1.7)	-	-
		Gemini TV Private Limited	-	-	(1.9)	-
Interest accrued but not due	Enterprises in which promoter has significant influence	Udaya TV Private Limited	(2.5)	-	-	-
		Kal Cables Private Limited	(0.3)	-	-	-
		Gemini TV Private Limited	(0.1)	-	-	-
Deposit payable	Enterprises in which promoter has significant influence	Kal Comm Private Limited	-	-	(39.8)	-

Note:

The disclosure of transactions and balances of promoter group for each of the years presented is extracted from the audited unconsolidated financial statements of the Company.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

Mahendra Jain
Partner
Membership No.: 205839

Chennai
March 9, 2006

For and on behalf of the Board of Directors

Kalanithi Maran
Chairman and Managing Director

Chennai
March 9, 2006

ANNEXURE VIII-F: ACCOUNTING RATIOS

	December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
Basic and Diluted Earnings per Share (Rs.)	16.51	12.57	12.47	9.43	7.60	6.58
Return on Net Worth %	35%	19%	24%	23%	25%	28%
Net Asset Value per Equity Share (Rs.)	47.85	2,026.35	1,636.50	3,109.63	2,378.88	3,580.25
Total Debt /Equity Ratio	0.24	0.10	-	0.02	-	-
Weighted average number of equity shares outstanding during the year / period	62,000,150	62,000,000	62,000,000	62,000,000	62,000,000	62,000,000
Total number of equity shares outstanding at the end of the year / period	62,000,155	2,000,000	2,000,000	800,000	800,000	400,000

Notes:

1. The ratios have been computed as below :

Earnings per share (Rs.)	Net profit as restated, attributable to equity shareholders / Weighted average number of equity shares outstanding during the year/ period
Return on Net Worth (%)	Net profit after tax, as restated / Net worth as at the end of the year / period
Net Assets Value per Equity Share (Rs.)	Net worth as at the end of the year / period / Number of equity shares outstanding during the year/ period
Total Debt/ Equity Ratio	Long term debt + Short term debt / Equity Share Capital + Reserves and Surplus

2. Networth means Equity Share Capital + Reserves and Surplus
3. The figures disclosed above are based on the unconsolidated restated financial statements of the Company
4. The Board of directors at their meeting held on December 23, 2005 approved the issuance of equity shares of Rs 10 each as bonus shares in the ratio of 30:1 to the shareholders existing as on December 23, 2005. These, as per the requirements of Accounting standard-20 'Earnings per share ('AS-20') issued by the Institute of Chartered Accountants of India ('ICAI'), have been considered in the computation of weighted average number of shares for computation of EPS for all the periods presented.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

Mahendra Jain
Partner
Membership No.: 205839

Chennai
March 9, 2006

For and on behalf of the Board of Directors

Kalanithi Maran
Chairman and Managing Director

Chennai
March 9, 2006

ANNEXURE VIII -G : STATEMENT OF TAX SHELTERS

(All amounts are in millions of Indian Rupees, unless otherwise stated)

		Period ended December 31, 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
Net Profit/ (Loss), as per unconsolidated restated financials		1,023.6	779.7	773.3	584.6	471.0	407.7
Add: Provision for taxation including deferred tax		529.8	459.8	435.9	335.9	255.5	287.7
Add: Interest on tax		-	-	-	-	-	2.9
Net Profit/ (Loss) before provision for tax		1,553.4	1,239.5	1,209.2	920.5	726.5	698.3
Income tax rate		33.6600%	36.5925%	35.8750%	36.7500%	35.7000%	39.5500%
Tax at applicable rates	**A**	**522.9**	**453.6**	**433.8**	**338.3**	**259.4**	**276.2**
<u>Adjustments:</u>							
Permanent Differences							
Fees paid for increase in share capital		4.8	-	-	-	-	-
Donations (net off admissible deductions)		5.9	5.8	3.5	3.5	2.9	25.1
Deduction u/s 80HHF [Refer Note 2]		-	-	(6.4)	(8.7)	(13.4)	(15.1)
Dividend income-exempt u/s 10(34)		(0.2)	(0.3)	-	-	-	-
Non compete fees		-	-	-	0.1	0.7	0.5
Movie advances		-	0.3	0.5	5.1	-	-
Capital advances written off		1.1	-	-	-	-	-
Belated staff welfare contributions disallowed under section 36(1)(va)		-	-	-	0.4	0.4	0.2
Total	**B**	**11.6**	**5.8**	**(2.4)**	**0.4**	**(9.4)**	**10.7**
Temporary Differences							
Loss/(Gain) on sale of fixed assets		(0.6)	0.2	-	(0.7)	0.1	(0.3)
Service tax not paid before due date of return of income		-	-	2.7	-	-	-
Itemized sale of assets of the Cable TV Business		-	-	-	-	(1.4)	-
Belated employers contribution disallowed		-	-	-	0.4	0.4	0.2
Ex-gratia		3.8	5.6	4.5	2.5	2.4	-
Ex-gratia pertaining to prior year, not considered in Form 3CD		-	(4.5)	(1.8)	(2.4)	-	-
Service tax disallowed in earlier year, not considered in Form 3CD		-	(2.7)	(4.6)	-	-	-
Provision for doubtful debts		8.4	-	-	-	-	-

(All amounts are in millions of Indian Rupees, unless otherwise stated)

		Period ended December 31, 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**
Amortization of computer software		0.2	0.2	-	-	-	-
Provision for gratuity		-	-	-	-	-	1.8
Contingent liability-Service tax		-	-	-	-	3.1	-
Gratuity paid, previously disallowed		-	-	-	-	(0.9)	-
Commission expenses-disallowed u/s 40(a)(ia)		-	10.0	-	-	-	-
Difference between Book Depreciation and Tax Depreciation		31.6	(16.3)	(15.2)	(17.1)	(5.6)	(19.5)
Lease income (net of finance charges)		3.3	1.3	-	-	-	-
Total	**C**	**46.7**	**(6.2)**	**(14.4)**	**(17.3)**	**(1.9)**	**(17.8)**
Net Adjustments	**D = B+C**	58.3	(0.4)	(16.8)	(16.9)	(11.3)	(7.1)
Tax (Saving)/Outgo thereon	**E**	19.6	(0.1)	(6.0)	(6.2)	(4.0)	(2.8)
Net tax incidence, excluding section 115JB	**F = A+E**	542.5	453.4	427.8	332.1	255.3	273.4
Tax under MAT	**G**	131.9	96.3	92.0	71.2	54.7	59.6
Wealth tax on land and motor vehicles	**H**	-	3.4	3.0	3.0	3.0	3.0
Total taxation [Max of (F) & (G) plus H]		**542.5**	**456.8**	**430.8**	**335.1**	**258.3**	**276.4**
Provision for current domestic tax as per the books of account		**544.2**	**449.0**	**430.3**	**328.7**	**257.6**	**280.0**

Note 1

For the years ended March 31, 2001, 2002, 2003, 2004 and 2005, the above statement has been prepared based on the unconsolidated restated financial statements and tax audit report issued under section 44AB of the Income-tax Act, 1961 (as at March 31 of the respective financial years, which has been certified by a firm of Chartered Accountants other than S R Batliboi & Associates) filed together with the income-tax return and the clarifications given by the Management.

For the nine month period ended December 31, 2005, the statement has been prepared based on the unconsolidated restated financial statements drawn up for this period and Management estimates, where appropriate.

We have not evaluated the adequacy or otherwise of payments to related parties as specified under section 40A(2) of the Income-tax Act, 1961 ('the Act') including the payment of remuneration to Directors.

Accordingly, any tax consequence arising on account of such payment has also not been considered.

Note 2

In determining the deduction available under section 80HHF of the Act, we have relied on the certificate issued by a firm of Chartered Accountants other than SR Batliboi & Associates.

Note 3

Kindly note that the tax shelter statement has been prepared on the following basis:

- The information, assumptions, clarification and representations provided to us during our time-to-time discussions with the Company/ its auditors. We have assumed that these are complete and accurate and have not independently verified the same
- We have not independently verified the depreciation allowable for income-tax purposes (including classification of assets) under Section 32 of the Act, and have relied on the figures provided in the Form 3CD.
- We have not independently verified whether taxes have been accurately deducted by the Company, where applicable, on payments made (including payments made to persons outside India).
- We have not examined whether transactions with related parties have been conducted at arm's length from the perspective of the transfer pricing regulations under the Act.
- We have not examined any exposure that may arise to the Company under excise, service tax, sales tax laws or any other laws other than the Income-tax Act, 1961 and the Wealth-tax Act, 1957.
- We have not examined any exposure that may arise due to the non-compliance of laws, procedures and guidelines prescribed under company law, exchange control and other regulations or laws.
- The tax impact provided above, excludes the impact of interest/penalty, if any leviable, under the Income-tax Act, 1961 or the Wealth-tax Act, 1957.
- We have not independently validated the tax position adopted by the Company with respect to amortization of movie and telecast rights.

Auditors' Report

To the Board of Directors of
Sun TV Limited (Formerly Sun TV Private Limited)

1. We have examined the accompanying balance sheets of Sun TV Limited ('Sun TV' or 'the Company') *(formerly Sun TV Private Limited)* as at December 31, 2005 and December 31, 2004 and the profit and loss accounts and the cash flow statements for the nine month periods ended on those dates annexed thereto, prepared in accordance with accounting principles generally accepted in India.
2. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The accompanying financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 25, Interim Financial Reporting, issued by the Institute of Chartered Accountants of India, solely for the purpose of use in connection with the information required to be included in the proposed Initial Public Offer for a fresh issue of 6,889,000 equity shares having a face value of Rs 10 per equity share at an issue price as may be decided by the Board of Directors, to be arrived at by the 100% book building scheme (referred to as 'the offer').
4. On the basis of the information and explanation given to us, we are of the opinion that these financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
   i. in the case of the balance sheets, of the state of affairs of the Company as at December 31, 2005 and December 31, 2004;
   ii. in the case of the profit and loss accounts, of the results of operations of the Company for the nine month periods ended December 31, 2005 and December 31, 2004;
   iii. in the case of cash flow statements, of the cash flows of the Company for the nine month periods ended December 31, 2005 and December 31, 2004.
5. This report is furnished solely for use as set out in paragraph 3 above, and is not to be used for any other purpose or referred to in any document or distributed to anyone without our prior written consent.

For S. R. BATLIBOI & ASSOCIATES

Chartered Accountants

per Mahendra Jain
Partner

Membership No.:205839

Chennai
March 9, 2006

Sun TV Limited
(Formerly Sun TV Private Limited)

Balance sheets as at

(All amounts are in millions of Indian Rupees, unless otherwise stated)

	Schedule	December 31, 2005	March 31, 2005	December 31, 2004	March 31, 2004
SOURCES OF FUNDS					
Shareholders' funds :					
Share capital	1	620.0	20.0	20.0	20.0
Reserves and surplus	2	2,346.8	4,043.3	3,850.9	3,275.7
		2,966.8	4,063.3	3,870.9	3,295.7
Loan funds:					
Secured loans	3	393.2	421.9	245.1	-
Unsecured loans	4	326.0	-	-	-
Deferred tax liability (net)	5	31.3	47.7	49.7	44.9
		3,717.3	**4,532.9**	**4,165.7**	**3,340.6**
APPLICATION OF FUNDS					
Fixed assets :	6				
Gross block		1,865.1	1,796.3	1,766.0	1,604.0
Less: Depreciation		(909.2)	(814.7)	(772.5)	(667.6)
Net block		955.9	981.6	993.5	936.4
Capital work-in-progress including capital advances		92.8	519.8	283.2	8.4
Intangible assets :	7				
Gross block		953.4	662.0	582.2	302.5
Less: Amortisation		(900.3)	(574.3)	(495.3)	(234.0)
Net block		53.1	87.7	86.9	68.5
		1,101.8	1,589.1	1,363.6	1,013.3
Investments	8	318.3	3.5	3.4	3.3
Non-current assets	9	258.9	353.0	373.5	456.4
Current assets, Loans and Advances :					
Inventories	10	1.7	2.4	0.9	1.1
Sundry debtors	11	975.8	649.3	651.4	517.1

(All amounts are in millions of Indian Rupees, unless otherwise stated)

	Schedule	December 31, 2005	March 31, 2005	December 31, 2004	March 31, 2004
Cash and bank balances	**12**	624.9	1,853.0	1,865.3	1,140.6
Other current assets	**13**	834.1	342.0	331.0	291.6
Loans and advances	**14**	157.8	114.6	120.0	203.8
		2,594.3	2,961.3	2,968.6	2,154.2
Less: Current liabilities and provisions	**15**	(556.0)	(374.0)	(543.4)	(286.6)
Net current assets		2,038.3	2,587.3	2,425.2	1,867.6
		3,717.3	**4,532.9**	**4,165.7**	**3,340.6**

Notes to the financial statements **23**

The schedules referred to above and the notes to accounts form an integral part of the Balance sheet.

As per our report of even date.

S. R. Batliboi & Associates
Chartered Accountants

For and on behalf of the Board of Directors

Mahendra Jain
a partner
Membership No.: 205839

Kalanithi Maran
Chairman and
Managing Director

Kavery Kalanithi
Joint Managing Director

R. Ravi
Company Secretary

Chennai
March 9, 2006

Chennai
March 9, 2006

Sun TV Limited
(Formerly Sun TV Private Limited)

Profit and loss account for the nine month periods ended December 31, 2005 and December 31, 2004

(All amounts are in millions of Indian Rupees, except per share information and unless otherwise stated)

	Schedule	December 31, 2005	December 31, 2004
Income			
Revenues	**16**	2,433.1	2,175.0
Other income	**17**	93.9	72.0
Total Income		**2,527.0**	**2,247.0**
Cost of revenues	**18**	740.3	894.8
Employees' remuneration and benefits	**19**	76.0	313.9
General and administration expenses	**20**	124.9	97.5
Selling expenses	**21**	2.6	0.1
Financial charges	**22**	32.4	24.5
Total Expenditure		**976.2**	**1,330.8**
Profit before tax		**1,550.8**	**916.2**
Provision for taxation			
- Current tax		544.2	331.2
- Current tax relating to earlier years/periods		8.0	5.0
- Deferred tax		(16.4)	4.8
- Fringe benefit tax		2.0	-
Profit after tax		**1,013.0**	**575.2**
Accumulated profit, beginning of period	**2**	4,043.2	3,275.6
Interim dividend		(1,850.0)	-
Tax on dividend		(259.5)	-
Issue of bonus shares		(600.0)	-
Accumulated profit, end of period		**2,346.7**	**3,850.8**

(All amounts are in millions of Indian Rupees, except per share information and unless otherwise stated)

	Schedule	December 31, 2005	December 31, 2004
Earnings per share information:			
Net profit attributable to equity shareholders		1,013.0	575.2
Weighted average number of equity shares (Refer note 23.16)		62,000,150	62,000,000
Basic and diluted earnings per share	Rs	16.34	9.28
Nominal value of equity share	Rs	10.00	10.00

Notes to the financial statements **23**

The schedules referred to above and the notes to accounts form an integral part of the Profit and loss account.

As per our report of even date.

S. R. Batliboi & Associates
Chartered Accountants

For and on behalf of the Board of Directors

Mahendra Jain
a partner
Membership No.: 205839

Kalanithi Maran
Chairman and
Managing Director

Kavery Kalanithi
Joint Managing Director

R. Ravi
Company Secretary

Chennai
March 9, 2006

Chennai
March 9, 2006

Sun TV Limited
(Formerly Sun TV Private Limited)

Cash flow statement for the nine month periods ended December 31, 2005 and December 31, 2004

(All amounts are in millions of Indian Rupees, unless otherwise stated)

	December 31, 2005	December 31, 2004
Cash flow from operating activities		
Net profit before tax	1,550.8	916.2
Adjustments for:		
Depreciation on fixed assets	107.7	110.4
Amortisation of intangible assets	326.2	261.3
Profit on sale of fixed assets	(0.6)	0.2
Profit on sale of CAS division	(12.0)	-
Profit on sale of Investments	@	-
Translation gain on foreign currency cash and cash equivalents, debtors and current liabilities and provisions	(0.2)	(0.2)
Provision for doubtful debts / Bad debts written off	8.4	7.3
Interest income	(65.6)	(67.0)
Dividend income	(0.2)	(0.2)
Interest expense	31.1	23.7
Operating profit before working capital changes	1,945.6	1,251.7
(Increase) in sundry debtors	(333.8)	(141.4)
Decrease in inventories	0.7	0.2
Decrease in non current assets	236.4	314.7
(Increase) in other current assets	(236.4)	(314.7)
(Increase)/Decrease in loans and advances	(120.2)	51.8
Increase in current liabilities and provisions (Refer note c below)	147.5	249.9
Cash generated from operations	1,639.8	1,412.2
Income taxes paid	(452.0)	(304.2)
Net cash flow from operating activities	1,187.8	1,108.0
Cash flows used in investing activities		
Purchase of fixed assets	(71.6)	(165.1)
Purchase of intangible assets	(143.7)	(228.5)
Purchase of investments	(317.5)	-
Sale of investments	2.7*	-

(All amounts are in millions of Indian Rupees, unless otherwise stated)

	December 31, 2005	December 31, 2004
Decrease in capital work in progress (including capital advances)	(91.8)	(274.8)
Proceeds from sale of fixed assets	1.2	1.2
Interest received	48.7	62.6
Dividends received	0.2	0.1
Net cash flow used in investing activities	(571.8)	(604.5)
Cash flows (used in) / financing activities		
Proceeds from issuance of shares	**	-
Secured loans (repaid)/availed	(28.7)	245.1
Unsecured loans availed	326.0	-
Interim dividends paid	(1,850.0)	-
Tax on interim dividends paid	(259.5)	-
Share issue expenses	(3.7)	-
Interest paid	(28.2)	(23.7)
Net cash flow (used in) / from financing activities	(1,844.1)	221.4
Net (decrease) / increase in cash and cash equivalents	(1,228.1)	724.9
Cash and cash equivalents at the beginning of the period	1,853.0	1,140.6
Cash and cash equivalents at the end of the period	624.9	1,865.5

@ Represent Rs. 10,265 being profit made on sale of investments

* Include Rs. 17,500 being sale proceeds from sale of investments made in Kungumam Publications Private Limited

** Represents proceeds of Rs. 50 from issue of five shares at Rs. 10 each

Notes:

(All amounts are in millions of Indian Rupees, unless otherwise stated)

		December 31, 2005	December 31, 2004
a)	The reconciliation to the cash and bank balances as given in Schedule 12 is as follows :		
	Cash and bank balances, per Schedule 12	624.9	1,865.3
	Less : Effect of changes in exchange rate on cash and cash equivalents	-	0.2
	Cash and cash equivalents, end of period	624.9	1,865.5
b)	Components of cash and cash equivalents		
	Cash and cheques on hand	3.1	7.5
	With banks - on current account	82.1	124.7
	- on deposit account (restricted)	439.6	300.5
	- on deposit account (unrestricted)	100.1	1,432.6
c)	Adjustments for increase/decrease in current liabilities related to acquisition of fixed assets have been made to the extent identified.		

As per our report of even date.

S. R. Batliboi & Associates
Chartered Accountants

For and on behalf of the Board of Directors

Mahendra Jain
a partner
Membership No.: 205839

Kalanithi Maran
Chairman and
Managing Director

Kavery Kalanithi
Joint Managing Director

R. Ravi
Company Secretary

Chennai
March 9, 2006

Chennai
March 9, 2006

Sun TV Limited
(Formerly Sun TV Private Limited)

Schedules to the Balance sheet as at

(All amounts are in millions of Indian Rupees, unless otherwise stated)

		December 31, 2005	March 31, 2005	December 31, 2004	March 31, 2004
1	**Share capital**				
	Authorised				
	100,000,000 (Previous periods 5,000,000) equity shares of Rs 10/- each	1,000.0	50.0	50.0	50.0
	Issued, subscribed and paid-up 62,000,155 (Previous periods 2,000,000) equity shares of Rs 10/- each fully paid up	620.0	20.0	20.0	20.0
	Of the above, 60,000,150 shares of Rs.10/- has been allotted as fully paidup bonus shares by capitalisation of accumulated profit.				
2	**Reserves and surplus**				
	General reserve				
	Balance, begining of period	0.1	0.1	0.1	0.1
	Add : Transfer from profit and loss account	-	-	-	-
	Balance, end of period	0.1	0.1	0.1	0.1
	Accumulated profit				
	Balance, begining of period	4,043.2	3,275.6	3,275.6	2,498.2
	Less: Interim Dividend	(1,850.0)	-	-	-
	Less: Tax on Dividend	(259.5)	-	-	-
	Less: Issue of Bonus Shares	(600.0)	-	-	-
	Add: Additions during the period	1,013.0	767.6	575.2	777.4
	Balance, end of period	2,346.7	4,043.2	3,850.8	3,275.6
		2,346.8	**4,043.3**	**3,850.9**	**3,275.7**
3	**Secured loans**				
	Loans from banks*	393.2	421.9	245.1	-
		393.2	**421.9**	**245.1**	**-**

* Loans from banks are secured by 100% margin money deposits and are repayable on demand.

Sun TV Limited
(Formerly Sun TV Private Limited)

Schedules to the Balance sheet as at

((All amounts are in millions of Indian Rupees, unless otherwise stated)

		December 31, 2005	March 31, 2005	December 31, 2004	March 31, 2004
4	**Unsecured loans**				
	Inter Corporate Deposits (repayable within 180 days – Rs 326 Million (previous period – Rs. Nil))	326.0	-	-	-
		326.0	**-**	**-**	**-**
5	**Deferred tax liability (net)**				
	Deferred tax liability / (asset) represents the aggregate tax effect of the timing difference arising from :				
	- Depreciation	40.3	51.7	52.9	49.6
	- Provision for Ex gratia	(5.3)	(4.0)	(3.2)	(3.6)
	- Provision for bad debts	(3.7)	-	-	-
	- Service tax	-	-	-	(1.1)
		31.3	**47.7**	**49.7**	**44.9**

6 Fixed assets

	Land	Buildings	Plant and machinery			Data-processing equipment	Office Equipment	Furniture and fittings	Leasehold Improvements	Motor vehicles*	December 31, 2004	March 31, 2004
			Program production equipment	Post-production equipment	Reception and distribution facilities							
Gross block												
Balance, April 1, 2004	280.6	2.3	594.3	221.8	331.8	80.9	37.6	15.0	-	39.7	1,604.0	1,373.2
Additions	37.6	-	77.1	14.5	9.4	10.6	2.2	0.2	3.1	14.2	168.9	233.5
Disposals	-	-	-	-	(0.6)	(2.8)	-	-	-	(3.5)	(6.9)	(2.7)
Balance, December 31, 2004	**318.2**	**2.3**	**671.4**	**236.3**	**340.6**	**88.7**	**39.8**	**15.2**	**3.1**	**50.4**	**1,766.0**	**1,604.0**
Depreciation												
Balance, April 1, 2004	-	0.3	354.1	76.7	139.3	51.6	14.6	8.4	-	22.6	667.6	532.3
Charge for the period	-	0.1	40.9	23.130.0	8.0	2.5	0.9	0.4	4.5	110.4	137.2	
Adjustment for disposals	-	-	-	-	(0.4)	(2.2)	-	-	-	(2.9)	(5.5)	(1.9)
Balance, December 31, 2004	**-**	**0.4**	**395.0**	**99.8**	**168.9**	**57.4**	**17.1**	**9.3**	**0.4**	**24.2**	**772.5**	**667.6**
Net block												
As at December 31, 2004	**318.2**	**1.9**	**276.4**	**136.5**	**171.7**	**31.3**	**22.7**	**5.9**	**2.7**	**26.2**	**993.5**	
As at March 31, 2004	280.6	2.0	240.2	145.1	192.5	29.3	23.0	6.6	-	17.1	936.4	

	Land	Buildings	Plant and machinery			Data-processing equipment	Office Equipment	Furniture and fittings	Leasehold Improvements	Motor vehicles*	December 31, 2005	March 31, 2005
			Program production equipment	Post-production equipment	Reception and distribution facilities							
Gross block												
Balance, April 1, 2005	318.2	2.3	687.4	238.3	340.5	99.2	39.9	15.2	3.1	52.2	1,796.3	1,604.0
Additions	39.1	1.1	11.8	5.2	0.6	23.6	7.2	0.7	-	19.2	108.5	199.5
Disposals	-	-	(35.2)	-	-	(0.7)	-	-	-	(3.8)	(39.7)	(7.2)
Balance, December 31, 2005	**357.3**	**3.4**	**664.0**	**243.5**	**341.1**	**122.1**	**47.1**	**15.9**	**3.1**	**67.6**	**1,865.1**	**1,796.3**
Depreciation												
Balance, April 1, 2005	-	0.5	411.7	107.8	178.9	61.0	17.9	9.6	1.0	26.3	814.7	667.6
Charge for the period	-	0.1	39.0	19.6	24.1	12.0	2.5	1.3	1.9	7.2	107.7	153.0
Adjustment for disposals	-	-	(10.0)	-	-	-	-	-	-	(3.2)	(13.2)	(5.9)
Balance, December 31, 2005	-	0.6	440.7	127.4	203.0	73.0	20.4	10.9	2.9	30.3	909.2	814.7
Net book value												
As at December 31, 2005	**357.3**	**2.8**	**223.3**	**116.1**	**138.1**	**49.1**	**26.7**	**5.0**	**0.2**	**37.3**	**955.9**	
As at March 31, 2005	318.2	1.8	275.7	130.5	161.6	38.2	22.0	5.6	2.1	25.9	981.6	

* Under an arrangement between the Company and one of its Directors, the Company has, from time to time, made payments aggregating Rs 39.7 million (31.3.05 - Rs 26.5 million; 31.12.04 - Rs 18.7 million; 31.3.04 - Rs 18.7 million) to vendors for the purpose of acquiring vehicles, which are registered in the name of the director. The terms of the arrangement provide for such vehicles to be maintained, operated and used exclusively by the Company for the purpose of its business. Accordingly, original cost of vehicles includes Rs 39.7 million (31.3.05 – Rs. 26.5 million; 31.12.04- Rs 18.7 million; 31.03.04 Rs. 18.1 million) of such vehicles. The net book value of such assets as at December 31, 2005 is Rs 23.1 million (31.3.05 – Rs. 14.6 million; 31.12.04 –Rs. 8.4 million; 31.03.04 – Rs. 9.7 million).

Sun TV Limited
(Formerly Sun TV Private Limited)

Schedules to the Balance sheet as at

(All amounts are in millions of Indian Rupees, unless otherwise stated)

7	Intangible assets	Film and Program Broadcasting Rights	Computer Software	December 31, 2004	March 31, 2004
	Original cost				
	Balance, April 1, 2004	302.5	-	302.5	-
	Additions	279.7	-	279.7	302.5
	Disposals	-	-	-	-
	Balance, December 31, 2004	**582.2**	**-**	**582.2**	**302.5**
	Amortisation				
	Balance, April 1, 2004	234.0	-	234.0	-
	Charge for the period	261.3	-	261.3	234.0
	Adjustment for disposals	-	-	-	-
	Balance, December 31, 2004	**495.3**	**-**	**495.3**	**234.0**
	Net book value				
	As at December 31, 2004	**86.9**	**-**	**86.9**	
	As at March 31, 2004	68.5	-	68.5	

		Film and Program Broadcasting Rights	Computer Software	December 31, 2005	March 31, 2005
	Original cost				
	Balance, April 1, 2005	659.2	2.8	662.0	302.5
	Additions	292.5	1.7	294.2	359.5
	Disposals	-	(2.8)	(2.8)	-
	Balance, December 31, 2005	**951.7**	**1.7**	**953.4**	**662.0**
	Amortisation				
	Balance, April 1, 2005	574.1	0.2	574.3	234.0
	Charge for the period	326.0	0.2	326.2	340.3
	Adjustment for disposals	-	(0.2)	(0.2)	-
	Balance, December 31, 2005	**900.1**	**0.2**	**900.3**	**574.3**
	Net book value				
	As at December 31, 2005	**51.6**	**1.5**	**53.1**	
	As at March 31, 2005	85.1	2.6	87.7	

Sun TV Limited
(Formerly Sun TV Private Limited)

Schedules to the Balance sheet as at

((All amounts are in millions of Indian Rupees, unless otherwise stated)

		December 31, 2005	March 31, 2005	December 31, 2004	March 31, 2004
8	**Investments**				
	Long-term Investments (At cost) - Non Trade				
	Nil (31.3.05 - 175; 31.12.04 — 175; 31.3.04 - 175) fully paid equity shares of Rs 100/- each in				
	Kungumam Publications Private Limited	-	@	@	@
	The directors are interested in the private limited company				
	In Subsidiary Companies - Non Trade 22,250,000 (31.3.05 - Nil; 31.12.04 - Nil; 31.2.04 - Nil) fully paid equity shares of Rs 10/- each in Kal Radio Limited	222.5	-	-	-
	9,500,000 (31.3.05 - Nil; 31.12.04 - Nil; 31.3.04 - Nil) fully paid equity shares of Rs 10/- each in South Asia FM Limited	95.0	-	-	-
	National savings certificate	*	*	*	*
	* Represents Rs. 500/- invested in National Savings Certificates				
	@ Represents Rs. 2,500/- invested in Kungumam Publications Private Limited				
		317.5	@+*	@+*	@+*
	Current Investments (At lower of cost or market value)				
	Quoted (trade)				
	36,700 (31.3.05 - 36,700; 31.12.04 — 36,700; 31.3.04 - 36,700) fully paid equity shares of Rs 10/- each in City Union Bank Limited	0.8	0.8	0.8	0.8
	Nil units (31.3.05 - 153,222 units; 31.12.04 - 153,122 units; 31.3.04 - 151,122units) of Rs 10 each in Grindlays Super Income Fund	-	1.6	1.5	1.5
	Nil units (31.3.05 - 103,627 units; 31.12.04 - 103,601 units; 31.3.04 - 100,373 units) of Rs 10 each in Templeton Floating rate income fund-Long Term Plan	-	1.1	1.1	1.0
		0.8	3.5	3.4	3.3
		318.3	**3.5**	**3.4**	**3.3**
	Market value of Quoted (trade) Investments	**3.4**	**5.7**	**6.3**	**5.1**

Sun TV Limited
(Formerly Sun TV Private Limited)

Schedules to the Balance sheet as at

((All amounts are in millions of Indian Rupees, unless otherwise stated)

		December 31, 2005	March 31, 2005	December 31, 2004	March 31, 2004
9	**Non-current assets**				
	Film and program broadcasting rights				
	Balance, beginning of period	353.0	456.4	456.4	530.4
	Additions during the period	142.3	303.1	231.8	333.7
	Rights transferred to other current assets	(236.4)	(406.5)	(314.7)	(407.7)
		258.9	**353.0**	**373.5**	**456.4**
10	**Inventories**				
	Consumables and media	1.7	2.4	0.9	1.1
		1.7	**2.4**	**0.9**	**1.1**
11	**Sundry debtors**				
	(Unsecured, considered good)				
	Outstanding for a period exceeding six months				
	- Considered good	17.7	27.2	22.5	28.3
	- Considered doubtful	8.4	-	-	2.3
	Others**	958.1	622.1	628.9	488.8
		984.2	649.3	651.4	519.4
	Less: Provision for doubtful debts	(8.4)	-	-	(2.3)
		975.8	**649.3**	**651.4**	**517.1**

** Includes amounts not falling due for payments as at December 31, 2005 of Rs 26.3 million (31.3.05 - Rs. 29.6 million; 31.12.04 - Rs. 8.8 million; 31.3.04 - Rs. Nil) in respect of lease receivables (also refer note 23.14).

		December 31, 2005	March 31, 2005	December 31, 2004	March 31, 2004
12	**Cash and bank balances**				
	Cash on hand	0.3	0.2	0.8	0.4
	Cheques on hand	2.8	12.2	6.7	1.8
	Bank balances with scheduled banks				
	on current accounts	82.1	109.7	124.7	110.9
	on deposit accounts	539.7	1,730.9	1,733.1	1,027.5
		624.9	**1,853.0**	**1,865.3**	**1,140.6**

Sun TV Limited
(Formerly Sun TV Private Limited)

Schedules to the Balance sheet as at

((All amounts are in millions of Indian Rupees, unless otherwise stated)

		December 31, 2005	March 31, 2005	December 31, 2004	March 31, 2004
13	**Other current assets**				
	Film and program broadcasting rights				
	Balance, beginning of period	336.0	286.2	286.2	181.0
	Rights transferred from non-current assets	236.4	406.5	314.7	407.7
	Rights transferred to intangible assets	(292.5)	(356.7)	(279.7)	(302.5)
	Balance, end of period	279.9	336.0	321.2	286.2
	Interest accrued on fixed deposits	22.9	6.0	9.8	5.4
	Assets held for disposal (Refer Note 23.3)	518.5	-	-	-
	Share issue expenses	12.8	-	-	-
		834.1	**342.0**	**331.0**	**291.6**
14	**Loans and advances**				
	(Unsecured, considered good)				
	Advances recoverable in cash or in kind, or for value to be received	49.3	20.3	11.0	6.2
	Advances towards cinema rights	39.8	37.2	43.4	66.5
	Inter - corporate deposits	30.0	-	17.5	8.5
	Inter - corporate loan	8.7	-	-	-
	Deposits with Government agencies	6.3	6.1	6.0	5.6
	Rental and other deposits	10.0	10.8	11.1	12.3
	Advance income-tax and taxes deducted at source, net of provision for income-tax	-	25.9	25.9	26.8
	Prepaid expenses	13.1	11.4	5.1	77.9
	Balances with Excise authorities	0.6	2.9	-	-
		157.8	**114.6**	**120.0**	**203.8**
15	**Current liabilities and provisions**				
	Current liabilities				
	Sundry creditors	58.6	140.3	89.0	113.4
	Book overdraft from banks	-	1.6	-	1.0
	Advance from customers	56.3	53.1	48.9	28.6
	Deposit from customers	6.5	22.3	21.1	56.5
	Interest accrued but not due	2.9	-	-	-
	Accrued expenses	354.9	156.7	384.4	87.1
		479.2	374.0	543.4	286.6
	Provision				
	Provision for taxation (net of advance payments)	76.8	-	-	-
		556.0	**374.0**	**543.4**	**286.6**

Sun TV Limited
(Formerly Sun TV Private Limited)

Schedules to the Profit and loss accounts for the nine month periods ended December 31, 2005 and December 31, 2004

(All amounts are in millions of Indian Rupees, unless otherwise stated)

		December 31, 2005	December 31, 2004
16	**Revenues**		
	Advertising income	1,489.0	1,178.4
	Broadcast fee	434.1	378.3
	Program licensing income	125.7	59.9
	Cable distribution revenues	-	267.6
	Income from pay channels	372.9	286.2
	License income	5.3	4.6
	Income from content trading	6.1	-
		2,433.1	**2,175.0**
17	**Other income**		
	Interest earned [TDS Rs 10.4 million (31.12.04 - Rs 12.4 million)]	65.6	67.0
	Commission	-	2.8
	Bad debts recovered	1.6	-
	Advance written off recovered	0.4	-
	Profit on sale of CAS division	12.0	-
	Dividend income	0.2	0.2
	Profit on sale of assets (net)	0.6	-
	Profit on sale of investments (net)	@	-
	Gain on foreign exchange fluctuation	4.3	0.5
	Miscellaneous income	9.2	1.5
		93.9	**72.0**
	@ Represents Rs. 10,265 being profit made on sale of investments.		
18	**Cost of revenues**		
	Telecast costs	55.7	56.5
	Program production expenses	39.8	37.4
	Amortization of intangible assets	326.2	261.3
	Cost of program rights	78.5	84.7
	Consumables and media expensed	8.5	7.6

Sun TV Limited
(Formerly Sun TV Private Limited)

Schedules to the Profit and loss accounts for the nine month periods ended December 31, 2005 and December 31, 2004

(All amounts are in millions of Indian Rupees, unless otherwise stated)

		December 31, 2005	December 31, 2004
	Depreciation on production related assets	84.6	94.4
	Subscription charges	5.2	228.3
	Pay channel service charges	25.6	21.9
	Licenses	115.9	101.7
	Other production related expenditure	0.3	1.0
		740.3	**894.8**
19	**Employees' remuneration and benefits**		
	Salaries and allowances	55.3	55.0
	Contributions to employee benefit plans	9.6	6.1
	Staff welfare	2.3	2.7
	Director's remuneration	8.8	250.1
		76.0	**313.9**
20	**General and administration expenses**		
	Legal and professional fees	0.9	2.9
	Travel and conveyance	9.0	8.9
	Rent	5.0	4.3
	Electricity expense	14.1	13.5
	Fuel	5.1	3.7
	Repairs and maintenance		
	- Building	6.6	1.9
	- Plant and machinery	8.9	6.5
	- Others	5.9	4.7
	Communication	8.7	5.6
	Utilities	5.5	5.6
	Insurance	3.7	3.3
	Depreciation, other fixed assets	23.1	16.0
	Bad debts written off	-	7.3
	Provision for doubtful debts	8.4	-

Sun TV Limited
(Formerly Sun TV Private Limited)

Schedules to the Profit and loss accounts for the nine month periods ended December 31, 2005 and December 31, 2004

(All amounts are in millions of Indian Rupees, unless otherwise stated)

		December 31, 2005	December 31, 2004
	Donations	11.8	8.1
	Loss on sale of assets(net)	-	0.2
	Rates and taxes	4.8	0.1
	Miscellaneous expenses	3.4	4.9
		124.9	**97.5**
21	**Selling expenses**		
	Advertisement expenses	2.6	0.1
		2.6	**0.1**
22	**Financial charges**		
	Interest	31.1	23.7
	Bank charges	1.3	0.8
		32.4	**24.5**

Sun TV Limited
(Formerly Sun TV Private Limited)

Financial Statemetns for the nine month period ended December 31, 2005 and December 31, 2004. Schedules to the Financial Statements (continued) (All amounts are in millions of Indian Rupees, unless otherwise stated)

23 Notes to the financial statements

23.1 Background

Sun TV Limited ('Sun TV' or 'the Company') (formerly Sun TV Private Limited) was incorporated on December 18, 1985. Consequent to the proposed Initial Public Offer (IPO) of the equity shares, the Company had applied to The Registrar of Companies, (RoC) Tamil Nadu for conversion to a public limited company. In order to comply with the requirements of the Companies Act, 1956 which requires public limited companies to have a minimum of seven members, the Company had issued 1 equity share each at par value to 5 new members (being a relative of the managing director and companies in which the managing director has a substantial interest) effective December 5, 2005. The RoC has accorded his approval for the conversion of the Company into a 'public limited company' on December 27, 2005 and the Company has consequently changed its name from 'Sun TV Private Limited' to 'Sun TV Limited' with effect from that date.

The Company engages in producing and broadcasting satellite television software programming in the regional languages of southern India predominantly to viewers in India, Sri Lanka, Singapore, Malaysia, United Kingdom, United States and Australia. The Company's flagship channel is Sun TV. The other satellite channels of the Company are Surya TV, Kiran TV, Sun News, Sun Music and KTV. The Company is also into the business of FM Radio broadcasting in Chennai, Coimbatore and Tirunelveli.

23.2 Statement of significant accounting policies

a) Basis of preparation of financial statements

The accompanying financial statements have been prepared under the historical cost convention and are in compliance with the applicable accounting standards issued by the Institute of Chartered Accountants of India as referred to in section 211(3C) of the Companies Act, 1956 (the Act). All items of income and expenditure having a material bearing on the financial statements have been recognized on the accrual basis.

All assets and liabilities (other than borrowings and deferred taxes) that are expected to be settled in the ordinary course of business within 12 months from the Balance Sheet date are separately stated as current assets or current liabilities respectively. Borrowings repayable within one year from the date of the Balance Sheet have been disclosed separately. The accounting policies applied by the Company, are consistent with those used in the previous period.

As required by AS-25, these financial statements present the balance sheets as at December 31, 2004 and December 31, 2005 and corresponding figures of the immediately preceding financial year, as at March 31, 2004 and March 31, 2005. The statements of profit and loss and the statements of cash flows are in respect of the period from April 1, 2004 to December 31, 2004 and April 1, 2005 to December 31, 2005.

The accompanying financial statements have been stated in millions of rupees and accordingly transactions or balances less than Rs 0.1 million are not considered material and hence not disclosed.

b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in India requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and notes thereto and the reported amounts of revenues and expenses during the accounting period. Examples of such estimates include provision for doubtful debts accounts, economic useful lives of fixed assets etc. Actual results could differ from those estimates.

c) Fixed assets and depreciation

Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes all direct expenses incurred to bring an asset to working condition for its intended use. Financing costs relating to acquisition of fixed assets are also included to the extent they relate to the period till such assets are ready to be put to use.

Amounts paid under contract terms for purchasing fixed assets and fixed assets acquired but not put to use at the Balance Sheet date are classified as capital work in progress.

Assets intended to be sold or otherwise disposed off within twelve months from the Balance Sheet date are classified as other current assets and are disclosed as assets held for disposal.

Depreciation

Depreciation on fixed assets other than intangible assets and leasehold improvements is provided on written down value method, pro-rata to the period of use of the assets, at the annual depreciation rates stipulated in schedule XIV to the Companies Act, 1956 or based on estimated useful lives of the assets, whichever is higher as follows:

	Per cent
Buildings	5.00%
Plant and machinery	13.91 - 40.00%
Data processing equipment	40.00%
Furniture and fittings	13.91 - 18.10%
Office equipment	13.91 -18.10%
Motor Vehicles	25.89%

Leasehold improvements are depreciated over the lower of estimated useful lives of the assets or the remaining primary period of the lease.

Fixed assets individually costing Rs 5,000 or less are entirely depreciated on purchase.

d) Intangible assets

- Computer software

  Costs incurred towards purchase of computer software are depreciated using the straight-line method over a period of three years.

- Film and program broadcasting rights

  Future revenues are not estimable with any reasonable accuracy as these are susceptible to a variety of factors, such as the level of market acceptance of television products, programming viewer-ship, advertising rates etc, and accordingly cost related to film and program broadcasting rights are fully expensed on the date of first telecast.

e) 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 amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets 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. After impairment, depreciation is provided on the revised carrying amount of the assets.

f) Investments

Current investments

Investments in readily realizable securities that are intended to be held for a period not exceeding one year from the date of purchase are classified as current investments and are valued at the lower of cost and fair value at the balance sheet date. Fair value is determined as the market value of the securities.

Long-term investments

Securities intended at the time of investment to be held for 12 months or more are classified as long term investments and are stated at cost, adjusted for any diminution in value that is not temporary in nature. Long term investments that are intended to be disposed within 12 months from the balance sheet date are reclassified as current investments, and are transferred at the lower of cost and carrying value as at the date of the transfer.

g) Film and program broadcasting rights ('Rights')

Acquired rights for the broadcast of feature films and other long-form programming such as multi-episode television serials are stated at cost. Rights, where the right to telecast commences after 12 months from the balance sheet date are disclosed as non-current assets and rights, where the right to telecast commences within 12 months from the balance sheet date are disclosed as other current assets.

Rights disclosed under intangible assets represent rights, which are available for use as at the balance sheet date.

h) Inventories

Inventories comprising consumables and media such as video and audio cassettes are stated at the lower of cost and net realizable value. Cost includes all expenses incurred in bringing the inventory to its present location and condition, and issues are expensed on the weighted average cost basis.

i) Employee benefit plans

Employee benefit plans comprise both defined benefit and defined contribution plans.

The Company contributes to gratuity fund maintained by the Life Insurance Corporation of India (LIC) based upon actuarial valuation.

Provident fund is a defined contribution plan. Each eligible employee and the Company make equal contributions at a percentage of the basic salary specified under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952. The Company has no further obligations under the plan beyond its periodic contributions.

j) Taxation

Provision for current income tax is made on assessable income at the tax rate applicable to the relevant assessment year. Deferred income taxes are recognised for the future tax consequences attributable to timing differences between financial statement determination of income and their recognition for tax purposes. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in income using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised and carried forward 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. Fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act.

k) Earnings per share

The earnings considered in ascertaining the Company's earnings per share comprise of the net profit after tax. The number of shares used in computing the basic earnings per share is the weighted average number of equity shares outstanding during the year/period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving the basic earning per share and also the weighted average number of shares, of any shares, which would have been issued on the conversion of all dilutive potential equity shares.

l) Revenue recognition

- Advertising income and broadcast fees are recognized when the related commercials or programme is telecast.
- Program licensing income represents income from the export of program software content, and is recognized in accordance with the terms of agreements with customers.
- Income from pay channels represents subscription fees billed to cable operators towards pay-channels operated by the Company, and are recognised in the period during which the service is provided. Subscription fees are determined based on management's best estimates of the number of subscription points to which the service is supplied, at contractually agreed rates.
- Cable distribution revenues represent revenues earned from cable operators, for distribution of pay channels through the multi-system operations of the Company, effected through the brand name "SCV", and are recognised in the period during which the service is provided. The Company collects distribution charges from cable operators, and pays subscription charges to its service providers for infrastructural facilities, use of brand name, and related support. As the Company is completely responsible for the day-to-day running of the multi-system operations, pricing of its services, collection from cable operators, etc, the Company is the "principal" in such transactions and, therefore, recognises the gross value of billings made by it as its revenues, and charges levied on the Company by its service providers stated above, as related costs of operations.
- Revenues from barter transactions, and the related costs, are recorded at fair values of the services rendered and services received, as estimated by management.
- License fee represents income from sale of film and program broadcasting rights.
- Income from content trading represent revenue earned from mobile service providers for SMS based services. Income is recognized on receipt of SMSs by the mobile service providers from the subscribers at the agreed rates.
- Interest income is recognized on time proportionate basis.

m) Foreign currency transactions

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Foreign currency monetary assets and liabilities at the Balance Sheet date are translated into rupees at the rate of exchange prevailing on that date. All exchange differences are dealt with in the statement of profit and loss account, except those relating to the acquisition of fixed assets, which are adjusted in the cost of the relevant assets.

n) Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

o) Segment reporting

The Company's operations predominantly relate to broadcasting and, accordingly, this is the only primary reportable segment.

23.3 Assets held for disposal

Assets held for disposal represents land having a book value of Rs 518.5 million held for sale pursuant to a Memorandum of Understanding ('MoU') dated September 05, 2005 entered into with Kal Comm Private Limited. Based on the sale consideration as per the MoU, which is higher than the carrying cost, management has not considered the need to write down such asset below their book value. The above asset has been accordingly reclassified from 'capital work-in-progress' and is disclosed under 'other current assets' in the current period.

23.4 Quantitative information as per the Act

As the Company is engaged in the business of producing television programming such as serials and feature films, the requirements relating to the quantitative details of sales and the information under paragraph 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956 are not applicable to the Company except to the extent disclosed in these financial statements.

23.5 Sale of Conditional Access System (CAS) division

Effective April 1, 2005 the Company has sold the assets and liabilities related to CAS division to Kal Cables Private Limited for an aggregate consideration of Rs 33.9 million. The value of net assets transferred is as follows:

Rs. in millions

Sale consideration		33.9
Less: Value of assets transferred		
Fixed assets (net book value)	27.7	
Current assets (represents cash and bank balances)	9.2	
	36.9	
Liabilities Transferred		
Current liabilities	(15.0)	21.9
Profit on sale		**12.0**

23.6 Cessation of cable TV operations

The Company's agreement with Kal Cables Private Limited for providing cable TV services through the multi-system operation ('MSO'), under the brand name 'SCV' ceased effective April 1, 2005.

23.7 Additional information required under the Act

Particulars	**31.12.2005**	**31.03.2005**	**31.12.2004**	**31.03.2004**
Sundry Debtors include debts due from the following private limited companies in which the directors of the Company are interested as directors:				
Kal Comm Private Limited	244.1	133.0	124.5	80.9
Kungumam Publications Private Limited	6.2	7.9	6.9	-
Gemini TV Private Limited	-	4.5	4.6	-
Udaya TV Private Limited	2.1	-	-	2.9
KPK Publications Private Limited	0.9	-	-	-
Maximum amount outstanding at any time during the period:				
Kal Comm Private Limited	244.1	133.0	124.5	80.9
Kungumam Publications Private Limited	6.2	7.9	6.9	-
Gemini TV Private Limited	*	9.2	4.6	-
Udaya TV Private Limited	6.9	-	-	22.9
KPK Publications Private Limited	0.9	-	-	-

* - Maximum amount outstanding has been disclosed on a consolidated basis under loans and advances

Loans and advances include following amounts due from a director and private limited companies in which the director is a director or a member:

Particulars	31.12.2005	31.03.2005	31.12.2004	31.03.2004
Mr. Kalanithi Maran	5.6	4.8	2.3	2.3
Asia Radio Broadcast Private Limited	30.0	-	-	-
Gemini TV Private Limited	13.3	-	-	-
Udaya TV Private Limited	7.0	-	-	-
Kal Cables Private Limited	6.7	-	-	-
Kal Comm Private Limited	7.1	-	14.5	-
KPK Publications Private Limited	8.7	-	-	-
Kal Publications Private Limited	1.4	-	-	-
Kungumam Publications Private Limited	3.3	-	1.5	1.9
Sumangali Publications Private Limited	-	1.1	1.1	1.1
Maximum amount outstanding at any time during the period:				
Mr. Kalanithi Maran	328.1	884.8	2.3	2.3
Asia Radio Broadcast Private Limited	30.0	-	-	-
Gemini TV Private Limited	14.3	-	-	-
Udaya TV Private Limited	7.0	-	-	-
Kal Cables Private Limited	6.7	-	-	-
Kal Comm Private Limited	7.1	-	60.0	-
KPK Publications Private Limited	8.7	-	-	-
Kal Publications Private Limited	1.4	-	-	-
Kungumam Publications Private Limited	3.3	-	1.5	3.5
Sumangali Publications Private Limited	1.1	1.1	1.1	1.1

23.8 Capital commitments (net of advances)

Particulars	31.12.2005	31.03.2005	31.12.2004	31.03.2004
Outstanding commitments on capital contracts	30.5	-	259.7	23.3
Commitments for acquisition of Film and program broadcasting rights	59.2	81.3	88.2	65.3

23.9 Managerial remuneration

Managerial remuneration is as follows:

	31.12.2005	31.12.2004
Salary	7.1	6.8
Commission	-	241.6
Ex-gratia	1.7	1.7
Total	**8.8**	**250.1**

23.10 Imports (value comprising cost, insurance and freight)

	31.12.2005	31.12.2004
Capital goods	11.6	40.8
Others	22.5	12.6
Total	**34.1**	**53.4**

23.11 Expenditure in foreign currency (on cash basis)

	31.12.2005	31.12.2004
Travel expenses	2.6	3.3
Satellite hire charges	49.4	40.0
Others	6.7	3.3
Total	**58.7**	**46.6**

23.12 Earnings in foreign exchange

	31.12.2005	31.12.2004
Program licensing income	125.7	59.9
Others	0.7	1.2
Total	**126.4**	**61.1**

23.13 Dues to Small-Scale Industrial Undertakings

The Company has no outstanding dues to small-scale industrial undertakings as of December 31, 2005, March 31, 2005, December 31, 2004 and March 31, 2004.

23.14 Leases

Effective from April 1, 2001, the Company has adopted AS 19 "Accounting for Leases" issued by the ICAI in respect of lease transactions entered into on or after that date.

Operating leases

Leasing arrangements in the capacity of a Lessee

Particulars	31.12.2005	31.12.2004
Lease payments recognised in the profit and loss account for the period	55.2	55.1

Particulars	31.12.2005	31.03.2005	31.12.2004	31.03.2004
Minimum Lease Payments				
Not later than one year	72.7	63.2	71.4	70.3
Later than 1 year but not later than 5 years	176.8	66.8	75.4	121.0
Not later than 5 years	17.3	20.3	21.3	1.0
Total	**266.8**	**150.3**	**168.1**	**192.3**

Finance leases

Leasing arrangements in the capacity of a Lessor

The Company has leased out certain office equipments on a finance lease over a period of six years. The assets given under finance lease are recognised as a receivable at an amount equal to the net investment in the lease. Lease rentals are apportioned between principal and interest on the IRR method. The principal amount received reduces the net investment in the lease and interest is recognised as revenue.

Particulars	31.12.2005	31.03.2005	31.12.2004	31.03.2004
Total gross investment in the lease	30.6	35.2	10.5	-
Less : Unearned finance income	(4.3)	(5.6)	(1.7)	-
Net investment in the lease	**26.3**	**29.6**	**8.8**	**-**
Gross investment in the lease for the period :				
Not later than one year	6.2	6.2	1.8	-
Later than one year but not later than five years	24.4	24.7	7.2	-
Later than five years	-	4.3	1.5	-
Total	**30.6**	**35.2**	**10.5**	**-**
Present value of Minimum Lease Payments				
Not later than one year	4.7	4.5	1.3	-
Later than one year but not later than five years	21.6	20.9	6.0	-
Later than five years	-	4.2	1.5	-
Total	**26.3**	**29.6**	**8.8**	**-**
Unearned Finance income	4.3	5.6	1.7	-

23.15 Related party disclosures (not disclosed elsewhere in these financial statements)

1. *Enterprises in which Key Management personnel or their relatives have significant influence*

Kal Comm Private Limited
Kal Cables Private Limited
Udaya TV Private Limited
Gemini TV Private Limited
Kungumam Publications Private Limited
Kungumam Nithyagam Private Limited
Kal Investments (Madras) Private Limited
KPK Publications Private Limited
HFO Entertainment Private Limited
Asia Radio Broadcast Private Limited
K.S.Publications Private Limited
Vellore Murasu Private Limited
Salem Murasu Private Limited
Network Cable Solutions Private Limited
Sun Direct TV Private Limited
Sun Foundation
Kovai Murasu Private Limited
Sun Academy Private Limited
Sumangali Publications Private Limited
Kal Publications Private Limited

2. *Subsidiary Companies*

South Asia FM Limited
Kal Radio Limited

3. *Key Management personnel*

Mr. Kalanithi Maran — Chairman and Managing Director
Mrs. Kavery Kalanithi — Joint Managing Director

4. *Relatives of Key Management personnel*

Mrs. Mallika Maran

Mrs. M.K.Dayalu

Transactions and balances with related parties

Enterprises in which Key Management personnel or their relatives have significant influence:

Profit and loss account transactions:

Nature of transaction	31.12.2005	31.12.2004
Income		
Broadcast fee		
Gemini TV Private Limited	27.0	27.0
Udaya TV Private Limited	13.5	13.5
Income from pay channels		
Kal Comm Private Limited	372.9	244.8
License income		
Gemini TV Private Limited	4.3	4.6
Udaya TV Private Limited	1.0	-
Advertisement Revenue		
Kungumam Publications Private Limited	2.2	1.9
KPK Publications Private Limited	0.9	-
Interest income		
Kungumam Publications Private Limited	1.3	0.1
KPK Publications Private Limited	0.2	-
Kal Comm Private Limited	-	0.5
Miscellaneous income		
Udaya TV Private Limited	0.3	0.4
Kal Cables Private Limited	7.6	-
Reimbursement of cost of shared services		
Gemini TV Private Limited	1.9	2.0
Udaya TV Private Limited	0.7	0.8
Expenses		
Paychannel service charges		
Kal Comm Private Limited	18.0	18.0
Subscription Charges Paid		
Kal Cables Private Limited	-	220.9
Program production expense		
HFO Entertainment Private Limited	0.9	-
Donations		
Sun Foundation	11.8	8.0
Write off of advance		
Sumangali Publications Private Limited	1.1	-
Interest Expense		
Udaya TV Private Limited	2.5	-
Kal Cables Private Limited	0.3	-
Gemini TV Private Limited	0.1	-

Balance sheet transactions:

Nature of transaction	31.12.2005	31.03.2005	31.12.2004	31.03.2004
Purchase of Fixed Assets				
Gemini TV Private Limited	-	0.2	0.2	-
Sale of Assets				
Kungumam Publications Private Limited	0.7	-	-	-
Kal Cables Private Limited	6.7	-	-	-
Transfer of Liabilities				
Kal Cables Private Limited	11.2	-	-	-
Inter corporate deposits made by the company				
Kal Comm Private Limited	-	60.0	60.0	-
Asia Radio Broadcast Private Limited	30.0	-	-	-
Loans Granted by the company				
KPK Publications Private Limited	8.5	-	-	-
Inter corporate deposits repaid to the company				
Kal Comm Private Limited	-	60.0	47.5	-
Advances made by the company				
Kal Cables Private Limited	2.1	-	-	-
Inter Corporate Deposits taken by the company				
Gemini TV Private Limited	370.0	-	-	-
Udaya TV Private Limited	280.0	-	-	-
Kal Cables Private Limited	28.0	-	-	-
Inter Corporate Deposits repaid by the company				
Gemini TV Private Limited	352.0	-	-	-
Refund of deposits during the period				
Kal Comm Private Limited	-	39.8	39.8	-
Share of ERP costs				
Gemini TV Private Limited	15.1	-	-	-
Udaya TV Private Limited	7.0	-	-	-
Kungumam Publications Private Limited	3.3	-	-	-
Kal Publications Private Limited	1.4	-	-	-
Kal Cables Private Limited	0.8	-	-	-
Present value of minimum lease payments				
Kungumam Publications Private Limited	3.3	1.3	0.2	-

Nature of transaction	31.12.2005	31.03.2005	31.12.2004	31.03.2004
Issue of shares				
Kal Comm Private Limited	@	-	-	-
Kal Cables Private Limited	@	-	-	-
Network cable solutions Private Limited	@	-	-	-
Kal Publications Private Limited	@	-	-	-
Bonus Shares Issued				
Kal Comm Private Limited	*	-	-	-
Kal Cables Private Limited	*	-	-	-
Network Cable Solutions Private Limited	*	-	-	-
Kal Publications Private Limited	*	-	-	-
Proceeds from sale of CAS Division				
Kal Cables Private Limited	33.9	-	-	-
Balance outstanding:				
Inter Corporate Deposits Payable				
Udaya TV Private Limited	280.0	-	-	-
Kal Cables Private Limited	28.0	-	-	-
Gemini TV Private Limited	18.0	-	-	-
Accounts Receivable				
Kal Comm Private Limited	244.1	133.0	124.5	80.9
Kungumam Publications Private Limited	6.2	7.9	6.9	-
Udaya TV Private Limited	2.1	-	-	2.9
KPK Publications Private Limited	0.9	-	-	-
Gemini TV Private Limited	-	4.5	4.6	-

@ Represents Rs. 10 being par value of one equity share issued.

* Represents Rs. 300 being par value of 30 bonus shares issued.

Nature of transaction	31.12.2005	31.03.2005	31.12.2004	31.03.2004
Loans and Advances				
Asia Radio Broadcast Private Limited	30.0	-	-	-
Gemini TV Private Limited	13.3	-	-	-
KPK Publications Private Limited	8.7	-	-	-
Kal Comm Private Limited	7.1	-	14.5	-
Udaya TV Private Limited	7.0	-	-	-
Kal Cables Private Limited	6.7	-	-	-
Kungumam Publications Private Limited	3.3	-	1.5	1.9
Kal Publications Private Limited	1.4	-	-	-
Sumangali Publications Private Limited	-	1.1	1.1	1.1

Nature of transaction	31.12.2005	31.03.2005	31.12.2004	31.03.2004
Interest accrued but not due				
Udaya TV Private Limited	2.5	-	-	-
Kal Cables Private Limited	0.3	-	-	-
Gemini TV Private Limited	0.1	-	-	-
Accounts Payable				
Kal Cables Private Limited	-	46.7	51.6	63.0
Udaya TV Private Limited	-	1.7	6.6	-
Gemini TV Private Limited	-	-	-	1.9
Deposits Payable				
Kal Comm Private Limited	-	-	-	39.8

Subsidiaries

Balance sheet transactions:

Nature of transaction	31.12.2005	31.03.2005	31.12.2004	31.03.2004
Investments Made				
South Asia FM Limited	95.0	-	-	-
Advances made by the company				
South Asia FM Limited	0.9	-	-	-
Balance outstanding:				
South Asia FM Limited	0.9	-	-	-

Key Managerial Personnel

Profit and loss account transactions:

Nature of transaction			31.12.2005	31.12.2004
Remuneration paid				
Mr. Kalanithi Maran			8.4	250.1
Mrs. Kavery Kalanithi			0.4	-
Dividends Paid				
Mr. Kalanithi Maran			1743.6	-
Profit on sale of investments				
Mr. Kalanithi Maran			***	-

*** Represents Rs 15,000 being profit on sale of investments.

Balance sheet transactions:

Nature of transaction	31.12.2005	31.03.2005	31.12.2004	31.03.2004
Purchase of shares in Kal Radio Limited				
Mr. Kalanithi Maran	222.5	-	-	-
Issue of shares				
Mrs. Kavery Kalanithi	@	-	-	-

Nature of transaction	31.12.2005	31.03.2005	31.12.2004	31.03.2004
Bonus Shares Issued				
Mr. Kalanithi Maran	600.0	-	-	-
Mrs. Kavery Kalanithi	*			
Advances made by the company				
Mr. Kalanithi Maran	323.3	880.0	-	-
Refund of advances to the company				
Mr. Kalanithi Maran	322.5	882.3	-	-
Proceeds from sale of investments				
Mr. Kalanithi Maran	**	-	-	-
Balance outstanding:				
Mr. Kalanithi Maran	5.6	4.8	2.3	2.3

@ Represents Rs. 10 being par value of one equity share issued.

* Represents Rs. 300 being par value of 30 bonus shares issued.

** Represents Rs. 17,500 being proceeds from sale of investments.

Relatives of Key Management personnel

Profit and loss account transactions:

Nature of transaction	31.12.2005	31.12.2004
Legal and professional fees		
Mrs.Mallika Maran	0.2	0.2
Mrs.M.K.Dayalu	0.1	0.2
Dividends Paid		
Mrs. Mallika Maran	106.4	-

Balance sheet transactions:

Nature of transaction	31.12.2005	31.03.2005	31.12.2004	31.03.2004
Bonus Shares Issued				
Mrs. Mallika Maran	*	-	-	-

* Represents Rs. 300 being value of 30 bonus shares issued.

23.16 Bonus issue

The Board of directors at their meeting held on December 23, 2005 approved the issuance of equity shares of Rs 10 each as bonus shares in the ratio of 30:1 to the shareholders existing as on December 23, 2005. The Bonus shares were issued by capitalizing the accumulated profits of the Company. As per the requirements of Accounting standard-20 'Earnings per share ('AS-20') issued by the Institute of Chartered Accountants of India ('ICAI'), such bonus shares have been considered in the computation of weighted average number of shares for computation of EPS for all the periods presented.

23.17 Prior period comparatives

Prior period figures have been regrouped and recast wherever necessary to conform to the current period's classifications.

S. R. Batliboi & Associates Chartered Accountants	**For and on behalf of the Board of Directors**		
Mahendra Jain a partner Membership No.: 205839	**Kalanithi Maran** Chairman and Managing Director	**Kavery Kalanithi** Joint Managing Director	**R. Ravi** Company Secretary
Chennai March 9, 2006	Chennai March 9, 2006		

Auditors' Report on Consolidated Financial Statements

To the Board of Directors of
Sun TV Limited (Formerly Sun TV Private Limited)

1. We have examined the attached consolidated balance sheet of Sun TV Limited ('the Company') and its subsidiaries, Kal Radio Limited and South Asia FM Limited ('the Subsidiaries')as at 31st December 2005, the consolidated profit and loss account and the consolidated cash flow statement for the nine month period ended on that date annexed thereto. These consolidated financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the Subsidiaries, whose financial statements reflect aggregate assets of Rs.350.1 million as at 31st December 2005, the total revenue of Rs. Nil and cash flows aggregating to Rs. 350.1 million for the period commencing from the date of incorporation of the Subsidiaries to December 31, 2005. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.
4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standards (AS) 21, *Consolidated financial statements*, issued by the Institute of Chartered Accountants of India and on the basis of the separate financial statements of Sun TV Limited and its aforesaid subsidiaries included in the consolidated financial statements, solely for the purpose of use in connection with information required to be included in the proposed initial public offer for fresh issue of 6,889,000 equity shares of Rs. 10 each, at an issue price as may be decided by the Board of Directors, by way of 100% book building process.
5. **Based on our audit and on our reading of the reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:**
   i. in the case of the consolidated balance sheet, of the state of affairs of Sun TV Limited and its subsidiaries as at 31st December, 2005;
   ii. in the case of the consolidated profit and loss account, of the profits of Sun TV Limited and its subsidiaries for the nine month period then ended; and
   iii. in the case of the consolidated cash flow statement, of the cash flows of Sun TV Limited and its subsidiaries for the nine month period then ended.
6. This report is furnished solely for use as set out in paragraph 4 above, and is not to be used for any other purpose or referred to in any document or distributed to anyone without our prior written consent.

For S. R. BATLIBOI & ASSOCIATES
Chartered Accountants

per Mahendra Jain.
Partner
Membership No.: 205839

Place: Chennai
Date: March 9, 2006

Sun TV Limited
(Formerly Sun TV Private Limited)

Consolidated Balance sheet as at December 31, 2005

(All amounts are in millions of Indian Rupees, unless otherwise stated)

	Schedule	December 31, 2005
SOURCES OF FUNDS		
Shareholders' funds :		
Share capital	1	620.0
Reserves and surplus	2	2,346.8
		2,966.8
Minority interest		32.4
Loan funds:		
Secured loans	3	393.2
Unsecured loans	4	327.4
Deferred tax liability (net)	5	31.3
		3,751.1
APPLICATION OF FUNDS		
Fixed assets :	6	
Gross block		1,865.1
Less: Depreciation		(909.2)
Net block		955.9
Capital work-in-progress including capital advances		92.8
Intangible assets :	7	
Gross block		953.4
Less: Amortisation		(900.3)
Net block		53.1
		1,101.8
Investments	8	0.8
Non-current assets	9	258.9

(All amounts are in millions of Indian Rupees, unless otherwise stated)

	Schedule	December 31, 2005
Current assets, Loans and Advances :		
Inventories	**10**	1.7
Sundry debtors	**11**	975.8
Cash and bank balances	**12**	975.0
Other current assets	**13**	834.1
Loans and advances	**14**	156.9
		2,943.5
Less: Current liabilities and provisions	**15**	(556.0)
Net current assets		2,387.5
Miscellaneous expenditure (to the extent not written off or adjusted) (Refer note 23.6)		2.1
		3,751.1
Notes to the consolidated financial statements	**23**	

The schedules referred to above and the notes to accounts form an integral part of the consolidated Balance sheet.

As per our report of even date.

S. R. Batliboi & Associates
Chartered Accountants

For and on behalf of the Board of Directors

Mahendra Jain
a partner
Membership No.: 205839

Kalanithi Maran
Chairman and
Managing Director

Kavery Kalanithi
Joint Managing Director

R. Ravi
Company Secretary

Chennai
March 9, 2006

Chennai
March 9, 2006

Consolidated profit and loss account for the nine month period ended December 31, 2005

(All amounts are in millions of Indian Rupees, except earnings per share information and unless otherwise stated)

	Schedule	December 31, 2005
Income		
Revenues	**16**	2,433.1
Other income	**17**	93.9
Total Income		**2,527.0**
Cost of revenues	**18**	740.3
Employees' remuneration and benefits	**19**	76.0
General and administration expenses	**20**	124.9
Selling expenses	**21**	2.6
Financial charges	**22**	32.4
Total Expenditure		**976.2**
Profit before tax		**1,550.8**
Provision for taxation		
- Current tax		544.2
- Current tax relating to earlier years/periods		8.0
- Deferred tax		(16.4)
- Fringe benefit tax		2.0
Profit after tax		1,013.0
Accumulated profit, beginning of period	**2**	4,043.2
Interim dividend		(1,850.0)
Tax on dividend		(259.5)
Issue of bonus shares		(600.0)
Accumulated profit, end of period		2,346.7

Earnings per share information:	
Net profit attributable to equity shareholders	1,013.0
Weighted average number of equity shares	62,000,150

(All amounts are in millions of Indian Rupees, except earnings per share information and unless otherwise stated)

	Schedule	December 31, 2005
Basic and diluted earnings per share	Rs	16.34
Nominal value of equity share	Rs	10.00
Notes to the consolidated financial statements	**23**	

The schedules referred to above and the notes to accounts form an integral part of the consolidated Profit and loss account.

As per our report of even date.

S. R. Batliboi & Associates
Chartered Accountants

For and on behalf of the Board of Directors

Mahendra Jain
a partner
Membership No.: 205839

Kalanithi Maran
Chairman and
Managing Director

Kavery Kalanithi
Joint Managing Director

R. Ravi
Company Secretary

Chennai
March 9, 2006

Chennai
March 9, 2006

Consolidated Cash flow statement for the nine month period ended December 31, 2005

(All amounts are in millions of Indian Rupees, unless otherwise stated)

	December 31, 2005
Cash flow from operating activities	
Net profit before tax	1,550.8
Adjustments for:	
Depreciation on fixed assets	107.7
Amortisation of intangible assets	326.2
Profit on sale of fixed assets	(0.6)
Profit on sale of CAS division	(12.0)
Translation gain on foreign currency cash and cash equivalents, debtors and current liabilities and provisions	(0.2)
Provision for doubtful debts / Bad debts written off	8.4
Interest income	(65.6)
Dividend income	(0.2)
Interest expense	31.1
Operating profit before working capital changes	1,945.6
(Increase) in sundry debtors	(333.8)
Decrease in inventories	0.7
Decrease in non current assets	236.4
(Increase) in other current assets	(236.4)
(Increase)/Decrease in loans and advances	(119.3)
Increase in current liabilities and provisions (Refer note c below)	147.5
Cash generated from operations	1,640.7
Income taxes paid	(452.0)
Net cash flow from operating activities	1,188.7
Cash flows used in investing activities	
Purchase of fixed assets	(71.6)
Purchase of intangible assets	(143.7)
Purchase of investments	-
Sale of investments	2.7*
Decrease in capital work in progress (including capital advances)	(91.8)
Proceeds from sale of fixed assets	1.2
Interest received	48.7
Dividends received	0.2
Net cash flow used in investing activities	(254.3)
Cash flows used in financing activities	
Proceeds from issuance of shares	**

(All amounts are in millions of Indian Rupees, unless otherwise stated)

	December 31, 2005
Proceeds from issuance of shares to minority share holders	32.4
Secured loans (repaid)/availed	(28.7)
Unsecured loans availed	327.4
Interim dividends paid	(1,850.0)
Tax on interim dividends paid	(259.5)
Share issue expenses	(3.7)
Miscellaneous expenditure	(2.1)
Interest paid	(28.2)
Net cash flow used in financing activities	(1,812.4)
Net (decrease) in cash and cash equivalents	(878.0)
Cash and cash equivalents at the beginning of the period	1,853.0
Cash and cash equivalents at the end of the period	975.0

* Include Rs. 17,500 being sale proceeds from sale of investments made in Kungumam Publications Private Limited.

** Represents proceeds of Rs. 50 from issue of five equity shares at Rs. 10 each.

Notes:

		December 31, 2005
a)	The reconciliation to the cash and bank balances as given in Schedule 12 is as follows :	
	Cash and bank balances, per Schedule 12	975.0
	Less : Effect of changes in exchange rate on cash and cash equivalents	-
	Cash and cash equivalents, end of period	975.0
b)	Components of cash and cash equivalents	
	Cash and cheques on hand	3.1
	With banks - on current account	82.2
	- on deposit account (restricted)	439.6
	- on deposit account (unrestricted)	450.1
c)	Adjustments for increase/decrease in current liabilities related to acquisition of fixed assets have been made to the extent identified.	

As per our report of even dateAs per our report of even date.

S. R. Batliboi & Associates
Chartered Accountants

For and on behalf of the Board of Directors

Mahendra Jain
a partner
Membership No.: 205839

Chennai
March 9, 2006

Kalanithi Maran
Chairman and
Managing Director

Kavery Kalanithi
Joint Managing Director

R. Ravi
Company Secretary

Chennai
March 9, 2006

Schedules to the Consolidated Balance sheet as at December 31, 2005

(All amounts are in millions of Indian Rupees, unless otherwise stated)

		December 31, 2005
1	**Share capital**	
	Authorised 100,000,000 equity shares of Rs 10/- each	1,000.0
	Issued, subscribed and paid-up 62,000,155 equity shares of Rs 10/- each fully paid up	620.0
	Of the above, 60,000,150 shares of Rs.10/- has been allotted as fully paidup bonus shares by capitalisation of accumulated profit.	
2	**Reserves and surplus**	
	General reserve	
	Balance, begining of period	0.1
	Add : Transfer from profit and loss account	-
	Balance, end of period	0.1
	Accumulated profit	
	Balance, begining of period	4,043.2
	Less: Interim Dividend	(1,850.0)
	Less: Tax on Dividend	(259.5)
	Less: Issue of Bonus Shares	(600.0)
	Add: Additions during the period	1,013.0
	Balance, end of period	2,346.7
		2,346.8
3	**Secured loans**	
	Loans from banks*	393.2
		393.2
	* Loans from banks are secured by 100% margin money deposits and are repayable on demand.	
4	**Unsecured loans**	
	Inter corporate deposits (Repayable within 180 days - Rs. 326.0 million)	326.0
	Others (Repayable within 180 days – Rs. 1.4 million)	1.4
		327.4
5	**Deferred tax liability (net)**	
	Deferred tax liability / (asset) represents the aggregate tax effect of the timing difference arising from :	
	- Depreciation	40.3
	- Provision for Ex gratia	(5.3)
	- Provision for bad debts	(3.7)
		31.3

Schedules to the Consolidated Balance sheet as at December 31, 2005

(All amounts are in millions of Indian Rupees, unless otherwise stated)

6 Fixed assets

	Land	Buildings	Plant and machinery					Furniture	Leasehold	Motor	
			Program production equipment	Post-production equipment	Reception and distribution facilities	Data-processing equipment	Office Equipment	and fittings	Improve-ments	vehicles*	December 31, 2004
Balance, April 1, 2005	318.2	2.3	687.4	238.3	340.5	99.2	39.9	15.2	3.1	52.2	1,796.3
Additions	39.1	1.1	11.8	5.2	0.6	23.6	7.2	0.7	-	19.2	108.5
Disposals	-	-	(35.2)	-		(0.7)	-	-	-	(3.8)	(39.7)
Balance, December 31, 2005	**357.3**	**3.4**	**664.0**	**243.5**	**341.1**	**122.1**	**47.1**	**15.9**	**3.1**	**67.6**	**1,865.1**
Depreciation											
Balance, April 1, 2005	-	0.5	411.7	107.8	178.9	61.0	17.9	9.6	1.0	26.3	814.7
Charge for the period	-	0.1	39.0	19.6	24.1	12.0	2.5	1.3	1.9	7.2	107.7
Adjustment for disposals	-	-	(10.0)	-		-	-	-	-	(3.2)	(13.2)
Balance, December 31, 2005	-	0.6	440.7	127.4	203.0	73.0	20.4	10.9	2.9	30.3	909.2
Net book value											
As at December 31, 2005	**357.3**	**2.8**	**223.3**	**116.1**	**138.1**	**49.1**	**26.7**	**5.0**	**0.2**	**37.3**	**955.9**

*Under an arrangement between the Company and one of its Directors, the Company has, from time to time, made payments aggregating Rs 39.7 million to vendors for the purpose of acquiring vehicles, which are registered in the name of the director. The terms of the arrangement provide for such vehicles to be maintained, operated and used exclusively by the Company for the purpose of its business. Accordingly, original cost of vehicles includes Rs 39.7 million of such vehicles. The net book value of such assets as at December 31, 2005 is Rs 23.1 million.

Schedules to the Consolidated Balance sheet as at December 31, 2005

(All amounts are in millions of Indian Rupees, unless otherwise stated)

		Film and Program Broadcasting Rights	Computer Software	December 31, 2005
7	**Intangible assets**			
	Original cost			
	Balance, April 1, 2005	659.2	2.8	662.0
	Additions	292.5	1.7	294.2
	Disposals	-	(2.8)	(2.8)
	Balance, December 31, 2005	**951.7**	**1.7**	**953.4**
	Amortisation			
	Balance, April 1, 2005	574.1	0.2	574.3
	Charge for the period	326.0	0.2	326.2
	Adjustment for disposals	-	(0.2)	(0.2)
	Balance, December 31, 2005	**900.1**	**0.2**	**900.3**
	Net book value			
	As at December 31, 2005	**51.6**	**1.5**	**53.1**
8	**Investments**			
	Long-term Investments (At cost) - Non trade			
	National savings certificate	*		
	* Represents Rs. 500/- invested in National Savings Certificates			
	Current Investments (At lower of cost or market value) Quoted (trade)			
	36,700 fully paid equity shares of Rs 10/- each in City Union Bank Limited	0.8	0.8	0.8
	Market value of Quoted (trade) Investments	**3.4**		

(All amounts are in millions of Indian Rupees, unless otherwise stated)

		December 31, 2005
9	**Non-current assets**	
	Film and program broadcasting rights	
	Balance, beginning of period	353.0
	Additions during the period	142.3
	Rights transferred to other current assets	(236.4)
		258.9
10	**Inventories**	
	Consumables and media	1.7
		1.7
11	**Sundry debtors**	
	(Unsecured, considered good)	
	Outstanding for a period exceeding six months	
	- Considered good	17.7
	- Considered doubtful	8.4
	Others*	958.1
		984.2
	Less: Provision for doubtful debts	(8.4)
		975.8
	*Includes amounts not falling due for payments as at December 31, 2005 of Rs 26.3 million in respect of lease receivables (also refer note 23.4).	
12	**Cash and bank balances**	
	Cash on hand	0.3
	Cheques on hand	2.8
	Bank balances with scheduled banks	
	on current accounts	82.2
	on deposit accounts	889.7
13	**Other current assets**	
	Film and program broadcasting rights	
	Balance, beginning of period	336.0
	Rights transferred from non-current assets	236.4
	Rights transferred to intangible assets	(292.5)

(All amounts are in millions of Indian Rupees, unless otherwise stated)

		December 31, 2005
	Balance, end of period	279.9
	Interest accrued on fixed deposits	22.9
	Assets held for disposal (Refer Note 23.3)	518.5
	Share issue expenses	12.8
		834.1
14	**Loans and advances**	
	(Unsecured, considered good)	
	Advances recoverable in cash or in kind, or for value to be received	48.4
	Advances towards cinema rights	39.8
	Inter - corporate deposits	30.0
	Inter - corporate loan	8.7
	Deposits with Government agencies	6.3
	Rental and other deposits	10.0
	Prepaid expenses	13.1
	Balances with Excise authorities	0.6
		156.9
15	**Current liabilities and provisions**	
	Current liabilities	
	Sundry creditors	58.6
	Advance from customers	56.3
	Deposit from customers	6.5
	Interest accrued but not due	2.9
	Accrued expenses	354.9
		479.2
	Provisions	
	Provision for taxation (net of advance payments)	76.8
		556.0
16	**Revenues**	
	Advertising income	1,489.0
	Broadcast fee	434.1
	Program licensing income	125.7
	Income from pay channels	372.9
	License income	5.3
	Income from content trading	6.1
		2,433.1

(All amounts are in millions of Indian Rupees, unless otherwise stated)

		December 31, 2005
17	**Other income**	
	Interest earned [TDS Rs 10.4 million]	65.6
	Bad debts recovered	1.6
	Advance written off recovered	0.4
	Profit on sale of CAS division	12.0
	Dividend income	0.2
	Profit on sale of assets (net)	0.6
	Profit on sale of investments (net)	@
	Gain on foreign exchange fluctuation	4.3
	Miscellaneous income	9.2
		93.9
	@ Represents Rs. 10,265 being profit made on sale of investments.	
18	**Cost of revenues**	
	Telecast costs	55.7
	Program production expenses	39.8
	Amortization of intangible assets	326.2
	Cost of program rights	78.5
	Consumables and media expensed	8.5
	Depreciation on production related assets	84.6
	Subscription charges	5.2
	Pay channel service charges	25.6
	Licenses	115.9
	Other production related expenditure	0.3
		740.3
19	**Employees' remuneration and benefits**	
	Salaries and allowances	55.3
	Contributions to employee benefit plans	9.6
	Staff welfare	2.3
	Director's remuneration	8.8
		76.0

(All amounts are in millions of Indian Rupees, unless otherwise stated)

		December 31, 2005
20	**General and administration expenses**	
	Legal and professional fees	0.9
	Travel and conveyance	9.0
	Rent	5.0
	Electricity expense	14.1
	Fuel	5.1
	Repairs and maintenance	
	- Building	6.6
	- Plant and machinery	8.9
	- Others	5.9
	Communication	8.7
	Utilities	5.5
	Insurance	3.7
	Depreciation, other fixed assets	23.1
	Provision for doubtful debts	8.4
	Donations	11.8
	Rates and taxes	4.8
	Miscellaneous expenses	3.4
		124.9
21	**Selling expenses**	
	Advertisement expenses	2.6
		2.6
22	**Financial charges**	
	Interest	31.1
	Bank charges	1.3
		32.4

Consolidated Financial Statements for the nine month period ended December 31, 2005 and December 31, 2004.

Schedules to the consolidated financial statements (continued)
(All amounts are in millions of Indian Rupees, unless otherwise stated)

23 Notes to the consolidated financial statements

23.1 Background

Sun TV Limited ('Sun TV' or 'the Company') (formerly Sun TV Private Limited) was incorporated on December 18, 1985. Consequent to the proposed Initial Public Offer (IPO) of the equity shares, the Company had applied to The Registrar of Companies, (RoC) Tamil Nadu for conversion to a public limited company. In order to comply with the requirements of the Companies Act, 1956 which requires public limited companies to have a minimum of seven members, the Company had issued 1 equity share each at par value to 5 new members (being a relative of the managing director and companies in which the managing director has a substantial interest) effective December 5, 2005. The RoC has accorded his approval for the conversion of the Company into a 'public limited company' on December 27, 2005 and the Company has consequently changed its name from 'Sun TV Private Limited' to 'Sun TV Limited' with effect from that date.

Kal Radio Limited ('KRL') (formerly Kal Radio Private Limited) was incorporated on October 7, 2005. KRL had applied to The Registrar of Companies, (RoC) Tamil Nadu for conversion to a public limited company and the RoC has accorded his approval for the conversion of KRL into a 'public limited company' on December 27, 2005 and KRL has consequently changed its name from 'Kal Radio Private Limited' to 'Kal Radio Limited' with effect from that date.

South Asia FM Limited ('SAFL') (formerly South Asia FM Private Limited) was incorporated on November 9, 2005. SAFL had applied to The Registrar of Companies, (RoC) Tamil Nadu for conversion to a public limited company and the RoC has accorded his approval for the conversion of SAFL into a 'public limited company' on December 27, 2005 and SAFL has consequently changed its name from 'South Asia FM Private Limited' to 'South Asia FM Limited' with effect from that date.

Sun TV along with its subsidiaries, KRL and SAFL are hereinafter collectively referred to as 'the Group'.

The Company engages in producing and broadcasting satellite television software programming in the regional languages of southern India predominantly to viewers in India, Sri Lanka, Singapore, Malaysia, United Kingdom, United States and Australia. The Company's flagship channel is Sun TV. The other satellite channels of the Company are Surya TV, Kiran TV, Sun News, Sun Music and KTV. The Company is also into the business of FM Radio broadcasting in Chennai, Coimbatore and Tirunelveli.

KRL and SAFL are primarily into the business of FM Radio broadcasting

23.2 Statement of significant accounting policies

a) Basis of preparation and consolidation of financial statements

The consolidated financial statements are prepared under the historical cost convention, on the accrual basis of accounting and to comply in all material respects with the mandatory accounting standards issued by the Institute of Chartered Accountants of India to reflect the financial position of Sun TV together with its subsidiaries, KRL and SAFL ('Subsidiaries'). Further, the consolidated financial statements are presented in the general format specified in Schedule VI to the Companies Act, 1956 ('the Act'). However, as these consolidated financial statements are not statutory financial statements, full compliance with the above Act are not required and so they do not reflect all the disclosure requirements of the Act.

The consolidated financial statements of the Group have been prepared based on a line-by-line consolidation of the balance sheet and loss and cash flows of Sun TV, KRL and SAFL as at December 31, 2005.

All material inter-company transactions and balances between the entities included in the consolidated financial statements have been eliminated.

The accompanying consolidated financial statements have been stated in millions of rupees and accordingly transactions or balances less than Rs 0.1 million are not considered material and hence not disclosed.

b) Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in India requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and notes thereto and the reported amounts of revenues and expenses during the accounting period. Examples of such estimates include provision for doubtful debts accounts, economic useful lives of fixed assets, etc. Actual results could differ from those estimates.

c) Fixed assets and depreciation

Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes all direct expenses incurred to bring an asset to working condition for its intended use. Financing costs relating to acquisition of fixed assets are also included to the extent they relate to the period till such assets are ready to be put to use.

Amounts paid under contract terms for purchasing fixed assets and fixed assets acquired but not put to use at the Balance Sheet date are classified as capital work in progress.

Assets intended to be sold or otherwise disposed off within twelve months from the Balance Sheet date are classified as other current assets and are disclosed as assets held for disposal.

Depreciation

Depreciation on fixed assets other than intangible assets and leasehold improvements is provided on written down value method, pro-rata to the period of use of the assets, at the annual depreciation rates stipulated in schedule XIV to the Companies Act, 1956 or based on estimated useful lives of the assets, whichever is higher as follows:

	Per cent
Buildings	5.00%
Plant and machinery	13.91 - 40.00%
Data processing equipment	40.00%
Furniture and fittings	13.91 - 18.10%
Office equipment	13.91 -18.10%
Motor Vehicles	25.89%

Leasehold improvements are depreciated over the lower of estimated useful lives of the assets or the remaining primary period of the lease.

Fixed assets individually costing Rs 5,000 or less are entirely depreciated on purchase.

d) Intangible assets

- Computer software

  Costs incurred towards purchase of computer software are depreciated using the straight-line method over a period of three years.

- Film and program broadcasting rights

  Future revenues are not estimable with any reasonable accuracy as these are susceptible to a variety of factors, such as the level of market acceptance of television products, programming viewer-ship, advertising rates etc. and accordingly cost related to film and program broadcasting rights are fully expensed on the date of first telecast.

e) 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 amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets 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. After impairment, depreciation is provided on the revised carrying amount of the assets.

f) Investments

Current investments

Investments in readily realizable securities that are intended to be held for a period not exceeding one year from the date of purchase are classified as current investments and are valued at the lower of cost and fair value at the balance sheet date. Fair value is determined as the market value of the securities.

Long-term investments

Securities intended at the time of investment to be held for 12 months or more are classified as long term investments and are stated at cost, adjusted for any diminution in value that is not temporary in nature. Long term investment that are intended to be disposed within 12 months from the balance sheet date are reclassified as current investments, and are transferred at the lower of cost and carrying value as at the date of the transfer.

g) Film and program broadcasting rights ('Rights')

Acquired rights for the broadcast of feature films and other long-form programming such as multi-episode television serials are stated at cost. Rights, where the right to telecast commences after 12 months from the balance sheet date are disclosed as non-current assets and rights, where the right to telecast commences within 12 months from the balance sheet date are disclosed as other current assets.

Rights disclosed under intangible assets represent rights, which are available for use as at the balance sheet date.

h) Inventories

Inventories comprising consumables and media such as video and audio cassettes are stated at the lower of cost and net realizable value. Cost includes all expenses incurred in bringing the inventory to its present location and condition, and issues are expensed on the weighted average cost basis.

i) Employee benefit plans

Employee benefit plans comprise both defined benefit and defined contribution plans.

The Company contributes to gratuity fund maintained by the Life Insurance Corporation of India (LIC) based upon actuarial valuation.

Provident fund is a defined contribution plan. Each eligible employee and the Company make equal contributions at a percentage of the basic salary specified under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952. The Company has no further obligations under the plan beyond its periodic contributions.

j) Taxation

Provision for current income tax is made on assessable income at the tax rate applicable to the relevant assessment year. Deferred income taxes are recognised for the future tax consequences attributable to timing differences between consolidated financial statement determination of income and their recognition for tax purposes. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in income using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised and carried forward 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. Fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act.

k) Earnings per share

The earnings considered in ascertaining the Company's earnings per share comprise of the net profit after tax. The number of shares used in computing the basic earnings per share is the weighted average number of equity shares outstanding during the year/period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving the basic earning per share and also the weighted average number of shares, of any shares, which would have been issued on the conversion of all dilutive potential equity shares.

l) Revenue Recognition

- Advertising income and broadcast fees are recognized when the related commercials or programme is telecast.
- Program licensing income represents income from the export of program software content, and is recognized in accordance with the terms of agreements with customers.
- Income from pay channels represents subscription fees billed to cable operators towards pay-channels operated by the Company, and are recognised in the period during which the service is provided. Subscription fees are determined based on management's best estimates of the number of subscription points to which the service is supplied, at contractually agreed rates.
- Revenues from barter transactions, and the related costs, are recorded at fair values of the services rendered and services received, as estimated by management.
- License fee represents income from sale of film and program broadcasting rights.
- Income from content trading represent revenue earned from mobile service providers for SMS based services. Income is recognized on receipt of SMSs by the mobile service providers from the subscribers at the agreed rates.
- Interest income is recognized on time proportionate basis.

m) Foreign currency transactions

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Foreign currency monetary assets and liabilities at the Balance Sheet date are translated into rupees at the rate of exchange prevailing on that date. All exchange differences are dealt with in the consolidated statement of profit and loss account, except those relating to the acquisition of fixed assets, which are adjusted in the cost of the relevant assets.

n) Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

o) Segment reporting

The Groups operations predominantly relate to broadcasting and, accordingly, this is the only primary reportable segment.

p) Miscellaneous expenditure

Miscellaneous expenditure is amortized over a period of five years.

23.3 Assets held for disposal

Assets held for disposal represents land having a book value of Rs 518.5 million held for sale pursuant to a Memorandum of Understanding ('MoU') dated September 05, 2005 entered into with Kal Comm Private Limited. Based on the sale consideration as per the MoU, which is higher than the carrying cost, management has not considered the need to write down such asset below their book value.

23.4 Leases

Effective from April 1, 2001, the Company has adopted AS 19 "Accounting for Leases" issued by the ICAI in respect of lease transactions entered into after that date.

Operating leases

Leasing arrangements in the capacity of a Lessee

Particulars	**31.12.2005**
Lease payments recognised in the consolidated profit and loss account for the period	55.2
Minimum Lease Payments	
Not later than one year	72.7
Later than 1 year but not later than 5 years	176.8
Not later than 5 years	17.3
Total	**266.8**

Finance leases

Leasing arrangements in the capacity of a Lessor

The Company has leased out certain office equipments on a finance lease over a period of six years. The assets given under finance lease are recognised as a receivable at an amount equal to the net investment in the lease. Lease rentals are apportioned between principal and interest on the IRR method. The principal amount received reduces the net investment in the lease and interest is recognised as revenue.

Particulars	**31.12.2005**
Total gross investment in the lease	30.6
Less : Unearned finance income	(4.3)
Net investment in the lease	**26.3**
Gross investment in the lease for the period :	
Not later than one year	6.2
Later than one year but not later than five years	24.4
Later than five years	-
Total	**30.6**
Present value of Minimum Lease Payments	
Not later than one year	4.7
Later than one year but not later than five years	21.6
Later than five years	-
Total	**26.3**
Unearned Finance income	4.3

23.5 *Related party disclosures (not disclosed elsewhere in these consolidated financial statements)*

1. *Enterprises in which Key Management personnel or their relatives have significant influence*

Kal Comm Private Limited

Kal Cables Private Limited

Udaya TV Private Limited

Gemini TV Private Limited

Kungumam Publications Private Limited

Kungumam Nithyagam Private Limited

Kal Investments (Madras) Private Limited

KPK Publications Private Limited

HFO Entertainment Private Limited

Asia Radio Broadcast Private Limited

K.S.Publications Private Limited

Vellore Murasu Private Limited

Salem Murasu Private Limited

Network Cable Solutions Private Limited

Sun Direct TV Private Limited

Sun Foundation

Kovai Murasu Private Limited

Sun Academy Private Limited

Sumangali Publications Private Limited

Kal Publications Private Limited

2. *Key Management personnel*

Mr. Kalanithi Maran — Chairman and Managing Director

Mrs. Kavery Kalanithi — Joint Managing Director

Mr. K. Shanmugam — Managing Director of Kal Radio Limited and South Asia FM Limited

3. *Relatives of Key Management personnel*

Mrs. Mallika Maran

Mrs. M.K.Dayalu

Transactions and balances with related parties

Enterprises in which Key Management personnel or their relatives have significant influence:

Profit and loss account transactions:

Nature of transaction	31.12.2005
Income	
Broadcast fee	
Gemini TV Private Limited	27.0
Udaya TV Private Limited	13.5
Income from pay channels	
Kal Comm Private Limited	372.9
License income	
Gemini TV Private Limited	4.3
Udaya TV Private Limited	1.0

Nature of transaction	31.12.2005
Advertisement Revenue	
Kungumam Publications Private Limited	2.2
KPK Publications Private Limited	0.9
Interest income	
Kungumam Publications Private Limited	1.3
KPK Publications Private Limited	0.2
Kal Comm Private Limited	-
Miscellaneous income	
Udaya TV Private Limited	0.3
Kal Cables Private Limited	7.6
Reimbursement of cost of shared services	
Gemini TV Private Limited	1.9
Udaya TV Private Limited	0.7
Expenses	
Paychannel service charges	
Kal Comm Private Limited	18.0
Subscription Charges Paid	
Kal Cables Private Limited	-
Program production expense	
HFO Entertainment Private Limited	0.9
Donations	
Sun Foundation	11.8
Write off of advance	
Sumangali Publications Private Limited	1.1
Interest Expense	
Udaya TV Private Limited	2.5
Kal Cables Private Limited	0.3
Gemini TV Private Limited	0.1

Balance sheet transactions:

Nature of transaction	31.12.2005
Sale of Assets	
Kungumam Publications Private Limited	0.7
Kal Cables Private Limited	6.7
Transfer of Liabilities	
Kal Cables Private Limited	11.2
Loans Granted by the group	
KPK Publications Private Limited	8.5
Inter corporate deposits made by the group	
Asia Radio Broadcast Private Limited	30.0
Advances made by the group	
Kal Cables Private Limited	2.1
Inter corporate deposits taken by the group	
Gemini TV Private Limited	370.0
Udaya TV Private Limited	280.0
Kal Cables Private Limited	28.0
Inter corporate deposits Loans repaid by the group	
Gemini TV Private Limited	352.0
Share of ERP costs	
Gemini TV Private Limited	15.1
Udaya TV Private Limited	7.0
Kungumam Publications Private Limited	3.3
Kal Publications Private Limited	1.4
Kal Cables Private Limited	0.8
Present value of minimum lease payments	
Kungumam Publications Private Limited	3.3
Issue of shares by Sun TV	
Kal Comm Private Limited	@
Kal Cables Private Limited	@
Network cable solutions Private Limited	@
Kal Publications Private Limited	@

Nature of transaction	31.12.2005
Bonus Shares Issued by Sun TV	
Kal Comm Private Limited	*
Kal Cables Private Limited	*
Network Cable Solutions Private Limited	*
Kal Publications Private Limited	*
Proceeds from sale of CAS Division	
Kal Cables Private Limited	33.9

@ Represents Rs. 10 being par value of one equity share issued

* Represents Rs. 300 being par value of 30 bonus shares issued.

Nature of transaction	31.12.2005
Balance outstanding:	
Unsecured Loans Payable	
Udaya TV Private Limited	280.0
Kal Cables Private Limited	28.0
Gemini TV Private Limited	18.0
Accounts Receivable	
Kal Comm Private Limited	244.1
Kungumam Publications Private Limited	6.2
Udaya TV Private Limited	2.1
KPK Publications Private Limited	0.9
Loans and Advances	
Asia Radio Broadcast Private Limited	30.0
Gemini TV Private Limited	13.3
KPK Publications Private Limited	8.7
Kal Comm Private Limited	7.1
Udaya TV Private Limited	7.0
Kal Cables Private Limited	6.7
Kungumam Publications Private Limited	3.3
Kal Publications Private Limited	1.4
Interest accrued but not due	
Udaya TV Private Limited	2.5
Kal Cables Private Limited	0.3
Gemini TV Private Limited	0.1

Key Managerial Personne

Profit and loss transactions:

Nature of transaction	31.12.2005
Remuneration paid	
Mr. Kalanithi Maran	8.4
Mrs. Kavery Kalanithi	0.4
Dividends Paid	
Mr. Kalanithi Maran	1743.6
Profit on sale of investments	
Mr. Kalanithi Maran	***

*** Represents Rs 15,000 being profit on sale of investments

Balance sheet transactions:

Nature of transaction	31.12.2005
Purchase of shares in Kal Radio Limited	
Mr. Kalanithi Maran	222.5
Unsecured Loans taken by the group	
Mr. Kalanithi Maran	1.4
Issue of shares by Sun TV	
Mrs. Kavery Kalanithi	@
Bonus Shares Issued	
Mr. Kalanithi Maran	600.0
Mrs. Kavery Kalanithi	*
Advances made by the group	
Mr. Kalanithi Maran	323.3
Refund of Advances to the group	
Mr. Kalanithi Maran	322.5
Proceeds from sale of investments	
Mr. Kalanithi Maran	**
Balance outstanding:	
Mr. Kalanithi Maran	5.6

@ Represents Rs. 10 being par value of one equity share issued.

* Represents Rs. 300 being par value of 30 bonus shares issued.

** Represents Rs. 17,500 being proceeds from sale of investments.

Relatives of Key Management personnel

Profit and loss account transactions:

Nature of transaction	31.12.2005
Legal and professional fees	
Mrs.Mallika Maran	0.2
Mrs.M.K.Dayalu	0.1
Dividends Paid	
Mrs. Mallika Maran	106.4

Balance sheet transactions:

Nature of transaction	31.12.2005
Bonus Shares Issued	
Mrs. Mallika Maran	**

** Represents Rs. 300 being par value of 30 bonus shares issued.

23.6 Miscellaneous expenditure

Miscellaneous expenditure comprises of certain pre-operative expenditure incurred by subsidiaries.

23.7 Prior period comparative

These are the first interim period consolidated financial statements of the Company and its Subsidiaries and accordingly, no prior period comparative consolidated financial statements have been provided.

S. R. Batliboi & Associates
Chartered Accountants

Mahendra Jain
a partner
Membership No.: 205839

Chennai
March 9, 2006

For and on behalf of the Board of Directors

Kalanithi Maran
Chairman and
Managing Director

Kavery Kalanithi
Joint Managing Director

R. Ravi
Company Secretary

Chennai
March 9, 2006

FINANCIAL INFORMATION OF KAL RADIO LIMITED

Auditors' Report

The Board of Directors of
Kal Radio Limited (Formerly Kal Radio Private Limited)

1. We have examined the accompanying balance sheet of Kal Radio Limited ('the company') *(formerly Kal Radio Private Limited)* as at 31st December 2005 and the cash flow statement of the Company for the period from 07.10.2005 to 31.12.2005, prepared in accordance with accounting principles generally accepted in India.
2. The said financial statements have been prepared in accordance with the requirements of Schedule VI to the Companies Act, 1956 ("the Act"), the Securities and Exchange Board of India – Disclosure and Investor Protection Guidelines, 2000 ("the Guidelines") issued by the Securities and Exchange Board of India (SEBI) in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and applicable circulars / related clarifications; and in accordance with the letter dated 5th February, 2006 received from M/s. Sun TV Ltd, the holding Company of `the company' requesting us to carry out work in connection with the Offer document being issued by M/s. SUN TV Ltd, in respect of its initial public offer of equity shares.

   Further to the above, we report that in view of the fact that the company was incorporated only on 07.10.2005 and the financial statements relate only to a period from 07.10.2005 to 31.12.2005, no restatement of the financial statements is required.
3. The financial information has been prepared by the company and approved by the Board of Directors of the company.

Financial Information as per audited financial statements

We have examined :

a) the attached Balance Sheet along with the Schedules to the Balance Sheet of the Company as at 31.12.2005
b) the attached Cash Flow statement of the Company for the period from 07.10.2005 to 31.12.2005.

4. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
5. The accompanying financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 25, Interim Financial Reporting, issued by the Institute of Chartered Accountants of India, solely for the purpose of use in connection with the information required to be included in the proposed Initial Public Offer of its Holding Company, viz, M/s. Sun TV Limited, for a fresh issue of their equity shares.
6. On the basis of the information and explanation given to us, we are of the opinion that these financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
   i) in the case of the balance sheet, of the state of affairs of the Company as at December 31, 2005.
   ii) in the case of Cash Flow Statement, of the cash flows of the company for the period ended on that date.
7. This report is furnished solely for use as set out in paragraph 5 above, and is not to be used for any other purpose or referred to in any document or distributed to anyone without our prior written consent.

For **K. RAMKRISH & Co.,**
Chartered Accountants

(K RAMKRISHNAN)
Partner

Membership No.: **200/20963**
Chennai
February 27, 2006

KAL RADIO LIMITED

Balance Sheet as at 31st December 2005

	Sch. No.	As At 31.12.2005
SOURCES OF FUNDS:		
Share-holders' Funds:	**A**	Rs. 250,000,000
Reserves & Surplus	**B**	Rs. -
Loan Funds:		
Secured Loans		Rs. -
Unsecured Loans	**C**	Rs. 1,411,560
Deferred Tax Liability		Rs. -
Total		Rs. 251,411,560
APPLICATION OF FUNDS:		
Fixed Assets:		
Gross Block		Rs. -
Less: Depreciation		Rs. -
Net Block		Rs. -
Investments		Rs. -
Current Assets, Loans & Advances	**D**	Rs. 250,040,500
Less: Current Liabilities & Provisions	**E**	Rs. 950
		Rs. 250,039,550
Miscellaneous Expenditure:		
Preliminary Expenses		Rs. 1,360,010
Pre- operative Expenses		Rs. 12,000
Notes to Accounts	**F**	
Total		Rs. 251,411,560

Notes referred to in Schedule 'F' form an integral part of this Balance Sheet and should be read in conjunction therewith

This is the Balance Sheet referred to in our Report of even date

For **K. RAMKRISH & CO.,**
CHARTERED ACCOUNTANTS

Director

K. RAMKRISHNAN
PARTNER

Managing Director

PLACE: CHENNAI

DATED: 27.02.2006

KAL RADIO LIMITED

Schedules forming part of the Balance Sheet as at 31st December 2005

		As At 31.12.2005
SCHEDULE 'A'		
SHARE CAPITAL		
Authorised :		
2,50,00,000 Equity Shares of Rs.10/- each		Rs. 250,000,000
Issued, Subscribed, Called & Paid-up Capital		
2,50,00,000 Equity Shares of Rs.10/- each		Rs. 250,000,000
		Rs. 250,000,000
SCHEDULE 'B'		
RESERVES & SURPLUS		
Profit & Loss Account:		
Balance as per last year		Rs. -
Add: Profit/(Loss) for the year		Rs. -
Total		**Rs. -**
SCHEDULE 'C'		
UNSECURED LOANS		
From Shareholders		Rs. 1,411,560
		Rs. 1,411,560
		As At 31.12.2005
SCHEDULE 'D'		
CURRENT ASSETS		
Cash on hand		Rs. -
Bank Balances with Banks		
- In Current Account	Rs. 40,500	
- In Fixed deposit	Rs. 250,000,000	
		Rs. 250,040,500
Sundry Debtors - Unsecured		Rs. -
Loans & Advances(Recoverable in cash or for value to be received)		
Advance Tax		Rs. -
Total		**Rs. 250,040,500**
Sundry Debtors (Considered good)		
- Due for more than 6 months		Rs. -
- Others		Rs. -
Total		**Rs. -**

	As At 31.12.2005
SCHEDULE 'E'	
CURRENT LIABILITIES & PROVISIONS	
Sundry Creditors	Rs. -
Advance from customers	Rs. -
Other Liabilities	Rs. 950
	Rs. 950
Add: Provision for taxation	Rs. -
Total	**Rs. 950**

SCHEDULE – F

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS ON 31.12.2005

1. The Company was incorporated as Private Limited Company on 07.10.2005 and subsequently converted into a Public Limited Company on 27.12.2005.
2. This is the First Balance Sheet of the Company. Hence, previous year's figures are not furnished.
3. The Company did not commence operations during the period from 07.10.2005 to 31.12.2005. Hence, Profit & Loss account is not prepared.
4. Expenditure on Employees:
   a) Number of employees who are employed throughout the year at a remuneration of Rs. 24,00,000/- or more per annum. Nil
   b) Employed for a part of the year and were in receipt of remuneration of Rs.2,00,000/- or more per mensem. Nil

5) Miscellaneous expenditure is amortized over a period of five years.

6) Details of transactions with Related Parties (Associate Companies / Key Management Personnel) during the period from 07.10.2005 to 31.12.2005.

Nature of Transaction – Unsecured loans

Particulars	**Related Party**	**Relationship**	**Amount Rs.**
Taken during the Period	Mr. Kalanithi Maran	Director	14,11,560
Outstanding as at 31.12.2005	Mr. Kalanithi Maran	Director	14,11,560

In terms of our report of even date

Managing Director

For **K. RAMKRISH & CO.,**
CHARTERED ACCOUNTANTS

Director

(K. RAMKRISHNAN)
PARTNER

PLACE: CHENNAI

DATED: 27.02.2006

KAL RADIO LIMITED
(Formerly Kal Radio Private Limited)

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST DECEMBER 2005

		(Rs.)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Cash from Operating Activities	**(A)**	**-**
B. CASH FLOW FROM INVESTING ACTIVITIES		
Preliminary & Pre- Operative Expenses		(1,371,060)
Net cash used in Investing Activities	**(B)**	**(1,371,060)**
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Share Capital		250,000,000
Unsecured Loans from Shareholders		1,411,560
Net cash used in Financing Activities	**(C)**	**251,411,560**
Net increase in Cash & Cash Equivalents	**(A+B+C)**	**250,040,500**
Cash and Cash Equivalents at the beginning of the period	-	
Cash and Cash Equivalents at the end of the period		**250,040,500**

For ***K. RAMKRISH & CO.,***
CHARTERED ACCOUNTANTS

Managing Director

Director

K. RAMKRISHNAN
PARTNER

PLACE: CHENNAI

DATED: 27.02.2006

FINANCIAL INFORMATION OF SOUTH ASIA FM LIMITED

Auditors' Report

The Board of Directors of
South Asia FM Limited (Formerly South Asia FM Private Limited)

1. We have examined the accompanying balance sheet of South Asia FM Limited ('the company') *(formerly South Asia FM Private Limited)* as at 31st December 2005 and the cash flow statement of the Company for the period from 09.11.2005 to 31.12.2005, prepared in accordance with accounting principles generally accepted in India.
2. The said financial statements have been prepared in accordance with the requirements of Schedule VI to the Companies Act, 1956 ("the Act"), the Securities and Exchange Board of India – Disclosure and Investor Protection Guidelines, 2000 ("the Guidelines") issued by the Securities and Exchange Board of India (SEBI) in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and applicable circulars / related clarifications; and in accordance with the letter dated 5th February, 2006 received from M/s. Sun TV Ltd, the holding Company of `the company' requesting us to carry out work in connection with the Offer document being issued by M/s. SUN TV Ltd, in respect of its initial public offer of equity shares.

   Further to the above, we report that in view of the fact that the company was incorporated only on 09.11.2005 and the financial statements relate only to a period from 09.11.2005 to 31.12.2005, no restatement of the financial statements is required.
3. The financial information has been prepared by the company and approved by the Board of Directors of the company.

Financial Information as per audited financial statements

We have examined :

a) the attached Balance Sheet along with the Schedules to the Balance Sheet of the Company as at 31.12.2005

b) the attached Cash Flow statement of the Company for the period from 09.11.2005 to 31.12.2005.

4. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
5. The accompanying financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 25, Interim Financial Reporting, issued by the Institute of Chartered Accountants of India, solely for the purpose of use in connection with the information required to be included in the proposed Initial Public Offer of its Holding Company, viz, M/s. Sun TV Limited, for a fresh issue of their equity shares.
6. On the basis of the information and explanation given to us, we are of the opinion that these financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
   i) in the case of the balance sheet, of the state of affairs of the Company as at December 31, 2005.
   ii) in the case of Cash Flow Statement, of the cash flows of the company for the period ended on that date.
7. This report is furnished solely for use as set out in paragraph 5 above, and is not to be used for any other purpose or referred to in any document or distributed to anyone without our prior written consent.

For **K. RAMKRISH & Co.,**
Chartered Accountants

(K RAMKRISHNAN)
Partner

Membership No.: **200/20963**
Chennai
February 27, 2006

SOUTH ASIA FM LIMITED

Balance Sheet as at 31st December 2005

	Sch. No.	As At 31.12.2005
SOURCES OF FUNDS:		
Share-holders' Funds:	A	Rs.100,100,050
Reserves & Surplus	B	Rs. -
Loan Funds:		
Secured Loans		Rs. -
Unsecured Loans	C	Rs. 861,000
Deferred Tax Liability		Rs. -
Total		Rs. 100,961,050
APPLICATION OF FUNDS:		
Fixed Assets:		
Gross Block		Rs. -
Less: Depreciation		Rs.-
Net Block		Rs. -
Investments		Rs. -
Current Assets, Loans & Advances	D	Rs. 100,090,050
Less: Current Liabilities & Provisions	E	Rs. 950
		Rs. 100,089,100
Miscellaneous Expenditure:		
Preliminary Expenses		Rs. 859,450
Pre- operative Expenses		Rs. 12,500
Notes to Accounts	F	
Total		Rs. 100,961,050

Notes referred to in Schedule 'F' form an integral part of this Balance Sheet and should be read in conjunction therewith

This is the Balance Sheet referred to in our Report of even date

*For **K. RAMKRISH & CO.,***
CHARTERED ACCOUNTANTS

K. RAMKRISHNAN
PARTNER

Managing Director

Director

PLACE: CHENNAI

DATED: 27.02.2006

SOUTH ASIA FM LIMITED

Schedules forming part of the Balance Sheet as at 31st December 2005

	As At 31.12.2005
SCHEDULE 'A'	
SHARE CAPITAL	
Authorised :	
1,50,00,000 Equity Shares of Rs.10/- each	Rs. 150,000,000
Issued, Subscribed, Called & Paid-up Capital	
1,00,10,005 Equity Shares of Rs.10/- each	Rs. 100,100,050
	Rs. 100,100,050
SCHEDULE 'B'	
RESERVES & SURPLUS	
Profit & Loss Account:	
Balance as per last year	Rs. -
Add: Profit/(Loss) for the year	Rs. -
Total	Rs. -
SCHEDULE 'C'	
UNSECURED LOANS	
From Shareholders	Rs. 861,000
	Rs. 861,000
	As At 31.12.2005
SCHEDULE 'D'	
CURRENT ASSETS	
Cash on hand	Rs. 50
Balances with Banks	
- In Current Account	Rs. 90,000
- In Fixed Deposit	Rs. 100,000,000
	Rs. 100,090,000
Sundry Debtors - Unsecured	Rs. -
Loans & Advances(Recoverable in cash or for value to be received)	Rs. -
Advance Tax	Rs. -
Total	Rs. 100,090,050
Sundry Debtors (Considered good)	
- Due for more than 6 months	Rs. -
- Others	Rs. -
Total	Rs. -

	As At 31.12.2005
SCHEDULE 'E'	
CURRENT LIABILITIES & PROVISIONS	
Sundry Creditors	Rs. -
Advance from customers	Rs. -
Other Liabilities	Rs. 950
	Rs. 950
Add: Provision for taxation	Rs. -
Total	Rs. 950

SCHEDULE – F

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS ON 31.12.2005

1) The Company was incorporated as Private Limited Company on 09.11.2005 and subsequently converted into a Public Limited Company on 27.12.2005.

2) This is the First Balance Sheet of the Company. Hence, previous year's figures are not furnished.

3) The Company did not commence operations during the period from 09.11.2005 to 31.12.2005. Hence, Profit & Loss account is not prepared.

4) Expenditure on Employees:

   a. Number of employees who are employed Throughout the year at a remuneration of Rs. 24,00,000/- or more per annum. — Nil

   b. Employed for a part of the year and were in receipt of remuneration of Rs.2,00,000/- \ or more per mensem. — Nil

5) Miscellaneous expenditure is amortized over a period of five years.

6) Details of transactions with Related Parties (Associate Companies / Key Management Personnel) during the period from 09.11.2005 to 31.12.2005.

Nature of Transaction – Unsecured loans

Particulars		**Related Party**	**Relationship**	**Amount Rs.**
Taken during the Period	(a)	Mr. Kalanithi Maran	Director	3,000
	(b)	M/s. Sun TV Ltd	Holding Company	8,58,000
Outstanding as at 31.12.2005	(a)	Mr. Kalanithi Maran	Director	3,000
	(b)	M/s. Sun TV Ltd	Holding Company	8,58,000

In terms of our report of even date

*For **K. RAMKRISH & CO.,***
CHARTERED ACCOUNTANTS

Managing Director

K. RAMKRISHNAN
PARTNER

Director

PLACE: CHENNAI

DATED: 27.02.2006

SOUTH ASIA FM Limited

(Formerly SOUTH ASIA FM PRIVATE LIMITED)

CASH FLOW STATEMENT FOR THE PERIOD FROM 09.11.2005 TO 31.12.2005

		(Rs.)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Cash from Operating Activities	**(A)**	**-**
B. CASH FLOW FROM INVESTING ACTIVITIES		
Preliminary & Pre- Operative Expenses		(871,000)
Net cash used in Investing Activities	**(B)**	**(871,000)**
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Share Capital		100,100,050
Unsecured Loans from Shareholders		861,000
Net cash used in Financing Activities	**(C)**	**100,961,050**
Net increase in Cash & Cash Equivalents	**(A+B+C)**	**100,090,050**
Cash and Cash Equivalents at the beginning of the period		-
Cash and Cash Equivalents at the end of the period		**100,090,050**

For ***K. RAMKRISH & CO.,***
CHARTERED ACCOUNTANTS

Managing Director

K. RAMKRISHNAN
PARTNER

Director

PLACE: CHENNAI

DATED: 27.02.2006

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations together with our financial statements, the notes thereto and the reports thereon, which appear elsewhere in this Red Herring Prospectus. These financial statements are based on Indian GAAP, which differs in certain significant respects from US GAAP. For more information on these differences, see "Summary of Significant Differences Between Indian GAAP and US GAAP", which appears elsewhere in this Red Herring Prospectus.

Our fiscal year ends on March 31 of each year, so all references to a particular fiscal year are to the twelve-month period ended March 31 of that year. Our revenue is referred to herein and in our financial statements as income.

Overview

We are the largest television broadcaster in the south Indian states of Tamil Nadu and Kerala and are also one of the largest television broadcasters in India, in terms of audience share. We offer four Tamil language channels, which are viewed primarily in Tamil Nadu, and two Malayalam language channels, which are viewed primarily in Kerala. Our channels collectively had the highest audience share of any network in Tamil Nadu for each of the past three years, and the highest audience share in Kerala during the same period. Our channels are also viewed in other regions in India and internationally, particularly by local Tamil and Malayalam speaking communities. In addition, we operate radio stations under the name Suryan FM, catering primarily to listeners in Tamil Nadu. Our principal business and source of income derives from broadcasting television programs.

Our television channels and radio stations cater to a wide audience in our core markets. Through an emphasis on regional tastes, building extensive programming content and the quality of our programs, we have steadily increased our audience share and program ratings. These factors have contributed to the growth in our total income and net profit after tax of 19.5% and 17.1%, respectively, on a compounded annual basis over the past five fiscal years.

Factors affecting our results of operations

Note Regarding Presentation

The discussion in this section pertains to our unconsolidated financial condition and results of operations except as noted otherwise. We have generally operated without subsidiaries in the periods discussed. However, in October and November of 2005, we formed two subsidiaries for the purpose of making bids to acquire new radio licenses. See "Objects of the Issue". These two subsidiaries were capitalized prior to December 31, 2005 but did not commence operations during the nine months ended December 31, 2005. Therefore the discussion below for the nine months ended December 31, 2005 is for Sun TV Limited on an unconsolidated basis. The capitalization of the subsidiaries is discussed below under "Liquidity and capital resources." The unconsolidated financial statements of these two subsidiaries, as well as the consolidated financial statements of our company, are included in the section "Financial Information".

Historically, our business included SCV, an MSO in Tamil Nadu. The business of SCV was a division of our company until April 2001. Thereafter, this business was transferred to an affiliated company in which our Chairman has a significant equity interest and thereafter to Kal Cables Private Limited, an affiliated company in which our Chairman has a majority equity interest. After transfer, we continued to be responsible for operating a number of aspects of this business pursuant to an agreement with the transferee. Given the extent of our involvement with the SCV business, our results of operations for periods ending on or prior to March 31, 2005 include the income and expenditures attributable to this business. We have ceased to operate this business and, effective as of April 1, 2005, this business is excluded from our results of operations. In addition, effective as of April 1, 2005, we transferred the assets and liabilities relating to our CAS division, which was a division of our Company which was responsible for administering SCV's CAS business in Chennai, to Kal Cables Private Limited, for aggregate consideration of Rs. 33.9 million. As a result, the business of this division is excluded from our results of operations as of April 1, 2005. Therefore, our financial statements as of and for periods ending on or prior to March 31, 2005 are not directly comparable to our financial statements as of and for the nine months ended December 31, 2005.

Sun TV Limited

Income

Sale of Services

Our income is primarily comprised of advertising income, broadcast fees, income from pay channels, cable distribution revenues and program license revenue. As the management agreement related to SCV was terminated effective April 1, 2005, we have not recognized any cable distribution revenue from this date.

Advertising income: Advertising income represents income generated from the sale of time on programs broadcast on our television and radio stations. In the nine months ended December 31, 2005, approximately 91.2% of our advertising income was derived from our television stations and approximately 8.8% was derived from our radio stations, compared to approximately 90.7% and 9.3% in fiscal 2005. Our flagship Sun TV channel generated approximately 57.2% and 66.7% of our advertising income in the nine months ended December 31, 2005 and in fiscal 2005. Advertising income is recognized when the related commercials are broadcast.

Our advertising rates vary by popularity of the program and whether the programs are in prime time. We categorize our programming based on the TRP rating such programs receive and based on whether the programs are in prime time. We have standard advertising rates for each category.

Our advertising income is typically higher in the second half of the fiscal year due to festival and holiday periods, which occur primarily from September to April. During these periods we charge for most programs based on our higher rate categories. Additionally, the number of advertising minutes per hour is increased from our standard six minutes per half hour on our Tamil stations to seven minutes per half hour. For example, in fiscal 2005 our advertising income was 18% higher in the second half of the fiscal year as compared to the first half.

Broadcast fees: Broadcast fees represent fees generated from the sale of time-slots to third party producers who produce programs for broadcast on our television channels for which producers are entitled to four minutes of advertising time per half hour. Broadcast fees are impacted, though to a lesser degree than advertising income, by the seasonal factors described above. Most of our broadcast fees come from our flagship Sun TV channel. Broadcast fee income is recognized when the related programming is broadcast. Broadcast fees also include the fees paid by Gemini TV and Udaya TV, our affiliated channels, for uplinking and play-out services.

Income from pay channels: Income from pay channels represents subscription fees paid by cable operators for our pay channels. We made KTV, Sun News and Sun Music pay channels in January 2003. In most areas, we provide these channels as a package or "bouquet" to cable operators, who often then package them with channels of third parties. The income we receive is determined based on contractually agreed rates for the number of persons to which the service is supplied based on the number of subscribers reported by the cable operators. In Chennai, MSOs offer these channels as free-to-air channels. We collect most of our pay channel fees from MSOs outside of Chennai through Channel Plus, a division of Kal Comm Private Limited, which is an affiliated company in which our Chairman has a majority equity interest. See the section titled "Our Promoter" on page 93. Channel Plus charges us a monthly fee for its collection services. In fiscal 2003, prior to the introduction of the pay channel concept in January 2003, income from pay channels represented the share of income we received from the sale of decoders to cable operators.

Cable distribution revenues: Cable distribution revenues represent the gross revenues from the MSO business of SCV, as well as the revenues of the CAS division. During fiscal years 2002 through 2005, we were responsible for operating a number of aspects of SCV's business, and recognized as income the full amount of distribution fees collected from the local cable operators. This arrangement was terminated, effective as of April 1, 2005. In addition, effective as of April 1, 2005, we transferred the assets and liabilities relating to our CAS division. Therefore, our financial statements for the nine months ended December 31, 2005 do not record cable distribution revenues.

Program licensing income: Program licensing income is generated by the sale of our program content to other countries, including the US, UK, UAE, Singapore, Malaysia and Sri Lanka, through our international distribution alliances.

License income: License income is generated by the sale to our affiliated channels of interests in certain of the film and program broadcasting rights that we have acquired, which we occasionally do, particularly with respect to English language movies. This income started in the second half of fiscal 2005.

Income from content trading: Income from content trading includes income from viewer SMS messages, which we started offering in September 2005.

Net Sale of Services

Net sale of services represents our total sales less service taxes paid. Service tax is an indirect tax on our services, similar to a value added tax, or VAT. Prior to fiscal 2005, this amount was not invoiced as a separate line item on our bills and was included in our sales. Beginning in April 2004, service taxes began to be invoiced separately and therefore our total sales after this change were booked net of service tax and are equivalent to net sales of services.

Other income

Other income is primarily composed of interest earned on bank deposits and also includes gains from foreign currency fluctuations. Approximately 2-3% of our income on a cash basis over the past three years has been in currencies other than Indian rupees, predominantly in US dollars, consisting of our program licensing income from international distribution affiliates. Approximately 3-6% of our total expenditures on a cash basis over the past three years have been in currencies other than Indian rupees, predominantly in US dollars, consisting primarily of the telecast fees paid for satellite transponder capacity. Since we ceased to be involved in the operations of SCV as of April 1, 2005, other income also includes the sales of encryption cards which previously had been included as a part of our cable distribution revenues.

Expenditures

Expenditures comprise our cost of revenues, employee remuneration and benefits, general, administrative and selling expenses and financial charges.

Cost of Revenues

The primary categories of our cost of revenues include amortization of intangible assets, subscription charges, costs of licenses, depreciation on production related assets, costs of program rights and telecast costs.

Amortization of intangible assets consists mainly of depreciation of film and broadcast rights. Since future revenues from broadcasts are not estimable with reasonable accuracy as these are susceptible to a variety of factors, such as the level of market acceptance of television products, programming viewership and advertising rates, costs related to film and program broadcasting rights are fully expensed at the time of first telecast.

Typically, we cannot broadcast movies for three years from the purchase of the movie rights in Tamil Nadu and two years from the purchase of the movie rights in Kerala, so as to ensure that the revenue in theaters is not undercut by the television broadcast. Our film and broadcasting rights are divided into three categories. Rights with respect to movies that we can broadcast immediately are considered intangible assets. Rights with respect to movies that we can broadcast within one year are considered other current assets. Rights with respect to movies that we can only broadcast after more than one year are considered non-current assets.

We believe that there has been a general downward trend in the number of movies released in Tamil in recent years. Because of this, the number of movies as to which we have purchased rights has declined. However, the average price paid has increased. The net effect of this has caused the amount of non-current assets to decline.

Subscription charges primarily consist of the fees SCV pays to its service provider, Kal Cables Private Limited, which is the owner of SCV. Since we ceased to be involved in the operations of SCV as of April 1, 2005, these costs are not included in our financial statements for the nine months ended December 31, 2005. Additionally, this category also includes fees paid to TAM (Television Audio Media research) for their research and to news providers such as Reuters and APTN.

Cost of licenses represents the license fees we pay to the Government for the broadcasting and other licenses required for our business. Our FM broadcasting licenses account for most of our license costs. We began our FM broadcasts in the spring of 2003. The Government has charged us a fixed amount for each FM license, which is increased by 15% each year. In January 2006, new regulations under the Phase II Policy took effect pursuant to which new FM licenses, as well as existing licenses that migrate to the new regime, will be set at 4% of revenues of the station per year. In connection with the migration to Phase II, we will be required to pay an estimated Rs. 250 million fee to transition our existing licenses to Phase II.

Depreciation on production related assets includes depreciation of fixed assets, primarily program production equipment, post-production equipment, reception and distribution facilities and data-processing equipment, used in the production of our television and radio programming.

Cost of program rights includes costs of programs we commission for our Surya TV channel.

Telecast costs include our costs of hiring satellite transponder capacity. This amount, which has remained stable, is currently paid in US dollars. Under a recent amendment to our agreement with New Skies Satellite, we could pay these charges in rupees.

Employee remuneration and benefits

Our employee remuneration and benefits include employee salaries and benefits as well as certain commissions paid to our Chairman. As discussed below, we paid Mr. Maran commissions in 2004 and 2005 in recognition of the growth we have achieved during his tenure. Due to our conversion from a private to a public limited company, the Companies Act provides that any remuneration that we pay to our Chairman is required to be limited to 5% of our net profit in any given year.

General, administration and selling expenses

General, administration and selling expenses include repairs and maintenance, depreciation of non-production related fixed assets and other overhead expenses not included as cost of revenues, as well as any losses on foreign currency fluctuations.

Financial charges

Financial charges are primarily composed of interest paid on secured loans and also include other bank charges.

Results of operations

The following table sets forth a summary of our results of operations for fiscal 2003, 2004 and 2005 and the first nine months of fiscal 2005 and 2006. The table also sets forth the relevant line items as a percentage of total income for the applicable periods.

	Fiscal 2003		Fiscal 2004		Fiscal 2005		First nine months of Fiscal 2005		First nine months of Fiscal 2006	
	Rs. in millions	% of income	Rs. in millions	% of income	Rs. in millions	% of income	Rs. in millions	% of income	Rs. in millions	% of income
Income										
Advertising income	1,221.7	56.0%	1,549.1	57.7%	1,556.6	51.7%	1,178.4	52.4%	1,489.0	58.9%
Broadcast fees	477.7	21.9%	458.3	17.1%	494.7	16.4%	378.3	16.8%	434.1	17.2%
Income from pay channels	79.9	3.7%	393.7	14.7%	397.7	13.2%	286.2	12.7%	372.9	14.8%
Cable distribution revenue*	387.8	17.8%	274.9	10.2%	356.1	11.8%	267.6	11.9%		—
Program licensing income	43.9	2.0%	48.7	1.8%	87.7	2.9%	59.9	2.7%	125.7	5.0%
License income	—	—	—	—	10.3	0.4%	4.6	0.2%	5.3	0.2%
Income from content trading	—	—	—	—	—	—	—	—	6.1	0.2%
Less service tax	(62.5)	(2.9)%	(108.2)	(4.0%)	—	—	—	—	—	—
Net sale of services	**2,148.5**	**98.5%**	**2,616.6**	**97.5%**	**2,903.1**	**96.4%**	**2,175.0**	96.8%	**2,433.1**	96.3%
Other income	33.4	1.5%	66.6	2.5%	107.4	3.6%	72.0	3.2%	93.9	3.7%
Total income	**2,181.9**	**100.0%**	**2,683.2**	**100.0%**	**3,010.5**	**100.0%**	**2,247.0**	100.0%	**2,527.0**	100.0%
Expenditure:										
Cost of revenue:										
Amortization of intangible assets	240.8	11.0%	234.0	8.7%	340.4	11.3%	261.3	11.6%	326.2	12.9%
Subscription charges	333.7	15.3%	381.2	14.2%	301.5	10.0%	228.3	10.2%	5.2	0.2%
Licenses	93.8	4.3%	121.5	4.5%	138.6	4.6%	101.7	4.5%	115.9	4.6%
Depreciation on production related assets	92.8	4.3%	114.1	4.3%	129.8	4.3%	94.4	4.2%	84.6	3.3%
Cost of program rights	110.5	5.1%	111.6	4.2%	110.2	3.7%	84.7	3.8%	78.5	3.1%
Other cost of revenue	164.3	7.5%	207.4	7.7%	167.5	5.6%	124.4	5.5%	129.9	5.1%
Employee remuneration and benefits:								0.0%		0.0%
Director's remuneration	6.2	0.3%	38.3	1.4%	333.5	11.1%	250.1	11.1%	8.8	0.3%
Employee salary and benefits	69.5	3.2%	74.9	2.8%	85.6	2.8%	63.8	2.8%	67.2	2.7%
General, administration and selling expenses	153.2	7.0%	184.8	6.9%	143.2	4.8%	97.6	4.3%	127.5	5.0%
Financial charges	3.0	0.1%	2.2	0.1%	35.9	1.2%	24.5	1.1%	32.4	1.3%
Total expenditures	**1,267.8**	**58.1%**	**1,470.0**	**54.8%**	**1,786.2**	**59.4%**	**1,330.8**	59.2%	**976.2**	38.6%
Profit before tax	**914.1**	**41.9%**	**1,213.2**	**45.2%**	**1,224.3**	**40.6%**	916.2	40.8%	1,550.8	61.4%
Provision for taxation	330.9	15.2%	435.9	16.2%	456.8	15.2%	341.0	15.2%	537.8	21.3%
Net profit after tax	**583.2**	**26.7%**	**777.3**	**29.0%**	**767.5**	**25.4%**	**575.2**	25.6%	**1,013.0**	40.1%
Adjustments for restatement	1.4	0.1%	(4.0)	(0.1)%	12.2	0.4%	—	—	10.6	0.4%
Net profit, as restated	**584.6**	**26.8%**	**773.3**	**28.8%**	**779.7**	**25.9%**	—	—	1,023.6	40.5%

* We have ceased to operate the SCV business and, effective as of April 1, 2005, this business is excluded from our results of operations

Comparison of the First Nine Months of Fiscal 2006 to the First Nine Months of Fiscal 2005

Our net sales of services increased by 11.9% from Rs. 2,175 million in the first nine months of fiscal 2005 to Rs. 2,433 million in the first nine months of fiscal 2006. Our net profit after tax increased by 76.2% from Rs. 575 million in the first nine months of fiscal 2005 to Rs. 1,013 million in the first nine months of fiscal 2006. Our financial statements for the first nine months of fiscal 2005 reflect the results of the SCV business and our CAS division for that period. From April 1, 2005, we have ceased to be involved in the operations of the SCV business and transferred the assets and liabilities of the CAS division and so our financial statements for the first nine months of fiscal 2006 do not reflect the results of those businesses.

Income

Our total income increased by 12.5% from Rs. 2,247 million in the first nine months of fiscal 2005 to Rs. 2,527 million in the first nine months of fiscal 2006.

Sales of Services

Net sales of services increased by 11.9% from Rs. 2,175 million in the first nine months of fiscal 2005 to Rs. 2,433 million in the first nine months of fiscal 2006 as a result primarily of increases in advertising income, income from pay channels, broadcast fees and program licensing income, which were partially offset by the fact that there were no cable distribution revenues as a result of the termination of our involvement in the operations of SCV and our transfer of the CAS division. As service tax was invoiced separately during both of these periods, our net sales of services was the same as our total sales.

Advertising income: Advertising income increased by 26.4% from Rs. 1,178 million in the first nine months of fiscal 2005 to Rs. 1,489 million in the first nine months of fiscal 2006. This reflected growth in advertising income for Surya TV because it stopped providing the discounts that it had offered to advertisers in 2005 in order to respond to competitive pressures. Additionally, it reflected the advertising revenues from the introduction of Kiran TV and the conversion of Sun Music to a satellite channel in 2005. We also experienced growth for Sun TV, KTV, Sun News and our FM radio business.

Broadcast fees: Broadcast fees increased by 14.8% from Rs. 378 million in the first nine months of fiscal 2005 to Rs. 434 million in the first nine months of fiscal 2006 due to significant growth at Surya TV because we started offering more time slots on the channel as well as growth at Sun TV due to the introduction of new time slots on the channel.

Income from pay channels: Income from pay channels increased by 30.4% from Rs. 286 million in the first nine months of fiscal 2005 to Rs. 373 million in the first nine months of fiscal 2006 due to an increase in our subscriber base which was impacted in part by measures to address underreporting of subscribers by cable operators.

Cable distribution revenue: We did not realize any cable distribution revenue in the first nine months of fiscal 2006, as compared to the Rs. 268 million of cable distribution revenue in the first nine months of fiscal 2005, due to the termination of our involvement in the operations of SCV and our transfer of the CAS division.

Program licensing income: Program licensing income more than doubled from Rs. 60 million in the first nine months of fiscal 2005 to Rs. 126 million in the first nine months of fiscal 2006. This was primarily due to increased revenues as a result of the increase in our international subscriber base, particularly in the US.

Income from content trading: Income from content trading was Rs. 6 million in the first nine months of fiscal 2006 as a result of income from viewer SMS messages, which we started offering in September 2005. We did not realize any income from content trading in the first nine months of fiscal 2005.

Other Income

Other income increased by 30.5% from Rs. 72 million in the first nine months of fiscal 2005 to Rs. 94 million in the first nine months of fiscal 2006 due primarily to a profit of Rs. 12 million on the transfer of the CAS division. Additionally, miscellaneous income increased by Rs. 8 million due to the inclusion of encryption card sales in miscellaneous income after April 1, 2005 when we ceased to be involved in the operations of SCV.

Expenditures

Our total expenditures decreased by 26.6% from Rs. 1,331 million in the first nine months of fiscal 2005 to Rs. 976 million in the first nine months of fiscal 2006, due in part to a decrease in subscription charges as a result of terminating our involvement in the operations of SCV and our transfer of the CAS division, and the payment of director's remuneration of Rs. 250 million to our Chairman in the first nine months of fiscal 2005 in recognition of the growth we have achieved during his tenure.

Cost of Revenue

The following table sets forth the components of our costs of revenue:

Rs. in millions

	First nine months of fiscal year	
	2005	**2006**
Amortization of intangible assets	261.3	326.2
Subscription charges	228.3	5.2
Licenses	101.7	115.9
Depreciation on production related assets	94.4	84.6
Cost of program rights	84.7	78.5
Telecast costs	56.5	55.7
Program production expenses	37.4	39.8
Pay channel service charges	21.9	25.6
Consumables and media expensed	7.6	8.5
Other production related expenditures	1.0	0.3
Total costs of revenue	**894.8**	**740.3**

Costs of revenue decreased by 17.3% from Rs. 895 million in the first nine months of fiscal 2005 to Rs. 740 million in the first nine months of fiscal 2006 due largely to the decrease in subscription charges of Rs. 223 million due to the termination of our involvement in the operations of SCV and our transfer of the CAS division. In addition, depreciation on production related assets decreased Rs. 10 million largely as a result of the transfer of the CAS division and cost of program rights decreased by Rs. 6 million due to fewer programs commissioned by Surya TV, which decreased the proportion of programming acquired from independent producers. These decreases were partially offset by increases in amortization of intangible assets and license fees. Amortization of intangible assets increased by 24.8% as a result of the telecast of blockbuster movies (which had higher costs) acquired in prior years. License fees also increased by 14.0% due primarily to the increase in our FM license fees as prescribed by law.

Employee remuneration and benefits

Our expenditures for employee remuneration and benefits decreased substantially from Rs. 314 million in the first nine months of fiscal 2005 to Rs. 76 million in the first nine months of fiscal 2006. This was due mainly to the payment of director's remuneration of Rs. 250.1 million to our Chairman in the first nine months of fiscal 2005 in recognition of the growth we have achieved during his tenure.

General, administration and selling expenses

General, administration and selling expenses increased by 30.6% from Rs. 98 million in the first nine months of fiscal 2005 to Rs. 128 million in the first nine months of fiscal 2006. This was a result of several items, including a Rs. 8 million increase in repairs and maintenance and a Rs. 8 million provision for doubtful debts. The increases were partially offset by Rs. 7 million in bad debts written off in the first nine months of fiscal 2005.

Financial Charges

Financial charges increased from Rs. 25 million in the first nine months of fiscal 2005 to Rs. 32 million in the first nine months of fiscal 2006 due to a increase in interest expense as a result of the increase in short term loans outstanding in the period.

Profit before tax

Our profit before tax increased by 69.3% from Rs. 916 million in the first nine months of fiscal 2005 to Rs. 1,551 million in the first nine months of fiscal 2006.

Provision for taxation

Our provisions for taxation increased by 57.7% from Rs. 341 million in the first nine months of fiscal 2005 to Rs. 538 million in the first nine months of fiscal 2006. Our effective tax rate (which is defined herein as current tax divided by profit before tax for the period) was 36.1% in the first nine months of fiscal 2005 and 34.7% in the first nine months of fiscal 2006. The statutory rate was 36.6% in the first nine months of fiscal 2005 and 33.6% in the first nine months of fiscal 2006.

Net profit after tax

Our net profit after tax increased by 76.2% from Rs. 575 million in the first nine months of fiscal 2005 to Rs. 1,013 million in the first nine months of fiscal 2006.

Restatements

Our net profit after tax in the first nine months of fiscal 2006, as restated, was Rs. 1,024 million. The restatement resulted in a net upward adjustment of Rs. 11 million. There was no restatement in respect of our financial statements for the first nine months of fiscal 2005.

Comparison of Fiscal 2005 to Fiscal 2004

Our net sales of services increased by 10.9% from Rs. 2,617 million in fiscal 2004 to Rs. 2,903 million in fiscal 2005. Our net profit after tax decreased by 1.2% from Rs. 777 million in fiscal 2004 to Rs. 768 million in fiscal 2005. Our net profit, as restated, increased by 0.9% from Rs. 773 million in fiscal 2004 to Rs. 780 million in fiscal 2005.

Income

Our total income increased by 12.2% from Rs. 2,683 million in fiscal 2004 to Rs. 3,011 million in fiscal 2005.

Sales of Services

Our sales of services increased by 6.5% from Rs. 2,725 million in fiscal 2004 to Rs. 2,903 million in fiscal 2005. Because service tax was deducted from our total sales in fiscal 2004, but billed separately and not included in total sales in 2005, net sales of services provides a more informative comparison of the growth of our business from fiscal 2004 to fiscal 2005. Net sales of services increased by 10.9% from Rs. 2,617 million in fiscal 2004 to Rs. 2,903 million in fiscal 2005 as a result primarily of increases in cable distribution revenue, broadcast fees and program licensing income.

Advertising income: Advertising income increased slightly by 0.5% from Rs. 1,549 million in fiscal 2004 to Rs. 1,557 million in fiscal 2005. This reflected growth in advertising income primarily for our flagship channel, Sun TV, which was largely offset by a reduction in advertising income for our Surya TV channel. Surya TV's advertising income declined in fiscal 2005 mainly because we offered advertisers substantial discounts on our published advertising rates in order to respond to competitive pressures in the Kerala market. Part of the decline is also explained by the increased time slots on Surya TV, revenues from which were accounted for as broadcast fees.

Broadcast fees: Broadcast fees increased by 8.1% from Rs. 458 million in fiscal 2004 to Rs. 495 million in fiscal 2005 due to increased income from time slots.

Income from pay channels: Income from pay channels increased from Rs. 394 million in fiscal 2004 to Rs. 398 million in fiscal 2005. In fiscal 2004, income from pay channels included certain other items such as subscription fees, certain one-time fees from cable operators and income from the sale of decoders for our CAS business.

Cable distribution revenue: Cable distribution revenue increased by 29.5% from Rs. 275 million in fiscal 2004 to Rs. 356 million in fiscal 2005 as a result of the general increase in the subscriber base.

Program licensing income: Program licensing income increased by 79.6% from Rs. 49 million in fiscal 2004 to Rs. 88 million in fiscal 2005. This was due in part to the fact that we entered into an alliance to broadcast our programming in Dubai in fiscal 2005 and in part to increases in subscribers under other international alliance agreements, particularly in the US.

Other Income

Other income increased by 59.7% from Rs. 67 million in fiscal 2004 to Rs. 107 million in fiscal 2005 due to an increase in cash held in deposit accounts.

Expenditures

Our total expenditures increased by 21.5% from Rs. 1,470 million in fiscal 2004 to Rs. 1,786 million in fiscal 2005. A significant proportion of the increase was due to the commission of Rs. 322 million paid to our Chairman.

Cost of Revenue

The following table sets forth the components of our costs of revenue:

Rs. in millions

	Fiscal Year	
	2004	**2005**
Amortization of intangible assets	234.0	340.4
Subscription charges	381.2	301.5
Licenses	121.5	138.6
Depreciation on production related assets	114.1	129.8
Cost of program rights	111.6	110.2
Telecast costs	76.4	74.8
Program production expenses	84.6	50.5
Pay channel service charges	34.6	29.7
Consumables and media expensed	11.3	10.4
Other production related expenditures	0.5	2.2
Total costs of revenue	**1,169.8**	**1,188.1**

Costs of revenue increased by 1.5% from Rs. 1,170 million in fiscal 2004 to Rs. 1,188 million in fiscal 2005 due primarily to an increase in amortization of intangible assets, which was largely offset by decreases in subscription charges and other costs. Amortization of intangible assets increased by 45.5% as a result of the telecast of blockbuster movies (which had higher costs) acquired in prior years. License fees also increased by 14.1% due to the annual increase of FM license cost as mandated under the Phase I policy. Subscription charges decreased by 20.9% because of a decrease in amounts paid to Kal Cables Private Limited under our agreement with that company for operating certain aspects of SCV's operations. This was a result of lower amounts paid by Kal Cables to broadcasters. Other costs of revenue declined largely due to a decrease of 40.3% in program production expenses due to certain one-time expenses incurred in fiscal 2004 such as the charter charges of a train commissioned for advertising purposes and the cost of shooting a special event in Malaysia and Singapore in 2004 as well as the conclusion of certain in-house programs such as *Thillana Thillana*.

Employee remuneration and benefits

Our expenditures for employee remuneration and benefits increased from Rs. 113 million in fiscal 2004 to Rs. 419 million in fiscal 2005. This was primarily due to an increase in director's remuneration from Rs. 38 million in fiscal 2004 to Rs. 333 million in fiscal 2005. Our Chairman received salary and other benefits of Rs. 11 million for each of fiscal 2004 and 2005. In addition, we paid our Chairman commissions of Rs. 28 million and Rs. 322 million, respectively, in fiscal 2004 and 2005 in recognition of the growth we have achieved during his tenure. By comparison, our Chairman received salary and other benefits of Rs. 8 million and did not receive any commissions in fiscal 2003.

Employee salary and benefits increased by 14.6% from Rs. 75 million in fiscal 2004 to Rs. 86 million in fiscal 2005 due mainly to an increase in employee remuneration (which is typically revised every two years) as well increased headcount in fiscal 2005, as a result of the growth in our business.

General, administration and selling expenses

General, administration and selling expenses decreased by 22.7% from Rs. 185 million in fiscal 2004 to Rs. 143 million in fiscal 2005. This was largely because of a Rs. 20 million (or 52.1%) decrease in expenses for repairs and maintenance. In addition, selling expenses declined by Rs. 12 million (or 57.0%) because in fiscal 2004 we incurred expenses for print advertisements in connection with the launch of our FM stations. There was also a Rs. 11 million (or 59%) decrease in bad debts written off. These decreases were partially offset by an increase in donations from Rs. 7 million in fiscal 2004 to Rs. 17 million in fiscal 2005 largely due to a donation to the Prime Minister's Relief Fund for tsunami relief and foreign currency loss of Rs. 7 million in fiscal 2004 due to the relative appreciation of the US dollar as compared to the rupee, among others.

Financial Charges

Financial charges increased from Rs. 2 million in fiscal 2004 to Rs. 36 million in fiscal 2005 due to an increase in interest expense as a result of the incurrence of short term loans. At March 31, 2005, we had a closing balance of Rs. 422 million in loans for working capital purposes.

Profit before tax

Our profit before tax increased by 0.9% from Rs. 1,213 million in fiscal 2004 to Rs. 1,224 million in fiscal 2005.

Provision for taxation

Our provisions for taxation increased by 4.8% from Rs. 436 million in fiscal 2004 to Rs. 457 million in fiscal 2005. Our effective tax rate was 35.9% in fiscal 2004 and 37.3% in fiscal 2005. The statutory rate was 35.9% in fiscal 2004 and 36.6% in fiscal 2005. The difference between our effective tax rates and the statutory rates is primarily due to differences in book and tax depreciation rates.

Net profit after tax

Our net profit after tax decreased by 1.2% from Rs. 777 million in fiscal 2004 to Rs. 768 million in fiscal 2005. As discussed above, a significant reason for the decline was the commission of Rs. 322 million paid to our Chairman in fiscal 2005.

Restatements

Our net profit, as restated, increased by 0.9% from Rs. 773 million in fiscal 2004 to Rs. 780 million in fiscal 2005. The restatement resulted in a net upward adjustment of Rs. 12 million for fiscal 2005 and a net downward adjustment of Rs. 4 million in fiscal 2004.

Comparison of Fiscal 2004 to Fiscal 2003

Our net sales of services increased by 21.8% from Rs. 2,149 million in fiscal 2003 to Rs. 2,617 million in fiscal 2004. Our net profit after tax increased by 33.3% from Rs. 583 million in fiscal 2003 to Rs. 777 million in fiscal 2004. Our net profit, as restated, increased by 32.1% from Rs. 585 million in fiscal 2003 to Rs. 773 million in fiscal 2004.

Income

Our total income increased by 23.0% from Rs. 2,182 million in fiscal 2003 to Rs. 2,683 million in fiscal 2004.

Sales of Services

Our sales of services increased by 23.2% from Rs. 2,211 million in fiscal 2003 to Rs. 2,725 million in fiscal 2004. Our net sales of services increased by 21.8% from Rs. 2,149 million in fiscal 2003 to Rs. 2,617 million in fiscal 2004. This reflected primarily increases in advertising income and income from pay channels, which was partially offset by a decrease in cable distribution revenue.

Advertising income: Advertising income increased by 26.8% from Rs. 1,222 million in fiscal 2003 to Rs. 1,549 million in fiscal 2004 due largely to increases at Sun TV and Surya TV and the contribution of our new radio channels. Advertising at Surya TV increased in part because of the conclusion of certain time slot based serials, which were replaced by in-house programming.

Broadcast fees: Broadcast fees decreased by 4.2% from Rs. 478 million in fiscal 2003 to Rs. 458 million in fiscal 2004 due to the conclusion of the serials discussed above.

Income from pay channels: Income from pay channels increased nearly fivefold from Rs. 80 million in fiscal 2003 to Rs. 394 million in fiscal 2004. We introduced the pay channel concept in January 2003, and received pay channel income for part of the last quarter of fiscal 2003, compared to all of fiscal 2004.

Cable distribution revenue: Cable distribution revenue decreased by 29.1% from Rs. 388 million in fiscal 2003 to Rs. 275 million in fiscal 2004 because the introduction of the CAS system resulted in subscriber rates falling significantly.

Program licensing income: Program licensing income increased by 11.4% from Rs. 44 million in fiscal 2003 to Rs. 49 million in fiscal 2004 due to an increase in programming licensing income from the sale of our program content overseas.

Other Income

Other income doubled from Rs. 33 million in fiscal 2003 to Rs. 67 million in fiscal 2004 due primarily to a Rs. 21 million (or 67.4%) increase in interest earned due to an increase in cash held in deposit accounts. In addition, other income increased by Rs. 13 million largely due to increases in commissions, bad debts recovered, provisions written back and miscellaneous income.

Expenditures

Our total expenditures increased by 15.9% from Rs. 1,268 million in fiscal 2003 to Rs. 1,470 million in fiscal 2004.

Cost of Revenue

The following table sets forth the components of our costs of revenue:

Rs. in millions

	Fiscal Year	
	2003	**2004**
Amortization of intangible assets	240.8	234.0
Subscription charges	333.7	381.2
Licenses	93.8	121.5
Depreciation on production related assets	92.8	114.1
Cost of program rights	110.5	111.6
Telecast costs	70.3	76.4
Program production expenses	72.6	84.6
Pay channel service charges	9.7	34.6
Consumables and media expensed	10.9	11.3
Other production related expenditures	0.8	0.5
Total costs of revenue	**1,035.9**	**1,169.8**

Costs of revenue increased by 12.9% from Rs. 1,036 million in fiscal 2003 to Rs. 1,170 million in fiscal 2004 reflecting increases in subscription charges, cost of licenses, pay channel service charges, depreciation on production related assets and program production expenses.

Subscription charges increased by 14.2% because of an increase in subscribers, as a result of which we paid higher subscription charges to broadcasters. Costs of licenses increased by 29.5% due to the new FM licenses that we were awarded. Pay channel service charges increased threefold as a result of purchases of encryption cards required by the introduction of pay channels. Depreciation on production related assets increased by 22.9% as a result of equipment purchases during 2003. Program production expenses increased by 16.5% as a result of certain one-time expenses incurred in fiscal 2004 such as the charter charges of a train commissioned for advertising purposes and the cost of shooting a special event in Malaysia and Singapore in 2004.

Employee remuneration and benefits

Our employee remuneration and benefits increased by 49.6% from Rs. 76 million in fiscal 2003 to Rs. 113 million in fiscal 2004. This was primarily due to an increase in director's remuneration from Rs. 8 million in fiscal 2003 to Rs. 38 million in fiscal 2004 because of a commission paid to our Chairman in fiscal 2004, as discussed above. Additionally, employee salary and benefits increased by 7.8% from Rs. 69 million in fiscal 2003 to Rs. 75 million in fiscal 2004 due to the addition of the staff at our FM stations.

General, administrative and selling expenses

General, administrative and selling expenses increased by 20.5% from Rs. 153 million in fiscal 2003 to Rs. 185 million in fiscal 2004. This was largely due to an increase in selling expenses from Rs. 8 million in fiscal 2003 to Rs. 21 million in fiscal 2004 as a result of print advertisements we used for the launch of the FM stations, a foreign currency loss of Rs. 7 million in fiscal 2004 due to the relative appreciation of the US dollar compared to the rupee and an increase in bad debts written off from Rs. 6 million in fiscal 2003 to Rs. 18 million in fiscal 2004. These increases were partially offset by a decrease in communication expenses from Rs. 16 million in fiscal 2003 to Rs. 7 million in fiscal 2004.

Financial charges

Financial charges decreased by 33.3% from Rs. 3 million in fiscal 2003 to Rs. 2 million in fiscal 2004 largely as a result of a reduction in interest expense.

Profit before tax

Our profit before tax increased by 32.7% from Rs. 914 million in fiscal 2003 to Rs. 1,213 million in fiscal 2004.

Provision for taxation

Our provisions for taxation increased by 31.7% from Rs. 331 million in fiscal 2003 to Rs. 436 million in fiscal 2004. Our effective tax rate was 36.2% in fiscal 2003 and 35.9% in fiscal 2004.

Net profit after tax

Our net profit after tax increased by 33.3% from Rs. 583 million in fiscal 2003 to Rs. 777 million in fiscal 2004.

Restatements

Our net profit, as restated, increased by 32.3% from Rs. 585 million in fiscal 2003 to Rs. 773 million in fiscal 2005. The restatement resulted in a net downward adjustment of Rs. 4 million in fiscal 2004 and a net upward adjustment of Rs. 1 million in fiscal 2003.

Liquidity and capital resources

Cash Flows

Based on our restated financial statements, as of December 31, 2005 we had cash and cash equivalents of Rs. 625 million as compared to Rs. 1,853 million as of March 31, 2005, Rs. 1,141 million as of March 31, 2004 and Rs. 564 million as of March 31, 2003. The decrease in our cash position at December 31, 2005 compared to March 31, 2005 reflected, among other things, the payments of dividends in November and December 2005, as discussed below.

Rs. in millions

	Year ending March 31,			Nine months ending December 31, 2005
	2003	**2004**	**2005**	
Net cash flow from operating activities	817.7	1,138.1	1,200.8	1,187.8
Net cash flow from (used in) investing activities	(623.9)	(503.1)	(875.5)	(571.8)
Net cash flow from (used in) financing activities	59.9	(51.1)	386.9	(1,844.1)
Cash and cash equivalents at end of period	**563.5**	**1,147.4**	**1,852.8**	**624.9**

Cash flows from operating activities

Our cash flow from operating activities in the first nine months of fiscal 2006 was Rs. 1,188 million, which reflects net profit before tax of Rs. 1,553 million and income taxes paid of Rs. 452 million, adjusted for Rs. 326 million of amortization of intangible assets and Rs. 108 million of depreciation, among others, which were partially offset by the reclassification of interest income as an investing activity. Working capital changes included an increase in sundry debtors of Rs. 332 million reflecting scheduled payments from international distribution affiliates and payments of domestic pay channel dues. There was also a decrease in non-current assets of Rs. 236 million (which was offset by the related increase in other current assets of Rs. 236 million) and an increase in loans and advances of Rs. 120 million relating to an advance consideration paid to our Chairman for the purchase, which was subsequently cancelled, of shares of an affiliated company and to advance tax payments. Additionally there was an increase in current liabilities and provisions of Rs. 148 million largely that was the result of a Rs. 76.8 million provision for taxes net of advance tax payments in the first nine months of fiscal 2006 as well as purchases of equipment and capital expenditures.

Our cash flow from operating activities increased by 5.5% from fiscal 2004 to fiscal 2005, primarily as a result of higher non-cash items in fiscal 2005, particularly amortization of intangible assets of Rs. 340 million, which was partially offset by the reclassification of interest income as an investing activity. In addition, there was a greater increase in fiscal 2005 than in fiscal 2004 in other current assets of Rs. 407 million because movie rights purchased in prior years became eligible for telecast within 12 months (which was offset by the related decrease in non-current assets of Rs. 389 million), as well as a decrease in loans and advances of Rs. 116 million, reflecting higher advance tax payments in prior years compared to tax provisions in the current year.

Our cash flow from operating activities increased by 39.2% from fiscal 2003 to fiscal 2004, primarily as a result of an increase in profit before tax, partially offset by an increase in income taxes paid. In addition, there was a greater decrease in fiscal 2004 than in fiscal 2003 in non-current assets of Rs. 408 million because movie rights purchased in prior years became eligible for telecast within 12 months (which was offset by the related increase in other current assets of Rs. 188 million), a greater increase in loans and advances of Rs. 169 million because of higher advance tax payments and a lower increase in sundry debtors of Rs. 101 million.

Cash flows from investing activities

Our cash flows used in investing activities were Rs. 572 million in the first nine months of fiscal 2006 and were comprised primarily of Rs. 318 million related to our investments in our subsidiaries Kal Radio Limited and South Asia FM Limited which were created to fund our bids for new radio licenses and Rs. 144 million for purchases of intangible assets (mainly movie rights). Our cash flows used in investing activities were Rs. 876 million in fiscal 2005 and were comprised primarily of a Rs. 511 million increase in capital works in progress as a result of entering into a contract to purchase land for operating purposes which was not completed as of March 31, 2005, Rs. 169 million for purchases of fixed assets and Rs. 289 million for purchases of intangible assets (mainly movie rights). Our cash flows used in investing activities were Rs. 503 million in fiscal 2004 and were comprised primarily of Rs. 233 million for purchases of fixed assets and Rs. 334 million for purchases of intangible assets (mainly movie rights). Our cash flows used in investing activities were Rs. 624 million in fiscal 2003 and were comprised primarily of Rs. 209 million for purchases of fixed assets and Rs. 439 million for purchases of intangible assets (mainly movie rights).

Cash flows from financing activities

In the first nine months of fiscal 2006 we paid our shareholders dividends of Rs. 1,850 million and taxes on the dividends of Rs. 260 million. This was partially offset by Rs. 326 million of unsecured loans raised. In fiscal 2005 we raised Rs. 422 million in secured loans and paid Rs. 35 million in interest which accounted for our cash flow from financing activities of Rs. 387 million. In fiscal 2004 we repaid Rs. 62 million in secured loans and raised Rs. 12 million in share capital, which in large part accounted for our cash flow used in financing activities of Rs. 51 million. In fiscal 2003 we raised Rs. 62 million in secured loans, which in large part accounted for our cash flow from financing activities of Rs. 60 million.

Liquidity

We have traditionally depended primarily on cash from operations to fund our working capital requirements and our capital expenditures. In addition to internally generated funds from operations, we incur short term secured loans for working capital purposes, primarily to pay taxes. We utilize these short term loans rather than withdrawing funds held in term deposit accounts prior to their maturity.

Dividends

We had not paid dividends prior to the special dividends in November and December 2005 of Rs. 1,500 million and Rs. 350 million, respectively. We will determine future dividends on an annual basis taking into account our results of operations, financial condition and anticipated capital requirements.

Financial Position

Based on our restated financial statements, our net worth increased by 23.8% from Rs. 3,273 million as of March 31, 2004 to Rs. 4,053 million as of March 31, 2005, and decreased by 26.8% from March 31, 2005 to Rs. 2,967 million as of December 31, 2005, reflecting primarily our accumulated profit over these years and the dividends paid in November and December 2005. Additionally, in December 2005, we also issued 60,000,150 equity shares to our shareholders as bonus shares, in the ratio of 30:1. These shares were issued by capitalizing the accumulated profits of the Company.

Assets

The table below sets forth the principal components of our assets as of March 31, 2004 and 2005 and December 31, 2005:

Rs. in millions

	As of March 31,		As of December 31,
	2004	2005	2005
Fixed assets[1]			
Plant and machinery	577.8	567.8	477.5
Other fixed assets	358.6	413.8	478.4
Capital work-in-progress including capital advances	8.4	519.8	92.8
Intangible assets[1, 2]	68.5	87.7	53.1
Investments	3.3	3.5	318.3
Non-current assets[3]	456.4	353.0	258.9
Current assets, Loans and Advances:			
Inventories (consumables and media)	1.1	2.4	1.7
Sundry debtors[4]	518.1	650.7	975.8
Cash and bank balances:			
Cash and cheques in hand	2.2	12.4	3.1
Bank balances with scheduled banks	1,138.4	1,840.6	621.8
Other current assets[5]	291.6	342.0	834.1
Loans and advances	201.8	107.3	157.8
Total Assets	**3,626.2**	**4,901.0**	**4,273.3**

1. Net of depreciation.
2. For film and program broadcasting rights, includes rights available for use as of the balance sheet date.
3. Film and broadcast rights where the right to telecast commences after 12 months from the balance sheet date.
4. Less provision for doubtful debts. All debts considered doubtful are fully provided for.
5. Film and broadcast rights where the right to telecast commences within 12 months from the balance sheet date.

Our total assets increased by 35.2% from Rs. 3,626 million as of March 31, 2004 to Rs. 4,901 million as of March 31, 2005. This was due to an increase in capital work-in-progress, funds held in deposit accounts at scheduled banks and debts to sundry debtors outstanding for less than six months and was partially offset by a decrease in non-current assets and loans and advances. The increase in capital work in progress of Rs. 511 million was due to entering into a contract to purchase land for operating purposes which was not completed as of March 31, 2005. The increase in amounts owed by sundry debtors outstanding for less than six months of Rs. 133 million reflected the scheduled payment of pay channel dues. The decrease in non-current assets of Rs. 103 million was due to decreased purchases of film and broadcast rights due to decreases in the number of movies released. The decrease in loans and advances of Rs. 95 million reflected higher advance tax payments in prior years compared to tax provisions in the current year.

Our total assets decreased by 12.8% from Rs. 4,901 million as of March 31, 2005 to Rs. 4,273 million as of December 31, 2005. This was due to decreases in funds held in deposit accounts, capital works in progress and non-current assets and an increase in other current assets, amounts owed by sundry debtors and investments. The decrease of Rs. 1,219 million in funds held in deposit accounts was a result of funds required for the Rs. 1,850 million paid in dividends at the end of calendar year 2005. The decrease in capital work in progress of Rs. 427 million was largely due to canceling a land purchase that had been under contract as of March 31, 2005. The decrease in non-current assets of Rs. 94 million was due to decreased purchases of film and broadcast rights due to decreases in the number of movies released. The increase in other current assets of Rs. 492 million is primarily due to the reclassification of the land purchase contract as assets held for disposal to other current assets. The increase in amounts owed by sundry debtors of Rs. 325 million reflected scheduled payments from international distribution affiliates and payments of domestic pay channel dues. The increase in investments of Rs. 315 million reflects the investment of Rs. 223 million in our subsidiary Kal Radio Limited and Rs. 95 million in our subsidiary South Asia FM Limited to fund our bids for new radio licenses.

Liabilities and Provisions

The table below sets forth the principal components of our liabilities and provisions as of March 31, 2004 and 2005 and December 31, 2005

Rs. in millions

	As of March 31,		As of December 31, 2005
	2004	2005	
Loan funds:			
Secured loan	—	421.9	393.2
Unsecured loan	—	—	326.0
Deferred tax liability (net)	44.9	47.7	31.3
Current liabilities and provisions:			
Sundry creditors	113.4	140.3	58.6
Book overdraft from banks	1.0	1.6	—
Advance from customers	28.6	53.1	56.3
Deposit from customers	56.5	22.3	6.5
Interest accrued but not due	—	—	2.9
Accrued expenses	108.8	161.4	354.9
Provision for taxation (net of advance payment)	—	—	76.8
Total Liabilities and Provisions	353.2	848.3	1,306.5

Our total liabilities increased from Rs. 353 million as of March 31, 2004 to Rs. 848 million as of March 31, 2005. This was largely due to the Rs. 422 million of secured loans incurred in fiscal 2005 for short term liquidity needs and the Rs. 53 million increase in accrued expenses relating to FM license fees.

Our total liabilities increased by 54.1% from Rs. 848 million as of March 31, 2005 to Rs. 1,307 million as of December 31, 2005. This was largely due to the Rs. 393 million of short term secured loans incurred in the third quarter of fiscal 2006, and an increase of Rs. 194 million in accrued expenses largely due to the accrual of telecast fees and FM license fees and a Rs. 77 million provision for taxation. This was partially offsets by a decrease of Rs. 82 million in amounts owed to sundry creditors, which largely reflected payment of telecast fees for fiscal 2005 which were accrued in 2005 but paid in fiscal 2006.

Capital Expenditures

Our capital expenditures consist principally of purchases of program production and data processing equipment, land and other fixed assets, and movie rights. Our capital expenditures for fiscal 2003, 2004 and 2005 were Rs. 648 million, Rs. 567 million and Rs. 458 million, respectively, representing the acquisition of fixed assets and intangible assets (mainly movie rights). For a discussion of capital expenditures in fiscal 2006 and later periods, including amounts related to the acquisition and development of new radio licenses, see the section titled "Objects of the Issue" on page 21.

Off-balance Sheet Arrangements and Commitments

We do not have any material off-balance sheet arrangements. In addition to our commitments and lease obligations described below, as part of the transition our existing FM licenses from Phase I to the Government's new Phase II regime, we will be required to pay an estimated Rs. 250 million. This obligation is not included in the table below. The table below sets forth the principal components of our capital commitments (net of advances) and leases as of March 31, 2004 and 2005 and December 31, 2005:

Rs. in millions

	As of March 31,		As of December 31, 2005
	2004	2005	
Outstanding commitments on capital contracts	23.3	-	30.5
Commitments for acquisition of film and program broadcast rights	65.3	81.3	59.2
Leases:			
Payments due not later than one year	70.3	63.2	72.7
Payments due 1 - 5 years	121.0	66.8	176.8
Payments due after five years	1.0	20.3	17.3

Capital commitments (net of advances) decreased by Rs. 23.3 million from March 31, 2004 to March 31, 2005 because we did not have any outstanding commitments on capital contracts as of March 31, 2005. The decrease was partially offset by a 24.5% increase in commitments of the acquisition of film and program broadcasting rights. Lease commitments decreased by 21.8% from March 31, 2004 to March 31, 2005 due to payments made under existing contracts.

Capital commitments (net of advances) increased by Rs. 30.5 million from March 31, 2005 to December 31, 2005 because we did not have any outstanding commitments on capital contracts as of March 31, 2005. The amount as of December, 2005 represented capital commitments in respect of our new SAP enterprise system and import of equipment which are currently being rolled out. The increase was partially offset by a 27.2% decrease in commitments for the acquisition of film and program broadcasting rights because movies for which we had paid advances have since been accounted for as intangible assets. Lease commitments increased by 77.5% from March 31, 2005 to December 31, 2005 because due to our new satellite uplinking agreement.

New Accounting Standards.

Due to a revision of AS 15, for which an effective date has not yet been announced, companies will be required to account for actuarial gains and losses on retirement benefits. We do not believe that this change will have a material impact on our financial results.

Selected Financial Data Comparing Standalone to Consolidated Results and Financial Position

Our consolidated financial statements include our two subsidiaries, Kal Radio Limited and South Asia FM Limited, of which we own 89.0% and 95.1%, respectively. Both subsidiaries were created in the third quarter of fiscal 2006 to bid for radio licenses under the Government's Phase II policy. As these two companies have not commenced operations, they had no income and expenses for the period from their formation through December 31, 2005. The following table presents selected financial data comparing our standalone balance sheet for the nine months ending December 31, 2005 to our consolidated financial statements for the nine months ending December 31, 2005.

Rs. in millions

	Sun TV Standalone	Sun TV Consolidated
Fixed assets (including capital works in progress)	1,048.7	1,048.7
Intangible assets	53.1	53.1
Investments	318.3	0.8
Non-current assets	258.9	258.9
Current Assets		
Bank balances with scheduled banks	621.8	971.9
Other current assets	1,972.5	1,971.6
Total assets	**4,273.3**	**4,305.0**
Loan funds	719.2	720.6
Deferred tax liability (net)	31.3	31.3
Current liabilities and provisions	556.0	556.0
Total liabilities	**1,306.5**	**1,307.9**
Miscellaneous expenditure	-	2.1
Shareholder funds	2,966.8	2,966.8
Minority interest	-	32.4

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN INDIAN GAAP AND US GAAP

The financial statements included in this Red Herring Prospectus have been prepared in accordance with applicable Indian GAAP and the applicable provisions of the Companies Act, 1956 and the SEBI Guidelines. Indian GAAP differs in certain respects from US GAAP.

The following table summarizes the significant differences between Indian GAAP and US GAAP in so far as they are relevant to the financial statements of the Company. The following summary is not intended to and may not include all the differences that exist between US GAAP and Indian GAAP that may be relevant to the Company. US GAAP is generally considered to be more prescriptive regarding recognition and measurement of transactions, account classification and disclosure requirements. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions and events are presented in the financial statements and the notes thereto. Various US GAAP and Indian GAAP pronouncements, including guidance provided by the US Securities and Exchange Commission, have been issued for which the mandatory application date is later than December 31, 2005. These together with standards that are in the process of being developed in both jurisdictions could have a significant impact on future comparisons between Indian GAAP and US GAAP.

S. No	Particulars	Indian GAAP	US GAAP
1	Contents of financial statements	Companies are required to present balance sheets and profit and loss accounts for two years along with the relevant accounting policies and notes. Additionally all listed companies (including companies in the process of getting listed) and companies which meet certain economic or industry criteria are required to present cash flow statements as a part of their annual financial statements There is no standard or requirement to present comprehensive income as a part of the shareholders equity.	Companies are required to present balance sheets, statements of operations, statements of cash flows and statements of changes in stockholders' equity for two years along with the relevant accounting policies and notes to accounts. Public companies are required to present statements of operations, statements of cash flows and statements of changes in stockholders' equity for three years. They need not present the balance sheet for the third year. A statement of comprehensive income (comprising primarily of unrealized gains and losses) is required and is generally presented as part of the statement of changes in stockholders' equity.
2	Changes in accounting policies	The effect of a change in accounting policy must be recorded in the income statement of the period in which the change is made except as specified in certain standards where the change resulting from a first time adoption of the standard has to be adjusted against opening retained earnings.	The effect of a change in accounting policy is generally included (net of taxes) in the current year income statement, after extraordinary items. Pro-forma comparatives reflecting the impact of the change is generally disclosed.
3	Correction of errors	The effect of correction of errors must be included in the current year income statement with appropriate disclosure as a prior period item.	The correction of material errors usually results in the restatement of relevant prior periods.

S. No	Particulars	Indian GAAP	US GAAP
4	Consolidation	All listed companies are required to present consolidated financial statements in their presentation of annual financial statements. Consolidated financial statements are however not mandatory for interim period financial statements.	Presentation of consolidated financial statements is mandatory for all enterprises for all periods presented.
5	Accounting for joint ventures	Each venturer recognizes in its separate and consolidated financial statements its share of jointly controlled assets, any liabilities it has incurred, its share of any liabilities incurred jointly with other venturers in relation to the joint venture, any income from sale or use of its share of output of the joint venture, together with its . Financial reporting of interests in joint venturer's share of and any expenses which it has incurred in respect of interest in joint venture. There is no specific guidance with respect to variable interest entities. In the annual financial statements, disclosure is required for the share of interest in the joint venture.	Companies are required to evaluate if they have any interests in variable interest entities, as defined by FIN 46(R). Consolidation of such entities may be required if certain conditions are met
6	Business Combinations	Recognizes both the "pooling of interest" and the "purchase method" in accounting for business combinations under differing circumstances.	Recognizes only the purchase method of accounting for business combinations.
7	Goodwill	Goodwill is the excess of the purchase price over the carrying value of the net assets acquired. Goodwill arising out of a business combination is allowed to be amortized over a period of 5 years. Goodwill is required to be tested for impairment annually.	Goodwill is the excess of the purchase price over the fair value of the net assets acquired. Goodwill is not amortized but, tested for impairment annually.
8	Negative Goodwill (i.e., the excess of the fair value of net assets acquired over the aggregate purchase consideration).	Negative goodwill referred to in Indian GAAP as "capital reserve is computed based on the book value of assets (not the fair value) taken over/acquired and is presented as a component of shareholders funds.	Negative goodwill, which is determined as the excess of the net aggregate fair value of the assets transferred over the purchase consideration is allocated to reduce proportionately the fair value assigned to non-current assets. Any remaining excess is considered to be an extraordinary gain.

S. No	Particulars	Indian GAAP	US GAAP
9	Intangible assets	Intangible assets (other than goodwill) are capitalized if specific criteria are met and are amortized over their useful life, generally not exceeding 10 years. The recoverable amount of an intangible asset that is not available for use or is being amortized over a period exceeding 10 years should be reviewed at least at each financial year- end even if there is no indication that the asset is impaired.	When allocating purchase price of a business combination, companies need identify and allocate such purchase price to intangible assets, based on specific criteria. Intangible assets that have an indefinite useful life are required to be tested, at least annually, for impairment. Intangible assets that have finite useful life are required to be amortized over their estimated useful lives.
10	Segment Information	Specific requirements govern the format and content of a reportable segment and the basis of identification of a reportable segment. The information for disclosure is to be prepared in conformity with the accounting standards used for the company as a whole.	Public companies are required to report information about operating segments in annual financial statements and selected information about operating segments in interim financial reports issued to shareholders. There are requirements for related disclosures about products and services, geographic areas, and major customers. Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the Chief Operating Decision Maker in deciding how to allocate resources and in assessing performance. Generally, financial information is required to be reported on the basis that it is used internally for evaluating segment performance and deciding how to allocate resources to segments.
11	Dividends.	Dividends are reflected in the financial statements of the year to which they relate even if proposed or approved after the year end.	Dividends are accounted for when approved by the board/shareholders. If the approval is after year end, the dividend is not considered to be a subsequent event that needs to be reflected in the financial statements.
12	Property, Plant and Equipment Fixed assets	Property, Plant and Equipment Fixed assets are recorded at the historical costs or revalued amounts. Foreign exchange gains or losses relating to the procurement of property, plant and equipment are required to be adjusted to the cost of the asset. Depreciation is recorded over the asset's useful life. Schedule XIV to the Companies Act prescribes minimum	Revaluation of fixed assets is not permitted under US GAAP. All foreign exchange gains or losses relating to the payables for the procurement of property, plant and equipment are recorded in the income statement. Depreciation is recorded over the asset's useful life. Therefore the useful life may be different from the useful life

S. No	Particulars	Indian GAAP	US GAAP
		rates of depreciation and typically companies use these as the basis for useful life. Interest cost on specified or identifiable borrowings is capitalized to qualifying assets during its construction period.	based on Schedule XIV. The interest cost, if material, eligible for capitalization shall be the interest cost recognized on borrowings and other obligations. The amount capitalized is an allocation of the interest cost incurred during the period required to complete the asset. The interest rate for capitalization purposes is to be based on the rates on the company's outstanding borrowings.
13	Investment in Marketable Securities.	Unrealized appreciation on available for sale securities or trading securities is not recognized. Unrealized depreciation on available for sale securities and trading securities is recognized in the income statement.	Investments are classified either as trading, held-for-sale or held to maturity (debt only). Unrealized gains and losses on available for sale securities are recorded as other comprehensive income, which is a component of stockholders' equity. Unrealized gains and losses on trading securities are recognized in the income statement.
14	Impairment of assets, other than goodwill.	Applicable for accounting periods beginning from April 1, 2004 onwards for: Enterprises whose equity or debt securities are listed on a recognized stock exchange in India, and enterprises that are in the process of issuing equity or debt securities that will be listed on a recognized stock exchange in India as evidenced by the board of directors' resolution in this regard, or All other commercial, industrial and business reporting enterprises, whose turnover for the accounting period exceeds Rs. 500 millions. (Applicable for financial years beginning on April 1, 2005 for other than listed companies). If impairment is indicated, the assets must be written down to higher of net selling price and the value in use based on discounted cash flows.	An impairment analysis is performed if impairment indicators exist. An impairment loss shall be recognized only if the carrying amount of a long-lived asset (asset group) is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset (asset group) is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset (asset group). An impairment loss shall be measured as the amount by which the carrying amount of a long-lived asset (asset group) exceeds its fair value (which is determined based on undiscounted cash flows).

S. No	Particulars	Indian GAAP	US GAAP
15	Pension / Gratuity / Post Retirement Benefits.	The liability for defined benefit plans like gratuity and pension is determined as per actuarial valuation. There is no defined method of expense determination, the discount rate determination criteria, and guidance for valuation of plan assets and the choice is left to the discretion of actuary.	The liability for defined benefit schemes is determined using the projected unit credit actuarial method. The discount rate for obligations is based on market yields of high quality corporate bonds. The plan assets are measured using fair value or using discounted cash flows if market prices are unavailable. If at the beginning of the year, the actuarial gains or losses exceed 10% of the greater of the projected benefit obligation or the market-related value of plan assets, then such amount is not recognized immediately, but amortized over the average remaining service period of active employees expected to receive benefits under the plan.
16	Leases	Leases are classified as finance or operating in accordance with specific criteria. Judgment is required to determine if the criteria are met or not.	The criteria to classify leases as capital or operating include specific quantitative thresholds.
17	Derivatives – measurement of derivative instruments and hedging activities.	The accounting for derivative instruments has not clearly emerged in the Indian context. Currently what is applicable is the Guidance Note on Accounting for Equity Index and Equity Stock Futures and Options are the pronouncements, which address the accounting for derivatives. However, the accounting treatment recommended in the guidance note is applicable to all contracts entered into for Equity Derivative Instruments irrespective of the motive. The impact of derivative instruments are correlated with the movement of the underlying assets and liabilities and accounted pursuant to the principles of hedge accounting. The related amount receivable from and payable to the swap counter parties is included in the other assets or liabilities in the balance sheet. When there is no correlation of movements between derivatives and the underlying asset or liability, or if the underlying asset or liability specifically	There is specific accounting guidance required for derivative instruments, including certain derivative instruments embedded in other contracts, (collectively referred to as derivatives) and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as (a) a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment (fair value hedge), (b) a hedge of the exposure to variable cash flows of a forecasted transaction (cash flow hedge), or (c) a hedge of the foreign currency exposure of a net investment in a foreign operation, an unrecognized firm commitment, an available-for-sale security, or a foreign-currency-denominated forecasted transaction (net investment hedge).

S. No	Particulars	Indian GAAP	US GAAP
		related to the derivative instrument is matured, sold or terminated, the derivative instrument is closed out or marked to market as an element of non interest income on an outgoing basis. There is no specific guidance with respect to the documentation that must be maintained for hedge accounting.	The accounting for changes in the fair value of a derivative (that is, gains and losses) depends on the intended use of the derivative and the resulting designation. Fair value hedge: the gain or loss is recognized in earnings in the period of change together with the offsetting loss or gain on the hedged item attributable to the risk being hedged. Cash flow hedge and net investment hedge: the effective portion of the derivative's gain or loss is initially reported as a component of other comprehensive income and subsequently reclassified into earnings when the forecasted transaction affects earnings. The ineffective portion of the gain or loss is reported in earnings immediately. For a derivative not designated as a hedging instrument, the gain or loss is recognized in earnings in the period of change. An entity that elects to apply hedge accounting is required to establish at the inception of the hedge the method it will use for assessing the effectiveness of the hedging derivative and the measurement approach for determining the ineffective aspect of the hedge. Those methods must be consistent with the entity's approach to managing risk.
18	Deferred taxes	Deferred tax asset/liability is classified as long term. The tax rate applied on deferred tax items is the substantially enacted tax rate.	Deferred tax asset/liability is classified as current and long-term depending upon the nature of the underlying asset or liability. The tax rate applied on deferred tax items is the enacted tax rate.
19	Revenue recognition	Revenues are recognized when all significant risks and rewards of ownership are transferred.	US GAAP has extensive literature on revenue recognition topics and application of these guidelines could result a different measurement of revenues across accounting periods.

S. No	Particulars	Indian GAAP	US GAAP
20	Stock based compensation	Relatively simple guidance on fair value accounting for employee stock based compensation using an options pricing model.	A more detailed guidance on accounting of stock based compensation plans including variable accounting under FIN 44, FAS 123(R) etc.,
21	Barter Transactions	Advertising Barter Transactions No specific guidance, although generally revenue from barter transactions is recognized at the fair value of the item received or given, whichever is more readily determinable.	Revenue and expense should be recognized at fair value from an advertising barter transaction only if the fair value of the advertising surrendered in the transaction is determinable based on the entity's own historical practice of receiving cash, marketable securities, or other consideration that is readily convertible to a known amount of cash for similar advertising from buyers unrelated to the counterparty in the barter transaction.

SECTION VI: LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as stated below there are no outstanding litigation, suits, criminal or civil prosecutions, proceedings or tax liabilities against our Company, and there are no defaults, non payment of statutory dues, over-dues to banks/financial institutions, defaults against banks/financial institutions, defaults in dues payable to holders of any debenture, bonds and fixed deposits and arrears of preference shares issue by the Company, defaults in creation of full security as per terms of issue/other liabilities, proceedings initiated for economic/civil/any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part 1 of Schedule XIII of the Companies Act) other than unclaimed liabilities of the Company (the subsidiaries of the Company have no material litigation pending against them) and no disciplinary action has been taken by SEBI or any stock exchanges against the Company, its Subsidiaries, its Promoter or Directors.

Cases filed against the Company

Criminal Proceedings against our Company and our Managing Director

1. A criminal appeal bearing C.A. 1125 of 2001 has been filed before the High Court of Judicature at Madras by one *Chitra Lakshmanan* against our Company represented by its managing director, Mr. Kalanithi Maran. The criminal appeal has been filed against the order of the Metropolitan Magistrate's Court, Saidapet, Chennai dated August 9, 2001 dismissing a criminal complaint bearing C.C. No. 3606 of 1998. The criminal complaint alleged copyright infringement on part of our Company in relation to a Tamil language feature film.
2. A notice under Section 91 of the Code of Criminal Procedure, 1973, was issued by the investigating officer in August 2001, against Mr. Kalanithi Maran (our Promoter and Chairman and Managing Director) in his capacity as managing director of our Company directing him to produce certain tapes relating to the telecast of footage by Sun TV in relation to the arrest of the former Chief Minister of Tamil Nadu, Mr. M. K. Karunanidhi. The said notice has been issued by the investigating officer in pursuance of complaint filed by one M.K. Mohammed Ibrahim before the North Beach Police Station, Chennai in Crime No. 714/2001.

   We have also filed a criminal original petition bearing Crl.O.P 21724 of 2003 before the High Court of Judicature at Madras seeking the quashing of the notice under section 91 of the Criminal Procedure Code, 1973. The High Court of Judicature at Madras quashed the notice on July 28, 2003. The Government of Tamil Nadu has filed a special leave petition bearing S.L.P. (Cri) No. 908 of 2004 before the Supreme Court against the order of the High Court of Judicature at Madras quashing the aforesaid notice. The special leave petition is currently pending adjudication before the Supreme Court and the next date of hearing has not been determined.

Criminal Proceedings against our Company

1. A complaint, bearing C.C.490 of 2004, has been filed against our Company by one *S. Reghu Kumar* under Section 499 and 500 of the Indian Penal Code, 1860 on grounds of an alleged defamation arising from a television broadcast, before Judicial First Magistrate Court, Neyyattinkara. We have filed Crl. M. C. 1710 of 2004 before the High Court of Kerala, Ernakulam seeking a quashing of the said complaint. The said criminal proceedings have been stayed by the High Court of Kerala.

Civil Suits

A total of 59 civil suits have been initiated against our Company in various fora. The aggregate liability arising against our Company in respect of the said civil suits is approximately Rs. 20,697,200. Their details are as follows:

Infringement

1. Civil suits have been filed against our Company in various *fora* alleging the infringement of copyright in relation to various Tamil and Malayalam language feature films. No monetary damages have been sought in the said cases. Details of the

same are as follows;

S. No.	Forum	No. of cases
1.	High Court of Judicature at Madras	11
2.	City Civil Court, Chennai	1
3.	Munsiff Court, Attingal	1
4.	Sub-judge Court, Ernakulam	1
5.	District Court, Madurai	1
6.	District Court, Allapuzha	1
7.	District Court, Adhoni	1

2. Certain civil suits seeking monetary relief have been filed against us in various *fora* in relation alleging the infringement of copyright in relation to various Tamil and Malayalam language feature films. Details of the same are as follows;

S. No.	Forum	No. of cases	Amounts sought to be recovered
1.	High Court of Judicature at Madras	15	8,150,000
2.	City Civil Court, Chennai	1	300,000

3. We are a party to fifteen civil suits with Raj TV (another regional TV broadcaster), either filed by us or by Raj TV, in relation to alleged infringement of copyright in respect of 66 Tamil feature films. Raj TV and we have reached an agreement to settle all the aforesaid civil suits. Under the terms of the agreement, Raj TV and us have agreed to withdraw these cases upon each of them being listed.

4. A civil suit bearing C.S.No.206 of 1999 has been filed by *M/s. Minbimbangal Productions Private Limited*, Chennai against our Company and is pending before the High Court of Judicature at Madras. This suit relates to an allegation of trademark infringement. No claim for monetary relief has been made against us.

Defamation Cases

5. Six suits have been initiated against the Company in various *fora* on grounds of defamation. Details of the same are as follows:

S. No.	Forum	No. of Cases	Amounts sought to be recovered
1.	High Court of Judicature at Madras	1	1,000,500
2.	IInd Additional Sub Ordinate Judges Court, Thiruvananthapuram.	2	1,105,000
3.	IIIrd Additional Munsiffs Court, Thiruvananthapuram	1	100,000
4.	Sub Ordinate Judge Court II, Ernakulam	2	10,000,000

Workmen's Compensation Case

6. A Workmen's Compensation Case numbered WCC 51 of 2002 has been filed before Workmen Compensation Commission, Thiruvananthapuram by *S. Vinod Kumar* against our Company and the National Insurance Corporation Limited, in relation to a personal injury suffered by the petitioner, alleging non payment of workmen's compensation. The petitioner has claimed Rs. 300,000 against the Company. The said case is to come up for hearing before the tribunal on April 5, 2006.

Motor Vehicles Accident Case

7. A petition bearing number O.P. (M.V.) No. 1621 of 2004 has been filed by one *Rajesh Kumar* in the Motor Accident Claims Tribunal, Pathanamthitta against Surya TV (as a division of our Company) and the driver of a motor vehicle owned by our Company. The petitioner has claimed Rs. 250, 000 against the Company. The said case is to come up for hearing before the tribunal on December 15, 2006.

Miscellaneous Civil Cases

8. A total of 2 civil suits have been initiated against our Company by plaintiffs in various *fora* on various grounds including telecast of certain alleged defamatory advertisements, trespass seeking various reliefs including injunctive relief and monetary compensation aggregating to Rs. 41,700. O.S.A.No. 323, 324 and 325 of 2005 are pending before High Court of Judicature at Madras in one of the above civil suits. The said appeals deal with a dispute between two companies with regards to certain advertisements. Our Company and certain other television channels have been made parties to the said suit to ensure that the allegedy defamatory advertisements are not broadcast on our channels if an injunction is granted.

Proceedings before the TDSAT

1. A petition has been filed before the TDSAT by *Chirag Telelinks* against our Company and Gemini TV Private Limited on grounds of a violation of applicable regulations seeking directions mandating the supply of decoders and grant of access to signals of certain television channels to the petitioners.
2. A petition has been filed before the TDSAT by *Supriya Cable Network* against our Company on grounds of a violation of applicable regulations seeking directions mandating the supply of decoders and grant of access to signals of certain television channels.

Writ Petitions/Public Interest Litigation

1. A writ petition in the nature of Public Interest Litigation bearing W.P. No. 8496/2000 has been initiated by *Mrs. E.V.R. Lakshmi Ammal*, against our Company and others. The said matters are pending before the High Court of Judicature at Madras and pertain to the advertisement of certain products on Sun TV and seek an injunction against the broadcast of certain content on Sun TV. No claim for damages is made in the said matters.
2. A writ petition by way of Public Interest Litigation bearing number W.P.No.29146/ 2005, has been initiated by *N. Santhanam* against Sun TV, represented by its Managing Director and others, before the High Court of Judicature at Madras in respect of the broadcast of a feature film and seek an injunction against the broadcast of certain content on Sun TV. No claim for damages is made in the said matters.
3. A writ petition in the nature of Public Interest Litigation bearing number W.P. No. 1232 of 2004 has been filed by *Mrs. Pratibha Naithani* against our Company and others in connection with the broadcast of certain allegedly objectionable feature films on various televisions channels and seeks an injunction against the broadcast of certain content. No claim for damages is made in the said matters. The said case is pending final disposal before the High Court of Judicature, Mumbai.
4. Several writ petitions bearing W.P.Nos.30287 of 2003, 28740 /2003, 30288 /2003, 30289 of 2003, 30211 to 30215 /2003, 30286 /2003, have been initiated before the High Court of Judicature at Madras by various parties who have named our Company as a respondent. All of these petitions seek directions mandating the supply of decoders and are pending final disposal. No claim for damages has been made in the said matters.

Cases filed by the Company

Criminal Cases

We have initiated the following criminal proceedings in various *fora*, and the details of the same are as follows.

1. We have filed an unnumbered private complaint against *Mujeeb* and *Santhosh* in connection to the tele serial “Unniarcha” on grounds of forgery committed by them. The said complaint is currently pending before the Chief Judicial Magistrate’s Court at Thiruvananthapuram.
2. A criminal complaint bearing C.C.No. 4826 of 2005 is currently pending before the Metropolitan Magistrate at Saidapet, Chennai. The said matter relates to infringement of copyright and has been initiated against Kairali TV and two others. The said complaints are to come up for hearing before the Magistrate’s Court on March 20, 2006.
3. We have initiated proceedings under Section 138 of the Negotiable Instruments Act, 1881 before the Metropolitan Magistrate, Saidapet, Chennai against Mr. Paul Chackola by means of three unnumbered criminal complaints seeking recovery of a total amount of Rs. 350,000.

4. We have filed 19 criminal complaints against Dan TV Limited before the Metropolitan Magistrate at Saidapet, Chennai on grounds of copyright infringement in relation to a Tamil language motion picture. The said complaints remain unnumbered as of date. The said complaints are to come up for hearing before the Magistrate's Court on May 16, 2006.

Civil Cases

Our Company has filed several civil suits before various *fora* against various plaintiffs. Details of the same are as follows:

S. No.	Subject Matter	No. of Cases	Forum	Amounts sought to be recovered
1	Recovery of moneys advanced towards rights in feature films	3	High Court of Judicature at Madras and City Civil Court Chennai	Rs. 3,003,146
2	Infringement of Copyright	16	High Court of Judicature at Madras and City Civil Court Chennai	Nil.
3	Recovery of moneys	1	High Court of Judicature at Madras	Rs. 518,925

Writ Petitions

We have filed three writ petitions bearing W.P. No's: 38344 of 2004, 38345 of 2004 and 13075 of 2004 before the High Court of Judicature at Madras naming the Union of India and 4 others as respondents. All of these petitions have been filed in pursuit of a relief of certiorari seeking the quashing of the communication on payment of license fees issued by the MIB. We have recently paid the amounts due under the above communication and will consequently withdraw the above writ petitions as and when they are listed for hearing.

Criminal Proceedings against our Directors

1. A criminal complaint bearing C.C.No.657/2002 has been filed by Manava Rama Krishna before First Class Judicial Magistrate at Warangal against Mr. Kalanithi Maran, Devika and Gemini TV Private Limited. The said complaint relates to an alleged defamation. Three criminal revision petitions bearing numbers Crl.P.No.1008/2003, Crl.P.No.726/2003 and Crl.P.No.727/2003 have been filed by Gemini TV Private Limited before the Hon'ble High Court of Andhra Pradesh seeking a cessation and quashing of proceedings against Mr. Kalanithi Maran, and Smt. Devika arising out of C.C. No. 657/2002.

Udaya TV Private Limited

Cases filed against Udaya Private Limited

Criminal Cases

1. A criminal complaint numbered CC No. 4647/2002 has been filed by one *B.T. Sampathkumar* against Vice President, Udaya TV Private Limited, and others, on grounds of an allegedly defamatory news item. The said compliant is pending before the Additional Metropolitan Magistrate's Court at Bangalore. The said compliant is to come up for hearing on March 14, 2006.
2. A petition alleging contempt of court and numbered CCC No. 2/2005 has been filed by one *A.V. Amarnathan* against Udaya TV represented by Mr. Vijay Kumar and others. This case was filed in connection with a alleged act of criminal contempt arising in connection with the writ petition numbered W/P No. 33082/2004. The said petition was filed by *A.V. Amarnathan* against various respondents including Udaya TV Private Limited before the High Court of Karnataka seeking the restraint on the broadcast of a serial on Udaya TV.

Writ Petitions

1. Three sets of writ petitions bearing numbers W/P No.35429-35436/2004, 37338-37369/2004 and 44248/2004 have been filed by certain petitioners against various respondents including Udaya TV Private Limited before the High Court of Karnataka. The said petitions raise certain objections against the conversion of certain Kannada language television channels, i.e., Udaya TV, Ushe TV and Udaya News into pay channels.
2. A writ petition bearing number W/P No. No. 7272/2005 has been filed by one *Vijay Kumar* against various respondents including Udaya TV Private Limited before the High Court of Karnataka. The petition seeks a writ of mandamus directing

certain respondents to cancel the license granted to one of the respondents to operate a cable network in Bidar district. No claims for monetary relief have been made in the said petition.

3. Writ petitions bearing numbers W/P No. 40260/2004 and W/P No.18347/2005 have been filed by various petitioners against Udaya TV Private Limited and others before the High Court of Karnataka alleging non comformity with certain broadcast related directions and regulations following the denial of access to television signals, and seeking directions granting access to the said channels.

Civil Suits

1. Two civil suits bearing numbers O.S. 237 and 278 of 2004 have been filed against Udaya TV Private Limited and others by various plaintiffs before the City Civil Judge, Mandya, Chikkamagalur. These suits have been initiated on grounds of the denial of access to signals of Udaya TV, Ushe TV and Udaya News to the cable networks operated by the plaintiffs and seek restoration of the same. An injunction directing the grant of access to these channels is currently operational in these matters.

2. Several civil suits have been initiated against Udaya TV Private Limited before various *fora* seeking to restraint the broadcast of various feature films on Udaya TV and Ushe TV. Details of the same are as follows:

S. No.	Forum	No of Cases	Amounts sought to be recovered
1	District and Sessions Court RR Dist Hyderabad.	1	Rs.500,000 per film for two films and Rs.30,000 per film for an additional two films .
2	City Civil Court at Bangalore	3	Nil.
3	District Court, Hyderabad	1	Nil

3. Three civil suits bearing OS No. 138, 338 and 16589 of 2005 have been filed by various plaintiffs before the court of the City Civil Judge at Bangalore against Udaya TV Private Limited. The said suits seek directions restraining the telecast of a certain television series.

4. A civil suit bearing. OS No. 1288/2005 has been filed by one Vijaya Kumar against Udaya TV private limited before the City Civil Judge at Bangalore. This suit seeks to contest the termination the dealership given in favor of the plaintiff in Bidar district. The said matter is to come up for hearing on June 13, 2006.

5. A Civil suit bearing Number O.S. 4513 of 2002 has been filed by Sushrutha Medical Aid and Research Hospital against Udaya TV Private Limited and others on grounds of an allegedly defamatory news item seeking damages of Rs. 2,000,000. The said matter is to come up for hearing on May 31, 2006.

Consumer Complaints

One complaint has been filed before the District Consumer Forum at Tumkur seeking grant of access to signals of channels telecast by Udaya TV Private Limited to the petitioners network and recovery of consolidated damages amounting to Rs. 225,000 and interest in addition thereto. A memorandum for withdrawal of the said complaint has been filed before the forum and the said compliant is scheduled to be withdrawn upon its being listed. .

Cases filed by Udaya TV Private Limited

Criminal Cases

1. Udaya TV Private Limited has initiated a criminal original petition bearing Crl. O. P. No 1171/2003 against one *B.T. Sampathkumar* before the High Court of Karnataka seeking the cessation of further proceedings in connection with CC 4647/2002 pending before the Magistrate Court at Bangalore.

2. Udaya TV Private Limited has filed a criminal compliant numbered as C.C.No.2914/2002 before the Metropolitan Magistrate, Saidapet, Chennai against M/s. M3 TV Millennium represented by its Proprietor Mr. *Rajesh Aravind*. The said complaint has been initiated on under S. 138 of the Negotiable Instruments Act, 1881 on grounds of dishonor of a cheque. A monetary claim of Rs.338, 300 has been filed in this connection. The said matter is to come up for hearing on March 28, 2006.

Civil Suits

1. Udaya TV Private Limited has filed 13 civil suits before various *fora* against *Ushakiron Television*, *Ushodaya Enterprises Limited* & others on grounds of copyright infringement seeking a restraint against the broadcast of various Kannada language feature films on the television channel ETV. We have obtained ad interim orders of injunction restraining such broadcast in some of these cases. Details of the same are as follows

S. No.	Forum	No of Cases	Amounts sought to be recovered
1	City Civil Court, Bangalore.	4	Nil
2.	The High Court of Judicature at Chennai,	8	Nil
3.	District Court, Hyderabad	1	Nil

2. Udaya TV Private Limited has filed two civil suits bearing O.S. No. 185/2005 and O.S. No. 6635/2004 before the City Civil Court, Bangalore against various defendants seeking directions prohibiting the latter from circulating VCDs of a Kannada feature film. The said suits have been filed on the grounds of copyright infringement and breach of contract. No damages have been sought in this matter.

3. Udaya TV Private Limited has have filed a miscellaneous application bearing number M.A 22/2004 before The District and Sessions Court at Mandya, against the order of temporary injunction passed by City Civil Judge (Jr.Dn) in OS No .237/2004 which sought the grant of access to television signals to the plaintiffs therein. The said matter is to come up for hearing on May 15, 2006.

Contingent Liability as of March 31, 2005

Udaya TV Private Limited has contingent liabilities amounting to Rs 10,500,000 on account of a Bank Guarantee executed by it.

Gemini TV Private Limited

Cases filed against Gemini TV Private Limited

Criminal proceedings

1. Criminal complaint bearing C.C. No.1526/2003 was filed by *Adapa Chiranjeevi* on grounds of copyright infringement against Mr. P. Kiran as a director of Gemini TV Private Limited and others. The said complaint is pending before the Metropolitan Magistrate, Namapalli. The said matter has been posted for hearing on March 29, 2006.

2. A criminal appeal bearing C.C.C.A No.208 of 2005 has been filed by Shalimar Video Vision before the High Court of Andhra Pradesh in appeal against the judgement of the City Civil Judge, Hyderabad, seeking vacation of an interim injunction ordered in a proceeding initiated by Gemini TV Private Limited on grounds of copyright infringement.

3. A criminal complaint bearing C.C.No.431/2003 has been filed by M/s Sree Venkateswara Theater against Gemini TV Private Limited and others before the District Court, Tanuku. The said complaint has been filed on grounds of alleged defamation. The said matter has been posted for hearing on March 20, 2006.

4. A criminal complaint bearing C.C.No.657/2002 has been filed by *Manava Rama Krishna* before First Class Judicial Magistrate at Warangal against Mr. Kalanithi Maran, Devika and Gemini TV Private Limited. The said complaint relates to an alleged defamation. Three criminal revision petitions bearing numbers Crl.P.No.1008/2003, Crl.P.No.726/2003 and Crl.P.No.727/2003 have been filed by Gemini TV Private Limited before the Hon'ble Court of Andhra Pradesh seeking a cessation and quashing of proceedings against Mr. Kalanithi Maran, and Smt. Devika arising out of C.C. No. 657/2002. The original criminal compliant has been posted for hearing on March 17, 2006.

Sun TV Limited

Civil suits

Copyright infringement

Five civil suits have been filed against Gemini TV Private Limited by various plaintiffs on grounds of alleged copyright infringement in relation to certain Telugu language feature films. Details of the same are as follows :

S. No.	Forum	No of Cases	Amounts sought to be recovered
1	High Court of Judicature at Madras	3	7,352,000
2.	Chief Judge's Court, Hyderabad	1	Nil
3.	High Court of Andhra Pradesh, Hyderabad	1	Nil

Suits filed seeking directions for access to signals

Five civil suits have been filed by various cable operators before various *fora inter alia* seeking directions granting access to signals of various Telugu language channels including Gemini TV and Teja TV. The details of the same are as follows

S. No.	Forum	No of Cases	Amounts sought to be recovered
1	Civil Judge, Tandur, R.R. District	1	Nil
2	Civil Judge, Medchal, R.R. District	1	Nil
3.	Civil Judge, Bodhan, Nizamabad Dist	1	Nil
4.	Civil Judge, Rajahmundry	1	Nil
5.	Chief Judge, Kukatpally, R.R. District	1	Nil

Miscellaneous Civil Proceedings

1. A civil suit bearing O.S. No. 1092 of 2005 has been filed before the Civil Judge, Rajahmundry by *Dhavaleswaram Communications Network* against Adireddy and others seeking a recovery of certain sums due from them in relation to certain subscription charges. While Gemini TV Private Limited has been impleaded in said matter, no relief has been sought against them. The above matter is to come up for hearing before the court on March 13, 2006.

2. Two civil suits bearing suit number O.S. 430 and 431 of 2005 has been filed by *Usha Kiron Movies* against Gemini TV Private Limited is pending before the City Civil Court, Hyderabad. The said matter has been posted for a first hearing on March 10, 2006.

3. Four civil suits have been filed against Gemini TV Private Limited on grounds of alleged defamation. Details of the same are as follows:

S. No.	Forum	No of Cases	Amounts sought to be recovered
1	Civil Judge, Warangal	1	Nil
2	Principal Civil Judge Court, Vishakapatnam	1	20,000,000
3	Civil Judge, Adoni, Kurnool	1	1, 000,000
4	Senior Civil Judge Court, Tanuku	1	Nil

3. Gemini TV Private Limited has been named as a respondent in the Special Leave Petitions bearing SLP No. 12383 of 2005 and SLP No. 16657 of 2005 filed by filed by *Dhanda Ashok Reddy* against the order of the National Consumer Disputes Redressal Commission in R.P.No.780 of 2005 which was filed by the said *Dhanda Ashok Reddy* against Gemini TV Private Limited seeking grant of access to signals of Gemini TV and Teja TV. The appeal preferred under the said Special Leave Petition seeks an enhancement of compensation which was granted under the order of the National Commission by a sum of Rs. 100,000.

4. C.S. No.635 of 2001 filed by M/s Upasana Finance Limited against Mr.A.Manohar Prasad, a director of Gemini TV Pvt. Ltd., and others is pending before the High Court of Judicature at Madras. Gemini TV Private. Limited has been impleaded as a Garnishee in the said case and an order in application bearing Appl. No. 5424 of 2005 dated March 3rd, 2006, restraining the

company from releasing salary and commission payable to Mr. A. Manohar Prasad has been passed. Pursuant to OSA No. 58 of 2006 the division Bench of the High Court of Judicature at Madras has granted an interim stay on the operation of the said order.

Writ Petitions

1. Gemini TV Private Limited has been named as a respondent in writ petitions filed by various petitioners seeking directions mandating the activation of decoders for the TV channels Gemini TV and Teja TV.

S. No.	Forum	No of Cases	Amounts sought to be recovered
1	High Court of Judicature at Chennai	1	Nil
2	High Court of Andhra Pradesh at Hyderabad	3	Nil

2. Gemini TV Private Limited has been named as respondent in the Special Leave Petition bearing SLP No. 6679 of 2004 filed by Union of India in appeal against the order of the High Court of Judicature at Andhra Pradesh in WP No. 3959 0f 2004. The said petition was initiated by Gemini TV Private Limited seeking a quashing of the order of the Election Commission of India prohibiting the broadcast of political advertisements by Gemini TV Private Limited and certain other television channels in Andhra Pradesh. This matter is currently pending before the Supreme Court of India.

3. Gemini TV Private Limited and another have been named as a respondent in a Writ Petition bearing W.P. No. 27978 of 2005 filed before the High Court of Judicature at Andhra Pradesh by M/s Akash Cables TV Network Private Limited seeking the striking down the Telecommunications (Broadcasting and Cable Services) Interconnection Regulations, 2004.

Petitions pending before the TDSAT

A total of 22 petitions have been filed before the TDSAT by various petitioners against Gemini TV Private Limited on grounds of a violation of applicable regulations seeking directions mandating the supply of decoders and grant of access to signals of Gemini TV to the petitioners.

Proceedings before the MRTP Commission

A petition bearing number RTPE No. 9 of 2004 has been filed by *Srinivasa Cable Networks* against Gemini TV Private Limited on grounds of alleged unfair trade practices on the part of Gemini TV Private Limited The said complaint arises in connection with a denial of access to signals of Gemini TV and seeks the directions mandating the supply of decoders to the petitioner. No damages have been sought in the instant case.

Proceedings before the Consumer Forum

A consumer complaint bearing R.P. No. 89 of 2005 has been filed by one *Dhanda Ashok Reddy* against Gemini TV Private Limited and two others seeking directions restoring access to signals of Teja News and Adithya TV.

Labour related proceedings

A petition bearing No. 8082 of 2005 has been filed before the Labour Officer for Concilliation, Chennai – Case filed by one *M. Kameswara Rao* against Gemini TV. The Petitioner in the matter has sought reinstatement into service with full back wages and other benefits and continuity of service. The said matter is to come up for hearing before the labour officer on March 29, 2006.

Cases filed by Gemini TV Private Limited

Criminal Compliants

A criminal complaint bearing C.C.No.1100/2004 (XVIII) has been filed before the Metropolitan Magistrate, Saidapet, Chennai by Gemini TV Private Limited under Section 138 of the Negotiable Instruments Act, 1881 against *Mr. Mukesh Jain* seeking to recover a sum of Rs.248, 244. The said matter is to come up for hearing on April 19, 2006.

Gemini TV Private Limited has filed 7 criminal proceedings in the matters bearing numbers SR No.258 of 2005, S.R. No. 8744 of 2005, CC. No. CC 324 / 2004, C.C.No.992/2003 and C.C.SR No.20472/2002 and 20473 of 2002 in addition to one unnumbered proceeding before the Metropolitain Magistrate, Nampally, Hyderabad seeking relief on grounds of copyright infringement in relation to various telugu language feature films.

Sun TV Limited

Gemini TV Private Limited had initiated criminal proceedings under criminal compliant bearing CC No. 856 of 2003 against Vissa TV before the Metropolitain Magistrate, Nampally, Hyderabad seeking relief on grounds of copyright infringement in relation to a telugu language feature film. The above criminal compliant is to be withdrawn on the next date of hearing.

Civil suits

1. Gemini TV Private Limited has filed civil suits before various *fora* on grounds of copyright infringement in respect of various Telugu language feature films. We have not sought monetary compensation in any of the above matters. The details of the same are as follows:

S. No.	Forum	No of Cases	Amounts sought to be recovered
1	High Court of Judicature at Madras.	2	Nil
2	City Civil Court at Hyderabad	4	Nil

2. Gemini TV Private Limited has filed 2 civil suits seeking monetary relief before the High Court of Judicature at Madras against various defendants on grounds of copyright infringement in respect of certain Telugu language feature films. The aggregate monetary relief claimed in the said matters amounts to Rs. 1,002,000.
3. A civil suit bearing suit number O.S. 8495 of 2005 has been filed by Gemini TV Private Limited, against *M/s. Hathway Cable and Datacom Private Limited* and 19 others before the City Civil Court, Hyderabad. The above said case has been filed seeking directions requiring the defendants to transmit certain satellite channels in prime brand. The said matter has been posted for hearing on March 10, 2006.

Contingent Liability as of March 31, 2005

Gemini TV Private Limited has certain contingent liabilities arising on account of legal suits and claims filed against it, the extent of which are not ascertainable.

Kal Comm Private Limited

Cases filed against Kal Comm Private Limited

Petitions

A writ petition bearing WP No. 8791 of 2005 pending before the High Court of Judicature Madras, Madurai Bench, have been filed by Mr. S. Kanagaraj against the Telecom Regulatory Authority of India, Kal Comm Private Limited and others seeking a writ of mandamus directing the restoration of access to signals of the television channels KTV, Sun News and Sun Music.

Petitions filed before the TDSAT

One petition bearing No.62 (C) of 2006 have been filed before the Telecom Disputes Settlement and Appellate Tribunal against Kal Comm Private Limited by Malnad Multimedia Network against Channel Plus and others seeking a direction ordering the restoration of access to signals of certain TV channels.

Civil suits

Kal Comm Private Limited is named as a defendant in O.S.A No. 377 of 2005 filed before the High Court of Judicature at Chennai by *Adyar Property Holdings* seeking the imposition of various restrictions on construction in relation to certain properties.

Petitions filed before the TDSAT

Two petitions bearing No.150 (C) of 2005 and No. 151 (C) of 2005 have been filed before the Telecom Disputes Settlement and Appellate Tribunal against Kal Comm Private Limited by Ramani Arumugam and Mega Channels against Channel Plus and others seeking a direction ordering the restoration of access to signals of certain TV channels.

Cases filed by Kal Comm Private Limited

Writ Petitions

Kal Comm Private Limited has filed a Writ Petitions bearing W/P No. 12639 of 2004 and 32582 of 2004 before the High Court of

Judicature at Chennai against the Commissioner, Corporation of Coimbatore, Commissioner, Corporation of Chennai and others seeking a Writ of Mandamus directing the Respondents to forbear from interfering with its cable operations.

Contingent Liability as of March 31, 2005

Kal Comm Private Limited has no contingent liabilities as of March 31, 2005.

Kovai Murasu Private Limited

Cases filed against Kovai Murasu Private Limited

A case bearing STC No. 4346 of 2002 pending before the Judicial Magistrate, Ooty has been filed by Mr. *A. G. Suresh* against the Editor of *Malai Murasu*, a Tamil language newspaper published from Coimbatore by Kovai Murasu Private Limited. The said matter relates to an allegedly libellous statement published in the said newspaper. Kovai Murasu Private Limited has initiated The accused in the instant matter has initiated Crl.O.P. No. 25090 of 2003 before the High Court of Judicature at Madras.

Contingent Liability as of March 31, 2005

All liabilities of Kovai Murasu Private Limited have been provided except liabilities of contingent nature. The disputed sales tax payment is not recognized nor provision made.

Kal Cables Private Limited

Cases filed against Kal Cables Private Limited

Criminal Cases filed against Kal Cables Private Limited

Two criminal complaints have been filed against Karan TV (a cable channel owned by Kal Cables Private Limited) in relation to an alleged infringement of copyright and seeking directions prohibiting the telecast of clippings and songs:

S. No.	Forum	No of Cases	Amounts sought to be recovered
1.	Judicial Magistrate, Erode	1	Nil
2.	Judicial Magistrates Court, Tuticorin	1	Nil

Writ petitions against Kal Cables Private Limited

1. A writ petition bearing W.P. No. 21837 of 2005 pending before High Court of Judicature, Madras, has been filed by Sri Sai Channel against SCV (a unit of Kal Cables Private Limited) and others seeking a writ of certiorari quashing certain pre assessments of entertainment tax/service tax. No claim for damages has been made.
2. A writ petition bearing No. W.P. 10547 of 2004 has been filed before the High Court of Judicature at Madras by Ram Cable Systems against SCV (a unit of Kal Cables Private Limited) seeking the grant of access to cable signals to the petitioner. No claim for damages has been made.
3. A writ petition bearing W.P. No. 14738 of 2003 pending before High Court of Judicature, Madras, has been filed by Corporation Colony against SCV (a unit of Kal Cables Private Limited) and others by way of public interest litigation seeking a writ of mandamus issuing certain directions in relation to cables. No claim for damages has been made.
4. A writ petition by way of public interest litigation bearing W.P. No. 11086 of 2003 has been filed before the High Court of Judicature, Madras, (Madurai Bench) by an organisation against the Government of Tamil Nadu and SCV (a unit of Kal Cables Private Limited), seeking a writ of mandamus in relation to cable subscription charges and grant of payment receipts to each = customer. No claim for damages has been made.
5. A writ petition bearing W.P. No. 24219 of 2003 pending before High Court of Judicature, Madras, has been filed by K.Surendra Kumar against SCV (a unit of Kal Cables Private Limited) and others seeking a writ of mandamus directing SCV (a unit of Kal Cables Private Limited) to refrain from continuing with the conditional access system without complying with certain rules. No claim for damages has been made.

Civil Suits filed against Kal Cables Private Limited

1. A civil suit bearing O.S. No. 278 of 2004 has been filed by Gokul Cable Systems against SCV (a unit of Kal Cables Private Limited) and others before the Additional District Magistrates Court, Coimbatore seeking a restoration of access to cable signals.

Cases filed by Kal Cables Private Limited

Civil Suits filed by Kal Cables Private Limited

1. Two civil suits bearing O.S. No. 1339 and 1449 of 2003 pending before the Principal District Magistrate's Court, Coimbatore have been filed by Kal Cables Private Limited against *Star Vision Private Limited* and *Zee Turner Private Limited* seeking direction prohibiting the grant of access to certain channels.
2. Two civil suits bearing O.S. No's 2942 and 3097 have been filed by Kal Cables Private Limited against various defendants seeking a permanent injunction against the defendants prohibiting them from interfering with cable signals.
3. A civil suit bearing O.S. No. 1018 of 2005 has been filed by SCV (a Unit of Kal Cables Private Limited) against M/s. Sudarshan Cables Network, Coimbatore. The said suit has been filed seeking a recovery of an amount of Rs. 160,444. The said matter has been posted for hearing on March 9, 2006.
4. Two civil suits have been filed by SCV (a unit of Kal Cables Private Limited) before various fora seeking direction on grounds of a denial of access to cable signals to the plaintiff and seeking directions granting access to the said cable signals. Details of the same are as follows:

S. No.	Forum	No of Cases	Amounts sought to be recovered
1.	High Court of Judicature at Delhi	1	Nil
2.	Additional District Magistrates Court at Coimbatore	1	Nil

Criminal Cases filed by Kal Cables Private Limited

Kal Cables Private Limited has filed complaints under S. 138 of the Negotiable Instruments Act against various accused, seeking to recover various amounts due from them. The following are the details of the same;

S. No.	Forum	No of Cases	Amounts sought to be recovered
1.	Judicial Magistrate at Trichy	1	10,000
2.	Judicial Magistrate at Coimbatore	2	583,758

Writ petitions initiated by Kal Cables Private Limited

1. A writ petition bearing W.P. No. 34166 of 2003 has been filed by SCV (a unit of Kal Cables Private Limited) against the *Secretary, Commercial Tax* and three others challenging the levy of entertainment tax on Kal Cables Private Limited pursuant the notices issued to them in this regard. In the event of the writ petition being dismissed, the Commercial Tax Department would be liable to demand payment of entertainment tax in accordance with the order of the TRAI along with accrued interest.
2. SCV (a unit of Kal Cables Private Limited) has filed a writ petition bearing W.P. No. 4890 of 2004 before the High Court of Judicature at Chennai against the *Union of India* and others seeking orders directing the implementation of the Conditional Access System. No damages have been sought in the instant case

Contingent Liability as of March 31, 2005

Kal Cables Private Limited has no contingent liabilities as of March 31, 2005.

Kal Investments (Madras) Private Limited

Cases filed by or against Kal Investments (Madras) Private Limited

Nil

Contingent Liability as of March 31, 2005

Kal Investments (Madras) Private Limited has no contingent liabilities as of March 31, 2005.

Kal Publications Private Limited

Cases filed against Kal Publications Private Limited

Criminal Cases

A criminal complaint bearing C.C. No. 308/2006 has been filed by one T. Dakshinakrishnamoorthy against Tamil Murasu, a daily newspaper published by Kal Publications Private Limited, represented by its Editor Mr. R. N. Murugan and others on grounds of the publication of the publication of certain allegedly obscene material on the said newspaper.

Civil Cases

A Civil Miscellaneous Appeal bearing C.M.A. No. 1 of 2006 in the Court of the Sub Judge, Srivilliputtur by Babuswamy and 3 others against "Dinakaran Vasantham", a magazine published by Kal Publications Private Limited on grounds of the publication of certain allegedly misleading material in the said magazine.

Contingent Liability as of March 31, 2005

Kal Publications Private Limited has no contingent liabilities as of March 31, 2005.

KPK Publications Private Limited

Cases filed by or against KPK Publications Private Limited

Nil

Contingent Liability as of March 31, 2005

All liabilities of KPK Publications Private Limited have been provided except liabilities of contingent nature. The disputed sales tax payment is not recognized nor provision made.

KS Publications Private Limited

Cases filed by or against KS Publications Private Limited

Nil

Contingent Liability as of March 31, 2005

All liabilities of KS Publications Private Limited have been provided except labilities of contingent nature. The disputed sales tax payment is not recognized nor provision made.

Kungumam Nithiyagam Private Limited

Cases filed by or against Kungumam Nithiyagam Private Limited

Nil

Contingent Liability as of March 31, 2005

Kungumam Nithiyagam Private Limited has no contingent liabilities as of March 31, 2005.

Sun TV Limited

Kungumam Publications Private Limited

Cases filed by or against Kungumam Publications Private Limited

Nil

Contingent Liability as of March 31, 2005

Kungumam Publications Private Limited has no contingent liabilities as of March 31, 2005.

Network Cable Solutions Private Limited

Cases filed by or against Network Cable Solutions Private Limited

Nil

Contingent Liability as of March 31, 2005

Network Cable Solutions Private Limited has no contingent liabilities as of March 31, 2005.

Salem Murasu Private Limited

Cases filed by or against Salem Murasu Private Limited

Nil

Contingent Liability as of March 31, 2005

Salem Murasu Private Limited has no contingent liabilities as of March 31, 2005.

Sumangali Publications Private Limited

Cases filed by or against Sumangali Publications Private Limited

Nil

Contingent Liability as of March 31, 2005

Sumangali Publications Private Limited has no contingent liabilities as of March 31, 2005.

Sun Academy Private Limited

Cases filed by or against Sun Academy Private Limited

Nil

Contingent Liability as of March 31, 2005

Sun Academy Private Limited has no contingent liabilities as of March 31, 2005.

Sun Direct TV Private Limited

Cases filed by or against Sun Direct TV Private

Nil

Contingent Liability as of March 31, 2005

Sun Direct TV Private Limited has no contingent liabilities as of March 31, 2005.

Vellore Murasu Private Limited

Cases filed by or against Vellore Murasu Private Limited

Nil

Contingent Liability as of March 31, 2005

Vellore Murasu Private Limited has no contingent liabilities as of March 31, 2005.

DMS Entertainment Private Limited

Cases filed by or against DMS Entertainment Private Limited

Nil

Contingent Liability as of March 31, 2005

DMS Entertainment Private Limited has no contingent liabilities as of March 31, 2005.

HFO Entertainment Private Limited

Cases filed by or against HFO Entertainment Private Limited

Nil

Contingent Liability as of March 31, 2005

HFO Entertainment Private Limited has no contingent liabilities as of March 31, 2005.

DK Enterprises Private Limited

Cases filed by or against DK Enterprises Private Limited

Nil

Contingent Liability as of March 31, 2005

DK Enterprises Private Limited has no contingent liabilities as of March 31, 2005

S & S Textiles

Cases filed by or against S & S Textiles

Nil

Contingent Liability as of March 31, 2005

Nil

Cases filed by or against MMF Trust (Murasoli Maran Family Trust)

Nil

Contingent Liability as of March 31, 2005

Nil

Cases filed by or against Anbukarsi Educational Trust

Nil

Contingent Liability as of March 31, 2005

Nil

Cases filed by or against Anbukarsi Marriage Trust

Nil

Contingent Liability as of March 31, 2005

Nil

Cases filed by or against Anbukarsi Male Child Trust

Nil

Contingent Liability as of March 31, 2005

Nil

Cases filed by or against Anbukarsi Female Child Trust

Nil

Contingent Liability as of March 31, 2005

Nil

Cases filed by or against Kalanithi Male Child Trust

Nil

Contingent Liability as of March 31, 2005

Nil

GOVERNMENT APPROVALS

We have received the necessary consents, licenses, permissions and approvals from the Government and various governmental agencies required for our present business and except as mentioned below, no further approvals are required for carrying on our present business.

Approvals for the Issue

1. Approval from the Bombay Stock Exchange dated February 21, 2006.
2. Approval from the National Stock Exchange dated February 22, 2006.
3. We have received approval from the FIPB by their letter dated February 27, 2006, for the Issue of Equity Shares and preferential allotment of Equity Shares to eligible NRIs, FIIs, foreign venture capital investors registered with SEBI, multilateral and bilateral development financial institutions.and other eligible foreign investors upto 20% of the paid up equity capital of Sun TV Limited post the Issue.
4. The MIB has, by way of its letter dated February 16, 2006 bearing number 1404/4/2000-TV(I) indicated its no objection to the Issue.

Approvals to carry on our Business

A. Industrial/Labour/Tax

1. Permanent Account Number AADCS4885K issued by the Director of Income Tax (Computer Operations).
2. Tax Deduction Number CHES04526E issued by the Office of the Assistant Commissioner of Income Tax (TDS).
3. PTNAN 08-114-PE-0264 in respect of professional tax, issued under Rule 7 of the Tamil Nadu Urban Local Bodies Tax on Professions, Trades, Callings Employment Rules 1998 by the commissioner under this legislation.
4. Professional Tax Assessment RIY/9-7/923/05 in respect of professional tax, issued by the Thiruvananthapuram Corporation.
5. Service Tax Code No. AADCS4885KST001 issued by the Office of the Commissioner of Central Excise, Service Tax Cell, Chennai by letter dated June 7, 2005 to Sun TV Limited.
6. Service Tax Code No. AADCS4885KST002 issued by the Office of the Commissioner of Central Excise, Service Tax Cell, Chennai by letter dated June 7, 2005 to Surya TV.
7. Service Tax Code No. AADCS4885KST011 issued by the Office of the Commissioner of Central Excise, Service Tax Cell, Chennai by letter dated June 17, 2005 to Kiran TV.
8. Service Tax Code No. AADCS4885KST006 issued by the Office of the Commissioner of Central Excise, Service Tax Cell, Chennai by letter dated June 19, 2003 to Suryan FM (Chennai).
9. Service Tax Code No. AADCS4885KST007 issued by the Office of the Commissioner of Central Excise, Service Tax Cell, Chennai by letter dated August 19, 2003 to Suryan FM (Coimbatore).
10. Service Tax Code No. AADCS4885KST005 granted by way of acknowledgement marked upon our application for obtaining service tax code number dated March 27, 2003, made by the Office of the Commissioner of Central Excise, Service Tax Cell, Chennai to Suryan FM (Tirunelveli).
11. Certificate of Importer- Exporter Code assigning IEC Number 0488039681 to the Company dated October 12, 1998 issued by the Office of the Joint Director (General) of Foreign Trade, Chennai.

B. Broadcasting Approvals

1. Permission to uplink Sun TV, Sun News, Surya TV, Surya News, SCV, Sun II, Surya II, Ushe TV, Udaya News, Teja News, Gemini TV, Teja TV and KTV channels from the MIB by letter bearing reference number 1404/4/2000-TV(I) dated March 26, 2001 granting permission to the Company to uplink from India for a period of ten (10) years through the NSS 703 satellite on from the teleport at 367/369, Anna Salai, Chennai 600 018.
2. Letter from the MIB bearing number 1404/4/2000-TV(I) dated July 29, 2004 granting permission to uplink seven channels namely Sun TV, Surya TV, Surya News, Udaya News, KTV, SCV and Ushe TV containing news and current affairs content

from India, in either digital or digital and analogue modes, in English and all Indian languages through the Company's licensed teleport at Chennai through the NSS 703 satellite.

3. Letter from the MIB bearing number 1404/4/2000-TV(I) dated August 13, 2004 granting permission to uplink the channels Sun TV, Surya TV, Surya News, Udaya News, Teja News, Sun News, KTV, SCV, Ushe TV, Sun II (renamed as Kiran TV) and Surya II (renamed Adithya TV) containing news and current affairs content from India, in either digital or digital and analogue modes, in English and all Indian languages through the Company's licensed teleport at Chennai through the NSS 703 satellite.

4. Letter from the MIB bearing reference number 1404/4/2000-TV(I) dated June 10, 2004 conveying their no objection for the change of name of the channel Sun II to Kiran TV and Surya II and Adithya TV.

5. Letter from the MIB bearing number 1404/4/2000-TV(I) dated August 13, 2004 granting permission to uplink the channel Kiran TV containing news and current affairs content from India, in either digital or digital and analogue modes, in English and all Indian languages through the Company's licensed teleport at Chennai using NSS 703 .

6. Letter from the MIB bearing reference number 1404/4/2000-TV(I) dated February 8, 2005 conveying their no objection for the change of name of the channel SCV to Sun Music and Surya II to Surjo.

7. License Agreement dated March 12, 2001 between the MIB and our Company granting license under Section 4 of the Indian Telegraph Act, 1885 to establish, maintain and operate an Uplinking hub (Teleport) at Chennai for a period of 10 years.

8. Letter from the MIB bearing number 1404/15/99-TV(I) dated October 19, 2001 permitting the use of SNG/DSNG terminals for news gathering purposes by the Company in the States of Delhi, Tamil Nadu, Andhra Pradesh, Karnataka and Kerala.

9. Letter from the MIB bearing number 1404/15/99-TV(I) dated February 11, 2002 extending additional permission to use of SNG/DSNG terminals for news gathering purposes anywhere in India excepting the state of Jammu and Kashmir and North East Regions. downlinked at the Company's licensed earth station at Chennai for their permitted TV channels namely Sun TV, Sun News, Surya TV, Surya News, SCV, SUN II , Surya II, Ushe TV, Udaya News, Teja News, Gemini TV, Teja TV and KTV.

10. Certificates evidencing renewal of License issued by WPC Wing, the Department of Telecommunications for wireless station teleport number P - 4243/1 and 4156/1 both dated December 28, 2005 and valid up to December 2007.

11. Letter bearing number 14027/487/99 dated September 28, 1999 evidencing grant of license No. P.4009/1-10 for operation of DSNG fly-way terminals.

12. Certificates evidencing renewal of License issued by WPC Wing, the Department of Telecommunications for mobile wireless station teleport P – 4009/1-10 dated September 30, 2005 and valid up to September 2006.

13. Letter from the WPC Wing, Department of Telecommunications, dated August 11, 2004 bearing number L-14027/487/99-LR/7411 evidencing revised technical parameters of license bearing number P-4009/1-10 permitting its use for ten mobile Digital Satellite News Gathering fly-way terminals.

14. Memorandum bearing number K-19012/27(28)/1999-CFA(MDS) dated February 17, 2000 from the Standing Advisory Committee on Radio Frequency Allocation (SACFA) evidencing siting clearance for the premises located at No. 268/269, Anna Salai, Teynampet, Chennai.

15. Order bearing number P.A. No. 12/04-05 EE. TVM (E) from the Executive Engineer, Electrical Division, Thiruvananthapuram evidencing allocation of power supply at 120 KW at the premises located at TC 9/923, Lotus Gardens, Panickers Lane, Sasthamangalam, Thiruvananthapuram.

16. Order bearing number B2-7687/98/EIT dated July 31, 1999 from the Electrical Inspector, Thiruvananthapuram evidencing sanction under Rule 47 (a) and 135 of the Indian Electricity Rules, 1956 for the energization of a 125 KVA DG set at the premises of M/s Surya TV, located at TC 15/1361, AIR Road, Vazhuthacadu, Thiruvananthapuram.

C. Location wise Licenses for operating our FM broadcasting stations

FM Radio Broadcasting Channel at Chennai

1. Letter of Intent bearing No.206/10/2000- FM (Chennai) dated August 2, 2000 issued by MIB to our Company for establishing and operating an FM radio station at Chennai.

2. License Agreement dated October 23, 2000 between MIB and our Company for granting license under Section 4 of the Indian Telegraph Act, 1885 to establish, maintain and operate an FM radio broadcasting station at Chennai for a period of 10 years.
3. Wireless Operational License No. L-14027/574/2000-LR/928 dated March 4, 2003 from the WPC, Department of Telecommunications, Ministry of Communications for frequency allocation. The wireless station license no. FM 014/1 issued under the Indian Telegraph Act, 1885 is valid up to December, 2007 and has to be renewed on a yearly basis.
4. Letter from the WPC Wing, Department of Telecommunications, dated March 24, 2004 bearing number L-14024/03/2004-LR/1804 evidencing revised technical parameters of Wireless Telegraph License bearing number FM-014/1 permitting a change in frequency.
5. Approval letter dated May 16, 2003 from the Tamil Nadu State Electricity Board under Section 44 (a) of the Indian Electricity (Supply) Act 1948 to install standby diesel generating set(s) of 125 KVA bearing serial number 6H.2505/0300173.

FM Radio Broadcasting Channel at Coimbatore

1. Letter of Intent bearing No.206/12/2000- FM (Coimbatore) dated August 3, 2000 issued by MIB to our Company for establishing and operating an FM radio station at Coimbatore.
2. License Agreement dated October 23, 2000 between the MIB. and our Company for granting license under Section 4 of the Indian Telegraph Act, 1885 to establish, maintain and operate an FM radio broadcasting station at Coimbatore for a period of 10 years.
3. Wireless Operational License No. L-14027/574/2000-LR dated August 1, 2005 from the WPC, Department of Telecommunications, Ministry of Communications for frequency allocation. The wireless station license no. FM 013 issued under the Indian Telegraph Act, 1885 is valid up to June, 2007 and has to be renewed on yearly basis.
4. Memorandum dated August 1, 2002 from the Standing Advisory Committee on Radio Frequency Allocation (SACFA) evidencing siting clearance for the premises located at No. 3A, Thayir Itteri Street, Sanganoor, Coimbatore.
5. Memorandum dated August 1, 2003 from the Standing Advisory Committee on Radio Frequency Allocation (SACFA) evidencing siting clearance for the premises located at 114, Race Course Road, Coimbatore.
6. Approval letter dated September 29, 2003 from the Tamil Nadu State Electricity Board under Section 44 of the Electricity (Supply) Act 1948 to install standby diesel generating set(s) of 67 KW and 415Volts capacity bearing serial number 06.1636/0300017.

FM Radio Broadcasting Channel at Tirunalveli

1. Letter of Intent bearing No.206/38/2000- FM (Tirunelvelli) dated August 3, 2000 issued by Ministry of Information and Broadcasting, Government of India to our Company for establishing and operating an FM radio station at Tirunalvelli.
2. License Agreement dated October 23, 2000 between the Ministry of Information and Broadcasting, Government of India. and our Company for granting license under Section 4 of the Indian Telegraph Act, 1885 to establish, maintain and operate an FM radio broadcasting station at Tirunalvelli for a period of 10 years.
3. Wireless Operational License No. L-14027/574/2000-LR dated August 1, 2002from the WPC, Department of Telecommunications, Ministry of Communications for frequency allocation. The wireless station license no. FM 012 issued under the Indian Telegraph Act, 1885 is valid up to June, 2007 and has to be renewed on yearly basis.
4. Memorandum dated August 1, 2003 from the Standing Advisory Committee on Radio Frequency Allocation (SACFA) evidencing siting clearance for the premises located at No. 142/2, 39/3A, Bypass Road, V. Petai, Tirunelveli.
5. Approval letter dated August 1, 2003 from the Tamil Nadu State Electricity Board under Section 44 of the Electricity (Supply) Act 1948 to install standby diesel generating set(s) of 82.5 KVA capacity bearing serial number 2003 01 155 of 415Volts.
6. Approval letter dated August 1, 2003 from the Tamil Nadu State Electricity Board under Section 44 of the Electricity (Supply) Act 1948 to install standby diesel generating set(s) of 82.5 KVA capacity bearing serial number JL 002K3204 of 415Volts.

D. Appointment of Directors

1. Letter from the MIB bearing number 1404/4/2000-TV(I) dated January 20, 2006 conveying no objection of MIB to the appointment of Mr. S. Sridharan and Mr. M.K. Harinarayanan as directors of the Company.
2. Letter from the MIB bearing number 1404/4/2000-TV(I) dated February 8, 2006 conveying no objection of MIB to the appointment of Mr. J. Ravindran and Mr. Nicholas Martin Paul as directors of the Company.

Licenses Applied for and Pending Approval

1. Application dated November 10, 2005 to the MIB seeking transfer of the Suryan FM radio licenses located in Chennai, Tirunelvelli and Coimbatore to Kal Radio Limited.
2. Application dated November 10, 2005 to the MIB seeking transfer of the Vishaka FM radio licenses located in Vishakapatnam from Udaya TV Private Limited to Kal Radio Limited.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Issue has been authorized by a resolution of our Board dated December 5, 2005 and by special resolution passed pursuant to Section 81(1A) of the Companies Act, at the EGM of the shareholders of our Company held on December 23, 2005.

We have received approval from the FIPB by their letter dated February 27, 2006, for the Issue of Equity Shares and preferential allotment of Equity Shares to eligible NRIs, FIIs, foreign venture capital investors registered with SEBI, multilateral and bilateral development financial institutions.and other foreign eligible investors upto 20% of the paid up equity capital of Sun TV Limited post the Issue.

The MIB, by way of its letter dated February 16, 2006 bearing number 1404/4/2000-TV(I) has indicated its no objection to the Issue subject to the following conditions;

1. The Company continues to comply with the provisions of the Uplinking Guidelines and should obtain prior approval of the MIB before effecting any change in the shareholding of the largest Indian shareholder, as is required under clause 3.1.2 of the Uplinking Guidelines.
2. Company complies with the conditions of the FM licenses as prescribed under the Phase II Policy.
3. The foreign investment in the Company including FDI do not exceed 20% of the total paid up equity.
4. As per clause 3.1.5 of the Uplinking Guidelines, that the Company intimate the MIB of the changes in FDI, within 15 days of such change and while effecting changes in the shareholding patterns, the Company ensure its continued compliance with clauses 3.1.1 and 3.1.2 of the Uplinking Guidelines.
5. As per clause 3.1.5 of the Uplinking Guidelines, the Company intimate the MIB of the names and details of all persons, not being resident Indians, who are proposed to be inducted in the Board.
6. The Company ensure that even if FII's buy into the Issue, their foreign equity holding does not exceed the limit as prescribed in Sl. No. (3) above.

Prohibition by SEBI

Our Company, our Directors, our Promoter, the directors, our subsidiaries, our group companies, associates of our group companies and other companies promoted by our Promoter and companies with which our Company's Directors are associated as directors have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

Eligibility for the Issue

We are eligible for the Issue as per Clause 2.2.2 of the SEBI Guidelines as explained under:

Clause 2.2.2 of the SEBI Guidelines states as follows:

"*2.2.2 An unlisted company not complying with any of the conditions specified in Clause 2.2.1 may make an initial public offering (IPO) of equity shares or any other security which may be converted into or exchanged with equity shares at a later date, only if it meets both the conditions (a) and (b) given below:*

(a) (i) The issue is made through the book-building process, with at least 50% of the issue size being allotted to the Qualified Institutional Buyers (QIBs), failing which the full subscription monies shall be refunded.

OR

(a)(ii) The "project" has at least 15% participation by Financial Institutions/ Scheduled Commercial Banks, of which at least 10% comes from the appraiser(s). In addition to this, at least 10% of the issue size shall be allotted to QIBs, failing which the full subscription monies shall be refunded

AND

(b) (i) The minimum post-issue face value capital of the company shall be Rs. 10 crores.

OR

(b) (ii) There shall be a compulsory market-making for at least 2 years from the date of listing of the shares, subject to the following:

(a) Market makers undertake to offer buy and sell quotes for a minimum depth of 300 shares;

(b) Market makers undertake to ensure that the bid-ask spread (difference between quotations for sale and purchase) for their quotes shall not at any time exceed 10%;

(c) The inventory of the market makers on each of such stock exchanges, as of the date of allotment of securities, shall be at least 5% of the proposed issue of the company."

We are an unlisted company not complying with the conditions specified in Clause 2.2.1 of the SEBI Guidelines and are therefore required to meet both the conditions detailed in clause 2.2.2(a) and clause 2.2.2(b) of the SEBI Guidelines.

- We are complying with Clause 2.2.2(a)(i) of the SEBI Guidelines and at least 60% of the Issue are proposed to be Allotted to QIBs (in order to comply with the requirements of Rule 19(2)(b) of the SCRR) and in the event we fail to do so, the full subscription monies shall be refunded to the Bidders.
- We are complying with the second proviso to Clause 11.3.5(i) of the SEBI Guidelines and Non-Institutional Bidders and Retail Individual Bidders will be allocated up to 10% and 30% of the Issue respectively.
- We are also complying with Clause 2.2.2(b)(i) of the SEBI Guidelines and the post-issue face value capital of the Company shall be Rs. 688.89 million, which is more than the minimum requirement of Rs. 10 crore (Rs. 100 million).

Hence, we are eligible for the Issue under Clause 2.2.2 of the SEBI Guidelines.

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

Disclaimer Clause

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED TO MEAN THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, KOTAK MAHINDRA CAPITAL COMPANY LIMITED, AND THE SENIOR CO-BOOK RUNNING LEAD MANGER, DSP MERRILL LYNCH LIMITED, HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER KOTAK MAHINDRA CAPITAL COMPANY LIMITED AND THE SENIOR CO-BOOK RUNNING LEAD MANAGER, DSP MERRILL LYNCH LIMITED, ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ISSUER COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE BOOK RUNNING LEAD MANAGER, KOTAK MAHINDRA CAPITAL COMPANY AND THE SENIOR CO-BOOK RUNNING LEAD MANAGER HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED FEBRUARY 10, 2006 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

(i) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID 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 DRAFT 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 DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE;

(D) BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID; AND

(E) WHEN UNDERWRITTEN WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.

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

THE BOOK RUNNING LEAD MANAGER AND THE SENIOR CO BOOK RUNNING LEAD MANAGER AND OUR COMPANY ACCEPT NO RESPONSIBILITY FOR STATEMENTS MADE OTHERWISE THAN IN THE DRAFT RED HERRING PROSPECTUS OR IN THE ADVERTISEMENT OR ANY OTHER MATERIAL ISSUED BY OR AT OUR INSTANCE AND ANYONE PLACING RELIANCE ON ANY OTHER SOURCE OF INFORMATION WOULD BE DOING SO AT HIS OWN RISK.

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

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

Caution

Our Company, our Directors, the BRLMs and the SCBRLM accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisements or any other material issued by or at our instance and anyone placing reliance on any other source of information, including our web site www.sunnetwork.net, would be doing so at his or her own risk.

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

All information shall be made available by us, the BRLM and the SCBRLM to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports, at bidding centers or elsewhere.

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, Hindu Undivided Families (HUFs), companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other trust law and who are authorized under their constitution to hold and invest in shares, Public financial institutions as specified in Section 4A of the Companies Act, venture capital funds registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, and to permitted non-residents including FIIs registered with SEBI, and eligible NRIs, multilateral and bilateral development financial institutions, foreign venture capital investors registered with SEBI, and eligible foreign investors, provided that they are eligible to under all applicable laws and regulations to hold Equity Shares of the Company. This Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to Equity Shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Red Herring Prospectus comes is required to inform himself or herself about, and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Chennai, India only.

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

The Equity Shares have not been and will not be registered under the US Securities Act of 1933 (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act in reliance on Rule 144A under the Securities Act, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Disclaimer Clause of BSE

BSE has given by its letter dated February 21, 2006 permission to our Company to use BSE's name in this offer document as one of the stock exchanges on which our Company's securities are proposed to be listed. BSE has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to our Company. The Exchange does not in any manner;-

(i) warrant , certify or endorse the correctness or completeness of any of the contents of this offer document; or

(ii) warrant that his Company's securities will be listed or will continue to be listed on the BSE; or

(iii) take any responsibility for the financial or other soundness of 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 that this offer document has been cleared or approved by the Exchange. 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 again BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer Clause of the NSE

As required, a copy of this Red Herring Prospectus has been submitted to NSE.NSE has given by its letter ref: NSE/LIST/20484-9 dated February 22, 2006 permission to the Issuer to use NSE's name in this offer document as one of the stock exchanges on which our Company's securities are proposed to be listed. NSE has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to our Company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the offer document 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 offer document; nor does it warrant that the Company's securities will be listed or will continue to be listed on the NSE nor does it take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim again BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Filing

A copy of the Draft Red Herring Prospectus had been filed with SEBI at Corporation Finance Department, Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai 400 021.

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, would be delivered for registration to the RoC and a copy of the Prospectus to be filed under Section 60 of the Companies Act would be delivered for registration with RoC at the Office of the Registrar of Companies, Tamil Nadu (Chennai), Ministry of Company Affairs, Block No. 6, B Wing, Second Floor, Shastri Bhavan, 26, Haddows Road, Chennai 600 006.

Listing

Applications have been made to the BSE and NSE for permission to deal in and for an official quotation of our Equity Shares. BSE will be the Designated Stock Exchange with which the Basis of Allotment will be finalized.

If the permissions to deal in and for an official quotation of our Equity Shares are not granted by any of the Stock Exchanges mentioned above, our Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid within 8 days after our Company become liable to repay it, i.e. from the date of refusal or within 15 days from the Bid/Issue Closing Date, whichever is earlier, then the Company, and every Director of the Company who is an officer in default shall, on and from such expiry of 8 days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within 7 working days of finalization of the Basis of Allotment for the Issue.

Consents

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Bankers to the Company and Bankers to the Issue; and (b) Book Running Lead Manager to the Issue, the Senior Co-Book Running Lead Manager and Syndicate Member, Escrow Collection Bankers, Registrar to the Issue, Monitoring Agency and Legal Advisors to the Underwriters, 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 & Associates, Chartered Accountants 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.

S. R. Batliboi & Associates, Chartered Accountants, have given their written consent to the tax benefits accruing to our

Company and its members in the form and context in which it appears in this Red Herring Prospectus and has not withdrawn such consent up to the time of delivery of this Red Herring Prospectus for registration with the RoC.

K. Ramkrish & Co, Chartered Accountants, auditors of our Subsidiaries, 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 elsewhere in this Red Herring Prospectus, we have not obtained any expert opinions.

Expenses of the Issue

The total expenses of the Issue are estimated to be approximately Rs. [·] million. The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. All expenses with respect to the Issue would be borne by our Company.

The estimated Issue expenses are as under:

(Rs.in million)

Activity	Expenses
Lead management, underwriting and selling commission	[●]
Advertising and Marketing expenses	[●]
Printing and stationery	[●]
Others (Monitoring agency fees, Registrars fee, legal fee, listing fee, etc.)	[●]
Total estimated Issue expenses	[●]

Fees Payable to the BRLM, SCBRLM and the Syndicate Member

The total fees payable to the Book Running Lead Manager and the Senior Co-Book Running Lead Manager and the Syndicate Member will be as per the letter of appointment dated November 23, 2005 with the BRLM and the SCBRLM issued by our Company, a copy of which is available for inspection at our registered office.

Fees Payable to the Registrar to the Issue

The fees payable by us to the Registrar to the Issue for processing of application, data entry, printing of CAN/refund order, preparation of refund data on magnetic tape, printing of bulk mailing register will be as the per the memorandum of understanding between us and the Registrar to the Issue dated January 25, 2006.

The Registrar to the Issue will be reimbursed for all out of pocket expenses including cost of stationery, postage, stamp duty, and communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allotment advice by registered post/speed post/under certificate of posting.

Underwriting commission, brokerage and selling commission on Previous Issues

Since this is the initial public offer of 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.

Previous Rights and Public Issues

Our Company has not made any previous rights and public issues in India or abroad in the five years preceding the date of this Red Herring Prospectus.

Previous issues of shares otherwise than for cash

Our Company has not made any previous issues of shares for consideration otherwise than for cash.

Companies Under the Same Management

We do not have any companies under the same management within the meaning of section 370(1) (B) of the Companies Act, which has made any capital issue during the last three years.

Promise v/s performance

Our Company nor any Group or associate companies has made any previous rights and public issues.

Outstanding Debentures or Bond Issues or Preference Shares

Our Company has no outstanding debentures or bonds or redeemable preference shares as of the date of this Red Herring Prospectus.

Stock Market Data for our Equity Shares

This being an initial public issue of our Company, the Equity Shares of our Company are not listed on any stock exchange.

Mechanism for Redressal of Investor Grievances

The agreement between the Registrar to the Issue 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 despatch of the letters of allotment, demat credit and refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch or collection centre where the application was submitted.

Disposal of Investor Grievances by the Company

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances will be seven business days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

We have also appointed Mr. R. Ravi , Company Secretary of our Company as the Compliance Officer for this Issue and he may be contacted in case of any pre-Issue or post Issue related problems, at the following address:

R. Ravi
Company Secretary & Compliance Officer
Sun TV Limited
367/369, Anna Salai
Teynampet, Chennai 600 018
Tel: (91 44) 2431 8181
Fax: (91 44) 2434 2729
Email: investors@sunnetwork.in
Website: www.sunnetwork.in

Change in Auditors

There have been no changes of the auditors in the last three years.

Capitalization of Reserves or Profits

Our Company has not capitalized our reserves or profits during the last five years, except as stated in the section titled "Capital Structure" on page 16.

Revaluation of Assets

We have not revalued our assets in the last five years.

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.

None of the beneficiaries of loans and advances and sundry debtors are related to the Directors of the Company.

SECTION VII: ISSUE INFORMATION

ISSUE STRUCTURE

The present Issue of 6,889,000 Equity Shares Rs. 10 each, at a price of Rs. [●] for cash aggregating Rs. [●] million is being made through the 100% Book Building Process.

	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares*	At least 4,133,400 Equity Shares	Up to 688,900 Equity Shares or Issue Size less allocation to QIB Bidders and Retail Individual Bidders.	Up to 2,066,700 Equity Shares or Issue Size less allocation to QIB Bidders and Non-Institutional Bidders.
Percentage of Issue Size available for allotment/ allocation	At least 60% of Issue Size being allocated. However, up to 5% of the QIB Portion shall be available for allocation proportionately to Mutual Funds only.	Up to 10% of Issue or the Issue less allocation to QIB Bidders and Retail Individual Bidders.	Up to 30% of Issue or the Issue less allocation to QIB Bidders and Non-Institutional Bidders.
Basis of Allotment/ Allocation if respective category is oversubscribed	Proportionate as follows: (a) 206,670 Equity Shares shall be allocated on a proportionate basis to Mutual Funds; and (b) 3,926,730 Equity Shares shall be allotted on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000.	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000.	8 Equity Shares.
Maximum Bid	Such number of Equity Shares not exceeding the Issue, subject to applicable limits.	Such number of Equity Shares not exceeding the Issue subject to applicable limits.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000.
Mode of Allotment	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.
Bid/Allotment Lot	8 Equity Shares in multiples of 8 Equity Shares	8 Equity Shares in multiples of 8 Equity Shares	8 Equity Shares in multiples of 8 Equity Shares
Trading Lot	One Equity Share	One Equity Share	One Equity Share
Who can Apply **	Public financial institutions as specified in Section 4A of the Companies Act, FIIs registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI,	NRIs, Resident Indian individuals, HUF (in the name	Individuals (including HUFs, NRIs) applying for Equity Shares such that the Bid

	QIBs		Retail Individual Bidders
	multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million in accordance with applicable law.	of Karta), companies, corporate bodies, scientific institutions societies and trusts.	Amount does not exceed Rs. 100,000 in value.
Terms of Payment	QIB Margin Amount shall be payable at the time of submission of Bid-cum-Application Form to the Syndicate Member.	Margin Amount shall be payable at the time of submission of Bid-cum-Application Form to the Syndicate Member.	Margin Amount shall be payable at the time of submission of Bid-cum-Application Form to the Syndicate Member.
Margin Amount	At least 10% of Bid Amount	Full Bid Amount on bidding	Full Bid Amount on bidding

* Subject to valid Bids being received at or above the Issue Price. In terms of Rule 19 (2)(b) of the SCRR, this is an Issue for less than 25% of the post–Issue capital, therefore, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Issue shall be allotted to Qualified Institutional Buyers on a proportionate basis out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allottment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, up to 10% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Under-subscription, if any, in any category, except the QIB Portion, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company, in consultation with the BRLM, the SCBRLM and the Designated Stock Exchange.

** In case the Bid-cum-Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the Bid-cum-Application Form.

Withdrawal of the Issue

The Company in consultation with the BRLMs and the SCBRLM, reserves the right not to proceed with the Issue at anytime including after the Bid Closing Date, without assigning any reason thereof.

Letters of Allotment or Refund Orders

We shall give credit to the beneficiary account with depository participants and dispatch refund orders, if any, of value up to Rs. 1,500, by “Under Certificate of Posting”, and will dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or first Bidder’s sole risk within 15 days of the Bid/Issue Closing Date.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI DIP Guidelines, we further undertake that:

- Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;
- Dispatch of refund orders will 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.

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

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as an Escrow Collection Bank and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Bidding/Issue Programme

BID/ISSUE OPENS ON	**:**	**MONDAY,**	**APRIL 3, 2006**
BID/ISSUE CLOSES ON	**:**	**FRIDAY,**	**APRIL 7, 2006**

Bids and any revision in Bids shall be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid-cum-Application Form and uploaded until such time as permitted by the BSE and the NSE on the Bid /Issue Closing Date.

The Company reserves 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 Issue Period will be extended for three additional days after revision of Price Band subject to the Bidding Period/Issue Period not exceeding 10 days. Any revision in the Price Band and the revised Bidding Period/Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release, and also by indicating the change on the web sites of the BRLM and the SCBRLM and at the terminals of the Syndicate.

ISSUE PROCEDURE

Book Building Procedure

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

Bidders are required to submit their Bids through the Syndicate. Further, QIB Bids can be submitted only through Syndicate Members. In case of QIB Bidders, the Company in consultation with the BRLM and the SCBRLM may reject Bids at the time of acceptance of Bid-cum-Application Form provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, our Company would have a right to reject the Bids only on technical grounds.

Investors should note that allotment of Equity Shares to all successful Bidders will only be 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 the Red Herring Prospectus and the Bid-cum-Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid-cum-Application Form for various categories, is as follows:

Category	**Colour of Bid-cum-Application Form**
Indian public, NRIs applying on a non repatriation basis	White
Non-Residents, Eligible NRIs, FVCIs, FIIs etc applying on a repatriation basis	Blue

Who can Bid?

- Indian nationals resident in India who are majors, or in the names of their minor children as natural/legal guardians in single or joint names (not more than three);
- Hindu Undivided Families or HUFs, in the individual name of the *Karta*. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid-cum-Application Form as follows: "Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*". Bids by HUFs would be considered at par with those from individuals;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the equity shares;
- Mutual Funds registered with SEBI;
- Indian Financial Institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations and the SEBI Guidelines and regulations, as applicable;

- Venture Capital Funds registered with SEBI;
- Foreign Venture Capital Investors registered with SEBI;
- State Industrial Development Corporations;
- Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/societies and who are authorised under their constitution to hold and invest in equity shares;
- Eligible NRIs on a repatriation basis or a non-repatriation basis subject to applicable laws;
- FII registered with SEBI.
- Scientific and/or Industrial Research Organisations authorised to invest in equity shares;
- Insurance Companies registered with Insurance Regulatory and Development Authority, India;
- A permitted by the applicable laws, Provident Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;
- Pension Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares; and
- Multilateral and Bilateral Development Financial Institutions;

Note: The BRLM, the SCBRLM and Syndicate Member shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the BRLM, the SCBRLM and Syndicate Members may subscribe for Equity Shares in the Issue, including in the QIB Portion and Non-Institutional Portion where the allocation is on a proportionate basis.

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.

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 206,670 Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Bids by NRIs

1. Bid-cum-Application forms have been made available for NRIs at our registered /corporate office, members of the Syndicate of the Registrar to the Issue.
2. NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians.

Application by FIIs

As per the current regulations, the following restrictions are applicable for investments by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of our post-Issue issued capital (i.e. 10% of 6,889,155 Equity

Shares of Rs. 10 each) 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 our total issued capital in case such sub-account is a foreign corporate or an individual. As of now, in accordance with the foreign investment limits applicable to us, the total FII investment cannot exceed 20% of our total paid up capital.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended, an FII or its sub account may issue, deal or hold, off shore derivative instruments such as Participatory Notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favor of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "know your client" requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

Application by SEBI registered Venture Capital Funds and Foreign Venture Capital Investors

As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 25% of the corpus of the venture capital fund/ foreign venture capital investor.

The above information is given for the benefit of the Bidders. The Company, the BRLM and the SCBRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid Size

(a) For Retail Individual Bidders: The Bid must be for a minimum of 8 Equity Shares and in multiples of 8 Equity Share thereafter, so as to ensure that the Bid Price payable by the Bidder does not exceed Rs. 100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Price does not exceed Rs. 100,000. In case the Bid Price is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allocation under the Non-Institutional Bidders portion. The Cut-off option is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

(b) For Other Bidders (Non-Institutional Bidders and QIBs): The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 8 Equity Shares thereafter. A Bid cannot be submitted for more than the Issue Size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. **Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay QIB Margin upon submission of Bid.**

In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 1,00,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 1,00,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIBs are not allowed to Bid at 'Cut-off'.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Red Herring Prospectus.

Information for the Bidders:

(a) Our Company will file the Red Herring Prospectus with the RoC at least 3 (three) days before the Bid/Issue Opening Date.

(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) Eligible investors who are interested in subscribing for the Equity Shares should approach any of the BRLMs or Syndicate Member or their authorized agent(s) to register their Bids.

(e) The Bids should be submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of the members of the Syndicate. Bid-cum-Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.

Method and Process of Bidding

(a) Our Company, the BRLM and the SCBRLM shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with RoC and also publish the same in three widely circulated newspapers (one each in English, Hindi and Tamil). This advertisement, subject to the provisions of Section 66 of the Companies Act shall be in the format prescribed in Schedule XX–A of the SEBI DIP Guidelines, as amended vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005. The Members of the Syndicate shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.

(b) The Bidding/ Issue Period shall be for a minimum of three days and not exceeding seven days. In case the Price Band is revised, the revised Price Band and the Bidding Period will be published in three national newspapers (one each in English and Hindi) and one Tamil newspaper and the Bidding/ Issue Period may be extended, if required, by an additional three days, subject to the total Bidding/ Issue Period not exceeding 10 days.

(c) Each Bid-cum-Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph titled "Bids at Different Price Levels" on page 285) within the Price Band and specify the demand (i.e., the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid-cum-Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation/allotment and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.

(d) The Bidder cannot bid on another Bid-cum-Application Form after Bids on one Bid-cum-Application Form have been submitted to any member of the Syndicate. Submission of a second Bid-cum-Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph titled "Build up of the Book and Revision of Bids" on page 288.

(e) The Members of the Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid-cum-Application Form.

(f) During the Bidding/Issue Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids, subject to the terms of the Syndicate Agreement and the Red Herring Prospectus.

(g) Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the paragraph titled "Terms of Payment and Payment into the Escrow Accounts" on page 287.

Bids at Different Price Levels

(a) The Price Band has been fixed at Rs. 730/- to Rs. 875/- per Equity Share of Rs. 10 each, Rs. 730/- being the lower end of the Price Band and Rs. 875/- being the higher end of the Price Band. The Bidders can bid at any price with in the Price Band, in multiples of Rs. 1 (One).

(b) Our Company in consultation with the BRLM and SCBRLM, reserves the right to revise the Price Band, during the Bidding Period, in accordance with SEBI Guidelines. The higher end of the Price Band should not be more than 20% of the lower end of the Price Band. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band can move up or down to the extent of 20% of the lower end of the Price Band disclosed in this Red Herring Prospectus.

(c) In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 10 days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE, by issuing a public notice in three widely circulated newspapers (one each in English and Hindi) and one Tamil newspaper, and also by indicating the change on the websites of the BRLM and the SCBRLM and at the terminals of the Syndicate Members.

(d) Our Company, in consultation with the BRLM and the SCBRLM, 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 applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB or Non-Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.

(f) Retail Individual Bidders who bid at the Cut-Off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-Off Price shall deposit the Bid Price based on the higher end of the Price Band in the Escrow Account. In the event the Bid Price is higher than the subscription amount payable by the Retail Individual Bidders, who Bid at Cut off Price (i.e., the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders, who Bid at Cut off Price, 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 Price could either (i) revise their Bid or (ii) make additional payment based on the higher end of the Revised Price Band (such that the total amount i.e., original Bid Price plus additional payment does not exceed Rs. 100,000 for Retail Individual Bidders, if 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 Price plus additional payment) exceeds Rs. 100,000 for Retail Individual Bidders the Bid will be considered for allocation under the Non-Institutional Portion in terms of this Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the higher end of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of allotment, such that the no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

(h) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.

(i) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 8 Equity Shares irrespective of whether the Bid Price payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.

Escrow Mechanism

Our Company and members of the Syndicate 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 Price from Bidders in a certain category 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 Escrow Collection Bank (s) for and on behalf of the Bidders shall maintain the monies in the Escrow Account. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Bank(s) shall transfer the monies from the Escrow Account to the Public Issue Account as per the terms of the Escrow Agreement. Payments of refund to the Bidders shall also be made from the Refund Account are per the terms of the Escrow Agreement and the Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between us, the members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Accounts

Each Bidder, shall provide the applicable Margin Amount, with the submission of the Bid-cum-Application Form draw a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details refer to the paragraph titled "Payment Instructions" on page 294) 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 such monies for the benefit of the Bidders until 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 Public Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account shall be held for the benefit of the Bidders who are entitled to refunds.

Each category of Bidders i.e., QIB Bidders, Non-Institutional Bidders and Retail Individual Bidders would be required to pay their applicable Margin Amount at the time of the submission of the Bid-cum-Application Form. The Margin Amount payable by each category of Bidders is mentioned under the section titled "Issue Structure" on page 279. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Price, any difference between the amount payable by the Bidder for Equity Shares allocated/allotted at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of 2 (two) days from the date of communication of the allocation list to the members of the Syndicate by the BRLM and the SCBRLM. 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 applicable Margin Amount for Bidders is 100%, the full amount of payment has to be made at the time of submission of the Bid-cum-Application Form.

Electronic Registration of Bids

(a) The Members of the Syndicate will register the Bids using the on-line facilities of BSE and NSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.

(b) The BSE and NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Members of the Syndicate and their authorised agents during the Bidding Period. Syndicate Members can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a half hourly basis. On the Bid Closing Date, the Members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges.

(c) The aggregate demand and price for Bids registered on the electronic facilities of BSE and NSE will be uploaded on a half hourly basis, consolidated and displayed on-line at all bidding centres and the website of BSE and NSE. A graphical representation of consolidated demand and price would be made available at the bidding centres during the Bidding 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 paid upon submission of Bid-cum-Application Form.
- Depository Participant Identification Number and Client Identification Number of the beneficiary account of the Bidder.

(e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate. The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated/allotment either by the members of the Syndicate or our Company.

(f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(g) Incase of QIB Bidders, members of the syndicate also have the right to accept the bid or reject it. However, such rejection should be made at the time of receiving the bid and only after assigning a reason for such rejection in writing. In case on Non-Institutional Bidders and Retail Individual Bidders who Bid, Bids would not be rejected except on the technical grounds listed on page 296.

(h) The permission given by BSE and NSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company and/ or the BRLM and the SCBRLM are cleared or approved by BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoter, our management or any scheme or project of our Company.

(i) It is also to be distinctly understood that the approval given by BSE and NSE should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the BSE and NSE.

Build Up of the Book and Revision of Bids

(a) Bids registered by various Bidders through the Members of the Syndicate shall be electronically transmitted to the BSE or NSE mainframe on a regular basis.

(b) The book gets built up at various price levels. This information will be available with the BRLM and the SCBRLM 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 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 revised, in the Revision Form. The members of the Syndicate will not accept incomplete or inaccurate Revision Forms.

(e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid.

(f) Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.

(g) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand 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 the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.

(h) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the 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.**

(i) Only bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/ allotment. In case of discrepancy of data between the BSE or the NSE and the members of the Syndicate, the decision of the BRLM and the SCBRLM based on the physical records of Bid Application Forms shall be final and binding on all concerned.

Price Discovery and Allocation

(a) After the Bid/Issue Closing Date, the BRLM and the SCBRLM will analyse the demand generated at various price levels.

(b) The Company in consultation with the BRLMs and the SCBRLM, shall finalise the "Issue Price".

(c) The allocation to QIBs will be atleast 60% of the Issue and allocation to Non-Institutional and Retail Individual Bidders will be up to 10% and 30% of the Issue, respectively, on a proportionate basis, in a manner specified in the SEBI Guidelines and the Red Herring Prospectus, in consultation with the Designated Stock Exchange, subject to valid bids being received at or above the Issue Price.

(d) Under-subscription, if any, in the Non-Institutional category and the Retail Individual category would be met with spill over from any other category at the sole discretion of our Company in consultation with the BRLM and the SCBRLM. However, if the aggregate demand by Mutual Funds is less than 206,670 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allotted proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has been met, undersubscription, 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 BRLM, the SCBRLM and the Designated Stock Exchange.

(e) Allocation to Eligible NRIs, FIIs, foreign venture capital funds registered with SEBI applying on repatriation basis will be subject applicable law and the terms and conditions stipulated by the FIPB and RBI, while granting permission for allotment of Equity Shares to them in this Issue.

(f) The BRLM and the SCBRLM, 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 Price has not been collected from the Bidders.

(g) The Company reserve the right to cancel the Issue any time after the Bid/Issue Opening Date without assigning any reasons whatsoever. In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/ Issue Closing Date.

Notice to QIBs: Allotment Reconciliation

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE/ NSE system. Based on the electronic book, QIBs may be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be sent to QIBs, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

Signing of Underwriting Agreement and RoC Filing

(a) The Company, the BRLM and the SCBRLM and the Syndicate Member shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s) /allotment to the Bidders.

(b) After signing the Underwriting Agreement, the Company would update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue size, underwriting arrangements and would be complete in all material respects.

Filing of the Prospectus with the RoC

We will file a copy of the Prospectus with the RoC in terms of Section 56, Section 60 and Section 60B of the Companies Act.

Announcement of pre-Issue Advertisement

Subject to Section 66 of the Companies Act, the Company shall after receiving final observations, if any, on this Prospectus from SEBI, publish an advertisement, in the from prescribed by the SEBI DIP Guidelines in an English national daily with wide circulation, one national newspaper and a regional language newspaper.

Advertisement regarding Issue Price and Prospectus

We will issue a statutory advertisement 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 BRLM, the SCBRLM or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated/allotted Equity Shares in the Issue. The approval of the basis of allotment by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail and Non-Institutional Bidders. However, investors should note that the Company shall ensure that the date of allotment of the Equity Shares to all investors in this Issue shall be done on the same date.

(b) The BRLM, the SCBRLM or members of the Syndicate would dispatch a CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the entire Bid Amount into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.

(c) Bidders who have been allocated/allotted Equity Shares and who have already paid the Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of his or her cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the allotment to such Bidder.

(d) The Issuance of CAN is Subject to “Allotment Reconciliation and Revised CANs” as set forth under the chapter “Terms of Issue” of this Red Herring Prospectus.

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 Public Issue Account on the Designated Date, our Company would ensure the credit to the successful Bidders depository account allotment of the Equity Shares to the allottees shall be within two working days of the date of allotment.

(b) In accordance with the SEBI Guidelines, Equity Shares will be issued, transferred and allotment shall be made only in the dematerialised form to the allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated/allotted to them pursuant to this Issue.

GENERAL INSTRUCTIONS

Do’s:

a) Check if you are eligible to apply;

b) Read all the instructions carefully and complete the Resident Bid-cum-Application Form (white in colour) or Non-Resident Bid-cum-Application Form (blue in colour) as the case may be;

c) Ensure that the details about Depository Participant and Beneficiary Account are correct as allotment of Equity Shares will be in the dematerialized form only;

d) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;

e) Ensure that you have been given a TRS for all your Bid options;

f) Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;

(e) 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 Bid-cum-Application form. If you have mentioned "Applied for" or "Not Applicable", in the Bid-cum-Application Form in the section dealing with PAN number, ensure that you submit Form 60 or 61, as the case may be, together with permissible documents as address proof;

g) Ensure that the Demographic Details (as defined hereinbelow) are updated, true and correct in all respects;

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 Price in cash, by money order or by postal order or by stockinvest;

(e) Do not send Bid-cum-Application Forms by post; instead submit the same to a member of the Syndicate only;

(f) Do not bid at Cut Off Price (for QIB Bidders and Non-Institutional Bidders) ;

(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 or blue).

(b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid-cum-Application Form or in the Revision Form. Incomplete Bid-cum-Application Forms or Revision Forms are liable to be rejected.

(c) For Retail Individual Bidders, the Bid must be for a minimum of 8 Equity Shares and in multiples of 8 thereafter subject to a maximum Bid Amount of Rs. 100,000.

(d) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Price exceeds or equal to Rs. 100,000 and in multiples of 8 Equity Shares thereafter. Bids cannot be made for more than the Issue Size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.

(e) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).

(f) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bidder's Depository Account and Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid-cum-Application Form, the Registrar to the Issue will obtain from the Depository the demographic details including address, Bidders bank account details, MICR code and occupation (hereinafter referred to as 'Demographic Details'). These Bank Account details would be used for giving refunds to the Bidders. Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in despatch/ credit of refunds to Bidders at the Bidders sole risk and neither the BRLM or the SCBRLM or the registrar or the Escrow Collection Banks nor the Company shall have any responsibility and undertake any liability for the same. Hence, Bidders should carefully fill in their Depository Account details in the Bid-cum-Application Form.

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID-CUM-APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID-CUM-APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID-CUM-APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID-CUM-APPLICATION FORM.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the CANs/Allocation Advice and printing of Bank particulars on the refund orders or for refunds through electronic transfer of funds, as applicable. The Demographic Details given by Bidders in the Bid-cum-Application Form would not be used for any other purpose by the Registrar to the Issue.

By signing the Bid-cum-Application Form, the Bidder would be deemed to have authorised the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

In case of Bidders receiving refunds through electronic transfer of funds, delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid-cum-Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Company, the Registrar, Escrow Collection Bank(s) nor the BRLM nor the SCBRLM shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories, which matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

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/ refunds through electronic transfer of funds, the Demographic Details given on the Bid-cum-Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid-cum-Application Form instead of those obtained from the depositories.

Bids by Non Residents, NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI on a repatriation basis

Bids and revision to Bids must be made:

1. On the Bid-cum-Application Form or the Revision Form, as applicable (blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In a single name or joint names (not more than three).

3. NRIs for a Bid Price of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Price of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation; by other eligible Non Resident Bidders for a minimum of such number of Equity Shares and in multiples of 8 thereafter that the Bid Price exceeds Rs. 100,000.

For further details, please refer to the section titled 'Maximum and Minimum Bid Size' on page 284.

In the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid-cum-Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

Our Company requires the approval of the FIPB for the Issue of Equity Shares to Eligible NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions and other Eligible NRIs. As per the RBI regulations, OCBs are not permitted to participate in the Issue. We have applied by letter dated December 27, 2005, as amended by our letter dated January 10, 2006, to the FIPB for their approval for the Issue of Equity Shares to eligible NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions.

There is no reservation for Non Residents, NRIs, FIIs and foreign venture capital funds and all Non Residents, NRI, FII and foreign venture capital funds applicants will be treated on the same basis with other categories for the purpose of allocation.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum of Association and Articles of Association and/or bye laws must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by provident funds with minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

Our Company in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid-cum-Application form, subject to such terms and conditions that our Company, the BRLM and the SCBRLM may deem fit.

PAYMENT INSTRUCTIONS

The Company shall open Escrow Accounts with the Escrow Collection Bank(s) for the collection of the Bid Amount payable upon submission of the Bid-cum-Application Form and for amounts payable pursuant to allocation/allotment in the Issue. Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation/allotment as per the following terms:

Payment into Escrow Account

1. The Bidders for whom the applicable Margin Amount is equal to 100% , shall, with the submission of the Bid-cum-Application Form, draw a payment instrument for the Bid Amount in favour of the Escrow Account and submit the same to the members of the Syndicate.
2. In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM and the SCBRLM.
3. The payment instruments for payment into the Escrow Account should be drawn in favour of:
   - In case of QIB Bidders: **"**Escrow Account– Sun TV Public Issue – QIB – R"
   - In case of non-resident QIB Bidders: **"**Escrow Account– Sun TV Public Issue – QIB– NR"
   - In case of Resident Bidders: **"**Escrow Account– Sun TV Public Issue - R"
   - In case of Non Resident Bidders: "Escrow Account – Sun TV Public Issue – NR"
   - In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account.
   - In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to Special Rupee Account.
4. Where a Bidder has been allocated/allotment a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated\ will be refunded to the Bidder from the Refund Account.
5. The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.
6. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Public Issue Account with the Bankers to the Issue.
7. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation/allotment to the Bidders.
8. Payments should be made by cheque, or demand draft drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid-cum-Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ Stockinvest/ Money Orders/ Postal orders will not be accepted.

Payment by Stockinvest

In terms of the Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Hence, payment through stockinvest would not be accepted in this Issue.

SUBMISSION OF BID-CUM-APPLICATION FORM

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid.

No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection centre of the members of the Syndicate will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form. All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications are given below:

1. All applications with the same name and age will be accumulated and taken to a separate process file which would serve as a multiple master.
2. In this master, a check will be carried out for the same PAN. In cases where the PAN is different, the same will be deleted from this master.
3. The Registrar will obtain, from the depositories, details of the applicant's address based on the DP ID and Beneficiary Account Number provided in the Bid-cum-Application Form and create an address master.
4. The addresses of all the applications in the multiple master will be strung from the address master. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of address and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the applications processed. A print-out of the addresses will be taken to check for common names. The applications with same name and same address will be treated as multiple applications.
5. The applications will be scrutinised for DP ID and Beneficiary Account Numbers. In case applications bear the same DP ID and Beneficiary Account Numbers, these will be treated as multiple applications.
6. Subsequent to the aforesaid procedures, a print out of the multiple master will be taken and the applications physically verified to tally signatures as also father's/ husband's names. On completion of this, the applications will be identified as multiple applications.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

The Company reserves the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

Permanent Account Number or PAN

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 Permanent Account Number (PAN) allotted under the I.T. Act. **The copy of the PAN card or PAN allotment letter is required to be submitted with the 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), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61, as the case may be.**

UNIQUE IDENTIFICATION NUMBER - MAPIN

Unique Identification Number ("UIN")

With effect from July 1, 2005, SEBI had decided to suspend all fresh registrations for obtaining UIN and the requirement to contain/quote UIN under the SEBI MAPIN Regulations/Circulars vide its circular MAPIN/Cir-13/2005. However, in a recent press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UINs in a phased manner. The press release states that the cut off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs.100,000 to Rs.500,000 or more. The limit will be reduced progressively. For trade order value of less than Rs.500,000 an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of the Red Herring Prospectus and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations.

OUR RIGHT TO REJECT BIDS

In case of QIB Bidders, the Company in consultation with the BRLM and the SCBRLM may reject Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders and Retail Individual Bidders who Bid, our Company has a right to reject Bids based on technical grounds.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected *inter alia* on the following technical grounds:

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 firm as such shall be entitled to apply;
4. Bid by persons not competent to contract under the Indian Contract Act, 1872 including minors, insane persons;
5. PAN photocopy/PAN communication/ Form 60 or Form 61 declaration along with documentary evidence in support of address given in the declaration, not given if Bid is for Rs. 50,000 or more;
6. GIR number furnished instead of PAN;
7. Bids for lower number of Equity Shares than specified for that category of investors;
8. Bids at a price less than lower end of the Price Band;

9. Bids at a price more than the higher end of the Price Band;
10. Bids at Cut Off Price by Non-Institutional and QIB Bidders
11. Bids for number of Equity Shares which are not in multiples of 8;
12. Category not ticked;
13. Multiple Bids as defined in this Red Herring Prospectus;
14. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
15. Bids accompanied by Stockinvest/money order/postal order/cash;
16. Signature of sole and / or joint Bidders missing;
17. Bid-cum-Application Forms does not have the stamp of the BRLM, the SCBRLM, or Syndicate Members;
18. Bid-cum-Application Forms does not have Bidder's depository account details;
19. Bid-cum-Application Forms are not delivered by the Bidders within the time prescribed as per the Bid-cum-Application Forms, Bid/Issue Opening Date advertisement and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid-cum-Application Forms;
20. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the Depositary Participant's identity (DP ID) and the beneficiary's account number;
21. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
22. Bids by QIBs not submitted through members of the Syndicate;
23. Bids by OCBs;
24. Bids by US persons other than "qualified institutional buyers" as defined in Rule 144A of the Securities Act or other than in reliance on Regulation S under the Securities Act; and
25. Bids by any persons outside India if not in compliance with applicable foreign and Indian laws.

EQUITY SHARES IN DEMATERIALISED FORM WITH NSDL OR CDSL

As per the provisions of Section 68B of the Companies Act, the allotment of Equity Shares in this Issue shall be only in a dematerialised form, (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among the Company, the respective Depositories and the Registrar to the Issue:

a) Agreement dated March 6, 2006 with NSDL, the Company and the Registrar to the Issue;
b) Agreement dated March 6, 2006 with CDSL, the Company and the Registrar to the Issue.

All Bidders can seek allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
b) The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's identification number) appearing in the Bid-cum-Application Form or Revision Form.
c) Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder
d) Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.

e) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.

f) The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid-cum-Application Form vis-à-vis those with his or her Depository Participant.

g) Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

h) The trading of the Equity Shares of the Company would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

COMMUNICATIONS

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid-cum-Application Form number, Bidders Depository Account Details, number of Equity Shares applied for, date of bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

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

PAYMENT OF REFUND

Bidders must note that on the basis of name of the Bidders, Depository Participant's name, DP ID, Benenficiary Account number provided by them in the Bid-cum-Application Form, the Registrar will obtain, from the Depositories, the Bidders' bank account details, including the nine digit Magnetic Ink Character Recognition ("MICR") code as appearing on a cheque leaf. Hence Bidders are adviced to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in despatch of refund order or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the Bidders' sole risk and neither the Company, the Registrar, Escrow Collection Bank(s), Bankers to the Issue nor the BRLM nor the SCBRLM shall be liable to compensate the Bidders for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

Mode of making refunds

The payment of refund, if any, would be done through various modes in the following order of preference:

1. ECS – Payment of refund would be done through ECS for applicants having an account at any of the following fifteen centers: Ahmedabad, Bangalore, Bhubaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for applicants having a bank account at any of the abovementioned fifteen centers, except where the applicant, being eligible, opts to receive refund through direct credit or RTGS.
2. Direct Credit – Applicants having bank accounts with the Refund Banker(s) shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company.
3. RTGS – Applicants having a bank account at any of the abovementioned fifteen centres and whose refund amount exceeds Rs. 1 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid-cum-application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.
4. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be despatched under certificate of posting for value upto Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS AND INTEREST IN CASE OF DELAY

We shall ensure dispatch of Allotment advice, refund orders (except for Bidders who receive refunds through electronic transfer of funds) and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the Allotment to the Stock Exchanges within two working days of date of Allotment of Equity Shares.

In case of applicants who receive refunds through ECS, direct credit or RTGS, the refund instructions will be given to the clearing system within 15 days from the Bid/ Issue Closing Date. A suitable communication shall be sent to the bidders receiving refunds through this mode within 15 days of Bid/ Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

We shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven working days 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 dematerialized form within 15 (fifteen) days of the Bid/Issue Closing Date;
- Dispatch of refund orders or in a case where the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within 15 (fifteen) days of the Bid/Issue Closing Date would be ensured; and
- 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 or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within the 15 (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.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

"Any person who:

(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or

(b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years."

Basis of Allotment

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Issue size less allotment to Non-Institutional and QIB Bidders shall be available for allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 2,066,700 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.
- If the aggregate demand in this category is greater than 2,066,700 Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis up to a minimum of 8 Equity Shares. For the method of proportionate Basis of Allotment, refer below.

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue size less allotment to QIBs and Retail Portion shall be available for allotment to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 688,900 Equity Shares at or above the Issue Price, full allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 688,900 Equity Shares at or above the Issue Price, allotment shall be made on a proportionate basis up to a minimum of 8 Equity Shares. For the method of proportionate Basis Of Allotment refer below.

C. For QIBs

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allotment to all the QIB Bidders will be made at the Issue Price.
- The QIB Portion shall be available for allotment to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- Allotment shall be undertaken in the following manner:
  - (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:
    - (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.
    - (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full allotment to the extent of valid bids received above the Issue Price.
    - (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available for allotment to all QIB Bidders as set out in (b) below;
  - (b) In the second instance allotment to all QIBs shall be determined as follows:
    - (i) In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.
    - (ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.
    - (iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.
- The aggregate allotment to QIB Bidders shall not be less than 4,133,400 Equity Shares.
- Allotment Reconciliation and Revised CANs: After the Bid/Offer Closing Date, based on the electronic book, QIBs will be sent a CAN on or prior to April 22, 2006 indicating the number of Equity Shares that may be allotted to them. The CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the book prepared based on Bid-cum-Application Forms received by the Registrar. Subject to SEBI Guidelines, certain Bid-cum-Application Forms may be rejected due to technical reasons, non-receipt of funds, cancellation or bouncing of cheques, etc. and these rejected Bid-cum-Application Forms will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be sent to the QIBs which may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased Allotment of Equity Shares to them. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issuance of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares Allotted to such QIB. The revised CAN, if issued, will supersede in entirety to the earlier CAN.

- The aggregate allocation to QIB Bidders shall be of 12,000,000 Equity Shares. The method of proportionate basis of allocation is stated below.

Illustration of Allotment to QIBs and Mutual Funds ("MF")

A. Issue Details

Sr. No.	Particulars	Issue details
1	Issue size	200 million equity shares
2	Allocation to QIB (60%)	120 million equity shares
	Of which:	
	a. Allocation to MF (5%)	6 million equity shares
	b. Balance for all QIBs including MFs	114 million equity shares
3	No. of QIB applicants	10
4	No. of 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 MFs), MF1-MF5 (QIB bidders which are Mutual Funds)

C. Details of Allotment to QIB Bidders/ Applicants

(Number of equity shares in million)

Type of QIB bidders	Shares bid for	Allocation of 6 million Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 114 million Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
(I)	(II)	(III)	(IV)	(V)
A1	50	0	11.40	0
A2	20	0	4.56	0
A3	130	0	29.64	0
A4	50	0	11.40	0
A5	50	0	11.40	0
MF1	40	1.2	9.12	10.32
MF2	40	1.2	9.12	10.32
MF3	80	2.4	18.24	20.64
MF4	20	0.6	4.56	5.16
MF5	20	0.6	4.56	5.16
	500	**6**	**114**	**51.64**

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 279.
2. Out of 120 million Equity Shares allocated to QIBs, 6 million (i.e. 5%) will be allocated on proportionate basis among 5 Mutual Fund applicants who applied for 200 shares in QIB category.
3. The balance 114 million Equity Shares (i.e. 120 - 6 (available for MFs)) will be allocated on proportionate basis among 10 QIB applicants who applied for 500 Equity Shares (including 5 MF applicants who applied for 200 Equity Shares).
4. The figures in the fourth column titled "Allocation of balance 114 million Equity Shares to QIBs proportionately" in the above illustration are arrived as under:
   - For QIBs other than Mutual Funds (A1 to A5)= No. of shares bid for (i.e. in column II) X 114 / 494
   - For Mutual Funds (MF1 to MF5)= [(No. of shares bid for (i.e. in column II of the table above) less Equity Shares allotted (i.e., column III of the table above)] X 114/494

- The numerator and denominator for arriving at allocation of 114 million shares to the 10 QIBs are reduced by 6 million shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

Method of Proportionate Basis of Allotment in the Issue

In the event of the Issue being over-subscribed, we shall finalize the basis of allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM, the SCBRLM and the Registrar to the Issue shall be responsible for ensuring that the basis of allotment is finalized in a fair and proper manner.

The allotment shall be made in marketable lots, on a proportionate basis as explained below:

a) Bidders will be categorized according to the number of Equity Shares applied for.

b) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

c) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

d) In all Bids where the proportionate allotment is less than 8 Equity Shares per Bidder, the allotment shall be made as follows:

- Each successful Bidder shall be allotted a minimum of 8 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.

e) If the proportionate allotment to a Bidder is a number that is more than 8 but is not a multiple of 1 (which is the marketable lot), the 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.

f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

UNDERTAKINGS BY OUR COMPANY

We undertake the following:

- that the complaints received in respect of this Issue shall be attended to by us expeditiously;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
- that funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the issue by the issuer.
- that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of the Bid/ Issue Closing Date, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.
- that the certificates of the securities/ refund orders to the non-resident Indians shall be despatched 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.

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 shall be disclosed under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilised;
- details of all unutilised monies out of the Issue, if any shall be disclosed under the appropriate head in the balance sheet indicating the form in which such unutilised monies have been invested;
- Our Company shall 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, 1991 of GoI and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. As per current foreign investment policies, foreign investment in the broadcasting sector is not permitted under the automatic route.

Our Company consequently requires approvals from the FIPB for the issue of Equity Shares in this Issue to eligible NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions. As per the RBI regulations, OCBs are not permitted to participate in the Issue.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without the prior approval of the RBI, so long as the price of the equity shares to be issued is not less than the price at which the equity shares are issued to residents.

Transfers of equity shares previously required the prior approval of the FIPB. However, vide a RBI circular dated October 4, 2004 issued by the RBI, the transfer of shares between an Indian resident and a non-resident does not require the prior approval of the FIPB or the RBI, provided that (i) the activities of the investee company are under the automatic route under the foreign direct investment (FDI) Policy and transfer does not attract the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (ii) the non-resident shareholding is within the sectoral limits under the FDI policy, and (iii) the pricing is in accordance with the guidelines prescribed by the SEBI/RBI.

Foreign Investment in Broadcasting and FM radio

Foreign investment in India is regulated by the Foreign Exchange Management Act, 1999 (FEMA), the regulations framed by the Reserve Bank of India (RBI) and policy guidelines issued by the Ministry of Industry (through various Press Notes issued from time to time). Foreign investment in TV and FM broadcasting sectors is regulated by the FIPB and the MIB. Prior permission of the FIPB is required for Foreign investment in this sector.

Broadcasting

The Foreign Exchange Management (Transfer or Issue of Shares to a Resident Outside India) Regulations, 2000 sets out the foreign investment permitted or prohibited in various sectors. Regulation 3 read with Annexure A to the Foreign Exchange Management (Transfer or Issue of Shares to a Resident Outside India) Regulations, 2000 specifies that a company which is engaged in any activity in the broadcasting sector may issue shares to a person resident outside India, provided that it has obtained the prior approval of the FIPB and the terms and conditions of such an approval are complied with. Under the aforesaid provisions we have received approval from the FIPB by their letter dated February 27, 2006, for the Issue of Equity Shares and preferential allotment of Equity Shares to eligible NRIs, FIIs, foreign venture capital investors registered with SEBI, multilateral and bilateral development financial institutions.and other eligible foreign investors upto 20% of the paid up equity capital of Sun TV Limited post the Issue.

Under Press Note No. 01 (2006) Series on Foreign Direct Investment (FDI) in Up-linking of TV Channels, FDI in the Up-linking of TV Channels is permitted as under:

1. FDI up to 49% is permitted with prior approval of the Government for setting up the Up-linking Hub/ Teleport;
2. FDI up to 100% is allowed with prior approval of the Government for Up-linking a Non-News & Current Affairs TV Channel;
3. FDI (including investment by Foreign Institutional Investors (FIIs)) up to 26% is permitted with prior approval of the Government for Uplinking a News & Current Affairs TV Channel subject to the condition that the portfolio investment in the form of FII/ NRI deposits shall not be “persons acting in concert” with FDI investors.

A company permitted to uplink a channel is required to certify the continued compliance of the above requirement at the end of each financial year. While calculating foreign equity of the applicant company, the foreign holding component, if any, in the equity of the Indian shareholder companies of the applicant company is to be duly reckoned on a pro-rata basis, so as to arrive at the total foreign holding in the applicant company. However, the indirect FII equity in a company as on 31st March of the year is to be taken for the purposes of pro-rata reckoning of foreign holdings. Further, FDI in the Up-linking TV Channels will be subject to compliance with the Uplinking Guidelines and policy of the MIB as may be notified from time to time.

Uplinking Guidelines

Under the Uplinking Guidelines, certain specific rules are applicable to entities which uplink channels containing an element of News & Current Affairs content in their programming. Under the Uplinking Guidelines, foreign equity holding including FDI/FII/NRI investment in such companies is not to exceed 26% of the paid up equity of the company.

While calculating foreign equity of the Company, the foreign holding component, if any, in the equity of our Indian shareholder companies will be duly reckoned on pro-rata basis, so as to arrive at the total foreign holding in us. However, the indirect FII equity in us as on 31st March of the year would be taken for the purposes of pro-rata reckoning of foreign holdings.

Any change in the foreign direct investment in the Company is to be disclosed to the MIB, within 15 days of the occurrence thereof. Upon the finalization of the Basis of Allotment, our Company would also be required to notify the MIB, of the percentage of the foreign direct investment pursuant to this Issue.

The MIB has, by way of its letter dated February 16, 2006 bearing number 1404/4/2000-TV(I) indicated its no objection to the Issue; subject to compliance with the following conditions;

a) The Company continuing to comply with the provisions of the Uplinking Guidelines and obtaining prior approval of the MIB before effecting any change in the shareholding of the largest Indian shareholder, as is required under clause 3.1.2 of the Uplinking Guidelines.

b) The Company complying with the conditions of the FM licenses as prescribed under the Phase II Policy.

c) Foreign investment in the Company including FDI not exceeding 20% of the total paid up equity.

d) That the Company, in accordance with clause 3.1.5 of the Uplinking Guidelines, intimate the MIB of the changes in FDI, within 15 days of such change and while effecting changes in the shareholding patterns, the Company ensure its continued compliance with clauses 3.1.1 and 3.1.2 of the Uplinking Guidelines.

The Company ensuring that even if FII's buy into the Issue, foreign equity holding consequent to such change does not exceed the limit as prescribed in Sl. No. (3) above.

FM

Foreign Direct Investment in the FM broadcasting sector has recently been liberalized, on November 15, 2005, to permit foreign investment, including FDI, NRI, investments by PIO and portfolio investments of up to 20% equity, subject to the guidelines issued by the MIB.

Since we are a company engaged in uplinking of news and current affairs and also in FM broadcasting, we are restricted by the lower of the foreign investment limit between uplinking of news and current affairs and FM broadcast, i.e., foreign investment limit of 20% of our total paid up capital.

Subscription by foreign investors (NRIs/FIIs)

There is no reservation for Non Residents, NRIs, FIIs, foreign venture capital funds, multi-lateral and bilateral development financial institutions and any other foreign investor. All Non Residents, NRIs, FIIs and foreign venture capital funds, multi-lateral and bilateral development financial institutions and any other foreign investor applicants will be treated on the same basis with other categories for the purpose of allocation.

As per existing regulations, OCBs cannot participate in the Issue.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933 (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the

Securities Act in reliance on Rule 144A under the Securities Act, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

The above information is given for the benefit of the Bidders. The Company, the BRLMs and the SCBRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

SECTION VIII: MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Capitalized terms used in this section have the meaning that has been given to such terms in the Articles of Association of the Company

The regulations contained in Table 'A' of Schedule I to the Companies Act shall apply only in so far as the same are not provided for or are not inconsistent with these Articles and the regulations for the management of the Company and for observance of the members thereof and their representatives shall, subject to any exercise of the statutory powers of the Company with reference to repeal or alteration of or addition to, its regulations by Special Resolution, as prescribed by the Companies Act, be such as are contained in these Articles.

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the Articles of Association of the Company are detailed below:

3. 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.

3.5.5 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 instalments, transfer and transmission, forfeiture, lien, surrender, voting and otherwise.

3.5.6 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.

3.5.7 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.

4. 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 dematerialise 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.

4.9 The Company may exercise the powers of paying commissions conferred by Section 76, provided that the rate per cent or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by that Section. The rate of commission shall not exceed the rate of five percent of the price at which the shares in respect whereof the same is paid are issued or an amount equal to five percent of such price, and in the case of debentures, two and a half percent of the price at which debentures are issued or an amount equal to two and a half percent, as the case may be. The Company may also, on any issue of shares, pay such brokerage as may be lawful.

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 work 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 them 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 or shares held jointly by several persons, the Company shall not be bound to issue more than one certificate and delivery of a certificate of shares to one of several right holders shall be sufficient delivery to all such holder.

5. SHARE WARRANTS

5.1 The Company may issue share warrants subject to, and in accordance with, the provisions of Sections 114 and 115 of the Act.

6. 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 instalments.

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, subject to the provisions of Section 92 of the Act, 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. The provisions of these Articles shall mutatis mutandis apply to the calls on debentures of the Company.

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 instalment 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 instalment remains unpaid serve a notice on him requiring payment of so much call or instalment 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.

7. 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.

7.5 Subject to the provisions of Section 111A, these Articles and other applicable provisions of the Act or any other Law for the time being in force, the Board may refuse whether in pursuance of any power of the Company under these Articles or otherwise to register the transfer of, or the transmission by operation of law of the right to, any shares or interest of a Member in or debentures of the Company. The Company shall within one month from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was delivered to 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

d) 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.

8. DIVISION OF PROFITS AND DIVIDEND

8.1 The Board shall have the power to recommend dividend in accordance with the applicable provisions of the Act.

8.2 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. 3 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 Sun TV 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.

8.4 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 & Education Fund in accordance with the provisions of Section 205A (5) and other applicable provisions of the Act.

8.5 No unclaimed or unpaid dividend shall be forfeited by the Board.

9. CAPITALIZATION OF RESERVE

9.1 Any General Meeting may resolve that the whole or any part of the undivided profit of the Company (which expression shall include any premium received on the issue of shares and any profit or other sum which have been carried forward without being divide be capitalised and distributed amongst such of the members as would be entitled to receive the same if distributed by way of dividend and in the same proportions on the footing that become entitled there to as capital and that all or any part of such capitalised amount be applied on behalf of such member, in paying up in full any unissued shares of the Company which shall be distributed accordingly or in or towards payment of the uncalled liability on any issued shares, and that such distribution or payment shall be accepted by such member in full satisfaction of their interest in the said capitalised amount. Provided that any sum standing to the credit of securities premium account or any other reserve not set apart for any specific purpose, for the purpose of this Article only be applied in the paying up of unissued shares to be issued to members of the company as fully paid Bonus Shares.

10. BORROWING POWERS

10.1 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, generally raise or borrow or secure the payment of any sum or sums of money for the purposes of the Company.

11. GENERAL MEETINGS

11.1 All General Meetings other than the Annual General Meeting shall be called Extraordinary General Meetings.

11.2 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.

11.3 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.

11.4 In the case of an 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 second or casting vote.

11.5 Postal Ballot: Notwithstanding anything contained in these Articles the Company shall 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.

12. BOARD OF DIRECTORS

12.1 So long as the Promoter holds 51% or more of paid-up equity share capital of the Company the Promoter shall from time to time determine in writing, the number of Directors of the Company of which shall not be less than three and not more than twelve. These Directors may be either executive Directors or non-executive Directors. The Promoter shall also nominate the Chairman & Managing Director of the Company. The Board will comprise of a minimum of four and a maximum of twelve Directors and the composition of the Board shall comply with the terms of the Listing Agreements.

12.2 The Directors shall be paid remuneration, commission or other allowances as per section 198, 309, 314 and other applicable provisions of the Act.

12.3 The Board shall have power at any time, and from time to time to appoint a person as an additional director provided the number of directors and additional directors together shall not at any time exceed the maximum strength fixed for the Board by these Articles such person shall hold office only upto the date of the next Annual General Meeting of the Company but shall be eligible for appointment by the Company as a director at that meeting subject to the provisions of the Act.

12.4 Subject to the provisions of Section 313 of the Act, in the event that any Director (hereinafter referred to as the "Original Director") is away for a continuous period of not less than three (3) months from the State in which the meetings of the Board are ordinarily held, the Board may appoint an alternate director for him/her. An alternate director appointed under this Article shall not hold office for a period longer than that permitted to the Original Director in whose place he has been appointed, and shall vacate office if and when the Original Director returns to the State where meetings of the Board are ordinarily held. If the term of office of the Original Director is determined before he so returns to the State, any provision in the Act or in the Articles for the automatic re-appointment of retiring directors in default of another appointment shall apply to the Original Director, and not to the alternate director. No person shall, however, be appointed by the Board as an alternate director who shall not have been previously approved in writing by the Original Director

12.5 The Directors shall not be required to hold any qualification shares.

13. MEETINGS OF THE BOARD

13.1 The Directors shall from time to time, elect from amongst themselves a Director to be the Chairman of the Board and determine the periods for which the Chairman shall hold office.

13.2 All matters shall be decided by the Board by a simple majority, and in case of an equality of votes the Chairman shall have a second or casting vote.

13.3 Each Director shall be entitled to exercise one vote.

14. COMMITTEE OF DIRECTORS

14.1 The Board may, subject to the provision of Section 292 and other applicable provisions of the Act and the Listing Agreement, 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. 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 next meeting or in a subsequent meeting of the Board held within a period of three months.

15. MANAGING DIRECTOR

15.1 Subject to the provisions of the Act and these Articles, the Board shall have power to appoint one of its member as the Managing Director of the Company, upon such terms and conditions as the Board thinks fit and, 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 and the Managing Director shall not be liable to retire by rotation.

15.2 Subject to the provisions of the Law, the remuneration of the Managing Director shall be such as may be determined by the Board from time to time.

15.3 The Managing Director shall act under the general supervision of the Board and his powers shall include:

(a) manage the affairs of the Company on a day-to-day basis.

(b) to borrow monies on behalf of the company from Banks, Financial Institutions or others with or without security and have the power to offer as security (movable or immovable properties) assets of the company and shall have the power to execute deed of mortgage, agreement or other documents for purposes of securing the assets or property as the case may be in respect of loan availed of on behalf of the company.

(c) to deal directly for the purchase, Import, Export of machinery and assets or other material for the purpose of business of the company and for that purpose to incur necessary expenses therefor.

(d) to appoint officers or other employees and also fix the terms of appointment of such staffs or employees.

(e) to appoint selling agents, commission agents, or brokers and agents in the conduct of the business of the company and also fix the terms of such appointment from time to time.

16. ACCOUNTS

16.1 The Directors shall from time to time determine whether and to what extent and at what time and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of Members not being Directors and no Member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by law or authorised by the Board or by the Company in General Meeting.

17. AUDIT

17.1 At least once in every year, the accounts of the Company shall be balanced and audited and the correctness of the profit and loss account and balance sheet ascertained by one or more Auditor or Auditors to be appointed as required by the Act.

18. CONFIDENTIALITY

18.1 Every director, manager, auditor, treasurer, trustee, member of a Committee, officer, servant, agent, accountant or other person employed in the business of the Company shall, if so required by the Directors, before entering upon his duties, sign a declaration pledging himself to observe strict secrecy respecting all transactions and affairs of the Company with the customers and the state of the accounts with individuals and in matters relating thereto, and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in the discharge of his duties except when required so to do by the Directors or by law or by the person to whom such matters relate and except so far as may be necessary in order to comply with any of the provisions in these presents contained.

18.2 No Member shall be entitled to visit or inspect any offices of the Company without the permission of the Directors or to require discovery of or any information respecting any details of the Company's trading, or any matter which is or may be in the nature of a trade secret, mystery of trade, secret process and which in the opinion of the Directors, would be inexpedient in the interest of the Company to disclose.

19. MISCELLANEOUS

19.1 A notice (which expression for the purposes of these presents, shall be deemed to include and shall include any summon, notice, process, order, judgment or any other document in relation to or in the winding up of the Company) may be given by the Company to any Member either personally or by sending it by post to him to his registered address.

19.2 Where a notice is sent by post, the service of such notice shall be deemed to be effected by properly addressing, pre-paying and posting a letter containing the notice.

Provided that where a Member has intimated to the Company in advance that documents should be sent to him under a certificate of posting or by registered post with or without acknowledgement due and has deposited with the Company a sum sufficient to defray the expenses of doing so, service of the document or notice shall be deemed to be effected unless it is sent in the manner intimated by the Member.

19.3 If a Member has no registered address in India and has not supplied to the Company an address within India for the giving of notices to him, a notice advertised in a newspaper circulating in the neighbourhood of the registered office shall be deemed to be duly given to him on the day on which the advertisement appears.

19.4 A notice may be given by the Company to the persons entitled to a share in consequence of the death or insolvency of a Member by sending it through the post in a pre paid letter addressed to them by name or by the title of representatives of the deceased or assignee of the insolvent by any like description at the address (if any) in India supplied for the purpose by the persons claiming to be so entitled or (until such an address has been so supplied) by giving the notice in any manner in which the same might have been given if the death or insolvency had not occurred.

19.5 Subject to the provisions of the Act and these presents, notice of every General Meeting shall be given in any manner hereinbefore authorized to:

(i) every member of the Company;

(ii) every person entitled to a share in consequence of the death or insolvency of all Members who but for his death or insolvency, would be entitled to receive notice of the meeting; and

(iii) the Auditor or Auditors of the Company.

19.6 Any notice to be given by the Company shall be signed by the secretary or by such Director or officer as the Board may appoint. Such signature may be written, printed or lithographed.

19.7 Every person who, by operation of Law, transfer or other means whatsoever, shall become entitled to any share, shall be bound by every notice in respect of such share, which previously to his name and address and title to the share being notified to the Company shall have been duly given to the person from whom he derives his title to such share.

19.8 Subject to the provisions of the Act and these presents, any notice given in pursuance of these presents or document/dividend/refund order/interest warrants delivered or sent by post to or left at the registered address of any Member or at the address given by him in pursuance of these presents, shall notwithstanding that such Member be then deceased and whether or not the Company have notice of his decease, be deemed to have been duly served in respect of any registered share, whether held solely or jointly by other persons by such Member until some other person be registered in his stead as the holder or the joint holder thereof and such service shall, for all purposes of these presents, be deemed sufficient service of such notice or document on his or her heirs, executors or administrators and all persons, if any jointly interested with him or her in any such share.

19.9 Ensuring compliance with Applicable Law:

Notwithstanding anything stated elsewhere in these Articles, the Directors shall be entitled to take all necessary steps to ensure compliance with applicable law including, without limitation, the applicable provisions of the Guidelines for Foreign Direct Investment in India for Entities Broadcasting Television Channels dealing with News And Current Affairs published by the Ministry of Information and Broadcasting, Government of India and subject to the provisions of Section 111A of the Companies Act, 1956 and the other provisions of applicable law, the Directors may, for contravention of the provisions of Securities and Exchange Board of India Act, 1992, or regulations made thereunder or the Sick Industrial Companies (Special Provisions) Act, 1985, or the Guidelines for Foreign Direct Investment in Indian Entities Broadcasting Television Channels dealing with News And Current Affairs, or other applicable law for the time being in force, and by giving reasons, decline to register or acknowledge any transfer or transmission of shares whether fully paid or not, and the Company shall within one month from the date on which the instrument of transfer or intimation of transmission was given to it, send to the transferee a notice of the refusal to accept such transfer or transmission of its shares.

20. INDEMNITY

The Managing Director, or the Directors, or the Manager, Secretary or other officers or employees of the Company shall be indemnified by the Company out of the funds of the Company to pay all costs, losses and expenses which any such Director officer or employee of the Company may incur or become liable to be reason of any contract entered into or act or deed done by him as such officer or servant or in any way in the discharge of his duties, or if such officer or employee becomes personally responsible or liable for the payment of any sum primarily due from the Company. The Managing Director, or the Directors, may execute or cause to be executed any mortgage, charge or security cover affecting the whole or any part of the assets of the Company, by way of indemnity, to secure such persons for any loss in respect of such liability. The amount for which this indemnity is provided shall attach as a lien in the property of the Company and have priority as between members of all other claims.

SECTION IX: OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following Contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These Contracts, copies of which have been attached to the copy of this Red Herring Prospectus, delivered to the Registrar of Companies, Tamil Nadu for registration and also the documents for inspection referred to hereunder, may be inspected at the registered office/corporate office of our Company 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 to the Issue

1. Letters of appointment dated November 23, 2005 to the BRLM and the SCBRLM from our Company appointing them as the BRLM and the SCBRLM.
2. Memorandum of Understanding amongst our Company, the BRLM and the SCBRLM, dated January 25, 2006.
3. Memorandum of Understanding between our Company and Registrar to the Issue, dated January 25, 2006.
4. Certificate dated March 10, 2006 from K. Ramkrish & Co, Chartered Accountants, Membership No. 200/20963.
5. Agreements between our Company and Kal Radio Limited and South Asia FM Limited dated December 28, 2005.
6. Agreements between our Company and Kal Comm Private Limited dated September 5, 2005.

Material Documents

1. Our Memorandum and Articles of Association as amended from time to time.
2. Our certification of incorporation.
3. Our certificates in relation to change of name.
4. Shareholders' resolutions in relation to this Issue.
5. Present terms of employment between our Company and our Directors as approved by our Board and our Shareholders.
6. Unconsolidated Summary Statements of Assets and Liabilities and Unconsolidated Summary Statement of Profits and Losses, as Restated and Unconsolidated Cash Flows, as Restated, Under Indian GAAP as at and for the Years Ended March 31, 2001, 2002, 2003, 2004 And 2005 and as at and for the Nine Month Period Ended December 31, 2005 and Consolidated Summary Statements of Assets and Liabilities, Profit and Loss, as Restated for The Nine Month Period Ended December 31, 2005from S.R. Batliboi & Associates on such restated financial statements, dated March 9, 2006 and mentioned in the Red Herring Prospectus.
7. Audited financial statements for the nine month ended December 2004 and December 2005 audited by S. R. Batliboi and Associates and their audit report on the same dated March 9, 2006.
8. Consolidated Audited financial statements for the nine month ended December 31, 2005 audited by S. R. Batliboi and Associates and their audit report on the same dated March 9, 2006.
9. Statement of Tax Benefits from S. R. Batliboi & Associates dated March 9, 2006– Auditor's Report on possible Income-tax benefits available to the Company and its shareholders.
10. Audited Balance Sheet as at 31st December 2005 and Cash Flow Statement for the period October 7, 2005 to December 31, 2005, of Kal Radio Limited audited by K. Ramkrish & Co. Chartered Accountants, and their audit report on the same dated February 27, 2006.
11. Audited Balance Sheet as at 31st December 2005 and Cash Flow Statement for the period November 9, 2005 to December 31, 2005, of South Asia FM Limited audited by K. Ramkrish & Co. Chartered Accountants, and their audit report on the same dated February 27, 2006.
12. Copies of annual reports of our Company for the years ended March 31, 2001, 2002, 2003, 2004 and 2005.

13. Consent of S.R. Batliboi & Associates, our Auditors for inclusion of their reports dated March 09, 2006 pertaining to the December 2005 Uncolsolidated financial statements and consolidated financial statements and their repost dated March 09, 2006 pertaining to the Uncolsolidated Restated Financial Statements and Consolidated Restated Financial Staements, in the context in which it appears in the Red Herring Prospectus.
14. Consent of K.Ramkrish & Co, Chartered Accountants, auditors for our Subsidiaries, for inclusion of their reports on financial statements and auditors report on audited financial statements for our Subsidiaries in the form and context in which they appear in thisRed Herring Prospectus.
15. Consents of Bankers to the Company, BRLM, SCBRLM, Syndicate Member, Registrar to the Issue, Escrow Collection Bank(s), Bankers to the Issue, Domestic and International Legal Counsel to the Underwriters, Directors of the Company, Company Secretary and Compliance Officer and Vice President (Finance), as referred to, in their respective capacities.
16. In-principle listing approval dated February 21, 2006 and February 22, 2006 from BSE and NSE respectively
17. Tripartite Agreement between NSDL, our Company and the Registrar to the Issue dated March 6, 2006
18. Tripartite Agreement between CDSL, our Company and the Registrar to the Issue dated March 6, 2006
19. Due diligence certificate dated February 10, 2006 to SEBI from the BRLM and the SCBRLM.
20. Letter from the FIPB dated February 27, 2006 granting approval for the Issue of Equity Shares and preferential allotment of Equity Shares to eligible NRIs, FIIs, foreign venture capital investors registered with SEBI, multilateral and bilateral development financial institutions and other eligible foreign investors upto 20% of the paid up equity capital of Sun TV Limited post the Issue.
21. Letter from the MIB dated February 16, 2006 bearing number 1404/4/2000-TV(I) indicating its no objection to the Issue;
22. SEBI interim observation letter No. CFD/DIL/NB/JAK/60799/2006 dated February 20, 2006 and observation letter No. CFD/DIL/NB/KAK/61820/2006 dated March 3, 2006.
23. Agreement dated April 10, 2003 between our Company and Gemini TV Private Limited and letter amending the agreement dated August 21, 2003.
24. Agreement dated April 10, 2003 between our Company and Udaya TV Private Limited.

Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes

DECLARATION

We, the Directors of the Company, certify that all relevant provisions of the Companies Act, 1956, and the guidelines issued by the GoI or the guidelines issued by Securities and Exchange Board of India, applicable guidelines issued by the MIB, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or the rules made thereunder or guidelines issued, as the case may be, and that all approvals and permissions required to carry on our business have been obtained, are currently valid and have been complied with. We further certify that all the statements in this Red Herring Prospectus are true and correct.

Signed by the Directors of our Company

Mr. Kalanithi Maran	Sd/-
Mrs. Kavery Kalanithi	Sd/-
Mr. S. Sridharan	Sd/-
Mr. M. K. Harinarayanan	Sd/-
Mr. J. Ravindran	Sd/-
Mr. Nicholas Martin Paul	Sd/-

Signed by the Vice President (Finance)

Sd/-

Mr. S. Natrajan

Date: March 21, 2006

Place: Chennai