DRAFT RED HERRING PROSPECTUS
Please read Section 60B of the Companies Act, 1956
[•], 2005 (Draft Red Herring Prospectus will be updated upon RoC filing)
**100% Book Building Issue**

# SASKEN COMMUNICATION TECHNOLOGIES LIMITED

(Previously known as Silicon Automation Systems Limited)
(Originally incorporated in the State of Gujarat on February 13, 1989 as ASIC Technologies Private Limited under the Companies Act, 1956. On October 13, 1992, we changed our name to Silicon Automation Systems (India) Private Limited. On April 20, 1993 we changed our registered office from the State of Gujarat to the State of Karnataka. On December 30, 1998, we changed our name to Silicon Automation Systems Limited. On October 17, 2000 we changed our name to Sasken Communication Technologies Limited)

Registered Office and Corporate Office: 139/25, Ring Road, Domlur, Bangalore 560 071
Tel: +91 80 2535 5501; Fax: +91 80 2535 1309;
Web site: www.sasken.com; Email: saskenipo@sasken.com;
Contact Person/Compliance Officer: Mr. B. Ramkumar

**PUBLIC ISSUE OF EQUITY SHARES COMPRISING FRESH ISSUE OF 5,000,000 EQUITY SHARES OF RS. 10 EACH AT A PRICE OF RS. • FOR CASH AGGREGATING RS. • MILLION (REFERRED TO AS THE "ISSUE") COMPRISING 500,000 EQUITY SHARES OF RS. 10 EACH RESERVED FOR THE ELIGIBLE EMPLOYEES OF THE COMPANY AND A NET OFFER TO PUBLIC OF 4,500,000 EQUITY SHARES OF RS. 10 EACH. THE ISSUE WOULD CONSTITUTE 18.17% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF THE COMPANY. THE NET OFFER TO THE PUBLIC WOULD CONSTITUTE 16.36% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF THE COMPANY.**

**PRICE BAND: RS. • TO RS. • PER EQUITY SHARE OF FACE VALUE RS. 10**
**ISSUE PRICE IS • TIMES OF THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND • TIMES AT THE HIGHER END OF THE PRICE BAND.**

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

**The Issue is being made through the 100% Book Building Process wherein atleast 60% of the Net Offer to the Public shall be allocated to Qualified Institutional Buyers on a discretionary basis, not less than 10% of the Net Offer to the Public would be available for allocation to non-institutional investors and the remaining 30% of the Net Offer to the Public would be available for allocation to retail individual investors on a proportionate basis, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Net Offer to the Public cannot be allotted to qualified institutional buyers, the entire application money will be refunded.**

| RISK IN RELATION TO 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, on the basis of assessment of market demand for the Equity Shares offered by way of book building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company or regarding the price at which the Equity Shares will be traded after listing. |
| **GENERAL RISKS** |
| Investment 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 securities have not been recommended or approved by Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or adequacy of this document. Specific attention of investors is invited to the section titled "Risk Factors" beginning on page 12 of this Draft Red Herring Prospectus.

**ISSUER'S ABSOLUTE RESPONSIBILITY**

The Issuer having made all reasonable inquiries, accepts responsibility for and confirms that this offer document 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 the offer document 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 make this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

**LISTING**

The Equity Shares are proposed to be listed on The Stock Exchange, Mumbai ("BSE") and The National Stock Exchange of India Limited ("NSE") and the Company has received in-principle approvals from these Stock Exchanges for the listing of its Equity Shares pursuant to letters dated • and •, respectively. For purposes of this Issue, the Designated Stock Exchange is BSE.

| BOOK RUNNING LEAD MANAGER | REGISTRAR TO THE ISSUE |
| --- | --- |
| **Enam Financial Consultants Private Limited**<br>801, Dalamal Towers,<br>Nariman Point<br>Mumbai 400 021<br>Tel: +91 22 5638 1800<br>Fax: +91 22 2284 6824<br>Email: sasken.ipo@enam.com<br>Website: www.enam.com | **Karvy Computershare Private Limited**<br>Unit: Sasken IPO<br>Karvy House, 46, Avenue Road,<br>Street No. 1, Banjara Hills,<br>Hyderabad 500 034<br>Tel: +91 40 23431546 / 49<br>Fax: +91 40 2343 1551<br>Email: saskenipo@karvy.com<br>Website: www.karvy.com |

**ISSUE PROGRAM**

| | | | |
| --- | --- | --- | --- |
| BID/ISSUE OPENS ON | •, 2005 | BID/ISSUE CLOSES ON | •, 2005 |

TABLE OF CONTENTS


**SECTION I: DEFINITIONS AND ABBREVIATIONS** .......... 1
CONVENTIONAL / GENERAL TERMS .......... 1
ISSUE RELATED TERMS .......... 2
ABBREVIATIONS .......... 5
COMPANY / INDUSTRY RELATED TERMS .......... 7
**SECTION II: RISK FACTORS** .......... 12
CERTAIN CONVENTIONS; USE OF MARKET DATA .......... 12
FORWARD-LOOKING STATEMENTS .......... 13
RISK FACTORS .......... 14
**SECTION III: INTRODUCTION** .......... 28
SUMMARY .......... 28
THE ISSUE .......... 29
SELECTED FINANCIAL DATA OF OUR COMPANY .......... 30
GENERAL INFORMATION .......... 32
CAPITAL STRUCTURE .......... 38
OBJECTS OF THE ISSUE .......... 60
BASIC TERMS OF ISSUE/ ISSUE STRUCTURE .......... 63
BASIS FOR ISSUE PRICE .......... 65
**SECTION IV: ABOUT THE ISSUER COMPANY** .......... 67
INDUSTRY OVERVIEW .......... 67
OUR BUSINESS .......... 73
REGULATIONS AND POLICIES .......... 103
HISTORY AND CORPORATE STRUCTURE .......... 110
MANAGEMENT .......... 118
PROMOTERS .......... 135
RELATED PARTY TRANSACTIONS .......... 136
EXCHANGE RATES AND CURRENCY OF PRESENTATION .......... 137
DIVIDEND POLICY .......... 138
**SECTION V: FINANCIAL STATEMENTS** .......... 139
CONSOLIDATED FINANCIAL STATEMENTS (AS PER INDIAN GAAP) OF SASKEN COMMUNICATION TECHNOLOGIES LIMITED ALONG WITH ITS SUBSIDIARIES, SASKEN NETWORK SYSTEMS LIMITED (SNSL) AND SASKEN NETWORK ENGINEERING LIMITED (SNEL) FOR THE NINE MONTHS ENDED DECEMBER 31, 2004 AND THE YEAR ENDED MARCH 31, 2004 .......... 140
CONSOLIDATED FINANCIAL STATEMENTS (AS PER INDIAN GAAP) OF SASKEN COMMUNICATION TECHNOLOGIES LIMITED ALONG WITH ITS SUBSIDIARY, SASKEN NETWORK SYSTEMS LIMITED (SNSL) FOR THE YEAR ENDED MARCH 31, 2004 .......... 164
UNCONSOLIDATED FINANCIAL STATEMENTS (RESTATED), AS PER INDIAN GAAP OF SASKEN COMMUNICATION TECHNOLOGIES LIMITED FOR THE NINE MONTHS ENDED DECEMBER 31, 2004 AND THE YEARS ENDED MARCH 31, 2004, MARCH 31, 2003, MARCH 31, 2002, MARCH 31, 2001 AND MARCH 31, 2000. .......... 188
FINANCIAL AND OTHER INFORMATION OF GROUP COMPANIES .......... 230
CHANGES IN THE ACCOUNTING POLICIES IN THE LAST THREE YEARS .......... 254
SELECTED FINANCIAL DATA (AS PER CONSOLIDATED FINANCIAL STATEMENTS UNDER INDIAN GAAP) .......... 255
MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF THE OPERATIONS (AS PER INDIAN GAAP – CONSOLIDATED) .......... 258
SELECTED FINANCIAL DATA (AS PER UNCONSOLIDATED RESTATED SUMMARY FINANCIAL STATEMENTS UNDER INDIAN GAAP) .......... 263

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF THE OPERATIONS (AS PER INDIAN GAAP – RESTATED) ........ 266
**SECTION VI: LEGAL AND OTHER INFORMATION ........ 274**
OUTSTANDING LITIGATION AND DEFAULTS ........ 274
GOVERNMENT APPROVALS ........ 282
MATERIAL DEVELOPMENTS ........ 284
**SECTION VII: OTHER REGULATORY AND STATUTORY DISCLOSURES ........ 285**
**SECTION VIII: ISSUE INFORMATION ........ 293**
TERMS OF THE ISSUE ........ 293
ISSUE PROCEDURE ........ 296
**SECTION IX: DESCRIPTION OF EQUITY SHARES AND TERMS OF THE ARTICLES OF ASSOCIATION ........ 323**
DESCRIPTION OF EQUITY SHARES ........ 323
MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION OF SASKEN COMMUNICATION TECHNOLOGIES LIMITED ........ 326
**SECTION X: OTHER INFORMATION ........ 338**
MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION ........ 338
DECLARATION ........ 340

## SECTION I: DEFINITIONS AND ABBREVIATIONS

| Term | Description |
|---|---|
| "Sasken", the "Company", "our Company", "we" or "us" | Unless the context otherwise requires, refers to, Sasken Communication Technologies Limited, a public limited company incorporated under the Companies Act, having its registered office at 139/25 Ring Road, Domlur, Bangalore 560 071 |
| SNEL | Sasken Network Engineering Limited, a public limited company incorporated under the Companies Act, having its registered office at 139/25 Ring Road, Domlur, Bangalore 560 071 |
| SNSL | Sasken Network Systems Limited, a public limited company incorporated under the Companies Act, having its registered office at 139/25 Ring Road, Domlur, Bangalore 560 071 |
| Subsidiary or Subsidiaries | Currently means SNSL and SNEL, either individually or collectively, as the context may require |

**Conventional / General Terms**

| Term | Description |
|---|---|
| Directors | The directors of Sasken Communication Technologies Limited, as may be changed from time to time |
| Eligible Employee | Means a permanent employee or Director of the Company (or its Subsidiaries), who is an Indian National based in India and is physically present in India on the date of submission of the Bid-cum-Application Form. In addition, such person should be an employee or Director during the period commencing from the date of filing of the Red Herring Prospectus with the RoC upto the Bid/Issue Closing Date. Promoter Directors are not eligible to be treated as Eligible Employees. |
| Equity Shares | Equity shares of the Company of face value of Rs. 10 each unless otherwise specified in the context thereof |
| ESOP 2000 | Means the Employee Stock Option Plan 2000 of Sasken and extended to its Subsidiaries, as approved by the Shareholders at the Extraordinary General Meeting held on September 22, 2000, and as amended from time to time |
| Financial year/fiscal/FY | The twelve months ended March 31 of a particular year |
| Memorandum/ Memorandum of Association | The Memorandum of Association of Sasken |
| New Campus | Means the proposed campus for software development located at 139/37, Ring Road, Domlur, Bangalore 560 071 in terms of the description contained in the section titled "Objects of the Issue" beginning on page 60 of this Draft Red Herring Prospectus |
| QPIC | Means the Quarterly Performance Indexed Compensation, being a variable component of the remuneration payable to certain categories of employees on a quarterly basis and is dependent on the achievement of specific targets |
| Registered Office | 139/25, Ring Road, Domlur, Bangalore 560 071 |

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**Issue Related Terms**

| Term | Description |
|---|---|
| Allocation Amount | The amount payable by a Bidder on or prior to the Pay-in Date after deducting any Bid Amounts that may already have been paid by such Bidder |
| Articles/ Articles of Association | Articles of Association of Sasken Communication Technologies Limited |
| Banker(s) to the Issue | • |
| Bid | An offer made during the Bidding Period by a prospective investor to subscribe to the Equity Shares of the Company at a price within the Price Band, including all revisions and modifications thereto |
| Bid Amount | The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue |
| Bid Closing Date / 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 Kannada newspaper |
| 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 this Draft Red Herring Prospectus |
| Bid Opening Date/ 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 Kannada newspaper |
| Bidder | Any prospective investor who makes a Bid pursuant to the terms of this Draft Red Herring Prospectus |
| Bidding Period/ Issue Period | The period between the Bid/ Issue Opening Date and the Bid/ Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids |
| Board of Directors/ Board | The Board of Directors of Sasken Communication Technologies Limited or a committee thereof |
| 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 Enam Financial Consultants Private 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 |
| Companies Act / The Act | The Companies Act, 1956, as amended from time to time |
| Cut-off Price | The Issue Price finalised by the Company in consultation with the BRLM. Only Retail Bidders and Eligible Employees are entitled to bid at Cut-off Price, for a Bid Amount not exceeding Rs. 100,000. QIBs and Non-Institutional Bidders are not entitled to bid at Cut-off Price |
| 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 |

| Term | Description |
|---|---|
| Designated Stock Exchange | BSE |
| Depositories Act | The Depositories Act, 1996, as amended from time to time |
| Depository | A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time |
| Depository Participant | A depository participant as defined under the Depositories Act |
| Draft Red Herring Prospectus | This 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 |
| Employee Reservation Portion | That portion of the Issue being a maximum of 500,000 equity shares available for allocation to Eligible Employees |
| Enam | Enam Financial Consultants Private Limited |
| Enam Securities | Enam Securities Private Limited |
| Escrow Collection 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 and the Allocation Amount paid thereafter |
| Escrow Agreement | Agreement entered into by the Company, the Registrar, BRLM, the Syndicate Members and the Escrow Collection Bank(s) for collection of the Bid Amounts and where applicable refunds of the amounts collected to the Bidders |
| 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 |
| First Bidder | The Bidder whose name appears first in the Bid cum Application Form or Revision Form. |
| IPO Committee | A committee of the Board of Directors of Sasken comprising Mr. Rajiv C Mody, Mr. J. B. Mody, Mr. Bansi S. Mehta and Mr. J. Ramachandran appointed for the purpose of carrying out various actions in relation to the Issue |
| Issue | The fresh issue of 5,000,000 Equity Shares of Rs. 10 each at the Issue Price by the Company under this Draft Red Herring Prospectus |
| Issue Price | The final price at which Equity Shares will be issued and allotted in terms of the Red Herring Prospectus. The Issue Price will be decided by the Company in consultation with the BRLM on the Pricing Date |
| Issue Size | 5,000,000 Equity Shares of Rs. 10 each to be issued to the Investors at the Issue Price |
| Margin Amount | The amount paid by the Bidder at the time of submission of his/her Bid, being 0% to 100% of the Bid Amount |
| Members of the Syndicate | Enam and Enam Securities |
| Net Offer to the Public | 4,500,000 Equity Shares of Rs. 10 each, being the Issue size less Employee Reservation Portion |
| Non Institutional Bidders | All Bidders that are not QIBs or Retail Bidders and who have Bid for Equity Shares for an amount more than Rs. 100,000 |

| Term | Description |
| --- | --- |
| | |
| Non Institutional Portion | The portion of the Issue being 450,000 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 | This term means (i) with respect to Bidders whose payment has not been waived by the Syndicate and are therefore required to pay the maximum Bid Amount into the Escrow Account, the period commencing on the Bid/Issue Opening Date and extending until the Bid/Issue Closing Date, and (ii) with respect to Bidders whose payment has been initially waived by the Syndicate and are therefore not required to pay the Bid Amount into the Escrow Account on or prior to the Bid/Issue Closing Date, 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. [•] and the maximum price (cap of the price band) of Rs. [•] and includes revisions thereof |
| Pricing Date | The date on which Company in consultation with the BRLM finalizes the Issue Price |
| Promoters | Mr. J.B. Mody, Mr. Pranabh Mody, Mr. Rajiv Mody, Mr. Krishna Jhaveri and Mr. Mahendra Jhaveri |
| Prospectus | The Prospectus to be filed with the RoC containing, inter alia, the Issue Price that is determined at the end of the Book Building process, the size of the Issue and certain other information |
| Public Issue Account | Account opened with the Bankers to the Issue to receive monies from the Escrow Account on the Designated Date |
| 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 |
| QIB Portion | The portion of the Issue being 2,700,000 Equity Shares of Rs. 10 each available for allocation to QIBs |
| Red Herring Prospectus | The Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and size of the Offer. The Red Herring Prospectus will be filed with the RoC at least three days before the opening of the Offer and will become a Prospectus after filing with the RoC after the pricing and allocation |
| Registrar to the Issue/Karvy | Registrar to the Issue, in this case being Karvy Computershare Private Limited having its registered office as indicated on the cover page of this Draft Red Herring Prospectus |
| Retail Bidder(s) | Individual Bidders (including HUFs and NRIs) who have not Bid for Equity Shares for an amount more than or equal to Rs. 100,000 in any of the bidding options in the Issue |

| Term | Description |
|---|---|
| Retail Portion | The portion of the Issue being 1,350,000 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) |
| Statutory Auditors | Statutory auditors of the Company being, S.R.Batliboi and Company, Chartered Accountants for Indian GAAP. They commenced their audit engagements with Sasken and were first appointed in the AGM held on September 29, 1993 |
| Stock Exchanges | BSE and NSE. |
| Syndicate | The BRLM and the Syndicate Members |
| Syndicate Agreement | Agreement dated •, 2005, entered into among the Company, the BRLM and the other members of the Syndicate, in relation to collection of Bids in the Issue |
| Syndicate Members | Enam Securities |
| TRS/ Transaction Registration Slip | The slip or document issued by the Syndicate to the Bidder as proof of registration of the Bid |
| Underwriters | Enam and Enam Securities |
| Underwriting Agreement | The Agreement dated •, 2005 between the Underwriters and Sasken, to be entered into on the Pricing Date |

**Abbreviations**

| Term | Description |
|---|---|
| AGM | Annual General Meeting |
| AS | Accounting Standards as issued by the Institute of Chartered Accountants of India |
| BIFR | Board for Industrial and Financial Reconstruction |
| BSE | The Stock Exchange, Mumbai |
| CDSL | Central Depository Services (India) Limited |
| ECS | Electronic Clearing System |
| EGM | Extraordinary General Meeting |
| EPS | Earnings per Equity Share |
| FCNR Account | Foreign Currency Non Resident Account |
| FEMA | Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed thereunder |
| FERA | Foreign Exchange Regulation Act, 1973, now repealed |
| FII/ Foreign Institutional Investor | Foreign institutional investor (as defined under SEBI (Foreign Institutional Investors) Regulations, 1995) registered with SEBI under applicable laws in India |

| Term | Description |
| --- | --- |
| FIPB | Foreign Investment Promotion Board |
| FVCI | Foreign venture capital investor, registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000 |
| GIR Number | General Index Registry Number |
| HUF | Hindu Undivided Family |
| Indian GAAP | Generally Accepted Accounting Principles in India |
| IPO | Initial public issue/ offering |
| IRR | Internal rate of return |
| I.T. Act | The Income Tax Act, 1961, as amended from time to time |
| NAV | Net Asset Value |
| Non Residents | All Bidders who are not NRIs or FIIs and are not persons resident in India |
| NRE Account | Non Resident External Account |
| NRI/ Non Resident Indian | A person resident outside India, as defined in FEMA and who is a citizen of India or a Person of Indian Origin, and as defined under 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 |
| PAN | Permanent Account Number |
| RBI | Reserve Bank of India |
| RoC | Registrar of Companies, Karnataka at Bangalore |
| RONW | Return on Net Worth |
| 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 |
| SEBI Act | Securities and Exchange Board of India Act, 1992, as amended from time to time |
| SEBI DIP Guidelines | SEBI (Guidelines for Disclosure and Investor Protection) 2000 issued by SEBI effective from January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time |
| SEBI Takeover Regulations | Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997, as amended |

**Company / Industry related terms**

| Term | Description |
|---|---|
| 2G | Second Generation technology in wireless telecommunication, which supports voice and data applications with upto 14.4 kbps on the downlink, utilizing various digital protocols, including GSM, CDMA, TDMA and PDC |
| 2.5G | Enhancement on 2G leading upto 3G, which supports high-bandwidth applications upto 384 kbps on the downlink |
| 3G | A new wireless standard with increased capacity and high-speed data applications up to 2Mbps. Networks must be able to transmit wireless data at 144 kbps at mobile user speeds. Implemented in Europe as UMTS and in North America as CDMA2000 |
| 3GPP-3rd Generation Partnership Project | A collaboration between various telecommunication standard bodies to produce globally applicable technical specifications for 3G mobile systems based on GSM core, as also for maintenance and development of GPRS and EDGE |
| AAC – Advance Audio Coding | AAC is one of the audio compression schemes defined by the MPEG-2 standard |
| ADSL – Asynchronous Digital Subscriber Line | A Standard that supports high-speed data transfer through existing copper lines for telephone communication |
| Analog | Transmission method employing a continuous (rather than pulsed or digital) electrical signal that varies in amplitude of frequency in response to changes of sound, light or position. The opposite of 'Digital' |
| ASIC – Application-Specific Integrated Circuit | A Chip designed for a particular application |
| ASSP – Application-Specific Standard Product | A semiconductor device integrated circuit (IC) product. Like an ASIC the ASSP is for a special application, but it is sold to any number of companies |
| Bandwidth | Quantitative measure of the capacity of a communication channel to carry information under given constraints of performance |
| Baseband | The original band of frequencies of a signal before it is modulated for transmission at a higher frequency |
| Broadband | Describes a communications medium capable of transmitting a relatively large amount of data over a given period of time. A descriptive term for evolving digital technologies that offers integrated access to voice, high-speed data service, video-demand services, and interactive delivery services |
| BS7799 | A widely recognised security standard for enterprises, comprehensive in its coverage of security issues and containing a significant number of control requirements |
| BSC - Base Station Controller | The part of the wireless system's infrastructure that controls one or multiple cell sites' radio signals |
| BSS – Business Support System | A suite of programs that provide information on the network relevant for the enterprise such as billing, payments and subscriber management |
| BTS - Base Transceiver Station. | The name for the antenna and radio equipment necessary to provide wireless service in an area. Also called a base station or cell site |
| CDMA – Code-Division Multiple Access | A digital cellular technology. Unlike competing systems, such as GSM that use TDMA, CDMA does not assign a specific frequency to each user |

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| Term | Description |
|---|---|
| | |
| CODEC – Compressor/ Decompressor | A codec is any technology for compressing and decompressing data. Codecs can be implemented in software, hardware, or a combination of both. Some popular codecs for wireless communication include MPEG4 & MP3 |
| Communication Engine | In a mobile phone, the part of middleware that includes Protocol Stacks, Baseband algorithms and networking layers |
| Compression | Process that reduces the number of bytes required to store/transmit digital video. The compression may be done by software, hardware or a combination of the two. On playback, the data is decompressed. (see also: CODEC) |
| Core Network | The part of wireless communication network that carries traffic across geographies. Typically this could be the Public Telephony Network or the Internet |
| CPE – Customer Premise Equipment | A device that enables users to access the network. Example: An internet modem |
| Digital | Describes any system based on discontinuous data or events |
| DSL - Digital Subscriber Line | DSL is a data communication technology that allows communication at different rates upto 1.5 Mbps over normal telephone lines. DSL can be either symmetric (in which the transmission and reception capacity of the user is equal) or asymmetric (in which the transmission capacity of the user is considerably less than the reception capacity) |
| DSP - Digital Signal Processor. | A special processor designed to process digital representation of signals such as voice and images |
| Dual Mode | A feature on some wireless phones that allows the handset to operate on two generations of networks, such as GPRS and UMTS |
| EDGE- Enhanced Data Rates For Gsm Evolution | A standard for wireless communication, which runs at speeds of upto 384 kbps using existing GSM infrastructure. Also known as EGPRS (or Enhanced GPRS) |
| EMS – Element Management System | Manages one or more of a specific type of telecommunications network element. The EMS provides the foundation to implement operations support system (OSS) architectures |
| ETSI - European Telecommunication Standards Institute | European statutory and regulatory body which provides standards for service, design, implementation, testing and operation for various aspects of telecommunications. Provider of the GSM Mobile Communication standards |
| FPGA – Field-Programmable Gate Array | A logic chip that can be programmed in a laboratory to perform complex functions |
| FPS – Frames Per Second | The number of picture images displayed per second, giving digital video the illusion of motion. Full-motion video, with no dropped frames, is considered 30 fps |
| Frame | A single picture in a computerized "movie"/digital video |
| Frame Rate | Number of images per second displayed in a stream of video |
| Front End Design | To translate the specifications into “code” in chip design; encompasses architecture, performance optimization, detailed design, coding |
| G.Lite | G.Lite is an ITU-T Standard for a modem that works in the asymmetric mode (1.5 Mb/s downstream and 512 Kb/s upstream) over existing copper lines and |

| Term | Description |
|---|---|
| | facilitates simultaneous usage of the telephone line for making voice calls |
| GCF – Global Certification Forum | GCF is a partnership between network operators and terminal manufacturers that provides an independent program to ensure global interoperability of 2G and 3G mobile wireless terminals |
| GGSN – Gateway Gprs Support Node | Interface between the GPRS wireless data network and other networks such as the Internet or private networks |
| GPRS- General Packet Radio Service | A standard for wireless communications which runs at speeds up to 144 kbps, compared with current GSM (Global System for Mobile Communications) systems' 14.4 kbps |
| GSM- Global System For Mobile Communications | A system for cell phone services, the Standards are provided by ETSI |
| HLR – Home Location Register | The main database of permanent subscriber information for a mobile network. |
| HSDPA – High Speed Downlink Packet Access | A packet based data service feature of the WCDMA standard which provides a downlink with data transmission up to 8-10 Mbps. HSDPA is a technology upgrade to current UMTS networks |
| Inventory Database | In telecommunication networks, the repository of information regarding physical assets (such as ports, cards) and logical assets (such as services that run on the physical assets) |
| Inventory Management | In telecommunication networks, the method of managing information regarding physical assets (such as ports, cards) and logical assets (such as services that run on the physical assets) |
| IOT – Inter Operability Tests | Mandatory tests on software and equipment to check for seamless functioning across various platforms, operators and geographies |
| ISV – Independent Software Vendor | A company that produces software |
| ITU – International Telecommunication Union | International statutory body, which provides Standards for service definition, implementation, design, testing and management for all aspects of telecommunications in the form of recommendations. ITU-T, is a sector of ITU that defines Standards for telecommunication |
| JPG, .JPEG (Joint Photographic Experts Group) | A Standard for compression of still-image graphics files |
| KBPS - Kilobits Per Second | Measure of rate of data transmission measured as thousands of bits per second. Each bit is one unit of information i.e. it can be either a ‘1’ or a ‘0’. |
| Layer 1 | The first logical layer in the mobile phone system. Layer 1 (physical layer) sits close to the radio frequency converters |
| Mbps - Megabits Per Second | Measure of rate of data transmission measured as million of bits per second. Each bit is one unit of information i.e. it can be either a ‘1’ or a ‘0’ |
| Media Engine | In a mobile phone, the part of middleware that includes codecs |
| Media Support Library (Also Know As Media Device Framework ) | An abstraction for hardware audio and video devices and codecs |
| Middleware | Software that sits between two or more types of software and translates information between them |
| MPEG (Motion Picture Experts Group) | A Standard for digital video compression used to send movie files for viewing on the World Wide Web. The MPEG file name extension is either .mpeg or |

| Term | Description |
|---|---|
| | .mpg. (see also: CODEC) |
| MMA - Multimedia Applications. | A set of applications that use text, graphics, animation, video and sound in an integrated manner |
| MSC - Mobile Switching Center | A component that routes traffic from BSC within the core network |
| Multimedia | The combined use of several media, such as high-quality graphics, animations, and sound |
| Multimedia Controller | A processor in a multimedia framework that provide operations like play, stop, pause, etc for different audio and video formats using a plug-in architecture |
| NEM | Network Equipment Manufacturers |
| NSS – Network Support System | Comprises a suite of programs that provides an enterprise with information on the network and helps in managing the network. NSS includes OSS and BSS |
| ODM - Original Design Manufacturer | Companies that design and manufacture terminal devices or cell phones |
| OEM - Original Equipment Manufacturer | Companies that manufacture terminal equipment based on designs specified by design companies |
| Operators | Enterprises that provide mobile communication services to consumers through owned or leased networks |
| OSS - Operation Support System | A suite of programs that enable an enterprise to monitor, analyze and manage a network system |
| Packet | A unit of data sent across a network |
| PBX – Private Branch Exchange | A computerized version of the telephone switchboard but with an expanded range of voice and data services |
| Physical Design | To translate the “code” in chip design from Front End Design into a physical form that can ultimately be taken up for production in large volumes |
| Protocol Stacks | A stack is a set of software entities, logically placed one on top of the other, with any given entity taking services of one kind from the entity logically immediately below it and using those services to build its own services which it offers to the entity immediately above it. The stack as a whole offers multiple layers of signaling between network components, thus creating a protocol, which is used by those components to jointly execute functions necessary for communication; i.e. call setup, equipment monitoring, charging, etc |
| RAN - Radio Access Network | The part of wireless communication network that communicates with the consumer’s terminal equipment. Access network includes the Base Transceiver Station, Base Station Controller and Mobile Switching Center (which communicates with the Core network) |
| RAN Manager | An operation terminal that is provided to the operator so that operation and maintenance can be performed on the RNC and BTS |
| R&D | Research and Development |
| RNC- Radio Network Controllers | A component of the network that connects to a number of distributed base-stations. In GSM they are called Base Station Controllers (BSC) and in 3G W-CDMA networks they are known as Radio Network Controllers (RNC) |

| Term | Description |
|---|---|
| SEI CMM Level 5 – Software Engineering Institute Capability Maturity Model | The highest level of certification offered to software companies for best practices in their processes by the Carnegie Mellon Software Engineering Institute |
| Service Assurance | In telecommunication networks, the method of ensuring that all the Services Provisioned in the network are functioning properly |
| Service Provisioning | In telecommunication networks, the method of configuring various components and interfaces of a network to support delivery of a service |
| SOC - System-On-Chip | A chip that holds all of the necessary hardware and electronic circuitry for a complete system. SoC includes on-chip memory (RAM and ROM), the microprocessor, peripheral interfaces, I/O logic control, data converters, and other components that comprise a complete system |
| Standard | A definition or a format that has been approved by a recognised standards organisation or is accepted as de facto by the industry |
| Streaming Audio/Video | Capability to begin playing media on the client side before it has fully downloaded from the server side, i.e. begins playing as it is coming in |
| TL 9000 | TL9000 offers a telecommunications-specific set of requirements based on ISO 9001; it defines the quality system requirements for design, development, production, delivery, installation and maintenance of telecommunication products and services |
| UMTS - Universal Mobile Telecommunication System (Also Known As WCDMA - Wideband Code Division Multiple Access) | UMTS is a wireless standard that enables networks to offer global roaming and can support a wide range of voice, data and multimedia services. UMTS provides service in the 2GHz band and offers global roaming and personalized features and supports data rates upto 2 mbps |
| Uplink | Direction of packet flow from mobile terminal to network |
| VLSI - Very Large Scale Integration. | The process of placing hundreds of million of electronic components on a single chip |

## SECTION II: RISK FACTORS

### Certain Conventions; Use of Market Data

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

There are significant differences between Indian GAAP and U.S. GAAP; accordingly, the degree to which the Indian GAAP financial statements included in this Draft Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by Persons not familiar with Indian accounting practices on the financial disclosures presented in this Draft Red Herring Prospectus should accordingly be limited. 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.

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

All references to "Rupees" or "Rs." are to Indian Rupees, the official currency of the Republic of India. All references to "US$" or "US Dollars" are to United States Dollars, the official currency of the United States of America. All references to "Euros" are to the official currency of the European Union. All references to "Pound", "GBP" or "£"are to the Great Britain Pound, the official currency of the United Kingdom. All references to "Yen", or "¥" are to the Japanese Yen, the official currency of Japan.

The calculation of revenues by customer geography is based on the location of the specific customer entity for which services are performed, irrespective of the location where a billing invoice may be rendered. For the purpose of internal revenue recognition, we treat group companies/affiliates of our customers as being the same corporate entity.

For additional definitions, please refer to the section entitled "Definitions and Abbreviations" on page 1 of this Draft Red Herring Prospectus.

Market and Industry Data used throughout this Draft Red Herring Prospectus has been obtained from publications available in the public domain and internal Company reports. 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. Although we believe industry data used in this Draft Red Herring Prospectus is reliable, it has not been independently verified. Similarly, internal Company reports, while believed by the Company to be reliable, have not been verified by any independent source.

**Forward-Looking Statements**

This Draft Red Herring Prospectus contains certain “forward-looking statements”. These forward looking statements can generally be identified by words or phrases such as “aim”, “anticipate”, “believe”, “expect”, “estimate”, “intend”, “objective”, “plan”, “project”, “shall”, “will”, “will continue”, “will pursue” or other words or phrases of similar import. Similarly, statements that describe our 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.

Actual results may differ materially from those suggested by the forward looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to, our ability to successfully implement our strategy and our growth and expansion plans, technological changes, our exposure to market risks, general economic and political conditions in India which have an impact on our business activities or investments, changes in the laws and regulations that apply to the Indian IT services industry, including with respect to tax incentives and export benefits, adverse changes in foreign laws, including those relating to outsourcing and immigration, increasing competition in and the conditions of the Indian and global IT services industry, the prices we are able to obtain for our services, wage levels in India for IT professionals, the loss of significant customers the monetary and interest policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic and foreign laws, regulations and taxes and changes in competition in the information technology/telecommunication industries.

For further discussion of factors that could cause our actual results to differ, please refer to the section titled “Risk Factors” beginning on page 12 of this Draft Red Herring Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither we, our Directors, any member of the Syndicate nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, we and the BRLM will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

**Risk Factors**

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

*Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial or other implications of any of the risks described in this section.*

**INTERNAL RISK FACTORS**

***Our Company and the group companies of our Promoters are involved in a number of legal proceedings. There is also 1 criminal case filed against one of our Director/ Promoter of the Company.***

We are involved in certain legal proceedings and claims in relation to certain civil, criminal and taxation matters. We are also currently involved in certain arbitration proceedings. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. Should any new developments arise, such as a change in Indian law or rulings against us by appellate courts or tribunals, we may need to make provisions in our financial statements, which could increase our expenses and our current liabilities. We can give no assurance that these legal proceedings will be decided in our favour. Any adverse decision may have a significant effect on our business and results of operations. There are 3 civil suits and 1 criminal case, initiated by us for an amount aggregating around Rs. 1,370,400.00.

There are 2 civil suits initiated against us. Further 6 taxation matters have also been initiated against us. We are involved in 2 arbitration proceedings, wherein a claim of around Rs. 5376,250,000.00 has been made against our company. We have made a counter claim of Rs. 25,804,319.30. There is also 1 criminal case filed against our Director/ Promoter of the Company.

Our group companies are involved in 7 cases, aggregating to around Rs. 483, 480.

For more information regarding litigation, please refer to the section titled "Outstanding Litigation and Defaults" beginning on page 274 the Draft Red Herring Prospectus.

Our contingent liabilities as disclosed in our audited unconsolidated financial statements, as restated under Indian GAAP as at March 31, 2003, March 31, 2004 and December 31, 2004, were as follows:

(Rs. in million)

| | **As at March 31, 2003** | **As at March 31, 2004** | **As at December 31, 2004** |
|---|---|---|---|
| Bank Guarantees and Letters of Credit | 13.02 | 25.01 | 22.06 |
| Income Tax related issues | 7.65 | 16.54 | 15.35 |

Note: As at December 31, 2004 there are certain other claims against us, which in the view of our management are not tenable and amounts are currently not ascertainable.

***The concentration on a single industry vertical makes us vulnerable to any sudden downturn in the global telecom industry.***

The revenues of Sasken are derived from customers focused on a certain segments of the global telecom market. This makes us vulnerable to any sudden downturn in the global telecom industry. Our performances in the past for FY 02 and FY 03 saw a sharp downturn leading to a loss of Rs. 54.34 million and a loss of Rs. 121.00 million respectively, as compared to a profit of Rs. 343.61 million in FY 01. This sharp reversal in performance was linked to a downturn in the global telecom markets during the said period and a consequential impact on our revenues.

***We derive a significant portion of our revenues from a few customers. The loss of any one of these customers, a decrease in the volume of work from these customers or a decrease in the price at which we offer our services to them may adversely impact our revenue and profitability.***

In FY 04 and the nine months ended December 31, 2004, our top customer accounted for 27.28% and 29.85% of our revenues, respectively, on a consolidated basis. During the same periods, our top two customers accounted for 41.24% and 52.54% of our revenues, respectively on a consolidated basis.

There are a number of factors, other than our performance, which may not be predictable that could cause the loss of a customer. The loss of any one of our major customers, any requirement to lower the prices we charge these customers or the loss or financial difficulties of these customers could have a material adverse effect on our business, revenues and profitability.

***Our business and profitability may be negatively affected if we are not able to anticipate rapid changes in telecom technology, or innovate and diversify our offerings in response to market challenges.***

Our business depends on the continued growth in the use of telecom technology in business by our customers and prospective customers and their clients and suppliers. The growth in the use of telecom technology and consequently the demand for, and the prices of, our offerings may decline in challenging economic environments, which we have experienced in the recent past. Our success depends on our continued ability to innovate and to develop and implement telecom technology and outsourcing services and solutions that anticipate and keep pace with rapid and continuing changes in telecom technology, industry standards and customer preferences. Our success also depends on our ability to proactively manage our portfolio of telecom technology alliances. While we believe that our performance in the past has been influenced by our ability to successfully respond to these challenges, we cannot be certain that we will successfully anticipate or respond to future market developments on a timely basis. Any one of these circumstances could have a material adverse effect on our ability to obtain and successfully complete customer engagements.

***Our business may suffer if we fail to develop new products and service offerings on which we focus.***

We have been expanding the nature and scope of our engagements. The success of these new offerings are dependent, in part, upon continued demand for such products or services by our existing and new customers and our ability to meet this demand in a competitive and cost effective manner. We cannot be certain that we will be able to attract existing and new customers for such new offerings or effectively meet our customers' needs. Larger projects may involve multiple engagements or stages, and there is a risk that a customer may choose not to retain us for additional stages or may cancel or delay additional planned engagements. These terminations, cancellations or delays may result from the business or financial condition of our customers or the then prevailing economic situation. Such cancellations or delays make it difficult to plan for project resource requirements, which may have a negative impact on our profitability.

***We are continuously investing monies in our products business, which may not provide adequate returns.***

We have been continuously investing monies, including in relation to product engineering for the development of our products business. However, our returns on these investments in the recent past have not been commensurate to the investments. Further, some of our projects are royalty based and royalties are dependant on our customers success in their markets. Based on our management's perception of the market potential, we propose to make further investments in this segment. We may not be able to make suitable levels of investments as may be required by the business and cannot assure you that any such investments, which are made will provide adequate returns. This may affect our business results and operations.

***Heightened competition in the R&D outsourcing services and software sector may adversely affect our competitive position. If we are unable to compete effectively, our revenue and profitability would be affected.***

The market for R&D outsourcing services and software is rapidly evolving and highly competitive. We expect that the competition will continue to intensify. Our competitors include multinational technology firms, Indian IT services and software firms and in-house R&D departments of large corporations. Our competitors, located in India and overseas, include Wipro Limited, Flextronics Software Systems Limited and TTPCom Limited. While we have historically been able to provide our products and services in our principal markets at competitive prices and on a cost effective basis, there can be no assurance that we will be able to do so in the future, as our competitors may be able to offer products and services using offshore and on shore models that may be more effective than ours. We believe that our ability to compete also depends in part on a number of factors beyond our control, including the ability of our competitors to attract, train, motivate and retain highly skilled technical employees, the price at which our competitors offer comparable services and the extent of our competitors' responsiveness to customer needs.

***We may be unable to meet certain contractual obligations or be forced to accept onerous terms in our contractual arrangements with customer.***

The engagements that we perform for our customers are often critical to the operations of our customers business and any failure in our customer's systems could subject us to legal liability, including substantial damages, regardless of our responsibility for our failures. The terms of our customer engagements are typically designed to limit our exposure to legal claims and damages related to our services. However, these limitations may not be enforceable under the laws of certain jurisdictions. Assertion of one or more legal claims against us could have an adverse affect on our business and professional reputation. In the past, certain customers have been provided price reductions, most favored pricing terms, indemnities, cooling off periods and/or non compete provisions. We cannot assure you that our existing or future customers will not demand such provisions in their contractual arrangements with us. Any such benefit given to specific customers could materially or adversely affect our business, profits and results of operations.

***Our customer contracts can typically be terminated without cause and with little or no notice or penalty, which could negatively impact our revenues and profitability.***

Most of our customer contracts can be terminated with or without cause, normally with 30 to 90 days notice and without termination-related penalties. Additionally, most of our agreements with customers are without any commitment to a specific volume of business or future work. Our business is dependent on the decisions and actions of our customers, and there are a number of factors relating to our customers that are outside our control that might result in the termination of a project or the loss of a customer. Any of these factors could adversely affect our revenues and profitability.

***Certain contracts expose us to risks of quality and timeliness of delivery due to the non-performance by certain third party vendors.***

In certain contracts, we are required to work with multiple third party vendors to deliver a solution to our customers. In such cases, our delivery of the solution to the the customer could be adversely impacted by inadequate performance and/or failures of such third party vendors to meet quality and/or the scheduled timelines set by our customers. Any such failure by the third party vendor could result in a loss of our business or result in non-compliance with our contractual obligations and could materially or adversely affect our business, profits and results of operations.

***Our fixed price contracts may expose us to additional risks, many of which are beyond our control, which could reduce our profitability.***

Some of our contracts are on a fixed price basis. In the nine month period ended December 31, 2004, we derived 12.48% of our total consolidated revenues from fixed price contracts. Any failure to accurately estimate the resources and time required for the performance of the contract or any failure to complete our contractual obligations within the performance levels committed could adversely affect our profitability.

***We may not be able to avail of certain tax benefits, which are presently available to us or recognise the tax benefits claimed in the past.***

Pursuant to the completion of the New Campus, we may not be able to avail of certain tax benefits, including Section 10A benefits under the Income Tax Act, 1961, in case we shift or relocate the business pertaining to any existing customer contract which are being handled in our present facilities to the New Campus. In addition, our global operations require us to comply with tax regulations in various jurisdictions. We usually rely on the opinions of experts on such matters, including in relation to transfer pricing norms and applicability of the relevant provisions of double taxation avoidance agreements. However, the relevant tax authorities may not concur with these opinions and may take an adverse view. In such an eventuality, we may be required to pay additional taxes and/or penalties for prior periods as well as for future period revenues. As on date, we have no such claims in non-Indian jurisdictions. We cannot assure you that certain tax benefits claimed by us in the past will not be denied and that we may be required to pay the amount in relation to the claimed tax benefits to the relevant tax authorities. This could adversely affect our profits and results of operations.

***We face a possible risk on account of not meeting our net foreign exchange earning obligations.***

We are registered as a software technology park (STP) unit under the Software Technology Park Scheme. The STP Scheme requires a STP unit to maintain a positive net foreign exchange earning, failing which the STP unit will lose the benefits available to it under the STP Scheme. We have historically maintained a positive net foreign exchange earning. However, we cannot assure you that we will continue to maintain a positive net foreign exchange earning. Any loss in the benefits available to us as a STP unit will affect our results of operations and profitability.

***We may have to provide for a non-cash charge towards sales discount for our largest customer.***

We have entered into a share subscription and shareholders agreement with our largest customer for issuance of Equity Shares. Such Equity Shares were issued at a price lower than the price at which other Equity Shares were issued to other investors during the same period. This customer, in an amendment to the existing master services agreement, has additionally committed to provide us a certain volume of business over a specified period. We may have to provide for a non-cash charge towards such discount to the price of Equity Shares as ‘sales discount’ in each quarter, proportionate to the volume of business generated by that customer in the respective quarter as may be required by Indian GAAP.

***We may have to provide for non-compete expenses***

We had commenced business in our Subsidiary, SNSL in November 2003, with two individuals who had certain skills and business relationships that we believe would help scale the business faster. SNSL’s revenues for the nine months ended December 31, 2004 was Rs. 108.27 million, which was 6.47% of Sasken’s consolidated revenues for the same period. With effect from April 1, 2005, these individuals moved from SNSL to Sasken in different roles. In this regard, we entered into a non-compete arrangement with each of them, restricting them from joining a competitor for a period of one year from the date they leave Sasken or SNSL, whichever is later, in return for an individual compensation of US$563,000. This compensation amount would be charged off to our profit and loss account in FY05-06 or thereafter, in accordance with India GAAP.

***We could become liable to customers, suffer adverse publicity and incur substantial costs as a result of defects in our products or services, which in turn could adversely effect our results of operations.***

Many of our contracts involve providing products and services that are critical to the operations of our customers’ business. Any failure or defect in our software or in our customers’ products could result in a claim against us for substantial damages, regardless of our responsibility for such a failure or defect. Any claim by our customers for breach of contract may result in financial losses to us and will have a material adverse effect on our results of operations, financial condition and cash flows. Although we attempt to limit our contractual liability for all damages, including consequential damages, in rendering our services, we cannot be assured that the limitations on liability we provide for in our service contracts will be enforceable in all cases, or that they will otherwise be sufficient to protect us from liability for damages.

***For the development of certain products, we may be using certain essential intellectual property for which we may not have obtained prior permission.***

While developing products for our customers, which need to be compliant with worldwide industry standards, we may be using certain essential intellectual property for which we may not have the requisite licenses or permission. While we believe that this is accepted industry practice, we cannot assure you that persons who own such intellectual property will not initiate any action against us for such use. Any such action(s) initiated against us would adversely affect our business operations and performance, financial results and profitability.

***We place significant reliance on our proprietary intellectual property to develop our products and services. We will lose our competitive edge if any of our competitors appropriate such intellectual property.***

We regard our software as proprietary intellectual property and rely on a combination of trade secrets, copyright laws, license agreements, confidentiality agreements with employees, non-disclosure and other contractual requirements imposed on our customers, consulting partners and others, to protect proprietary intellectual property rights to our products. We can give no assurance that these protections will adequately protect our proprietary rights or that our competitors will not independently develop products that are equivalent to ours .

***We may infringe on the intellectual property rights of others.***

While we take care to ensure that we comply with the intellectual property rights of others, we cannot determine with certainty whether we are infringing upon any existing third party intellectual property rights which may force us to alter our technologies, obtain licenses or significantly cease some portions of our operations. We may also be susceptible to claims from third parties asserting infringement and other related claims.

Regardless of whether claims that we are infringing patents or other intellectual property rights have any merit, those claims could, *inter alia*:

i. adversely affect our relationships with current or future customers; result in costly litigation;
ii. divert management's attention and resources;
iii. subject us to significant liabilities; and
iv. require us to enter into royalty or licensing agreements; and require us to cease certain activities.

An adverse ruling arising out of any intellectual property dispute could subject us to significant liability for damages, prevent us from using technologies or developing products, or require us to negotiate licenses to disputed rights from third parties. Although patent and intellectual property disputes in the technology area are often settled through licensing or similar arrangements, costs associated with these arrangements may be substantial and could include license fees and ongoing royalties. Furthermore, necessary licenses may not be available to us on satisfactory terms, if at all. Three patents from Innovics have been assigned to us by the Official Liquidator of Innovics, however, we are still awaiting assignment from the individual inventors for those patents. Any of the foregoing could materially and adversely affect our business, results of operations and financial condition. For more information regarding litigation relating to infringement of intellectual property involving the Company, refer to the section titled "Outstanding Litigation and Defaults" beginning on page 274 of this Draft Red Herring Prospectus.

***Our revenues are highly dependent on customers located in the United States, Europe, and the Asia Pacific region.***

We have historically derived and believe that we will continue to derive a significant portion of our revenues from customers primarily located in the United States, Europe and the Asia Pacific region. In case of non-tariff barriers, including visa restrictions in these regions, our customers may reduce or postpone their contracts with us significantly, which will negatively affect our revenues and profitability. Our revenues from overseas (excluding India) business accounted for 94.51%, 90.74%, 90.96% and 92.53% of our total revenues for FY 02, FY 03, FY 04 and the nine months ended December 31, 2004, respectively. Our consolidated revenues from international (excluding India) business accounted for 90.96% and 93.07% of our total revenues for FY 04 and the nine months ended December 31, 2004, respectively.

***Our global operations expose us to complex management, foreign currency, legal, tax and economic risks.***

We have offices in 8 countries outside India and a significant number of our IT services professionals are assigned to engagements outside India. We intend to establish proximity centers and offices in international locations. As a result of our expanding international operations we are subject to risks inherent to establishing and conducting operations in international markets, including:

i. Cost structures and cultural and language factors, associated with managing and coordinating our global operations;
ii. Compliance with a wide range of foreign laws, including immigration, labour and tax laws;
iii. Restrictions on repatriation of profits and capital; and
iv. Potential difficulties with respect to protection of our intellectual property rights in some countries; and Exchange rate volatility.

***Any inability to manage our growth could disrupt its business and reduce its profitability.***

We have experienced significant growth in total income restated in recent years. Our total income has grown from Rs. 1,095.17 million in FY 03 to Rs. 1,682.60 million in FY 04. The total income was Rs. 1,557.43 million for the nine months ended December 31, 2004. The total income on a consolidated basis has grown from Rs. 1,674.35 million in FY 04 to Rs. 1,681.43 million for the nine months ended December 31, 2004. We expect this growth to place significant demands on both our management and our resources. This will require us to continuously evolve and improve our operational, financial and internal controls across the organisation. In particular, continued expansion increases the challenges involved in: recruiting, training and retaining sufficient skilled technical, sales and management personnel; adhering to our high quality and process execution standards; maintaining high levels of customer satisfaction; preserving our culture, values and entrepreneurial environment; and developing and improving our internal administrative infrastructure, particularly our financial, operational, communications and other internal systems.Any inability to manage growth may have an adverse effect on our business, results of operation and financial condition.

***Our revenues and profits are difficult to predict and may vary considerably from quarter to quarter. Our historical financial results may not be an accurate indicator of our future performance. This could cause our share price to vary significantly.***

Historically our quarterly operating results have fluctuated from quarter to quarter. Our operating revenues may continue to fluctuate in the future depending on a number of factors, including long selling cycles, the size and timing of significant projects; the quantum of product revenues, the product development cycle and product sales cycle; the success of various products that may be launched; our success in expanding our sales and marketing programs, currency exchange rate fluctuations and other general economic factors. In addition, a significant portion of our revenues are dependant upon the timely completion of various project requirements which is dependant on not only our abilities but also on the readiness and capability of the project teams of our customers.

Besides revenues, our profitability is also a function of our ability to control our costs and improve our efficiency. It is also dependant on the timing of tax holidays and other government incentives and the time required to train and productively utilize new employees, unanticipated increases in wage rates or other expenses Our cost management initiatives, which focus primarily on managing project costs and operating expenses and optimising the allocation of our employees may not be sufficient to negate pressures on our pricing and utilisation rates. It is possible that in the future some of our quarterly results of operations may be below the expectations of market analysts and its investors, which could lead to a significant decline of the share price of the Equity Shares. Factors which affect the fluctuation of our revenues and profits include: fixed rate transaction contracts or time and material basis contracts; the size, timing and profitability of our contracts, particularly with our major customers; changes in our pricing policies or those of our customers; and the proportion of services that we perform in India or outside India.

***Our success depends to a considerable extent upon our senior managerial and key technical personnel and our ability to retain them.***

We depend significantly on the expertise, experience and continued efforts of our senior managerial and key technical personnel. Our future performance may be affected by any disruptions in the continued service of these persons. We do not maintain any key person insurance for any of our key personnel. Competition for senior managerial and key technical personnel in our industry is intense, and we may not be able to recruit and retain suitable persons to replace the loss of any of such persons in a timely manner. The loss of one or more members of our senior managerial or key technical personnel would impact our ability to obtain, retain and execute important engagements and our ability to maintain and grow our revenues.

***We may not be able to hire and retain sufficient numbers of qualified and competent personnel in the highly competitive job market for software professionals***

Our ability to execute projects and to obtain new customers depends largely on our ability to attract, train, motivate and retain qualified and experienced professionals. Our attrition rates for FY 03, FY 04 and nine months ended December 31, 2004 have been 24%, 17% and 15%, respectively. We define attrition as the ratio of the number of employees that have left us during a defined period to the total number of employees that are on our payroll at the end of such period. Any increase in our attrition rates, particularly the rates of attrition for experienced software personnel will adversely affect our growth strategy. Competition for experienced professionals is intense as they are in limited supply. Other than in the domestic market, we also face competition for skilled professionals from the international labour markets, where the demand for Indian software professionals is fast increasing.

If we cannot hire and retain additional qualified personnel, our ability to bid on and obtain new projects will be impaired and our revenues could decline. In addition, we may not be able to expand our business effectively. There can be no assurance that we will be able to successfully attract, integrate or retain qualified personnel. Additionally, we may not be able to redeploy and retrain employees to keep pace with continuing changes in technology and evolving industry standards.

***We may face risks associated with potential acquisitions, investments, strategic partnerships or other ventures, including whether we can identify opportunities, complete transactions and integrate the other parties into our business***

In order to enhance our capabilities, technical expertise and geographic coverage, we may undertake strategic acquisitions, which may prove to be difficult to integrate and manage or may not be successful. Apart from SNEL's acquisition of certain assets and a contract from Blue Broadband Technologies Private Limited in 2004, we have not made any other acquisitions in the past. We may acquire or make investments in complementary businesses, technology, services or products or enter into strategic partnerships with parties who can provide access to those assets, if appropriate opportunities arise. We may not be able to identify potential acquisitions, investments, strategic partnerships or other ventures or if we do identify suitable targets, we may not complete those transactions on commercially acceptable terms or at all. We have in the past had unsuccessful discussions and negotiations to identify suitable targets. Further, if we acquire another company, we could have difficulty in integrating that company's personnel, products, operations, technology and software. In addition, the key personnel of the acquired company may decide not to work for us and its key customers may decide to terminate their agreements with us or reduce the volume of work of their purchases. These difficulties may disrupt our ongoing business, affect our management and employees and increase our expenses. As part of our business operations, we are evaluating and from time to time may continue to evaluate acquisition, joint venture and/or divestment opportunities. Subject to consideration and approval by the Board and shareholders of the Company, it is proposed that the business and other activities of SNSL will be merged into Sasken at a later date. However, as at the date of this Draft Red Herring Prospectus, we have not entered into a letter of intent or any definitive commitment or agreement for any material strategic acquisition or joint venture transaction, except as stated in this Draft Red Herring Prospectus.

***We may continue to be controlled by our Promoters and other principal shareholders following this Issue and our other shareholders may not be able to affect the outcome of shareholder voting.***

After the completion of the Issue, our Promoters and their relatives/group companies will collectively hold approximately 24.87% of the fully diluted post Issue equity capital. Consequently, our Promoters, their relatives/group companies and other principal shareholders, if acting jointly, may exercise substantial control over us and *inter alia* may have the power to elect and remove a majority of our Directors and/or determine the outcome of proposals for corporate action requiring approval of our Board of Directors or shareholders, such as lending and investment policies, revenue budgets, capital expenditure, dividend policy and strategic acquisitions/joint ventures. Although, our Promoters and their relatives/group companies currently hold 6,841,459 Equity Shares in aggregate, they are restricted from transferring certain shares for a period of three years and the remaining shares for a period of one year, in accordance with the SEBI DIP Guidelines. The interest of our promoters may conflict with the investors' interests as shareholders.

Any future equity offerings by us, or sales of our Equity Shares by our Promoters, or any other major shareholder or the issue of Equity Shares pursuant to exercise of stock options under the employee stock option plan may lead to dilution of investor shareholding in our Company or affect the market price of the Equity Shares.

Any further issuance of substantial amounts of our Equity Shares by us or sale of our Equity Shares by our Promoters, or any other major shareholder could dilute the shareholding, adversely affect the market price of our Equity Shares or the issue of Equity Shares pursuant to exercise of stock options under the employee stock option plan and could impact our ability to raise capital through an offering of our securities. In addition any perception by investors that such issuances or sales might occur could also affect the market price of our Equity Shares.

***A portion of land on which the proceeds of the Issue are to be used for construction is under legal dispute.***

We have filed a suit against Dr. M. Shantakumar in relation to his attempt to sell 4,565.26 sq.ft. of land located at 139/37, Survey No. 73, Domlur Village, Kasaba Hobli, Banaglore North Taluk, which was earlier sold to us (as part of a larger parcel of land, being 144,627.74 sq. ft) by Dr. M. Shantakumar. We have sought a permanent injunction to restrain Dr. M. Shantakumar from interfering with the peaceful possession of the Company and from executing any sale deed in favour of any other party. An ad interim ex-parte injunction has been granted in our favour by the Courts. For more details please refer to the section titled "Outstanding Litigations and Defaults" on page 274 of this Draft Red Herring Prospectus. In addition, we may be subject to certain restrictions on the construction of the New Campus, imposed by the relevant local authorities, including claims of pollution and inconvenience to residents, which may lead to a delay in the timely completion of the New Campus. In this behalf, we are currently facing a suit filed by local residents for fabrication activities and construction work at our existing premises in Bangalore. For more details on this case, please refer to the section titled "Outstanding Litigations and Defaults" beginning on page 274 of this Draft Red Herring Prospectus. We cannot assure you of the outcome of this litigation and any unfavourable judgement may adversely affect the use of proceeds of this Issue as detailed in the section titled "Objects of the Issue" on page 60 of this Draft Red Herring Prospectus.

***The cost of the New Campus has not been appraised by any bank or financial institution. The audit committee of our Board will be monitoring the use of proceeds of the Issue.***

The cost of the New Campus has not been appraised by any bank or financial institution. No independent body will be monitoring the use of proceeds. The audit committee of our Board will be monitoring the use of proceeds of the Issue. Please refer to the section titled "Objects of the Issue" on page 60 of this Draft Red Herring Prospectus.

***We have not entered into any definitive agreements to utilize the proceeds of the Issue and are yet to receive various approvals that would be required for the New Campus.***

The estimate of costs for the construction of the New Campus under various heads is based on an estimate received from the architect who has been shortlisted for this project and our internal estimates. These quotes may be subject to change, and may result in a cost overrun. As of the date of this Draft Red Herring Prospectus, we have not placed any orders for supply of equipment or construction and other related services, which may be required for the New Facility. Prior to commencement of construction of the New Campus, we would be required to get clearance from certain governmental agencies including the Airport Authority of India, BESCOM (the local electricity distribution unit), BSNL, BWSSB (the local water and sewage board), Fire Fighting Department, Pollution Control Board, Explosives Department and sanction of the plan from the local corporation office. For further details, please see the section titled "Objects of the Issue" beginning on page 60 of this Draft Red Herring Prospectus. Further, any inability to profitably deploy surplus funds out of the Issue proceeds could impact intended the end use of funds being raised. The funds being raised in the issue are to be used partly in the year FY05 and the remaining are to be used in the FY06. Pending deployment of proceeds for the intended objects, if we are unable to deploy the surplus funds profitably, it could impact the intended end use of these funds.

***We may not be sufficiently insured for certain losses that we may incur.***

Although we attempt to limit and mitigate our liability for damages arising from negligent acts, errors or omissions through contractual provisions, the limitations of liability set forth in our contracts may not be enforceable in all instances or may not protect us from liability for damages. A successful assertion of one or more large claims against us that exceeds our available insurance coverage or changes in our insurance policies, including premium increases or the imposition of a large deductible could adversely affect our results of operations.

***In the past 12 months, we have issued Equity Shares, which may be at a price less than the lower end of the price band for the Equity Shares being offered in the Issue.***

In July 2004, we issued 1,633,334 (pre consolidation 3,266,667) Equity Shares of Rs. 10 each at Rs. 60 (Rs. 30 pre consolidation) per Equity Share. In July 2004, we also issued 120 Equity Shares of Rs. 10 each to various shareholders in order to facilitate the consolidation of equity shares from a face value of Rs. 5 per share to a face value of Rs. 10 per share. In April 2005 we have allotted 3,228,334 Equity Shares of Rs. 10 each at Rs. 141.63 per Equity Share and 2,400,000 Equity Shares of Rs. 10 each at Rs. 223 per Equity Share. Further, in the past 12 months, under our ESOP 2000, we have granted 1,319,748 options to our employees at a price varying from quarter to quarter in the range of Rs. 160 to Rs. 321 per option. We have also issued 88,950 Equity Shares of Rs. 10 each at Rs. 80 per Equity Share, arising from the exercise of options granted under ESOP 2000. The exercise of each option entitles its holder to one Equity Share. The price at which Equity Shares have been issued at in the last 12 months is not indicative of the price, which may be offered in the Issue.

***Valuations in the software / information technology industry may not be sustained in future and current valuations may not be reflective of future valuations for the industry.***

We are engaged in providing services and products in the telecom software industry and we believe that there is no directly comparable listed company on the Indian Stock Exchanges. In absense of a direct listed comparable, in our opinion Flextronics Software Systems Limited would be the closest listed comparable company. Valuations in the software/information technology industry may not be sustained in future and current valuations may not be reflective of future valuations for the industry.

***Unauthorized disclosure of sensitive or confidential customer and customer's client data, whether through a breach of our computer systems or otherwise, could expose us to protracted and/or costly litigation and cause us to lose customers.***

Many of our contracts involve projects that are critical to the operations of our customers' businesses. They also provide benefits that may be difficult to quantify. We take precautions to protect confidential customer and customer's client data. However, if any person, including any of our employees, penetrates our network security or otherwise misappropriates sensitive data, we could be subject to significant liability claims from our customers or their own clients for breaching contractual confidentiality provisions or privacy laws. Although our attempts to limit its contractual liability for damages arising from negligent acts, errors, mistakes or omissions in rendering its services, it cannot assure the investors that the limitations of liability set forth in its service contracts will be enforceable in all instances or will otherwise protect us from liability for damages. Further, any penetration of our security networks could have a negative impact on our reputation, which could harm our business.

***Any disruption in our systems, communications and other utilities could harm our ability to provide our services.***

The provision of software services and products are highly dependant on voice and data communication links between our centres, our corporate offices and our customers' offices. Any significant interruption to our operations which results in the break down of our communication links, computer systems and other technology infrastructure will effect our ability to meet our contractual commitments and result in loss of our customers, damage to our reputation and weaken our competitive position. Since we do not maintain business interruption insurance and may not be covered for any claims or damages if any of the foregoing events actually occurs, our results of operations and profitability may be adversely affected.

***One of our Subsidiaries and certain Promoter group companies have incurred losses in recent years.***

SNEL has made losses since its incorporation by us on September 29, 2004. We propose to continue to provide funding the capital expenditure and working capital requirements of SNEL through loans and/or equity infusion. We can provide no assurance that SNEL will be profitable or that our investment will be recovered. The adverse financial performance of SNEL could have a material adverse effect on our business, results of operation and financial conditions.

The following Promoter group companies have also incurred losses:

*(Rs. in million)*

| Name of the company | Loss for the year ended March 31, | | | Accumulated losses as on March 31, | | |
|---|---|---|---|---|---|---|
| | **2002** | **2003** | **2004** | **2002** | **2003** | **2004** |
| Acta Cast Private Limited | 0.01 | 0.00 | 0.01 | 0.42 | 0.42 | 0.44 |
| J.B.Life Science Overseas Limited | Nil | 0.02 | 0.02 | Nil | 0.02 | 0.04 |
| J.B.Mody Finance and Investments Private Limited | 0.01 | 0.01 | Nil* | 0.08 | 0.09 | 0.06** |
| Lekar Healthcare Limited | Nil | 1.55 | 3.82 | 3.95 | 5.49 | 9.31 |
| M/s Kitkat | Nil | 0.01 | 0.02 | Nil | Nil | Nil |
| Madanji Meghraj Jewelers Private Limited | 0.04 | 0.93 | Nil | 0.04 | 0.97 | Nil |
| McDA Agro Private Limited | 0.10 | 2.40 | 0.01 | 8.11 | 10.53 | 10.54 |
| Mody Brothers*** | Nil | 0.39 | Nil | Nil | Nil | Nil |

* For the period April 1, 2003 to December 15, 2003, ** As on December 15, 2003
***Partnership firm

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

We require certain approvals, licenses, registrations and permissions for operating our business, some of which may have expired and for which we may have either made 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" beginning on page 282 of this Draft Red Herring Prospectus. If we fail to obtain any of these approvals or licenses, or renewals thereof, in a timely manner, or at all, our business may be adversely affected.

**EXTERNAL RISK FACTORS**

***We are subject to various Indian and international taxes and avail of certain tax benefits offered by the Government of India and the State of Karnataka and other states and countries in which we do business. Our profitability would decrease due to any adverse change in general tax policies or if the tax benefits were reduced or withdrawn.***

Taxes and other levies imposed by the Government of India and/or the State of Karnataka and other states and countries in which we do business that may affect the software industry include: customs duties; excise duty; central and state sales tax and other levies; income tax; value added tax; entry tax; turnover tax; service tax; and other new or special taxes and surcharges introduced on a permanent or temporary basis from time to time. For more details on the direct taxes, please refer "Statement of possible Tax Benefits available to the Company and its shareholders" beginning on page 212 of this Draft Red Herring Prospectus.

We currently take advantage of various income tax exemptions and deductions, which are applicable to companies engaged in export activities, some of which are only for a specified duration. The loss or unavailability of these benefits would increase our income tax obligations and have a material adverse effect on our after tax profits and cash flow.

***If certain labour laws become applicable to us, our profitability may be adversely affected.***

India has stringent labour legislations that protect the interests of workers, including legislation that sets forth detailed procedures for dispute resolution and employee removal and legislation that imposes certain financial obligations on employers upon retrenchment. Though we are exempt from the applicability of certain labour law legislations there can be no assurance that such laws will not become applicable to the IT industry in the future. In addition, our employees may form unions in the future. If the labour laws become applicable to our workers or if our employees unionise, it may become difficult for us to maintain flexible labour policies, discharge employees or downsize, and our profitability may be adversely affected. With respect to our employees located at customer premises overseas, we may be exposed to risks arising from contract labour legislations in such jurisdictions. Further, we cannot assure you that there will be no adverse change in the relevant labour legislations in the respective jurisdictions.

***Wage pressures in India may prevent the Company from sustaining its competitive advantage and may reduce its profit margins.***

Wage costs in India have historically been significantly lower than wage costs in the United States and Europe for comparably skilled professionals, which has been one of the Company's competitive strengths. However, wage increases in India may prevent the Company from sustaining this competitive advantage and may negatively affect the Company's profit margins. Wages in India are increasing at a faster rate than in the United States, which could result in increased costs for software professionals, particularly project managers and other mid-level professionals. The Company may need to continue to increase the levels of its employee compensation to remain competitive and manage attrition. Compensation increases may result in a material adverse effect on the Company's business, results of operation and financial condition.

***Immigration restrictions could limit the Company's ability to expand its operations in the United States and other countries.***

The Company derives a portion of its revenues from onsite operations for customers located in the United States, Europe and Asia Pacific countries. Immigration laws in these countries are subject to legislative change, as well as to variations in standards of application and enforcement due to political forces and economic conditions. It is difficult to predict the political and economic events that could affect immigration laws, or the restrictive impact they could have on obtaining or monitoring work visas for our software professionals. Our reliance on work visas for software professionals makes us vulnerable to such changes and variations as it affects our ability to staff projects with software professionals who are not citizens of the country where the work is to be performed. As a result, we may not be able to obtain a sufficient number of visas for our software professionals or may encounter delays or additional costs in obtaining or maintaining the condition of such visas. Any inability to obtain such visas in the future could have an impact on our business, financial condition and results of operations.

***The appreciation of the Rupee against the US Dollar, GBP, Euro or Yen would have a material adverse effect on our results of operations***

We report our financial results in Rupees, but a significant portion of income has been and will continue to be denominated in US Dollars, GBP, Euros and Yen, respectively. The Company has exposures to various foreign currencies primarily denominated in US Dollars, GBP, Euros and Yen, respectively. The exchange rate between the Rupee and the US Dollar, GBP, Euros and Yen has changed substantially in recent years and may fluctuate substantially in future. While we currently hedge some of our foreign currency exposures to minimize the impact of fluctuating exchange rates, we cannot assure you that we will be able to effectively mitigate the adverse impact of currency fluctuations on the results of our operations.

***Indian laws limit our ability to raise capital outside India and to enter into acquisition transactions with non-Indian companies.***

Indian laws constrain our ability to raise capital outside India through the issuance of equity or convertible debt securities and restrict the ability of non-Indian companies to acquire us. Generally, any foreign investment in, or an acquisition of, an Indian company requires approval from the relevant government authorities in India, including the Reserve Bank of India. However, there are certain exceptions to this approval requirement for IT companies on which we are able to rely. Changes to such policies may create restrictions on our capital raising abilities. If the Government of India does not approve the investment or acquisition, or implements a limit on the foreign equity ownership of IT companies, our ability to obtain investments, and/or enter into acquisitions with, foreign investors will be limited. In addition, making investments in and/or the strategic acquisition of a foreign company by us requires various approvals from the Government of India and the relevant foreign jurisdiction, and we may not be able to obtain such approvals.

***An economic downturn may negatively impair the Company's operating results.***

Our revenues are highly dependent on customers located in the United States, Europe and the Asia Pacific region. Economic slowdowns and other factors that affect the economic health of these regions may affect our business. If there is an economic slowdown in these regions, our customers may reduce or postpone their contracts significantly, which may in turn lower the demand for our products and services and negatively affect our revenues and profitability.

***Any temporary or permanent loss of equipment or systems, or any disruptions to basic infrastructure such as power and telecommunications would impede our ability to provide services to our customers and could expose us to liability claims.***

The services we provide are often critical to our customers' businesses, and any failure to provide those services could result in a claim for substantial damages against us, regardless of our responsibility for that failure. Although we maintain redundancy facilities and communications links, disruptions could result from among other things, technical breakdowns, computer viruses and weather conditions. Any temporary or permanent loss of equipment or systems, or any disruptions to basic infrastructure such as power and telecommunications would impede our ability to provide services to our customers, could expose us to liability claims and could have a material adverse effect on our reputation, results of operations, financial condition and cash flows.

***Force majeure events, terrorist attacks and other acts of violence or war involving India, the United States or other countries could adversely affect the financial markets, result in a loss of customer confidence and adversely affect our business, results of operations, financial conditions and cash flows.***

Certain events that are beyond our control, including the recent tsunami or seismically generated sea wave capable of considerable destruction, which affected several parts of South East Asia, including India and Sri Lanka on December 26, 2004 and terrorist attacks, such as the ones that occurred in New York and Washington, D.C., on September 11, 2001 and New Delhi on December 13, 2001, and other acts of violence or war (including civil unrest, military activity and hostilities among neighboring countries, such as between India and Pakistan), which may involve India, the United States or other countries, may adversely affect worldwide financial markets, and could lead to economic recession. These acts may also result in a loss of business confidence and have other consequences that could adversely affect our business, results of operations and financial condition. More generally, any of these events could lower confidence in India. Any such event could adversely affect our financial performance or the market price of the Equity Shares.

***Regional conflicts in South Asia could adversely affect the Indian economy, disrupt the Company's operations and cause its business to suffer.***

South Asia has, from time to time experienced instances of civil unrest and hostilities among neighbouring countries, such as between India and Pakistan. In recent years there have been military confrontations along the India-Pakistan border. The potential for hostilities between the two countries is higher due to recent terrorist incidents in India, recent troop mobilisations along the border, and the aggravated geopolitical situation in the region. Military activity or terrorist attacks in the future could influence the Indian economy by disrupting communications and making travel more difficult. Such political tensions could create a greater perception that investments in Indian companies involve a higher degree of risk. This, in turn, could have a material adverse effect on the market for securities of Indian companies, including the Equity Shares and on the market for the Company's services.

***We may be subject to economic, regulatory, political and military uncertainties in India and surrounding countries.***

In the early 1990s, India experienced significant inflation, low growth in gross domestic product and shortages of foreign currency reserves. Since 1991, the Government of India has pursued policies of economic liberalisation, and has provided significant tax incentives and relaxed certain regulatory restrictions in order to encourage foreign investment in specified sectors of the economy, including in the IT sector. We cannot assure you that the liberalization policies will continue. Various factors, including a collapse of the present coalition government due to the withdrawal of support of coalition members, could trigger significant changes in India's economic liberalization and deregulation policies, disrupt business and economic conditions in India generally and our business in particular. Our financial performance and the market price of the Equity Shares may be adversely affected by changes in inflation, exchange rates and controls, interest rates, Government of India policies (including taxation policies), social stability or other political, economic or diplomatic developments affecting India in the future.

***After this Issue, the price of the equity shares may be highly volatile, or an active trading market for the equity shares may not develop.***

The prices of the Equity Shares on the Indian stock exchanges may fluctuate after this Issue as a result of several factors, including: volatility in the Indian and global securities market; the Company's results of operations and performance; performance of the Company's competitors, the Indian information technology industry, information technology enabled services industry and the perception in the market about investments in the information technology sector; adverse media reports on the Company or the Indian information technology enabled services industry; changes in the estimates of the Company's performance or recommendations by financial analysts; significant developments in India's economic liberalization and deregulation policies; and significant developments in India's fiscal and environmental regulations.

There has been no public market for the Equity Shares and the prices of the Equity Shares may fluctuate after this Issue. There can be no assurance that an active trading market for the Equity Shares will develop or be sustained after this Issue, or that the prices at which the Equity Shares are initially traded will correspond to the prices at which the Equity Shares will trade in the market subsequent to this Issue.

**Notes to Risk Factors**

1. Public issue of 5,000,000 equity shares of Rs. 10 each at a price of Rs. • for cash aggregating Rs. • million (referred to as the "Issue") comprising 500,000 equity shares of Rs. 10 each reserved for the Eligible Employees of the Company and a Net Offer to the Public of 4,500,000 Equity Shares of Rs. 10 each. The Issue would constitute 18.17% of the fully diluted post Issue paid-up capital of the Company. The Net Offer To The Public would constitute 16.36% of the fully diluted post Issue paid-up capital of the Company.

2. The net worth of the Company was Rs. 1,352.96 million as on December 31, 2004 as per our restated unconsolidated financial statements under Indian GAAP. Pursuant to allottment of additional equity shares after December 31, 2004 the net worth of the Company stands increased to Rs. 2,349.74 million.

3. The net asset value per Equity Share of Rs. 10 each was Rs. 80.40 as on December 31, 2004, as per our restated unconsolidated financial statements under Indian GAAP. Pursuant to allottment of additional equity shares after December 31, 2004, the book value per Equity Share stands increased to Rs. 104.38.

4. On April 14, 2005 we issued 3,228,334 Equity Shares aggregating 14.34% of our pre Issue paid up Equity Share capital to Nortel Networks Mauritius Limited for a consideration of Rs. 457.23 million.

5. On April 14, 2005 we allotted 600,000 Equity Shares aggregating 2.67% of our pre-Issue paid up Equity Share capital to Nokia Growth Partners LP, for a consideration of Rs. 133.80 million

6. On April 27, 2005 we allotted 1,800,000 Equity Shares aggregating 8.00% of our pre-Issue paid up Equity Share capital to MVC VI FVCI Limited for a consideration of Rs. 401.40 million.

7. The average cost of acquisition of our Equity Shares by our Promoters, Mr. J.B. Mody, Mr. Pranabh Mody, Mr. Rajiv Mody, Mr. Mahendra Jhaveri and Mr. Krishna Jhaveri is Rs. 5.99, Rs.5.04, Rs. 231.36, Rs. (179.56) and Rs. 300 respectively.

8. The compensation committee on January 25, 2005 and April 19, 2005 authorized the grant of 45,265 and 302,950 options after December 31, 2004 to eligible employees at a price varying from quarter to quarter in the range of Rs. 184 to Rs. 256 and Rs. 225 to Rs. 321 per stock option respectively. Upon exercise, the holder of each stock option is entitled to one Equity Share.

9. Trading in Equity Shares of our Company for all the investors shall be in dematerialised form only.

10. Any clarification or information relating to the Issue shall be made available by the BRLM 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 and the Syndicate Members for any complaints pertaining to the Issue.

11. For details of our related party transactions, please refer to the section titled "Related Party Transactions" on page 136 of this Draft Red Herring Prospectus.

12. Investors may note that in case of over-subscription in the Issue, allotment to 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 316 of this Draft Red Herring Prospectus.

13. Investors are advised to refer to the section titled "Basis for Issue Price" on page 65 of this Draft Red Herring Prospectus.

## SECTION III: INTRODUCTION

**Summary**

We are a focussed communication software company with a particular presence in the broadband and wireless software space. Our core expertise lies in developing embedded communication software for companies across the communication value chain – network equipment manufacturers, semiconductor vendors and mobile terminal vendors. We have recently diversified into application software development for communication service providers. Our growth strategy is focussed on creating competitively priced software solutions that will help our customers increase their revenue base.

Our business model is a "hybrid" model, which involves a mix of software products and services. We believe that services and products, are complementary. Our services relationships are often important to us for building skill sets as well as understanding the end markets that we serve. This knowledge benefits our products business. On the other hand, our products business allows us to differentiate ourselves in a given space, and is beneficial for winning services business. Integral to both our product and service offerings, is our domain and IP, in our chosen areas of focus. Our services (including network engineering services) and products business were 74.51% and 25.49% of consolidated revenues in FY 04 and 86.00% and 14.00% of consolidated revenues for 9 months ended December 31, 2004.

Our services can broadly be termed as embedded R&D outsourcing services. We currently provide services, solutions and technologies to customers who are large network equipment manufacturers (both wireless and wireline), semiconductor manufacturers supplying to the telecom market, wireless terminal product vendors and test and measurement equipment providers, worldwide. Our Subsidiaries extend our offerings to network equipment manufacturers to service their non-embedded or non R&D outsourcing requirements.

Our products are typically software components that are used by our customers to create solutions for their clients. All our product initiatives are focussed on creating components for terminals or customer premise equipments. We also license our products to semiconductor vendors who want to create reference solutions for their clients. These semiconductor vendors may license these products to their clients. Our products business principally addresses the wireless terminals space, with some revenue contribution from the wireline space as well.

## The Issue

| | |
|---|---|
| Equity Shares offered | |
| Fresh Issue | 5,000,000 Equity Shares, constituting 18.17% of the fully diluted post Issue paid-up capital of the Company |
| Of which: | |
| Employees Reservation Portion | 500,000 Equity Shares (Allocation on a proportionate basis) |
| And | |
| Net Offer To The Public | 4,500,000 Equity Shares, constituting 16.36% of the fully diluted post Issue paid-up capital of the Company |
| Comprising: | |
| Qualified Institutional Buyers portion | 2,700,000 Equity Shares, constituting atleast 60% of the Net Offer to the Public (Allocation on a discretionary basis) |
| Non Institutional portion | At least 450,000 Equity Shares, constituting not less than 10% of the Net Offer to the Public (Allocation on a proportionate basis) |
| Retail portion | At least 1,350,000 Equity Shares, constituting not less than 30% of the Net Offer to the Public (Allocation on a proportionate basis) |
| Equity Shares outstanding prior to the Issue | 22,511,496 Equity Shares |
| Equity Shares outstanding after the Issue | 27,511,496 Equity Shares |
| Objects of the Issue | The proceeds of the Issue would be used for creation of campus for software development and meeting the expenses of the Issue. For more information, please refer to the section titled "Objects of the Issue" beginning on page 60 of this Draft Red Herring Prospectus. |

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## Selected Financial Data of our Company

The following table sets forth summary financial information derived from our unconsolidated restated financial statements as of and for the fiscal years ended March 31, 2000, 2001, 2002, 2003 and 2004 and for the nine month period ended December 31, 2004, prepared in accordance with Indian GAAP and SEBI Guidelines, and as described in the statutory auditors' report dated May 17, 2005 included in the section titled "Financial Statements" beginning on page 139 of this Draft Red Herring Prospectus and should be read in conjunction with those financial statements and the notes thereto.

**Summary Statement of Assets and Liabilities, as restated**

Rs in million

| | As at December 31, 2004 | As at March 31, 2004 | As at March 31, 2003 | As at March 31, 2002 | As at March31, 2001 | As at March31, 2000 |
|---|---|---|---|---|---|---|
| **Fixed assets** | | | | | | |
| Gross block | 1,518.79 | 1,359.90 | 1,315.36 | 1,191.17 | 569.24 | 431.08 |
| Less: Accumulated depreciation | 684.38 | 591.15 | 493.99 | 409.95 | 261.24 | 188.50 |
| Net block | 834.41 | 768.75 | 821.37 | 781.22 | 308.00 | 242.58 |
| Capital work in progress, including capital advances | 8.42 | 11.78 | 2.12 | 113.70 | 445.19 | 63.31 |
| **Total** | **842.83** | **780.53** | **823.49** | **894.92** | **753.19** | **305.89** |
| **Capitalised software product costs** (net of amortization) | **-** | **11.50** | **57.64** | **95.83** | **32.21** | **-** |
| **Investments** | **90.35** | **26.92** | **1.44** | **33.54** | **18.62** | **190.54** |
| **Deferred tax asset** | **-** | **3.16** | **7.49** | **2.14** | **-** | **-** |
| **Current assets, loans and advances** | | | | | | |
| Inventories | 0.73 | 5.50 | 24.60 | 9.05 | 6.15 | - |
| Sundry debtors | 383.03 | 337.94 | 323.00 | 350.71 | 493.27 | 263.59 |
| Cash and bank balances | 89.70 | 26.82 | 160.35 | 28.58 | 88.91 | 74.66 |
| Loans and advances | 276.09 | 181.67 | 102.20 | 119.92 | 223.82 | 83.66 |
| **Total** | **749.55** | **551.93** | **610.15** | **508.26** | **812.15** | **421.91** |
| **Liabilities and Provisions** | | | | | | |
| Secured loans | 116.33 | 4.27 | 267.48 | 351.87 | 312.52 | - |
| Unsecured loans | - | - | 0.06 | 2.06 | 5.12 | 8.56 |
| Current liabilities | 190.34 | 147.46 | 136.68 | 134.75 | 135.34 | 52.90 |
| Provisions | 23.10 | 55.63 | 14.59 | 9.70 | 75.37 | 59.42 |
| **Total** | **329.77** | **207.36** | **418.81** | **498.38** | **528.35** | **120.88** |
| **Net worth** | **1,352.96** | **1,166.68** | **1,081.40** | **1,036.31** | **1,087.82** | **797.46** |
| Represented by: | | | | | | |
| Equity share capital | 168.29 | 151.61 | 127.10 | 126.69 | 125.65 | 124.75 |
| Share application money | 0.16 | - | 164.28 | 0.01 | - | - |
| *Reserves and surplus* | | | | | | |
| General reserve | 81.44 | 81.44 | 63.09 | 63.09 | 63.09 | 34.99 |
| Securities premium | 611.68 | 527.39 | 404.87 | 403.35 | 401.52 | 400.63 |
| Profit and loss account | 484.29 | 404.68 | 322.06 | 443.06 | 497.40 | 237.09 |
| Employee stock option outstanding (net of deferred compensation cost) | 7.10 | 1.56 | - | 0.11 | 0.16 | - |
| **Net worth** | **1,352.96** | **1,166.68** | **1,081.40** | **1,036.31** | **1,087.82** | **797.46** |

**Summary Statement of Profits and Losses, as restated**

Rs in million

| | Nine Months Ended December 31, 2004 | Year ended March 31, 2004 | Year ended March 31, 2003 | Year ended March 31, 2002 | Year ended March 31, 2001 | Year ended March 31, 2000 |
|---|---|---|---|---|---|---|
| **Income** | | | | | | |
| Software services & software licensing | 1,551.18 | 1,661.30 | 1,093.82 | 1,071.60 | 1,413.00 | 759.16 |
| Other income | 11.70 | 13.04 | 1.35 | 29.57 | 26.62 | 42.73 |
| **Total Income** | **1,562.88** | **1,674.34** | **1,095.17** | **1,101.17** | **1,439.62** | **801.89** |
| **Expenditure** | | | | | | |
| Employment cost | 962.27 | 976.52 | 672.86 | 579.48 | 554.85 | 256.01 |
| Other operational expenses | 217.25 | 159.27 | 130.43 | 211.89 | 239.14 | 49.88 |
| Administrative & marketing expenses | 162.59 | 179.98 | 135.88 | 162.89 | 223.55 | 149.31 |
| Employee stock option compensation cost (net) | 5.73 | 1.56 | (71.46) | 42.06 | 29.79 | - |
| Provision for diminution in value of investments | - | - | 32.10 | 7.40 | 1.30 | - |
| Provision for doubtful debts | (8.32) | 2.83 | (29.54) | 57.83 | - | - |
| Decrease/ (increase) in inventory | 4.77 | 19.10 | (15.54) | (2.90) | (6.16) | - |
| Capitalisation of software product costs | - | - | (88.45) | (104.98) | (40.99) | - |
| Amortization of capitalised software product costs | 11.50 | 46.14 | 126.64 | 41.35 | 8.79 | - |
| Interest expense | 3.60 | 7.98 | 36.22 | 43.96 | 13.64 | 8.82 |
| Depreciation | 93.40 | 118.78 | 125.79 | 179.05 | 80.83 | 87.83 |
| **Total Expenditure** | **1,452.79** | **1,512.16** | **1,054.93** | **1,218.03** | **1,104.74** | **551.85** |
| **Net Profit/(Loss) before tax** | **110.09** | **162.18** | **40.24** | **(116.86)** | **334.88** | **250.04** |
| Income Taxes | 1.42 | (21.32) | 27.50 | 39.52 | 53.81 | 101.45 |
| **Net Profit/(Loss)** | **108.67** | **183.50** | **12.74** | **(156.38)** | **281.07** | **148.59** |
| **Adjustments – Increase/(decrease) in profits** | | | | | | |
| Leave encashment | - | - | - | (11.04) | 6.01 | 2.07 |
| Foreign exchange adjustments | (8.92) | 8.26 | 0.66 | - | - | - |
| ESOP compensation cost | - | - | (71.50) | 41.87 | 29.63 | - |
| Provision for doubtful debts | (10.29) | (2.40) | (45.14) | 57.83 | - | - |
| Provision for warranty | - | - | (14.02) | 14.02 | - | - |
| **Total impact of adjustments** | (19.21) | 5.86 | (130.00) | 102.68 | 35.64 | 2.07 |
| **Tax adjustments** | | | | | | |
| Deferred tax adjustment | (3.16) | (4.33) | 5.35 | 2.14 | - | (5.78) |
| Adjustment on account of tax refunds | (6.69) | (41.30) | (9.09) | (2.78) | 26.90 | 20.49 |
| **Total of adjustments after tax impact** | (29.06) | (39.77) | (133.74) | 102.04 | 62.54 | 16.78 |
| **Net Profit/(Loss), as restated** | **79.61** | **143.73** | **(121.00)** | **(54.34)** | **343.61** | **165.37** |
| **Profit and loss account, beginning of the year/period** | 404.68 | 322.06 | 443.06 | 497.40 | 237.09 | 137.97 |
| **Profits available for appropriation** | 484.29 | 465.79 | 322.06 | 443.06 | 580.70 | 303.34 |
| Appropriation: | | | | | | |
| Equity dividend | - | 37.90 | - | - | 50.08 | 46.30 |
| Tax on dividend | - | 4.86 | - | - | 5.11 | 5.09 |
| Transfer to General Reserve | - | 18.35 | - | - | 28.11 | 14.86 |
| **Balance carried forward, as restated** | 484.29 | 404.68 | 322.06 | 443.06 | 497.40 | 237.09 |

## General Information

### Incorporation and change of name

Our Company was incorporated in the State of Gujarat on February 13, 1989 as ASIC Technologies Private Limited under the Companies Act. The registration number assigned to the Company on incorporation by the Registrar of Companies, Gujarat was No. 04-11887 of 1988-89. We changed the name of our Company to Silicon Automation Systems (India) Private Limited and a fresh certificate of incorporation consequent to the change of name was issued by the Registrar of Companies, Gujarat on October 13, 1992. On April 20, 1993 we changed our registered office from the State of Gujarat to the State of Karnataka. The registration number assigned to the Company by the Registrar of Companies, Bangalore at Karnataka was 08/ 14226 of 1993. We changed the name of our Company to Silicon Automation Systems Limited and a fresh certificate of incorporation consequent to the change of name was issued by the ROC on December 30, 1998. Thereafter, we again changed the name of our Company to Sasken Communication Technologies Limited and a fresh certificate of incorporation consequent to the change of name was issued by the ROC on October 17, 2000.

### Registered and Corporate office

Sasken Communication Technologies Limited
139/25, Ring Road,
Domlur,
Bangalore 560 071
Tel: +91 80 2535 5501
Fax: +91 80 2535 1309
Web site: www.sasken.com
Email: saskenipo@sasken.com

### Board of Directors

The Board of Directors of Sasken currently comprises the following persons:

Mr. Rajiv C. Mody, Chairman and Managing Director
Mr. Vinod Dham, Independent Director
Mr. Krishna J. Jhaveri, Whole time Director
Dr. Ashok Jhunjhunwala, Independent Director
Mr. Bansi S. Mehta, Independent Director
Mr. J.B. Mody, Director
Mr. Pranabh D. Mody, Director
Prof. J. Ramachandran, Independent Director
Dr. G. Venkatesh, Whole time Director
For more details on our directors, please refer to the section titled "Management" beginning on page 118 of this Draft Red Herring Prospectus.

### Chief Financial Officer and Company Secretary

Ms. Neeta Revankar
Sasken Communication Technologies Limited
139/25, Ring Road,
Domlur,
Bangalore 560 071
Tel: +91 80 2535 5501
Fax: +91 80 2535 1309
Email: cosec@sasken.com

**Legal Counsel for the Issue**

Amarchand and Mangaldas and Suresh A. Shroff and Co.
201, Midford House,
Midford Garden,
M.G.Road,
Bangalore 560 001
Tel: +91 80 2558 4870/5112 4950
Fax: +91 80 2558 4266
Email: sasken.workgroup@amarchand.com

**Bankers to the Company**

**Union Bank of India**
Industrial Finance Branch,
Hafeeza Chambers, 1st Floor,
111/74, K H Road, Bangalore 560 027
Tel: +91 80 2222 4156
Fax: +91 80 2223 5362

**Compliance Officer**
Mr. B. Ramkumar,
General Manager- Finance,
Sasken Communication Technologies Limited
139/25, Ring Road,
Domlur,
Bangalore 560 071
Tel: +91 80 2535 5501
Fax: +91 80 2535 1309
Email: cosec@sasken.com

**Book Running Lead Manager**

Enam Financial Consultants Private Limited
801, Dalamal Towers,
Nariman Point
Mumbai 400 021
Tel: +91 22 5638 1800
Fax: +91 22 2284 6824
Contact Person: Ms. Shilpa Jhaveri
Email: sasken.ipo@enam.com
Website: www.enam.com

**Syndicate Member**

Enam Securities Private Limited
2A and 2B Hari Chambers
Shahid Bhagatsingh Road
Opposite Custom House
Mumbai 400 023
Tel: +91 22 5638 1800
Fax: +91 22 2284 6824
Contact Person: •
Email: sasken.ipo@enam.com
Website: www.enam.com

**Registrar to the Issue**

Karvy Computershare Private Limited
Unit: Sasken IPO
Karvy House, 46, Avenue Road,
Street No. 1, Banjara Hills,
Hyderabad 500 034
Tel: +91 40 2331 2454
Fax: +91 40 2331 1968
Contact Person: Mr. M. Murali Krishna
Email: saskenipo@karvy.com
Website: www.karvy.com

**Bankers to the Issue and Escrow Collection Banks**

[●]

**Statutory Auditors to the Company**

S.R.Batliboi and Company,
Divyasree Chambers,
A Wing, 2nd Floor,
Langford Road,
Bangalore 560 025
Tel: +91 80 2224 5646
Fax: +91 80 2224 0695

**Inter Se Allocation of Responsibilities of the Book Running Lead Manager (BRLM)**

| Sr No | Activities | Responsibility | Co-ordinator |
|---|---|---|---|
| 1 | Capital structuring with the relative components and formalities | ENAM | ENAM |
| 2 | Due diligence of the Company's operations / management / business plans/legal documents etc. | ENAM | ENAM |
| 3 | Drafting and Design of Issue Document and of statutory advertisement including memorandum containing salient features of the Prospectus. Compliance with stipulated requirements and completion of prescribed formalities with Stock Exchange, Registrar of Companies and SEBI | ENAM | ENAM |
| 4 | Drafting and approval of all publicity material other than statutory advertisement as mentioned above including corporate advertisement, brochure, etc. | ENAM | ENAM |
| 5 | Appointment of Registrar, Bankers, Printer and Advertising agency | ENAM | ENAM |
| 6 | Institutional Marketing Strategy<br>Finalisation of the list of investors for one to one meetings in consultation with the Company | ENAM | ENAM |
| 7 | Retail/HNI Marketing Strategy<br>Finalize centres for holding conference for brokers etc<br>Finalise media, marketing and PR strategy<br>Follow up on distribution of publicity and issue materials including form, prospectus and deciding on the quantum of the Issue material<br>Finalise Collection orders | ENAM | ENAM |
| 8 | Managing the Book and Co-ordination with Stock Exchanges | ENAM | ENAM |
| 9 | Pricing and QIB allocation | ENAM | ENAM |
| 10 | The post bidding activities including management of escrow accounts, co-ordination of non-institutional | ENAM | ENAM |

| Sr No | Activities | Responsibility | Co-ordinator |
|---|---|---|---|
| | allocation, intimation of allocation and despatch of refunds to bidders | | |
| 11 | The post Issue activities of the Issue will involve essential follow up steps, which must include finalisation of listing of instruments and dispatch of certificates and refunds, with the various agencies connected with the work such as Registrars to the Issue, Bankers to the Issue and the bank handling refund business. BRLM shall be responsible for ensuring that these agencies fulfill their functions and enable him to discharge this responsibility through suitable agreements with the Issuer Company. | ENAM | ENAM |

The selection of various agencies like Registrars to the Issue, Bankers to the Issue, Bank Collection Centres, Legal Advisors to the Issue, Underwriters to the Issue, Advertising Agencies, Public Relations Agencies etc. will be or have been finalised by the Company in consultation with Enam.

**Credit Rating**

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

**Trustees**

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

**Monitoring Agency**

There is no requirement for a monitoring agency in terms of Clause 8.17 of the SEBI DIP Guidelines. The Audit Committee appointed by the Board of Directors will monitor the utilization of the Issue proceeds.

**Address of the relevant ROCs**

(i) Our Company was incorporated on February 13, 1989 as ASIC Technologies Private Limited under the Companies Act in the State of Gujarat. The Registrar of Companies, Ahmedabad at Gujarat is located at:

ROC Bhavan,
Opp Rupal Park Society,
Behind Ankur Bus Stop,
Naranpura,
Ahmedabad 380013
Tel: +91 79 2743 7597
Fax: +91 79 2743 8371
E-mail: rocahm.sb@sb.nic.in

(ii) Our registered office was shifted from the State of Gujarat to the State of Karnataka. In this behalf, a fresh certificate of incorporation dated April 20, 1993 was issued. The Registrar of Companies, Bangalore at Karnataka is located at:

'E' wing, 2nd floor
Kendriya Sadana
Koramangala,
Bangalore 560034
Tel: +91 80 2553 8531
Fax: +91 80 2552 8531
E-Mail: rocban.sb@sb.nic.in
Website:http://www.kar.nic.in/roc

**Withdrawal of the Issue**

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

**Book Building Process**

Book building refers to the collection of Bids from investors, which is based on the Price Band, with the Issue Price being finalized after the Bid/Issue Closing Date, The principal parties involved in the Book Building Process are:

1. The Company

2. The Book Running Lead Manager; and

3. The Syndicate Members who are intermediaries registered with SEBI or registered as brokers with the stock exchange (s) and eligible to act as underwriters. The BRLM appoints the Syndicate Members.

The SEBI DIP Guidelines has permitted an issue of securities to the public through the 100% Book Building Process, wherein 10% of the Issue has been reserved for Eligible Employees and atleast 60% of the Net Offer to the Public shall be allocated on a discretionary basis to QIBs. Further, not less than 10% of the Net Offer to the Public shall be available for allotment on a proportionate basis to Non Institutional Bidders and not less than 30% of the Net Offer to the Public shall be available for allotment on a proportionate basis to Retail Bidders, subject to valid Bids being received at or above the Issue Price. We will comply with the SEBI DIP Guidelines for this Issue. In this regard, we have appointed the BRLM to procure subscriptions to the Issue.

The process of book building, under SEBI DIP Guidelines, is relatively new and the investors are advised to make their own judgment about investment through this process prior to making a Bid in the Issue. Pursuant to recent amendments to SEBI DIP Guidelines, QIBs are not allowed to withdraw their Bid after the Bid/Issue Closing Date. Please refer to the section entitled “Terms of the Issue” on page 293 of this Draft Red Herring Prospectus for more details.

Steps to be taken by the Bidders for bidding:

- Check whether he/she is eligible for bidding;

- Bidder necessarily needs to have a demat account; and

- Ensure that the Bid cum Application Form is duly completed as per instructions given in this Draft Red Herring Prospectus and in the Bid cum Application Form.

**Underwriting Agreement**

After the determination of the Issue Price and prior to filing of the Prospectus with the 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 shall be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfill their underwriting obligations.

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

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

| **Name and Address of the Underwriters** | **Indicated Number of Equity Shares to be Underwritten** | **Amount Underwritten (Rs. in million)** |
|---|---|---|
| Enam Financial Consultants Private Limited<br>801, Dalamal Towers,<br>Nariman Point, Mumbai 400 021 | • | • |

| | | |
|---|---|---|
| Tel: +91 22 5638 1800<br>Fax: +91 22 2284 6824<br>Contact Person: Ms. Shilpa Jhaveri<br>Email: sasken.ipo@enam.com<br>Website: www.enam.com | | |
| Enam Securities Private Limited<br>2A and 2B Hari Chambers<br>Shahid Bhagatsingh Road<br>Opposite Custom House, Mumbai 400 023<br>Tel: +91 22 5638 1800<br>Fax: +91 22 2284 6824<br>Contact Person: •<br>Email: sasken.ipo@enam.com<br>Website: www.enam.com | • | • |

The above Underwriting Agreement is dated •.

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

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLM and the Syndicate Members shall be responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default in payment, the respective Underwriter, in addition to other obligations defined in the Underwriting Agreement, will also be required to procure/subscribe to the extent of the defaulted amount. Allotment to QIBs is discretionary as per the terms of this Draft Red Herring Prospectus and may not be proportionate in any way and the patterns of allotment to the QIBs could be different for the various Underwriters. The allocation to the QIBs shall be determined by the BRLM based on certain terms including prior commitment, investor quality, price aggression and earliness of bids.

**Capital Structure**

Financial data presented in this Section is derived from our unconsolidated financial statements prepared in accordance with Indian GAAP.

Share capital as at the date of filing of the Draft Red Herring Prospectus with SEBI and after the Issue is set forth below.

| | | | Nominal Value (Rs.) | Aggregate Value (Rs.) |
|---|---|---|---|---|
| **A.** | Authorised Capital | | | |
| | 35,000,000 | Equity Shares of Rs. 10 each | 350,000,000 | 350,000,000 |
| **B.** | Issued, Subscribed and Paid-Up Capital before the Issue | | | |
| | 22,511,496 | Equity Shares of Rs. 10 each | 225,114,960 | |
| **C.** | Present Issue to the Public in terms of this Draft Red Herring Prospectus | | | |
| | Fresh Issue | | | |
| | 5,000,000 | Equity Share of Rs. 10 each | 50,000,000 | • |
| | Out of which | | | |
| | 500,000 | Equity Shares of Rs. 10 each are reserved for allotment to Eligible Employees on a competitive basis. | 5,000,000 | • |
| **D.** | Net Offer to the Public in terms of this Draft Red Herring Prospectus | | | |
| | 4,500,000 | Equity Shares of Rs. 10 each | 45,000,000 | • |
| **E.** | Post Issue paid up Equity Share Capital | | | |
| | 27,511,496 | Equity Shares of Rs. 10 each | 275,114,960 | |
| **F.** | Share Premium Account | | | |
| | Before the Issue | | 1,552,450,156* | |
| | After the Issue** | | • | |

* *This includes adjustment in relation to change in ESOP exercise price amounting to Rs.1,411,012, excluding which the total share premium account would be Rs. 1,552,450,156.*

** *The share premium account will be determined after Book Building Process*

The current ESOP 2000 was approved by the Equity Shareholders at the EGM held on September 22, 2000 to eligible employees and Directors of the Company and its subsidiaries. The equity capital of the Company upon completion of the Issue, assuming full exercise of all the outstanding options issued under the ESOP 2000, will comprise 29,219,464 Equity Shares.

a) A share split was approved at the EGM held on June 8, 2001 resulting in each equity share of Rs. 10 being subdivided into 2 equity shares of Rs. 5 each;
b) The authorised share capital was increased from Rs. 250,000,000 divided into 50,000,000 equity shares of Rs. 5 each to Rs. 350,000,000 divided into 70,000,000 equity shares of Rs. 5 each through special resolution passed at its AGM held on June 11, 2004;
c) A consolidation of shares was approved at the extra ordinary general meeting held on July 16, 2004 resulting in two equity shares of Rs. 5 being consolidated into 1 equity shares of Rs. 10 each;

d) The current authorised share capital is sufficient to meet the requirements of the Issue and ESOP 2000.
e) The addition to the Share Premium Account on account of the Issue and the balance in the Share Premium Account after the Issue can be determined only after the Issue Price is known, after the Book Building Process.

**Notes to the Capital Structure**

1. Share Capital History of our Company:

| Date of Allotment [(1)] | Number of Equity Shares | Face Value per Equity Share (Rs.) | Issue Price per Equity Share (Rs.) | Nature of payment of Consideration | Reasons for Allotment | Cumulative Paid -up Capital (Rs.) | Cumulative Share Premium (Rs. in million) |
|---|---|---|---|---|---|---|---|
| February 13, 1989 | 20 | 10 | 10 | Cash | Subscriber to the Memorandum and Articles of Association | 200 | 0.00 |
| August 12, 1991 | 200,000 | 10 | 10 | Cash | Preferential Allotment | 2,000,200 | 0.00 |
| January, 8,1992 | 30,000 | 10 | 10 | Cash | Preferential Allotment | 2,300,200 | 0.00 |
| January 6, 1993 | 20,000 | 10 | 10 | Cash | Preferential Allotment | 2,500,200 | 0.00 |
| December 31,1993 | 50,000 | 10 | 10 | Cash | Preferential Allotment | 3,000,200 | 0.00 |
| August 25, 1995 | 44,440 | 10 | 10 | Cash | Preferential Allotment | 3,444,600 | 0.00 |
| January 16, 1996 | 905,540 | 10 | 10 | Cash | Preferential Allotment | 12,500,000 | 0.00 |
| March 26, 1996 | 1,250,000 | 10 | 10 | - | Bonus Issue (1:1) | 25,000,000 | 0.00 |
| February 20, 1997 | 1,250,000 | 10 | 10 | - | Bonus Issue (1:2) | 37,500,000 | 0.00 |
| September 30, 1997 | 3,125,000 | 10 | 10 | - | Bonus Issue (5:6) | 68,750,000 | 0.00 |
| February 9, 1998 | 3,125,000 | 10 | 10 | Cash | Preferential Allotment | 100,000,000 | 0.00 |
| April 1, 1998 | 667,100 | 10 | 10 | Cash | FCD 'A' Series Conversion [(A)] | 106,671,000 | 0.00 |
| August 18, 1998 | 50,000 | 10 | 10 | | Bonus Issue (1:200) | 107,171,000 | 0.00 |
| October 1, 1998 | 76,800 | 10 | 10 | Cash | FCD 'B' Series Conversion [(A)] | 107,939,000 | 0.00 |
| August 2, 1999 | 400 | 10 | 40 | Cash | FCD 'F', 'G' & 'H' series Conversion | 107,943,000 | 0.01 |

| Date of Allotment [1] | Number of Equity Shares | Face Value per Equity Share (Rs.) | Issue Price per Equity Share (Rs.) | Nature of payment of Consideration | Reasons for Allotment | Cumulative Paid -up Capital (Rs.) | Cumulative Share Premium (Rs. in million) |
|---|---|---|---|---|---|---|---|
| | | | | | [A] | | |
| October 1, 1999 | 68,400 | 10 | 10 | Cash | FCD 'C' series Conversion [A] | 108,627,000 | 0.01 |
| October 8, 1999 | 454,000 | 10 | 300 | Cash | Preferential Issue | 113,167,000 | 131.67 |
| October 8, 1999 | 454,000 | 10 | 210 | Cash | Preferential Allotment | 117,707,000 | 222.47 |
| October 8, 1999 | 150,000 | 10 | 300 | Cash | Rights Issue (1.389:100) | 119,207,000 | 265.97 |
| October 12, 1999 | 454,000 | 10 | 300 | Cash | Preferential Allotment | 123,747,000 | 397.63 |
| January 1, 2000 | 100,000 | 10 | 40 | Cash | Preferential Allotment | 124,747,000 | 400.63 |
| October 14, 2000 | 61,000 | 10 | 10 | Cash | FCD 'D' Series conversion [A] | 125,357,000 | 400.63 |
| October 14, 2000 | 29,600 | 10 | 40 | Cash | FCD 'F' Series conversion [A] | 125,653,000 | 401.52 |
| December 1, 2001 | 60,400 | 10[2] | 10[2] | Cash | FCD 'E' Series conversion [A] | 126,257,000 | 401.52 |
| December 1, 2001 | 42,700 | 10[2] | 40[2] | Cash | FCD 'G' Series conversion [A] | 126,684,000 | 402.80 |
| December 1, 2001 | 110 | 10[2] | 300[2] | Cash | ESOP 2000 Exercised | 126,685,100 | 402.86[3] |
| January 18, 2002 | 85 | 10[2] | 300[2] | Cash | ESOP 2000 Exercised | 126,685,950 | 402.91 [4] |
| March 22, 2002 | 822 | 10[2] | 300[2] | Cash | ESOP 2000 Exercised | 126,694,170 | 403.35 [5] |
| April 12, 2002 | 75 | 10[2] | 300[2] | Cash | ESOP 2000 Exercised | 126,694,920 | 403.39 [6] |
| April 12, 2002 | 6 | 10[2] | 550[2] | Cash | ESOP 2000 Exercised | 126,694,980 | 403.39 |
| June 21, 2002 | 356.5 | 10[2] | 300[2] | Cash | ESOP 2000 Exercised | 126,698,545 | 403.59 [7] |
| June 21, 2002 | 3 | 10[2] | 550[2] | Cash | ESOP 2000 Exercised | 126,698,575 | 403.59 |
| October 18, 2002 | 40,000 | 10[2] | 40[2] | Cash | FCD 'H' Series Conversion [A] | 127,098,575 | 404.79 |
| October 18, 2002 | 50 | 10[2] | 300[2] | Cash | ESOP 2000 Exercised | 127,099,075 | 404.82 [8] |
| October 18, 2002 | 3 | 10[2] | 550[2] | Cash | ESOP 2000 Exercised | 127,099,105 | 404.84 [9] |

| Date of Allotment [1] | Number of Equity Shares | Face Value per Equity Share (Rs.) | Issue Price per Equity Share (Rs.) | Nature of payment of Consideration | Reasons for Allotment | Cumulative Paid -up Capital (Rs.) | Cumulative Share Premium (Rs. in million) |
|---|---|---|---|---|---|---|---|
| January 13, 2003 | 108 | 10[2] | 300[2] | Cash | ESOP 2000 Exercised | 127,100,185 | 404.87 |
| April 11, 2003 | 816,666.5 | 10[2] | 60[2] | Cash | Preferential Allotment | 135,266,850 | 445.70 |
| April 11, 2003 | 1,633,333.5 | 10[2] | 60[2] | Cash | Rights Issue (1:7.78) | 151,600,185 | 527.37 |
| October 22, 2003 | 800 | 10[2] | 40[2] | Cash | FCD 'I'Series conversion [A] | 151,608,185 | 527.39 |
| July 16, 2004 | 1,633,333.5 | 10[2] | 60[2] | Cash | Preferential Allotment | 167,941,520 | 609.06 |
| July 16, 2004 | 60 | 10[2] | 60[2] | Cash | Issued for consolidation | 167,942,120 | 609.06 |
| October 19, 2004 | 34,570 | 10 | 80 | Cash | ESOP 2000 Exercised | 168,287,820 | 611.68 [10] |
| January 25, 2005 | 18,440 | 10 | 80 | Cash | ESOP 2000 Exercised | 168,472,220 | 613.38 [11] |
| April 14, 2005 | 35,940 | 10 | 80 | Cash | ESOP 2000 Exercised | 168,831,620 | 616.30 [12] |
| April 14, 2005 | 3,228,334 | 10 | 141.63 | Cash | Preferential Allotment | 201,114,960 | 1041.25 |
| April 14, 2005 | 600,000 | 10 | 223 | Cash | Preferential Allotment | 207,114,960 | 1169.05 |
| April 27, 2005 | 1,800,000 | 10 | 223 | Cash | Preferential Allotment | 225,114,960 | 1552.45 |

***(A)*** ***Shares were converted upon exercise of fully convertible debentures (FCDs) pursuant to SAS Stock Option, 1997.***

***(1) All allotted shares have been fully paid up from the date of allotment, i.e. the date of allotment and the date on which the equity shares were fully paid up are the same.***

***(2) All shares allotted between December 1, 2001 and upto July 16, 2004 were issued at a face value of Rs. 5 per share. Therefore, while representing share capital build up and other details in this section, fractional shares (0.5) have been shown,on this account.***

***(3) Including adjustment pertaining to employee stock option cost amortisedRs. 0.02 million.***

***(4) Including adjustment pertaining to employee stock option cost amortisedRs. 0.02 million***

***(5) Including adjustment pertaining to employee stock option cost amortisedRs. 0.2 million.***

***(6) Including adjustment pertaining to employee stock option cost amortisedRs. 0.02 million.***

***(7) Includingadjustment pertaining to employee stock option cost amortisedRs. 0.1 million.***

***(8) Including adjustment pertaining to employee stock option cost amortisedRs. 0.01 million.***

***(9) Including adjustment pertaining to employee stock option cost amortisedRs. 0.01 million***

***(10) Including adjustment pertaining to employee stock option cost amortisedRs. 0.2 million***

***(11) Including adjustment pertaining to employee stock option cost amortisedRs. 0.41 million***

***(12) Including adjustment pertaining to employee stock option cost amortisedRs. 0.41 million***

2. Promoters Contribution and Lock-in:

Details of Promoters Contribution locked in for 3 years and 1 year

| Name of Promoter, Immediate Relative, Promoter Corporate Bodies | Date on which Equity shares were allotted/ transferred and made fully paid up | No. of shares locked in for a period of 1 year | No. of shares locked in for a period of 3 years | Total Number of Equity Shares Held | Face Value (in Rs.) | Issue/ Transfer Price in Rs. | Consideration (Cash, bonus, consideration other than cash) | % of pre-issue paid up capital | % of post issue paid up capital including options vested under ESOP Schemes | Lock In Period (years) |
|---|---|---|---|---|---|---|---|---|---|---|
| **PROMOTERS** | | | | | | | | | | |
| R C Mody | 27-Aug-01 | | 800.0 | | 10 | 500 | Cash | 0.00% | 0.00% | 3 |
| | 11-Apr-03 | | 103.0 | | 10 | 60 | Cash | 0.00% | 0.00% | 3 |
| | 6-Nov-04 | 10210.0 | | | 10 | 190 | Cash | 0.05% | 0.04% | 1 |
| **Total** | | **10210.0** | **903.0** | **11113.0** | | | | **0.05%** | **0.04%** | |
| J B Mody | 16-Jan-96 | | 43250.0 | | 10 | 10 | Preferential issue | 0.19% | 0.16% | 3 |
| | 26-Mar-96 | | 45750.0 | | 10 | | Bonus issue | 0.20% | 0.17% | 3 |
| | 20-Feb-97 | | 45750.0 | | 10 | | Bonus issue | 0.20% | 0.17% | 3 |
| | 30-Sep-97 | | 114375.0 | | 10 | | Bonus issue | 0.51% | 0.41% | 3 |
| | 9-Feb-98 | | 114650.0 | | 10 | 10 | Preferential issue | 0.51% | 0.41% | 3 |
| | 18-Aug-98 | | 1831.0 | | 10 | | Bonus issue | 0.01% | 0.01% | 3 |
| | 21-Dec-99 | | 2500.0 | | 10 | 300 | Cash | 0.01% | 0.01% | 3 |
| **Total** | | | **368106.0** | **368106.0** | | | | **1.64%** | **1.33%** | |
| Pranabh D Mody | 26-Mar-96 | | 41500.0 | | 10 | | Bonus issue | 0.18% | 0.15% | 3 |
| | 20-Feb-97 | | 45750.0 | | 10 | | Bonus issue | 0.20% | 0.17% | 3 |
| | 30-Sep-97 | | 114375.0 | | 10 | | Bonus issue | 0.51% | 0.41% | 3 |
| | 9-Feb-98 | | 114650.0 | | 10 | 10 | Preferential issue | 0.51% | 0.41% | 3 |
| | 18-Aug-98 | | 1831.0 | | 10 | | Bonus issue | 0.01% | 0.01% | 3 |
| **Total** | | | **318106.0** | **318106.0** | | | | **1.41%** | **1.15%** | |
| Krishna J Jhaveri | 8-Oct-99 | | 7056.0 | | 10 | 300 | Right Issue | 0.03% | 0.03% | 3 |
| | 21-Dec-99 | | 7500.0 | | 10 | 300 | Cash | 0.03% | 0.03% | 3 |
| **Total** | | | **14556.0** | **14556.0** | | | | **0.06%** | **0.05%** | |
| Mahendra J Jhaveri | 12-Aug-91 | 0.5 | | | 10 | | Preferential issue | 0.00% | 0.00% | 1 |
| | 12-Aug-91 | | 437.5 | | 10 | 10 | Preferential issue | 0.00% | 0.00% | 3 |
| | 16-Jan-96 | | 23514.0 | | 10 | 10 | Preferential issue | 0.10% | 0.08% | 3 |
| | 20-Feb-97 | | 11050.0 | | 10 | | Bonus issue | 0.05% | 0.04% | 3 |
| | 30-Sep-97 | | 37500.0 | | 10 | | Bonus issue | 0.17% | 0.14% | 3 |
| | 18-Aug-98 | | 2613.0 | | 10 | | Bonus issue | 0.01% | 0.01% | 3 |
| | 8-Oct-99 | | 286.0 | | 10 | 300 | Right Issue | 0.00% | 0.00% | 3 |
| | 12-Mar-01 | | 100.0 | | 10 | 650 | Cash | 0.00% | 0.00% | 3 |
| | 11-Apr-03 | | 2677.5 | | 10 | 60 | Right Issue | 0.01% | 0.01% | 3 |
| | 16-Jul-04 | 0.5 | | | 10 | 60 | Issued for Consolidation | 0.00% | 0.00% | 1 |
| **Total** | | **1.0** | **78178.0** | **78179.0** | | | | **0.35%** | **0.28%** | |

| Name of Promoter, Immediate Relative, Promoter Corporate Bodies | Date on which Equity shares were allotted/ transferred and made fully paid up | No. of shares locked in for a period of 1 year | No. of shares locked in for a period of 3 years | Total Number of Equity Shares Held | Face Value (in Rs.) | Issue/ Transfer Price in Rs. | Consideration (Cash, bonus, consideration other than cash) | % of pre-issue paid up capital | % of post issue paid up capital including options vested under ESOP Schemes | Lock In Period (years) |
|---|---|---|---|---|---|---|---|---|---|---|
| **IMMEDIATE RELATIVES OF PROMOTERS** | | | | | | | | | | |
| R C Mody as Karta of HUF | 16-Jan-96 | 0.5 | | | 10 | 10 | Preferential issue | 0.00% | 0.00% | 1 |
| | 16-Jan-96 | | 69999.5 | | 10 | 10 | Preferential issue | 0.31% | 0.25% | 3 |
| | 26-Mar-96 | | 70000.0 | | 10 | | Bonus issue | 0.31% | 0.25% | 3 |
| | 20-Feb-97 | | 70000.0 | | 10 | | Bonus issue | 0.31% | 0.25% | 3 |
| | 30-Sep-97 | | 175000.0 | | 10 | | Bonus issue | 0.78% | 0.63% | 3 |
| | 9-Feb-98 | | 86452.0 | | 10 | 10 | Preferential issue | 0.38% | 0.31% | 3 |
| | 18-Aug-98 | | 2357.0 | | 10 | | Bonus issue | 0.01% | 0.01% | 3 |
| | 8-Oct-99 | | 4584.0 | | 10 | 300 | Right Issue | 0.02% | 0.02% | 3 |
| | 13-Dec-02 | | 636.5 | | 10 | 110 | Cash | 0.00% | 0.00% | 3 |
| | 11-Apr-03 | | 60360.0 | | 10 | 60 | Right Issue | 0.27% | 0.22% | 3 |
| | 30-Jan-04 | | 586.0 | | 10 | 60 | Cash | 0.00% | 0.00% | 3 |
| | 16-Jul-04 | 0.5 | | | 10 | 60 | Issued for consolidation | 0.00% | 0.00% | 1 |
| **Total** | | **1.0** | **539975.0** | **539976.0** | | | | **2.40%** | **1.95%** | |
| Chandrakant J Mody | 13-Feb-89 | 10.0 | | | 10 | 10 | On Incorporation | 0.00% | 0.00% | 1 |
| | 12-Aug-91 | 1800.0 | | | 10 | 10 | Preferential issue | 0.01% | 0.01% | 1 |
| | 17-Jul-95 | 10000.0 | | | 10 | 10 | Cash | 0.04% | 0.04% | 1 |
| | 26-Mar-96 | 11810.0 | | | 10 | | Bonus issue | 0.05% | 0.04% | 1 |
| | 20-Feb-97 | 18745.5 | | | 10 | | Bonus issue | 0.08% | 0.07% | 1 |
| | 20-Feb-97 | | 1264.5 | | 10 | | Bonus issue | 0.01% | 0.00% | 3 |
| | 30-Sep-97 | | 50025.0 | | 10 | | Bonus issue | 0.22% | 0.18% | 3 |
| | 9-Feb-98 | | 93996.0 | | 10 | 10 | Preferential issue | 0.42% | 0.34% | 3 |
| | 18-Aug-98 | | 1019.0 | | 10 | | Bonus issue | 0.00% | 0.00% | 3 |
| | 2-Aug-99 | | 20100.0 | | 10 | 14 | Cash | 0.09% | 0.07% | 3 |
| | 8-Oct-99 | | 3129.0 | | 10 | 300 | Right Issue | 0.01% | 0.01% | 3 |
| | 27-Aug-01 | | 500.0 | | 10 | 500 | Cash | 0.00% | 0.00% | 3 |
| | 27-Aug-01 | | 700.0 | | 10 | 500 | Cash | 0.00% | 0.00% | 3 |
| | 27-Aug-01 | | 828.0 | | 10 | 500 | Cash | 0.00% | 0.00% | 3 |
| | 24-Dec-02 | | 48551.0 | | 10 | 110 | Cash | 0.22% | 0.18% | 3 |
| | 11-Apr-03 | | 40999.5 | | 10 | 60 | Right Issue | 0.18% | 0.15% | 3 |
| | 16-Jul-04 | 0.5 | | | 10 | 60 | Issued for Consolidation | 0.00% | 0.00% | 1 |
| | 19-Nov-04 | 4500.0 | | | 10 | 190 | Cash | 0.02% | 0.02% | 1 |
| **Total** | | **46866.0** | **261112.0** | **307978.0** | | | | **1.37%** | **1.11%** | |
| Arti Mody | 12-Aug-91 | 4800.0 | | | 10 | 10 | Preferential issue | 0.02% | 0.02% | 1 |
| | 16-Jan-96 | 16843.0 | | | 10 | 10 | Preferential issue | 0.07% | 0.06% | 1 |

| Name of Promoter, Immediate Relative, Promoter Corporate Bodies | Date on which Equity shares were allotted/ transferred and made fully paid up | No. of shares locked in for a period of 1 year | No. of shares locked in for a period of 3 years | Total Number of Equity Shares Held | Face Value (in Rs.) | Issue/ Transfer Price in Rs. | Consideration (Cash, bonus, consideration other than cash) | % of pre-issue paid up capital | % of post issue paid up capital including options vested under ESOP Schemes | Lock In Period (years) |
|---|---|---|---|---|---|---|---|---|---|---|
| | 26-Mar-96 | 3755.0 | | | 10 | | Bonus issue | 0.02% | 0.01% | 1 |
| | 26-Mar-96 | | 23088.0 | | 10 | | Bonus issue | 0.10% | 0.08% | 3 |
| | 20-Feb-97 | | 26843.0 | | 10 | | Bonus issue | 0.12% | 0.10% | 3 |
| | 30-Sep-97 | | 67108.0 | | 10 | | Bonus issue | 0.30% | 0.24% | 3 |
| | 9-Feb-98 | | 15482.0 | | 10 | 10 | Preferential issue | 0.07% | 0.06% | 3 |
| | 18-Aug-98 | | 866.0 | | 10 | | Bonus issue | 0.00% | 0.00% | 3 |
| | 8-Oct-99 | | 2418.0 | | 10 | 300 | Right Issue | 0.01% | 0.01% | 3 |
| | 11-Apr-03 | | 20716.0 | | 10 | 60 | Right Issue | 0.09% | 0.07% | 3 |
| **Total** | | **25398.0** | **156521.0** | **181919.0** | | | | **0.81%** | **0.66%** | |
| Nayana Mody | 12-Aug-91 | 15000.0 | | | 10 | 10 | Preferential issue | 0.07% | 0.05% | 1 |
| | 16-Jan-96 | 20000.0 | | | 10 | 10 | Preferential issue | 0.09% | 0.07% | 1 |
| | 26-Mar-96 | 11615.5 | | | 10 | | Bonus issue | 0.05% | 0.04% | 1 |
| | 26-Mar-96 | | 23384.5 | | 10 | | Bonus issue | 0.10% | 0.08% | 3 |
| | 20-Feb-97 | | 35000.0 | | 10 | | Bonus issue | 0.16% | 0.13% | 3 |
| | 30-Sep-97 | | 87500.0 | | 10 | | Bonus issue | 0.39% | 0.32% | 3 |
| | 9-Feb-98 | | 33226.0 | | 10 | 10 | Preferential issue | 0.15% | 0.12% | 3 |
| | 18-Aug-98 | | 1129.0 | | 10 | | Bonus issue | 0.01% | 0.00% | 3 |
| | 8-Oct-99 | | 3153.0 | | 10 | 300 | Right Issue | 0.01% | 0.01% | 3 |
| | 24-Dec-02 | | 36954.5 | | 10 | 110 | Cash | 0.16% | 0.13% | 3 |
| | 11-Apr-03 | | 66930.0 | | 10 | 60 | Right Issue | 0.30% | 0.24% | 3 |
| | 16-Jul-04 | 0.5 | | | 10 | 60 | Issued for Consolidation | 0.00% | 0.00% | 1 |
| | 19-Nov-04 | 789.0 | | | 10 | 190 | Cash | 0.00% | 0.00% | 1 |
| | 19-Nov-04 | 552.0 | | | 10 | 190 | Cash | 0.00% | 0.00% | 1 |
| **Total** | | **47957.0** | **287277.0** | **335234.0** | | | | **1.49%** | **1.21%** | |
| C J Mody as karta of HUF | 16-Jan-96 | 70000.0 | | | 10 | 10 | Preferential issue | 0.31% | 0.25% | 1 |
| | 26-Mar-96 | 22434.0 | | | 10 | 10 | Preferential issue | 0.10% | 0.08% | 1 |
| | 26-Mar-96 | | 47566.0 | | 10 | | Bonus issue | 0.21% | 0.17% | 3 |
| | 20-Feb-97 | | 70000.0 | | 10 | | Bonus issue | 0.31% | 0.25% | 3 |
| | 30-Sep-97 | | 175000.0 | | 10 | | Bonus issue | 0.78% | 0.63% | 3 |
| | 9-Feb-98 | | 191452.0 | | 10 | 10 | Preferential issue | 0.85% | 0.69% | 3 |
| | 18-Aug-98 | | 2882.0 | | 10 | | Bonus issue | 0.01% | 0.01% | 3 |
| | 8-Oct-99 | | 8051.0 | | 10 | 300 | Right Issue | 0.04% | 0.03% | 3 |
| | 11-Apr-03 | | 74692.0 | | 10 | 60 | Right Issue | 0.33% | 0.27% | 3 |
| **Total** | | **92434.0** | **569643.0** | **662077.0** | | | | **2.94%** | **2.39%** | |
| Naman Mody | 9-Feb-98 | 19244.5 | | | 10 | 10 | Preferential issue | 0.09% | 0.07% | 1 |

| Name of Promoter, Immediate Relative, Promoter Corporate Bodies | Date on which Equity shares were allotted/ transferred and made fully paid up | No. of shares locked in for a period of 1 year | No. of shares locked in for a period of 3 years | Total Number of Equity Shares Held | Face Value (in Rs.) | Issue/ Transfer Price in Rs. | Consideration (Cash, bonus, consideration other than cash) | % of pre-issue paid up capital | % of post issue paid up capital including options vested under ESOP Schemes | Lock In Period (years) |
|---|---|---|---|---|---|---|---|---|---|---|
| | 9-Feb-98 | | 42767.5 | | 10 | 10 | Preferential issue | 0.19% | 0.15% | 3 |
| | 18-Aug-98 | | 310.0 | | 10 | | Bonus issue | 0.00% | 0.00% | 3 |
| | 8-Oct-99 | | 866.0 | | 10 | 300 | Right Issue | 0.00% | 0.00% | 3 |
| | 16-Jul-01 | | 3750.0 | | 10 | 300 | Cash | 0.02% | 0.01% | 3 |
| | 13-Dec-02 | | 54545.5 | | 10 | 110 | Cash | 0.24% | 0.20% | 3 |
| | 11-Apr-03 | | 16358.0 | | 10 | 60 | Right Issue | 0.07% | 0.06% | 3 |
| | 16-Jul-04 | 0.5 | | | 10 | 60 | Issued for Consolidation | 0.00% | 0.00% | 1 |
| | 6-Nov-04 | 52.0 | | | 10 | 190 | Cash | 0.00% | 0.00% | 1 |
| **Total** | | **19297.0** | **118597.0** | **137894.0** | | | | **0.61%** | **0.50%** | |
| Sakhee Mody | 9-Feb-98 | 19244.5 | | | 10 | 10 | Preferential issue | 0.09% | 0.07% | 1 |
| | 9-Feb-98 | | 42767.5 | | 10 | 10 | Preferential issue | 0.19% | 0.15% | 3 |
| | 18-Aug-98 | | 310.0 | | 10 | | Bonus issue | 0.00% | 0.00% | 3 |
| | 8-Oct-99 | | 866.0 | | 10 | 300 | Right Issue | 0.00% | 0.00% | 3 |
| | 16-Jul-01 | | 3750.0 | | 10 | 300 | Cash | 0.02% | 0.01% | 3 |
| | 13-Dec-02 | | 54545.5 | | 10 | 110 | Cash | 0.24% | 0.20% | 3 |
| | 11-Apr-03 | | 16358.0 | | 10 | 60 | Right Issue | 0.07% | 0.06% | 3 |
| | 16-Jul-04 | 0.5 | | | 10 | 60 | Issued for Consolidation | 0.00% | 0.00% | 1 |
| | 6-Nov-04 | 13370.0 | | | 10 | 190 | Cash | 0.06% | 0.05% | 1 |
| **Total** | | **32615.0** | **118597.0** | **151212.0** | | | | **0.67%** | **0.55%** | |
| Deepak H Desai | 12-Oct-99 | 3000.0 | | | 10 | 10 | Cash | 0.01% | 0.01% | 1 |
| | 11-Apr-03 | 643.0 | | | 10 | 60 | Right Issue | 0.00% | 0.00% | 1 |
| | ** | 1000.0 | | | 10 | 190 | Cash | 0.00% | 0.00% | 1 |
| | ** | 500.0 | | | 10 | 190 | Cash | 0.00% | 0.00% | 1 |
| **Total** | | **5143.0** | | **5143.0** | | | | **0.02%** | **0.02%** | |
| Harkishen G Desai | 12-Oct-99 | 4000.0 | | | 10 | 10 | Cash | 0.02% | 0.01% | 1 |
| | 11-Apr-03 | 857.5 | | | 10 | 60 | Right Issue | 0.00% | 0.00% | 1 |
| | 16-Jul-04 | 0.5 | | | 10 | 60 | Issued for Consolidation | 0.00% | 0.00% | 1 |
| **Total** | | **4858.0** | | **4858.0** | | | | **0.02%** | **0.02%** | |
| Hira Laxmi Desai | ** | 2000.0 | | | 10 | 190 | Cash | 0.01% | 0.01% | 1 |
| | ** | 500.0 | | | 10 | 190 | Cash | 0.00% | 0.00% | 1 |
| **Total** | | **2500.0** | | **2500.0** | | **10** | | **0.01%** | **0.01%** | |
| Dhimant Desai | 12-Oct-99 | 3000.0 | | | 10 | 10 | Cash | 0.01% | 0.01% | 1 |
| | 11-Apr-03 | 643.0 | | | 10 | 60 | Right Issue | 0.00% | 0.00% | 1 |
| **Total** | | **3643.0** | | **3643.0** | | | | **0.02%** | **0.01%** | |
| Rupa Mahesh Udani | 12-Oct-99 | 8000.0 | | | 10 | 10 | Cash | 0.04% | 0.03% | 1 |
| | 11-Apr-03 | 1043.5 | | | 10 | 60 | Right Issue | 0.00% | 0.00% | 1 |
| | 16-Jul-04 | 0.5 | | | 10 | 60 | Issued for Consolidation | 0.00% | 0.00% | 1 |

| Name of Promoter, Immediate Relative, Promoter Corporate Bodies | Date on which Equity shares were allotted/ transferred and made fully paid up | No. of shares locked in for a period of 1 year | No. of shares locked in for a period of 3 years | Total Number of Equity Shares Held | Face Value (in Rs.) | Issue/ Transfer Price in Rs. | Consideration (Cash, bonus, consideration other than cash) | % of pre-issue paid up capital | % of post issue paid up capital including options vested under ESOP Schemes | Lock In Period (years) |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total** | | **9044.0** | | **9044.0** | | | | **0.04%** | **0.03%** | |
| Nilima Doshi | 12-Oct-99 | 1128.0 | | | 10 | 10 | Cash | 0.01% | 0.00% | 1 |
| | 12-Oct-99 | 6872.0 | | | 10 | 10 | Cash | 0.03% | 0.02% | 1 |
| | 24-Nov-04 | 17894.0 | | | 10 | 190 | Cash | 0.08% | 0.06% | 1 |
| | ** | 31667.0 | | | 10 | 60 | Cash | 0.14% | 0.11% | 1 |
| **Total** | | **57561.0** | | **57561.0** | | | | **0.26%** | **0.21%** | |
| Anasuya J Mody | 16-Jan-96 | 45750.0 | | | 10 | 10 | Preferential issue | 0.20% | 0.17% | 1 |
| | 26-Mar-96 | 5656.0 | | | 10 | 10 | Preferential issue | 0.03% | 0.02% | 1 |
| | 26-Mar-96 | | 40094.0 | | 10 | | Bonus issue | 0.18% | 0.14% | 3 |
| | 20-Feb-97 | | 45750.0 | | 10 | | Bonus issue | 0.20% | 0.17% | 3 |
| | 30-Sep-97 | | 114375.0 | | 10 | | Bonus issue | 0.51% | 0.41% | 3 |
| | 9-Feb-98 | | 114650.0 | | 10 | 10 | Preferential issue | 0.51% | 0.41% | 3 |
| | 18-Aug-98 | | 1831.0 | | 10 | | Bonus issue | 0.01% | 0.01% | 3 |
| | 8-Oct-99 | | 100.0 | | 10 | 300 | Right Issue | 0.00% | 0.00% | 3 |
| **Total** | | **51406.0** | **316800.0** | **368206.0** | | | | **1.64%** | **1.33%** | |
| Sejal P Mody | 16-Jan-96 | 45750.0 | | | 10 | 10 | Preferential issue | 0.20% | 0.17% | 1 |
| | 26-Mar-96 | 6215.0 | | | 10 | 10 | Bonus Issue | 0.03% | 0.02% | 1 |
| | 26-Mar-96 | | 39535.0 | | 10 | | Bonus issue | 0.18% | 0.14% | 3 |
| | 20-Feb-97 | | 45750.0 | | 10 | | Bonus issue | 0.20% | 0.17% | 3 |
| | 30-Sep-97 | | 114375.0 | | 10 | | Bonus issue | 0.51% | 0.41% | 3 |
| | 9-Feb-98 | | 114650.0 | | 10 | 10 | Preferential issue | 0.51% | 0.41% | 3 |
| | 18-Aug-98 | | 1831.0 | | 10 | | Bonus issue | 0.01% | 0.01% | 3 |
| | 8-Oct-99 | | 4100.0 | | 10 | 300 | Right Issue | 0.02% | 0.01% | 3 |
| **Total** | | **51965.0** | **320241.0** | **372206.0** | | | | **1.65%** | **1.34%** | |
| Bharat P Mehta | 8-Oct-99 | 1000.0 | | | 10 | 300 | Right Issue | 0.00% | 0.00% | 1 |
| | 11-Apr-03 | 250.0 | | | 10 | 60 | Right Issue | 0.00% | 0.00% | 1 |
| **Total** | | **1250.0** | | **1250.0** | | | | **0.01%** | **0.00%** | |
| Dilip S Mehta | 8-Oct-99 | 300.0 | | | 10 | 300 | Right Issue | 0.00% | 0.00% | 1 |
| | 11-Apr-03 | 100.0 | | | 10 | 60 | Right Issue | 0.00% | 0.00% | 1 |
| **Total** | | **400.0** | | **400.0** | | | | **0.00%** | **0.00%** | |
| Dinesh B Mody | 8-Oct-99 | 1900.0 | | | 10 | 300 | Cash | 0.01% | 0.01% | 1 |
| | 11-Apr-03 | 10560.0 | | | 10 | 60 | Right Issue | 0.05% | 0.04% | 1 |
| | 16-Jul-04 | 1.0 | | | 10 | 60 | Issued for Consolidation | 0.00% | 0.00% | 1 |
| **Total** | | **12461.0** | | **12461.0** | **10** | | | **0.06%** | **0.05%** | |
| Jinali P Mody | 8-Oct-99 | 900.0 | | | 10 | 300 | Right Issue | 0.00% | 0.00% | 1 |
| | 11-Apr-03 | 5336.0 | | | 10 | 60 | Right Issue | 0.02% | 0.02% | 1 |

| Name of Promoter, Immediate Relative, Promoter Corporate Bodies | Date on which Equity shares were allotted/ transferred and made fully paid up | No. of shares locked in for a period of 1 year | No. of shares locked in for a period of 3 years | Total Number of Equity Shares Held | Face Value (in Rs.) | Issue/ Transfer Price in Rs. | Consideration (Cash, bonus, consideration other than cash) | % of pre-issue paid up capital | % of post issue paid up capital including options vested under ESOP Schemes | Lock In Period (years) |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total** | | **6236.0** | | **6236.0** | | | | **0.03%** | **0.02%** | |
| Nalini R Mehta | 8-Oct-99 | 300.0 | | | 10 | 300 | Right Issue | 0.00% | 0.00% | 1 |
| **Total** | | **300.0** | | **300.0** | | | | **0.00%** | **0.00%** | |
| Pallavi Bharat Mehta | 8-Oct-99 | 4136.0 | | | 10 | 300 | Right Issue | 0.02% | 0.01% | 1 |
| | 11-Apr-03 | 6023.5 | | | 10 | 60 | Right Issue | 0.03% | 0.02% | 1 |
| | 16-Jul-04 | 0.5 | | | 10 | 60 | Issued for Consolidation | 0.00% | 0.00% | 1 |
| **Total** | | **10160.0** | | **10160.0** | | | | **0.05%** | **0.04%** | |
| Purvi Uday Asher | 8-Oct-99 | 4100.0 | | | 10 | 300 | Right Issue | 0.02% | 0.01% | 1 |
| | 11-Apr-03 | 5951.5 | | | 10 | 60 | Right Issue | 0.03% | 0.02% | 1 |
| | 16-Jul-04 | 0.5 | | | 10 | 60 | Issued for Consolidation | 0.00% | 0.00% | 1 |
| | 31-Mar-05 | 50000.0 | | | 10 | Nil | Gift | 0.22% | 0.18% | 1 |
| **Total** | | **60052.0** | | **60052.0** | | | | **0.27%** | **0.22%** | |
| Niranjana | 8-Oct-99 | 300.0 | | | 10 | 300 | Right Issue | 0.00% | 0.00% | 1 |
| **Total** | | **300.0** | | **300.0** | | | | **0.00%** | **0.00%** | |
| Shirish Bhagwanlal Mody | 16-Jul-01 | 1500.0 | | | 10 | 300 | Cash | 0.01% | 0.01% | 1 |
| **Total** | | **1500.0** | | **1500.0** | | | | **0.01%** | **0.01%** | |
| Jayanthilal B Jhaveri | 12-Aug-91 | 5000.0 | | | 10 | | Preferential issue | 0.02% | 0.02% | 1 |
| | 18-Aug-98 | 550.0 | | | 10 | | Bonus issue | 0.00% | 0.00% | 1 |
| | 8-Oct-99 | 77.0 | | | 10 | 300 | Right Issue | 0.00% | 0.00% | 1 |
| | 11-Apr-03 | 723.0 | | | 10 | 60 | Right Issue | 0.00% | 0.00% | 1 |
| **Total** | | **6350.0** | | **6350.0** | | | | **0.03%** | **0.02%** | |
| Dhirumati J Jhaveri | 12-Aug-91 | 2981.0 | | | 10 | 10 | Preferential issue | 0.01% | 0.01% | 1 |
| | 12-Aug-91 | | 2019.0 | | 10 | 10 | Preferential issue | 0.01% | 0.01% | 3 |
| | 18-Aug-98 | | 261.0 | | 10 | | Bonus issue | 0.00% | 0.00% | 3 |
| | 8-Oct-99 | | 73.0 | | 10 | 300 | Right Issue | 0.00% | 0.00% | 3 |
| | 11-Apr-03 | | 684.5 | | 10 | 60 | Right Issue | 0.00% | 0.00% | 3 |
| | 16-Apr-03 | | 8500.0 | | 10 | 110 | Cash | 0.04% | 0.03% | 3 |
| | 10-Jun-03 | | 6833.5 | | 10 | 72 | Cash | 0.03% | 0.02% | 3 |
| | 16-Jul-04 | 1.0 | | | 10 | 60 | Issued for Consolidation | 0.00% | 0.00% | 1 |
| **Total** | | **2982.0** | **18371.0** | **21353.0** | | | | **0.09%** | **0.08%** | |
| Malti M Jhaveri | 26-Mar-96 | 7001.0 | | | 10 | | Bonus issue | 0.03% | 0.03% | 1 |
| | 20-Feb-97 | 1884.0 | | | 10 | | Bonus issue | 0.01% | 0.01% | 1 |
| | 20-Feb-97 | | 14116.0 | | 10 | | Bonus issue | 0.06% | 0.05% | 3 |
| | 30-Sep-97 | | 40000.0 | | 10 | | Bonus issue | 0.18% | 0.14% | 3 |
| | 18-Aug-98 | | 440.0 | | 10 | | Bonus issue | 0.00% | 0.00% | 3 |
| | 1-Jan-00 | | 100.0 | | 10 | 850 | Cash | 0.00% | 0.00% | 3 |

| Name of Promoter, Immediate Relative, Promoter Corporate Bodies | Date on which Equity shares were allotted/ transferred and made fully paid up | No. of shares locked in for a period of 1 year | No. of shares locked in for a period of 3 years | Total Number of Equity Shares Held | Face Value (in Rs.) | Issue/ Transfer Price in Rs. | Consideration (Cash, bonus, consideration other than cash) | % of pre-issue paid up capital | % of post issue paid up capital including options vested under ESOP Schemes | Lock In Period (years) |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1-Jan-00 | | 100.0 | | 10 | 850 | Cash | 0.00% | 0.00% | 3 |
| **Total** | | **8885.0** | **54756.0** | **63641.0** | **10** | | | **0.28%** | **0.23%** | |
| Dhruv Jhaveri | 11-Apr-99 | 13799.0 | | | 10 | 10 | Cash | 0.06% | 0.05% | 1 |
| | 11-Apr-99 | | 186201.0 | | 10 | 10 | Cash | 0.83% | 0.67% | 3 |
| | 11-Apr-03 | | 3164.0 | | 10 | 60 | Right Issue | 0.01% | 0.01% | 3 |
| | 16-Jul-04 | 2.0 | | | 10 | 60 | Issued for Consolidation | 0.00% | 0.00% | 1 |
| **Total** | | **13801.0** | **189365.0** | **203166.0** | | | | **0.90%** | **0.73%** | |
| Jigna Jhaveri | 11-Apr-99 | 15000.0 | | | 10 | 10 | Cash | 0.07% | 0.05% | 1 |
| | 11-Apr-03 | 1927.5 | | | 10 | 60 | Right Issue | 0.01% | 0.01% | 1 |
| | 16-Jul-04 | 0.5 | | | 10 | 60 | Right Issue | 0.00% | 0.00% | 1 |
| **Total** | | **16928.0** | | **16928.0** | | | | **0.08%** | **0.06%** | |
| Naina Jhaveri | 11-Apr-99 | 2024.0 | | | 10 | 10 | Cash | 0.01% | 0.01% | 1 |
| | 11-Apr-99 | 12476.0 | | | 10 | 10 | Cash | 0.06% | 0.05% | 1 |
| **Total** | | **14500.0** | | **14500.0** | | | | **0.06%** | **0.05%** | |
| Madhukar J Jhaveri | 11-Apr-99 | 403.0 | | | 10 | 10 | Cash | 0.00% | 0.00% | 1 |
| | 11-Apr-99 | | 44597.0 | | 10 | 10 | Cash | 0.20% | 0.16% | 3 |
| | 11-Apr-99 | | 47250.0 | | 10 | 10 | Cash | 0.21% | 0.17% | 3 |
| **Total** | | **403.0** | **91847.0** | **92250.0** | | | | **0.41%** | **0.33%** | |
| Neeta Jhaveri | 26-Mar-96 | 44159.0 | | | 10 | | Bonus issue | 0.20% | 0.16% | 1 |
| | 26-Mar-96 | | 24997.0 | | 10 | | Bonus issue | 0.11% | 0.09% | 3 |
| | 20-Feb-97 | | 46853.0 | | 10 | | Bonus issue | 0.21% | 0.17% | 3 |
| | 30-Sep-97 | | 188382.0 | | 10 | | Bonus issue | 0.84% | 0.68% | 3 |
| | 18-Aug-98 | | 2071.0 | | 10 | | Bonus issue | 0.01% | 0.01% | 3 |
| | 11-Apr-03 | | 9835.0 | | 10 | 60 | Right Issue | 0.04% | 0.04% | 3 |
| **Total** | | **44159.0** | **272138.0** | **316297.0** | | | | **1.41%** | **1.14%** | |
| Kunal Jhaveri | 9-Feb-98 | 28452.0 | | | 10 | 10 | Preferential Issue | 0.13% | 0.10% | 1 |
| | 9-Feb-98 | | 171548.0 | | 10 | 10 | Preferential Issue | 0.76% | 0.62% | 3 |
| | 18-Aug-98 | | 1000.0 | | 10 | | Bonus Issue | 0.00% | 0.00% | 3 |
| | 8-Oct-99 | | 2793.0 | | 10 | 300 | Right Issue | 0.01% | 0.01% | 3 |
| **Total** | | **28452.0** | **175341.0** | **203793.0** | | | | **0.91%** | **0.74%** | |
| Pramila Chokshi | 11-Apr-99 | 2000.0 | | | 10 | 10 | Cash | 0.01% | 0.01% | 1 |
| | | **2000.0** | | **2000.0** | | | | **0.01%** | **0.01%** | |
| Ruchi Jhaveri | 9-Feb-98 | 28452.0 | | | 10 | 10 | Preferential Issue | 0.13% | 0.10% | 1 |
| | 9-Feb-98 | | 171548.0 | | 10 | 10 | Preferential Issue | 0.76% | 0.62% | 3 |
| | 18-Aug-98 | | 1000.0 | | 10 | | Bonus Issue | 0.00% | 0.00% | 3 |
| | 8-Oct-99 | | 2793.0 | | 10 | 300 | Right Issue | 0.01% | 0.01% | 3 |
| **Total** | | **28452.0** | **175341.0** | **203793.0** | | | | **0.91%** | **0.74%** | |

| Name of Promoter, Immediate Relative, Promoter Corporate Bodies | Date on which Equity shares were allotted/ transferred and made fully paid up | No. of shares locked in for a period of 1 year | No. of shares locked in for a period of 3 years | Total Number of Equity Shares Held | Face Value (in Rs.) | Issue/ Transfer Price in Rs. | Consideration (Cash, bonus, consideration other than cash) | % of pre-issue paid up capital | % of post issue paid up capital including options vested under ESOP Schemes | Lock In Period (years) |
|---|---|---|---|---|---|---|---|---|---|---|
| **PROMOTER CORPORATE HOLDINGS** | | | | | | | | | | |
| Dinesh Mody Securities Pvt Ltd | 12-Aug-91 | 16700.0 | | | 10 | 10 | Preferential issue | 0.07% | 0.06% | 1 |
| | 26-Mar-96 | 2048.0 | | | 10 | | Bonus issue | 0.01% | 0.01% | 1 |
| | 26-Mar-96 | | 14652.0 | | 10 | | Bonus issue | 0.07% | 0.05% | 3 |
| | 20-Feb-97 | | 16700.0 | | 10 | | Bonus issue | 0.07% | 0.06% | 3 |
| | 30-Sep-97 | | 41750.0 | | 10 | | Bonus issue | 0.19% | 0.15% | 3 |
| | 9-Feb-98 | | 41750.0 | | 10 | 10 | Preferential issue | 0.19% | 0.15% | 3 |
| | 18-Aug-98 | | 668.0 | | 10 | | Bonus issue | 0.00% | 0.00% | 3 |
| | 8-Oct-99 | | 16.0 | | 10 | 300 | Right Issue | 0.00% | 0.00% | 3 |
| **Total** | | **18748.0** | **115536.0** | **134284.0** | | | | **0.60%** | **0.49%** | |
| Kumud D Mody Securities Pvt Ltd | 12-Aug-91 | 16700.0 | | | 10 | 10 | Preferential issue | 0.07% | 0.06% | 1 |
| | 26-Mar-96 | 2048.0 | | | 10 | | Bonus issue | 0.01% | 0.01% | 1 |
| | 26-Mar-96 | | 14652.0 | | 10 | | Bonus issue | 0.07% | 0.05% | 3 |
| | 20-Feb-97 | | 16700.0 | | 10 | | Bonus issue | 0.07% | 0.06% | 3 |
| | 30-Sep-97 | | 41750.0 | | 10 | | Bonus issue | 0.19% | 0.15% | 3 |
| | 9-Feb-98 | | 41750.0 | | 10 | 10 | Preferential issue | 0.19% | 0.15% | 3 |
| | 18-Aug-98 | | 668.0 | | 10 | | Bonus issue | 0.00% | 0.00% | 3 |
| | 8-Oct-99 | | 16.0 | | 10 | 300 | Right Issue | 0.00% | 0.00% | 3 |
| **Total** | | **18748.0** | **115536.0** | **134284.0** | | | | **0.60%** | **0.49%** | |
| Jyotindra B Mody Securities Pvt. Ltd | 12-Aug-91 | 16700.0 | | | 10 | 10 | Preferential issue | 0.07% | 0.06% | 1 |
| | 26-Mar-96 | 2046.0 | | | 10 | | Bonus issue | 0.01% | 0.01% | 1 |
| | 26-Mar-96 | | 14654.0 | | 10 | | Bonus issue | 0.07% | 0.05% | 3 |
| | 20-Feb-97 | | 16700.0 | | 10 | | Bonus issue | 0.07% | 0.06% | 3 |
| | 30-Sep-97 | | 41750.0 | | 10 | | Bonus issue | 0.19% | 0.15% | 3 |
| | 9-Feb-98 | | 41750.0 | | 10 | 10 | Preferential | 0.19% | 0.15% | 3 |
| | 18-Aug-98 | | 668.0 | | 10 | | Bonus issue | 0.00% | 0.00% | 3 |
| **Total** | | **18746.0** | **115522.0** | **134268.0** | | | | **0.60%** | **0.49%** | |
| Anusaya Mody Securities Pvt. Ltd | 12-Aug-91 | 16600.0 | | | 10 | 10 | Preferential issue | 0.07% | 0.06% | 1 |
| | 26-Mar-96 | 2112.0 | | | 10 | 10 | Bonus Issue | 0.01% | 0.01% | 1 |
| | 26-Mar-96 | | 14488.0 | | 10 | | Bonus issue | 0.06% | 0.05% | 3 |
| | 20-Feb-97 | | 16600.0 | | 10 | | Bonus issue | 0.07% | 0.06% | 3 |
| | 30-Sep-97 | | 41500.0 | | 10 | | Bonus issue | 0.18% | 0.15% | 3 |
| | 9-Feb-98 | | 42050.0 | | 10 | 10 | Preferential issue | 0.19% | 0.15% | 3 |
| | 18-Aug-98 | | 667.0 | | 10 | | Bonus issue | 0.00% | 0.00% | 3 |
| | 8-Oct-99 | | 12.0 | | 10 | 300 | Right Issue | 0.00% | 0.00% | 3 |

| Name of Promoter, Immediate Relative, Promoter Corporate Bodies | Date on which Equity shares were allotted/ transferred and made fully paid up | No. of shares locked in for a period of 1 year | No. of shares locked in for a period of 3 years | Total Number of Equity Shares Held | Face Value (in Rs.) | Issue/ Transfer Price in Rs. | Consideration (Cash, bonus, consideration other than cash) | % of pre-issue paid up capital | % of post issue paid up capital including options vested under ESOP Schemes | Lock In Period (years) |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total** | | **18712.0** | **115317.0** | **134029.0** | | | | **0.60%** | **0.48%** | |
| Lekar Pharma Ltd | 30-Jul-02 | 5000.0 | | | 10 | 60 | Cash | 0.02% | 0.02% | 1 |
| | 30-Jul-02 | 2500.0 | | | 10 | 60 | Cash | 0.01% | 0.01% | 1 |
| | 19-Dec-02 | 122747.5 | | | 10 | 110 | Cash | 0.55% | 0.44% | 1 |
| | 11-Apr-03 | 43762.5 | | | 10 | 60 | Right Issue | 0.19% | 0.16% | 1 |
| | 11-Apr-03 | | 463542.0 | | 10 | 60 | Right Issue | 2.06% | 1.67% | 3 |
| | 28-Oct-04 | | 25000.0 | | 10 | 190 | Cash | 0.11% | 0.09% | 3 |
| | 28-Oct-04 | | 60000.0 | | 10 | 190 | Cash | 0.27% | 0.22% | 3 |
| **Total** | | **174010.0** | **548542.0** | **722552.0** | | | | **3.21%** | **2.61%** | |
| Synit Drugs Pvt. Ltd | 2-Jun-03 | 7330.0 | | | 10 | 72 | Cash | 0.03% | 0.03% | 1 |
| | 2-Jun-03 | | 5170.0 | | 10 | 72 | Cash | 0.02% | 0.02% | 3 |
| | 2-Mar-04 | | 40000.0 | | 10 | 71.32 | Cash | 0.18% | 0.14% | 3 |
| **Total** | | **7330.0** | **45170.0** | **52500.0** | | | | **0.23%** | **0.19%** | |
| Unique Pharmaceuticals Labs Ltd | 2-Jun-03 | 5724.0 | | | 10 | 72 | Cash | 0.03% | 0.02% | 1 |
| | 2-Jun-03 | | 35276.0 | | 10 | 72 | Cash | 0.16% | 0.13% | 3 |
| **Total** | | **5724.0** | **35276.0** | **41000.0** | | | | **0.18%** | **0.15%** | |
| IFIUNIK Pharma Ltd | 5-Jan-05 | 10000.0 | | | 10 | 190 | Cash | 0.04% | 0.04% | 1 |
| | 5-Jan-05 | 30000.0 | | | 10 | 190 | Cash | 0.13% | 0.11% | 1 |
| | 5-Jan-05 | 5000.0 | | | 10 | 190 | Cash | 0.02% | 0.02% | 1 |
| | 15-Jan-05 | 10000.0 | | | 10 | 190 | Cash | 0.04% | 0.04% | 1 |
| **Total** | | **55000.0** | | **55000.0** | | | | **0.24%** | **0.20%** | |
| Shirish B Mody Investments Pvt. Limited | 12-Aug-91 | 16700.0 | | | 10 | 10 | Preferential issue | 0.07% | 0.06% | 1 |
| | 26-Mar-96 | 16700.0 | | | 10 | | Bonus issue | 0.07% | 0.06% | 1 |
| | 20-Feb-97 | 16700.0 | | | 10 | | Bonus issue | 0.07% | 0.06% | 1 |
| | 30-Sep-97 | 41750.0 | | | 10 | | Bonus issue | 0.19% | 0.15% | 1 |
| | 9-Feb-98 | 41750.0 | | | 10 | 10 | Preferential issue | 0.19% | 0.15% | 1 |
| | 18-Aug-98 | 668.0 | | | 10 | | Bonus issue | 0.00% | 0.00% | 1 |
| | 8-Oct-99 | 16.0 | | | 10 | 300 | Right Issue | 0.00% | 0.00% | 1 |
| **Total** | | **134284.0** | | **134284.0** | | | | **0.60%** | **0.49%** | |
| Bharati S Mody Investments Pvt. Limited | 12-Aug-91 | 16600.0 | | | 10 | 10 | Preferential issue | 0.07% | 0.06% | 1 |
| | 26-Mar-96 | 16600.0 | | | 10 | | Bonus issue | 0.07% | 0.06% | 1 |
| | 20-Feb-97 | 16600.0 | | | 10 | | Bonus issue | 0.07% | 0.06% | 1 |
| | 30-Sep-97 | 41500.0 | | | 10 | | Bonus issue | 0.18% | 0.15% | 1 |
| | 9-Feb-98 | 42050.0 | | | 10 | 10 | Preferential issue | 0.19% | 0.15% | 1 |
| | 18-Aug-98 | 667.0 | | | 10 | | Bonus issue | 0.00% | 0.00% | 1 |
| **Total** | | **134017.0** | | **134017.0** | | | | **0.60%** | **0.48%** | |
| | | | | | | | | | | |
| **TOTAL** | | **1305789.0** | **5536670.0** | **6842459.0** | | | | **30.39%** | **24.71%** | |

| Name of Promoter, Immediate Relative, Promoter Corporate Bodies | Date on which Equity shares were allotted/ transferred and made fully paid up | No. of shares locked in for a period of 1 year | No. of shares locked in for a period of 3 years | Total Number of Equity Shares Held | Face Value (in Rs.) | Issue/ Transfer Price in Rs. | Consideration (Cash, bonus, consideration other than cash) | % of pre-issue paid up capital | % of post issue paid up capital including options vested under ESOP Schemes | Lock In Period (years) |
|---|---|---|---|---|---|---|---|---|---|---|
| **SUMMARY** | | | | | | | | | | |
| **SHARES UNDER 3 YEAR LOCK IN** | | | **5536670.0** | | | | | **24.59%** | **20.00%** | |
| **SHARES UNDER 1 YEAR LOCK IN** | | **1305789.0** | | | | | | **5.80%** | **4.72%** | |

** Proposed acquisition

*Notes: All allotted shares have been fully paid up from the date of allotment, i.e. the date of allotment and the date on which the equity shares were fully paid up are the same.*
*Assuming all the options granted are exercised.*
*The lock-in period for these Equity Shares would commence from the date of allotment of the shares in the Issue.*

Other than the above shares which are locked in for three years, 102,797 Equity Shares held by Kotak Mahindra Venture Capital Fund and 1,800,000 Equity Shares held by MVC VI FVCI Limited, being venture capital funds and foreign venture capital investors registered with SEBI, 84,870 Equity Shares held by employees other than the Promoters and issued under the SEBI compliant ESOP 2000 (only to the extent of allotment/transfer of such Equity Shares to employees in respect of options already granted) which are exempt from lock in, our entire pre-Issue share capital of 22,511,496 Equity Shares, shall be locked in for the period of one year from the date of allotment of this Issue, including the 6,842,459 Equity Shares held by the Promoters (including group companies and relatives) shown above.

Under the SEBI DIP Guidelines, shares held by persons (other than promoters) may be transferred to any other person holding shares prior to the Issue, subject to continuation of lock-in with the transferees for the remaining period and compliance with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 ("SEBI Takeover Regulations"), as applicable. Under the SEBI DIP Guidelines, shares held by a Promoter that are locked in, may be transferred to and among Promoter/Promoter group or to a new promoter or persons in control of the Company, subject to the continuation of the lock-in with the transferees for the remaining period and compliance with the SEBI Takeover Regulations, as applicable. The Promoters may pledge their equity shares with banks or financial institutions as additional security for loans whenever availed by them from banks or financial institutions.

3. Details of the capitalization of the reserves by us till the date of this Draft Red Herring Prospectus

| Date of allotment of bonus shares | Date of approval by Shareholders to bonus issue | Ratio of bonus issue | Number of equity shares of Rs. 10 each issued as bonus |
|---|---|---|---|
| March 26, 1996 | January 19, 1996 | 1:1 | 12,50,000 |
| February 20, 1997 | November 22, 1996 | 1:2 | 12,50,000 |
| September 30, 1997 | July 25, 1997 | 5:6 | 31,25,000 |
| August 18, 1998 | January 31, 1998 | 1:200 | 50,000 |
| | | Total | 56,75,000* |

* A share split was approved at the EGM held on June 8, 2001 resulting in each equity share of Rs. 10 being subdivided into 2 equity shares of Rs. 5 each. Further, a consolidation of shares was approved at the extra ordinary general meeting held on July 16, 2004 resulting in two equity shares of Rs. 5 being consolidated into 1 equity shares of Rs. 10 each.

4. Our Company, our Directors and the BRLM have not entered into any buy-back and/or standby arrangements for purchase of Equity Shares of our Company from any person, save as described in the section entitled "Shareholders Agreement" on page 113 of this Draft Red Herring Prospectus.

5. An over-subscription to the extent of 10% of the Issue can be retained for the purposes of rounding off to the nearest multiple of • Equity Shares while finalising the basis of allotment.

6. Securities offered through this Issue shall be made fully paid up or may be forfeited within 12 months from the date of allotment of securities in the manner specified in Clause 8.6.2 of the SEBI DIP Guidelines.

7. In this Issue, in case of over-subscription in all categories, atleast 60% of the Net Offer to the Public shall be allocated on a discretionary basis to Qualified Institutional Buyers, a minimum of 10% of the Net Offer to the Public shall be available for allocation on a proportionate basis to Non Institutional Bidders and a minimum of 30% of the Net Offer to the Public shall be available for allocation on a proportionate basis to Retail Bidders, subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in the Employee Reservation category would be met with spill over from the Net Offer to the Public category at the sole discretion of our Company in consultation with the BRLM. Under-subscription, if any, in the Non Institutional Bidders and Retail Bidders category would be met with spill over from other categories at the sole discretion of our Company in consultation with the BRLM.

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

| **Sl. No.** | **Name of Shareholders** | **10 days prior to date of filing** |
|---|---|---|
| 1. | Nortel Networks Mauritius Limited | 3,228,334 |
| 2. | Intel Capital Corporation | 2,450,000 |
| 3. | MVC VI FCVI Limited | 1,800,000 |
| 4. | Suresh K Dholakia * | 1,612,352 |
| 5. | Lekar Pharma Limited | 722,552 |
| 6. | C J Mody As Karta of HUF* | 662,077 |
| 7 | Neeta Jhaveri* | 604214 |
| 8. | Nokia Growth Partners LP | 600,000 |
| 9. | Badruddin Agarwala * | 596,042 |
| 10. | R C Mody As Karta of HUF* | 539,976 |
| | | |
| | **TOTAL** | **12,815,547** |

* Two Folios Merged

9. Our top ten shareholders and the number of Equity Shares of Rs.10 each held by them on the date of filing this Draft Red Herring Prospectus with SEBI is as follows:

| **Sl. No.** | **Name of Shareholders** | **As at date of filing with the SEBI** |
|---|---|---|
| 1. | Nortel Networks Mauritius Limited | 3,228,334 |
| 2. | Intel Capital Corporation | 2,450,000 |
| 3. | MVC VI FCVI Limited | 1,800,000 |
| 4. | Suresh K Dholakia* | 1,612,352 |
| 5. | Lekar Pharma Limited | 722,552 |
| 6. | C J Mody As Karta of HUF * | 662,077 |
| 7. | Nokia Growth Partners LP | 600,000 |
| 8. | Badruddin Agarwala * | 596,042 |
| 9. | R C Mody As Karta of HUF* | 539,976 |

| | | |
|---|---|---|
| 10. | Intel Pacific Inc | 454,000 |
| | **TOTAL** | **12,665,333** |

* Two Folios Merged

10. Our top ten shareholders and the number of equity shares held by them two years prior to date of filing of this Draft Red Herring Prospectus with SEBI is as follows:

| Sl. No. | Name of Shareholders | Number of Equity Shares of Rs. 10 each |
|---|---|---|
| 1. | Suresh Dholakia* | 2,468,924 |
| 2. | Intel Capital Corporation | 1,633,333 |
| 3. | C.J.Mody as karta of HUF* | 1,324,154 |
| 4. | Lekar Pharma Limited | 1,293,291 |
| 5. | Neeta Jhaveri | 1,208,428 |
| 6. | Badruddin Agarwala* | 1,192,084 |
| 7. | R.C.Mody as karta of HUF* | 1,081,123 |
| 8. | Intel Pacific Inc. | 908,000 |
| 9. | Dholakia Limited Liability Partnership | 900,000 |
| 10. | Nirav Shirish Mody | 810,030 |
| | **Total** | **12,819,367** |

* Two folios merged.

11. Shareholding pattern of our Company before and after the Issue:

| **Shareholders** | **Pre-Issue** | | **Post-Issue** | |
|---|---|---|---|---|
| | **Number of Equity Shares** | **Percentage** | **Number of Equity Shares** | **Percentage** |
| **PROMOTER GROUP (A+B+C)** | **6,842,459** | **30.40%** | **6,842,459** | **24.87%** |
| A) PROMOTERS | | | | |
| Rajiv C. Mody | 11,113 | 0.05% | 11,113 | 0.04% |
| Pranabh Mody | 318,106 | 1.41% | 318,106 | 1.16% |
| J.B. Mody | 368,106 | 1.64% | 368,106 | 1.34% |
| Krishna Jhaveri* | 14,556 | 0.06% | 14,556 | 0.05% |
| Mahendra Jhaveri | 78,179 | 0.35% | 78,179 | 0.28% |
| ***TOTAL HOLDING OF PROMOTER*** | **790,060** | **3.51%** | **790,060** | **2.87%** |
| B) RELATIVES OF PROMOTERS | **4,376,181** | **19.44%** | **4,376,181** | **15.91%** |
| C) PROMOTER GROUP COMPANIES | | | | |
| Dinesh Mody Securities Private Limited | 134,284 | 0.60% | 134,284 | 0.49% |
| Kumud Mody Securities Private Limited | 134,284 | 0.60% | 134,284 | 0.49% |
| Jyotindra Mody Holdings Private Limited | 134,268 | 0.60% | 134,268 | 0.49% |
| Anusaya Mody Securities | | 0.60% | | 0.49% |

| Shareholders | Pre-Issue | | Post-Issue | |
|---|---|---|---|---|
| | Number of Equity Shares | Percentage | Number of Equity Shares | Percentage |
| Private Limited | 134,029 | | 134,029 | |
| Shirish B Mody Investments Private Limited | 134,284 | 0.60% | 134,284 | 0.49% |
| Bharati S Mody Investments Private Limited | 134,017 | 0.60% | 134,017 | 0.49% |
| Lekar Pharma Limited | 722,552 | 3.21% | 722,552 | 2.63% |
| Synit Drugs Private Limited | 52,500 | 0.23% | 52,500 | 0.19% |
| Unique Pharmaceuticals Labs Limited | 41,000 | 0.18% | 41,000 | 0.15% |
| Ifiunik Pharma Limited | 55,000 | 0.24% | 55,000 | 0.20% |
| ***TOTAL HOLDING OF PROMOTER GROUP COMPANIES*** | **1,676,218** | **7.45%** | 1,676,218 | **6.09%** |
| **DIRECTORS (Apart from Promoters)** | **201,486** | **0.90%** | | |
| **EMPLOYEES (excluding ex-employees)** | **376,122** | **1.67%** | | |
| **NRI/ /VCF/ FVCI/ FOREIGN INVESTORS** | | | | |
| ICF Mauritius Limited | 50,771 | 0.23% | | |
| Intel Capital Corporation | 2,450,000 | 10.88% | | |
| Intel Pacific Inc. | 454,000 | 2.02% | **20,669,037** | **75.13%** |
| MVC VI FVCI Limited | 1,800,000 | 8.00% | | |
| Nokia Growth Partners LP | 600,000 | 2.67% | | |
| Nortel Networks Mauritius Limited | 3,228,334 | 14.34% | | |
| Others | 3,374,622 | 14.99% | | |
| ***TOTAL HOLDING OF NRI/ OCB/VCF/FVCI/ FOREIGN INVESTORS AND OTHERS*** | **11,957,727** | **53.12%** | | |
| **OTHERS** | **3,133,702** | **13.92%** | | |
| **FINAL TOTAL** | **22,511,496** | **100.00%** | **27,511,496** | **100.00%** |

* NRI
# Includes reservation for Eligible Employees

None of our Promoters, members of our promoter group or Directors of Corporate Promoter have purchased or sold any Equity Shares, during a period of six months preceding the date on which this Draft Red Herring Prospectus is filed with SEBI, except as stated below.

The top 10 shareholders, promoters lock-in contribution and the shareholding structure on the date of filing has been prepared taking into consideration, certain proposed transfers that have been intimated to us by the certain shareholders. The details of the proposed transfers that have been taken to consideration are reflecetd in serial no. 12 to 33.

| Sl. No. | Date of Transfer | Transferor | Transferee | No. of Equity Shares | Face Value | Purchase/ sale prices |
|---|---|---|---|---|---|---|
| 1. | November 19,2004 | Mahendra Jhaveri | Chandrakanth J. Mody | 4,500 | 10 | 190 |
| 2. | November 19,2004 | Malti Jhaveri | Nayana Mody | 789 | 10 | 190 |
| 3. | November 19,2004 | Mahendra Jhaveri | Nayana Mody | 9,552 | 10 | 190 |
| 4. | November 24,2004 | Mahendra Jhaveri | Nilima Doshi | 17,894 | 10 | 190 |
| 5. | January 25, 2005 | Rajiv C Mody | Rujata Gandhi | 2,500 | 10 | 100 |
| 6. | January 5, 2005 | Dhirubhai K Dholakia | Ifiunik Pharma Limited | 30,000 | 10 | 190 |
| 7. | January 5, 2005 | Haresh K Dholakia | Ifiunik Pharma Limited | 30,000 | 10 | 190 |
| 8. | January 5, 2005 | Kalpana Dholakia | Ifiunik Pharma Limited | 5,000 | 10 | 190 |
| 9. | January 15, 2005 | Parul P Rajpura | Ifiunik Pharma Limited | 10,000 | 10 | 190 |
| 10. | March 31, 2005 | Pranabh D Mody | Purvi Uday Asher | 50,000 | 10 | Gift |
| 11. | April 26, 2005 | Ifiunik Pharma Limited | Ajay Vasudeva | 20,000 | 10 | 190 |
| 12. | • | Rajiv C. Mody | Hiralaxmi Desai | 2000 | 10 | 190 |
| 13. | • | Rajiv C. Mody | Deepak H Desai | 1000 | 10 | 190 |
| 14. | • | Rajiv C. Mody | Hemlata Patel | 3000 | 10 | 190 |
| 15. | • | Rajiv C. Mody | Bipin Nagindas Mehta | 500 | 10 | 190 |
| 16. | • | Rajiv C. Mody | Hiralaxmi H Desai | 500 | 10 | 190 |
| 17. | • | Rajiv C. Mody | Deepak H Desai | 500 | 10 | 190 |
| 18. | • | Rajiv C. Mody | Asha D Desai | 1000 | 10 | 190 |
| 19. | • | Rajiv C. Mody | Bhogilal Jatula Kamani | 1000 | 10 | 190 |
| 20. | • | Rajiv C. Mody | Savita Bhogilal Kamani | 1000 | 10 | 190 |
| 21. | • | Rajiv C. Mody | Nilesh K Mehta | 1000 | 10 | 190 |
| 22. | • | Naman Mody | Swati Prabhas | 5,000 | 10 | 190 |
| 23. | • | Naman Mody | N. Hari Iyer | 5,000 | 10 | 190 |
| 24. | • | Nayana Mody | G. Venkatesh | 6,000 | 10 | 190 |
| 25. | • | Nayana Mody | Edwin Moses | 2,000 | 10 | 190 |
| 26. | • | Nayana Mody | T.K.Srikanth | 1,000 | 10 | 190 |
| 27. | • | Naman Mody | Kandula Srinivas Rao | 1,000 | 10 | 190 |
| 28. | • | Sakhee Mody | C. Balaji | 1,000 | 10 | 190 |
| 29. | • | Sakhee Mody | Swami Krishnan | 2630 | 10 | 190 |

| Sl. No. | Date of Transfer | Transferor | Transferee | No. of Equity Shares | Face Value | Purchase/ sale prices |
|---|---|---|---|---|---|---|
| 30. | • | Neeta Jhaveri | Nilima Doshi | 31,667 | 10 | 60 |
| 31. | • | Neeta Jhaveri | Leverage India Fund | 62,500 | 10 | 200 |
| 32. | • | Neeta Jhaveri | SARA Fund | 93,750 | 10 | 200 |
| 33. | • | Neeta Jhaveri | Taib Securities Mauritius Limited | 100,000 | 10 | 250 |

12. We have two employee stock option schemes, being SAS Stock Option Plan, 1997 and Sasken ESOP-2000. The shareholders approved the SAS Stock Option Plan, 1997 at the EGM on November 20, 1997. Under SAS Stock Option Plan, 1997, Fully Convertible Debentures (FCDs) were issued to our employees, consultants and advisors. Each of these FCDs were converted into one Equity Share. There are no outstanding FCDs as on March 31, 2005. Pursuant to the EGM held on September 22, 2000, our Shareholders adopted ESOP 2000 in accordance with the SEBI (Employee Stock Option Plan and Employee Stock Purchase Plan) Guidelines, 2000 in relation to all the employees of our Companyy (including foreign branches) and Subsidiaries, including Directors (other than Promoters). The Compensation Committee administers ESOP 2000. As at December 31, 2002, we cancelled stock options granted till then under ESOP 2000 and remaining unexercised and reversed the compensation cost recognized by it in the previous years. We issued fresh options beginning from October 2003. As of the date of filing this Draft Red Herring Prospectus, we have granted the following options under ESOP 2000:

| Sl. No | Particulars | First Grant 1st Oct 03 | Second Grant 2nd Apr 04 | Third Grant 1st June 04 | Fourth Grant 31st Jan 05 | Fifth Grant 31st Jan 05 | Sixth grant 15th May 05 |
|---|---|---|---|---|---|---|---|
| 1 | Gross Options Granted | 2,96,040 | 3,78,925 | 971,533 | 2735 | 42,530 | 302,950 |
| | Options cancelled till 30.04.05 | 35,240 | 67,920 | 94,635 | 0 | 0 | NIL |
| | Options Granted (net of options cancelled ) | 260,800 | 311,005 | 876,898 | 2,735 | 42,530 | 302,950 |
| 2 | Exercise price | Rs. 80/- each | Quarterly variable price | Quarterly variable price | Quarterly variable price | Quarterly variable price | Quarterly variable price |
| 3 | Options vested | 260,800 | NIL | NIL | NIL | NIL | NIL |
| 4 | Options exercised | 88,950 | NIL | NIL | NIL | NIL | NIL |
| 5 | The total number of Equity Shares arising as a result of exercise of options | 88,950 | NIL | NIL | NIL | NIL | NIL |
| 6 | Options lapsed | NIL | NIL | NIL | NIL | NIL | NIL |
| 7 | Variation of terms of options | NA | Quarterly price variation | Quarterly price variation | Quarterly Price variation | Quarterly price variation | Quarterly price variation |
| 8 | Money realized by exercise of options | 7,116,000 | NIL | NIL | NIL | NIL | NIL |
| 9 | Total number of options in force | 171,850 | 311,005 | 876,898 | 2,735 | 42,530 | 302,950 |

| Sl. No | Particulars | First Grant<br>1st Oct 03 | Second Grant<br>2nd Apr 04 | Third Grant<br>1st June 04 | Fourth Grant<br>31st Jan 05 | Fifth Grant<br>31st Jan 05 | Sixth grant<br>15th May 05 |
|---|---|---|---|---|---|---|---|
| 10 | Person-wise details of options granted to; | | | | | | |
| | (i) Directors and key managerial employees | As per Table (1) below | | | | | |
| | (ii) Any other employee who received a grant in any one year of options amounting to 5% or more of option granted during that year | None | None | None | None | None | None |
| | (iii) Identified employees who are granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant | None | None | None | None | None | None |
| 11 | Diluted Earning Per Share (EPS) pursuant to issue of shares on exercise of options (for the unconsolidated financial statement of the Company) | March 31, 2004<br>Rs. 9.31 | | | December 31, 2004<br>Rs. 4.35 | | |
| 12 | Vesting schedule | Vested on October 1, 2004 | Vesting from July 2005 | Vesting from July 2005 | Vesting from April 2006 | Vesting from April 2006 | Vesting from July 2006 |
| 13 | Lock-in | None | None | None | None | None | None |

**Table (1):** Details regarding options granted to Directors and key managerial employees are set forth below:

| Sl. No. | Name of Director or key managerial personnel | Number of Equity Shares entitled | Number of Equity Shares issuable upon exercise of options |
|---|---|---|---|
| Directors | | | |
| 1 | Dr. G. Venkatesh | 31,070 | 31,070 |
| Key managerial employees | | | |
| 2 | Mr. Edwin Moses | 19,125 | 19,125 |
| 3 | Mr. G.Murlikrishnan | 31,085 | 31,085 |
| 4 | Mr. Hari Iyer | 31,085 | 31,085 |
| 5 | Mr. K.S.G.Shankar | 12,795 | 12,795 |
| 6 | Mr. Kumar Prabhas | 50,050 | 50,050 |
| 7 | Ms. Neeta Revankar | 28,795 | 28,795 |
| 8 | Mr. Shrikrishna Govind Gokhale | 25,295 | 25,295 |
| 9 | Mr. Surendra Kumar Saxena | 19,125 | 19,125 |
| 10. | Mr. Santosh Xavier | 16,905 | 16,905 |
| 11. | Mr. Kevin Koenig | 7,500 | 7,500 |
| 12. | Mr. Ashok Desai | 8745 | 8745 |
| 13. | Mr. Koichiro Uda | 4995 | 4995 |
| 14. | Mr. Swami Krishnan | - | - |

(a) As on April 15, 2005 there are 164 employees and 0 Directors holding 90,568 Equity Shares allotted as per the vesting schedule of the ESOP 2000 Scheme and arising out of options exercised after October 31, 2003. There are 171,850 options that have already vested under ESOP 2000, but not exercised. 81 employees have declared their intention to sell upto 104,525 shares within 3 months from the date of Listing of the Equity Shares. This includes Equity Shares arising out of options that have vested but not yet been exercised as well as options that will vest on July 1, 2005.

(b) Currently none of the Directors, senior managerial personnel and employees hold Equity Shares arising out of the ESOP Scheme amounting to more than 1% of the issued capital. There are no other persons who hold Equity Shares arising out of the ESOP Scheme amounting to more than 1% of the issued capital.

13. Only Eligible Employees would be eligible to apply in the Issue under the Employees Reservation Portion on competitive basis. Eligible Employees can also make Bids in the Net Public Offer and such Bids shall not be treated as multiple Bids.

14. The unsubscribed portion, if any, out of the 500,000 Equity Shares reserved for allotment to Eligible Employees may be added to the Net Offer to the Public under any of the categories.

15. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into Equity Shares other than the outstanding options granted under the ESOP 2000 Scheme.

16. 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 investor.

17. In case of over subscription in all categories, atleast 60% of the Net Offer to the Public, shall be available for allocation on a discretionary basis to Qualified Institutional Buyers, not less than 10% of the Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 30% of the Issue shall be available for allocation on a proportionate basis to Retail Bidders, subject to valid bids being received at or above the Issue Price. Under–subscription, if any in any category would be met with spill over from other categories at the sole discretion of the Company, in consultation with the BRLM.

18. In this Issue, the Company in consultation with the BRLM will have the discretion to allocate to any of the investors, who have bid at or above the Issue Price.

19. Except as disclosed herein, there would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue, exercise of employee stock options or in any other manner during the period commencing from submission of this Draft Red Herring Prospectus with SEBI until the Equity Shares issued have been listed.

20. 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, except that we may issue stock options to our employees pursuant to our ESOP 2000 or, if we enter into acquisitions or joint ventures, we may consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.

21. 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.

22. The Company has not raised any bridge loans against the proceeds of the Issue.

23. The shares locked in by the promoters are not pledged to any party. The Promoters may pledge their Equity Shares with Banks or financial institutions as additional security for loan whenever availed of from banks or financial institutions.

24. The Company has not revalued its assets since inception.

25. As on the date of filing of this Draft Red Herring Prospectus, the total number of holders of Equity Shares is 1020.

**Objects of the Issue**

The objectives of the Issue are to raise capital in order to set up a campus for software development at our premises located at 139/37, Ring Road, Domlur, Bangalore 560 071 (hereinafter referred to as the "**New Campus**"), which is adjacent to our existing registered and corporate office. We believe that the listing of our Equity Shares will also enhance our brand name and provide liquidity to our shareholders.

We intend to deploy the net proceeds from the Issue, after meeting the Issue expenses of around Rs. 88.00 million, to set up the New Campus. In the event of a shortfall in raising the requisite capital from the proceeds of the Issue, towards meeting the objects of the Issue, the extent of the shortfall will be met by internal accruals and/or from recent investments in our Company. For more details, please refer to the section titled "Capital Structure" on page 38 of this Draft Red Herring Prospectus. In case of any surplus of monies received in relation to the Issue, our Board of Directors in accordance with our internal policies will take necessary steps to determine the application of such monies for general corporate purposes, which may include strategic investments, acquisitions and joint ventures.

The main objects of our Memorandum of Association permits us to undertake our existing activities and the activities for which the funds are being raised by us, through the present Issue.

**Funds Requirement:**

The proceeds of this Issue are to be utilized for the following activities (collectively referred to as the "**Project**"):

| Activity | Estimated Amount (Rs. in million) |
|---|---|
| Setting up of the New Campus | 1260.80 |
| General corporate purposes, including strategic investments, acquisitions and joint ventures | • |
| Issue expenses | 88.00 |
| **Total** | • |

We propose to set up a campus for software development at the New Campus. The New Campus will have a built-up area of approximately 355,131 square feet. We have already acquired the land for this purpose on June 26, 2002 for a consideration of Rs. 133.70 million. The New Campus once completed would provide seating capacity for approximately 2000 persons. This capacity is expected to address our additional space requirements in the future. Prior to commencement of construction of the New Campus, the Company would be required to get clearance from certain governmental agencies including the Airport Authority of India, BESCOM (the local electricity distribution unit), BSNL, BWSSB (the local water and sewage board), Fire Fighting Department, Pollution Control Board, Explosives Department and sanction of the plan from the local corporation office.

**Means of finance:**

The net proceeds of the Issue would be used to meet all or any of the uses of the funds described above.

We do not need any funds in addition to the abovementioned to complete the Project. In view of this, we are in compliance with Clause 2.8 of the SEBI DIP Guidelines.

**Existing Facilities**

Currently, we have delivery centres located at Bangalore and Pune. We also have offices in USA, Canada, Japan, Sweden, China, Germany and France. Other than the facility located in 139/25, Ring Road Domlur, Bangalore 560 071, which is owned and the land on which the New Campus is proposed to set up, all our other delivery centres and branch offices are currently located on leased premises. For more details on these immovable properties, please refer to the section titled "Our Business" on page 73 of this Draft Red Herring Prospectus.

**Setting up the New Campus**

We have estimated the cost of constructing the New Campus and other related expenses as per the report provided by Vijay & Anjali Yagnik, Architects dated April 6, 2005. The schedule of implementation is as follows:

| Sl. No. | Particulars | Amount (in Rs. million) | Year ending March 31 | |
|---|---|---|---|---|
| | | | 2006 | 2007 |
| 1. | Cost of the building | | | |
| | (i) Civil construction | 337.50 | 337.50 | - |
| | (ii) Interiors | 515.30 | 257.60 | 257.70 |
| | (iii) Other costs | 69.10 | - | 69.10 |
| | (iv) Architect fees | 30.00 | 18.00 | 12.00 |
| 2. | Other capital assets | 308.90 | - | 308.90 |
| | Total | 1260.80 | 613.10 | 647.70 |

The New Campus is proposed to be set up as a STP unit. STP units enjoy certain customs duty and income tax benefits. For details regarding tax benefits available to us, please refer to the section entitled "Statement Of Tax Benefits" beginning on page 212 of this Draft Red Herring Prospectus.

**Infrastructure facilities**

We intend to install the following facilities at the New Campus

| | |
|---|---|
| Work Place | Workstations that are ergonomically designed and conveniently segregated to seat 2000 employees.<br>Well designed lay out to facilitate installation of computers and other equipments.<br>Workspace for administration, quality and back office support staff.<br>Access control entry to all areas to ensure total security of the processes |
| Power | Supply of uninterrupted power.<br>Back up power supply with independent set of batteries, enabling continuous operation of critical equipments.<br>Installation of noise insulated power generators capable of independently handling the entire power requirements including air-conditioners and lighting. |
| Other Facilities | Air-conditioned environment.<br>Adequate facilities for employee conveniences.<br>24*7 security.<br>Fire alarm systems and extinguishers.<br>Adequate parking facilities. |

**General corporate purposes, including strategic investments, acquisitions and joint ventures**

We seek to further enhance our position as a player in the global telecom industry. In addition to continued investments in developing our technological expertise, industry expertise and delivery infrastructure, we intend to enhance our capabilities and address gaps in industry expertise, technical expertise and geographical coverage through strategic acquisitions of business(es) and/or assets (including immovable properties), investments or joint ventures. Towards this end, we propose to target companies in India and overseas which either have new capabilities to serve existing customers or new customers that we can serve with our existing capabilities. As of the date of this Draft Red Herring Prospectus, we have not yet entered into any letter of intent or definitive commitment for such acquisition, investment or joint venture.

Any specific acquisition opportunity will be considered based on actual value estimates at that time. The surplus monies in relation to this Issue may not be the total value of the acquisition, but may provide us with enough leverage to contract and we may need further approval from our shareholders for additional funding if required.

**Issue expenses**

The total expenses of the Issue are estimated to be approximately Rs. 88.00 million. The Issue related expenses include, among others, underwriting and issue management fees, insurance, selling commission, printing and distribution expenses, legal fees, advertisement expenses, registrar and depository fees and listing fees.

| Category | Estimated expenses (Rs. in million) |
|---|---|
| BRLM | 33.00 |
| Registrar to the Issue | 11.00 |
| Advisors (Legal Counsel and Auditors) | 3.85 |
| Marketing Costs | 13.75 |
| Others (Insurance, printing, stamp duty, listing fees, depository fees and other related expenses) | 26.40 |
| **Total** | **88.00** |

**Interim use of proceeds**

The management, in accordance with the policies set up by the Board, will have the flexibility in deploying the proceeds received by us from the Issue. Pending utilization for the purposes described above, we intend to temporarily invest the funds in high quality, interest/dividend bearing liquid instruments including money market mutual funds, deposits with banks for the necessary duration. Such investments would be in accordance with investment policies approved by the Board from time to time.

No part of the Issue proceeds will be paid by the Company as consideration to Promoters, Directors, key management personnel, subsidiaries, associate or group companies.

**Monitoring of utilization of funds**

There is no requirement for a monitoring agency in terms of Clause 8.17 of the SEBI DIP Guidelines. The Audit Committee appointed by the Board of Directors will monitor the utilization of the Issue proceeds.

## Basic Terms of Issue/ Issue Structure

The present issue of 5,000,000 Equity Share of Rs. 10 each at a price of Rs. • for cash aggregating Rs.• million, comprising 500,000 Equity Shares of Rs. 10 each reserved for Eligible Employees of the Company and a Net Offer To Public of 4,500,000 Equity Shares of Rs. 10 each, is being made through a 100% book building process.

| | | Net Offer to the Public | | |
|---|---|---|---|---|
| **Particulars** | **Eligible Employees** | **QIBs** | **Non Institutional Bidders** | **Retail** |
| Number of equity Shares (available for allocation) | Up to 500,000 Equity Shares | Atleast 2,700,000 Equity Shares | 450,000 | 1,350,000 |
| Percentage of Issue size available for allocation | Up to 10% of Issue size | Atleast 60% or Issue size less allocation to Non Institutional Portion and Retail Portion | 10% or Issue size less allocation to QIBs and Retail Portion | 30% or Issue size less allocation to QIBs and Non Institutional Portion |
| Basis of Allocation or Allotment if respective category is oversubscribed. | Proportionate | Discretionary | Proportionate | Proportionate |
| Minimum Bid | • Equity Shares and thereafter in multiples of • Equity Shares thereafter | Such number of Equity Shares and in multiples of • Equity Shares thereafter, that the Bid Amount exceeds Rs. 100,000 | Such number of Equity Shares and in multiples of • Equity Shares thereafter, that the Bid Amount exceeds Rs. 100,000 | Such number of Equity Shares and in multiples of • Equity Shares thereafter |
| Maximum Bid | Not exceeding the size of the Issue | Not exceeding the size of the Issue subject to applicable limits. | Not exceeding the size of the Issue | Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000 |
| Allotment Mode | Compulsory in Dematerialised form | Compulsory in Dematerialised form | Compulsory in Dematerialised form | Compulsory in Dematerialised form |
| Trading Lot/Market Lot | One Equity Share | One Equity Share | One Equity Share | One Equity Share |
| Bidding lot | • Equity Shares | • Equity Shares | • Equity Shares | • Equity Shares |
| Who can Apply | Eligible Employees being permanent employee(s) or Director(s) of the Company (or its Subsidiaries), who are Indian Nationals based in India and are physically present in India on the date of submission of the Bid-cum-Application Form. In addition, such person(s) should be | 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 | Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, NRIs, scientific institutions, societies and trusts. | Individuals (including NRIs and HUFs) applying for an amount up to Rs. 100,000 amount. |

| Particulars | Eligible Employees | Net Offer to the Public QIBs | Non Institutional Bidders | Retail |
|---|---|---|---|---|
| | employee(s) or Director(s) during the period commencing from the date of filing of the Red Herring Prospectus with the RoC upto the Bid/Issue Closing Date. Promoter Directors are not eligible to be treated as Eligible Employees. | registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with minimum corpus of Rs. 250 million. | | |
| Terms of Payment | Margin Amount applicable to Eligible Employees at the time of submission of Bid cum Application Form to the members of the Syndicate | Margin Amount applicable to QIB Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate | Margin Amount applicable to Non Institutional Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate | Margin Amount applicable to Retail Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate |
| Margin Money | Full Bid Amount on submission of Bid cum Application Form | Nil | Full Bid Amount on submission of Bid cum Application Form | Full Bid Amount on submission of Bid cum Application Form |

***Subject to valid Bids being received at or above the Issue Price. Equity Shares being offered through this Draft Red Herring Prospectus can be applied for in dematerialised form only. Under subscription, if any, in the Employee Reservation, Non Institutionalor Retail categories, would be allowed to be met with spill over from any of the other categories, at the discretion of the Company, in consultation with the BRLM. The unsubscribed portion, if any, out of the Equity Shares in the Employee Reservation Portion will be added to the categories of Non Institutional Bidders and Retail Bidders, in a proportion to be determined by the Company in consultation with the BRLM.***

**Basis for Issue Price**

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

Investors should read the following summary alongwith the section titled “Risk Factors” beginning on page 12, the financial statements included in this Draft Red Herring Prospectus and the section titled “Summary” beginning on page 28 of this Draft Red Herring Prospectus. The trading price of the equity shares of the Company could decline due to these factors and you may lose all or part of your investments.

**Quantitative Factors**

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

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

| | **Face Value per Share (Rs. 10 per share)** | |
|---|---|---|
| | **Rupees** | **Weight** |
| Year ended March 31, 2002 | (4.30) | **1** |
| Year ended March 31, 2003 | (9.54) | **2** |
| Year ended March 31, 2004 | 9.52 | **3** |
| Weighted Average | 0.86 | |

**Note:**

(i) The Earning per Share has been computed on the basis of the adjusted profits and losses of the respective years drawn after considering the impact of accounting policy changes and material adjustments prior period items pertaining to the earlier years.

(ii) The denominator considered for the purpose of calculating Earnings per Share is the weighted average number of Equity Shares outstanding during the year.

2. Price/Earning (P/E) ratio in relation to Issue Price of Rs. •

   a. Based on nine months ended December 31, 2004, EPS is Rs. 4.92

   b. P/E based on nine months ended December 31, 2004 is •

   c. Industry P/E[1]

      i) Highest 83.7

      ii) Lowest 1.3

      iii) Industry Composite 17.3

[1] *Source: “Capital Market” Vol. XX/02,dated March 28-April 10 , 2005 for Computers- Software –Medium / Small*

3. Return on Average Net Worth as per unconsolidated restated Indian GAAP financials:

| **Year** | **RONW %** | **Weight** |
|---|---|---|
| Year ended March 31, 2002 | **(5.12)** | **1** |
| Year ended March 31, 2003 | **(11.43)** | **2** |
| Year ended March 31, 2004 | **12.79** | **3** |
| **Weighted Average** | **1.73** | |

**Note:** The return on average net worth has been computed on the basis of the profits and losses of the respective years drawn after considering the impact of accounting policy changes and material adjustments / regroupings pertaining to earlier years. Average net worth has been computed as a simple of the closing and opening net worth, as restated. Return is the profits/(losses), after taxes as restated.

4. Minimum Return on Increase Net Worth required to maintain pre-issue EPS is [ • ]

5. Net Asset Value per Equity Share

   (i) as of December 31, 2004[1]: Rs. 80.39

   (ii) After the Issue: [ • ]

   (iii) Issue Price: Rs. [ • ]
   (Issue Price per Share will be determined on conclusion of book building process)

[1] *Net Asset Value per Equity Share (post-consolidation) represents net worth, as restated divided by number of equity shares outstanding at the end of the period.*

6. Comparison of Accounting Ratios

| | EPS | P/E | RONW% | NAV |
|---|---|---|---|---|
| Sasken | 9.52 | [ • ] | 12.32 | 76.95 |
| **Industry Data** | | | | |
| **Category: Computers – Software - Medium / Small** | | | | |
| **Peer Group** | | | | |
| Flextronics | 22.2 | 17.4 | 24.7 | 102.35 |
| Peer Group Average | 22.2 | 17.4 | 24.7 | 102.35 |

*Source: "Capital Market" Vol. XX/02, dated March 28-April 10, 2005 for Computers - Software - Medium / Small*

7. The Issue Price is • times of the face value of the Equity Shares.

# SECTION IV: ABOUT THE ISSUER COMPANY

## Industry Overview

For the purpose of the Industry Review we have relied for information on the Nasscom Strategic Review, 2005, The IT Industry in India, Nasscom – Report dated February 2005.

## Introduction

Changing economic and business conditions, rapid technological innovation, proliferation of the Internet and increasing globalization are creating an increasingly competitive market environment that is driving corporations to transform the manner in which they operate. Customers are increasingly demanding improved products and services with accelerated delivery times and at lower prices. To adequately address these needs, corporations are focusing on their core competencies and are using outsourced technology service providers to help improve productivity, develop new products, conduct research and development activities, reduce business risk, and manage operations more effectively.

The ability to design, develop, implement, and maintain advanced technology platforms and solutions to address business and customer needs has become a competitive advantage and a priority for corporations worldwide. Concurrently, the prevalence of multiple technology platforms and time-to-market pressures have increased the complexity and cost in developing communication systems, and have resulted in greater technology-related risks. The need for more dynamic technology solutions at ever increasing delivery pace has created a growing need for specialists with experience in leveraging technology to help drive business strategy.

There is an increasing need for highly skilled technology professionals in the markets in which we operate. At the same time, corporations are reluctant to expand their internal R&D departments and increase costs. These factors have increased corporations' reliance on their outsourced technology service providers and are expected to continue to drive future growth for outsourced R&D services.

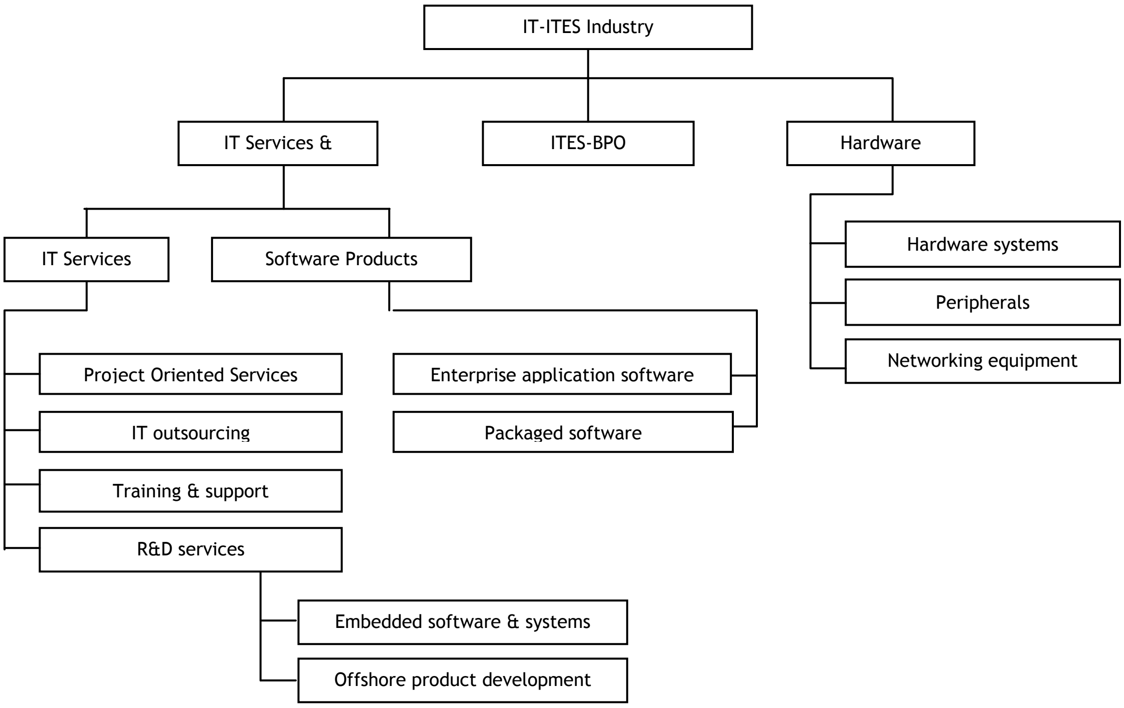
## The Indian IT-ITES industry

The Indian information technology (IT) and IT enabled services (ITES-BPO) continues to chart remarkable double-digit growth, with industry revenues for the current fiscal (FY2004-05) expected to exceed USD 28 billion. The IT services and software segment which accounted for 59.40% of the industry revenues in FY 2003-04 and is expected to account for 58.60% in FY 2004-05.

Exports continue to be the mainstay of Indian IT-ITES, accounting for nearly 62% of the industry earnings in FY 2003-04. While the Americas and Europe remain the key markets, with their shares steady at 69% and 22% to 23% of the total exports respectively, Indian vendors are making steady progress foraying into newer markets such as Singapore, Japan and Australia.

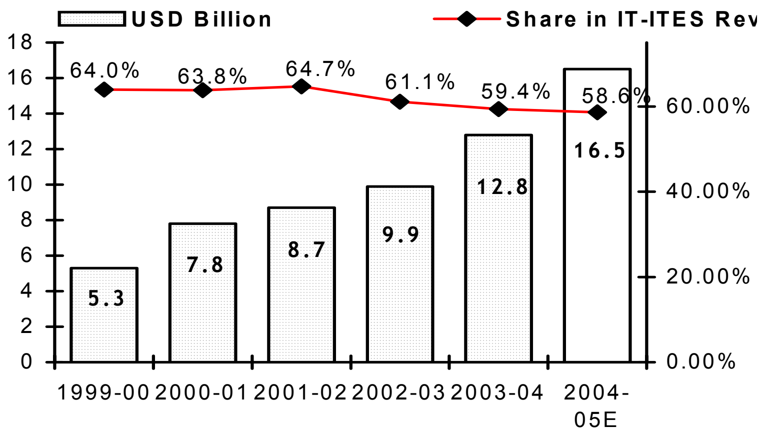
The key trends in the Indian IT-ITES export sector signify a maturing industry, witnessing broad-based growth, an expanding customer base and stable pricing. Indian vendors are now moving up the value-chain, demonstrating their capabilities to offer high-end services. This is complemented by the increased sophistication of offshore users in the global markets that is pushing even the traditionally onshore vendors to expand their best shore strategies - ushering the shift from one-off offshore sourcing to a more mature, distributed global delivery model which leverages the best skill-sets that different geographies have to offer.

**Structure of the Indian IT-ITES industry**




In FY 2003-04, the Indian IT services and software sector grossed USD 12.8 billion in revenue – an annual growth of 29.6 percent over FY 2002- 03. As depicted in the following figure, the segment is expected to exceed USD 16.5 billion by the end of the current fiscal – translating to a CAGR of 25.7 percent over FY 2000-05.

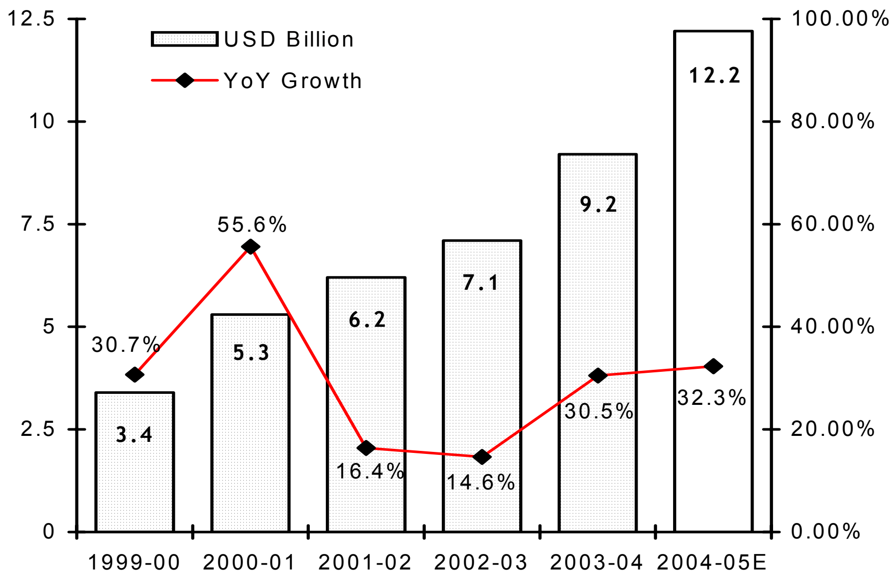
**Growth of Indian IT Services and Software FY2000-2005E**



In FY 2003-04, the IT services and software sector added 98,000 employees, with domestic companies hiring more aggressively than their MNC counterparts. This trend is expected to continue with the sector expected to add at least another 109,000 jobs in the current fiscal.

Exports continue to dominate the revenues earned by the segment. As depicted in the following figure, the share of exports in the total revenues earned by the Indian IT services and software segment has grown from 65 percent in FY 1999-00 to nearly 72 percent in FY 2003-04.

**Composition of Indian IT Services & Software – FY 2000-2005E**




**The share of exports in total industry revenue is expected to rise further and to account for nearly three-fourths of the segment revenue by the end of the current fiscal.**

**Analysis of IT Services and Software Exports**

The economic upswing in key markets towards the second and third quarters of FY 2003-04 helped fuel the growth of Indian IT services and software exports. As depicted in the following figure, IT services and software exports grew from USD 7.1 billion in FY 2002-03 to USD 9.2 billion in FY 2003-04 - a growth of over 30 percent over the previous year.

**Growth of Indian IT Services and Software Exports – FY 2000-2005E**

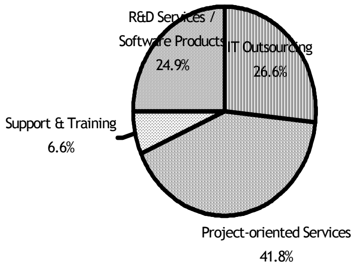
Based on the good performance observed in the first three quarters of the current fiscal, IT service and software exports are expected to reach USD 12.2 billion by March 2005 - a forecast growth of 32 percent over FY 2003-04.

**Key Service Lines**

Indian IT services and software product exports are categorized into:

- IT services, which include IT outsourcing, project oriented services, support and training;
- R&D services and software products, which includes product development, design and development of embedded systems and sales of packaged / proprietary software.

**Indian IT Services and Software Exports – FY 2003-2004**




100% = USD 9.2 billion

**Market Structure**

The Indian software and services exports industry has a pyramidal structure, with a handful of companies with revenues of above INR 10 billion (USD 210 million). The industry is maturing; of which is corroborated by the fact that the number of companies with revenues above INR 1 billion (USD 22 million) has grown from 68 in FY 2002-03 to 94 in FY 2003-04. At the small and medium enterprise level, there has been a rapid growth, with the number of companies with revenues of less than INR 500 million (USD 11 million) expanding from 2,888 players in FY 2002-03, to 3,020 in FY 2003-04.

The Indian IT services and software industry comprises a diverse group of players -including large, near-billion dollar global companies and small start-ups, Indian companies and multinationals. Growth rates across players are quite varied.

The industry can be broadly classified into the following categories

- Tier 1 players (i.e. the top 5 firms) account for about 44 percent of total software exports; and have benefited largely due to the increasing offshore momentum and their strong execution capabilities besides the size and depth of their skill pool and customer relationships. Some leading players also moved into new services lines in the IT services arena such as IT consulting, packaged software implementation and systems integration.

- Tier 2 players (with revenues of between INR 1 billion and INR 10 billion) account for about 16 percent of the industry. Their growth has been restrained (compared with Tier-1 players) primarily due to dependence on a limited set of customers, verticals or services. Hence, their growth (and movement into Tier 1) is likely to be driven by efforts to broaden their services. As a result, the strategies they use to achieve this will be the biggest differentiator among this set.

- MNC captives account for about 31 percent of the industry with an increasing amount of their software development and design work being done at their captive centers in India.

- Focused players (about 3-4 percent of the industry) include players with a focus on a particular domain/service line/products, who are facing the challenge of cutbacks in key markets such as telecom, and managing to diversify their offerings.

- Small players, with revenues of less than INR 1 billion, account for 5- 6 percent of the market. In order to augment their revenues these companies could attempt to focus on specific niches in either services or verticals.

With the exception of a few segments, the global IT services market is largely fragmented. Constant technological churn and the lure of entrepreneurial success have enabled many small and medium companies to flourish - underscoring the fact that the key to survival for a company is, therefore, not size but sheer innovation and the ability to spot market discontinuities rapidly.

**Trends in Indian IT Services and Software**

Directionally, the overall trends in Indian IT services have remained unchanged over the past year. Indian vendors continue to chart significant growth, leveraging their expertise in managing offshore service delivery. The market is mature, with the top 5 players accounting for approximately 44 percent of the IT services and software exports. Telecom has emerged as a key sector for R&D outsourcing and global players continue to start and ramp-up their offshore operations in India. The underlying dynamics also reveals a changing landscape highlighted by the emergence of global delivery as a mainstream delivery model in the telcom sector.

Customers are now increasingly seeking to leverage the offshore delivery model for their requirements beyond custom application development and maintenance - the traditional areas for offshore outsourcing. Pre-empting this change in demand, few Indian vendors have already started expanding the breadth of their service offerings to include new service lines such as package software implementation, systems integration, R&D engineering and network management. Consequently, global players are also stepping up their presence in India, not only to use the local delivery centres to service their offshore business but also to target the fast paced India IT services market.

**R&D Services and Software Product Exports**

Indian R&D services and software product exports, though at a nascent stage, are undergoing a quiet change. Currently valued at USD 2.3 billion (barely 1.3 percent of the worldwide market), global R&D and product development sourced from India is likely to grow rapidly - driven by the strong global demand for embedded software and systems and the increasing adoption of offshore product development. Analysts forecast Indian R&D services and software products market to grow to USD 8-11 billion by 2008-10.

**Embedded Software and Systems**

The worldwide market for embedded software and systems is currently valued at USD 25 billion, and is estimated to be growing at an annual rate of 16 percent. Rapidly increasing global demand has helped Indian exports of embedded systems and software to reach USD 1.6 billion in FY 2003- 04 - a growth of 44 percent over the previous fiscal. The high levels of growth in segment revenues is expected to continue as increasing levels of convergence and digitization and declining costs increase the global adoption of electronic devices - and manufacturers are forced to seek technically superior / low cost sourcing destinations to remain competitive.

Over 60 percent of the worlds leading companies, including Samsung, Texas Instruments, Delphi and Honeywell Industrial Controls, etc, source a part of their embedded system requirements from India. Further a number of large MNCs such as Texas Instruments, STMicroelectronics, Motorola, Cadence Design Synopsys, Analog Devices and National Semiconductor have set up their captive design centres in the country.
Apart from many MNCs doing R&D in India, there are over a 100 Indian companies operating in the embedded software solutions domain.

**Offshore Product Development**

The value of offshore product development exports (includes the export of software products made by Indian companies) sourced from India is estimated to have increased from USD 560 million in FY 2002-03 to USD 710 million in FY 2003-04. Many global Independent Software Vendors (ISVs) are eyeing India as a location for establishing captive centres for R&D activities. Since the beginning of 2001, approximately 230 multinationals have opened offices in India. The market for outsourced R&D

activities in India reached USD 800 million to USD 1 billion in 2003, and is expected to reach USD 11 billion by 2008.

Offshore product development is not a new phenomenon in global IT services trade. A number of MNC product based companies have been sourcing a part of their product development activities from Indian vendors and their own India based development centres for several years. However, in most cases, the key driver for these companies was often the significant cost advantage opportunity offered by the India based vendors. As a result most of the work offshored to India was restricted to the lower-end activities of coding and testing. Over time, the demonstrated success of India-based development centres in delivering not only on cost, but also on quality and technological superiority has attracted an increasing level of interest in offshore product development to India.

Unlike large IT service organizations, product-centric firms are often small set-ups typically funded through the venture capital route. As a result the pressure to deliver on financial profitability metrics is very high. Offshore product development has proven to be an effective means of extracting more value out of every dollar of funding raised. Analysts believe that, as in services, global sourcing of product development will become an integral part of most product-centric strategies over the next few years.

The key drivers fuelling the growth in offshore product development include:

- Increasing pressures on product companies for faster time-to-market, coupled with the need to introduce new products and new technologies to expand geographic reach

- Economics of open source software is forcing companies to pare down development costs to remain profitable

- US-based venture capitalist firms are encouraging their customers to use/ investigate offshore facilities in India, and other countries such as China. India's lower costs (it generally costs around USD 2 million to develop a modest software product in India, as against USD 5 million in the US), means that venture capitalists are not risking as much money on a given start-up

- India's emphasis on improving information security and IP protection In addition to the export of products developed by the offshore units (captive and third-party-service-providers ) on behalf of the MNCs, a few Indian vendors have successfully expanded their revenue streams beyond service revenues to include earnings from exporting their own software products.

**Our Business**

## I. Overview

We are a focussed communication software company with a particular presence in the broadband and wireless software space. Our core expertise lies in developing embedded communication software for companies across the communication value chain – network equipment manufacturers, semiconductor vendors and mobile terminal vendors. We have recently diversified into application software development for communication service providers. Our growth strategy is focussed on creating competitively priced software solutions that will help our customers increase their revenue base.

Our original focus area was to Electronic Design Automation (EDA) tools. Our largest customer in the early 1990s was a communication equipment company. Led by our largest customer, we diversified into the communication software space in 1993. Our first engagement in this space was in the services mode. Our services business has continued to grow over the years, and continues to be the key component of our revenues. Parallely, in order to build our expertise in this area, we seeded research initiatives in the DSP and Multimedia space in 1994. Since the communication industry is heavily standards-driven, we started participating in standardization bodies in 1996. In the period 1997-2000, we crossed several milestones in the communication products space: we were able to license our DSL reference design beginning 1997 and license our W-CDMA protocol beginning 2000. In 2000, we exited the EDA space and decided to concentrate exclusively on the communication software space. With in the communication space, we decided concentrate on two focus areas: broadband and wireless. Beginning 1999, we have channelized all our investments into these two areas. In October 2003**,** we established a Subsidiary to provide application software services for operation and billing support systems (OSS and BSS). Subsequently, we established another Subsidiary to provide services for planning, deployment and managing wireless networks to network equipment manufacturers.

*Business Model*

Our business model is a "hybrid" model, which involves a mix of software products and services. We believe that services and products are complementary. Our services relationships are often important to us for building skill sets as well as understanding the end markets that we serve. This knowledge benefits our products business. On the other hand, our products business allows us to differentiate ourselves in a given space, and is beneficial for winning services business. Integral to both our product and service offerings, is our domain and IP, in our chosen areas of focus. Our services (including network engineering services) and products business were 74.51% and 25.49% of consolidated revenues in FY 04 and 86.00% and 14.00% of consolidated revenues for 9 months ended December 31, 2004.

*Services*

Our services can broadly be termed as embedded R&D outsourcing services. We currently provide services, solutions and technologies to customers who are large network equipment manufacturers (both wireless and wireline), semiconductor manufacturers supplying to the telecom market, wireless terminal product vendors and test and measurement equipment providers, worldwide. Our Subsidiaries extend our offerings to network equipment manufacturers to service their non-embedded or non R&D outsourcing requirements.

Our services business addresses three principal segments viz. Network Equipment manufacturers, Semiconductors and Terminals.

- In the network equipment manufacturers' space, we offer software development services for products in the growth phase and, offshore software sustenance services for mature products where R&D costs are under pressure. We also offer software development and sustenance services to Test and Measurement companies. Our Subsidiaries add to the breadth of our offerings to this segment. SNSL provides software services for operation support systems and SNEL provides services for planning, deployment and managing wireless networks.

- In the semiconductor segment, we have two service offerings: Integrated Circuit Design Services (ICDS) and Silicon Platform Support Services (SPSS). Our ICDS offering provides services to semiconductor vendors for design, verification and integration of chips. Our SPSS offering provides services to our semiconductor vendors for design, testing, maintenance/sustenance and integration of software around their integrated circuits. Our focus area for SPSS is programmable chips developed by our customers such as System-on-Chip (SoC) and processors including Digital Signal Processors and Micro-controllers.

- In the terminal device segment, we offer model development services. This includes software development, maintenance and testing services for developing and integrating the software load for a new mobile phone. This service is targeted at enabling terminal device manufacturers to ramp up the number of models they can launch in a year.

*Products*

Our products are typically software components that are used by our customers to create solutions for their clients. All our product initiatives are focussed on creating components for terminals or customer premise equipments. We also license our products to semiconductor vendors who want to create reference solutions for their clients. These semiconductor vendors may license these products to their clients. Our products business principally addresses the wireless terminals space, with some revenue contribution from the wireline space as well.

- In the wireless terminal space, we offer four product lines – mobile protocol stacks, multimedia codecs and engines, multimedia applications and integrated solutions. Our Layer 2 and Layer 3 protocol stacks for GSM-GPRS, UMTS and dual-mode phones form the core of the communication engine in these phones. We also offer multimedia codecs and engines (such as MPEG4 audio and video, AAC etc) as well as multimedia applications (such as MMS, Media players and video-telephony applications). This software is necessary to create various feature rich phones such as entertainment and camera phones. Based on customer requirements, these individual product lines are offered as pre-integrated platform or solutions.

- In the wireline segment, we offer DSL IP that is licensed to DSL semiconductor vendors or to CPE vendors.

*Engagement models*

The engagement model for our services can be classified into two broad models – Time and Material (T&M) based billing and Fixed Price (FP) projects. We also occasionally enter into Risk and Reward sharing models. The engagement model for software products is typically a mix of licensing fees, non-recurring engineering (NRE) fees, royalties and annual maintenance contracts (AMC). We also occasionally enter into co-development of products with key partners.

We believe that our ability to build our hybrid model is due to various factors that are given below.

*Skillsets and relationships*

We have built a range of competencies that are very specific to our offerings and our customer's needs. These include skills in wireless, wire-line and datacom domain, DSP skills in communication technology and multimedia, communication testing and test automation, terminal based applications and application integration, OSS and BSS Applications, IC Design, wireless network rollout and Project management.

We have also built relationships with leading test houses, test equipment manufacturers, service providers, OS vendors, application providers, and middleware and platform vendors. This helps us in building a broader understanding of our customers' needs and developing new offerings for our customers.

*R&D, Intellectual Property and Standards Bodies*

An important pre-requisite for a hybrid model is a R&D base. We have laid emphasis on R&D right from our formative years. We have a Corporate R&D Group that is focused on enhancing the current technologies to support emerging versions of the standards, creating solutions for secure mobile access, creating manufacturable reference solutions, and alternate product forms to deploy our DSL technology.

Along with commitment to research, filing of patents and protection of our inventions is significant aspect of our business strategy. As of March 31, 2005, we have been granted 5 patents under the USPTO and 27 patent applications pending in India, the United States, Europe, Japan and Korea.

We have placed emphasis on tracking and contributing to the evolving standards in chosen domains. In addition to being directly involved in standards development for a variety of technologies, we are also members of some of the industry's technology working groups, including the ITU-T, 3GPP, ETSI and ISO/IEC JTC/1 SC/29 forums. Being actively involved helps strengthen our technical expertise while allowing us to influence the standard with our own development initiatives in relevant technologies.

*Quality*

We have recognized quality as an important differentiator right since inception. Our operations have been assessed at SEI CMM Level 5. We are also certified for TL 9000, the telecommunication industry specific extension of ISO 9001:2000 standard.

*Human Resources*

We have strong HR processes and employee friendly practices and have been ranked as India's Best Employer by the Business Today-Mercer survey (Source Business Today dated November 21, 2004). Sasken's current employee strength as on February 28, 2005 is 1917, which includes 515 post graduates and 20PhDs. Employees who were on the rolls as on March 31, 2004 have all been covered by an employee stock option plan. Further, 1,069,368 shares have been issued to employees on conversion of debentures/options granted under the relevant ESOP schemes, and options for 1,707,968 shares currently outstanding. Together, this amounts to 9.51% of our fully diluted post Issue equity capital.

*Infrastructure*

We have office space of about 470,000 sq.ft. across Bangalore and Pune which can accommodate about 2,300 people Our headquarter is located in Bangalore, India, which houses the business units and other support functions..We also have 10 international offices in Canada, China, France, Germany, Japan, Sweden, UK and USA.

*Sales*

We market our product and services through our sales force operating out of ten offices across Asia, Europe and North America. The sales and marketing team is split into services and products. As at February 28, 2005 the front end sales team comprised 30 personnel, including 17 in Services and 13 in Product sales.

*Entry barriers*

We have replicated the infrastructure required to support a key customer's platform in our premises and have taken end-to-end responsibility for the platform software. Reference designs using our GSM/GPRS protocol stack have passed regulatory tests specified by 3GPP and GCF (popularly known as Full Type Approval (FTA)). We have made significant investments in R&D initiatives in our chosen focus areas for products. We believe that these initiatives, which have taken several years to establish would act as an entry barrier to some of our services and products businesses.

*Key Risks*

Some of the key risks in our business include wage inflation, which can erode competitiveness in both services and products. Our concentration on a single industry vertical makes us vulnerable to any sudden downturn in the global telecom industry. R&D programs that we might be working on for customers could get abandoned leading to a fluctuation in revenues. Our products strategy is dependent on semiconductor partnerships. The choice of the correct silicon platform is important for the success of our products. Since our preferred engagement model in the products space is royalties, our future revenues are linked to the success of our customers' products in the marketplace.

**Competitive Strengths**

*Focus on Telecom*

We are focused on the telecom vertical and have maintained our focus on this segment through the ups and downs of a global telecom business cycle. We believe that this differentiates us from our competition in the eyes of our employees as well as customers.

*Hybrid Business Model*

Our experience is that our hybrid business model of services and products group is complementary. Our services relationships are often important to us for building skill sets as well as understanding the end markets that we serve. This knowledge benefits our products business. On the other hand, our products business allows us to differentiate ourselves in a given space, and is beneficial for winning services business.

*R&D Skill sets*

Since 1993, we have been investing in R&D efforts in the telecom domain. We provide R&D outsourcing services to our customers and have developed IP in telecom. The R&D investments give us deeper understanding of the technology and marketplace. As a result, we have accumulated domain knowledge and experience in the areas of wireless and wireline broadband communication software as well as DSP applications such as multimedia. We are able to leverage this experience and knowledge in penetrating and growing our business with our key accounts as well as developing new offerings for our customers.

*Experienced Management Team*

Our core management team provides their technical and financial expertise to our business. Several of our senior management and employees are highly qualified software personnel and have a deep understanding of the industry and have helped conceptualise, design and develop our core software products and services. We have also assembled product development, technology solutions and marketing teams with established track records in the industry.

*Employer of Choice*

We were ranked the Best Company to Work for in India, in the Business Today-Mercer survey published in November, 2004. We were also ranked as the best Company to work for in India based employee perception. This is corroborated by the fact that 27% of our recruitment is through internal referrals. As on February 28, 2005, 27% of Sasken's employees were postgraduates and 1% were PhDs.

*Bridge between handset and semiconductor*

We work with both semiconductor vendors as well as handset vendors. We believe that there is a gap between what the semiconductor vendors provide and what the handset vendors need. Since we work with both these segments, we are able to provide products and services to bridge the gap.

*Long-term and large relationships with customers*

We have long-standing relationships with large multinational corporations, built on successful prior engagements with them. Based on our record of delivering high quality software solutions and on our focus in the telecom domain, many of our large customers conduct repeat business with us.

*India-based operations*

Our India-based operations benefits from the availability of a large english speaking engineering talent pool. Historically, wages in India for professionals of similar qualifications and experience, have been lower than those in other countries where some of our competitors operate.

*Processes*

Our processes are compliant with globally recognized standards such as SEI CMM Level 5 and TL 9000. These certifications help us to ensure repeatable performance on various parameters such as cost, schedule and product quality.

*Standards-based product development*

Our products conform to emerging standards, which broaden the market opportunity due to their interoperability with equipment and software developed by other vendors. We have placed emphasis in tracking and contributing to the evolving standards in chosen domains and continue to make efforts towards ensuring that our products are compliant with emerging standards.

*Partnership focus in products*

Our products are developed on certain semiconductor platforms. As a result, we have built relationships with semiconductor platform vendors. These vendors provide us access to their processor architectures, development environments (both hardware and software) and future roadmaps. We believe such relationships are important for us to remain competitive.

**Business Strategy**

*Key account strategy*

Our customer space is dominated by few large vendors. Hence, our customer acquisition strategy is to build enduring relationships with existing and new large customer accounts. We intend to increase our share of the customers wallet, by increasing our portfolio of solutions and services, in line with the customers needs. We will also focus on acquiring smaller customers, who have the ability to influence technology evolution in the long run.

*Establish Proximity Centers*

We intend to establish proximity centers across the globe to effectively service our customers' in different parts of the world. Proximity centers will be development centers that can service customers in the local market as well as global customers. We currently do not have any such center.

*Expand Offering Base*

We shall continue to build our competencies in the telecom domain and build offerings to address various areas of the telecom value chain. For example, we intend to introduce an offering of software solutions for telecom service providers. We also intend to develop more offerings for our existing market of Network Equipment Manufacturers (NEM), semiconductor vendors and mobile handset vendors.

*Develop partnerships with semiconductor vendors*

We intend to strengthen existing relationships with semiconductor vendors and build enduring relationships with other semiconductor vendors. A stronger understanding of various silicon platforms will help us to address a larger number of customers with a broader set of solutions.

*Focus on increasing royalties on our product offerings*

We intend to use our licensing and royalty pricing models judiciously to acquire new customers and to increase revenues. Historically, most of our revenues from the product segment have come from licensing. Royalties currently account for a small share of our product revenues. Going forward, royalties are our preferred mode of engagement.

*Invest in R&D*

We believe that investing in certain emerging technologies will be a critical parameter for our success going forward. Hence, R&D continues to be a major emphasis for us. We intend to maintain our focus in the telecom domain on the development of new products, to provide innovative services and to increase domain knowledge. We intend to track developments and trends in communications technologies across the world and to invest in those that we believe will be dominant in future.

*Strategic acquisitions and joint ventures*

We intend to selectively pursue a strategy involving acquisitions, joint ventures, incorporation of subsidiaries and opening of branch offices in India and abroad to augment our existing skill sets, industry expertise, customer base or geographical presence. This will strengthen our core competencies, help us develop solutions across the telecom value chain, acquire key customers and increase our presence in other countries.

*People strategy*

We intend to continue to invest in recruiting, training and maintaining a challenging and rewarding work environment. Our focus will be to maintain our position as employer of choice and be able to attract the best engineering talent in India and abroad.

*Brand building*

We intend to continue investing in the development of our brand identity in the marketplace. Our branding efforts include participating in media and industry analyst events, sponsorship of and participation in targeted industry conferences, trade shows and recruiting efforts. Our continuing association with standards bodies and research institutes will help in building Sasken as a strong and recognizable brand among customers and the engineering community.

**Business Model**

Our business model with customers is a "hybrid" model, which involves a mix of software products and services. Integral to both our product and service offerings is our domain focus.

| Revenue | FY02 | FY03 | FY04 | 9 Months Dec - 2004 |
|---|---|---|---|---|
| Services in % | 62.84% | 59.80% | 74.51% | 85.24% |
| Products in % | 37.16% | 40.20% | 25.49% | 14.00% |
| Network Engineering Services in % | - | - | - | 0.76% |

*Services Model*

Our services can broadly be termed as embedded R&D outsourcing services. We currently provide services, solutions and technologies to customers who are large network equipment manufacturers (both wireless and wireline), semiconductor manufacturers supplying to the telecom market, wireless terminal product vendors and test and measurement equipment providers, worldwide. Our Subsidiaries extend our offerings to network equipment manufacturers to service their non-embedded or non R&D outsourcing requirements.

We adopt the following business models to engage with our customers:

*Time and Material ("*T&M") – Most of our services revenues are on T&M basis, wherein the Company bills the customers on certain pre-agreed rates for software development. T&M billing gives customers greater flexibility in terms of developing the project specifications on an on-going basis and modifies specifications based on changing market needs. We have separate rates for on-site and offshore services. Most of our revenues are generated offshore. In order to bring predictability into our T&M revenues, we have set up dedicated infrastructure and teams for certain customers. Such facilities are called Off-shore Development Centers (ODCs). ODCs enable the Company to develop understanding of the customers needs, their technology requirements and in creating annuity accounts with long relationship providing continuous business. Unlike a generic T&M contract, an ODC contract typically contains fixed commitments regarding quantum of business for certain duration, thereby giving us predictability. We currently have ODCs for customers including Tier-1 NEMs and a semiconductor vendor.

*Fixed Price Projects* ("FPP") – Some of our software development business is conducted on fixed price basis. Typically, these projects are undertaken for customers whose needs are well defined with relatively small chance of variation in the project specifications. We would seek to undertake FPPs in domains wherein we have expertise.

*Products Model*

We derive our revenues by licensing our software products to semiconductor partners and to their clients (DSL modem manufacturers or mobile phone manufacturers). Licenses could be in the form of development licenses (given for creating working prototypes) or commercial licenses.

Commercial licenses would allow the customer to integrate our generic product into their platform and to distribute it in binary form to their clients.

Revenues from a licensee would typically consist of:

i. Upfront license fees -- for accessing our proprietary software
ii. Customization charges or Non-Recurring Engineering (NRE) charges -- for porting the generic product on the customer's platform and for implementing additional features not present in our generic product
iii. AMC fees -- for us to support the software stream licensed to the customer
iv. Royalties -- per unit shipped that includes our products

Typically, we enter into a licensing arrangement with a semiconductor company who in turn is allowed to sublicense our products to their device customers. Our licensing arrangement with a semiconductor company typically defines the access fees, AMCs and royalties that the semiconductor company can in turn offer on our behalf to the device companies. We and the semiconductor company then carry out joint market planning and co-ordinate sales efforts to sell the joint solution to device customers.

This products model has the following benefits for us:

i. Access to the marketing and sales arms of the semiconductor partners
ii. Some of the development and testing costs of the product are absorbed by the semiconductor company
iii. Product evolution decisions are made jointly with the semiconductor partner who in turn works closely with their device customers.
iv. Link royalties to semiconductor shipments, which are easier to track.

However in several cases, we enter directly into a support agreement directly with the device company so that there is a better control of the support process. We may also enter directly into a licensing agreement with the device company when some of the advantages cited above can be directly derived from the device company.

| **Revenue contribution** | **Year ended March 31, 2003** | **Year ended March 31, 2004** | **9 months ended Decembers 31, 2004** |
|---|---|---|---|
| Licensing | 345.96 | 279.33 | 83.82 |
| Royalties | - | 9.46 | 24.46 |
| NREs/customisation and development fees | 93.77 | 134.67 | 125.87 |
| **Total** | **439.73** | **423.46** | **234.15** |

*Customers*

In the network equipment provider space we work with four Tier-1 network equipment manufacturers. In the semiconductor vendor segment we work with six Tier-1 companies across North America, Europe and the Far East. In the Terminals vendor segment we work with six Tier-1 companies spread across North America, Europe and the Far East. In addition we also work some other smaller companies in each of these segments.

## II. SERVICES

Our services can broadly be termed as embedded R&D outsourcing services. We currently provide services, solutions and technologies to customers who are large network equipment manufacturers (both wireless and wireline), semiconductor manufacturers supplying to the telecom market, wireless terminal product vendors and test and measurement equipment providers, worldwide. Our Subsidiaries extend our offerings to network equipment manufacturers to service their non-embedded or non R&D outsourcing requirements.

Our services business addresses three principal segments viz. Network Equipment manufacturers, Semiconductors and Terminals. Each of these segments is detailed below.

### A. Network Equipment Manufacturers

In the network equipment manufacturers' space, we focus primarily on providing total product lifecycle management services to our customers in the wireless space. For customers who are developing new products, we offer embedded software development services that allow them to keep their product development budgets in control. As our customers' products mature and pricing pressure kicks in, our customers find that R&D efforts to extend the life cycle of the existing products as a percentage of revenues increases. For such products, we offer offshore sustenance services. As a part of this segment, we also offer software development and sustenance services to Test and Measurement companies. Our Subsidiaries add to the breadth of our offerings to this segment. Sasken Network Systems is focused on the operations domain of the telecom market and provides application software services for OSS. SNEL further extends this focus on operations domain and provides services for planning, deployment and managing wireless networks.

### (i) Market Overview of the Services Segment

Some of the key trends and drivers affecting our customer markets in this space are given below:

*Cellular Infrastructure Market*

The leading vendors in the market are Nortel, Lucent and Motorola from North America, and Ericsson, Nokia, Siemens and Alcatel from Europe. The worldwide market for mobile infrastructure is estimated to have been about US$ 37.3 Billion in 2004. Of this, about US$ 24 billion was in fresh investments in equipment and software and the remaining US$ 13.3 billion was in software upgrade and maintenance. The worldwide cellular network equipment revenue has declined significantly from $40 billion in 2002 and is expected to grow to US$ 40.1 billion by 2008. (Source: Gartner)

The market is split across two competing technologies – CDMA 2G/3G and GSM (2G)/UMTS(3G). GSM/UMTS is the dominant technology. Vendors have to manage multiple internal programs as well as support their customers for 2G, 2.5G and 3G technologies simultaneously. In addition, GSM, TDMA and CDMA technologies each follow a unique migration path to 3G, forcing network equipment vendors to manage diversity their overall migration roadmap. (Source: Gartner)

We believe that the market is moving from GSM and CDMA 2G to UMTS and CDMA 3G. Even as revenues from legacy technologies like 2G decline, equipment vendors have to continue to support commitments to a huge installed base. At the same time, equipment vendors need to commit resources to develop 3G products to ensure their future success. Given that the overall markets are expected to remain flat, vendors need to strike a balance between new product development and support costs. Thus vendors have responded to this challenge by outsourcing the legacy product software maintenance and upgrade to lower cost offshore centres such as India, China and Eastern Europe. By outsourcing, these vendors can maintain sufficient team size necessary to fulfil their support and product development requirements with a lower budget.

*Network Services Market*

Gartner estimates that telecom carriers spent $17.3 billion in 2004 for externally provided OSS solutions. Of the $17.3 billion, $3.27 billion was spent on software license fees while the remaining $14.03 billion was spent on consulting, integration, maintenance, customization and managed network services. The total external OSS market is expected to grow to $22.55 billion by 2008 at a compounded annual growth rate of 6.8%. In 2004, North America was the largest external market for OSS at $6.28 billion.

We understand that the service provider customers of the NEMs expect OSS software license as well as customization services as a part of a network equipment contract. While this item is not a key driver of revenue, it adds to the overall cost of development of the NEM. We understand that there are substantial cost pressures on the NEM. Our offering was set up to provide cost effective services to address this problem. Our offering also caters to ISVs.

*Indian Cellular Market*

India is one of the fastest growing cellular industries in the world witnessing high competition, steep price reductions and higher fixed-to-mobile substitution (Source: Gartner) As the subscriber numbers in India ramp up, Indian service providers are looking to aggressively roll out networks and enhance coverage. Hence the Indian market is a critical market for NEMs. Given the price sensitive nature of the Indian market, NEMs are looking to reduce the network roll out costs using local vendors.

**(ii) Our Offerings in the Services Segment**

Our core offerings for this space are Radio Access Network Services (RANS), Operations Support Systems (OSS) services and Network Engineering Services (NES). While Sasken offers RANS, OSS and NES are offered through SNSL and SNEL respectively. Each of these offerings is detailed below.

In addition to all the above services, we offer some other services including sustenance and development services for enterprise voice and data systems. These services are account led, and are aimed at increasing penetration into specific accounts.

**(a) Radio Access Network Services**

Our primary offering is RAN R&D services. Services are offered for major elements in the RAN and cellular wireless technologies. The R&D services are targeted for products in following stages of the life cycle:

- Development services to help in development of new products
- Product maintenance services for supporting products deployed in the field
- Product evolution services to enhance products to support newer technologies
- Product sustenance services for products nearing end-of-life

In terms of technology, we are focusing both on earlier generation technologies (2G/2.5G - CDMA, GSM, and GPRS) as well as latest generation technologies (3G - EDGE, CDMA 2000, CDMA EVDO/EVDV, and UMTS WCDMA) and beyond (HSDPA, IMS). Our primary target customers are Tier-1 NEMs. We also target Tier-2, Tier-3 (mostly new entrant) NEMs.

We also provide test scripts and test scripting services to Test equipment vendors. Test and Measurement (T&M) equipment manufacturers provide equipment that enables network and handset manufacturers test and validate their products before they are released to the market. The T&M manufacturers move through a product / technology lifecycle similar to that of network manufacturers and thus have similar drivers at each stage.

**(b) Operations Support Systems Services**

Our Subsidiary SNSL is currently focused on providing OSS solutions to NEMs and independent OSS software vendors (ISV).

Our primary offering in this space is software services for development and maintenance of various software components required for implementing a network support system in the field. In particular, we offer for development and maintenance of the following software systems:

- Element manager system (EMS): This includes development and adaptation of the EMS software and framework for new products being launched by the customer.
- Inventory Management and Provisioning System services: Inventory management software manages information regarding the physical assets in the network (such as what systems are deployed, what cards are installed, and what ports (connectors) they have) as well as logical assets (services that run over the physical assets). Based on the inventory database, the service provisioning system is responsible for configuring the various components and interfaces of the networks to support the service.
- Service assurance: Service assurance software is responsible for making sure that all of the services that have been provisioned in the network are operating correctly. This includes functions such as capacity reporting, error reporting etc.

**(c) Network Engineering Services**

Our Subsidiary SNEL offers services for planning, deployment and managing wireless networks to NEMs and wireless service providers. Along with the supply of equipments, NEMs are also required to perform a host of engineering services to commission and integrate their equipments with the existing network which are critical to achieve the desired quality of service / specified performance parameters by the service provider. SNEL seeks to partner with NEMs to deliver these requirements. SNEL offerings are aimed to leverage our existing relationships with NEMs who are now aggressively targeting the Indian market. We are currently focussed only on the Indian markets for this offering.

SNEL acquired the assets and a contract of Blue Broadband Technologies Private Limited (BBT) on October 28, 2004. BBT had been engaged in the business of providing network-engineering services since 2002.

**(iii) Segment Business Strategy**

- Entrenching with a customer on its older product technologies like 2G to build and grow our relationships with Tier-I NEMs.
- Grow share of wallet with existing customers by pitching OSS and NES offerings.
- Target independent software vendors as a secondary segment for OSS.
- Focus on developing markets (particularly India) for NES offering
- Improve visibility in the mass market by various means, including possibly branding or co-branding products with partners, in India and outside.

**(iv) Competitive Strengths**

We have experience across technologies: TDMA, CDMA, GSM, GPRS, UMTS. We have capabilities and have worked for customers on the complete spectrum from second generation to third generation communication technologies. Our competitive strengths are as follows:

- Understanding of the product life cycle of complex telecom systems and ability to support it through R&D, product development, testing, deployment, field support, sustenenace and evolution.
- Multi-point engagements provide us the ability to carry learnings from the field to the lab and back.
- Flexibility on account of our ability to execute smaller subset services. Further, we have the ability to integrate the various sub-projects over a period of time to execute an entire program independently.
- Long relationship with Tier-1 NEM for over a decade.

- Defined technical processes suitable for RAN development and sustenance.

**(v) Case Studies**

**Case Study 1: ODC for a Tier 1 North American NEM**

We have set up the ODC for this customer in 1993. We have worked on multiple engagements for this customer. Some sample engagements are given below:

(a) Radio Access Network Services (Product Responsibility): The customer provides GSM wireless network equipment to cellular network operators worldwide. This engagement was initiated in 1999. Today, we are responsible for autonomously supporting the customer's GSM 2G installed base – that comprises of 40+ operator networks using 5,000 BSCs and 75,000 BTSs – and for supporting the customer's R&D teams to develop the 2.5G and 3G evolutions.

For this purpose, in addition to the work area for 250 engineers and managers, We has set up a lab of 3500+ sq. ft. for the customer's equipments. The lab is used for testing our deliveries before the customer releases to network operators. We can simulate a complete cellular network and a mobile-to-mobile call within the lab.

Our responsibility spans the following areas:

- To provide 24x7 global product support to the customer's operations team when problems are reported from the field. Our team is "on-the-call" till the operator network is restored and is responsible for collecting relevant details, analyzing and resolving the problem.
- To develop software fixes for problems reported from the field. The field reported problems are prioritized and fixed based on their criticality.
- To design and develop new software features/upgrades required by the network operators in these products.
- To test the product fixes and new features developed by us before the customer releases to the field.
- To track, report and review performance metrics on a regular basis. .

*(b) Network Engineering Services:*

The customer has won a contract with an Indian service provider. As a part of the contract, the NEM is also responsible for the installation and commissioning of the equipment. In particular, the project involves installation and commissioning of 22 MSCs and 184 BSCs across 11 circles. The project also includes site engineering. SNEL is currently in the process of implementing this project.

**Case Study 2: ODC for a Tier 1 North American NEM**

We have set up the ODC for this customer in 2003. We have worked on multiple engagements for this customer. Sample engagements are given below:

*(a) Radio Access Network Services: Deployment support for CDMA 1x-EVDO product:* The customer was deploying its CDMA 1x-EVDO BSC product to its first client. This customer wanted support services for this deployment activity. We provided a team of 12 engineers to support this deployment by participating in the engineering activities, which included:

- Addressing all assistance requests from the front-end field support staff
- Maintaining the installation packages
- Making the necessary modifications to the software

This scope of the activity has now been extended to include the following and the team has grown to 16 engineers:

- Product support for additional customers
- Development services to develop new features for the next version of this product

*(b)* *Network Support System Services: IP/MPLS element manager*

The customer had partnered with another vendor in the NEM space to provide next generation switching solutions to its client in the service provider space. The customer had an EMS framework available for existing products that its clients were already using. The customer wanted to integrate the partner's products into this existing framework, and was looking for a partner to execute the project.

We are currently developing the product on a turnkey basis and is involved in requirements definition, implementation, product delivery, and training. The project's peak size was 33 engineers. We have completed the development for one version of the partner's equipment and EMS for the next version is currently in development phase.

*(c)* *Network Support System Services: WCDMA 2000 Radio Access Manager and HLR Manager*

The customer was preparing for the launch of their next generation wireless equipment. We understand that the customer was looking for a cost effective development partner who had already worked on the EMS framework that they had built in house.

The customer chose us as we had already worked on the EMS framework (see previous example). We are working on updating both their HLR manager and their RAN Manager. In particular, the team is involved in enhancing the network management capabilities for a specific customer deployment. This engagement began in early 2004, peaked at 62 engineers and currently has 58 people. The team works multiple on-going release cycles.

**B. Semiconductor Vendors**

This segment offers services for semiconductor vendors. In this segment, we have seen complementarity between our services and products businesses.

**(i) Segment Market Overview**

*Some of the key trends and drivers affecting our customer markets in this space are given below (Source: Gartner):*

The overall semiconductor market worldwide is estimated to have been around US$ 220 billion by the end of 2004. The semiconductor market will post little revenue growth for the next two years, as the factors that drove strong revenue growth in 2004 will dissipate. However, this next downcycle will not be as traumatic as the last and, as it plays out, will go some way to continue the industry's recovery from its 2001 hangover.

**Market Share by Device:** The total market size of the semiconductor market in 2003 was US$178 Billion. We segment the semiconductor market in two ways – by device category and by end applications. In terms of device category, we target the ASIC/ASSP segments. ASSP segment was 24% of the worldwide market and we expect it to grow by 2.7% in 2005. ASIC segment was 8% of the worldwide market and we expect it to grow by 0.9% in 2005. In terms of end applications, we target the wireless semiconductor space. This segment of the worldwide semiconductor market was US$35.7 Billion in 2004. This segment was about 16% of the world markets in 2004, and we expect it to grow by 5.1% in 2005.

2004 was a strong growth year for semiconductors used in mobile handsets and mobile infrastructure. Handset semiconductor revenue growth will be US$ 33.4 billion, with growth of 46 percent compared with 2003. Longer term, no growth is expected in 2006 and modest growth in 2007 and 2008. If this scenario plays out, industry consolidation will increase after 2005 because of greater competition and relatively high development costs

On the infrastructure side, operators are investing in upgrading their 2G and 2.5G networks to improve the quality of service they provide to their customers. Coupled with ongoing investment in their 3G networks, the upgrades provide welcome growth for semiconductor suppliers**.**

### (ii) Our Offerings in this Segment

In the semiconductor segment, we have two service offerings: Integrated Circuit Design Services (ICDS) and Silicon Platform Support Services (SPSS).

### (a) Integrated Circuit Design Services

This offering is targeted at Tier 1 semiconductor vendors as well as start-up semiconductor vendors. Association with leading semiconductor houses as well as start-up companies enables us to tailor our offerings and development process to suit specific customer requirements. ICDS offering provides services to semiconductor vendors for design, verification and integration of integrated circuits. Our focus area for ICDS is programmable devices developed by these vendors. The programmable devices can be processors, System-on-Chip (SoC) or FPGA.

We have already serviced customers through various stages of the development cycle of designing an integrated circuit, thereby building a list of references for our capabilities. We have strengthened the offerings over the last two years by building competencies in newer languages, methodologies, and tools and will continue to build resources in these areas.

ICDS needs capital-intensive EDA tools to meet customer expectations on our deliverables. We are focused on making structured investment in a wide range of high value EDA tools in line with business opportunities. We have also established licensing and training relationships with major EDA vendors to consistently upgrade our competencies. We currently have experience in tools from Cadence, Synopsys, Magma, Mentor Graphics, Xilinx and Synplicity.

### (b) Silicon Platform Support Services

The SPSS offering includes design, testing, maintenance/sustenance and integration of software around the chips developed by our semiconductor customers. SPSS offering focuses on programmable devices. SPSS is targeted to meet the software outsourcing needs for the entire product life cycle of a customer's chipset/platform. We provide the following services:

- Operating system porting, device driver development and customer support for board support packages and tools such as compilers, debuggers and integrated development environments.

- Development of application specific components/middleware. These components depend upon the application segment for which chipset/platform is targeted. Currently we are focused on components for media and communication engines

### (iii) Segment Business Strategy

- Focus on application specific integrated circuits and programmable devices.
- Focus on communications, consumer, and data processing segments
- Increase share of wallet with customer by offering both ICDS and SPSS, depending on customers' needs across the product and technology life cycles.

### (iv) Competitive Strengths

- Domain knowledge in wireless, wireline and multimedia
- Experience with integrated circuit design flows with hands on knowledge of various industry standard EDA tools
- Skills in system design and integration
- Ability to meet the outsourcing needs for the entire product life cycle of the chipset/platform. We participate with customer teams in pre-silicon as well as post-silicon IC and software development.

### (v) Case Studies: ODC for a Tier 1 North American customer

We set up the ODC for this customer in 1999. The customer is a major supplier in wireless as well as wireline space including handsets and NEMs. We serve this customer with both ICDS and SPSS offerings and have worked on multiple engagements. Some sample engagements are given below:

*(a) ICDS Engagement: Development of Derivative Chip*

The customer had developed a chip for its target market and it was in production. The customer wanted to develop a variant of the chip and leverage the work already done. Services were required across the development cycle to complete this activity. Our engineers had worked on the earlier version and the customer wanted to leverage this knowledge.

The estimated rework was on about 2 million gates. Our engineers were responsible for modifying the design, verification of the changes as well as the overall functionality, synthesis, physical design, timing analysis and physical verification leading to the delivery of the design database. We were involved in setting up regression environment to execute 3000 test cases. We were also involved in extensive simulations to validate the design. A team of 20 people was deployed onto this activity.

*(b) SPSS Engagement: Development and Porting of Multimedia Framework*

The customer had developed an application processor chip targeted at the mobile phone market. The customer needed to provide their client with a multimedia framework that includes codecs, multimedia controllers and media support libraries.

Our engineers had worked on earlier version of the chip and the customer wanted to leverage this knowledge. Our team was responsible for developing modules that included DSP resource management, user interface operations, video and audio controllers, format plug-ins for audio and video codecs. A team of 40+ engineers was deployed on this activity.

**C. Terminal Device Vendors**

In the terminal device segment, our offering is Model Development Services (MDS). In this segment also, we have seen complementarity between our services and products businesses.

**(i) Segment Market Overview**

Please refer to the sub-section titled “Segment Market Overview” detailed under the wireless segment of the products business, on page 89 of this Draft Red Herring Prospectus.

**(ii) Our Offering in this Segment**

Our offering includes software development, maintenance and testing services for developing and integrating the software load for a new mobile phone. This service is targeted at enabling terminal device manufacturers to ramp up the number of models they can launch in a year. The offering targets Original Equipment Manufacturers (OEMs), Original Device Manufacturers (ODMs), Semiconductor Companies and Operators.

Building a phone, low end, mid end or high end is a demanding exercise combining low-level layers of hardware and embedded software design and high-level operating systems and application development. This combined with market fragmentation on platforms, protocols and standards leads to increased complexity, development and manufacturing costs. Further, with increasing pressure on handset vendors to make more phones in shorter time frames, the opportunity to provide outsourced handset development services was opening up. In response to this opportunity, we launched the Model Development Services offering to provide software services to handset makers.

We derive much of our experience due to our complementary product programs in the terminal space. Our services span the entire product development lifecycle – from platform and component development to integration, testing and certification.

In addition to services we also supply and software components to meet specific customer demands. Our application offerings are detailed in the section titled “Products Business” on page 91 of this Draft Red Herring Prospectus.

**(iii) Business Strategy**

- Partner with semiconductor vendors, operating system vendors, software component and application providers in the handset space. Build competencies on each of these.
- Leverage relationships with partners to provide support (both IP and services) for a handset vendor
- Increase share of wallet with customers by offering both IP and services, depending on customers' needs.

**(iv) Competitive Strengths**

- We have experience in design, development and integration of various software modules that go into a terminal device. We have built this competency through continuous investments over the years.
- We have developed partnerships with silicon and platform vendors. Two semiconductor partnerships are in place for the multimedia applications offerings. These are Texas Instruments OMAP and Ericsson Mobile Platforms Application partnerships.

**(v) Case Study: Component testing and integration for European Terminal vendor**

We understand that the customer was facing time-to-market pressures on a range of mobile handset models. The problem was identified as inadequate testing of individual components, which resulted in project over-runs at integration stage.

Our team is responsible for a new phase in the product development lifecycle called 'component testing'. This phase was introduced between component delivery and integration phases. We develop test environments for some software components as well as develop and execute unit test case scenarios. This engagement has been going on since March 2003 with a peak team size of 60 engineers.

## III. PRODUCTS

Our products are typically software components that are used to create solutions for terminals or customer premise equipments. Our Products division caters to the needs of companies involved in the design and manufacture of end-user equipment in the wireline (specifically DSL modems) and wireless (specifically 'mobile phone'). We derive our revenues by licensing our software products to semiconductor partners and to their clients (DSL modem manufacturers or mobile phone manufacturers). Each of these segments is detailed below.

### A. Wireline

We offer technology solutions for PC and DSP based ADSL CPE solutions.

**(i) Segment Market Overview**

*Some of the key trends and drivers affecting our customer markets in this space are given below:*

There has been seen is the rise of adoption of DSL solutions in cost sensitive markets like China. China tops the world today with 14M DSL lines at the end Q3 of CY2004 (Source: Point Topic). We believe that India is also poised for rapid growth in DSL, with both BSNL and MTNL having announced their plans for DSL deployment.

The voice modems saw transitions from being a fully hardware based solution to a controller less modem to a soft modem on the motherboard. We believe that the ADSL modems will take the route that the analog voice band modems have taken, i.e. that ADSL modems will eventually migrate to software-based modems just like the analog voice band modems have done.

## (ii) Our Offering in this Segment

We started our DSL related activities in 1996. We have consciously taken the software route to implement the technology, while most of the ADSL solutions today are hardware based. Historically, we made investments in companies in lieu of upfront license fees. As a result we made investments in Ambient Inc (which was acquired by a third party purchaser in 1999), 2Wire Inc. and Extandon Inc. We have moved away from this investment model, and now only enter into licensing agreements with customers.

Our IP is presently being deployed in parts of North America by one of our customers who makes home gateways. We also license our IP to semiconductor companies that take the reference design to a silicon solution that can be productized. The semiconductor companies in turn have modem manufacturers as their clients. From the modem manufacturers the modems reaches consumers through channels like the service providers or PC-OEMs.

In the DSL space, we licence two offerings:

a. Technology for DSP based ADSL CPE solutions: This is the traditional form in which DSL technology has generally been licensed. Our software code typically runs on the DSP core in this implementation.

   This technology has been deployed in more than 1.95 million units worldwide.

b. Technology for PC based ADSL CPE solutions: This technology enables ADSL CPE by harnessing the computing power of the processor in the PC and performs all the modem operations in software. This eliminates the need for dedicated processing hardware. We have two versions of this solution. One is an internal PCI card solution while the other is a external USB based solution. We have one license win in this technology. While this is a royalty bearing deal, we have not yet received any royalty from this customer.

## (iii) Segment Business Strategy

- Keep technology in software form in order to provide ease of upgrades
- Leverage processing power of the PC
- Invest in patenting our IP that can be cross-licensed in order to reduce patent licensing royalties to other patent holders
- Create a technology brand by influencing standards through bodies like the ITU.

## (iv) Competitive Strengths

- Cost Advantage: Our solution reduces the requirement for hardware giving it a cost advantage over the conventional hardware solution. Also being based out of India, our geographic base helps us to offer cost effective support in a market with high price pressures.
- Experienced Team: We have an experienced team that has built the product over years of development and maturing it in process. In our opinion, this experience is valuable due to the large time span needed to develop a stable solution.
- Modem Architecture and Design: The design and architecture of the modem provides flexibility to enable the system to work with a variety of hardware platforms, more specifically AFEs (Analog Front Ends).

## (v) Case Studies

We have licensed our ADSL reference design to US based startup in April 2003. The reference design consists of our software solution, which is executed on the Pentium processor of the PC. A DSL modem manufacturer has developed the hardware based on our specifications. We then integrated our software with the hardware provided by the customer to create a fully performing modem.

## B. Wireless

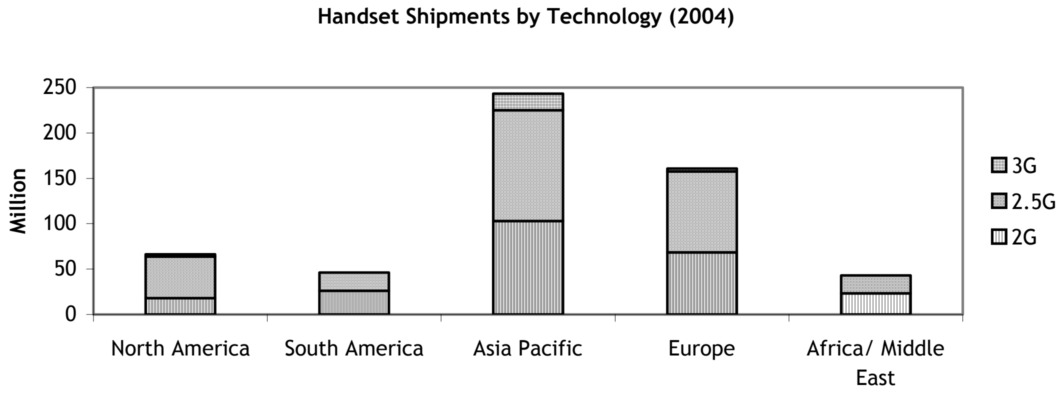
In this segment, we offer software components for wireless handsets such as protocol stacks, multimedia codecs and applications. Additionally, we also offer all these components as an integrated solution.

### *(i) Segment Market Overview*

Some of the key trends and drivers affecting our customer markets in this space are given below:

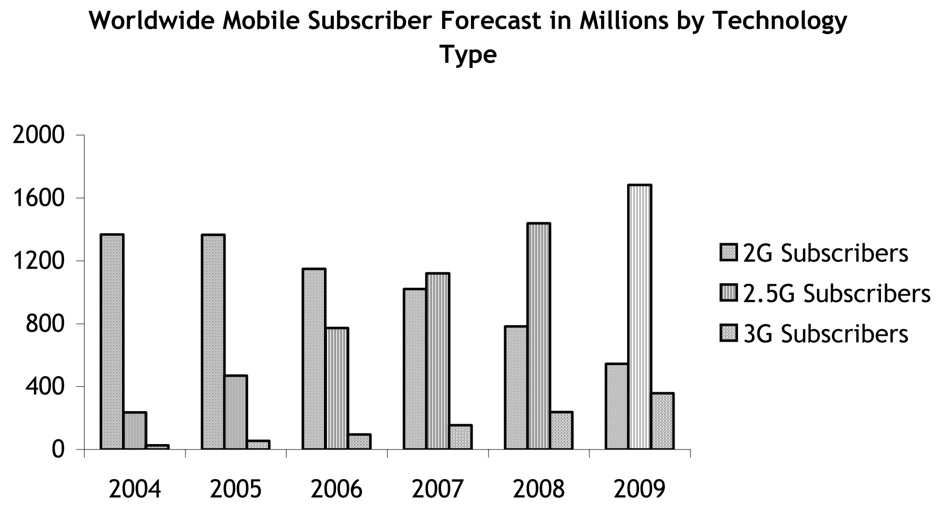
*The shipments of mobile phones worldwide reached about 674 million units in 2004, exceeding forecasts.*

More 2.5G handsets were shipped than any other generation of technology with most of the growth coming from the Asia-Pacific region, followed by Europe. Asia-Pacific also saw the largest number of 3G handset sales.




Source: Future Mobile Handsets, 6th Edition, Informa Telecoms and Media

According to forecast by Informa Telecoms and Media (erstwhile ARC Group) on handset shipments, over the next 4 years, 2G handset shipments are expected to decline significantly worldwide. The sale of 2.5G handsets is expected to peak by 2007-08, fuelled by sales in Asia-Pacific region, followed by Europe. In 3G, handset sale is expected to grow worldwide with maximum growth registered in Asia-Pacific followed by Europe.



Source: Future Mobile Handsets, 6th Edition, Informa Telecoms and Media

*Our Segmentation:* We at Sasken segment the handset market into four broad categories. The categories and the challenges, in our opinion, associated with each category, are detailed below:

- Global Players: This segment constitutes the leading handset vendors who sell in almost all if not all markets worldwide. Typically these companies have extensive in-house R&D capabilities and control over the entire supply chain of hardware and software components that go into the phone. The challenge for vendors in this segment is to retain and improve market shares, for which they need to launch more and more phone models and customize them for different consumer requirements in various regions.

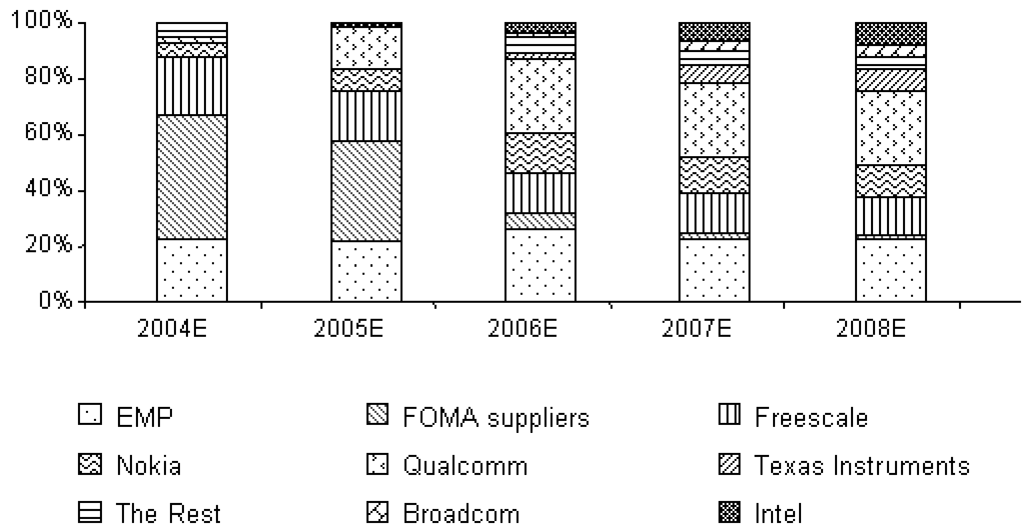
- Regional Players with Global Aspirations: These consist of ODMs based in Taiwan, Korea and China who sell to the global OEMs and also the regional players who have aspirations of creating a global brand. Typically, these phone manufacturers lack the in-house software strengths of the global players. The challenge for this segment is to create a large number and variety of handsets for different markets, without the R&D expertise of the global players.

- Regional Players: These consist of local brands who meet the needs of the local market only. The strongest markets for local brands is in Japan and Taiwan. China has a number of emerging brands. Regional players look for ready to manufacture phone solutions and are typically agnostic to technology of platforms. The challenge for this segment is to retain market shares in the local market in the face of competition from the previous two segments. This segment is challenged further by the lack of large R&D budgets and have to rely on external technology suppliers.

- Operators: This is an emerging market segment in which, cellular operators define the specifications of handsets, get them manufactured by ODMs, brand them and sell them directly to consumers. Operators want to deliver services closely aligned with consumer needs and hence, would like to define technical specifications of handsets which can deliver such services. The challenge for this emerging segment is to create mindshare among consumers and therefore is in competition with handset vendors.

*Baseband Processor Vendors and their Market Shares*

The 2G and 2.5G baseband processor markets are well established and Texas Instruments leads the market in this space. The 3G baseband processor market is still evolving and according to the Signals Research Group, Ericsson Mobile Platform and Qualcomm are likely to be the dominant vendors in the UMTS baseband processor market by 2008. (Source: Signals Research Group)




Source: Signals Research Group

We believe that while software partnerships are well established in the 2G and 2.5G space, they are still evolving in the 3G space. Building partnerships with the right semiconductor partner will be critical for software vendors.

*Trends in Mobile Handset market: (All references marked with '*', Source: Informa Telecoms and Media)*

- In 2003, 2G handsets were estimated to have a wholesale value of around US$164; 2.5+G of US$304 and 3G of US$395. It is expected that the wholesale values across all technologies will fall in the years to 2009, as new manufacturing processes, increased competition and cost control help to push down prices. It has been estimated that 2G handset wholesale price will have dropped to under US$40 by 2009 (assuming they are still being manufactured), with 2.5+G handsets being over twice that figure. 3G handsets will see a halving of the wholesale price over the period to average of around US$ 170 per piece.*

- Historically, segmentation of mobile handsets has been based around technology, with a distinct correlation between technology and price. However, more recently and for the foreseeable future, alternative segmentation strategies have become increasingly important for both vendors and operators. They both seek to segment handsets and their markets in a variety of ways in order to cope with market trends and aid differentiation of their products to attract and retain subscribers.*

- The software content of the phone is going up. Memory being shipped in phones is a direct proxy to the software content in the phone. 50% of handset devices sold in 2003 embedded flash memory not exceeding 4Mb. During the next five years, vendors will progressively upgrade the storage capacity of their handsets. According to the ARC Group, the number of mobile handsets with more than 4Mb embedded flash memory will be more than 77% of the total number of handsets shipped in 2009. This directly means that software bill of materials and software R&D costs are on the rise.*

- Multiple generations of standards will simultaneously exist in the market place. Plain GSM phones are not going away any time soon. At the same time, we see the co-existence of GSM/GPRS phones, GSM/GPRS/EDGE phones, dual mode GSM/GPRS/EDGE/UMTS phones, WCDMA/TD-SCDMA dual mode, GSM/GPRS/WiFi etc. This means multiple platform lines and increases the overall R&D investments of companies.

- Progress in the global mobile handset market and continuing improvements in wireless networks is increasingly shifting them from mainly voice-centric to data-centric devices. Consequently, handsets currently being manufactured are incorporating a variety of new features from Internet access and MMS capability to colour screens, Java and integrated cameras. In addition, some 3G handsets are supplied with streaming video capability and even a second camera. *

- Outsourcing is a growing trend in the marketplace to help cut costs of production and increase manufacturing flexibility, allowing quicker time-to-market; a practice that almost all handset vendors use to some degree. There is already about 20% of the market taken up by outsourced production, and this trend is likely to continue as the benefits become apparent to all vendors and the focus becomes more on marketing, branding and customer relationships. A number of Asian vendors (in particular, new Chinese handset vendors) have favoured the purchase of GSM modules to enable them to develop their products rapidly for the GSM market.*

**(ii) Our offerings**

We have been investing in the terminal space since 1998. Our initial investment was founded on belief that wireless data would be a fast growing segment. In line with this thinking, we started investing in developing a handset-side UMTS protocol stack in 1998. However, we soon realized UMTS rollouts would not be uniform across Europe, and therefore developing a dual mode stack was critical. In late 1999, we started developing a stand-alone GSM/GPRS stack. We have subsequently integrated the two stand-alone stacks into a dual mode protocol stack.

We also had been investing in developing multimedia technology since 1995. Our initial investment was directed at creating multimedia solutions for the PC market. By late 1999, we refocused our efforts in the multimedia space on mobile multimedia applications. In 2002, we became an OMAP Technology Centre. In 2003, we became an application partner for Ericsson Mobile Platforms. The first phone models using our multimedia applications were launched in early 2003. Our customers have since launched several models of phones based on the software that we have licensed. While for most of the handsets launched by our customers, our engagement model is licensing based, the first handset with a royalty based engagement model has been launched in the 2004. Our current focus is to increase the share of royalty based agreements.

Our offerings met with early success. We believe that this early success was due to a combination of product availability and features as well as market environment. It is our understanding that the environment led to significant capital being allocated to investments by a broad spectrum of players addressing the Telecom markets in the 3G space. This in-turn led to demand for our products and contributed to our early success. In this early phase of our products initiative, our preferred business model was licensing our software to semiconductor vendors. The semiconductor vendors had a right to provide this software to handset customers, after paying us a sub-licensing fee. Our early success in this space, customer relationships with handset vendors and volume shipments trends of their handsets based on our software are key drivers of our continued focus and investments in the product space. The shift in focus on engagement model to royalty based revenues is also linked to this trend.

After the telecom market took a negative turn in 2001, our product revenues have drifted down gradually and margins have been under pressure. In order to move away from volatile and unpredictable licensing revenues, we changed our strategy and started focussing on royalty revenues from selling into handset vendors together with our semiconductor partners. The handset vendor contracts typically specify the royalty per unit shipped, as well as non-recurring engineering (NRE) fees for any customisation that may be needed.

In late 2004, it became obvious to us that our customers were increasingly looking not for individual software modules that we were supplying but for integrated phone software solutions. In response to this market need, we have started work on integrating all these individual components and offers this as an integrated solution to our customers.

Our product offerings in the wireless space include:

- Wireless Protocol Stacks
- Codec and Media Engines
- Application Solutions

Each of these offerings is a software module developed independent of a silicon platform. We offer the modules to our customers in partnership with our semiconductor partners. Once the semiconductor partnerships for the module are identified, the module is ported on the platform and optimized. This phase of the engineering activity is done jointly with our partners. Finally, the customer decides to buy a module, some amount of customization is needed to integrate the module with the rest of the software on the phone. We also offer our customers the support that they need for this integration in the form of integration services.

We are also presently working on a project to integrate all these components into a single integrated solution offering.

Our offerings are detailed below.

*(a) Wireless Protocol Stacks (WPS)*

The WPS offering is focused on creating software components for the radio modem subsystem. This offering includes:

- GSM / GPRS protocol stack
- Dual mode GSM / GPRS + UMTS protocol stack

The protocol stacks that we offer typically consist of Layers 2 and 3 of the protocol definition. The stack includes interface that allow the handset vendor to integrate the stack with Layer1, applications and the operating system. The stacks provide a standard debug interface for testing and debugging during handset development. We also offer customization services for porting, integration and testing of our protocol stacks.

*(b) Codecs and Media Engine*

We provide a suite of licensable multimedia codec engines. The suite includes

- Video codecs (such as MPEG-4 and WMV)
- Audio codecs (such as mp3 and WMA)
- Speech codecs (such as G.723)
- Image codecs (such as JPEG)

Our codecs are available off-the-shelf on select silicon platforms. These codec engines are designed as the building blocks for multimedia applications. In addition to our portfolio of codecs, a partner has transferred its entire repository of codecs to us. In case we license the same to any of our customers, we would have to pay license for the same to partner. All our DSP based codecs are sold under the brand name Strawberra Multimedia Codecs.

*(c) Application Solutions*

This offering is focused on creating software components that enable multimedia features in the application subsystem. This offering is branded under the name Strawberra since this is the umbrella brand for the our multimedia portfolio. The offering includes:

- A videophone terminal, a videophone application that allows real-time, two-way voice and video calls.
- MMS client to send and receive MMS messages containing text, audio, images, and video.
- Media application suite which enables play back of varying media file formats and capture and display video and images, eliminating the need for multiple devices such as MP3 players and cameras.

**(iii) Segment Business Strategy**

- Own as much of core technology IP on phone as possible.
- Select key semiconductor platforms, which have the potential to be market leaders, and partner with them to become a part of the software reference design based on the platform. This enables us to develop ready to go software on these platforms. A key decision for the handset vendor is the silicon platform. While the capability and credibility in the silicon platform space is restricted to a limited few, segment leaders are different for different standards. Our ability to increase our software footprint in the overall handset market is linked to aligning with a credible silicon platform vendor/partner, who in turn will be able to establish their leadership. Selecting the right semiconductor partner has a significant bearing on our fortunes in this space.
- Use the semiconductor partners to target ODMs as customers. Focus on ODMs who have achieved scale in their local markets and are now aspiring to go global.
- Focus on royalty based business model with customers who have the ability to scale. We have entered into contractual arrangements with five of our customers for payment of royalty.
- Maximize software real-estate on phone by creating software solutions that are silicon independent, open, and customizable.
- Use WPS and codecs as entry points into new accounts.
- Protect our intellectual property by filing patents. We currently have 5 patents under the USPTO and 27 patent applications are pending in India, the United States, Europe and Korea.
- Create a technology brand by influencing standards through bodies like ETSI and 3GPP.
- Open Architecture: Our components are designed around an open architecture. Our software components are modular with defined interfaces accessible to customers and complying with interface standards wherever such standards are defined. This modularity gives the customer the opportunity to customize his solution.

### (iv) Competitive Strengths

- Roadmap for evolution: Our suite of software products provides the handset vendor with an option of procuring both GSM/GPRS protocol stacks as well as GSM/GPRS/UMTS Dual mode protocol stacks from a single vendor. This reduces the engineering effort required to manage the evolution of the product family.
- Cost effective support: Being based out of India helps us to offer cost effective support that is required by our customers through the lifecycle.
- Lead Customers: The Japanese market is recognized as one of the early adopters of new technologies in the handset space. Our current lead customers include Japanese handset vendors who help in our roadmap definition and also maturing of our offering.
- Semiconductor partners: Relationship with semiconductor manufacturers, which provides us access to their processor architectures, and roadmaps, as well as access to ODM customers.
- Experienced Team: We have an experienced team that has built the product over years of development and maturing it in process. In our opinion, this experience is valuable due to the large time span needed to develop a stable solution.

### (v) Case Studies

*(1) Wireless Protocol Stacks: Basic GSM phone for Chinese OEM*

We understand that the Chinese OEM needed to launch a large number of models in a short time and was unable to do all the necessary R&D in-house. In order to solve this problem, the customer contracted a Chinese design house to design a basic GSM phone family. The design house selected a Japanese semiconductor vendor for supplying the semiconductor vendor's new GSM chipset for this family. We had been working with the selected Japanese semiconductor vendor to jointly create a GSM/GPRS Layer 1 solution since Feb 2002. As this project was executed in a co-development model, we co-own the IP created. We had also been working to port our L2/L3 GSM/GPRS protocol stack on this silicon platform. The semiconductor vendor licensed our protocol stack and paid license fees and NREs. The NREs did not completely cover the cost of customisation, testing and certification, and we partly funded the project. Our funding was treated as our investment in the partnership.

The modular design of our protocol stack enabled the platform to be a basis for a basic GSM phone by removing GPRS specific components. The first phone model in this family has completed Full Type Approval Testing in China. The engagement model with the Chinese design house includes a sub-licensing fee to be paid for every OEM client acquired by the design house for this platform, royalties for each phone to be paid on the basis of per-chip shipped to the OEM by the semiconductor vendor and AMCs.

*(2) Wireless Protocol Stacks for GSM/GPRS/UMTS, Dual Mode phone for a Taiwanese ODM*

The customer wanted to build a GSM/GPRS/UMTS dual mode phone for its OEM client. The ODM was looking for protocol software that could be used across different silicon architectures. After an evaluation, the ODM picked a North American semiconductor vendor as their silicon supplier. They chose us as their protocol stack supplier. We have had a strategic partnership with this semiconductor vendor since October 2000. Under this partnership, we had ported and inter-op tested our GSM/GPRS and UMTS single mode stacks on the semiconductor vendor's platform. While the semiconductor vendor partly funded the porting effort, we funded the rest of the effort. We already had a program to integrate the two stacks to build a dual mode stack. We accelerated this program to meet the timelines needed by the Taiwanese ODM. The platform for creating a family of phones is currently under design. The engagement model with the Taiwanese ODM consists of license fees and per unit royalties to be paid by the ODM to us.

*(3) Wireless Protocol Stacks: GSM/GPRS/WCDMA Dual Mode phone for Global OEM*

Our partner in this case is a semiconductor vendor. The semiconductor vendor had already supplied GSM/GPRS and EDGE silicon as well as protocol stack software to their global OEMs. The semiconductor vendor wanted to develop a dual mode solution to supply it to their existing customers as well as new customers. The semiconductor vendor chose to co-develop a dual mode protocol stack on an exclusive basis with us. To shorten the development time and minimize development risks, it was decided to combine the semiconductor vendor's GSM/GPRS protocol software with our WCDMA protocol software.

We provided the WCDMA access layer component from our UMTS stack for integration with the GSM/GPRS protocol stack of the semiconductor vendor. We have put together a joint team with the semiconductor vendor and the project is currently under execution. The development, testing and equipment costs incurred in this co-development project is being shared. The engagement model in this engagement consists of NREs, royalties per chip shipped, sub-license fees for every phone client acquired and AMCs. All the above are to be paid by the semiconductor vendor.

*(4) Codecs and Media Engines and Multimedia applications: Wireline Videophone*

A UK based vendor of a wireline-based e-mailer wanted to add a videophone feature to their product line. We had already developed multimedia codecs as well as a videophone on an application platform. Our Strawberra videophone had been designed for deployment in mobile handsets. The feature of inter-operating with landline based videophones was required to be added. We adapted this product to work over landline by removing certain wireless specific features. The customer used the application platform that our software worked on, so no porting was required. Today, the product has already been deployed in UK. The engagement is based on license fees and royalties per unit shipped.

*(5) Codecs and Media Engines and Multimedia applications: Multimedia Mobile Phones for a Japanese OEM*

The Japanese OEM wanted to build multimedia phones for its operator customers in Japan and elsewhere. The OEM had picked an application processor family for their multimedia rich phones, and required Multimedia Codec engines and accompanying software to meet the requirements of their operator customers. The Japanese OEM chose to buy the software independently from us.

We started working with this OEM in June 2002. Since then, we have provided multimedia codecs and applications across 3 generations of application processors for their handsets. The OEM has shipped several phone models to its Japanese and European operators that have various versions of our multimedia codec engines. The initial engagement model was based on licensing and customisation fees. In June 2004, we started discussions with the customer to transition the business model to royalties.

## IV. RESEARCH AND DEVELOPMENT

We have consistently believed that R&D is critical for future growth. During the early years of the company, a considerable portion of our revenues were derived through licensing of electronic design automation products and modules (language parsers, digital and RTL simulation kernels, synthesis tools, place and route tools, etc) that were all developed in 1991-93. From 1994 onwards, we stepped up investments in R&D. The initial focus of these investments was in the DSP and Multimedia space.

In April 2000, we restructured our business and decided to focus on the market for telecommunication technologies and solutions, especially those that influence the next generation Internet.

In 2000-01, a Corporate R&D Group was set up. Investments had already been made towards procuring lab equipment and tools required for carrying out DSL, multimedia and wireless protocol stack work. New R&D initiatives were started in the areas of Broadband Wireless Access, Multimedia Search and Retrieval (based on MPEG7) and Software Defined Radio (SDR).

From 2002, our investments were directed in improving the performance of our existing DSL, multimedia and wireless protocol stack technologies. In 2003-04 new R&D initiatives were started in the direction of enhancing the current technologies to support emerging versions of the standards, creating solutions for secure mobile access, creating manufacturable reference solutions, and alternate product forms to deploy our DSL technology.

Clearly right since inception emphasis has been on developing technological and technical expertise and continuous sustained investments in R&D. We spent Rs. 56.77 million towards R&D in 2001-02, which dropped to Rs. 11.62 million in 2002-03 due to poor business climate. In 2003-04, we spent Rs.

19.38 million towards R&D. In 2004-05, we spent Rs. 20.95 million towards R&D until December 31, 2004.

## V. INTELLECTUAL PROPERTY

Our patenting efforts were initiated in 2000-01. The patenting efforts led to several patent applications being filed in the US in the areas of DSL, wireless and multimedia. Activities with standards bodies were also stepped up, leading to several contributions from our Company to the DSL and 3GPP standardization process.

We have been granted five patents by the USPTO. We have also filed 27 patent applications in India, the United States, Europe and Korea. The details of the patents granted are, in the following areas:

- Data decompression technique for image processing
- Memory architecture for parallel data access along any given dimension of an n-dimensional rectangular data array
- Peak power to average power ratio reduction in multicarrier communication systems using error-correcting code
- Clock recovery in multi-carrier transmission systems
- Technique for peak power to average power ratio reduction in multicarrier communication systems

We own the trademarks "Sasken" (and its variants) and "Sasken Communication Technologies Limited" in India, Russia, Europe, Japan and China. We also own the trademarks "HOSTDSL" "Synapse" "HOSTGDMT" in India"Vmailx" in China, "iwave" in Europe and "HOSTGLITE" in the USA We have also applied for registration of certain trademarks in USA, EU, Russia, Japan, China and India.

## VI. HUMAN RESOURSES

The Business Today-Mercer survey "The Best Companies in To Work For in India" published in the Business Today issue dated Novermber 21st, 2004, Business Today has ranked us as the #1 Company to work for in India. We believe that this ranking is a result of our philosophy of 'People First', which cuts across all the people policies and processes we have been practicing from inception.

- *Recruitment and training*

  We employ competent people in the domain of Computer Science, Electronics and communication Engineering. We use Campus Interviews, Career Fairs, Job Portals, Employee Referrals, consultants and advertisements for recruitment. In 2004-05, we have recruited 683 employees until March 31,2005, net of attrition. Our recruitment process is driven by the annual plan as well as quarterly business plan.

  We have conducted 17,006 person days of training in the current financial year until February 28, 2005. We have strong processes in place for standardized training as well as need-based training in both the technical as well as non-technical skills. The standardized trainings are:

  - Induction program for new-hires and also an orientation program at the Business Unit level.
  - Goal setting and Orientation to Performance Management, which the new hires, go through within a quarter of their joining us.
  - Based on the assessment during recruitment, the new-hires also go through an intense technical orientation/training on Basic Telecom, Wireless and Embedded Systems.
  - Leadership Development – We conduct a modular educational program for project leaders and project managers to groom them for leadership roles, as and when required.

- Building commitment: We aim at inculcating a sense of ownership through workshops, in which employees can participate, quarterly business update meeting (organisation-wide), quarterly general information meetings at business unit level as well as at program level and through regular feedback from employees. The stock option scheme is aimed at continuing this philosophy by providing employees the opportunity to participate in value and wealth creation and to share in the distribution of wealth so created. For more details on our ESOP plans, please refer to the section titled "Capital Structure" beginning on page 38 of this Draft Red Herring Prospectus.

- Compensation: We ensure that our pay and benefits practices are ethical and conform to all legal requirements specified by international, national or state authorities whichever applicable. Fixed pay is uniformly structured across the hierarchy levels, beginning from the CEO, right to the fresh entrant. Apart from the fixed pay, certain employees are entitled to receive quarterly performance indexed compensation (QPIC).

All the above have helped us maintain the attrition levels within the organization. Our attrition levels have fallen from FY 03 (24%) to FY 04 (17%) to nine months ended December 31, 2004 (15%). In the current year, 349 employees have resigned until February 28, 2005.

The current employee strength including our subsidiaries as on February 28, 2005 is 2138. We also engage the services of consultants, contract employees and trainees. The segment wise employee strength as on February 28, 2005 is given below.

| Segment | Strength | % |
|---|---|---|
| Services | 1,626 | 76.16 |
| Products | 336 | 15.74 |
| Corporate Functions | 173 | 8.10 |
| Total | 2135 | 100 |

The qualification wise distribution of all our employees as on February 28, 2005 is as follows:

| Qualifications | Strength | % |
|---|---|---|
| Bachelors degree in Engineering | 1,368 | 64.00 |
| Master degree in Engineering | 239 | 11.00 |
| Masters degree in Management/Social Science and Law | 107 | 5.00 |
| Doctorates | 20 | 1% |
| Bachelors degree, Diploma and others | 401 | 19% |
| Total | 2135 | 100% |

Awards and Recognition

The Business Today-Mercer survey "The Best Companies to Work for in India" published in the Business Today issue dated Novermber 21, 2004, Business Today has ranked us as the #1 Company to work for in India.

In the DataQuest Top 20 Best Employers Survey published in the Data Quest issue dated August 31, 2004, we were ranked as the sixth best employer.

In the BusinessWorld Great Places to Work Survey published in the BusinessWorld issue dated December 6, 2004, our Company was ranked the sixth greatest place to work in India.

On March 3, 2002, we were ranked sixteenth in the list of India's Top 25 Employers by Business Today Hewitt Survey.

On October 5, 2002 the Company was awarded the HRD Excellence Award 2002 for outstanding corporate achievement by the National Academy of Human Resource Development of India.

## VI. SALES AND MARKETING

The Sales and Marketing team of the Company is split into Services and Products in line with the Company strategy to track Services and Product businesses separately. The Sales and Marketing team for Services reports into the Head of Services through Territory Heads (for front end sales) and BU Heads (for backend sales). The Sales and marketing team for Products reports into Product-Sales and Marketing Head.

We markets our product and services through our sales force operating out of ten offices in five regions details of which are provided as under:

| Region | Offices |
|---|---|
| India | Bangalore |
| North America | Santa Clara, Dallas, Boston, Ottawa |
| Europe | Guildford, Stockholm, Frankfurt |
| Asia Pacific (Ex Japan) | Shanghai |
| Japan | Tokyo |

As at December 31, 2004 the sales team comprised 30 personnel, including 17 in Services and 13 in Product sales.

**Services Sales and Marketing Team**

Our services worldwide sales team strategy and approach stems from the following basic tenets:

- Quality of customers
- Share of wallet from each customer

The selection of customers is a very critical as the number of customers who succeed in the wireless space is limited. Also, penetrating each of these marquee accounts is a slow, elaborate and rigorous process. Having penetrated these accounts, the objective would be increase depth, and thereby increase market share. The senior management and the sales team work together to penetrate accounts. The sales team is then responsible for increasing the share-of-wallet within individual accounts.

The sales team consists of front-end sales people based in our sales offices across the world, and back end sales team that supports the sales teams in different geographies. The front-end team consists of 13 members. The back end team is based in Bangalore and is associated with the individual business segments in the services division. This team supports the front-end team through all the phases of the sales cycle -- opportunity generation, tracking and follow-up. The services sales team also uses consultants and sales representatives to increase its reach.

**Products Sales and Marketing Team**

The sales team comprises of 13 people. Partnerships with semiconductor vendors are very important for our products business. However, since these partnerships are not exclusive, it is important to build a brand with directly the customers as well, in order to create a pull for the products. The marketing team is responsible for building the semiconductor partnerships as well as building the Sasken brand with handset vendors. The marketing team is also responsible for building partnerships with software vendors in order to offer a complete solution to our customers. The product sales and marketing team is incentivized as per the QPIC policy of the company.

**Corporate Marketing Team**

We also have a dedicated team of 4 personnel as at March 31, 2005, for corporate marketing activities. The main objectives of the marketing team includes building the ‘Sasken’ brand as a leader in telecom software vendor segment, positioning our brand and communicating the same in the most effective manner to the concerned stake-holders. Brand-building activities are aimed both locally and internationally.

## VII. QUALITY INITIATIVES

### Certifications

We recognized quality as a crucial differentiator right from the early days of our inception. Our quality journey took off with the successful certification to ISO 9001:1994 for the first time in 1996, audited by KPMG Quality Registrar. We have not renewed this certification, since we have obtained the TL 9000 certification, as given below. Since then our quality roadmap has been tuned to the business needs and customer expectations.

In 2002, we were assessed at Level 5 of SEI's Software CMM® by the SEI authorized lead assessor from QAI-India.

In 2004, we were certified for TL 9000, the telecommunication industry specific extension of ISO 9001:2000 standard. The lead auditors from Underwriters Laboratories Inc. (UL) conducted the TL 9000 certification audit.

We understand and appreciate the importance of protecting the Intellectual Property (IP), both our own and that of the customers. We follow a well-defined Information Security Management System (ISMS). Our ISMS passed the BS 7799:Part2:2002 certification in December 2004, audited by BSI.

An independent Quality group, reporting to the CEO, is the custodian of our quality management system and this group facilitates the implementation of our quality policy. The implementation of the quality policy is supported by top management commitment.

### Participation In International Fora

- The European Telecommunications Standards Institute (ETSI), produce telecommunications standards for today and for the future. As a Member of ETSI, we have the opportunity to be among the first to use the latest standards.

- The *3rd Generation Partnership Project (3GPP)* is a collaboration agreement that brings together a number of Telecommunications standards bodies such as ARIB, CCSA, ETSI, ATIS, TTA, and TTC. The original scope of 3GPP was to produce globally applicable Technical Specifications and Technical Reports for a 3rd Generation Mobile System based on evolved GSM core networks and the radio access technologies that they support (i.e., Universal Terrestrial Radio Access (UTRA) both Frequency Division Duplex (FDD) and Time Division Duplex (TDD) modes). The scope was subsequently amended to include the maintenance and development of the Global System for Mobile communication (GSM) Technical Specifications and Technical Reports including evolved radio access technologies (e.g. General Packet Radio Service (GPRS) and Enhanced Data rates for GSM Evolution (EDGE)). Our lifetime membership of the 3GPP gives us access to 3GPP specifications required to develop Mobile and Network side software for 3rd Generation Wireless networks.

- *ISO/IEC JTC1/SC29 - ISO and IEC Joint Technical Committee* –for standardization of Coding of Audio, Picture, and Multimedia and Hypermedia Information.. We have a lifetime participating member through the Bureau of Indian Standards (BIS)

- *ITU-T*: The International Telecommunication Union coordinates the operation of telecommunication networks and services and advances the development of communications technology. Our membership of the ITU gives us access to publications, documents, information and statistics. We also has access to various meetings at which decision-makers and potential partners are engaged in discussions that can result in business opportunities and joint ventures.

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## VIII. SECURITY POLICY AND PRACTICES

We protect our own as well as our customer's, partner's information through the following methods.

- Non-Disclosure Agreement
- Development and /or Licensing Agreement
- Physical Security / Access Control
- Network Security and link to Customer's network
- Management of various projects /information for customer
- Mechanism for protection of IP contamination
- Periodic Penetration Testing and Vulnerability Assessment of network
- Business continuity practices

We strive to institutionalize corporate values in our employees and others regarding confidentiality, security of information, protecting customer data etc.

While developing products for our customers, which need to be compliant with worldwide industry standards, we may be using certain essential intellectual property for which we may not have the requisite licenses or permission. While we believe that this is accepted industry practice, we cannot assure you that persons who own such intellectual property will not initiate any action against us for such use. Any such action(s) initiated against us would adversely affect our business operations and performance, financial results and profitability.

**Risk Management**

The BS7799 compliant ISMS address the risk management in the larger business context, particularly to ensure business continuity. Risks to Information assets are regularly assessed and suitable mitigation and contingency plans are prepared to minimize their impact on the business continuity. Physical security measures are also taken for the general safety of the personnel and to comply with the specific requirements of the customers.

## IX. BORROWINGS

The Company has been availing of and continues to avail of certain credit facilities from the Union Bank of India. In May 2004 the Company has been sanctioned credit facilities from the Union Bank of India amounting to Rs. 55 crores. The credit facilities availed comprise of fund based packing credit facility amounting to Rs. 500,000,000. This amount has been secured by the hypothecation of software packages, export receivables and charge on current assets. The credit facilities also comprise of non fund based facilities such as Import Letter of Credit facillities upto Rs. 30,000,000 and Letter of Guarantee facilities of upto Rs. 20,000,000. As security for these facilities the Company has created a charge over by means of an equitable mortgage of (i) land and building situated at No. 139/25, Survey No. 73, Domlur Layout, Ring Road, Bangalore- 560 071 and (ii) land and building situated at No. 139/37, Survey No. 72, Domlur Layout, Ring Road, Bangalore- 560 071, and the hypothecation of entire fixed assets of the Company

## X. FACILITIES AND INFRASTRUCTURE

**Facilities**

The Company's headquarters is located in Bangalore, India. The Company owns the Corporate Office building in Bangalore. This facility houses the business units and other support functions such as sales, marketing, Finance, HR and Quality. Brief details of the Facilities are as under:

Owned Facilities

| Sl. No. | Location | Type of Office | Area | Date of Acquisition | No. of Seats |
|---|---|---|---|---|---|
| 1. | 139/25, Ring Road, Domlur, Bangalore 560 071 | Registered and Corporate Office and Development Centre | 2,98,000 | January 8, 1999 | 981 |
| 2. | 139/37, Ring Road, Domlur, Bangalore 560 071 | Proposed site for New Campus | 1,44,627.74 | June 26, 2002 | NA |

**Leased Facilities (Development Centre)**

| Sl. No. | Location | Date of Lease | Date of Expiry | No. of Seats |
|---|---|---|---|---|
| 1. | 202, 2nd floor, RMZ Titanium, 135, Airport Road, Bangalore 560 017 | October 16, 2004 | March 31, 2007 | 218 |
| 2. | Mezzanine, Ground, 2nd, 3rd and portion of the 4th floor, Gold Hill Square, No.690, Hosur Main Road, Bomanahalli, Bangalore 560 068 | Three separate lease agreements entered into on (i) April 1, 2004, (ii) November 1, 2004, (iii)September 15, 2004 | Three separate lease agreements expiring on (i) March 31 2009 (ii) October 31, 2009 (iii) September 14, 2009 | 887 |
| 4. | Krishik Sarvodaya Foundation, No. 15, Airport Road, HAL, Kodihally, Bangalore 560008 | Sublease from SNEL dated April 19., 2005 | October 16, 2007 | Test lab only |
| 5. | 3rd floor and portion of the terrace on the 5th floor of Maruthi Infotech Centre, Sy. No: 11/1, 12/1, Koramangala Indiranagar Inner Ring Road, AmarJyothi Layout, Bangalore 560071 | June 15, 2005 | June 14, 2010 | 310 |
| 6. | SR Chambers, 2/A S. No. 162, H. No. 4A/5A, D.P. Road, Aund, Pune- 411 007 | June 15, 2004 | March 15, 2007 | 227 |

**Leased Facilities (Foreign Branches)**

| Sl. No. | Location | Date of Lease | Date of Expiry |
|---|---|---|---|
| 1. | Suite 101, 300 March Road, Kanata Canada | July 1, 2000 | June 30, 2005 |
| 2. | Showroom No. 11A61, Shanghai Mart, Shanghai, China | July 1, 2004 | August 5, 2005 |
| 3. | 3rd Floor, No. 4-4-5 Kuji, Taktsu – ku, Kawasaki shi, Kanagawa 213-0032 Japan | March 20, 2002 | March 19, 2006 |
| 4. | 2900 Gordon Avenue, | August 1, 2003 | December 31, 2006 |

| Sl. No. | Location | Date of Lease | Date of Expiry |
|---|---|---|---|
| | State of CA, Santa Clara, USA | | |
| 5. | Office Nos.- 38,67,68, 555 Republic Drive, Plano, Texas USA | Monthly lease | Renewed monthly |
| 6. | Office Suite No-1, 4th Floor, 67 South Bedford Street, Burlinngton, Massachusetts, USA | Monthly lease | Renewed monthly |
| 7. | Regus Stockholm Stureplan 4c, Fourth Floor, Sweden | March 1, 2005 | June 1, 2005 |
| 8. | Centre No. 409, Guildford, Cathedral Hill, 3000 Cathedral Hill, GU2 7Yb, United Kingdom | February 1, 2005 | July 31, 2005 |
| 9. | BCM Buro – Enter an der GMBH, Beethovenstrabe 8-10, 60325, Frankfurt am Main, Germany | Monthly lease | Renewed monthly |

We have initiated steps to renew / will initiate steps at appropriate time to renew the lease agreements if required.

Except as stated in above there is no other property which we have purchased or acquired or propose to purchase or acquire which is to be paid for wholly, or in part, from the proceeds of the present Issue or the purchase or acquisition of which has not been completed on the date of this Draft Red Herring Prospectus, other than property in respect of which:

- the contracts for the purchase or acquisition were entered into in the ordinary course of our business, and the contracts were not entered into in contemplation of the Issue nor is the Issue contemplated in consequence of the contracts; or

- the amount of the purchase money is not material; or

- disclosure has been made elsewhere in this Draft Red Herring Prospectus

We have not purchased any property in which any of our Promoters and Directors, have any direct or indirect interest in any payment made thereof.

**Communication and IT Infrastructure**

The overall IT infrastructure includes an Intranet connecting our different offices and, customer specific Networks. We have a high-speed lease line for Internet access. To support collaborative development activities, we have set up a comprehensive communication network consisting of the following:

- Dedicated 10 mbps lines between offices in Bangalore;
- Universal Internet connectivity;
- 512 KB VPN between Bangalore HO and Pune development center;
- VPN connectivity for remote offices and users;
- Dedicated and isolated networks for customer specific requirement include a 4MB IPLC link, 1/ 2MB/ 256kbps/ 64 kbps IPVPN links and 512Kbps/ 2Mbps PPP links.

Our network consists of Enterprise Servers, storage devices, operating systems, compilers and other productivity enhancing software tools. All of these computing resources support the development, testing and simulation needs of the Company. Our information systems (software) environment includes a multitude of operating systems, databases, and configuration management tools, object oriented design, documentation and review tools to enhance productivity. We have implemented Peoplesoft ERP (Enterprise Resource Planning) to automate key business processes.

**Regulations and Policies**

The technology sector in India is primarily regulated under the terms of the Software Technology Parks Scheme, which permits the establishment of units engaged in software development. Several state governments have also enacted specific legislations in this regard, including various incentives to investors to set up software units within the respective state.

**Software Technology Parks Scheme ("STP Scheme")**

The STP Scheme (under The Ministry of Information Technology, Government of India) has been notified by the Central Government (Ministry of Commerce) in exercise of its powers under Section 3 (1) of the Foreign Trade Development and Regulation) Act, 1992 to permit the establishment of Software Technology Parks (STP) which may be 100% Export Oriented Units undertaking software development for export using data communication links or in the form of physical media and includes export of professional services. All notified IT enabled products and services would qualify their provider for establishing a unit in and benefiting from the STP scheme.

**Setting up a STP Unit**

An application is required to be made by the company desirous of setting up a unit as an STP to the Director of the STP, which approval is ordinarily granted within 15 days of such application being made subject to (a) items to be manufactured or exported are not restricted or prohibited; (b) the location is in conformity with the prescribed parameters; (c) the export obligation laid down in the STP Scheme is fulfilled; and (d) the unit is amenable to bonding by Customs and all manufacturing operations are carried out in the same premises. The registration as a STP is location specific.

The company pursuant to the requirements of the STP approval, would be require to execute an agreement with the Government of India agreeing to comply with conditions prescribed in the STP approval, inter alia the export obligations and customs bonding of the premises. In order to be able to obtain the STP license, the company would require the following licenses:

(a) manufacturing consent from the relevant customs department;

(b) an Importer Exporter Code from the Directorate General of Foreign Trade (in order to be able to export its services/products);

(c) registration under the Karnataka Shops and Establishments Act, 1961.

**State specific benefits**

In addition to the benefits offered to an ITES company under the STP Scheme, certain benefits are also available under the state specific legislation/regulations. The following incentives and concessions have been extended to IT Companies in Karnataka under the Millennium IT and BPO policies.

- Exemption from Entry Tax on Capital Goods upto 5 years from the date of commencement of implementation. There is a further 3 year exemption on Entry Tax for Capital Goods and other inputs used at infrastructure projects.
- Simplified labour laws are applicable to IT industries in Karnataka following amendments to Karnataka Shops and Commercial Establishment Act 1961, Industrial Employment (Standing Order) Act 1946 and Industrial Dispute Act 1947.
- Single Window Clearances and Escort Services have been established to enable quick clearances. Additionally, the Karnataka government has established incubation centres primarily with Private initiatives in 10 Districts to provide complete start up facilities.

In addition to the above, the government has announced amendments to the Zonal Regulations for IT Companies permitting establishment without locational restrictions in industrial, residential or commercial areas that use 5kVA Power as well as a 50% relaxation in the permitted Floor Area Ratio, for all IT projects set up outside the municipal corporation limits.

**Labour laws**

India has stringent labour related legislations protecting the interests of employees. There is a clear distinction between (i) employees who are 'workmen' (as defined under various enactments including the Industrial Disputes Act, 1947 (the "IDA") and (ii) employees who are not 'workmen'.

Workmen have been provided several benefits and are protected under various labour legislations, whilst those persons who have not been classified as workmen are generally not afforded statutory benefits or protection, except in relation to bonus, provident fund and gratuity. Employees are usually subject to the terms of their employment contracts with their employer, which contracts are regulated by the provisions of the Indian Contract Act, 1872.

The conditions of service of employees of IT companies are regulated by the relevant shops and establishments law in which the IT unit is situated. The Karnataka Shops and Establishment Act, 1961 inter alia determines the working hours, overtime payable, the leave policy, weekly holidays, sick leave benefit and maternity benefits.

Termination of a non-workman is governed by the terms of the relevant employment contract. As regards a 'workman', the IDA sets out certain requirements in relation to the termination of the services of the workman's services. This includes detailed procedure prescribed for resolution of disputes with labour, removal and certain financial obligations upon retrenchment. The applicability of such laws depends on the number of workers employed and their monthly remuneration.

**CELLULAR TELEPHONE EQUIPMENT**

**Intellectual Property**

Our intellectual property assets form a significant portion of our net worth. Under the circumstances an analysis of the intellectual property regime applicable to our company in various jurisdictions is pertinent.

**Trademark Law**

In India, trademarks enjoy protection under both statutory and common law. While both registered and unregistered trademarks are protected under Indian law, the registration of trademarks offers significant advantages to the registered owner. The Trade Marks Act, 1999 which has brought Indian trademark law into compliance with TRIPS, governs the statutory protection of trademarks in India.

Indian trademark law permits the registration of trademarks for goods and services and as well as Certification marks and Collective marks. In India, trademarks have to be registered by the proprietor/s of the mark.

The application may be made by individual or joint applicants and may be made in the name of an individual, a partner of a firm, a company, a government department, a trust. An application for trademark registration can be made on the basis of either use or the intention to use a trademark in the future. However, the registration of a trademark that is not inherently distinctive on the basis of an intent to use may be difficult to obtain.

Applications for a trademark registration may now be made for in one or more international classes. Once granted a trademark registration is valid for ten years unless cancelled. If not renewed after ten years, the mark lapses and the registration has to be restored. The average timeline for the completion of the entire registration process is three to four years. However, it is likely that this timeline may be reduced in the near future due to initiatives which have been recently undertaken to expedite trademark filings.

**Copyright Protection**

**INDIA**

The Copyright Act, 1957 governs copyright protection in India. In India, Copyright may subsist in original literary, dramatic, musical or artistic works, cinematograph films, and sound recordings. Software, both in source and object code, constitutes a literary work under Indian Law and is clearly afforded copyright protection in India. Under Indian law, registration is not a prerequisite for acquiring or enforcing a copyright in a work. However, a registration in the Register of Copyrights does constitute prima facie evidence of the particulars entered therein and also creates a presumption that the person in the Register is the actual author, owner or right holder to the Copyright. However this presumption may be disproved. In summation, a copyright registration clearly expedites infringement proceedings and significantly reduces delay caused due to evidentiary considerations. Once registered, the term of a copyright registration is 60 years plus the life of the author.

Indian law prescribes a detailed list of what acts do and what do not constitute infringement of copyright. Reproduction of a copyrighted work, issuing of copies to the public, performance in public, making a translation of the work, making an adaptation of the work and making a cinematograph film of the work without consent of the owner of copyright are all acts which amount to an infringement of copyright. With respect to computer software, in addition to the above, any unauthorized sale and commercial rental will also amount to infringement of copyright.

Indian law of copyright also prescribes exceptions to infringement. In respect of computer software, the most notable exception is the making of copies or adaptation of a computer programme by the lawful possessor of a copy of such computer programme in order that it may be utilized for the purposes for which it was supplied. Various other exceptions exist.

There are three types of remedies against infringement of copyright under Indian law.

Firstly civil proceedings provide for remedies including damages, account of profits, injunction and delivery-up of infringing copies. Civil proceedings have to be instituted in the district court with appropriate jurisdiction.

Secondly criminal remedies including imprisonment of the accused or imposition of fine or both, seizure of infringing copies and delivery up of infringing copies may be availed. Criminal offences are to be tried by a metropolitan magistrate or a judicial magistrate of the first class.

A third set of remedies are administrative remedies which may be obtained by the Registrar of Copyright to ban the import of infringing copies into India and the delivery up of infringing copies.

**UNITED KINGDOM**

UK law of copyright provides protection for literary, dramatic, musical and artistic works, sound recordings, films, and broadcasts. In the UK, copyright protection for software is well recognized. It appears that the present position in the UK is that copyright subsists in most steps of a computer program.

**UNITED STATES**

In the United States, a computer program, either in its original "source code" format, or in its machine-readable format, is generally deemed to fall within the definition of ”writing" for copyright purposes and is consequently eligible for copyright protection. In 1980, U.S. copyright laws were amended to make explicit that computer programs, to the extent they embody an author's original creation, are proper subject matter of copyright.

This protection is however not available to all components of computer programs. Following the decision in Lotus Development Corp. v. Paperback Software International, (1990) 740 F. Supp. 37, it has been made clear that only the particular expression of an idea or concept that is being used in a particular piece of software will be afforded copyright protection. However, it is also clear that literal components of a program, pure ideas and pure algorithms will not be entitled to copyright protection in the US. For instance it has been held recently by US courts that a mere method of operation in the nature of a menu command is undeserving of protection ab initio.

In addition to the above it must be noted that copyright protection of software is subject to various exceptions like fair use and independent creation which permit processes reverse engineering and decompilation of software depending on the jurisdiction in which such protection is claimed.

**JAPAN**

In Japan, copyright forms the most common mode of software protection. Japanese law protects the author's "creative expression" in a work for a duration extending 50 years after the death of the author (or from the date of publication/ creation if the "author" is a corporation). There are no procedural prerequisites to obtaining copyright protection. However, registration and affixation of a copyright notice assists in establishing infringement and securing statutory damages.

**International treaties for copyright protection**

India is a signatory to the Convention of International Union for the Protection of Literary and Artistic Works signed at Berne (the "Berne Convention"). India is also a signatory to the Universal Copyright Convention, 1952, the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations 1961 (Rome Convention) and as a member of the World Trade Organisation is a signatory to the Agreement on Trade Related aspects of Intellectual Property Rights (the "TRIPS Agreement"). The TRIPS Agreement embodies a set of minimum standards that all signatories have to adhere to in respect of all forms of intellectual property protection, including copyright. Indian copyright law is TRIPS compliant.

The Berne Convention, originally concluded in 1886 protects the rights of authors in their literary and artistic works. The Convention requires that the signatory countries provide the same rights to foreigners from other member countries as to their own citizens and mandates automatic protection not subject to procedural formalities. The Convention also provides for minimum substantive standards of protection, dealing with the duration of copyright and the exclusive rights which the author shall hold. The Convention does not, however, define precisely what works fall within its protections; aside from providing a non-exclusive list of examples, the Convention leaves signatory countries to determine for themselves what they consider "literary and artistic works."

The UCC provides similar protections, including national treatment and minimum substantive rights to be granted to copyright holders. The substantive provisions include the right of any person whose work was first published in a signatory country to claim protection under the UCC regardless of nationality, and the automatic creation of a copyright upon the printing of a copyright symbol and certain other information.

In recent years, the international community has reached a consensus to provide intellectual property protection for computer software under the copyright regime. Through a combination of regional and multi- national agreements, including the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs), the conclusion of TRIPs has resulted in over 100 signatories of the General Agreement on Tariffs and Trade granting copyright protection to software. Under the agreement, computer programs fall within the coverage of the Berne Convention. TRIPs thus ensures that owners of copyrights in computer programs enjoy the same minimum standards of copyright protection granted to other forms of literary expression.

**Patent Protection**

**India**

In India, the law governing patents is the Patents Act, 1970 ("Patents Act"). Having been amended recently by the Patents (Amendment) Act, 1999, Patents (Amendment) Act, 2002 and finally by way of the Patent Amendment Ordinance, 2004 there has been an attempt to make the Indian patent regime compliant with TRIPS.

Broadly, under the Indian Patent Act an invention must satisfy the requirements of novelty, utility and non obviousness. Public use or publication of an invention prior to the making of an application for a patent may result in the application being rejected. Any earlier patent, earlier publication, document published in any country, earlier product showing the same invention, or earlier disclosure or use by the inventor will prevent the granting of a patent in India.

The Patent Act had earlier denied protection to computer programmes per se. The 2004 patent amendment ordinance has clarified and widened the position to include as patentable subject matter the following:
a. Technical applications of computer programs to industry
b. Combinations of computer programs with the hardware
The amendment expressly denies patent protection to mathematical methods, business methods or algorithms.

An amendment to the Patent Act made in 2004 permits both pre and post grant patent opposition proceedings on grounds like patentability (novelty, inventiveness and industrial applicability); non-disclosure or incorrect mention of source and geographical origin of biological material used in the invention and anticipation of invention by knowledge (oral or otherwise) available within any local or indigenous community in India or elsewhere.

The ordinance also prohibits any person resident in India from applying for patent for an invention outside India without making an application for the invention in India. The resident may wait for six weeks or obtain written permission of the Controller of Patents to make foreign aplications. Before granting such permission in respect of invention, which is relevant for defense purpose or atomic energy, the Controller has to obtain prior consent of the Central Government.

Indian Law denies patent protection to certain types of innovations such as (i) mathematical or business method or a computer program per se or algorithms and (ii) a topography of integrated circuits;

**United States**

The US patent regime provides that a person who "invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent".

The US patent regime follows the "first to invent" as opposed to the "first to file" followed in other jurisdictions and consequently, the patent could be granted to the inventor who proves priority of invention, regardless of him filing the patent application.

The patent application must be filed in the US Patent and Trademark Office within one year of any public disclosure. Any inventor, regardless of citizenship, may apply for a patent on the same basis as a US citizen. All US patent applications must be made, or authorised to be made, by the inventor. This differs from the practice in most countries where application is usually filed in the name of the owner of the patent.

Following the decision of the federal circuit in State Street Bank and Trust Co. v. Signature Financial Group, Inc[1] in 1998, the number of software-related patents has grown exponentially; in 2000, over 20,000 software-related patents were granted, almost 15 times the number in 1990. Thus, it is clear that the extension of patent protection to Software is a well established practice in the United States and that such protection can be easily obtained.

**European Community**

The European Patent Convention, administered by the European Patent Office, creates a single European procedure for the grant of patent, which is recognized in all the member countries. Moreover, European patents can be granted on the basis of an international application filed in accordance with the Patent Co-operation Treaty, as outlined below, for all member countries of the European Patent Convention.

According to Article 52(1) EPC, a European patent shall be granted for any inventions which are

[1] *State Street Bank and Trust Co*. v. *Signature Financial Group, Inc* , F.3d 1368, 1370 (Fed. Cir. 1998) (holding that patent claims covering a computerized accounting system "are directed to statutory [patentable] subject matter"), cert. denied, 525 U.S. 1093 (1999).

susceptible of industrial application, which are new and which involve an inventive step. Further, in accordance with Rules 27 and 29 EPC, in order to be patentable, an invention must be of a technical character to the extent that it must relate to a technical field, must be concerned with a technical problem and must have technical features in terms of which the matter for which protection is sought can be defined in the patent claim.

The EPC does define the term "invention". It does, however, include a list of subject-matter and activities which are deemed not to be inventions. According to Article 52(2) EPC, methods for doing business, mathematical methods, presentations of information and programs for computers shall not be regarded as inventions. Article 52(3) EPC, however, stipulates that this provision shall exclude patentability of the subject-matter or activities referred to only to the extent to which a European patent application relates to such subject-matter or activities as such.

It follows that, although methods for doing business, programs for computers, etc., are as such explicitly excluded from patentability, a product or a method which is of a technical character may be patentable, even if the claimed subject-matter defines or at least involves a business method, a computer program, etc.

Summarizing the above, methods for doing business and computer programs are not always excluded from patentability and software is only patentable where it can be seen to have a ‘technical effect’.

**Japan**

In Japan, computer programs and business methods are patentable provided that they are considered to be technical instead of merely abstract ideas. In Japan, there has been a five-fold increase in the number of BMP applications between 1999 and 2000. Further, the ease of patentability of software has been subsequently enhanced by legislative amendment classifying software as “tangible” regardless of whether it is fixed in a medium or not.

**International Treaties**

Since the rights granted by a national patent are recognised only in that country, an inventor who desires patent protection in other countries must apply for a patent in each of the other countries. To avoid the filing of a multiplicity of patents applications, international patent treaties are often resorted to.

Once such treaty which enables patent protection simultaneously in many countries by filing a single international patent application, is the Patent Co-operation Treaty, 1970, (“PCT”). The advantage of the PCT process is that the filing of a single application is treated as the effective filing of a separate application in each designated PCT country. The procedure for an international application under the PCT is briefly set out below:

1. The application may be filed by one who is a national or resident of a contracting state at the patent office of the contracting state, the Receiving Office, or with the International Bureau of WIPO in Geneva. At this stage, the applicant indicates those contracting states in which he wishes his application to have effect.

2. The application undergoes an “international search” carried out by a major patent office of the applicant’s choice. This generates an international search report, which contains a listing of citations of such published documents that might affect the patentability of the invention.

3. The international search report is communicated to the applicant who has the option to withdraw his application. If the application is not withdrawn, it is published in the International Bureau along with the international search report and communicated to the patent office in each designated country.

4. The applicant is permitted to wait until the end of the $20^{th}$ or $30^{th}$ month from the priority date (depending on the applicant’s decision to follow the procedure under Chapter I or II of the PCT), to commence the national phase before each designated office which entails payment of the requisite fees depending on the number of countries designated.

5. Where the applicant wishes to follow the procedure under Chapter II of the PCT, before entering the national phase, the applicant may request for an international preliminary examination which generates an international preliminary examination report setting forth the examiner's position regarding the patentability of the claimed invention. This report aids the designated offices during the national phase.

6. The application enters the national phase wherein the claimed invention is examined by the national patent offices of the designated countries for grant of the patent.

Another international treaty governing patent protection is the Paris Convention for the Protection of Industrial Property, 1883 that requires member countries to guarantee to the citizens of the other countries the same rights in patent and trademark matters that it gives to its own citizens. Further, this treaty grants a right of priority to the applicant which means that the applicant who has filed an application in any contracting states, may apply for protection in any other contracting states within 12 months and claim priority over other applications which have been filed by other applicants during the said 12 month period.

**Trade Secrets and Confidential Information**

In India trade secrets and confidential information enjoy no special statutory protection and are protected under Common Law.

**Telecommunication/Institutional bodies**

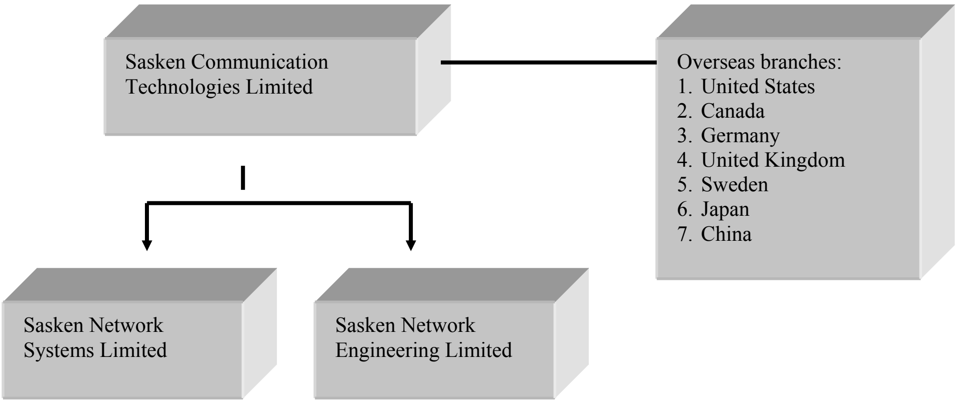
We are members of several partnerships and groups which are involved in co-operative development of the mobile system specifications. This enables us to develop software based on such specifications for next generation mobile technologies and permits us to use proprietary technology belonging to the other partners for the purposes of carrying out such development. They standard bodies that we are members of are ISO/IEC/JTC/21/SC/29/WG11, ITU-T, European Telecommunicatiosn Standards Institute (ETSI), 3GPP, GCF, IMTC and OMA.

## History and Corporate Structure

Our Company was incorporated on February 13, 1989 as ASIC Technologies Private Limited under the Companies Act. The name of our Company was changed to Silicon Automation Systems (India) Private Limited and a fresh certificate of incorporation consequent on change of name was issued by the ROC on October 13, 1992. On April 20, 1993 we changed our registered office from the State of Gujarat to the State of Karnataka. The name of our Company was changed to Silicon Automation Systems Limited and a fresh certificate of incorporation consequent on change of name was issued by the ROC on December 30, 1998. The name of our Company was changed to Sasken Communication Technologies Limited and a fresh certificate of incorporation consequent on change of name was issued by the ROC on October 17, 2000.

### Our Corporate Structure

Our existing corporate structure is as under:




### History and Major Events

The chronology of events since our Company was incorporated in 1989 is as follows:

| Year | Key Events, Milestones and Achievements |
|---|---|
| 1989 | Incorporated as ASIC Technologies Private Limited in the State of Gujarat |
| 1992 | Changed our name to Silicon Automation Systems (India) Private Limited |
| 1993 | Shifted registered office from the State of Gujarat to the State of Karnataka. |
| 1993 | Awarded our first contract in the telecom space. |
| 1994 | Began investing in research and development in the telecom space. |
| 1996 | Certified as ISO 9001:1994 compliant |
| 1996 | Began participating in standards bodies such as ITU/T. |
| 1997 | Awarded our first licensing deal in the DSL technology space. |
| 1999 | Investment by financial investors |
| 2000 | Changed our name to Sasken Communication Technologies Limited |
| 2000 | Awarded first licensing deal in the wireless space. |
| 2001 | Certified as ISO9001: 2000 compliant. |
| 2002 | Assessed at SEI CMM Level 5. Awarded the NHRD award for lifetime achievement. Also ranked 14th in the Business Today-Hewitt survey for Best Employers in India. |
| 2004 | Ranked first in the Business Today-Mercer survey for Best Employers in India, and ranked sixth in the Dataquest and Business World-Great Places to Work surveys. |
| 2004 | Received TL9000 and BS7799 certification |

| Year | Key Events, Milestones and Achievements |
|---|---|
| 2004 | First royalty revenue stream in the telecom space |
| 2004 | First international customer account to cross the US$10 million billing milestone |
| 2005 | Investments by Nortel Networks Mauritius Limited, Nokia Growth Partners LP and MVC VI FVCI Limited |

**Main Objects of the Company**

The main objects of our Company as contained in our Memorandum of Association are:

1. To establish, acquire, run, operate, provide services and design, development and implementation of turnkey solutions both in hardware and software for infocom markets.
2. To manufacture, produce, work, distribute, buy and sell, import and export or otherwise to deal in all kind of electronic hardware and software for computer systems and allied products.

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

**Details of Subsidiaries**

The Company currently has two Subsidiaries being Sasken Networks System Limited (SNSL) and Sasken Network Engineering Limited (SNEL). In this section financial data for the Subsidiaries has been derived from their financial statements prepared in accordance with Indian GAAP.

**Sasken Network Systems Limited (SNSL)**

SNSL is a wholly-owned Subsidiary of Sasken, with its registered office at 139/25, Ring Road, Domlur, Bangalore 560 071. SNSL was incorporated on October 20, 2003 with an authorized share capital of Rs. 1,000,000 and obtained the certificate of commencement of business on November 21, 2003. SNSL is engaged in the business of providing OSS solutions to Network Equipment Manufacturers and independent OSS software vendors. Subject to consideration and approval by the Board and shareholders of the Company, it is proposed that the business and other activities of SNSL will be merged into Sasken at a later date.

The main objects of SNSL are:

1. To establish, acquire, run, operate, provide services and design, development and implementation of turnkey solutions both in hardware and software for network, infocom and telecommunications markets in all parts of the world including India.

2. To manufacture, produce, work, distribute, buy and sell, import and export or otherwise to deal in all kind of electronic hardware and software for network and telecommunication systems and allied products in all parts of the world including India.

3. To provide all kind of services including the services in the nature of call centre and business process outsourcing for telecom and network service providers, network system providers, all kind of vendors associated with networking and general service providers

Board of Directors

The directors on the board of SNSL as on March 31, 2005 are:

1. Mr. Rajiv Mody

2. Ms. Neeta Revankar

3. Mr. Pranabh Mody

Financial Performance

The operating results of SNSL for the period November 21, 2003 to March 31, 2004 is set forth below:

| | November 21, 2003 to March 31, 2004 | Nine months ended December 31, 2004 |
|---|---|---|
| Sales and other income | - | 108.27 |
| Profit/Loss after tax | (0.14) | 14.99 |
| Equity capital (par value Rs. 1 per share) | 0.50 | 0.50 |
| Reserves and Surplus | (0.14) | 14.85 |
| Profit/Loss per equity share (Rs.) | (0.28) | 29.98 |
| Book value per equity share (Rs.) | 0.72 | 30.70 |

We had commenced business in our Subsidiary, SNSL in November 2003, with two individuals who had certain skills and business relationships that we believe would help scale the business faster. SNSL's revenues for the nine months ended December 31, 2004 was Rs. 108.27 million, which was 6.47% of Sasken's consolidated revenues for the same period. With effect from April 1, 2005, these individuals moved from SNSL to Sasken in different roles. In this regard, we entered into a non-compete arrangement with each of them, restricting them from joining a competitor for a period of one year from the date they leave Sasken or SNSL, whichever is later, in return for an individual compensation of US$563,000. While this compensation amount will need to be charged to our profit and loss account in FY05-06 or thereafter, we are not currently able to determine for which period this amount will be charged.

**Sasken Network Engineering Limited (SNEL)**

SNEL is a wholly-owned Subsidiary of Sasken, with its registered office at 139/25, Ring Road, Domlur, Bangalore 560 071. SNEL was incorporated on September 29, 2004 with an authorized share capital of Rs. 1,000,000 and commence business on October 11, 2004. On October 28, 2004 SNEL acquired the assets and a contract of Blue Broadband Technologies Private Limited. SNEL is engaged in the business of networking and engineering and providing complete turnkey telecom solution.

The main objects of SNEL are:

1. To provide networking and engineering services in the field of Telecom that would include engineering design, installation and commissioning, network and system integration of network equipments and software systems, etc.

2. To provide maintenance, training and RF engineering services for mobile operators, internet service providers, satellite services, radio paging and other telecommunication services.

3. To provide complete turnkey telecom solutions, switching systems, digital, PCS, microwave, GSM and other wireless systems.

4. To manufacture, produce, work, distribute, buy and sell, import and export or otherwise to deal in all kind of electronic hardware and software for network and telecommunication systems and allied products in all parts of the world including India.

Board of Directors

The directors on the board of SNEL as on March 31, 2005 are:

1. Mr. Rajiv Mody

2. Mr. Pranabh Mody

3. Dr. G. Venkatesh

Financial Performance

The operating results of SNEL for the period September 29, 2004 to December 31, 2004 is set forth below:

| | September 29, 2004 to December 31, 2004 |
|---|---|
| Sales and other income | 12.73 |
| Loss after tax | (5.33) |
| Equity capital (par value Rs. 10 per share) | 0.50 |
| Reserves and Surplus | (5.33) |
| Loss per equity share (Rs.) | (106.60) |
| Book value per equity share (Rs.) | (96.60) |

**Silicon Automation Systems (Mauritius) Private Limited**

Silicon Automation Systems (Mauritius) Private Limited was incorporated on December 26, 1997 in order to engage in the field of marketing, support and consultancy relating to computer software. No investment was made in this subsidiary and it did not engage in any activity in Mauritius. Silicon Automation Systems (Mauritius) Private Limited was wound up on January 5, 2004.

**Silicon Automation Systems Kabushiki Kaisha (SAS Japan)**

SAS Japan was a wholly owned subsidiary of Sasken incorporated in Japan. During the financial year 2001- 2002, it was converted into a branch office. The assets of the subsidiary were transferred to this branch.

**Shareholder Agreements**

Details of our shareholders agreements are as below.:

1. Shareholders Agreement dated August 17, 1999 with Intel Pacific, Inc

Intel Pacific, Inc. ("Intel") entered into a Shareholder's Agreement dated August 17, 1999 ("Intel Agreement") with Sasken and Mr. Rajiv Mody, Mr. Krishna Jhaveri, Mr. Pranabh Mody, Mr. Suresh Dholakia and Mr. Badruddin Agarwala (collectively referred to as the "Significant Shareholders"). The principal provisions of this agreement are as follows:

Termination: The Intel Agreement provides that it will terminate (i) on the date on which Sasken's shares are listed on The Stock Exchange, Mumbai and the National Stock Exchange or (ii) with respect to any party upon such party ceasing to be a shareholder. In such a case Intel has the right to either retain its shareholding or to divest its stake to third parties by sale or otherwise. In light of this, none of the provisions described below will survive, upon completion of the listing of the Equity Shares of Sasken pursuant to this public issue.

Issue of further shares: Sasken may issue further shares only after receiving approval from Intel and the Promoters and such further issue of shares shall not be on terms more favourable than those offered to Intel. All further investors shall agree to be bound by terms and conditions of an agreement approved by Intel, similar in form and content to the Intel Agreement and Sasken's Articles of Association.

Initial public offering: Unless otherwise agreed, the price of Equity Shares in the public offering should be higher than Intel's cost of acquisition. Sasken shall have obtained listing of its shares within a period of four years from the date of the Intel Agreement, which has been subsequently extended with Intel's written consent.

Transfer and transmission of shares: The Significant Shareholders and Intel shall not be entitled to pledge, hypothecate, create a charge or encumbrance, etc on any of their shares without the consent of each other.

In case of transfer of shares by the Significant Shareholders other than in a public offer for sale, Intel shall have the first right of refusal. In the event of sale of shares by the Significant Shareholders to a third party, Intel has the right to sell shares proportionate to its shareholding in Sasken.

In the case of a bonus / rights issue, the Significant Shareholders may renounce the shares to persons who are not Intel competitor's or otherwise likely to affect Intel's interest. Intel may renounce such shares to its affiliate.

In the event of (i) breach of the Intel agreement by Sasken or the Significant Shareholders which results in a material adverse effect or (ii) Sasken commits an act which is illegal or ultra vires, Intel shall have the right to require the Significant Shareholders and/or Sasken to purchase its shares at a stipulated price. If the Company and/or Significant Shareholders fail to purchase the shares, Intel shall have the right to sell the shares to a third party and claim damages from the Company / Significant Shareholders.

In the case of transfer of shares by Intel other than pursuant to its (i) put option (ii) tag-along rights and (iii) public offer for sale, the Significant Shareholders shall have the right of first refusal.

Shareholding: During the term of the Intel Agreement, the shareholding of the Significant Shareholders' in Sasken shall collectively be in excess of 51% of its paid up capital.

Board of directors: The Board shall consist of between three and nine directors. The composition of the Board shall not change without the consent of Intel. So long as Intel holds 227,000 shares it shall be permitted to have a representative as an observer at all meetings of Sasken's Board and its committees.

Restrictive covenants: So long as Intel and/or its affiliates hold Equity Shares in Sasken, Mr. Rajiv Mody and Mr. Krishna Jhaveri shall not involve themselves in a business which is similar to Sasken's business without the prior consent of Intel.

Intel's approval: As long as Intel holds at least 227,000 shares, certain decisions taken by the Board of Sasken shall require Intel's prior consent including in relation to (i) approval of any capital expenditure in any fiscal year beyond 100% of the previous year's audited net income (excluding capital expenditure for establishment of the facility at Domlur); (ii) acquiring securities or other financial interest in any other company (except to license Sasken's technology/products or to provide services to third parties) beyond 25% of the net profits of the previous year (ii) declaring dividends in excess of 50% of the net profits of Sasken in any year; and (iii) creating any lien or transferring the proprietary assets or intellectual property rights of Sasken.

Voting agreement: The Significant Shareholders and Intel agree to exercise their votes in the meetings of shareholders and directors in compliance with the terms of the Intel Agreement.

We have obtained a letter of consent dated May 4, 2005 from Intel waiving their rights under the Intel Agreement to a limited extent for the purpose of successfully completing this Issue.

2. Agreement with Nortel Networks Mauritius Limited

Nortel Networks Mauritius Limited ("NNML") entered into a Shareholders Agreement ("NNML Agreement") dated April 6, 2005 ("Closing Date") with Mr. Rajiv Mody, Mr. Krishna Jhaveri, Mr. Pranabh Mody, (collectively referred to as the "Shareholders") and the Company. The principal provisions of the NNML Agreement are as follows:

Termination: The NNML Agreement shall automatically stand terminated if (i) NNML ceases to hold at least 10% of the share capital of the Company; (ii) the Company undertakes and completes an initial public offering of its shares (which will result in gross proceeds to the Company of not less than the Rupee equivalent of USD 10,000,000) ("QIPO"); or (iii) if the subscription agreement terminates provided, however, that the rights of notification (described in this Section herein below) shall survive or terminate depending on certain circumstances set forth in the NNML Agreement which include termination of the rights of notification upon the occurrence of a QIPO.

Registration Rights and QIPO: When the Company carries out a QIPO, it shall ensure that the shares held by NNML shall be listed and fully capable of being traded on each of the recognized stock exchanges where the Company's shares are being listed, subject to applicable statutory lock-up requirements. In the event that the QIPO does not take place within two years from the Closing Date, Sasken and the Majority Shareholders (as defined in the NNML Agreement) have undertaken to make best efforts to find a buyer for the shares held by NNML, within a period of 90 days from such date. In case Sasken is unable to find a buyer for NNML, Sasken shall at the request of NNML undertake and conclude an initial public offering in India on such terms and conditions as may be determined by the Board.

Under the terms of the NNML Agreement, the Company has agreed that in no event shall NNML be, or deemed to be, held out or represented in any of the books and records of the Company, QIPO documents, or otherwise as a 'promoter' of the Company for any purpose whatsoever prior to or following the QIPO.

Board of Directors: In the event that a NNML Competitor (as defined in the schedule to the NNML Agreement) is granted a right to appoint an observer or nominate a director on the Board, NNML shall also automatically be entitled to elect an observer or nominate a director on the Board. This right shall exist for so long as NNML's shareholding in the share capital of the Company shall be equal to or greater than that of the NNML Competitor who has a similar right to appoint a director or observer on the Board.

Capital Reorganisation: Upon the occurrence of a Reorganization Event (as defined in the NNML Agreement), the Company shall ensure that the number of shares held by NNML are adjusted in a manner such that NNML, following such adjustment, shall hold such number of shares in the Company that reflects the same shareholding percentage in the Company, that NNML held immediately prior to the occurrence of the Reorganization Event.

Transfer of Shares: NNML shall have the right to transfer its shares without any restrictions of any nature whatsoever and such a transfer shall not require the prior consent of the Majority Shareholders or the Company provided that (i) any such transfer shall be subject to such restrictions as may be imposed under applicable law; (ii) NNML shall not transfer the shares held by it to a Sasken Competitor (as defined in the schedule to the NNML agreement) without the Company's prior written consent unless such transfer is through a recognized stock exchange; and (iii) if NNML proposes to transfer more than 1,000,000 shares cumulatively or in a block and/or to a single buyer, then NNML shall provide at least 18 days prior written notice of such intention to the Company and NNML shall not conclude such transfer within the 18 day notice period. In respect of the shares held by NNML, no transferee except an Affiliate (as defined in the NNML Agreement) of NNML that is a wholly owned subsidiary, direct or indirect, of Nortel Networks Limited or Nortel Networks Corporation shall be entitled to any of the specific rights made available to NNML by virtue of the NNML Agreement.

Restrictive Covenants: Except as otherwise required by applicable law or required in order to undertake and complete the QIPO, the Company shall not (i) amend the Memorandum and/or Articles of Association of the Company; (ii) alter the rights or obligation of any class of shares of the Company, in either case in a manner that has a negative impact solely on the NNML shares without obtaining the prior written consent of NNML.

In the event that the SEBI filing date does not occur within 6 months following the Closing Date then the Company shall before the end of the seventh month following such Closing Date, convene a meeting of its shareholders to seek their approval to an amendment to the Articles reflecting all of the rights granted to NNML in the NNML Agreement.

Rights of Notification: Upon receipt of an offer by a recipient (a) from any potential acquirer of the Company that, upon closing of such offer would result in a change of control or (b) from a NNML Competitor to acquire a minority interest in the Company (in either case, the "Offer"), the recipient shall at least 18 days prior to the earlier of (i) recommendation or other submission to any approver at the meeting of the Board, a committee of the Board or the shareholders that such Offer be accepted or approved, and (ii) any consideration of acceptance or approval of the Offer by any approver at a meeting of the Board, a committee of the Board or shareholders, the Company shall give written notice to NNML that such Offer has been received. In the event that any Majority Shareholder intends to accept an Offer, such Majority Shareholder shall notify NNML at least 18 days prior to the earlier of the date of acceptance of the Offer or the entry into any binding commitment for the sale of such Majority Shareholder provided, however, that inter-se transfers between the Majority Shareholders shall not require any such notice to be sent to NNML.

Purchase of NNML Shares: In the event that a change of control is proposed to be effected by a NNML Competitor that involves a purchase of less than 100% of the voting power of the Company, and NNML receives notice to that effect as provided for above then it shall have a right for a period of 21 days after the receipt of such notice to require the NNML Competitor to also purchase the shares held by it. The shareholders shall ensure that the NNML Competitor complies with such requirement, failing which the shareholders shall not sell their shares to the NNML Competitor. If NNML does not respond to the notice or notifies the Company that it does not wish to sell its shares in the Company to such NNML Competitor and the NNML Competitor still wishes to acquire 100% of the Company, then the Majority Shareholders shall be entitled to send a written notice of a drag along requiring NNML to sell its shares to the NNML Competitor and NNML shall be required to comply with the same.

3. Agreement with Nokia Growth Partners L.P

Nokia Growth Partners L.P ("NGP") entered into a Shareholders Agreement dated April 13, 2005 ("NGP Agreement") with Sasken and Mr. Rajiv Mody, Mr. Krishna Jhaveri and Mr. Pranabh Mody, wherein NGP subscribed to 600,000 shares in Sasken. The principal provisions of this agreement, are provided below:

Information Rights : The NGP Agreement, provides that prior to the Qualified Initial Public Offering ("QIPO") of Sasken, NGP is entitled to receive audited financial statements of Sasken within 90 days of each financial year of Sasken and unaudited financial statements of Sasken within 45 days after the end of each fiscal quarter.

Fresh Issue of Shares: In the event of any additional shares issued by Sasken prior to the QIPO, NGP is entitled to purchase its pro rata share of the offering to maintain its percentage ownership. The above right shall not be applicable in case 75% of the shareholders of Sasken, pass a special resolution to make a preferential allotment or in relation to the shares issued under ESOP.

IPO: In the event that the QIPO does not take place before June 30, 2007, Sasken has undertaken to make best efforts to find a buyer for the shares held by NGP, within a period of 90 days from the expiration of June 30, 2007. In case Sasken is unable to find a buyer for NGP, Sasken shall at the request of NGP shall undertake and conclude an IPO.

Transfer of shares by NGP: NGP shall not be restricted from transferring its shares, except as subject to applicable laws. NGP shall not be allowed to sell any of its shares in Sasken to any competitor of Sasken, without the prior written consent of Sasken. Any such transfer in breach of the terms of the Agreement will not be binding on Sasken.

Transfer of shares by Majority Shareholders: NGP shall have the right to transfer its shares in Sasken to any third party in case any of the Majority Shareholders (as defined in the Schedule to the Agreement), transfer any portion of their shares, to such third party. The said right shall be applicable in case at least 1% of the paid up capital of Sasken is transferred by the majority shareholders and shall cease to exist on the occurrence of Sasken's QIPO.

Purchase of shares of NGP: In the event that the majority of the Shareholders decide to transfer the shares held by them, a written notice shall be sent to NGP about the intended transfer. In the event that NGP does not respond to such written notice within 15 days, Sasken can proceed with such transfer of shares without regard to NGP. Further in such an event, the Majority Shareholders shall be entitled to send a drag along notice to NGP, requiring NGP to sell their shares.

Termination of this Agreement: In the event that NGP ceases to hold at least 50% of the 600,000 shares and save as otherwise agreed by the Shareholders in writing, this Agreement shall automatically be terminated. Further in the event that Sasken, undertakes an IPO after the Agreement comes into effect, then the Agreement shall stand automatically terminated.

4. Agreement with MVC VI FVCI Limited

MVC VI FVCI Limited ("MVC") entered into a Shareholders Agreement dated April 25, 2005 ("MVC Agreement") with Sasken and Mr. Rajiv Mody, Mr. Krishna Jhaveri and Mr. Pranabh Mody, wherein MVC subscribed to 1,800,000 shares in Sasken. The principal provisions of this agreement, are provided below:

Information Rights: The MVC Agreement, provides that prior to the Qualified Initial Public Offering ("QIPO") of Sasken, MVC is entitled to receive audited financial statements of Sasken within 90 days of each financial year of Sasken and unaudited financial statements of Sasken within 45 days after the end of each fiscal quarter.

Fresh Issue of Shares: In the event of any additional shares issued by Sasken prior to the QIPO, MVC is entitled to purchase its pro rata share of the offering to maintain its percentage ownership on a fully diluted basis. The above right shall not be applicable in case 75% of the shareholders of Sasken, pass a special resolution to make a preferential allotment or in relation to the shares issued under ESOP.

QIPO : In the event that the QIPO does not take place before June 30, 2007, Sasken has undertaken to make best efforts to find a buyer for the shares held by MVC, within a period of 90 days from the expiration of June 30, 2007. In case Sasken is unable to find a buyer for MVC, Sasken shall at the request of MVC shall undertake and conclude an IPO.

Transfer of shares by MVC: MVC shall not be restricted from transferring its shares, except as subject to applicable laws. MVC shall not be allowed to sell any of its shares in Sasken to any competitor of Sasken, without the prior written consent of Sasken. Any such transfer in breach of the terms of the Agreement will not be binding on Sasken. Further, MVC shall provide 5 days advance written notice to Sasken if it intends to transfer its shares exceeding 2.5% of the outstanding share capital in the public market (excluding shares issued in the QIPO or those acquired in the public market).

Transfer of shares by Majority Shareholders: MVC shall have the right to transfer its shares in Sasken to any third party in case any of the Majority Shareholders (as defined in the Schedule to the Agreement), transfer any portion of their shares, to such third party.

Purchase of shares of MVC: In the event that the majority of the Shareholders decide to transfer the shares held by them, a written notice shall be sent to MVC about the intended transfer. In the event that MVC does not respond to such written notice within 15 days, Sasken can proceed with such transfer of shares without regard to MVC. Further in such an event, the Majority Shareholders shall be entitled to send a drag along notice to MVC, requiring MVC to sell their shares.

Termination of this Agreement: In the event that MVC ceases to hold at least 50% of the 1,800,000 shares and save as otherwise agreed by the Shareholders in writing, this Agreement shall automatically be terminated. Further in the event that Sasken, undertakes a QIPO after the Agreement comes into effect, then the Agreement shall stand automatically terminated.

Other Material Agreements

| Sl. No. | Contracting Party | Date of Execution / Effective Date | Nature of contract |
|---|---|---|---|
| 1. | Blue Broadband Technologies | October 28, 2004 | Asset Transfer Agreement |
| 2 | SNEL | January 24, 2005 | Sasken's subscription to SNEL debentures |

**Management**

Board of Directors

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

| Name, Designation, Father's Name, Address, Occupation and Term | National of | Age (years) | Other Directorships in Indian companies |
|---|---|---|---|
| Mr. Rajiv C. Mody<br>Chairman and Managing Director, *<br>(Son of Chandrakant J Mody)<br>2978, 5th cross, 12th Main, HAL II Stage, Bangalore 560008, Corporate Executive<br>Non retiring director | United States of America | 47 | JB Chemicals & Pharmaceuticals Limited<br>Lifetime Healthcare Private Limited<br>SNEL<br>SNSL |
| Mr. Vinod Kumar Dham<br>Independent Director<br>(Son of Mr. Ram Lal Dham)<br>1130 Highland Terrace Fremont, CA 94539 USA,<br>Service<br>Liable to retire by rotation | United States of America | 54 | Satyam Computer Services Limited |
| Mr. Krishna J. Jhaveri<br>President, North America<br>Whole time Director*<br>(Son of Mr.Jayantilal B Jhaveri)<br>960, Blue Bonnet Drive, Sunnyvale, California 94086, USA,<br>Corporate Executive<br>Non retiring director | United States of America | 50 | Nil |
| Dr. Ashok Jhunjhunwala<br>Independent Director<br>(Son of Bawarilal Jhunjhunwala)<br>C-2-2-5, 3rd Loop Road,<br>Indian Institute of Technology, Madras, Chennai 600 036,<br>Service<br>Liable to retire by rotation | India | 52 | Bharat Sanchar Nigam Limited<br>HTL Limited<br>Integrated Soft Tech Solutions Private Limited<br>Jataayu Software (P) Limited<br>Midas Communication Technologies Private Limited<br>National Internet Exchange of India Limited (Sec. 25 company)<br>National Research Development Corporation<br>Polaris Software Lab Limited<br>Shyam Telecom Limited<br>Tejas Networks Private Limited<br>Videsh Sanchar Nigam Limited<br>Vishal Bharat Comnet (Sec. 25 company) |
| Mr. Bansi S. Mehta<br>Independent Director<br>(Son of late Mr.Sunderlal B Mehta)<br>41, New Marine Lines, Mumbai 400020,<br>Chartered Accountant,<br>Liable to retire by rotation | India | 69 | Atul Limited<br>Bharat Bijlee Limited<br>Ceat Limited<br>Century Enka Limited<br>Chemetall-Rai (India) Limited (Alternate Director)<br>Housing Develoment Finance Corp. Limited<br>IL&FS Investment Managers Limited |

| Name, Designation, Father's Name, Address, Occupation and Term | National of | Age (years) | Other Directorships in Indian companies |
|---|---|---|---|
| | | | J.B.Chemicals and Pharmaceuticals Limited<br>Pidilite Industries Limited<br>Procter and Gamble Hygiene and Health Care Limited<br>SBI Capital Markets Limited<br>Shaw Wallace Breweries Limited (Alternate Director)<br>Shaw Wallace Distilleries Limited (Alternate Director)<br>Sudarshan Chemical Industries Limited<br>The Dawn Mills Co. Limited<br>Uhde India Limited (Alternate Director)<br>Vinyl Chemicals(India) Limited |
| Mr. Jyotindra B. Mody<br>Director<br>(Son of Mr. Bhagwanlal Mody)<br>7, Avillion, Little Gibbs Road, Malabar Hill, Mumbai 400 006,<br>Business<br>Liable to retire by rotation | India | 75 | Ansuya Mody Securities Private Limited<br>Ifiunik Pharmaceuticals Limited<br>J.B.Chemicals and Pharmaceuticals Limited<br>J.B.Life Science Overseas Limited<br>J.B.Mody Finance and Investments Private Limited<br>Jyotindra Mody Holdings Private Limited<br>Lekar Healthcare Limited<br>Synit Drugs Private Limited<br>Unique Pharmaceutical Laboratories Limited |
| Mr. Pranabh D. Mody<br>Director<br>(Son of Mr.Dinesh Mody)<br>601, Citadel, 18/ B L D Ruparel Marg, Mumbai 400 006.<br>Corporate Executive<br>Non retiring director | India | 42 | Acta Cast Private Limited<br>Dinesh Mody Securities Private Limited<br>Iffunik Pharmaceuticals Limited<br>JB Chemicals and Pharmaceuticals Limited<br>Kumud Mody Securities Private Limited<br>Lifetime Healthcare Private Limited<br>Mcda Agro Private Limited<br>SNEL<br>SNSL<br>Unique Pharmaceuticals Laboratories Limited |
| Prof. J. Ramachandran<br>Independent Director<br>(Son of Mr.S.Jayaraman)<br>417, Faculty Residence, Indian Institute of Management<br>Bannerghatta Road,<br>Bangalore 560 076<br>Professor<br>Liable to retire by rotation | India | 48 | Dalmia Electrodyn Technologies Private Limited<br>Indus League Clothing Limited<br>Integrated Brand-Comm Private Limited<br>Lifetime Healthcare Private Limited<br>Medybiz Private Limited |
| Dr. G. Venkatesh<br>Whole time Director<br>(Son of Mr. Gangadharan)<br>A4, Rama Residency, Block 2, Rama Temple Street, New Thippasandra, Bangalore 5600 075,<br>Corporate Executive<br>Liable to retire by rotation | India | 43 | SNEL<br>Prime Telesystems Limited |

*Appointment is subject to the approval of the shareholders in the ensuing AGM and the approval of the Central Government. If the approval of the Central Government for such appointment is not received, he shall vacate the office of whole time director from the date on which the decision of the Central Government is communicated to the Company.

Brief Biography of our Directors

**Mr. Rajiv C. Mody**, 47 years, Chairman and Managing Director, is the founder promoter of the Company. He was awarded his electrical engineering degree from M.S.University, Baroda in 1980 and his Masters Degree in Computer Science from Polytechnic Institute of New York in 1982. He worked for Advanced Micro Devices, Seattle Tech Inc., and VLSI Technology Inc in USA. At VLSI, Mr. Mody was responsible for the design, development and integration of physical design tools for Gate-Array and Standard Cell Design Styles. He has co-authored a patent in the area of physical design and published a paper at the ICCAD conference. He co-founded the Company and has been with us since inception. He has over 20 years of experience in the technology business. Prior to joining us, he served as Senior Software Engineer at VLSI Technologies Incorporated, USA. His remuneration for the nine months ended December 31, 2004 was Rs. 4,514,905 (inclusive of QPIC).

**Mr. Vinod Dham**, 54 years, Independent Director. He has done his bachelors in Electrical Engineering from the Delhi College of Engineering and Masters in Electrical Engineering from University of Cincinnati, US. He worked in various capacities for 16 years at Intel and rose to the designation of Vice President. He was the leader of Intel's Pentium chip development team in the early 1990s and is referred to in popular press as the "Father of the Pentium". He later moved to NexGen, US (later known as Advanced Micro Devices) and worked on development of a competitor to the Pentium processor. He also started Silicon Spice, to develop a VOIP chip, which company was later sold to Broadcom. Mr. Dham is the co-founder and managing member of New Path Ventures LLC. He is also on the board of several companies worldwide and has several years of technology, business and entrepreneurial experience. His remuneration for the nine months ended December 31, 2004 was Rs. 686,553. He is not entitled to QPIC.

**Mr. Krishna J Jhaveri**, 50 years, President, North America and Whole-time Director. and one of the founder promoters of the company is responsible for operations of the Company in North America. He completed his masters degree in Operations Research and Industrial Engineering from the University of Texas at Austin in 1983 and a Bachelors degree in Mechanical Engineering from M.S. University, Baroda in 1978. He worked in Intel for over eight years and is well experienced in the semiconductor manufacturing processes. As a Project Engineer at Intel, he has actively participated in bringing about the production of some of the world's most popular micro-processors, including the Intel 80286, 80386,80486 and 80860. His remuneration for the nine months ended December 31, 2004 was Rs. 8,997,771 (inclusive of QPIC).

**Dr. Ashok Jhunjhunwala**, 52 years, Independent Director. He completed his Bachelors in Technology in 1975, his Masters in Science and doctorate from the University of Maine, US in 1977 and 1979 respectively. He is a Professor and Head of Department of Electrical Engineering, Indian Institute of Technology (IIT), Madras. He is associated with the Telecommunications and computer Networks Group (TeNet) of IIT Madras, which incubates technology driven companies in the communication sector. He has more than 26 years of experience. His research interests are in telecommunications network, optical networks, computer networks and wireless communication systems. He has been awarded 6 patents and has 2 pending patent applications. Dr. Jhunjhunwala is an authority on telecommunications and is associated with the telecom task force under the Ministry of Communications and Information Technology, Government of India. He has made significant contributions in the area of academic-industry interaction and is a visionary on telecom policy matters. He is the recipient of several awards, including the Shanti Swarup Bhatnagar award in 1998 and the Padma Shri in 2002. He is on the board of directors of several companies, including Videsh Sanchar Nigam Limited (VSNL) and Bharat Sanchar Nigam Limited (BSNL). His remuneration for the nine months ended December 31, 2004 was Rs. 450,000. He is not entitled to QPIC.

**Mr. Bansi S Mehta**, 69 years, Independent Director is managing partner of Bansi S. Mehta & Co., Chartered Accountants. He has been the President of the Institute of Chartered Accountants of India from 1981 to 1982 and a member of various committees of international accounting bodies. He is an authority on financial management and taxation issues. He is on the board of directors of several companies and statutory bodies. His remuneration for the nine months ended December 31, 2004 was Rs. 450,000. He is not entitled to QPIC.

**Mr. J.B Mody**, 75 years, Director, is the Promoter, Chairman and Managing Director of JB Chemicals and Pharmaceuticals Limited. He completed his Inter Science from Dharmendra Singhji College, Rajkot in 1948. He has experience of over four decades in the Indian pharmaceutical industry. He was the founder member of Indian Drug Manufacturers Association and its past president from 1983 to 1985. He has also been the Chairman of CHEMEXCIL, a central government organisationfor 2 consecutive years from 1994 to 1996. Mr. Mody has been paid only sitting fees and out of pocket expenses for attending the Board meetings of the Company.

**Mr. Pranabh D Mody,** 42, Director. He completed his bachelors degree in Pharmacy from Institute of Pharmacy, Mumbai in 1984. He also completed his Masters in Business Administration from University of Oakland, US in 1986. He completed his Program in Management Development (PMD) from Harvard Business School, US. From April 1, 2005, he has been a wholetime Director, Systems and Operations on the board of J.B.Chemicals and Pharmaceuticals Limited. Pranabh has extensive experience in corporate administration and finance. His remuneration for the nine months ended December 31, 2004 was Rs. 2,856,294 (inclusive of QPIC).

**Professor J. Ramachandran**, 48 years, Independent Director, is BOC chair professor of business policy at the Indian Institute of Management (IIM), Bangalore. He is a qualified chartered accountant and a cost accountant, and obtained his doctorate from IIM, Ahmedabad. His major research interests are in the areas of corporate transformation and competitive strategy. An award winning teacher and case writer, Prof. Ramachandran is currently engaged in studying the global competitiveness of Indian firms in the pharmaceutical, software and autocomponent industries. He has been the Harry Reynolds Visiting International Professor at the Wharton School of the University of Pennsylvania; and a Visiting Professor at INSEAD, Fontainebleau, France and the Carlson School of Management, University of Minnesota, USA. He has also been a member of the Sub Committee on Strategy in Non-US Settings, Business Policy & Strategy Division of the Academy of Management, USA. He is currently the Chairperson of Executive Education at the IIM. Prior to joining the faculty at IIM, Bangalore, he was Vice President (Management Services) at Reliance Industries Limited. In addition to his teaching and publishing credits, Professor J Ramachandran has served as a consultant to various Indian and multinational companies, including Daimler Chrysler, Hewlett Packard, Philips, ITC, Colgate Palmolive, Hoechst, Siemens, Wipro, Infosys, Wockhardt, United Breweries, Eicher, Madras Refineries and LIC. He is also a member of the Board of Directors of a number of technology and start up firms. His remuneration for the nine months ended December 31, 2004 was Rs. 450,000. He is not entitled to QPIC.

**Dr. G Venkatesh**, 43 years, Whole Time Director is the Chief Technology and Strategy Officer and Head-Products Division of our Company. He has completed his Bachelors in Engineering from the Indian Institute of Technology, Madras in 1982 and doctorate in Computer Science from TIFR in 1987. He joined us on May 1, 1995 and has over 20 years of experience in technology development and business management. Prior to joining us, he served as Associate Professor at Department of Computer Science and Engineering, Indian Institute of Technology, Bombay. He is also a Visiting Professor at Indian Institute of Management, Bangalore. Since he joined the Board with effect from January 25, 2005 he has not received any remuneration as a Director.

In accordance with our Articles of Association, the Board can appoint an Alternate Director pursuant to the provisions of the Companies Act.

**Borrowing Powers of Directors**

Vide an ordinary resolution approved at the extraordinary general meeting of the shareholders held on September 22, 2000, the current borrowing powers of the Directors pursuant to Section 293(1)(a) and Section 293(1)(d) of the Companies Act is Rs. 1,000 million or the aggregate amount of paid up capital and free reserve, whichever is higher. The borrowing powers were subsequently increased vide an ordinary resolution at the annual general meeting of the shareholders held on June 11, 2004 to not exceed Rs. 2,000 million.

## Compensation of Our Directors

| Sl. No | Name of Director | Terms of appointment | Remuneration |
|---|---|---|---|
| 1. | Mr. Rajiv C. Mody | Board Resolution dated April 19, 2005 (subject to further approval by the shareholders in the ensuing AGM and the approval of the Central Government) wherein the Board:-<br><br>RESOLVED THAT pursuant to the provisions of Section 269, Schedule XIII and any other applicable provisions of the Companies Act, 1956 and subject to the approval of the shareholders and subject to the approval / consent / permission of the Central Government and such other authority or authorities as may be necessary in this regard in the ensuing Annual General Meeting, Mr. Rajiv C Mody, be and is hereby reappointed as Chairman & Managing Director of the Company for a period of 5 years with effect from 1st April, 2005<br><br>*RESOLVED FURTHER that the term of office of Director of Mr. Rajiv C Mody shall not be subject to retirement by rotation.* | Board Resolution dated April 19, 2005 (subject to further approval by the shareholders in the ensuing AGM and the approval of the Central Government) wherein the Board :-<br><br>*RESOLVED THAT With effect from 1st April, 2005,*<br><br>That he be paid the following remuneration for the financial year 2005-06 and that his other terms of appointment shall be as detailed below:<br><br>(a) Fixed Salary of a sum not exceeding Rs.56 lakhs (Rupees Fifty six lakhs only) per annum, as may be determined by the Compensation Committee.<br><br>(b) Quarterly Performance Indexed Compensation (QPIC) of a sum not exceeding Rs.40 lakhs (Rupees Forty lakhs only) per annum, as may be determined by the Compensation Committee.<br><br>(c) Other terms such as gratuity, leave, etc. shall be as applicable to other employees of the Company or as may be decided by the Compensation Committee.<br><br>RESOLVED FURTHER that in case of absence or inadequacy of profits during the tenure of office, Mr Rajiv C Mody shall be paid the above mentioned remuneration as minimum remuneration or as determined by the Compensation Committee.<br><br>RESOLVED FURTHER that Board of Directors / Compensation Committee be and is hereby authorized to revise the remuneration on an annual / quarterly basis during his tenure as Chairman & Managing Director, in such manner that the total remuneration payable is within the limits specified in this resolution. |
| 2. | Mr. Vinod Dham | Board Resolution dated April 19, 2005 (subject to further approval by the shareholders in the ensuing AGM and the approval of the Central Government) wherein the Board:-<br><br>*RESOLVED THAT Mr. Vinod Dham, who is retiring by rotation at the ensuing Annual General Meeting,* | Board Resolution dated April 19, 2005 (subject to further approval by the shareholders in the ensuing AGM) wherein the Board:-<br><br>RESOLVED that subject to the approval of shareholders of the Company at the Annual General Meeting and also subject to such consent/approval of Central Government / Reserve Bank of India and/or any other |

| Sl. No | Name of Director | Terms of appointment | Remuneration |
|---|---|---|---|
| | | *being eligible and is willing to be re-appointed is recommended for appointment as Director to the Shareholders in the ensuing Annual General Meeting.* | statutory authorities, remuneration by way of commission payable to independent directors for the year 2005-06 be revised as follows:-<br>*Vinod Dham – USD 30,000* |
| 3. | Mr. Krishna J. Jhaveri | Board Resolution dated April 19, 2005 (subject to further approval by the shareholders in the ensuing AGM and the approval of the Central Government) wherein the Board:-<br><br>*RESOLVED that pursuant to the provisions of Section 269, Schedule XIII and any other applicable provisions of the Companies Act, 1956 and subject to the approval of shareholders and subject to the approval / consent / permission of the Central Government and such other authority or authorities as may be necessary in this regard in the ensuing Annual General Meeting, Mr. Krishna J Jhaveri be and is hereby reappointed as Whole-time Director of the Company for a period of 5 years with effect from 1st April, 2005.*<br><br>*RESOLVED FURTHER that the term of office of Director of Mr. Krishna J. Jhaveri shall not be subject to retirement by rotation.* | Board Resolution dated April 19, 2005 (subject to further approval by the shareholders in the ensuing AGM and the approval of the Central Government) wherein the Board:-<br><br>*RESOLVED THAT With effect from 1st April, 2005,*<br><br>*That he be paid the following remuneration for the financial year 2005-06 and that his other terms of appointment shall be as detailed below:*<br><br>*(a) Fixed Salary of a sum not exceeding US $ 200,000 (US $ Two hundred thousand only) per annum, as may be determined by the Compensation Committee.*<br><br>*(b) Quarterly Performance Indexed Compensation (QPIC) of a sum not exceeding US $ 40,000 (US $ Forty thousand only) per annum, as may be determined by the Compensation Committee.*<br><br>*(c) Other terms such as gratuity, leave, etc. shall be as applicable to other employees of the Company or as may be decided by the Compensation Committee.*<br><br>*RESOLVED FURTHER that in case of absence or inadequacy of profits during the tenure of office, Mr Krishna J Jhaveri shall be paid the above mentioned remuneration as minimum remuneration or as determined by the Compensation Committee.*<br><br>*RESOLVED FURTHER that Board of Directors / Compensation Committee be and is hereby authorized to revise the remuneration on an annual / quarterly basis during his tenure as Whole-time Director, in such manner that the total remuneration payable is within the limits specified in this resolution.* |
| 4. | Dr. Ashok Jhunjhunwala | Shareholders resolution in AGM held on July 14, 2003, wherein the Shareholders:- | Board Resolution dated April 19, 2005 (subject to further approval by the shareholders in the ensuing AGM) wherein the Board:- |

| Sl. No | Name of Director | Terms of appointment | Remuneration |
| --- | --- | --- | --- |
| | | *RESOLVED THAT Dr. Ashok Jhunjhunwala, Director who retires by rotation at this Annual General Meeting, be and is hereby re-appointed.* | RESOLVED that subject to the approval of shareholders of the Company at the Annual General Meeting and also subject to such consent/approval of Central Government / Reserve Bank of India and/or any other statutory authorities, remuneration by way of commission payable to independent directors for the year 2005-06 be revised as follows:- *Dr. Ashok Jhunjhunwala – Rs. 9,00,000* |
| 5. | Mr. Bansi S. Mehta | Board Resolution dated October 19, 2004, wherein the Board:-<br><br>*RESOLVED that Mr. Bansi S. Mehta be and is hereby appointed as Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 and Article 114 of the Articles of Association of the Company.*<br><br>*RESOLVED FURTHER that he shall hold office until the next Annual General Meeting of the Company and shall be eligible for re-election.*<br><br>*Proposed resolution to be passed in the ensuing AGM:-*<br><br>*RESOLVED that pursuant to Section 257 of the Companies Act, 1956, Mr. Bansi S. Mehta be and is hereby appointed as a Director of the Company, liable to retire by rotation.* | Board Resolution dated April 19, 2005 (subject to further approval by the shareholders in the ensuing AGM wherein the Board:-<br><br>RESOLVED that subject to the approval of shareholders of the Company at the Annual General Meeting and also subject to such consent/approval of Central Government / Reserve Bank of India and/or any other statutory authorities, remuneration by way of commission payable to independent directors for the year 2005-06 be revised as follows:- *Mr. Bansi S. Mehta –Rs. 9,00,000* |
| 6. | Mr. J.B. Mody | Shareholders resolution in AGM held on June 11, 2004, wherein the Shareholders:-<br><br>*RESOLVED THAT Mr. J. B. Mody, Director who retires by rotation at this Annual General Meeting, be and is hereby re-appointed.* | Mr. J.B. Mody is not paid any remuneration by the Company. He is only paid sitting fees. |
| 7. | Mr. Pranabh D. Mody | Board resolution dated April 14, 2005 wherein the Board:-<br><br>*RESOLVED THAT the change in status of Mr. Pranabh D Mody from the position of Whole-time Director to the Director effective 1st April 2005 be and is hereby accepted and recorded.*<br><br>*Shareholders resolution in AGM held on June 11, 2004 wherein the* | Consequent to the change in the status from the postion of Whole Time Director to Director, effective April 1, 2005, Mr. Pranabh D Mody is not paid any remuneration by the Company. He is only paid sitting fees. |

| Sl. No | Name of Director | Terms of appointment | Remuneration |
|---|---|---|---|
| | | *Shareholders:-*<br><br>*RESOLVED FURTHER that notwithstanding any resolution passed earlier the term of office of Director of Mr. Pranabh D. Mody shall not be subject to retirement by rotation.* | |
| 8. | Prof. J. Ramachandran | Board Resolution dated April 19, 2005 (subject to further approval by the shareholders in the ensuing AGM wherein the Board:-<br><br>*RESOLVED THAT Prof. J. Ramachandran, who is retiring by rotation at the ensuing Annual General Meeting, being eligible and willing to be re-appointed is recommended for appointment as Director to the Shareholders in the ensuing Annual General Meeting* | Board Resolution dated April 19, 2005 (subject to further approval by the shareholders in the ensuing AGM wherein the Board:-<br><br>*RESOLVED that subject to the approval of shareholders of the Company at the Annual General Meeting and also subject to such consent/approval of Central Government / Reserve Bank of India and/or any other statutory authorities, remuneration by way of commission payable to independent directors for the year 2005-06 be revised as follows:-*<br>*Prof. J. Ramachandran– Rs. 9,00,000* |
| 9. | Dr. G. Venkatesh | Board Resolution dated January 25, 2005 (subject to further approval by the shareholders in the ensuing AGM wherein the Board:-<br><br>RESOLVED THAT Dr. G.Venkatesh, Chief Strategist and Chief Technical Officer of the Company be and is hereby appointed as Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 with effect from 25th January 2005.<br><br>RESOLVED FURTHER THAT pursuant to the provisions of Section 269, Schedule XIII and any other applicable provisions of the Companies Act, 1956 and subject to the approval of the shareholders in the ensuing Annual General meeting, Dr. G.Venkatesh, Director of the Company be and is hereby appointed as Whole time Director of the Company from 25th January 2005 to 31st March 2006.<br><br>*RESOLVED FURTHER THAT Dr. G. Venkatesh will retire by rotation and on his reappointment immediately on retirement by rotation, he shall continue to hold his office of whole time director and such reappointment shall not be* | Board Resolution dated January 25, 2005 (subject to further approval by the shareholders in the ensuing AGM wherein the Board:-<br><br>*Resolved that the remuneration for the period 25th January 2005 to 31st March 2005 shall be as follows:*<br><br>*Fixed Salary Rs.20 lakhs per Annum*<br>*Quarterly Performance Indexed Compensation (QPIC): Rs. 12 lakhs per Annum*<br><br>*Remuneration for the rest of period would be determined by the Compensation Committee subject to the approval of the Shareholders at the General Body Meeting.*<br><br>*RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year the above remuneration shall be considered as a minimum remuneration payable or as determined by the Compensation Committee.*<br><br>Proposed resolution to be passed in the ensuing AGM:-<br><br>*RESOLVED that the remuneration for the period*<br><br>*I. 25th January 2005 to 31st March 2005:* |

| Sl. No | Name of Director | Terms of appointment | Remuneration |
|---|---|---|---|
| | | *deemed to constitute a break in his appointment as Whole Time Director.*<br><br>*Proposed resolution to be passed in the ensuing AGM:-*<br><br>*RESOLVED that pursuant to Section 257 of the Companies Act, 1956, Dr. G. Venkatesh be and is hereby appointed as a Director of the Company, liable to retire by rotation.*<br><br>*RESOLVED that pursuant to the provisions of Section 269, Schedule XIII and any other applicable provisions of the Companies Act, 1956 approval of shareholders be and is hereby accorded to the appointment of Dr. G Venkatesh as Whole-time Director of the Company from 25th January 2005 to 31st March 2006* | *Fixed Salary of a sum not exceeding Rs.20 lakhs (Rupees Twenty lakhs only) per annum, as may be determined by the Compensation Committee.*<br><br>*Quarterly Performance Indexed Compensation (QPIC) of a sum not exceeding Rs.12 lakhs (Rupees Twelve lakhs only) per annum, as may be determined by the Compensation Committee.*<br><br>*Other terms such as gratuity leave, etc. shall be as applicable to other employees of the Company or as may be decided by the Compensation Committee.*<br><br>*II. 1st April 2005 to 31st March 2006:*<br><br>*(a) Fixed Salary of a sum not exceeding Rs.35 lakhs (Rupees Thirty five lakhs only) per annum, as may be determined by the Compensation Committee.*<br><br>*(b) Quarterly Performance Indexed Compensation (QPIC) of a sum not exceeding Rs.15 lakhs (Rupees Fifteen lakhs only) per annum, as may be determined by the Compensation Committee.*<br><br>*(c) Other terms such as gratuity, leave, etc. shall be as applicable to other employees of the Company or as may be decided by the Compensation Committee.*<br><br>*RESOLVED FURTHER that in case of absence or inadequacy of profits during the tenure of office, Dr. G. Venkatesh shall be paid the above mentioned remuneration as minimum remuneration or as determined by the Compensation Committee.*<br><br>*RESOLVED FURTHER that Board of Directors / Compensation Committee be and is hereby authorized to revise the remuneration on an annual / quarterly basis during his tenure as Whole-time Director, in such manner that the total remuneration payable is within the limits specified in this resolution.* |

**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 on the Stock Exchanges. We intend to comply with such provisions, including with respect to the appointment of independent Directors to our Board and the constitution of the Investor Grievances Committee. We undertake to adopt the Corporate Governance Code in accordance with Clause 49 of the listing agreement to be entered into with the Stock Exchanges prior to obtaining the in-principle approval of the Stock Exchanges.

**Audit Committee**

The Audit Committee was constituted by our Directors vide their Board meeting held on February 1, 2001. 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 currently consists of Mr. Bansi S Mehta (Chairman), Dr. Ashok Jhunjhunwala and Professor J Ramachandran

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

1. Regular review of accounts, accounting policies, disclosures, etc.

2. Review of the major accounting entries based on exercise of judgment by management and review of significant adjustments arising out of audit.

3. Qualifications in the draft audit report.

4. Establishing and reviewing the scope of the independent audit including the observations of the statutory and internal auditors and review of the quarterly, half-yearly and annual financial statements before submission to the Board.

5. The Committee shall have post audit discussions with the independent auditors to ascertain any area of concern.

6. Establishing the scope and frequency of internal audit, reviewing the findings of the internal auditors and ensuring the adequacy of internal control systems.

7. To look into reasons for substantial defaults in the payment to depositors, debenture holders, shareholders and creditors.

8. To look into the matters pertaining to the Director's Responsibility Statement with respect to compliance with Accounting Standards and accounting policies.

9. Compliance with Stock Exchange legal requirements concerning financial statements, to the extent applicable.

10. 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.

11. Appointment and remuneration of statutory and internal auditors.

12. 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.

**Compensation Committee**

The Compensation Committee was constituted by our Directors vide their Board meeting held on February 1, 2001. The committee's goal is to ensure that the company attracts and retains highly qualified employees in accordance with its business plans, that the Company fulfils its ethical and legal responsibilities to its employees, and that management compensation is appropriate. The Compensation Committee currently consists of Professor J. Ramachandran (chairman), Dr. Ashok Jhunjhunwala and Mr. Vinod Dham.

The terms of reference of the Compensation Committee is given below:

To determine the remuneration, review performance and decide on QPIC and variable pay of executive directors.

To determine the number of stock options to be granted under the company's Employees Stock Option Schemes and administration of the stock option plan.

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 Compensation Committee.

Establishment and administration of employee compensation and benefit plans.

**Share Transfers and Investors Grievances Committee**

The Share Transfers and Investors Grievances Committee was constituted by our Directors vide their Board meeting held on February 1, 2001. This Committee is responsible for the smooth functioning of the share transfer process as well as redressal of shareholder grievance. Currently, Professor J. Ramachandran is the chairman of the Committee and Mr. Rajiv Mody and Dr. G. Venkatesh are the other members of the Committee.

The terms of reference of the Share Transfer and Investor Grievance committee is 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.

**Shareholding of our Directors**

Our Articles of Association do not require our Directors to hold any 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, including proposed transfers.

| Name of Directors | Number of Equity Shares (Pre-Issue) |
|---|---|
| Mr. Rajiv C Mody | 11,113 |
| Dr. Ashok Jhunjhunwala | NIL |
| Mr. Bansi S. Mehta | NIL |
| Mr. J B Mody | 368,106 |
| Mr. Pranabh D Mody | 318,106 |
| Prof. J Ramachandran | 1,150 |
| Mr. Vinod Dham | NIL |
| Dr. G Venkatesh | 200,336 |
| Mr. Krishna Jhaveri | 14,556 |
| **Total** | **913,367** |

**Interest of Promoters, Directors and significant shareholders**

Except as stated in "Related Party Transactions" on page 136 of this Draft Red Herring Prospectus and to the extent of their shareholding in our Company, our Promoters do not have any other interest in our business.

No other persons apart from the Company have significant rights in our Company under the terms of our Articles of Association. For additional information, please refer to the section entitled "Main Provisions of Articles of Association of Sasken Communication Technologies Limited" on page 326 of this Draft Red Herring Prospectus.

The Directors 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 the Equity Shares held by them in the Company, or funds controlled by them, if any, and options granted to them under the ESOP.

For the year 2004-2005, we granted the following options to our Directors:

| Name | No. of options | No. of shares entitled (as on December 31, 2004) | Number of Equity Shares vested and exercised (as on December 31, 2004) |
|---|---|---|---|
| G. Venkatesh | 31,070 | Nil | Nil |

Except as stated otherwise in this Draft Red Herring Prospectus, we have not entered into any contract, agreement or arrangement during the preceding 2 years from the date of this Draft Red Herring Prospectus in which the Directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements or are proposed to be made to them.

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.

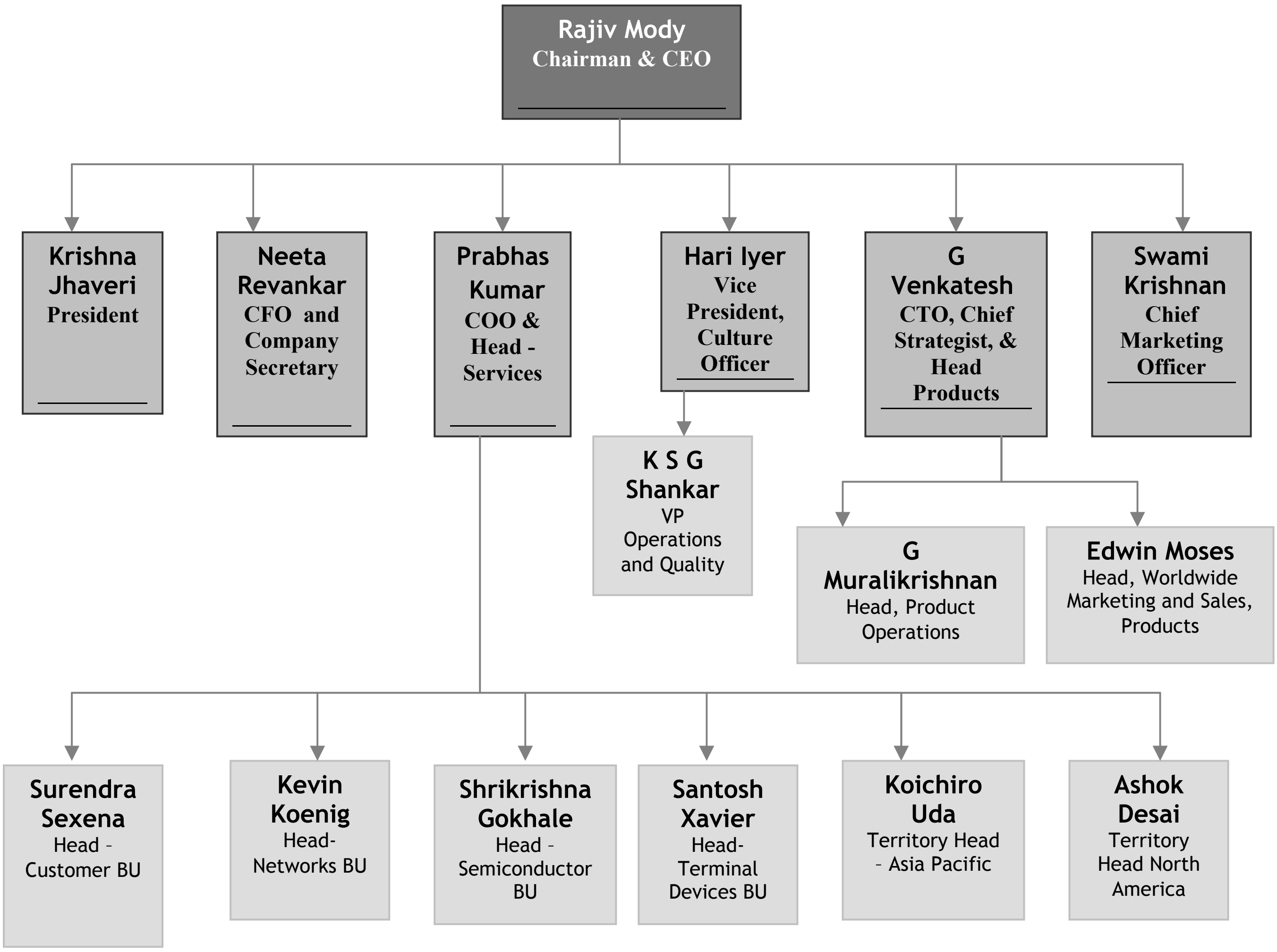
Changes to our Board of Directors during the last 3 years are as follows:

| Name | Date of Appointment | Date of Cessation | Reason |
|---|---|---|---|
| Mr. Ajay Relan | October 12, 1999 | December 24, 2002 | Nominee of Citicorp resigned consequent to the disinvestment by Citicorp |
| Mr. Vinod Dham | May 28, 2003 | Continuing | Appointed as Additional Director |

| | | | |
|---|---|---|---|
| Mr. Shirish B Mody | February 1, 2001 | November 2, 2004 | Personal reasons |
| Mr. Bansi S Mehta | October 19, 2004 | Continuing | Appointed as Additional Director with effect from October 19, 2004. Earlier he was an alternate director to Mr. Shirish B Mody |
| Mr. Krish Anant Prabu | October 22, 2003 | February 13, 2004 | Personal reasons |
| Dr. G.Venkatesh | January 25, 2005 | Continuing | Appointed as Whole-Time Director with effect from January 25, 2005 |
| Mr. Suresh Dholakia | April 19, 1989 | March 29, 2005 | Personal reasons |

Management Organisation Structure

The organisation structure of the senior management (including Presidents/Vice Presidents) is presented below:



## Key Managerial Personnel

The details of our key managerial personnel are as follows:

**Mr. Rajiv C Mody**, 47 years, Chairman and Managing Director promoted our Company and is responsible for managing the affairs of Sasken and its Subsidiaries. For details, please refer to the section entitled “Brief Biography of the Directors” on page 120 of this Draft Red Herring Prospectus.

**Mr. Krishna J Jhaveri**, 50 years, Wholetime Director and President, promoted our Company and is responsible for Sasken’s North American operations. For details, please refer to the section entitled “Brief Biography of the Directors” on page 120 of this Draft Red Herring Prospectus.

**Mr. Edwin Moses**, 45 years, Vice President, Head World Wide Marketing and Sales is responsible for Marketing and Sales in the Products Division. He has completed his Bachelors in Engineering from BMS College of Engineering in 1984. He joined us on October 1, 2001 and has over 22 years of experience in manufacturing, marketing, sales and consulting. Prior to joining us, he served as Director-Financial Services Vertical at Mascot Systems. His fixed remuneration for the nine months ended December 31, 2004 was Rs. 1,865,622 and his QPIC for the same period was Rs. 623,413.

**Mr. G Murlikrishnan,** 44 years, Vice President, Head Mobile Platform Solutions is responsible for product planning, product development and customer delivery/support for Sasken’s Products division. He has completed his Bachelors in Engineering from the Indian Institute of Science in 1983. He joined us on January 23, 1995 and has over 21 years of experience in Information Technology and Telecommunications business. Prior to joining us, he served as Program Manager at C-DoT Centre for Development of Telematics. His fixed remuneration for the nine months ended December 31, 2004 was Rs. 1,867,367 and his QPIC for the same period was Rs. 387,250.

**Dr. G Venkatesh,** 43 years, Chief Technology and Strategy Officer heads the Product Division of Sasken. He has completed his Bachelor of Technology from IIT Madras in 1982 and PhD in Computer Science from TIFR in 1987. He joined us on May 1, 1995 and has over 20 years of experience in technology development and business management. Prior to joining us, he served as Associate Professor at Department of Computer Science and Engineering, IIT Bombay. His fixed remuneration for the nine months ended December 31, 2004 was Rs. 1,396,009 and his QPIC for the same period was Rs. 342,354.

**Mr. Hari Iyer,** Vice President, Culture Officer is responsible for People and People Support systems in the organization. He has done his masters in Electrical Engineering from M.S. University, Baroda in 1987, Post Graduate Diploma in Management from the Indian Institute of Management, Bangalore in 1985. He is a Fellow of the Academy of Human Resources Development and Xavier Labour Research Institute. He joined us on January 16, 1995 and has over 9 years of experience in various streams like corporate planning and marketing. He has worked for companies like BHEL and Gujarat Gas Company Limited. Prior to joining us, he served as Senior Manger at Gujarat Gas Company Limited. His fixed remuneration for the nine months ended December 31, 2004 was Rs. 1,865,622 and his QPIC for the same period was Rs. 414,395.

**Mr. Kikkeri Srikantaiah Girija Shankar,** 50 years, Vice President, Operations and Quality is responsible for quality, facility Information Techm\nology IS Infrastructure and Administration. He has done his BE from Indian Institute of Science, Bangalore in 1974. . He joined us on January 31, 2001 and has over 30 years of experience in quality, engineering and operations. Prior to joining us, he served as Operations Manager at Motorola India Limited. His fixed remuneration for the nine months ended December 31, 2004 was Rs. 1,874,997 and his QPIC for the same period was Rs. 649,267.

**Mr. Kumar Prabhas,** 37 years, Vice President, Chief Operating Officer is responsible for the services business. He completed his Bachelor of Technology from the Indian Institute of Technology, Kanpur in 1987. He joined us on May 8, 2000 and has over 17 years of experience in the communications business. Prior to joining us, he served as the head of sales for Telecom Division at Wipro Technologies. His fixed remuneration for the nine months ended December 31, 2004 was Rs. 2,243,150 and his QPIC for the same period was Rs. 530,859.

**Ms. Neeta Revankar,** 38 years, Chief Financial Officer and Company Secretary is responsible for finance, legal and secretarial functions. She was certified as a Chartered Accountant in 1989 and a Company Secretary in 2000. She joined us on April 3, 1995 and has over 14 years of experience. Prior to joining us, she served as Manager, Corporate Planning at Microland Limited. Her fixed remuneration for the nine months ended December 31, 2004 was Rs. 1,886,246 and her QPIC for the same period was Rs. 465,676.

**Mr. Shrikrishna Govind Gokhale,** 49 years, Vice President, Head Semiconductor Business Division is responsible for the business of Sasken in providing solutions and services to the global semiconductor market space. He has done his Masters in Technology from the Indian Institute of Technology, Bombay in 1979. He joined us on June 2, 1997 and has over 25 years of experience in telecommunications and embedded systems. Prior to joining us, he served as Senior Research and Development Manager at Philips (India) Limited. His fixed remuneration for the nine months ended December 31, 2004 was Rs. 1,874,997 and his QPIC for the same period was Rs. 750,396.

**Mr. Surendra Kumar Saxena,** 42 years, Vice President, Head Key Customer Business Division is responsible for software development, sustenance, testing and supporting it in the field. He has done his Masters in Technology in Computer Science and Technology from the University of Roorkee, Roorkee in 1985 and Masters in Business Administration from FMS, Delhi University in 1989. He joined us on February 26, 2003 and has over 19 years of experience in the field of telecommunications. Prior to joining us, he served as Director at Lucent Technologies. His fixed remuneration for the nine months ended December 31, 2004 was Rs. 1,874,997 and his QPIC for the same period was Rs. 731,122.

**Mr. Santosh V Xavier**, 38 years, Director, Head Terminals Business Division is responsible for the business of Sasken in providing solutions and services to the global handset OEM & ODM market space. He has done his Masters in Computer Applications from the Regional Engineering College, Trichy in 1990. He joined us on Aug 3rd, 1993 and has over 15 years of experience in telecommunications and embedded systems. Prior to joining us, he served as Senior Technical Consultant at Pegasus Software Consultants Pvt Limited. His fixed remuneration for the nine months ended December 31, 2004 was Rs. 1,441,491 and his QPIC for the same period was Rs. 208,202.

**Mr Kevin Koenig**, 40 years, Vice President, Head Networks Business Unit is responsible for the business of Sasken in providing solutions and services to the Network Equipment Manufacturer, and Operations Software Vendor market spaces. Kevin joined Sasken Communication Technologies on April 1, 2005 and has over 18 years experience in producing products for the telecommunications market. Prior to joining us, he was Chief Operating Officer for Sasken Network Systems Limited. He did not earn any remuneration (including QPIC) for the nine months ended December 31, 2004.

**Mr. Ashok Desai**, 49 years, Territory Head, North America, is responsible for driving the Company's sales and growth strategy for the North America Region. He completed his M. Sc from M.S.U. Baroda in 1981. He joined us on December 1, 2003 and has more than 20 years experience in the IT business. He started the Silicon Graphics Regional Operations in Singapore and has since spent several years in various management positions with the Company in Asia. Most recently he was at Oracle Corporation based out of Singapore responsible for their Advanced Products Services and Outsourcing Business for Asia Pacific. His fixed remuneration for the nine months ended December 31, 2004 was Rs. 5090875 and his QPIC for the same period was Rs. 1055045.98.

**Mr. Koichiro Uda**, 39 Years, Territory Head, Asia Pacific is responsible for Sales in Asia pacific. He has completed his Bachelors in Engineering Electronics from the Chuo University in1988. He joined us on August 1st, 2001 and has over 17 years of experience in Eelctronics Industory business. Prior to joining us, he served Synopsys K.K. and Tokyo Electron limited. His fixed remuneration for the nine months ended December 31, 2004 was Rs. 4065029.41 and his QPIC for the same period was Rs. 263851.98.

**Mr. Swami Krishnan**, 43 years, Chief Marketing Officer, is responsible for Marketing, Communications, Branding, Business Development including New Product Initiatives and Mergers and Acquisition and Investor Relations for Sasken. He has done his Bachelors in Engineering in ECE from Mysore University 1984. He has joined us on May 2nd, 2005 and has over 20 years of experience in information technology and telecommunications business. Prior to joining us, he served as Senior Vice

President Global Marketing and Business Development in Tata Infotech Limited. He did not earn any remuneration (including QPIC) for the nine months ended December 31, 2004.

All the abovementioned key managerial personnel are permanent employees of our Company. The remuneration of each of our key personnel is as per the statement pursuant to Section 217(2A) of the Companies Act and the Companies (Particulars of Employees) Rules, 1975.

Shareholding of Our Key Managerial Personnel in our Company

Our Articles of Association do not require our key managerial personnel to hold any Equity Shares in our Company. The following table details the shareholding of our key managerial personnel in their personal capacity and either as sole or first holder, including proposed tranfers.

| Name of Key Managerial Personnel | Number of Equity Shares |
|---|---:|
| Mr. Rajiv C Mody* | 11,113 |
| Mr. Krishna J Jhaveri* | 14,556 |
| Mr. Edwin Moses | 2,000 |
| Mr. G. Murlikrishnan | 12,863 |
| Dr. G. Venkatesh* | 200,336 |
| Mr. Hari Iyer | 17,102 |
| Mr. K.S.G. Shankar | Nil |
| Mr. Kumar Prabhas | 5,000 |
| Ms. Neeta Revankar | 18,150 |
| Mr. Shrikrishna Govind Gokhale | 5,500 |
| Mr. Surendra Kumar Saxena | Nil |
| Mr. Santosh V. Xavier | 11,500 |
| Mr Kevin Koenig | Nil |
| Mr. Ashok Desai | Nil |
| Ms. Koichiro Uda | Nil |
| Mr. Swami Krishnan | 2,630 |
| **Total** | **300,750** |

* Directors of the company.

**Bonus or Profit Sharing Plan for Our Key Managerial Personnel**

We do not have any bonus or profit sharing plan for our Key Managerial personnel, except the Quarterly Performance Indexed Compensation (QPIC) plan, described elsewhere in this Draft Red Herring Prospectus.

**Interest of Key Managerial Personnel**

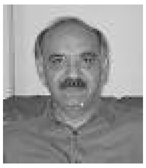
The key managerial personnel of our Company do not have any interest in our Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business and to the extent of the Equity Shares held by them in the Company, if any, and options granted to them under the ESOP.

Except as stated otherwise in this Draft Red Herring Prospectus, we have not entered into any contract, agreement or arrangement during the preceding 2 years from the date of this Draft Red Herring Prospectus in which the key managerial personnel are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements or are proposed to be made to them.

**Changes in our Key Managerial Employees during the last three years**

| Name of Key Managerial Employees | Position Held | Date of Appointment | Date of Change | Reason |
|---|---|---|---|---|
| Mr. Surendra Kumar Saxena | Vice President, Head Key Customer Business Division | February 26, 2003 | - | Appointment |
| Mr. Edwin Moses | Vice President, Head World Wide Sales | October 1, 2001 | April 1, 2003 | Promoted |
| Mr.Pranabh D Mody | Head of Terminal Devices and Network Business Units | April 3, 2000 | April 3, 2005 | Stepped down from managerial responsibilities for personal reasons |
| Mr. Santosh Xavier | Head-Terminal Devices | August 2, 1993 | February 14, 2005 | Promoted |
| Mr. Kevin Koenig | Head-Network Business Unit | April 1, 2005 | - | Appointment |
| Mr. Ashok Desai | Territory Head, North America | December 1, 2003 | - | Appointment |
| Mr. Koichiro Uda | Territory Head, Asia Pacific | August 1, 2001 | May 1, 2005 | Promoted |
| Mr. Swami Krishnan | Chief Marketing Officer | May 2, 2005 | - | Appointment |

**Promoters**

| | |
|---|---|
|  | **Mr. Rajiv C. Mody**, 47 years, Chairman and Managing Director, is the founder promoter of the Company. For more details, please refer to the section entitled "Brief Biography of our Directors" on page 120 of this Draft Red Herring Prospectus.<br><br>His driving license number is 17114/96 R91 V202 He does not possess an Indian voter ID. |
|  | **Mr. Krishna Jhaveri**, 50 years, Director, is the founder promoter of the Company. For more details, please refer to the section entitled "Brief Biography of our Directors" on page 120 of this Draft Red Herring Prospectus.<br><br>He does not possess an Indian voter ID or driving license. |
|  | **Mr. Jyotindra B. Mody**, 75 years, Director, is the founder promoter of the Company. For more details, please refer to the section entitled "Brief Biography of our Directors" on page 120 of this Draft Red Herring Prospectus.<br><br>His voter ID is # MT/04/0204/42883 and driving license number is 559815. |
|  | **Mr. Pranabh D. Mody**, 42 years, Director, is the founder promoter of the Company. For more details, please refer to the section entitled "Brief Biography of our Directors" on page 120 of this Draft Red Herring Prospectus.<br><br>His voter ID is MT/04/024/108040 and driving license number is 1982/C/76045. |
|  | **Mr. Mahendra Jhaveri**, 54 years, is the founder promoter of the Company. He is the founder director of Madanji Meghraj Jewellers Private Limited. He has experience of over three decades in gold and diamond jewellery trade. He is currently associated with a number of gold and diamond jewellery associations at Kolkata and Baroda. He has also been associated with the pharmaceutical industry for over a decade.<br><br>His driving license number is WB-01-029969 and his voter ID is WB/23/146/126291. |

We confirm that the Permanent Account Number, Bank Account Number and Passport Number of the Promoters have been submitted to the BSE and NSE at the time of filing this Draft Red Herring Prospectus with these Stock Exchanges.

**Related Party Transactions**

For details on our related party transactions, please refer to the section titled "Financial Statements" on page 139 of this Draft Red Herring Prospectus.

**Exchange rates and currency of presentation**

This Draft Red Herring Prospectus contains translations of some Rupee amounts into US Dollars which should not be construed as a representation that those Rupee or US Dollar amounts could have been, or could be, converted into US Dollars or Indian Rupees, as the case may be, at any particular rate, the rates stated below, or at all. Except as otherwise stated in this Draft Red Herring Prospectus, all translations from Indian Rupees to US Dollars contained in this Draft Red Herring Prospectus have been based on the rate given by the Reserve Bank of India.

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 rate given by the Reserve Bank of India. The row titled average in the table below is the average of the daily rate on the last day of each full month during the period.

In this Draft Red Herring Prospectus, US Dollar amounts have been translated into Rupees for each period, and presented solely to comply with the requirements of the Clause 6.8.4 of the SEBI Guidelines. Investors are cautioned not to rely on such translated amounts

| | **Year ended March 31, 2001** | **Year ended March 31, 2002** | **Year ended March 31, 2003** | **Year ended March 31, 2004** |
|---|---|---|---|---|
| Period End | 46.35 | 48.68 | 47.45 | 43.65 |
| Average | 45.51 | 47.45 | 48.39 | 46.06 |
| Low | 43.45 | 46.50 | 47.54 | 43.65 |
| High | 46.55 | 48.68 | 48.85 | 47.45 |

**Dividend policy**

The declaration and payment of dividends will be recommended by our Board of Directors and approved by our shareholders, in their discretion, and will depend on a number of factors, including but not limited to our earnings, capital requirements and overall financial condition. The dividends paid by our Company during the last five fiscal years are presented below.

*(Rs. in million)*

| **Class of shares** | **Face Value (Rs.)** | **Year ended March 31, 2000** | **Year ended March 31, 2001** | **Year ended March 31, 2002** | **Year ended March 31, 2003** | **Year ended March 31, 2004** |
|---|---|---|---|---|---|---|
| Equity Shares* | | | | | | |
| -pre consolidation | 5 | - | 55.19 | Nil | Nil | 42.76 |
| -post consolidation | 10 | 51.40 | - | - | - | - |

* *A share split was approved at the EGM held on June 8, 2001 resulting in each equity share of Rs. 10 being subdivided into 2 equity shares of Rs. 5 each; A consolidation of shares was approved at the extra ordinary general meeting held on July 16, 2004 resulting in two equity shares of Rs. 5 being consolidated into 1 equity shares of Rs. 10 each;*

## SECTION V: FINANCIAL STATEMENTS

The following financial statements are are being presented in this Draft Red Herring Prospectus:

1. Consolidated financial statements (as per Indian GAAP) of Sasken Communication Technologies Limited along with its Subsidiaries, Sasken Network Systems Limited (SNSL) and Sasken Network Engineering Limited (SNEL) for the nine months ended December 31, 2004 and the year ended March 31, 2004. See notes (a) and (b) below.

2. Consolidated financial statements (as per Indian GAAP) of Sasken Communication Technologies Limited along with its Subsidiary, Sasken Network Systems Limited (SNSL) for the year ended March 31, 2004. See note (b) below.

3. Unconsolidated financial statements (restated as per Indian GAAP) of Sasken Communication Technologies Limited for the nine months ended December 31, 2004 and the years ended March 31, 2004, March 31, 2003, March 31, 2002, March 31, 2001 and March 31, 2000.

Note:

(a) These consolidated financial statements have been extracted from the audited consolidated financial statements for the quarter and nine months ended December 31, 2004.

(b) These financial statements were presented in Rs Lakhs in the audited financial statements and have now been re - presented in Rs million.

**Consolidated Financial Statements (As Per Indian GAAP) Of Sasken Communication Technologies Limited Along With Its Subsidiaries, Sasken Network Systems Limited (SNSL) And Sasken Network Engineering Limited (SNEL) For The Nine Months Ended December 31, 2004 And The Year Ended March 31, 2004.**

Auditor's Report

The Board of Directors
Sasken Communication Technologies Limited

We have audited the attached consolidated balance sheet of Sasken Communication Technologies Limited and its subsidiaries (collectively called "Sasken Group"), as at December 31, 2004, and also the consolidated profit and loss account for the quarter ended and nine months ended on that date and the consolidated cash flow statement for the nine months ended on that date annexed thereto. These 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 financial statements based on our audit.

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.

We did not audit the financial statements of the subsidiaries, whose financial statements together reflect total assets of Rs 123,874,907 as at December 31, 2004, total revenues of Rs 54,382,919 and Rs 120,999,138, total expenditure of Rs 51,453,489 and Rs 111,334,470 and cash inflows/(outflows), net amounting to Rs (1,168,314) and Rs 12,756,013 for the quarter and nine months then ended, respectively. 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 reports of the other auditors.

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.

Based on our audit and on consideration of the reports of the other auditors on separate financial statements of the subsidiaries and on the other financial information of the subsidiaries, 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:

(a) in the case of the consolidated balance sheet, of the state of affairs of the Sasken Group as at December 31, 2004;
(b) in the case of the consolidated profit and loss account, of the profit for the quarter and nine months ended on that date; and
(c) (c) in the case of the consolidated cash flow statement, of the cash flows for the nine months ended on that date.

For S. R. BATLIBOI & COMPANY
Chartered Accountants

per
Sunil Bhumralkar
Partner
Membership No.: 35141
Bangalore
February 11, 2005

**Sasken Communication Technologies Limited**

Consolidated Balance Sheet

Rs in million

| | Schedule No. | As at December 31, 2004 | As at March 31, 2004 |
|---|---|---|---|
| **SOURCES OF FUNDS** | | | |
| Shareholders' Funds | | | |
| Share Capital | 1 | 168.29 | 151.61 |
| Share Application Money | | 0.17 | - |
| Reserves and Surplus | 2 | 1,194.04 | 985.87 |
| Loan Funds | | | |
| Secured Loans | 3 | 116.33 | 4.27 |
| Unsecured Loans | 4 | 2.50 | - |
| Total Sources | | 1,481.33 | 1,141.75 |
| **APPLICATION OF FUNDS** | | | |
| Fixed Assets | 5 | | |
| Gross Block | | 1,555.68 | 1,359.90 |
| Less : Accumulated Depreciation | | 687.65 | 591.15 |
| Net Block | | 868.03 | 768.75 |
| Capital Work in Progress including capital advances | | 8.42 | 11.78 |
| Total | | 876.45 | 780.53 |
| Capitalised software product costs (net of amortization) | | - | 11.50 |
| Investments | 6 | 62.99 | 26.43 |
| Current Assets, Loans and Advances | | | |
| Inventories | 7 | 0.73 | 5.50 |
| Sundry Debtors | 8 | 444.62 | 336.78 |
| Cash and Bank Balances | 9 | 102.90 | 27.26 |
| Loans and Advances | 10 | 237.40 | 156.89 |
| Gross Current Assets | (A) | 785.65 | 526.43 |
| Less: Current Liabilities and Provisions | 11 | | |
| Current Liabilities | | 219.17 | 147.51 |
| Provisions | | 24.59 | 55.63 |
| Total | (B) | 243.76 | 203.14 |
| Net Current Assets | (A-B) | 541.89 | 323.29 |
| Total Applications | | 1,481.33 | 1,141.75 |
| Notes to Consolidated Accounts | 17 | | |

The schedules referred to above and notes to consolidated accounts form an integral part of the Consolidated Balance Sheet.

**Sasken Communication Technologies Limited**

**Consolidated Profit and Loss Account**

Rs in million

| | Schedule No. | For the nine months ended December 31, 2004 | For the nine months ended December 31, 2003 |
|---|---|---|---|
| Revenues | | 1,672.18 | 1,177.30 |
| Cost of Revenues | 12 | 994.69 | 684.85 |
| Product Engineering Expenses | | 149.82 | 111.96 |
| Gross Profit | | 527.67 | 380.49 |
| Research and Development | | 20.95 | 12.91 |
| Gross Profit after Research and Development | | 506.72 | 367.58 |
| Selling and Marketing Expenses | 13 | 175.72 | 129.72 |
| Administrative and General Expenses | 14 | 210.91 | 133.54 |
| Employee stock option compensation cost (net) | | 5.73 | 0.82 |
| (Refer note 8(b) in the Notes to Consolidated Accounts) | | | |
| Profit from Operations | | 114.36 | 103.50 |
| Other Income | 15 | 4.66 | 6.80 |
| Exchange gain/(loss), (net) | | 4.59 | 4.96 |
| Profit before Interest and Income Taxes | | 123.61 | 115.26 |
| Interest Expense | 16 | 3.85 | 6.88 |
| Profit before Income Taxes | | 119.76 | 108.38 |
| Income Tax expense/(credit), net | | 1.41 | (17.72) |
| Profit after Tax | | 118.35 | 126.10 |
| Add: Balance brought forward | | 375.47 | 253.21 |
| Balance carried to Balance Sheet | | 493.82 | 379.31 |
| Earnings Per Share (Equity Share par value Rs 10 each) | | | |
| Basic | | 7.32 | 8.37 |
| Diluted | | 7.07 | 8.37 |
| Weighted average number of Equity Shares used in computation of | | | |
| Basic | | 16,166,686 | 15,062,992 |
| Diluted | | 16,728,597 | 15,064,392 |
| (Refer Note 11 in Notes to Consolidated Accounts) | | | |
| Notes to Consolidated Accounts | 17 | | |

The schedules referred to above and notes to consolidated accounts form an integral part of the Consolidated Profit and Loss Account.

Sasken Communication Technologies Limited

Schedules forming part of the Consolidated Balance Sheet

| | As at December 31, 2004 | Rs in million As at March 31, 2004 |
|---|---|---|
| Schedule 1 | | |
| Authorised Capital | | |
| 35,000,000 Equity Shares of Rs 10 each | 350.00 | 250.00 |
| (At March 31, 2004, 50,000,000 Equity Shares of Rs.5 each) | | |
| Total | 350.00 | 250.00 |
| Issued, Subscribed and Paid Up Capital | | |
| 16,828,782 Equity Shares of Rs 10 each fully paid up (At March 31, 2004, 30,321,637 Equity Shares of Rs 5 each fully paid up) | 168.29 | 151.61 |
| (Of the above, 5,675,000 equity shares of Rs 10 each have been alloted as fully paid up Bonus shares by capitalisation of balance in Profit and Loss Account of Rs. 50.28 million and General Reserve of Rs. 6.47 million) | | |
| Total | 168.29 | 151.61 |
| Schedule 2 | | |
| Reserves and Surplus | | |
| Securities Premium | | |
| Opening Balance | 527.39 | 404.87 |
| Add: Received during the period/Year | 84.29 | 122.52 |
| Total | 611.68 | 527.39 |
| General Reserve | | |
| Opening Balance | 81.44 | 63.09 |
| Add: Transferred from Profit & Loss Account | - | 18.35 |
| Total | 81.44 | 81.44 |
| Profit & Loss Account | 493.82 | 375.47 |
| Employee stock option outstanding (net of deferred compensation cost) | 7.10 | 1.57 |
| (Refer note 8(b) in Notes to Consolidated Accounts) | | |
| Total | 1,194.04 | 985.87 |
| Schedule 3 | | |
| Secured Loans | | |
| Packing Credit from Scheduled Banks (Refer Note 4(d) in Notes to Consolidated Accounts) | 116.33 | 4.27 |
| (Secured by a charge on the current assets including receivables, both present and future and equitable mortgage on land and buildings of the Company and hypothecation of the other fixed assets of the Company) | | |
| Total | 116.33 | 4.27 |
| Schedule 4 | | |
| Unsecured Loans | | |
| Cash credit from Union Bank of India | 2.50 | - |
| Total | 2.50 | - |

**Sasken Communication Technologies Limited**

Schedules forming part of the Consolidated Balance Sheet

Schedule 5 – Fixed Assets

Rs in million

| Particulars | GROSS BLOCK | | | | DEPRECIATION BLOCK | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Balance as at April 1, 2004 | Additions during the period | Deletions during the period | Balance as at December 31, 2004 | Balance as at April 1, 2004 | For the period | Adjustments during the period | Balance as at December 31, 2004 | As at December 31, 2004 | As at March 31, 2004 |
| Land | 228.77 | - | - | 228.77 | - | - | - | - | 228.77 | 228.77 |
| Building | 331.10 | - | - | 331.10 | 46.87 | 11.80 | - | 58.67 | 272.43 | 284.23 |
| Lease Hold Improvements | - | 16.23 | - | 16.23 | - | 1.14 | - | 1.14 | 15.09 | - |
| Plant & Machinery | - | 7.95 | - | 7.95 | - | 0.49 | - | 0.49 | 7.46 | - |
| Computers | 245.16 | 74.70 | - | 319.86 | 196.46 | 26.25 | - | 222.71 | 97.15 | 48.70 |
| Electrical Fittings | 9.64 | 6.59 | - | 16.23 | 7.53 | 1.98 | - | 9.51 | 6.72 | 2.11 |
| Furniture and Fittings | 124.77 | 37.90 | - | 162.67 | 33.78 | 13.13 | - | 46.91 | 115.76 | 90.99 |
| Office Equipments | 266.73 | 24.10 | 0.18 | 290.65 | 155.21 | 34.00 | 0.17 | 189.04 | 101.61 | 111.52 |
| Vehicles | - | 1.27 | - | 1.27 | - | 0.06 | - | 0.06 | 1.21 | - |
| Intangible Assets | | | | | | | | | | |
| - Software | 153.73 | 12.42 | - | 166.15 | 151.30 | 6.59 | - | 157.89 | 8.26 | 2.43 |
| -Contract rights | - | 14.80 | - | 14.80 | - | 1.23 | - | 1.23 | 13.57 | - |
| **Total** | **1,359.90** | **195.96** | **0.18** | **1,555.68** | **591.15** | **96.67** | **0.17** | **687.65** | **868.03** | **768.75** |
| **Balance as at March 31, 2004** | **1,315.36** | **67.86** | **23.33** | **1,359.90** | **493.99** | **118.78** | **21.62** | **591.15** | **768.75** | |

Note: Refer note 3 in Schedule 17 - Notes to Consolidated Accounts.

**Sasken Communication Technologies Limited**

Schedules forming part of the Consolidated Balance Sheet

| | As at December 31, 2004 | As at March 31, 2004 |
|---|---|---|
| | | Rs in million |
| Schedule 6 | | |
| Investments | | |
| A. Long term, Unquoted, Non Trade, at cost | | |
| Indira Vikas Patra * | - | - |
| National Savings Certificates | 0.01 | 0.01 |
| 29,764 fully paid shares of Preferred Stock of 2Wire Inc, a company incorporated in USA. | 16.94 | 16.94 |
| Less: Provision for diminution in value of investment | (15.50) | (15.50) |
| 392,285 fully paid equity shares of Rs.10/- each of Prime Telesystems Ltd. | 24.00 | 24.00 |
| Less: Provision for diminution in value of investment | (24.00) | (24.00) |
| 203,500 common shares of Extandon Inc, a company incorporated in USA | 0.02 | 0.02 |
| (Refer note 4(f) in the Notes to Consolidated Accounts) | | |
| B. Current, Non-Trade, Unquoted, at lower of cost and net realisable value | | |
| Templeton India Treasury Management Account | - | 24.96 |
| [As at December 31, 2004 Nil Units] ; [Market value – Rs. Nil] | | |
| [As at 31st March, 2004 15,851.483 Units of Rs.1574.227 each]; [Market value - Rs.25.07 million] | | |
| DSP Merrill Lynch Floating Rate Fund | 17.15 | - |
| [[As at December 31, 2004 1,709,850.467 Units of Rs 10.03 each] ; [Market value - Rs.17.15 million] | | |
| [As at 31st March, 2004 Nil Units of Rs.Nil each]; [Market value - Rs.Nil ] | | |
| GFDB Grindlays Floating Rate Fund | 15.27 | - |
| [As at December 31, 2004 1,512,750.998 Units of Rs 10.09 each] ; [Market value - Rs.15.27.million] | | |
| [As at 31st March, 2004 Nil Units of Rs.Nil each]; [Market value - Rs.Nil ] | | |
| Templeton India Floating Rate Income Fund Short Term Plan | 29.10 | - |
| [As at December 31, 2004 2,907,954.560 Units of Rs 10.01 each] ; [Market value - Rs.29.11 million] | | |
| [As at 31st March, 2004 Nil Units of Rs.Nil each]; [Market value - Rs.Nil ] | | |
| Total | 62.99 | 26.43 |
| *Rs.1,500 | | |
| Schedule 7 | | |
| Inventories | | |
| Work-in-progress | 0.73 | 5.50 |
| Total | 0.73 | 5.50 |
| Schedule 8 | | |
| Sundry Debtors | | |
| a) Debts outstanding for a period exceeding six months | | |
| -Unsecured, considered good | 6.83 | 5.28 |
| -Unsecured, considered doubtful | 9.85 | 18.17 |
| b) Other debts | | |
| -Unsecured, considered good | 437.79 | 331.50 |
| Less: Provisions | (9.85) | (18.17) |
| Total | 444.62 | 336.78 |

**Sasken Communication Technologies Limited**

Schedules forming part of the Consolidated Balance Sheet

| | As at December 31, 2004 | As at March 31, 2004 |
|---|---|---|
| | | Rs in million |
| Schedule 9 | | |
| Cash and Bank Balances | | |
| (Refer notes 4(d) in Notes to Consolidated Accounts) | | |
| Cash on Hand | 0.58 | 0.27 |
| Balances with: | | |
| Scheduled Banks | | |
| - in Current Accounts | 79.52 | 16.11 |
| - in Deposit Accounts | 2.81 | 3.26 |
| (held as margin money for Bank guarantees / Letters of credit) | | |
| Other banks | | |
| -Barclays Bank, UK | 11.31 | 2.83 |
| -Bank of America, US | 1.88 | 0.77 |
| -Bank of Montreal, Canada (Can $) | 0.09 | 1.18 |
| -Summitomo Bank, Japan | 0.66 | 0.11 |
| -Kawasaki Shinkim Bank,Japan | 0.03 | - |
| -China Minsheng Banking Corporation (USD) | 0.01 | 0.11 |
| -China Minsheng Banking Corporation (CNY) | 0.02 | 0.28 |
| -Nordbanken AB (Sweden) | 0.64 | 0.08 |
| - Hypo Vereins Bank, Germany | 4.70 | 2.26 |
| - Fleet Bank, USA | 0.65 | - |
| Total | 102.90 | 27.26 |
| Maximum amount outstanding at any time during the period/year in other banks | | |
| Current Accounts | | |
| -Barclays Bank, UK | 17.27 | 8.56 |
| -Bank of America-Texas- USA | 0.12 | 33.83 |
| -Bank of America- USA | 52.81 | 76.41 |
| -Bank of Montreal, Canada (Can $) | 7.59 | 16.63 |
| -Bank of Montreal, Canada (US $) | - | 1.87 |
| -Summitomo Bank, Japan (USD) | 2.25 | 16.32 |
| -Summitomo Bank, Japan (JPY) | 2.45 | 1.91 |
| -China Minsheng Banking Corporation (USD) | 0.48 | 1.05 |
| -China Minsheng Banking Corporation (CNY) | 0.34 | 3.03 |
| -China Minsheng Banking Corporation (RMB) | 0.03 | - |
| -Nordbanken AB (Sweden) | 1.14 | 1.44 |
| - Hypo Vereins Bank, Germany | 11.61 | 3.26 |
| - Fleet Bank, USA | 3.15 | - |
| Deposit Account | | |
| - Kawasaki Shinkim Bank, Japan | 0.15 | 1.83 |

**Sasken Communication Technologies Limited**

Schedules forming part of the Consolidated Balance Sheet

| | | Rs in million |
|---|---|---|
| | As at December 31, 2004 | As at March 31, 2004 |
| Schedule 10 | | |
| Loans and Advances | | |
| (a. Unsecured, considered good) | | |
| Loan to Blue Broadband Tech Pvt Ltd. | 5.00 | - |
| b. Unsecured, considered good) | | |
| Advances recoverable in cash or in kind | | |
| or for value to be received | 64.73 | 30.00 |
| Deposits with Government Departments and others | 92.01 | 54.69 |
| Loans and Advances to Staff | 22.84 | 13.92 |
| Interest Income Accrued but not due | 0.77 | 0.07 |
| Unbilled Revenues | 36.25 | 53.19 |
| Advance Income Tax (Net of Provision for Tax) | 15.80 | 5.02 |
| Total | 237.40 | 156.89 |
| | | |
| Schedule 11 | | |
| Current Liabilities and Provisions | | |
| Current Liabilities | | |
| Sundry Creditors for goods, expenses and services | | |
| Dues to Small Scale Industrial Units | 0.02 | 0.02 |
| Others | 134.76 | 110.37 |
| Interest Accrued but not due | 0.01 | 0.01 |
| Other Liabilities | 39.56 | 26.77 |
| Deferred Revenues | 19.00 | 4.37 |
| Advance received from customers | 25.82 | 5.97 |
| Total (A) | 219.17 | 147.51 |
| | | |
| Provisions | | |
| Proposed Equity Dividend | - | 37.90 |
| Tax on Proposed Equity Dividend | - | 4.86 |
| Provision for Leave Encashment | 11.23 | 9.24 |
| Provision for Warranty | 2.65 | 2.80 |
| Provision for Gratuity | 10.71 | 0.83 |
| Total (B) | 24.59 | 55.63 |
| Total (A) + (B) | 243.76 | 203.14 |

**Sasken Communication Technologies Limited**

Schedules forming part of the Consolidated Profit and Loss Account

| | For the nine months ended December 31, 2004 | For the nine months ended December 31, 2003 |
|---|---|---|
| | | Rs in million |
| Schedule 12 | | |
| <u>Cost of Revenues</u> | | |
| Salaries & Bonus | 747.55 | 518.04 |
| Contribution to Provident and Other Funds | 38.40 | 26.36 |
| Staff Welfare | 13.11 | 8.73 |
| Recruitment and Relocation | 26.17 | 15.16 |
| Rent | 38.44 | 2.39 |
| Repairs and Maintenance | | |
| -Plant & Machinery | 20.71 | 8.40 |
| -Building | 10.38 | 4.11 |
| -Others | 2.51 | 4.85 |
| Communication Expenses | 13.63 | 6.01 |
| Travel Expenses | 54.40 | 35.88 |
| Electricity and Water Charges | 22.65 | 14.48 |
| Professional & Consultancy Charges | 41.91 | 24.86 |
| Printing & Stationery | 0.11 | - |
| Depreciation | 77.81 | 77.60 |
| Software expenses | 12.58 | 4.69 |
| Training and Conference Expenses | 7.94 | 1.87 |
| Consumables | 0.07 | - |
| Others | 0.02 | - |
| Warranty Expenses provided (reversed) | (0.15) | 1.01 |
| Sub Total | 1,128.45 | 754.44 |
| Amortization of capitalised software product costs | 11.50 | 40.12 |
| Add: Opening balance of work in progress | 5.62 | 24.60 |
| Less: Closing balance of work in progress | (0.73) | (22.35) |
| Less: Reclassified as Product Engineering Expenses | (149.82) | (111.96) |
| Total | 994.69 | 684.85 |

**Sasken Communication Technologies Limited**

Schedules forming part of the Consolidated Profit and Loss Account — Rs in million

| | For the nine months ended December 31, 2004 | For the nine months ended December 31, 2003 |
|---|---|---|
| Schedule 13 | | |
| Selling and Marketing Expenses | | |
| Salaries & Bonus | 104.65 | 65.95 |
| Contribution to Provident and Other Funds | 2.20 | 2.78 |
| Staff Welfare | 2.87 | 2.19 |
| Recruitment and Relocation | 0.77 | 1.18 |
| Rent | 8.44 | 6.39 |
| Repairs and Maintenance | | |
| -Plant & Machinery | 0.43 | 0.13 |
| -Building | 0.66 | 0.96 |
| -Others | 0.14 | 0.09 |
| Communication | 6.71 | 5.24 |
| Travel | 20.65 | 13.96 |
| Electricity and Water Charges | 0.33 | 0.11 |
| Professional, Legal & Consultancy Charges | 12.79 | 17.08 |
| Agency Commission - others | 6.72 | 12.36 |
| Selling Expenses - others | 6.21 | - |
| Depreciation | 1.77 | 0.84 |
| Training and Conference | 0.38 | 0.46 |
| Total | 175.72 | 129.72 |

**Sasken Communication Technologies Limited**

Schedules forming part of the Consolidated Profit and Loss Account

Rs in million

| | For the nine months ended December 31, 2004 | For the nine months ended December 31, 2003 |
|---|---|---|
| Schedule 14 | | |
| Administrative and General Expenses | | |
| Salaries & Bonus | 71.38 | 61.47 |
| Contribution to Provident and Other Funds | 6.79 | 4.92 |
| Staff Welfare | 2.97 | 0.86 |
| Recruitment and Relocation | 7.64 | 2.23 |
| Rent | 13.41 | 1.20 |
| Rates and Taxes | 4.54 | 4.22 |
| Repairs and Maintenance | | |
| -Plant & Machinery | 3.34 | 0.76 |
| -Building | 2.62 | 1.95 |
| -Others | 0.76 | 0.48 |
| Communication | 3.97 | 1.72 |
| Travel | 8.81 | 3.64 |
| Electricity and Water Charges | 7.07 | 2.37 |
| Depreciation | 16.65 | 8.75 |
| Professional, Legal & Consultancy Charges | 24.54 | 8.95 |
| Software Charges | 0.33 | 0.01 |
| Auditor's Remuneration | | |
| - Statutory Audit | 0.50 | 0.52 |
| - Out of Pocket Expenses (including service tax) | 0.01 | 0.02 |
| Training and Conference Expenses | 4.19 | 2.88 |
| Directors' sitting fees | 0.04 | 0.03 |
| Software expenses | 2.17 | - |
| Miscellaneous | 37.49 | 24.89 |
| Depreciation on Current Investments | - | 1.28 |
| Loss on sale of fixed assets (net) | 0.01 | 0.52 |
| Bad debts | - | 0.27 |
| Provision for doubtful debts, net of reversals | (8.32) | (0.40) |
| Total | 210.91 | 133.54 |

**Sasken Communication Technologies Limited**

Schedules forming part of the Consolidated Profit and Loss Account — Rs in million

| | For the nine months ended December 31, 2004 | For the nine months ended December 31, 2003 |
|---|---|---|
| Schedule 15 | | |
| <u>Other Income</u> | | |
| Miscellaneous income (includes Rs.2.11 million previous period Rs.Nil being write back of provision for expenses made in earlier years) | 2.11 | 0.72 |
| Dividend received on current investments (non trade) | 0.82 | 5.55 |
| Net gain on sale of current investments (non trade) | 1.08 | 0.02 |
| Interest income on Bank Deposits (Gross)* | 0.34 | 0.43 |
| Other interest income | 0.31 | 0.08 |
| Total | 4.66 | 6.80 |
| * Tax deducted at source | 0.07 | - |
| Schedule 16 | | |
| <u>Interest Expense</u> | | |
| On Term Loans | - | 0.83 |
| Others | 3.85 | 6.05 |
| Total | 3.85 | 6.88 |

**Sasken Communication Technologies Limited**

Consolidated Cash Flow Statement

| | For the nine months ended December 31, 2004 | For the nine months ended December 31, 2003 |
|---|---|---|
| | | Rs in million |
| **A. Cash flow from operating activities:** | | |
| Net Profit before tax | 119.76 | 108.38 |
| Adjustments for: | | |
| Depreciation | 96.67 | 87.76 |
| Amortization of capitalized software development costs | 11.50 | 40.12 |
| Other non-cash writeback/charges | (4.02) | 19.94 |
| Foreign exchange adjustments | (13.97) | - |
| Interest expense | 3.85 | 6.88 |
| Other income | (2.55) | (6.08) |
| Loss on sale of fixed assets | 0.01 | - |
| Operating profit before working capital changes | 211.25 | 257.00 |
| Adjustments for: | | |
| (Increase)/decrease in Sundry Debtors | (106.44) | (58.29) |
| (Increase)/decrease in Work in progress | 4.76 | 2.25 |
| (Increase)/decrease in Loans & Advances | (69.04) | (33.65) |
| Increase/(decrease) in Current Liabilities and provisions | 104.34 | (1.46) |
| Cash generated from operations | 144.87 | 165.85 |
| Direct taxes (paid) / refund received | (10.78) | 16.96 |
| **Net cash from operating activities** | **134.09** | **182.81** |
| **B. Cash flow from investing activities:** | | |
| Purchase of fixed assets | (192.65) | (55.50) |
| Sale of fixed assets | - | 1.20 |
| Interest received | | 0.51 |
| Sale of investments | 227.68 | 73.63 |
| Investments purchased | (262.38) | (147.52) |
| **Net cash used in investing activities** | **(227.35)** | **(127.68)** |
| **C. Cash flow from financing activities:** | | |
| Proceeds from issue of shares (includes share application money) | 100.93 | - |
| Refund of share application money | - | (17.28) |
| Repayment of long-term borrowing | - | (134.40) |
| Increase/ (decrease) in Working capital loans | 114.58 | 6.21 |
| Redemption of Debentures | - | (0.02) |
| Dividend Paid (inclusive of dividend tax) | (42.76) | - |
| Interest paid | (3.85) | (10.81) |
| **Net cash from/(used) in financing activities** | **168.90** | **(156.30)** |
| Net increase/(Decrease) in Cash and Bank balances (A+B+C) | 75.64 | (101.17) |
| Cash and Bank balances at the beginning of the period | 27.26 | 160.35 |
| **Cash and Bank Balances at the end of the period *** | **102.90** | **59.18** |

*** Refer Schedule 9**

**Supplementary non-cashflow information**

| | | |
|---|---|---|
| Issuance of Share Capital out of Share Application money | - | 147.00 |
| Dividends received re-invested in units of Mutual funds | 0.86 | 4.07 |
| Conversion of Fully Convertible Debentures into Equity Shares | - | 0.03 |

**Sasken Communication Technologies Limited**

**Schedules forming part of the consolidated accounts nine months ended December 31, 2004**

**Schedule 17**

**Notes to consolidated accounts**

**1. Description of Business**

Sasken Communication Technologies Limited ("Sasken" or "the Company") is a provider of telecommunications software services and solutions to network equipment manufacturers, mobile terminal vendors and semiconductor companies around the world. Sasken delivers end-to-end solutions that enable richer content delivery on next generation networks.

Sasken has its headquarters in Bangalore, India with offices in Pune, Canada, China, Germany, Japan, Sweden, United Kingdom and the United States of America.

During the year ended March 31, 2003, the Company promoted Sasken Network Systems Limited ("SNS") a wholly owned subsidiary in India. SNS was incorporated on October 20, 2003 and obtained its certificate to commence business on November 21, 2003, from the Registrar of Companies, Karnataka. SNS provides consultative engineering services focused on telecom operation systems. As at December 31, 2004, SNS is a wholly owned subsidiary of the Company.

During the nine months ended December 31, 2004, the Company promoted Sasken Network Engineering Limited ("SNEL"), a wholly owned subsidiary in India. SNEL was incorporated on September 29, 2004 and obtained its certificate to commence business on October 11, 2004 from the Registrar of Companies, Karnataka. SNEL provides installation and commissioning of and project management services in cellular network. As at December 31, 2004, SNEL is a wholly owned subsidiary of the Company.

**2. Significant Accounting Policies**

**Basis for preparation of financial statements**

The accompanying consolidated financial statements include the accounts of Sasken, SNS and SNEL (hereinafter collectively referred to as "the Group"). The financial year-end of the subsidiaries is March 31.

The consolidated financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Group and are consistent with those used in the year ended March 31, 2004, except for change in accounting policy and change in estimate as stated below.

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's best knowledge of current events and actions the Group may undertake in future, actual results ultimately may differ from the estimates.

All significant inter company balances and transactions between the Company and its subsidiaries have been eliminated in consolidation.

**Change in accounting policy**

In order to comply with Accounting Standard – 11 (revised) - The Effects of Changes in Foreign Exchange Rates which is effective April 1, 2004, during the reporting periods subsequent to March 31, 2004, the Company changed its accounting policy in respect of accounting for forward contracts entered into to hedge the foreign currency risk of the underlying assets at the balance sheet date. Consequently, in respect of foreign currency monetary assets or liabilities in respect of which forward exchange contract is taken, exchange differences on such contracts are recognised in the statement of profit and loss in the period in which the exchange rates change. On account of such change in the accounting policy, exchange gain for the nine months ended December 31, 2004 is higher by Rs 7.22 million, with a consequential impact on the consolidated profit after tax for the nine months ended December 31, 2004.

**Change in estimate**

During the nine months ended December 31, 2004 the Company revised its estimate of useful life of generic computer software to one year, prospectively. Hitherto, generic computer software was charged 100% depreciation in the period of purchase. Due to this change, depreciation on fixed assets for nine months ended December 31, 2004 is lower by Rs. 6.31 million and profits before tax are higher to the same extent.

**Revenue Recognition**

The Group derives its revenues from product and technology licensing, software services and installation and commissioning services.

Licensing revenue is recognized when the product or technology is delivered and accepted. Revenue related to customized products or technology development agreements is recognized using the proportionate completion method, determined based on the achievement and acceptance of the milestone. In all cases revenue is recognized only when no further vendor obligations remain and collection is probable. Revenue related to post contract customer support is recognized over the support period.

Revenue from time and material service contracts is recognized as the services are provided. Revenue from fixed price service contracts is recognized based on the proportionate completion method, determined based on the delivery and acceptance of the milestone, provided collection is probable. Revenue from maintenance is recognized ratably over the term of the maintenance arrangement.

Revenue from royalty is recognized on an accrual basis based on the terms of the agreement, provided collection is probable.

Dividend income is recognized when the right to receive dividend is established.

Interest income is recognized on an accrual basis.

**Work in progress**

Costs related to milestones that have not been met are treated as costs of future activity and are reported as work in progress. Work in progress is carried at cost or net realizable value whichever is lower.

**Fixed Assets**

Fixed assets are stated at cost, less accumulated depreciation less impairment, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its 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.

**Depreciation**

Depreciation is provided on Straight Line Method (SLM) at the rates mentioned below which are greater than or equal to the corresponding rates prescribed in Schedule XIV of the Companies Act, 1956:

| **Type of asset** | **Rates (SLM)(%)** | **Schedule XIV rates (SLM) (%)** |
|---|---|---|
| Building | 5 | 1.63 |
| Computers | 25 | 16.21 |
| Electrical Fittings | 20 | 4.75 |
| Furniture & Fittings | 10 | 6.33 |
| Plant & Machinery | 25 | 4.75 |
| Office Equipment | 20 | 4.75 |
| Vehicles | 20 | 9.5 |

Leasehold improvements at leased property are depreciated over estimated useful life or the lease period of the property, whichever is lower.

Assets with unit value Rs 5,000 or less are depreciated entirely in the period of acquisition.

Intangible assets comprise of the following and are depreciated over the estimated useful life as given below:

a) Computer Software used for development of software/rendering software services – Over the life of the project/product.
b) Generic Computer Software – over 12 months.
c) Product Software for administration purposes – 3 years.
d) Contract rights - 3 years.

**Capitalisation and Amortization of Software**

Costs incurred towards development of computer software products meant for sale, lease or otherwise marketed, are capitalised subsequent to establishing technological feasibility. Capitalisation ceases when the product is available for general release to customers. Capitalised software costs are amortised on a product-by-product basis. The amortization shall be greater of the amount computed using (a) the ratio that current gross revenue for a product bears to the total of current and anticipated future gross revenues for that product or (b) the straight-line method over the remaining estimated economic life of the product. The unamortised cost of capitalized software products is carried at cost or net realisable value whichever is lower.

**Investments**

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

**Foreign currency transactions**

(i) Initial Recognition - Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency approximately at the date of the transaction.

(ii) Conversion - Foreign currency monetary items are reported using the closing rate. Non-monetary items, which are carried in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction.

(iii) Exchange Differences - Exchange differences arising on the settlement or conversion of monetary items, are recognised as income or as expenses in the period in which they arise except those arising on liabilities pertaining to fixed assets, which are adjusted with the cost of the fixed assets.

(iv) Forward Exchange Contracts - The Group uses forward exchange contracts to hedge its exposure to movements in foreign exchange rates. The Group does not use the forward exchange contracts for trading or speculation purposes. In respect of foreign currency monetary assets or liabilities in respect of which forward exchange contract is taken, the premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract, except where it relates to fixed assets in which case it is adjusted to the cost of the corresponding asset. Exchange differences on such contracts are recognised in the statement of profit and loss in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the period.

(v) Foreign branches - The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the Group itself.

**Retirement benefits to employees**

The Group contributes to a Group Gratuity Scheme, administered by private insurers. The contributions are charged to the Profit and Loss account. Provision is made for the difference between the actuarial valuation (determined as at the balance sheet date) and the funded balance.

Provision for leave encashment benefits is made based on actuarial valuation as at every balance sheet date.

The Company has established a Provident Fund Trust to which contributions towards provident fund are made each month. The Trust guarantees a specified rate of return on such contributions of employee and employer on a yearly basis. The Company will meet the shortfall in the return, if any, and the same is charged to the profit and loss account on an accrual basis. The contributions towards the pension fund are remitted to the Regional Provident Fund. The contributions towards Provident Fund and Pension Fund of SNS & SNEL are remitted to the Regional Provident Fund Commissioner maintained by the Government of India. Contributions towards Provident Fund and Pension Fund are charged to the Profit and Loss Account on an accrual basis.

The Company and SNS have established a Super Annuation Scheme administered by private insurers. As per the Scheme, for employees claiming the benefit, the Company and SNS makes monthly contributions, which are charged to the Profit and Loss Account on an accrual basis. The employer has no other obligations under the Scheme.

**Impairment of assets**

The Group assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. If such recoverable amount of the asset or recoverable amount of the cash-generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

**Warranty expenses**

The Company provides for the estimated costs based on trend of past analysis and nature of services rendered, that may be incurred under free warranties, as provided in licensing and service contracts.

**Research and Development**

All research and development costs are charged to Profit and Loss account when incurred. Equipment or facilities that are acquired or constructed for research and development activities, which have alternative future uses are capitalized as tangible assets. Depreciation on such assets is charged to expense as research and development costs.

**Income Taxes**

Tax expense comprises both current and deferred taxes. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961 and tax laws applicable to the overseas branches under the respective jurisdiction. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities across various countries of operation are not set off against each other as the Group does not have a legal right to do so. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

**Stock Compensation Expense**

The Company accounts for stock compensation expense based on the fair value of the options granted on the date of grant. Compensation expense is amortized over the vesting period of the option on a straight-line basis. The accounting value of the options net of the Deferred Compensation Expense is reflected as Employee Stock Options Outstanding under Reserves and Surplus.

**Earnings per share**

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period are adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

**Provisions**

A provision is recognised when an enterprise has a present obligation as a result of past event; 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 best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

**Segment Policy**

Identification of segments:

The Group is focused in the telecommunication space. The risks and returns of the Group are predominantly determined by the nature of the solution offered to its customers, which may be in the form of products or services. The primary reporting segments are Software Services and Software Products and Network engineering services.

The geographical segment information is disclosed based on the location of the customers.

Allocation of common costs:

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Unallocated items:

The Corporate and other segment include general corporate income and expense items, which are not allocated to any business segment.

Operating Leases
Operating leases payments are recognized as an expense in the profit and loss account on a straight line basis over the lease term.

**3. Purchase of assets by SNEL:**

SNEL has entered into an agreement with Blue Broadband Technologies Private Limited, Mumbai ("BBT") for the purchase of tangible and intangible fixed assets amounting to Rs. 25 million.

- The tangible assets are subject to a charge created by BBT in favour of EDC Limited and Zorastrian Co-operative Bank. As per the arrangement between SNEL and BBT, SNEL is directly repaying the lenders for the satisfactory discharge of the charges.

- BBT is yet to raise the invoice on SNEL for the sale of the assets, pending which the sales taxes on the assets have as yet not been accounted for. This will be accounted for on receipt of the invoices.

**4. Other notes**

a) Research & Development expenses include:

Rs in million

| | Nine Months Ended | |
|---|---|---|
| | **December 31, 2004** | **December 31, 2003** |
| Salaries and Bonus | 15.24 | 11.16 |
| Contribution to PF and Other Funds | 1.08 | 1.19 |
| Depreciation | 0.44 | 0.57 |
| Consultancy | 4.20 | - |
| **Total** | **20.95** | **12.91** |

b) Estimated amount of contracts remaining to be executed on capital account (net of advances) amounted to Rs. 16.52 million (As at March 31, 2004 - Rs. 63.27 million).

c) Contingent liabilities towards taxes on income not provided for amount to Rs. 15.35 million (As at March 31, 2004 Rs.16.54 million). There are certain claims made against the Company by customers/investee company, which in the view of the management of the Company is not tenable and amounts are currently not ascertainable.

Rs in million

| | As at December 31, 2004 | As at March 31, 2004 |
|---|---|---|
| Bank guarantees | 14.63 | 13.96 |
| Letters of credit | 7.43 | 11.05 |

d) Bank balance includes remittances in transit amounting to Rs 10.62 million (As at March 31, 2004 Rs Nil) and Packing Credit is net of remittances in transit amounting to Nil (As at March 31, 2004 is Rs 9.71 million).

e) Foreign exchange gain arising on account of foreign exchange forward contracts entered into by the Group to be recognized in the subsequent financial periods amount to Rs 2.82 million as at December 31, 2004 (As at March 31, 2004 - Rs 2.21 million).

f) The shares held in Extandon Inc, US are held by Extandon Inc as a collateral to secure the Company's compliance with all terms and conditions under a software licensing agreement entered into by the Company with Extandon Inc and performance of the delivery obligations under the repurchase options available with Extandon Inc under the terms of investment agreement.

g) During the year ended March 31, 2004 the Company entered into an agreement for services. The customer has agreed to settle the consideration by transferring certain software programs and annual maintenance services amounting to Rs 15.71 million. The Company has considered this transaction to be a non-monetary exchange.

**5. Managerial Remuneration**

Managerial remuneration paid to Directors:

Rs. in million

| | Nine Months Ended | |
|---|---|---|
| | **December 31, 2004** | **December 31, 2003** |
| Salaries and bonus | 15.65 | 17.23 |
| Contribution to Provident Fund and other Funds # | 0.72 | 0.40 |
| Others | 0.69 | - |

# The above does not include provisions for/contributions to employee retirement and other employee benefit schemes determined on actuarial basis.

**6. Provision for taxation**

A significant portion of the Company and SNS income is non-taxable as the companies claim deduction under section 10A of the Income Tax Act, 1961. No deferred tax asset has been recognised on carry forward losses, as it is not virtually certain that such deferred tax asset will be realised. Further, the temporary differences arising reverse within the balance period of tax holiday under section 10A of the Income Tax Act, 1961.

Income tax expense/(credit) comprises of:

Rs in million

| | Nine Months Ended | |
|---|---|---|
| | **December 31, 2004** | **December 31, 2003** |
| Overseas income taxes (comprising of withholding taxes and overseas branch income taxes) | 0.97 | (20.66) |
| The above are net of refund/reversal of overseas taxes of: | 20.45 | 47.45 |

### 7. Fixed Price Revenue Contracts

The following table provides disclosures in accordance with the revised Accounting Standard (AS) 7 – Construction Contracts:

Rs in million

| Particulars | Nine Months Ended December 31, 2004 | December 31, 2003 |
|---|---|---|
| Contract revenue recognized during the period | 197.56 | 79.24 |
| Contract costs incurred (including work in progress) and recognized profits | 198.29 | 36.92 |
| Aggregate amount of costs incurred and recognised profits (less recognised losses) upto date of balance sheet for contracts in progress as at that date. | 43.18 | 369.15 |
| Gross amount due from customers for contract work - presented as an asset | 0.73 | 1.72 |
| Gross amount due to customers for contract work - presented as a liability | 1.57 | - |

### 8. Employee Stock Option Plan

The Group has two employee stock option schemes, 'SAS Stock Option Plan, 1997' and 'Sasken ESOP-2000'. The details of options granted, options vested and shares issued against the exercised options are explained herein below.

**a) SAS Stock Option Plan, 1997**

The shareholders approved the Plan at the Extraordinary General Meeting ("EGM") on November 20, 1997. Under this scheme, Fully Convertible Debentures (FCD's) were issued to employees of the Company, consultants and advisors. Each of these FCDs are converted into one share of Rs.10 each. There are no outstanding debentures as on December 31, 2004.

**b) Sasken ESOP 2000**

During the year ended March 31, 2001, the Company announced a Stock Option Plan in accordance with the Guidelines issued by the Securities and Exchange Board of India (SEBI) for Employees Stock Option Plans. This stock option plan called ESOP-2000, was approved by the shareholders at the Extraordinary General Meeting of the Company held on September 22, 2000. It covers all employees of the Company including foreign branches, employees of the subsidiaries including its part time/ full time Directors other than the promoter directors. The Plan provides for the issue 3 million shares (including the shares issued under the FCD's as per the SAS Stock Option plan, 1997 and the shares to be issued consequent to the exercise of the options granted under the current plan) of Rs 10 each duly adjusted for any bonus, splits, etc. A Compensation Committee comprising of three independent directors on the Board administers the scheme.

A decision to consolidate the face value of the shares from Rs 5 to Rs 10 was taken by the board at the meeting held on June 11, 2004 and an EGM was held on July 16, 2004. The EGM approved the consolidation of the shares and consequently the options also have been adjusted to reflect the consolidations. The options have now been converted to 1 option for every 2 options held earlier and fractional options have been adjusted to the next whole number.

The Company cancelled stock options granted under Sasken ESOP 2000 and remaining unexercised as at December 31, 2002. Consequent to the cancellation of the stock options, the Company reversed the compensation cost of Rs. 71.46 million recognized by it in the prior years.

In October 2003 and thereafter, the Company issued 592,080 options to employees, convertible into 592,080 equity shares, with a vesting period of one year at an exercise price of Rs. 40 per share being the fair value of the Company's share as determined by the Company as at the date of grant. The above options have been consolidated to reflect the above as 296,040 options at a revised fair value price of Rs. 80 per share.

On April 2, 2004 and June 1, 2004, the Company issued 757,850 options to 1372 employees and 1,943,065 options to 347 employees, respectively. The effective options after consolidation translates to 378,925 options to 1372 employees and 971,533 options to 347 employees respectively. These options carry a vesting period ranging one to four years at an exercise price ranging from Rs 80 to Rs 128 per share depending upon the exercise period being the fair value of the Company's share as determined by the Company as at the date of grant. The exercise price translates to Rs. 160 to Rs. 256 per share after the consolidation of the options.

The movement in options is given below:

| | December 31, 2004 | March 31, 2004 |
|---|---|---|
| Options outstanding as at the beginning of the period / year | 274,110 | Nil |
| Options issued during the period / year | 1,350,458 | 296,040 |
| Options forfeited during the period / year | 132,620 | 21,930 |
| Options exercised during the period / year | 36,630 | Nil |
| Options outstanding as at the closing of the period / year | 1,455,318 | 274,110 |

The total accounting value of options outstanding as on December 31, 2004 is Rs 10.57 million (as at March 31, 2004 Rs 3.13 million) of which Rs 7.20 million (net of reversal) has been recognized as compensation cost based on the vesting period of the options. The accounting value of the options outstanding at December 31, 2004, net of the Deferred Compensation Cost of Rs. 3.47 million (as at March 31, 2004 Rs 1.57 million) has been reflected as Employee stock options outstanding under Reserves and Surplus.

**9. Related Party Disclosures**

**Remuneration paid to Key Managerial Personnel**

Rs in million

| | | Nine Months Ended | |
|---|---|---|---|
| **Name of the related party** | **Relationship** | **December 31, 2004** | **December 31, 2003** |
| Rajiv C Mody | Managing Director | 4.52 | 4.98 |
| Pranabh D Mody | Whole-time Director | 2.86 | 2.74 |
| Krishna Jhaveri | Whole-time Director | 8.99 | 9.40 |

The above does not include provision for/contribution to employee retirement and other employee benefit schemes determined on actuarial basis.

**10. Segment reporting**

The segmental information is given based on Software Services, Software Products and Network engineering services. Software Services that are related with Intellectual Property based product offerings are considered part of the Products segment. Network engineering services provides network planning, deployment, commissioning, integration and network operations support to network equipment vendors and operators. During the nine months ended December 31, 2004, the Company changed its segmental reporting consequent to a change in the organization of the Company's business. Previous period segment information is restated to conform to those of the current period.

Product Engineering Expense

Product engineering expenses include the costs of product development, and modifications and enhancements to products that are already available to customers.

**a) Business Segment Information**

**As at December 31,2004**

Rs in million

| | **Software Services** | **Software Products** | **Network engineering services** | **Corporate and Others** | **Total** |
|---|---|---|---|---|---|
| Segment assets | 499.39 | 124.18 | 49.16 | - | 672.73 |
| Unallocated corporate assets | - | - | - | 1,052.36 | 1,052.36 |
| Total assets | 499.39 | 124.18 | 49.16 | 1,052.36 | 1,725.09 |
| Segment liabilities | 96.67 | 29.59 | 25.74 | - | 152.00 |
| Unallocated corporate liabilities | - | - | - | 210.59 | 210.59 |
| Total liabilities | 96.67 | 29.59 | 25.74 | 210.59 | 362.59 |
| Capital expenditure -Tangible and Intangible | 41.31 | 11.99 | 25.77 | 116.89 | 195.95 |

**As at March 31, 2004**

Rs in million

| | Software Services | Software Products | Corporate and Others | Total |
|---|---|---|---|---|
| Segment assets | 355.97 | 128.73 | - | 484.70 |
| Unallocated corporate assets | - | - | 860.19 | 860.19 |
| Total assets | 355.97 | 128.73 | 860.19 | 1,344.89 |
| Segment liabilities | 35.36 | 23.08 | - | 58.44 |
| Unallocated corporate liabilities | - | - | 148.97 | 148.97 |
| Total liabilities | 35.36 | 23.08 | 148.97 | 207.41 |
| Capital expenditure -Tangible and Intangible | 30.71 | 9.30 | 27.85 | 67.86 |

**Nine Months ended December 31, 2004**

Rs in million

| | Software Services | Software Products | Network engineering services | Total |
|---|---|---|---|---|
| Revenue | 1,425.30 | 234.15 | 12.73 | 1,672.18 |
| Segment Result | 509.86 | 17.56 | 0.25 | 527.67 |
| Corporate Expenses | | | | 413.31 |
| Operating Profit | | | | 114.36 |
| Interest expense | | | | 3.85 |
| Other income including exchange gain/(loss), net | | | | 9.25 |
| Income taxes | | | | 1.41 |
| Profit after tax | | | | 118.35 |
| Other Information: | | | | |
| Depreciation on identified segment assets | 15.87 | 7.33 | 2.10 | 25.30 |
| Depreciation allocated to segments | 42.29 | 11.71 | - | 54.00 |
| Unallocated depreciation | | | | 17.37 |
| Amortisation of capitalised software costs | | 11.50 | | 11.50 |

**Nine months ended December 31, 2003**

Rs in million

| | Software Services | Software Products | Total |
|---|---|---|---|
| Revenue | 878.36 | 298.94 | 1,177.30 |
| Segment Result | 204.01 | 176.48 | 380.49 |
| Corporate Expenses | | | 276.99 |
| Operating Profit | | | 103.50 |
| Interest expense | | | 6.88 |
| Other income including exchange gain/(loss), net | | | 11.76 |
| Income taxes | | | (17.72) |
| Profit after tax | | | 126.10 |
| Other Information: | | | |
| Depreciation on identified segment assets | 23.08 | 8.31 | 31.39 |
| Depreciation allocated to segments | 30.69 | 16.08 | 46.77 |
| Unallocated depreciation | | | 9.60 |
| Amortisation of capitalised software costs | | 40.12 | 40.12 |

Note: Unallocated corporate assets and liabilities comprise of assets and liabilities not identifiable with reportable segments, as these assets and liabilities are used interchangeably between the segments. However, depreciation on such assets has been allocated to the segments based on the related utilisation by the respective segments, as used by management for its internal reporting purposes.

**b) Geographic Segment Information:**

Revenues:

Rs in million

| Region | Nine Months Ended | |
|---|---|---|
| | **December 31, 2004** | **December 31, 2003** |
| North America (Including Canada) | 589.51 | 479.23 |
| Europe | 833.74 | 391.07 |
| Asia Pacific | 133.03 | 247.23 |
| India | 115.90 | 59.77 |
| **Total** | **1,672.18** | **1,177.30** |

## Assets:

Sundry Debtors and Unbilled Revenues:

Rs in million

| Region | As at December 31, 2004 | As at March 31, 2004 |
|---|---|---|
| North America (Including Canada) | 178.32 | 111.44 |
| Europe | 222.55 | 163.25 |
| Asia Pacific | 32.09 | 71.50 |
| India | 47.91 | 43.78 |
| **Total** | **480.87** | **389.97** |

Note: Most of the other tangible and intangible assets relate to India. Assets for other geographical segments are not significant and hence not furnished.

**11. Earnings Per Share (EPS)**

Reconciliation of the net income and number of shares considered in the computation of basic and diluted EPS is given below:

Rs in million

| | Nine Months Ended | |
|---|---|---|
| | **December 31, 2004** | **December 31, 2003** |
| Profit for computation of basic EPS | 118.35 | 126.10 |
| Add: Interest on Fully convertible debentures (FCDs) | - | 0.01 |
| Profit for computation of diluted EPS | 118.35 | 126.11 |
| Weighted average number of shares considered for basic EPS | 16,166,686 | 15,062,992 |
| Add: Potential shares on conversion of FCDs | - | 1,400 |
| Add: Effect of stock options & warrants | 561,911 | - |
| Weighted average number of shares considered for diluted EPS | 16,728,597 | 15,064,392 |

For the computation of diluted EPS for the nine months ended December 31, 2003, warrant issued for subscription of 3,266,667 equity shares has not been considered, as the same does not have a dilutive impact. As stated in note 8 above, the Company consolidated its equity shares from a par value of Rs.5 to a par value of Rs.10 each. All the share and stock options data have been adjusted accordingly.

**12. Operating lease**

The Group has operating leases for office / guest house premises that are (a) renewable on a periodic basis and are cancelable by giving a notice period ranging from 1 month to 6 months and (b) are non cancelable for specified periods under arrangements. Rent escalation clauses vary from contract to contract.

| | Nine Months Ended December 31, 2004 | Nine Months Ended December 31, 2003 |
|---|---|---|
| | Rs in million | |
| Rent expenses included in profit & loss account towards operating leases | 54.31 | 9.97 |

**Minimum lease obligation under non-cancellable lease contracts amounts to:**

| | As at December 31, 2004 | As at March 31, 2004 |
|---|---|---|
| | **Rs in million** | |
| Due in one year of the balance sheet date | 83.13 | 42.68 |
| Due between one to five years | 44.01 | 31.00 |

**13. Provisions**

Effective April 1, 2004, the Group adopted the Accounting Standard (AS 29) on Provisions, Contingent Liabilities and Contingent Assets. The following table provides disclosures in accordance with AS 29.

Rs in million

| | Balance as at April 1, 2004 | Additions during the period | Amounts used/Paid during the period | Unused amounts reversed during the period | Balance as at December 31, 2004 |
|---|---|---|---|---|---|
| Dividend | 37.90 | - | 37.90 | - | - |
| Leave encashment | 9.24 | 2.34 | 0.02 | 0.33 | 11.23 |
| Gratuity | 0.83 | 10.40 | 0.52 | - | 10.71 |
| Provision for warranty | 2.80 | 0.20 | 0.35 | - | 2.65 |
| Tax on proposed dividend | 4.86 | - | 4.86 | - | - |

**14. Comparatives**

Previous period figures have been re-grouped / re arranged, wherever necessary.

**Consolidated Financial Statements (As Per Indian GAAP) Of Sasken Communication Technologies Limited Along With Its Subsidiary, Sasken Network Systems Limited (SNSL) For the Year Ended March 31, 2004**

Auditor's Report

The Board of Directors
Sasken Communication Technologies Limited

We have audited the attached consolidated balance sheet of Sasken Communication Technologies Limited and its subsidiary (collectively called "Sasken Group"), as at March 31, 2004, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management. Our responsibility is to express an opinion on these financial statements based on our audit.

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.

We did not audit the financial statements of the subsidiary, whose financial statements reflect total assets of Rs. 451,313 as at 31st March 2004, a total revenue of Rs. Nil, total expenditure of Rs. 141,383 and cash flows amounting to Rs. 441,313 for the year then ended. These financial statements and other financial information have been audited by another auditor whose report has been furnished to us, and our opinion is based solely on the report of the other auditor.

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.

Based on our audit and on consideration of the report of the other auditor on separate financial statements of the subsidiary, 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:

(a) in the case of the consolidated balance sheet, of the state of affairs of the Sasken Group as at March 31, 2004;
(b) in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and
(c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For S. R. BATLIBOI & COMPANY
Chartered Accountants

per Sunil Bhumralkar
Membership No.: 35141

Bangalore
April 20, 2004

Sasken Communication Technologies Limited

Consolidated Balance Sheet

| | Schedule No. | As at March 31 2004 | As at March 31 2003 |
|---|---|---|---|
| | | | Rs in Million |
| **Sources of Funds** | | | |
| Shareholders' Funds | | | |
| Share Capital | 1 | 151.61 | 127.10 |
| Share Application Money | | - | 164.28 |
| Reserves and Surplus | 2 | 985.87 | 721.17 |
| Loan Funds | | | |
| Secured Loans | 3 | 4.27 | 267.48 |
| Unsecured Loans | 4 | - | 0.05 |
| Total Sources | | **1,141.75** | **1,280.08** |
| **Application of Funds** | | | |
| Fixed Assets | 5 | | |
| Gross Block | | 1,359.90 | 1,315.36 |
| Less : Accumulated Depreciation | | 591.15 | 493.99 |
| Net Block | | 768.75 | 821.37 |
| Capital Work in Progress including Capital Advances | | 11.78 | 2.12 |
| Total | | 780.53 | 823.49 |
| Capitalised software product costs (net of amortization) | | 11.50 | 57.64 |
| Investments | 6 | 26.43 | 1.44 |
| Current Assets, Loans and Advances | | | |
| Inventories | 7 | 5.50 | 24.60 |
| Sundry Debtors | 8 | 336.78 | 310.30 |
| Cash and Bank Balances | 9 | 27.26 | 160.35 |
| Loans and Advances | 10 | 156.89 | 57.58 |
| Gross Current Assets | (A) | 526.43 | 552.83 |
| Less: Current Liabilities and Provisions | 11 | | |
| Current Liabilities | | 147.51 | 136.68 |
| Provisions | | 55.63 | 18.64 |
| Total | (B) | 203.14 | 155.32 |
| Net Current Assets | (A-B) | 323.29 | 397.51 |
| Total Applications | | **1,141.75** | **1,280.08** |
| Notes to Consolidated Accounts | 17 | | |

The schedules referred to above, form an integral part of the consolidated Balance sheet

As per report of even date
S.R. Batliboi & Co.
Chartered Accountants

per Sunil Bhumralkar
Partner
Membership No. 35141

For and on behalf of the Board of Directors

Rajiv C Mody
Managing Director

Pranabh D Mody
Whole-time Director

Neeta Revankar
Chief Financial Officer

N Venkatramani.
Company Secretary

Place: Bangalore
Date: April 20, 2004

Sasken Communication Technologies Limited

Consolidated Profit and Loss Account

| | Schedule No. | For the Year ended March 31 2004 | For the Year ended March 31 2003 |
|---|---|---|---|
| | | | Rs. in Million |
| Revenues | | 1,661.30 | 1,093.82 |
| Cost of Revenues | 12 | 1,102.26 | 721.12 |
| Gross Profit | | 559.04 | 372.70 |
| Research and Development | | 19.38 | 11.62 |
| Gross Profit after Research and Development | | 539.66 | 361.08 |
| Selling and Marketing Expenses | 13 | 189.09 | 198.48 |
| Administrative and General Expenses | 14 | 192.02 | 154.27 |
| Employee stock option compensation cost (net) | | 1.56 | (71.46) |
| (Refer note 8(b) in the Notes to Consolidated Accounts) | | | |
| Provisions | | - | (30.36) |
| Provision for diminution in value of investments | | - | 32.10 |
| Profit from Operations | | 156.99 | 78.05 |
| Other Income / (Expenses) | 15 | 13.05 | (1.59) |
| Profit before Interest and Income Taxes | | 170.04 | 76.46 |
| Interest Expense | 16 | 7.99 | 36.22 |
| Profit before Income Taxes | | 162.05 | 40.24 |
| Income Tax expense/(credit), net | | (21.32) | 27.51 |
| Profit after Tax | | 183.37 | 12.73 |
| Add: Balance brought forward | | 253.21 | 240.48 |
| Profit available for appropriations | | 436.58 | - |
| Appropriations | | | |
| Proposed Dividend (Rs 1.25 per Share) | | 37.90 | - |
| Tax on dividend | | 4.86 | - |
| Transfer to General Reserve | | 18.35 | - |
| Balance carried to Balance Sheet | | 375.47 | 253.21 |
| Earnings Per share ( Equity Share par value Rs 5 each) (in Rs) | | | |
| Basic | | 6.07 | 0.50 |
| Diluted | | 5.77 | 0.50 |
| Weighted Average number of Equity Shares used in computation of | | | |
| Basic | | 30,186,957 | 25,379,436 |
| Diluted | | 31,767,204 | 25,384,989 |

(Refer Note 12 in Notes to Consolidated Accounts)

Notes to Consolidated Accounts 17

The schedules referred to above, form an integral part of the consolidated Profit and Loss Account.
As per report of even date

S.R. Batliboi & Co.
Chartered Accountants

For and on behalf of the Board of Directors

per Sunil Bhumralkar
Partner
Membership No. 35141

Rajiv C Mody
Managing Director

Pranabh D Mody
Whole-time Director

Neeta Revankar
Chief Financial Officer

N. Venkataramani
Company Secretary

Place: Bangalore
Date: April 20, 2004

Sasken Communication Technologies Limited

Consolidated Cash Flow Statement

Rs in Million

| | For the Year ended March 31, 2004 | For the Year ended March 31, 2003 |
|---|---|---|
| **A. Cash flow from operating activities:** | | |
| Net Profit before tax | 162.05 | 40.24 |
| Adjustments for: | | |
| Depreciation | 118.78 | 125.79 |
| Amortisation of capitalised software costs | 46.14 | 126.64 |
| Provisions, net of reversals | - | (30.36) |
| Other non-cash writeback/charges | 5.92 | (38.20) |
| Foreign exchange adjustments | - | (1.32) |
| Interest expense | 7.99 | 36.22 |
| Other income | (6.15) | (1.38) |
| Operating profit before working capital changes | 334.73 | 257.63 |
| Adjustments for: | | |
| (Increase)/decrease in Sundry Debtors | (29.31) | 14.76 |
| (Increase)/decrease in Work in progress | 19.10 | (15.54) |
| (Increase)/decrease in Loans & Advances | (94.27) | 20.64 |
| Increase/(decrease) in Current Liabilities and provisions | 16.98 | 14.96 |
| Cash generated from operations | **247.23** | **292.45** |
| Direct taxes (paid) / refund received | 12.25 | (38.85) |
| **Net cash from operating activities** | **259.48** | **253.60** |
| **B. Cash flow from investing activities:** | | |
| Purchase of fixed assets | (81.45) | (81.18) |
| Sale of fixed assets | 1.17 | 8.91 |
| Software development costs capitalised | - | (88.45) |
| Other income | - | 1.24 |
| Interest received | 0.60 | - |
| Sale of investments | 281.81 | - |
| Investments purchased | (302.27) | - |
| **Net cash used in investing activities** | **(100.14)** | **(159.48)** |
| **C. Cash flow from financing activities:** | | |
| Proceeds from issue of shares ( includes share application money) | - | 164.45 |
| Refund of share application money | (17.28) | - |
| Repayment of long-term borrowing | (134.39) | (194.19) |
| Increase/ (decrease) in Working capital loans | (128.82) | 109.80 |
| Redemption of Debentures | (0.02) | (0.40) |
| Interest paid | (11.92) | (42.01) |
| **Net cash from financing activities** | **(292.43)** | **37.65** |
| Net increase/(decrease) in Cash and Bank balances (A+B+C) | (133.09) | 131.77 |
| Cash and Bank Balances at the beginning of the year | 160.35 | 28.58 |
| **Cash and Bank Balances at the end of the year** | **27.26** | **160.35** |
| **Supplementary non-cash information :** | | |
| Issuance of share capital out of share application money | 147.00 | - |
| Dividends received re-invested in units of mutual funds | 5.55 | - |
| Conversion of fully convertible debentures into equity shares | 0.03 | 1.60 |

As per report of even date

S.R. Batliboi & Co.
Chartered Accountants

For and on behalf of the Board of Directors

| | | | | |
|---|---|---|---|---|
| per Sunil Bhumralkar | Rajiv C Mody | Pranabh D Mody | Neeta Revankar | N. Venkatramani |
| Partner | Managing Director | Whole-time Director | Chief Financial Officer | Company Secretary |
| Membership No. 35141 | | | | |

Place: Bangalore
Date: April 20, 2004

Sasken Communication Technologies Limited

| | Rs in Million | |
|---|---|---|
| Schedules forming part of the Consolidated Balance Sheet | As at March 31 2004 | As at March 31 2003 |
| Schedule 1 | | |
| Authorised Capital | | |
| 50,000,000 Equity Shares of Rs 5 each | 250.00 | 250.00 |
| (At March 31, 2003, 50,000,000 Equity Shares of Rs.5 each) | | |
| Total | 250.00 | 250.00 |
| Issued, Subscribed and Paid Up Capital | | |
| 30,321,637 Equity Shares of Rs 5 each fully paid up ( At March 31, 2003, 25,420,037 Equity Shares of Rs 5 each fully paid up) | 151.61 | 127.10 |
| (Out of the above, 11,350,000 equity shares of Rs 5 each have been alloted as fully paid up Bonus shares by capitalisation of balance in Profit and Loss Account of Rs. 50.28 million and General Reserve of Rs. 6.47 million) | | |
| Total | 151.61 | 127.10 |
| Schedule 2 | | |
| Reserves and Surplus | | |
| Share Premium | | |
| Opening Balance | 404.87 | 403.35 |
| Add: Received during the year | 122.52 | 1.52 |
| Total | 527.39 | 404.87 |
| General Reserve | | |
| Opening Balance | 63.09 | 63.09 |
| Add: Transferred from Profit & Loss Account | 18.35 | - |
| Total | 81.44 | 63.09 |
| Profit & Loss Account | 375.47 | 253.21 |
| Employee Stock Option Outstanding (Net of Deferred Compensation Cost) | 1.57 | - |
| (Refer note 8(b) in Notes to Consolidated Accounts) | | |
| Total | 985.87 | 721.17 |

Sasken Communication Technologies Limited

Schedules forming part of the Consolidated Balance Sheet

| | As at March 31 2004 | As at March 31 2003 |
|---|---|---|
| | Rs in Million | |
| Schedule 3 | | |
| Secured Loans | | |
| Term Loan from a Bank | - | 134.39 |
| (Secured by pari passu first charge on all movable fixed assets of the Holding Company and an equitable mortgage of land, buildings and other fixed assets and guaranteed by the Directors of the Holding Company) | | |
| [Term loans repayable within one Year Rs Nil ( At March 31,2003 Rs 1,34.39 million] | | |
| Packing Credit from Scheduled Banks (Ref Note 4(e) in Notes to Consolidated Accounts ) | 4.27 | 133.09 |
| (Secured by a charge on the current assets including receivables, both present and future and equitable mortgage on land and buildings of the Holding Company and hypothecation of the other fixed assets of the Holding Company) | | - |
| Total | 4.27 | 267.48 |
| Schedule 4 | | |
| Unsecured Loans | | |
| 10% Fully Convertible Unsecured Debentures of Rs 40 each | - | 0.05 |
| (Convertible into Fully paid up Equity Shares of Rs 5 each , at a premium of Rs 15 per share on October 1, 2003) | | |
| Note: Debentures issued to employees are redeemable at par in case the employee leaves the Holding Company or surrenders before the date of conversion as given above. | | |
| Total | - | 0.05 |

Sasken Communication Technologies Ltd

Schedules forming part of the Consolidated Balance Sheet

Rs. in Million

Schedule 5 - Fixed Assets

| | Gross Block | | | | Depreciation | | | | Net Block | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at April 1, 2003 | Additions during the year | Deletions during the year | As at March 31, 2004 | As at April 1, 2003 | For the year | Adjustments during the year | As at March 31,2004 | As at March 31,2004 | As at March 31,2003 |
| Land | 228.53 | 0.24 | - | 228.77 | - | - | - | - | 228.77 | 228.53 |
| Building | 330.11 | 0.99 | - | 331.10 | 31.14 | 15.73 | - | 46.87 | 284.23 | 298.97 |
| Computers | 236.74 | 26.53 | 18.11 | 245.16 | 183.53 | 29.94 | 17.01 | 196.46 | 48.70 | 53.21 |
| Intangible Assets (Software) | 141.66 | 12.43 | 0.36 | 153.73 | 133.38 | 18.28 | 0.36 | 151.30 | 2.43 | 8.28 |
| Electrical Fittings | 8.11 | 1.86 | 0.33 | 9.64 | 6.87 | 0.99 | 0.33 | 7.53 | 2.11 | 1.24 |
| Furniture and Fittings | 112.88 | 12.17 | 0.28 | 124.77 | 22.89 | 11.14 | 0.25 | 33.78 | 90.99 | 89.99 |
| Office Equipments | 257.33 | 13.64 | 4.24 | 266.73 | 116.18 | 42.70 | 3.67 | 155.21 | 111.52 | 141.15 |
| Total | 1,315.36 | 67.86 | 23.32 | 1,359.90 | 493.99 | 118.78 | 21.62 | 591.15 | 768.75 | 821.37 |
| Balance as at March 31, 2003 | 1,191.17 | 175.13 | 50.94 | 1,315.36 | 409.95 | 125.79 | 41.75 | 493.99 | 821.37 | |

Notes :Additions during the year includes Rs Nil (March 31, 2003-Rs 0.45 million) capitalized on account of exchange rate variation.

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Sasken Communication Technologies Limited

| Schedules forming part of the Consolidated Balance Sheet | As at March 31 2004 | As at March 31 2003 |
|---|---|---|
| | Rs In Million | |
| Schedule 6 | | |
| Investments | | |
| A. Long term, Unquoted, Non Trade, at cost | | |
| Indira Vikas Patra / Natioanl Savings Certificates | 0.01 | - |
| 29,764 fully paid shares of Preferred Stock of 2Wire Inc, a company incorporated in USA. | 16.94 | 16.94 |
| Less: Provision for diminution in value of investment | (15.50) | (15.50) |
| 392,285 fully paid equity shares of Rs.10/- each of Prime Telesystems Ltd. | 24.00 | 24.00 |
| Less: Provision for diminution in value of investment | (24.00) | (24.00) |
| 203,500 common shares of Extandon Inc, a company incorporated in USA | 0.02 | - |
| (Refer note 4(f) in the Notes to Consolidated Accounts) | | |
| B. Current -Non-Trade & Unquoted, at lower of cost and net relisable value | | |
| Templeton India Treasury Management Account | 24.96 | - |
| [15,851.483 Units of Rs.1574.2270 each] [Market value - Rs.25.07 million] | | |
| Total | 26.43 | 1.44 |
| Schedule 7 | | |
| Inventories | | |
| Work-in-progress | 5.50 | 24.60 |
| Total | 5.50 | 24.60 |
| Schedule 8 | | |
| Sundry Debtors | | |
| a) Debts outstanding for a period exceeding six months | | |
| -Unsecured, considered good | 5.28 | 66.37 |
| -Unsecured, considered doubtful | 18.17 | 22.69 |
| b) Other debts | | |
| -Unsecured, considered good | 331.50 | 243.93 |
| -Unsecured, considered doubtful | - | 5.05 |
| Less: Provisions | (18.17) | (27.74) |
| Total | 336.78 | 310.30 |

Sasken Communication Technologies Limited

| Schedules forming part of the Consolidated Balance Sheet | As at March 31 2004 | As at March 31 2003 |
|---|---|---|
| | Rs in Million | |
| Schedule 9 | | |
| Cash and Bank Balances | | |
| Cash on Hand | 0.27 | 0.26 |
| Cheques on hand and remittances in transit | - | 24.76 |
| Balances with: | | |
| Scheduled Banks | | |
| - in Current Accounts | 16.11 | 123.34 |
| - in Deposit Accounts | 3.26 | 2.30 |
| (Held as margin money for Bank guarantees / Letters of credit) | | |
| Other banks | | |
| -Barclays Bank, UK | 2.83 | 1.22 |
| -Bank of America, US | 0.77 | 4.46 |
| -Bank of Montreal, Canada (Can $) | 1.18 | 2.14 |
| -Summitomo Bank, Japan | 0.11 | 1.00 |
| -Kawasaki Shinkim Bank,Japan | - | 0.18 |
| -China Minsheng Banking Corporation (USD) | 0.11 | 0.01 |
| -China Minsheng Banking Corporation (CNY) | 0.28 | 0.01 |
| -Nordbanken AB (Sweden) | 0.08 | 0.67 |
| - Hypo Vereins Bank, Germany | 2.26 | - |
| Total | 27.26 | 160.35 |
| | | |
| Maximum amount outstanding at any time during the year in other banks | | |
| Current Accounts | | |
| -Barclays Bank, UK | 8.56 | 5.03 |
| -Bank of America-Texas- USA | 33.83 | 26.42 |
| -Bank of America- USA | 76.41 | - |
| -Bank of Montreal, Canada (Can $) | 16.63 | 3.94 |
| -Bank of Montreal, Canada (US $) | 1.87 | 1.87 |
| -Summitomo Bank, Japan (USD) | 16.32 | 5.86 |
| -Summitomo Bank, Japan (JPY) | 1.91 | - |
| -China Minsheng Banking Corporation (USD) | 1.05 | 1.06 |
| -China Minsheng Banking Corporation (CNY) | 3.03 | 3.03 |
| -Nordbanken AB (Sweden) | 1.44 | 1.51 |
| - Hypo Vereins Bank, Germany | 3.26 | - |
| Deposit Account | | |
| - Kawasaki Shinkim Bank, Japan | 1.83 | 0.18 |

Sasken Communication Technologies Limited

| | Rs in Million | |
|---|---|---|
| | As at | As at |
| Schedules forming part of the Consolidated Balance Sheet | March 31 2004 | March 31 2003 |
| Schedule 10 | | |
| Loans and Advances | | |
| (Unsecured, considered good) | | |
| Advances recoverable in cash or in kind | | |
| or for value to be received | 30.00 | 18.76 |
| Deposits with Government Departments and others | 54.69 | 15.35 |
| Loans and Advances to Staff | 13.92 | 11.48 |
| Interest Income Accrued but not due | 0.07 | 0.07 |
| Unbilled Revenues | 53.19 | 11.92 |
| Advance Income Tax (Net of Provision for Tax) | 5.02 | - |
| Total | 156.89 | 57.58 |
| | | |
| Schedule 11 | | |
| Current Liabilities and Provisions | | |
| Current Liabilities | | |
| Sundry Creditors for goods, expenses and services | | |
| Dues to Small Scale Industrial Units | 0.02 | 0.07 |
| Others | 110.37 | 87.36 |
| Interest Accrued but not due | 0.01 | 3.94 |
| Other Liabilities | 26.77 | 21.60 |
| Deferred Revenues | 4.37 | 4.72 |
| Advance received from customers | 5.97 | 18.99 |
| Total (A) | 147.51 | 136.68 |
| Provisions | | |
| Provision for Tax (Net of Advance Income Tax) | - | 4.05 |
| Proposed Equity Dividend | 37.90 | - |
| Tax on Proposed Equity Dividend | 4.86 | - |
| Provision for Leave Encashment | 9.24 | 5.18 |
| Provision for Warranty | 2.80 | 5.88 |
| Provision for Gratuity | 0.83 | 3.53 |
| Total (B) | 55.63 | 18.64 |
| Total (A) + (B) | 203.14 | 155.32 |

Sasken Communication Technologies Limited

Schedules forming part of the Consolidated Profit and Loss Account

| | For the Year ended March 31 2004 | For the Year ended March 31 2003 |
|---|---|---|
| | Rs in Million | |
| Schedule 12 | | |
| Cost of Revenues | | |
| Salaries & Bonus | 707.73 | 438.23 |
| Contribution to Provident and Other Funds | 34.16 | 20.34 |
| Staff Welfare | 11.77 | 5.91 |
| Recruitment and Relocation | 18.88 | 4.43 |
| Rent | 5.28 | 3.12 |
| Repairs and Maintenance | | |
| -Plant & Machinery | 13.11 | 13.79 |
| -Building | 6.57 | 5.39 |
| -Others | 6.18 | 4.89 |
| Communication | 8.56 | 3.97 |
| Travel | 54.09 | 59.31 |
| Electricity and Water Charges | 20.32 | 14.48 |
| Professional & Consultancy Charges | 35.71 | 18.92 |
| Depreciation | 105.21 | 99.11 |
| Software Charges | 7.35 | 14.50 |
| Training and Conference | 4.41 | 4.35 |
| Warranty Expenses provided (reversed) | (2.31) | (12.27) |
| Sub Total | 1,037.02 | 698.47 |
| Amortization / write off of capitalised software product costs | 46.14 | 126.64 |
| Add: Opening balance of work in progress | 24.60 | 9.06 |
| Less: Closing balance of work in progress | (5.50) | (24.60) |
| Less: Capitalised software product costs | - | (88.45) |
| Total | 1,102.26 | 721.12 |
| | | |
| Schedule 13 | | |
| Selling and Marketing Expenses | | |
| Salaries & Bonus | 86.00 | 116.13 |
| Contribution to Provident and Other Funds | 3.24 | 3.32 |
| Staff Welfare | 3.18 | 1.25 |
| Recruitment and Relocation | 1.62 | 0.40 |
| Rent | 9.09 | 10.89 |
| Repairs and Maintenance | | |
| -Plant & Machinery | 0.92 | 0.70 |
| -Building | 1.21 | 1.17 |
| -Others | 0.12 | 0.05 |
| Communication | 7.13 | 6.84 |
| Travel | 21.15 | 26.29 |
| Electricity and Water Charges | 0.13 | 0.68 |
| Professional, Legal & Consultancy Charges | 27.12 | 5.51 |
| Agency Commission | 17.53 | 11.95 |
| Selling Expenses - Others | 8.91 | 4.60 |
| Depreciation | 1.23 | 8.02 |
| Training and Conference | 0.51 | 0.68 |
| Total | 189.09 | 198.48 |

Sasken Communication Technologies Limited

Schedules forming part of the Consolidated Profit and Loss Account

Rs in million

| | For the Year ended March 31 2004 | For the Year ended March 31 2003 |
|---|---|---|
| Schedule 14 | | |
| Administrative and General Expenses | | |
| Salaries & Bonus | 79.71 | 61.49 |
| Contribution to Provident and Other Funds | 6.03 | 4.14 |
| Staff Welfare | 1.44 | 0.97 |
| Recruitment and Relocation | 4.08 | 4.83 |
| Rent | 2.70 | 3.03 |
| Rates and Taxes | 5.56 | 4.71 |
| Repairs and Maintenance | | |
| -Plant & Machinery | 1.23 | 1.06 |
| -Building | 2.46 | 5.37 |
| -Others | 0.71 | 1.28 |
| Communication | 2.36 | 1.49 |
| Travel | 6.68 | 3.38 |
| Electricity and Water Charges | 3.27 | 3.26 |
| Depreciation | 11.65 | 18.44 |
| Professional, Legal & Consultancy Charges | 15.51 | 14.36 |
| Auditor's Remuneration | | |
| - Statutory Audit | 0.62 | 0.50 |
| - Other Services | 0.02 | - |
| - Out of Pocket Expenses (including service tax) | 0.10 | 0.06 |
| Training and Conference | 5.62 | 0.60 |
| Directors' sitting fees | 0.04 | 0.02 |
| Insurance | 7.62 | 3.89 |
| Miscellaneous | 30.24 | 20.32 |
| Net loss on sale of current investments | 1.02 | - |
| Loss on sale of fixed assets (net) | 0.52 | 0.25 |
| Bad debts | - | 0.55 |
| Provision for doubtful debts, net | 2.83 | 0.27 |
| Total | 192.02 | 154.27 |

Sasken Communication Technologies Limited

Schedules forming part of the Consolidated Profit and Loss Account

Rs in Million

| | For the Year ended March 31 2004 | For the Year ended March 31 2003 |
|---|---|---|
| Schedule 15 | | |
| Other Income / (Expenses) | | |
| Miscellaneous income | 0.80 | 1.25 |
| Dividend received on current investments | 5.55 | - |
| Interest income on Bank Deposits (Gross) | 0.43 | 0.04 |
| [Tax deducted at Source Rs.0.08 million (previous year Rs. Nil)] | | |
| - Others | 0.17 | 0.07 |
| Exchange gain/(loss), (net) | 6.10 | (2.95) |
| Total | 13.05 | (1.59) |
| | | |
| Schedule 16 | | |
| Interest | | |
| - On Term Loans | 0.83 | 27.85 |
| - On Fully Convertible Debentures | - | 0.10 |
| - Others | 7.16 | 8.27 |
| Total | 7.99 | 36.22 |

**Sasken Communication Technologies Limited**

**Schedules forming part of the Consolidated Accounts for the year ended March 31, 2004**

**Schedule 17**

**Notes to consolidated accounts**

**1. Description of Business**

Sasken Communication Technologies Limited ("Sasken" or "the Company") is a provider of telecommunications software services and solutions to network equipment manufacturers, mobile terminal vendors and semiconductor companies around the world. Sasken delivers end-to-end solutions that enable richer content delivery on next generation networks.

Sasken has its headquarters in Bangalore, India with offices in Canada, China, Germany, Japan, Sweden, United Kingdom and the United States of America.

During the fiscal 2004, the Company promoted Sasken Network Systems Limited,("SNS") a subsidiary in India. SNS would provide consultative engineering services focused on telecom operation systems. SNS was incorporated on October 20, 2003 and obtained its certificate to commence business on November 21, 2003 from the Registrar of Companies, Karnataka.

**2. Significant Accounting Policies**

**Basis for preparation of financial statements**

The accompanying consolidated financial statements include the accounts of Sasken Communication Technologies Limited and Sasken Networks Systems Limited (100% subsidiary of Sasken Communication Technologies Limited) (hereinafter referred to as 'the Group'). The financial year-end of SNS is March 31.

The consolidated financial statements have been prepared under the historical cost convention, on accrual basis, in conformity with the Accounting Standards issued by the Institute of Chartered Accountants of India, the provisions of the Companies Act, 1956 and other applicable statutes and guidelines.

The presentation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's best knowledge of current events and actions the Group may undertake in future, actual results ultimately may differ from the estimates.

All significant inter company balances and transactions between the Company and it's subsidiary have been eliminated in consolidation.

**Revenue Recognition**
(See note 7 below)

The Group derives its revenues from product and technology licensing, and software services.

Licensing revenue is recognized when the product or technology is delivered and accepted. Revenue related to customized products or technology development agreements is recognized using the percentage of completion method, determined based on the achievement and acceptance of the milestone. In all cases revenue is recognized only when no further vendor obligations remain and collection is probable. Revenue related to post contract customer support is recognized over the support period.

Revenue from time and material service contracts is recognized as the services are provided. Revenue from fixed price service contracts is recognized based on the percentage of completion, determined based on the achievement and acceptance of the milestone, provided collection is probable. Revenue from maintenance is recognized ratably over the term of the maintenance arrangement.

Revenue from Royalty is recognized on an accrual basis based on the terms of the agreement.

Dividend income is recognized when the right to receive dividend is established.

Interest income is recognized on an accrual basis.

**Work in progress**
(See note 6 below)

Costs related to milestones that have not been met are treated as costs of future activity and are reported as work in progress. Work in progress is carried at cost or net realizable value whichever is lower.

**Fixed Assets**

Fixed Assets are stated at cost of acquisition less accumulated depreciation. The cost of an asset comprises its purchase price and any cost directly attributable to bringing the asset to its present condition for intended use.

**Depreciation**

Depreciation on fixed assets is provided under the straight-line method over the estimated useful lives of assets as appraised by the Management.

The estimated useful lives are as follows:

| Type of asset | Estimated life (in years) |
|---|---|
| Building | 20 |
| Computers | 4 |
| Electrical Fittings | 5 |
| Furniture & Fittings | 10 |
| Furniture and leasehold improvements at leased property | Over the lease period of the facility |
| Office equipments | 5 |

Assets with unit value Rs. 5,000 or less are depreciated entirely in the period of acquisition.

Intangible assets comprise of the following and are depreciated over the estimated useful life as given below:
a) Computer Software used for development of software/rendering software services – Over the life of the project/product.
b) Generic Computer Software – 100% in the year of purchase.
c) Product Software for administration purposes – 3 years.

**Borrowing Costs**

The borrowing costs that are directly attributable to the acquisition, construction or production of an asset are capitalized to the cost of the asset. Capitalization of such costs ceases when the asset is ready for use.

**Capitalization and Amortization of Software**

Costs incurred towards development of computer software products meant for sale, lease or otherwise marketed, are capitalized subsequent to establishing technological feasibility. Capitalization ceases when the product is available for general release to customer. Capitalized software costs are amortized on a product-by-product basis. The amortization shall be greater of the amount computed using (a) the ratio that current gross revenue for a product bears to the total of current and anticipated future gross revenues for that product or (b) the straight-line method over the remaining estimated economic life of the product. The unamortized cost of capitalized software products is carried at cost or net realizable value whichever is lower.

**Investments**

Long-term investments are stated at cost. Any decline in the carrying value, other than a temporary decline, is provided for. Current investments are stated at lower of cost and the net realizable value on a category basis.

**Foreign Exchange Transactions**

Transactions arising in foreign currency are recorded at average rates closely approximating those ruling at the transaction dates. Assets and liabilities in foreign currency (other than those covered by forward contracts) as at the date of Balance Sheet are re-stated at year end exchange rate. All exchange differences arising from settlement / conversion are recognized in the Profit and Loss account, except differences on liabilities for purchase of fixed assets, which are capitalized.

In respect of transactions covered by forward exchange contracts, the difference between, the forward rate and the exchange rate at the date of the transaction is recognized as income or expense over the life of the contract, except where it relates to fixed assets, in which case it is adjusted to the cost of the corresponding asset. Gain or loss on cancellation/renewal of a forward cover is recognized in the Profit and Loss account for the year.

Revenue items of Branch Offices are translated using the monthly average rate, fixed assets are translated at the month end rate and monetary assets and liabilities are translated at the rate prevailing on the balance sheet date. The resultant exchange gain/loss is recognized in the Profit and Loss account.

**Retirement benefits to employees**

The Group contributes to a Group Gratuity Scheme, administered by a private insurance company. The contributions are charged to the Profit and Loss account. Provision is made for the difference between the actuarial valuation and the funded balance.

Provision for leave encashment benefits is made based on actuarial valuation as at March 31, every year.

The Group has established a Provident Fund Trust to which contributions towards provident fund are made each month. The contributions towards the pension fund are remitted to the Regional Provident Fund. Contributions towards Provident Fund and Pension Fund are charged to the Profit and Loss Account on an accrual basis. The Trust guarantees a specified rate of return on such contributions of employee and employer on a yearly basis. The Group will meet the shortfall in the return, if any, and the same is charged to the Profit and Loss Account.

The Group has established a Super Annuation Scheme administered by a private insurance company. As per the Scheme, for employees claiming the benefit, the Group makes monthly contributions, which are charged to the Profit and Loss Account on an accrual basis. The Group has no other obligations under the Scheme.

**Warranty expenses**

The Group provides for the estimated costs that may be incurred under free warranties, as provided in licensing and service contracts.

**Research and Development**

All research and development costs are charged to Profit and Loss account when incurred. Equipment or facilities that are acquired or constructed for research and development activities, which have alternative future uses are capitalized as tangible assets. Depreciation on such assets is charged to expense as research and development costs.

**Income Taxes**

Tax expense comprises both current and deferred taxes. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier yeas. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized 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 realized.

Deferred tax assets are recognized on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realized against future taxable profits. Unrecognized deferred tax assets of earlier years are re-assessed and recognized to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realized.

**Stock compensation expense**

The Group accounts for stock compensation expense based on the fair value of the options granted on the date of grant. Compensation expense is amortized over the vesting period of the option on a straight-line basis. The accounting value of the options net of the Deferred Compensation Expense is reflected as Employee Stock Options Outstanding under Reserves and Surplus.

**Earnings per share**

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period are adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

**Segment Policy**

**Identification of segments:**

The Group's operating businesses are organized and managed separately according to the vertical market segment.

The analysis of geographical segments is based on the areas where the customers of the Group are located.

**Allocation of common costs:**

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

**Unallocated items:**

The Corporate and other segment include general corporate income and expense items, which are not allocated to any business segment.

**Intersegment Revenues:**

Divisions may use resources (including Intellectual Property) from other divisions. Revenue is accounted against the segment that generates the business. A pre-determined portion of such revenue is passed to the division that supplies the resource or the Intellectual Property. Such revenues are reflected as intersegment revenues.

**3. Investments:**

Details of investments purchased and sold during year ended March 31, 2004:

| Name of the Fund | Units purchased | Cost (Rs in million) | Units sold | Sales Value (Rs in million) |
|---|---|---|---|---|
| Templeton Treasury Management Account | 32,197 | 40.08 | 32,197 | 40.07 |
| Kotak Mahindra Liquid Institutional Plan-Dividend | 3,347,855 | 33.53 | 3,347,855 | 33.56 |
| Templeton India Income Builder - Institutional Plan | 2,341,691 | 25.66 | 2,341,691 | 24.92 |
| HDFC Income Fund - Premium Plan - Dividend | 4,897,109 | 53.29 | 4,897,109 | 52.64 |
| Templeton India Short Term Income Plan Growth | 21,549 | 24.92 | 21,549 | 24.95 |
| HDFC STP Growth Plan | 2,273,479 | 26.32 | 2,273,479 | 26.36 |
| JM Short Term Plan | 2,492,047 | 26.32 | 2,492,047 | 26.36 |

| Name of the Fund | Units purchased | Cost (Rs in million) | Units sold | Sales Value (Rs in million) |
|---|---|---|---|---|
| HDFC Cash Management - Savings Plan - Growth Option | 2,012,717 | 26.36 | 2,012,717 | 26.47 |
| JM High Liquidity Fund - Institutional Plan - Growth | 2,518,762 | 26.36 | 2,518,762 | 26.48 |
| **Total** | | **282.84** | | **281.81** |

**4. Other notes**

a) Research & Development expenses include;

(Amount in Rs. Million)

| | March 31, 2004 | March 31, 2003 |
|---|---|---|
| Salaries and Bonus | 17.80 | 10.87 |
| Contribution to Provident Fund and Other Funds | 0.90 | 0.55 |
| Depreciation | 0.68 | 0.20 |
| **Total** | **19.38** | **11.62** |

b) Estimated amount of contracts remaining to be executed on capital account (net of advances) amounted to Rs. 63.27 million (As at March 31, 2003 Rs. 2.87 million)

c) Contingent liabilities not provided for amount to Rs 16.54 million (As at March 31, 2003 Rs 7.65 million). There are certain claims made against the Company, which, in the view of the management of the Company are not tenable, and amounts are currently not ascertainable. Bank guarantees and letters of credit outstanding are given below:

(Amount in Rs. Million)

| | March 31, 2004 | March 31, 2003 |
|---|---|---|
| Bank guarantees | 13.96 | 13.02 |
| Letters of credit | 11.06 | Nil |

d) Packing Credit is net of remittances in transit amounting to Rs 9.71 million (As at March 31, 2003 - Rs. 45.86 million).

e) Foreign exchange gains arising on account of foreign exchange forward contracts entered into by the Company to be recognized in the subsequent financial periods amounts to Rs 2.21 million as at March 31, 2004 and Rs. 2.84 million as at March 31, 2003.

f) The shares held in Extandon Inc, US are held by Extandon Inc as a collateral to secure the Company's compliance with all terms and conditions under a software licensing agreement entered into by the Company with Extandon Inc and performance of the delivery obligations under the repurchase options available with Extandon Inc under the terms of investment agreement.

g) During the year ended March 31, 2004 the Company entered into an agreement for services. The customer has settled the consideration by transferring certain software programs and annual maintenance services amounting to Rs 15.71 million. For financial reporting purposes, the Company has netted off the transaction. The Company is in the process of obtaining approval from the Reserve Bank of India in this regard.

**5. Managerial Remuneration**

Rs in Million

| | March 31, 2004 | March 31,2003 |
|---|---|---|
| Salary | 15.71 | 13.39 |
| Contribution to Provident Fund and Other Funds # | 0.90 | 0.12 |
| Provision towards performance incentives | 3.96 | 0.20 |
| Commission to non whole time directors ** | 1.68 | - |
| **Total** | **22.25** | **13.71** |

# The above does not include provisions for/contributions to employee retirement and other employee benefit schemes determined on actuarial basis.

** Commission to non-whole time directors includes Rs. 0.28 million that is subject to approval of the shareholders of the Company.

**6. Provision for taxation**

A significant portion of the Company's income is non-taxable as the Company claims deduction under section 10A of the Income Tax Act, 1961. No deferred tax asset has been recognized on carry forward losses, as it is not virtually certain that such deferred tax asset will be realized. Further, the temporary differences arising reverse within the balance period of tax holiday under section 10A of the Income Tax Act, 1961.

Income Tax expense/(credit) comprise of:

Rs. in Million

| | March 31, 2004 | March 31, 2003 |
|---|---|---|
| Overseas income taxes (comprising of withholding taxes and overseas branch income taxes) | 24.92 | 26.85 |
| The above are net of refund of overseas withholding taxes of: | 47.28 | 15.03 |

## 7. Fixed Price Revenue Contracts

During the year ended March 31, 2004, the Group adopted the revised Accounting Standard (AS 7) – Construction Contracts, in respect of fixed price contracts entered into by the Group on or after April 1, 2003. The Group has determined that the Revised AS 7 does not have a material impact on the financial statements for the year ended March 31, 2004. The Group determines percentage of completion of a particular contract based on the milestone delivered and accepted by the customer in view of the nature of contracts entered into by the Group. Costs incurred on milestones, which have not been completed as at the balance sheet date are reported as work in progress.

The following table provides disclosures in respect of contracts entered into by the Group after April 1, 2003 in accordance with the revised Accounting Standard (AS 7) – Construction Contracts:

Rs. in Million

| | **March 31, 2004** |
|---|---|
| Contract revenue recognized during the year | 92.33 |

In respect of contracts in progress as at March 31, 2004:

Rs. in Million

| | |
|---|---|
| Contract costs incurred (including work in progress) and recognized profits (less recognized losses) up to March 31, 2004 | 20.70 |
| Gross amount due from customers for contract work- presented as an asset | 0.72 |

## 8. Employee Stock Option Plan

The Company had two employee stock option schemes, 'SAS Stock Option Plan, 1997' and 'Sasken ESOP-2000'. The details of options granted, options vested and shares issued against the exercised options are explained herein below.

**a) SAS Stock Option Plan, 1997**

The shareholders approved the above Plan at the Extraordinary General Meeting on November 20, 1997. Under this scheme, Fully Convertible Debentures (FCD's) were issued to employees of the Company, consultants and advisors. Each of these FCD's were converted into two shares of Rs 5 each (after considering the stock split of one equity share of Rs. 10 each into two equity shares of Rs. 5 each) over a period of time as per the details given below.

| **Sl.No** | **Date of issue of FCD's** | **No. of FCD's issued** | **No. of FCD's Cancelled/ extinguished** | **No. Of FCD's converted into shares (Number)** | **Conversion price per share (including the face value of Rs 5 per share)** |
|---|---|---|---|---|---|
| 1. | 31/01/98 | 817,800 | 21,400 | 796,400 | 5 |
| 2. | 01/12/98 | 194,300 | 56,900 | 137,400 | 5 |
| 3. | 31/03/99 | 200,300 | 86,900 | 113,400 | 20 |
| 4. | 12/10/99 | 100,000 | - | 100,000 | 20 |

Summary of FCDs movement is given below:

| | **Year ended March 31, 2004** | **Year ended March 31, 2003** |
|---|---|---|
| FCD's outstanding at the beginning of the year | 1,400 | 51,500 |
| FCD's issued/ granted during the year | - | - |
| FCD's forfeited | 600 | (10,100) |
| FCD's converted into shares | 800 | (40,000) |
| Outstanding FCD's at the end of the year | - | 1,400 |

**b) Sasken ESOP 2000**

During the year ended March 2001, the Company announced a Stock Option Plan in accordance with the Guidelines issued by the Securities and Exchange Board of India (SEBI) for Employees Stock Option Plans. This stock option plan called ESOP-2000, was approved by the shareholders at the Extraordinary General Meeting of the Company held on September 22, 2000. It covers all employees of the Company including foreign branches, employees of the subsidiaries including its part time / full time Directors other than the promoter directors. The Plan provides for the issue of 6 million shares (including the shares issued under the FCD's as per the SAS Stock Option plan, 1997 and the shares to be issued consequent to the exercise of the options granted under the current plan) of Rs 5 each duly adjusted for any bonus, splits, etc. A Compensation Committee comprising of three independent directors on the Board administers the scheme.

The Company canceled stock options granted under Sasken ESOP 2000 and remaining unexercised as at December 31, 2002. Consequent to the cancellation of the stock options, the Company reversed the compensation cost of Rs. 71.46 million recognized by it in the prior years.

In October 2003 and thereafter, the Company issued 592,080 options to employees, convertible into 592,080 equity shares, with a vesting period of one year at an exercise price of Rs 40 per share being the fair value of the Company 's share as determined by the Company as at the date of grant. The details of the options issued and the position as on March 31, 2004 is provided below. None of the options have vested as on March 31, 2004.

sasken

| Month of Grant | No of Employees | No. of options Issued | No. of employees resigned | No. of options forfeited |
|---|---|---|---|---|
| October 2003 | 539 | 579,880 | 6 | 2,300 |
| November 2003 | 8 | 12,000 | 8 | 10,060 |
| December 2003 | - | - | 5 | 12,620 |
| January 2004 | - | - | 3 | 1,260 |
| February 2004 | 1 | 200 | 9 | 6,720 |
| March 2004 | - | - | 13 | 10,900 |
| **Total** | **548** | **592,080** | **44** | **43,860** |

No. of options outstanding at March 31, 2004 548,220

The total accounting value of options outstanding as on March 31, 2004 is Rs. 3.13 million of which Rs 1.56 million (net of reversal) has been recognized as compensation cost based on the vesting period of the options. The accounting value of the options outstanding at March 31, 2004, net of the Deferred Compensation Cost of Rs. 1.57 million has been reflected as Employee stock options outstanding under Reserves and Surplus.

On April 2, 2004 the Company issued 757,850 options covering 1372 employees with a vesting period of one to four years at an exercise price ranging from Rs 80 to 128 per share depending upon the exercise period being the fair value of the Company 's share as determined by the Company as at the date of grant.

**9. Warrant**

In April 2003, the Company issued warrants to one of the shareholders of the Company to purchase 3,266,667 equity shares at a price of Rs. 30 per share or such other higher price as may be determined in accordance with the guidelines of the Reserve Bank of India framed for such purposes. The warrant expires at the end of two years from the date of issue.

**10. Related Party Disclosures**

**Remuneration paid to Key Managerial Personnel**

(Amount in Rs. Million)

| Name of the key Managerial Personnel | Relationship | March 31, 2004 | March 31, 2003 |
|---|---|---|---|
| Rajiv C Mody | Managing Director | 5.64 | 3.20 |
| Pranabh D Mody | Whole-time Director | 3.74 | 2.75 |
| Krishna Jhaveri | Whole-time Director | 11.19 | 7.75 |

The above does not include provisions for/contributions to employee retirement and other employee benefit schemes determined on actuarial basis.

**10. Segment reporting**

The Group has three divisions each focusing on different market segments Networks, Semiconductors and Terminal Devices.

The Networks division offers products and services to network equipment manufacturers and test and measurement companies. This business division focuses on software services and solutions for convergent networks in wireless, datacom and enterprise networks.

The Terminal Devices division provides software solutions to terminal equipment manufacturers including a complete suite of next generation wireless protocol stacks multimedia codecs and applications, such as MMS client, Multimedia Player and 3G 324M Videophone.

The Semiconductors division provides solutions and services to semiconductor companies, built both around Sasken IP as well as customer specific IP.

During the year ended March 31, 2004, the Group has organized its segments based on the vertical market segment instead of the market segment in which the customers operated. Previous year segment information has been restated to conform to those of the current year.

a) Business Segment Information

As at March 31, 2004 (Rs. in Million)

| | Networks | Terminal Devices | Semi-Conductors | Corporate and Others | Total |
|---|---|---|---|---|---|
| Segment assets | 184.08 | 204.90 | 101.20 | - | 490.18 |
| Unallocated corporate assets | - | - | - | 854.71 | 854.71 |
| Total assets | 184.08 | 204.90 | 101.20 | 854.71 | 1,344.89 |
| Segment liabilities | 19.56 | 27.31 | 13.38 | | 60.25 |
| Unallocated corporate liabilities | - | - | - | 147.16 | 147.16 |
| Total liabilities | 19.56 | 27.31 | 13.38 | 147.16 | 207.41 |
| Capital expenditure -Tangible and Intangible | 23.44 | 12.56 | 4.12 | 27.74 | 67.86 |

As at March 31, 2003 (Rs. in Million)

| | Networks | Terminal Devices | Semi-Conductors | Corporate and Others | Total |
|---|---|---|---|---|---|
| Segment assets | 107.16 | 223.41 | 161.77 | - | 492.34 |
| Unallocated corporate assets | - | - | - | 943.06 | 943.06 |
| Total assets | 107.16 | 223.41 | 161.77 | 943.06 | 1,435.40 |
| Segment liabilities | 12.89 | 34.50 | 9.91 | - | 57.30 |
| Unallocated corporate liabilities | - | - | - | 365.55 | 365.55 |
| Total liabilities | 12.89 | 34.50 | 9.91 | 365.55 | 422.85 |
| Capital expenditure -Tangible and Intangible | 6.47 | 20.67 | 1.06 | 146.93 | 175.13 |

Year ended March 31, 2004 (Rs. in Million )

| | Networks | Terminal Devices | Semi-conductors | Eliminations | Total |
|---|---|---|---|---|---|
| Revenue from external customers | 642.37 | 586.29 | 432.64 | - | 1661.30 |
| **Segment Result** | 229.56 | 201.78 | 127.70 | | **559.04** |
| Corporate Expenses | - | - | - | - | 402.05 |
| **Operating Profit** | - | - | - | - | **156.99** |
| Interest expense | - | - | - | - | 7.99 |
| Other income | - | - | - | - | 13.05 |
| Income tax expense/(credit) | - | - | - | - | (21.32) |
| **Profit after tax** | - | - | - | - | **183.37** |
| **Other Information** | | | | | |
| Depreciation on identified segment assets | 13.89 | 17.99 | 9.49 | - | 41.37 |
| Depreciation allocated to segments | 28.37 | 23.61 | 11.87 | - | 63.85 |
| Unallocated Depreciation | - | - | - | - | 13.56 |
| Amortization of capitalized software costs | - | 46.14 | - | - | 46.14 |

Year ended March 31, 2003 (Rs. in Million )

| | Networks | Terminal Devices | Semi-Conductors | Internet Access Solutions | Eliminations | Total |
|---|---|---|---|---|---|---|
| Revenue from external customers | 371.42 | 443.70 | 273.82 | 4.88 | - | 1,093.82 |
| Inter-segment Revenue | - | 7.69 | - | - | (7.69) | - |
| Total revenues | 371.42 | 451.39 | 273.82 | 4.88 | (7.69) | 1,093.82 |
| **Segment Result** | **115.82** | **228.21** | **53.57** | **(24.90)** | - | **372.70** |
| Corporate Expenses | - | - | - | - | - | 294.65 |
| **Operating Profit** | - | - | - | - | - | **78.05** |
| Interest expense | - | - | - | - | - | 36.22 |
| Other income | - | - | - | - | - | (1.59) |
| Income tax expense/(credit) | - | - | - | - | - | 27.51 |
| **Profit after tax** | - | - | - | - | - | **12.73** |
| **Other Information** | | | | | | |
| Depreciation on identified segment assets | 9.27 | 18.38 | 9.77 | 1.05 | - | 38.47 |
| Depreciation allocated to segments | 21.28 | 20.36 | 16.24 | 2.77 | - | 60.65 |
| Unallocated depreciation | - | - | - | - | - | 26.67 |
| Amortization of capitalized software costs | - | 96.91 | 29.73 | - | - | 126.64 |

Note: Unallocated corporate assets and liabilities comprise of assets and liabilities not identifiable with reportable segments, as these assets and liabilities are used interchangeably between the segments. However, depreciation on such assets has been allocated to the segments based on the related utilization by the respective segments, as used by management for its internal reporting purposes.

b) Geographic Segment Information:

Revenue (Rs. in Million)

| Region | March 31, 2004 | March 31, 2003 |
|---|---|---|
| North America (Including Canada) | 641.39 | 468.82 |
| Europe | 579.93 | 239.41 |
| Asia Pacific | 289.86 | 284.28 |
| India | 150.12 | 101.31 |
| **Total** | **1,661.30** | **1,093.82** |

Assets:

Sundry Debtors and Unbilled Revenue: (Rs. in Million)

| Region | As at March 31,2004 | As at March 31, 2003 |
|---|---|---|
| North America (Including Canada) | 111.44 | 118.33 |
| Europe | 163.25 | 80.79 |
| Asia Pacific | 71.50 | 105.09 |
| India | 43.78 | 18.01 |
| **Total** | **389.97** | **322.22** |

Note: Most of the tangible and intangible assets relate to Asia Pacific. Assets for other geographical segments are not significant and hence not furnished.

**11. Earnings Per Share (EPS)**

Reconciliation of the net income and number of shares considered in the computation of basic and diluted EPS is given below:

(Rs in Million, except share data)

| | March 31, 2004 | March 31, 2003 |
|---|---|---|
| Profit for computation of basic EPS | 183.37 | 12.73 |
| Add: Interest on Fully convertible debentures (FCDs) | - | - |
| Profit for computation of diluted EPS | 183.37 | 12.73 |
| Weighted average number of shares considered for basic EPS | 30,186,957 | 25,379,436 |
| Add: Effect of stock options and warrants | 1,578,847 | - |
| Add: Potential shares on conversion of FCDs | 1,400 | -* |
| Add: Effect of share application money to the extent utilized by the Group | - | 5,553 |
| Weighted average number of shares considered for diluted EPS | 31,767,204 | 25,384,989 |

*In computation of diluted EPS for the year ended March 31, 2003, the effect of FCDs, stock options cancelled and warrants (as referred to in Note 8) have not been considered as their effect is anti-dilutive.

**12. Operating lease**

The Group has operating leases for office premises that are (a) renewable on a periodic basis and are cancelable by giving a notice period ranging from 1 month to 6 months and (b) are non cancelable for specified periods under arrangements. Rent escalation clauses vary from contract to contract.

(Rs. in Million)

| | March 31, 2004 | March 31, 2003 |
|---|---|---|
| Rent expenses included in profit & loss account towards operating leases | 17.07 | 17.04 |

Minimum lease obligation under non cancelable lease contracts amounts to:

(Rs. in Million)

| | As at March 31, 2004 |
|---|---|
| Due in one year of the balance sheet date | 42.68 |
| Due between one to five years | 31.00 |

**13. Comparatives**

The current year financial statements are the consolidated financial statements of Sasken Communication Technologies Limited and Sasken Network Systems Limited, the wholly owned subsidiary company. The comparative numbers of March 31, 2003, are those of Sasken Communication Technologies Limited, as the Company did not hold investment in any subsidiary company. Previous year figures have been re-grouped / re arranged, wherever necessary.

Signatures to Schedules 1 to 17

For and on behalf of the Board

| | | | |
|---|---|---|---|
| Rajiv C Mody | Pranabh D Mody | Neeta Revankar | Venkatramani N |
| Managing Director | Whole-time Director | Chief Financial Officer | Company Secretary |

Place: Bangalore
Date: April 20, 2004

**Unconsolidated Financial Statements (Restated), As Per Indian GAAP Of Sasken Communication Technologies Limited For The Nine Months Ended December 31, 2004 And The Years Ended March 31, 2004, March 31, 2003, March 31, 2002, March 31, 2001 And March 31, 2000.**

Including Auditors' Report As Required By Part II Of Schedule II Of The Companies Act, 1956

**Unconsolidated Summary Statements of Assets and Liabilites and Profit and Losses and Cash Flows as Restated, under Indian GAAP (Including Subsidiairies) for the years ended March 31, 2000, 2001, 2002 2003 and 2004 and for the nine months period ended Decemeber 31, 2004**

Auditors' report as required by Part II of Schedule II to the Companies Act, 1956

May 17, 2005

To
The Board of Directors
Sasken Communication Technologies Limited
No. 139/25, Domlur Layout
Ring Road, Domlur P.O.
Bangalore 560 071.

Dear Sirs,

We have examined the financial information of Sasken Communication Technologies Limited ('Sasken' or 'the Company') annexed to this report for the purposes of inclusion in the Draft Red Herring Prospectus ('the Draft RHP') 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') issued by the Securities and Exchange Board of India ('SEBI') on January 19, 2000, as amended by notification 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; and
c. the terms of reference received from the Company, requesting us to carry out work, proposed to be included in the Draft RHP of the Company in connection with its proposed Initial Public Offer ('IPO').

The IPO will be for a fresh issue by the Company of 5,000,000 equity shares of Rs 10 each, at such premium, by way of book building process, as may be decided by the Board of Directors (referred to as 'the Offer'). The Offer is being made through the 100 percent book-building scheme.

**Financial information as per audited financial statements**

1. We have examined the attached restated summary statement of assets and liabilities of the Company as at December 31, 2004, March 31, 2004, 2003, 2002, 2001 and 2000, the attached restated summary statement of profit and loss and the attached restated statement of cash flows, as restated, for each of the period/years ended on those dates ('summary statements') (see Annexures 1, 2 and 3) as prepared by the Company and approved by the Board of Directors. These profits/losses 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 4 to this report. Based on our examination of these 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, 2004 have been adjusted with retrospective effect in the attached summary statements;
   - the prior period items have been adjusted in the summary statements in the years to which they relate;
   - the extraordinary items, which need to be disclosed separately in the summary statements, are appropriately disclosed; and
   - there are no qualifications in the auditors' reports, which require any adjustments to the summary statements.

2. The summary of significant accounting policies adopted by the Company pertaining to the audited financial statements for the nine months period ended December 31, 2004 are enclosed as Annexure 5 to this report.
3. The financial statements of Sasken Network Systems Limited ('SNS'), a subsidiary of the Company, for the nine months period ended December 31, 2004 and for the period October 20, 2003 (being the date of incorporation) to March 31, 2004 have not been consolidated into the attached summary statements. Also, the financial statements of Sasken Network Engineering Limited ('SNEL'), a subsidiary of the Company, for the period September 29, 2004 (being the date of incorporation) to December 31, 2004 have not been consolidated into the attached summary statements. The financial statements of SNS and SNEL for the aforesaid periods, as prepared by the management and approved by its Board of Directors, have been reported upon by M/s Deloitte Haskins & Sells, the statutory auditors of SNS and SNEL.

4. The restated summary financial statements of SNS for the nine months period ended December 31, 2004 and for the period October 20, 2003 (being the date of incorporation) to March 31, 2004, and of SNEL for the period September 29, 2004 (being the date of incorporation) to December 31, 2004 are enclosed in Annexure 17 and 18, respectively.

5. We have examined the restated summary financial statements of SNS and SNEL for the periods aforesaid in paragraph 4 above, as approved by its Board of Directors. For the purposes of such examination of the restated summary financial statements of SNS and SNEL as attached in Annexures 17 and 18, we have relied on the audited financial statements of SNS and SNEL, reported upon by chartered accountants other than us, as aforesaid in paragraph 3 above. We have not performed any audit procedures in respect of SNS and SNEL. Accordingly, based on our examination of the statements as referred to in paragraph 4 above, we confirm that:

   - there are no changes in accounting policies adopted by SNS and SNEL as at and for the period ended December 31, 2004 requiring adjustment with retrospective effect in the statements;
   - there are no prior period items requiring adjustment in the statements;
   - there are no extraordinary items, which need to be disclosed separately in the statements and
   - there are no qualifications in the auditors' reports, which require any adjustments to the statements.

**Other financial information**

6. We have examined the following unconsolidated financial information of the Company proposed to be included in the Draft RHP as approved by you and annexed to this report:

i. Rates of dividend as enclosed in Annexure 6;
ii. Accounting ratios based on the restated profits/losses relating to earnings per share (basic and diluted), net asset value and return on net worth as enclosed in Annexure 7;
iii. Capitalisation statement as at December 31, 2004 as enclosed in Annexure 8;
iv. Details of other income, as restated as appearing in Annexure 9;
v. Details of unsecured loans as appearing in Annexure 10 ;
vi. Details of sundry debtors, as restated as appearing in Annexure 11;
vii. Details of secured loans as appearing in Annexure 12;
viii. Details of investments as appearing in Annexure 13;
ix. Details of loans and advances, as restated as appearing in Annexure 14;
x. Statement of tax shelters is enclosed in Annexure 15; and
xi. Statement of possible tax benefits available to the Company and its shareholders as enclosed in Annexure 16.

7. In our view, the 'financial information as per audited financial statements' and 'other financial information' mentioned above have been prepared in accordance with Part II of Schedule II of the Act and the Guidelines.

8. This report is intended solely for your information and for inclusion in the Draft RHP 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 & Company
Chartered Accountants

per Sunil Bhumralkar
Partner
Membership No: 35141

Bangalore
May 17, 2005

# Sasken Communication Technologies Limited

**Annexure 1: Summary Statement of Assets and Liabilities, as restated**

Rs in million

| | As at December 31, 2004 | As at March 31, 2004 | As at March 31, 2003 | As at March 31, 2002 | As at March31, 2001 | As at March31, 2000 |
|---|---|---|---|---|---|---|
| **Fixed assets** | | | | | | |
| Gross block | 1,518.79 | 1,359.90 | 1,315.36 | 1,191.17 | 569.24 | 431.08 |
| Less: Accumulated depreciation | 684.38 | 591.15 | 493.99 | 409.95 | 261.24 | 188.50 |
| Net block | 834.41 | 768.75 | 821.37 | 781.22 | 308.00 | 242.58 |
| Capital work in progress, including capital advances | 8.42 | 11.78 | 2.12 | 113.70 | 445.19 | 63.31 |
| **Total** | **842.83** | **780.53** | **823.49** | **894.92** | **753.19** | **305.89** |
| **Capitalised software product costs** (net of amortization) | **-** | **11.50** | **57.64** | **95.83** | **32.21** | **-** |
| **Investments** | **90.35** | **26.92** | **1.44** | **33.54** | **18.62** | **190.54** |
| **Deferred tax asset** | **-** | **3.16** | **7.49** | **2.14** | **-** | **-** |
| **Current assets, loans and advances** | | | | | | |
| Inventories | 0.73 | 5.50 | 24.60 | 9.05 | 6.15 | - |
| Sundry debtors | 383.03 | 337.94 | 323.00 | 350.71 | 493.27 | 263.59 |
| Cash and bank balances | 89.70 | 26.82 | 160.35 | 28.58 | 88.91 | 74.66 |
| Loans and advances | 276.09 | 181.67 | 102.20 | 119.92 | 223.82 | 83.66 |
| **Total** | **749.55** | **551.93** | **610.15** | **508.26** | **812.15** | **421.91** |
| **Liabilities and Provisions** | | | | | | |
| Secured loans | 116.33 | 4.27 | 267.48 | 351.87 | 312.52 | - |
| Unsecured loans | - | - | 0.06 | 2.06 | 5.12 | 8.56 |
| Current liabilities | 190.34 | 147.46 | 136.68 | 134.75 | 135.34 | 52.90 |
| Provisions | 23.10 | 55.63 | 14.59 | 9.70 | 75.37 | 59.42 |
| **Total** | **329.77** | **207.36** | **418.81** | **498.38** | **528.35** | **120.88** |
| **Net worth** | **1,352.96** | **1,166.68** | **1,081.40** | **1,036.31** | **1,087.82** | **797.46** |
| Represented by: | | | | | | |
| Equity share capital | 168.29 | 151.61 | 127.10 | 126.69 | 125.65 | 124.75 |
| Share application money | 0.16 | - | 164.28 | 0.01 | - | - |
| *Reserves and surplus* | | | | | | |
| General reserve | 81.44 | 81.44 | 63.09 | 63.09 | 63.09 | 34.99 |
| Securities premium | 611.68 | 527.39 | 404.87 | 403.35 | 401.52 | 400.63 |
| Profit and loss account | 484.29 | 404.68 | 322.06 | 443.06 | 497.40 | 237.09 |
| Employee stock option outstanding (net of deferred compensation cost) | 7.10 | 1.56 | - | 0.11 | 0.16 | - |
| **Net worth** | **1,352.96** | **1,166.68** | **1,081.40** | **1,036.31** | **1,087.82** | **797.46** |

The above statement should be read with the significant accounting policies appearing in Annexure 5 and Notes to the Summary Statement of Assets and Liabilities, Profits and Losses and Cash Flows, as restated, appearing in Annexure 4.

**Sasken Communication Technologies Limited**
**Annexure 2: Summary Statement of Profits and Losses, as restated**

Rs in million

| | Nine Months Ended December 31, 2004 | Year ended March 31, 2004 | Year ended March 31, 2003 | Year ended March 31, 2002 | Year ended March 31, 2001 | Year ended March 31, 2000 |
|---|---|---|---|---|---|---|
| **Income** | | | | | | |
| Software services & software licensing | 1,551.18 | 1,661.30 | 1,093.82 | 1,071.60 | 1,413.00 | 759.16 |
| Other income | 11.70 | 13.04 | 1.35 | 29.57 | 26.62 | 42.73 |
| **Total Income** | **1,562.88** | **1,674.34** | **1,095.17** | **1,101.17** | **1,439.62** | **801.89** |
| **Expenditure** | | | | | | |
| Employment cost | 962.27 | 976.52 | 672.86 | 579.48 | 554.85 | 256.01 |
| Other operational expenses | 217.25 | 159.27 | 130.43 | 211.89 | 239.14 | 49.88 |
| Administrative & marketing expenses | 162.59 | 179.98 | 135.88 | 162.89 | 223.55 | 149.31 |
| Employee stock option compensation cost (net) | 5.73 | 1.56 | (71.46) | 42.06 | 29.79 | - |
| Provision for diminution in value of investments | - | - | 32.10 | 7.40 | 1.30 | - |
| Provision for doubtful debts | (8.32) | 2.83 | (29.54) | 57.83 | - | - |
| Decrease/ (increase) in inventory | 4.77 | 19.10 | (15.54) | (2.90) | (6.16) | - |
| Capitalisation of software product costs | - | - | (88.45) | (104.98) | (40.99) | - |
| Amortization of capitalised software product costs | 11.50 | 46.14 | 126.64 | 41.35 | 8.79 | - |
| Interest expense | 3.60 | 7.98 | 36.22 | 43.96 | 13.64 | 8.82 |
| Depreciation | 93.40 | 118.78 | 125.79 | 179.05 | 80.83 | 87.83 |
| **Total Expenditure** | **1,452.79** | **1,512.16** | **1,054.93** | **1,218.03** | **1,104.74** | **551.85** |
| **Net Profit/(Loss) before tax** | **110.09** | **162.18** | **40.24** | **(116.86)** | **334.88** | **250.04** |
| Income Taxes | 1.42 | (21.32) | 27.50 | 39.52 | 53.81 | 101.45 |
| **Net Profit/(Loss)** | **108.67** | **183.50** | **12.74** | **(156.38)** | **281.07** | **148.59** |
| **Adjustments – Increase/(decrease) in profits** | | | | | | |
| *(Refer Annexure 4)* | | | | | | |
| Leave encashment | - | - | - | (11.04) | 6.01 | 2.07 |
| Foreign exchange adjustments | (8.92) | 8.26 | 0.66 | - | - | - |
| ESOP compensation cost | - | - | (71.50) | 41.87 | 29.63 | - |
| Provision for doubtful debts | (10.29) | (2.40) | (45.14) | 57.83 | - | - |
| Provision for warranty | - | - | (14.02) | 14.02 | - | - |
| **Total impact of adjustments** | (19.21) | 5.86 | (130.00) | 102.68 | 35.64 | 2.07 |
| **Tax adjustments** | | | | | | |
| *(Refer Annexure 4)* | | | | | | |
| Deferred tax adjustment | (3.16) | (4.33) | 5.35 | 2.14 | - | (5.78) |
| Adjustment on account of tax refunds | (6.69) | (41.30) | (9.09) | (2.78) | 26.90 | 20.49 |
| **Total of adjustments after tax impact** | (29.06) | (39.77) | (133.74) | 102.04 | 62.54 | 16.78 |
| **Net Profit/(Loss), as restated** | **79.61** | **143.73** | **(121.00)** | **(54.34)** | **343.61** | **165.37** |
| **Profit and loss account, beginning of the year/period** | 404.68 | 322.06 | 443.06 | 497.40 | 237.09 | 137.97 |
| **Profits available for appropriation** | 484.29 | 465.79 | 322.06 | 443.06 | 580.70 | 303.34 |
| Appropriation: | | | | | | |
| Equity dividend | - | 37.90 | - | - | 50.08 | 46.30 |
| Tax on dividend | - | 4.86 | - | - | 5.11 | 5.09 |
| Transfer to General Reserve | - | 18.35 | - | - | 28.11 | 14.86 |
| **Balance carried forward, as restated** | 484.29 | 404.68 | 322.06 | 443.06 | 497.40 | 237.09 |

The above statement should be read with the significant accounting policies appearing in Annexure 5 and Notes to the Summary Statement of Assets and Liabilities, Profits and Losses and Cash Flows as restated, appearing in Annexure 4

**Sasken Communication Technologies Limited**
**Annexure 3: Summary Statement of Cash Flows, as restated**

Rs. in million

| | Nine Months Ended December 31, 2004 | Year Ended March 31, 2004 | Year Ended March 31,2003 | Year Ended March 31, 2002 | Year Ended March 31, 2001 | Year Ended March 31, 2000 |
|---|---|---|---|---|---|---|
| **A. Cash flow from operating activities:** | | | | | | |
| **Net Profit/(Loss) before tax** | **90.88** | **168.04** | **(89.76)** | **(14.18)** | **370.52** | **252.11** |
| *Adjustments for:* | | | | | | |
| Depreciation | 93.40 | 118.78 | 125.79 | 179.05 | 80.83 | 87.83 |
| Amortization of capitalised software costs | 11.50 | 46.14 | 126.64 | 41.35 | 8.79 | - |
| Other non-cash writeback/charges | 6.30 | 8.33 | 48.08 | 20.92 | 7.38 | - |
| Foreign exchange adjustments | (5.04) | (8.26) | (1.97) | (2.01) | (3.54) | (1.30) |
| Interest expense | 3.60 | 7.98 | 36.22 | 43.96 | 13.64 | 8.82 |
| Other income | (2.53) | (6.15) | (1.38) | (5.10) | (4.99) | (35.44) |
| **Operating profit before working capital changes** | 198.11 | 334.86 | 243.62 | 263.99 | 472.63 | 312.02 |
| *Adjustments for:* | | | | | | |
| (Increase)/decrease in Sundry Debtors | (44.84) | (29.31) | 14.76 | 146.76 | (226.22) | (36.46) |
| (Increase)/decrease in Work in progress | 4.77 | 19.10 | (15.54) | (2.90) | (6.16) | - |
| (Increase)/decrease in Loans & Advances | (62.00) | (94.31) | 20.64 | 91.38 | (124.29) | 7.80 |
| Increase/(decrease) in Current Liabilities and provisions | 74.03 | 16.95 | 28.98 | 2.37 | 50.27 | (17.42) |
| **Cash generated from operations** | 170.07 | 247.29 | 292.46 | 501.60 | 166.23 | 265.94 |
| Direct taxes (paid) / refund received | (10.77) | 12.25 | (38.86) | (29.73) | (48.09) | (101.45) |
| **Net cash from operating activities(A)** | **159.30** | **259.54** | **253.60** | **471.87** | **118.14** | **164.49** |
| **B. Cash flow from investing activities:** | | | | | | |
| Purchase of fixed assets | (155.77) | (81.46) | (81.18) | (364.20) | (490.63) | (181.71) |
| Sale of fixed assets | - | 1.17 | 8.91 | 9.29 | 7.07 | - |
| Capitalisation of software product costs | - | - | (88.45) | (104.98) | (40.99) | - |
| Other income | - | - | 1.25 | 1.20 | 2.83 | 33.05 |
| Dividend received | - | - | - | 0.57 | 1.67 | 1.14 |
| Interest received | - | 0.60 | - | 0.39 | - | - |
| Investments purchased | (262.38) | (302.26) | - | (286.32) | (5.00) | (316.65) |
| Sale of investments | 227.68 | 281.81 | - | 262.44 | 175.62 | 136.06 |
| Investment in subsidiary companies | (0.50) | (0.50) | - | - | - | - |
| Loan given to subsidiaries | (72.08) | - | - | - | - | - |
| **Net cash used in investing activities (B)** | **(263.05)** | **(100.64)** | **(159.47)** | **(481.61)** | **(349.43)** | **(328.11)** |
| **C. Cash flow from financing activities:** | | | | | | |
| Proceeds from issue of shares (includes share application money) | 100.93 | - | 164.45 | 2.62 | - | 412.73 |
| Refund of share application money | - | (17.28) | - | - | - | |
| Proceeds from long-term borrowings | - | - | - | 16.06 | 512.52 | 33.00 |
| Repayment of long-term borrowings | - | (134.39) | (194.20) | - | (200.00) | (124.41) |
| Proceeds from issue of Debentures | - | - | - | - | - | 4.24 |
| Increase/ (decrease) in Working capital loans | 112.06 | (128.82) | 109.80 | 23.29 | - | (39.23) |
| Redemption of Debentures | - | (0.02) | (0.40) | (3.06) | (1.65) | (1.31) |
| Interest paid | (3.60) | (11.92) | (42.01) | (34.23) | (14.02) | (15.30) |
| Dividends paid (inclusive of dividend tax) | (42.76) | - | - | (55.27) | (51.31) | (47.24) |
| **Net cash from / (used in) financing activities(C)** | **166.63** | **(292.43)** | **37.64** | **(50.59)** | **245.54** | **222.48** |
| **Net increase/(decrease) in cash and cash equivalents (A+B+C)** | **62.88** | **(133.53)** | **131.77** | **(60.33)** | **14.25** | **58.86** |
| **Cash and Bank balances at the beginning of the year/ period** | **26.82** | **160.35** | **28.58** | **88.91** | **74.66** | **15.80** |
| **Cash and Bank Balances at the end of the year/ period** | **89.70** | **26.82** | **160.35** | **28.58** | **88.91** | **74.66** |

Rs in million

| | | | | | | |
|---|---|---|---|---|---|---|
| **Supplementary non-cashflow information** | | | | | | |
| Issuance of Share Capital out of Share Application money | - | 147.00 | - | - | - | - |
| Dividends received re-invested in units of Mutual funds | 0.86 | 5.55 | - | - | - | - |
| Conversion of Fully Convertible Debentures into Equity Shares | - | 0.03 | 1.60 | - | - | - |

The above statement should be read with the significant accounting policies appearing in Annexure 5 and Notes to the Summary Statement of Assets and Liabilities, Profits and Losses and Cash Flows as restated, appearing in Annexure 4.

**Annexure 4: Notes to the Summary Statement of Assets and Liabilities, Profits and Losses, and Cash Flows, as restated**

**A Summary restated financial statements**

Accounting Standard (AS) 21, Consolidated Financial Statements ('AS 21') issued by the Institute of Chartered Accountants of India ('ICAI') comes into effect in respect of accounting periods commencing on or after April 1, 2001. The ICAI has also issued AS 23, Accounting for Investments in Associates in Consolidated Financial Statements ('AS 23') and AS 27, Financial Reporting of Interests in Joint Ventures ('AS 27') which are effective for accounting periods commencing on or after April 1, 2002. However, AS 21, AS 23 and AS 27 are currently not applicable to the Company since it is not required to prepare consolidated financial statements under any law. Accordingly, the results of the subsidiaries and joint ventures companies have not been accounted for in these summary restated financial statements.

**B Adjustments resulting from changes in accounting policies**

*1. Leave encashment*

During the year ended March 31, 2002, the Company changed its accounting policy in accordance with Accounting Standard – 15 to accrue leave encashment liability on an actuarial basis instead of full liability basis. Accordingly, leave encashment expense has been recomputed in line with the new accounting policy and adjustments have been made for the leave encashment expenses for the years ended March 31, 2002, 2001 and 2000 and opening balance in Profit and Loss Account as at April 1, 1999 has been adjusted for the effect of prior years.

*2. Foreign exchange adjustments*

In order to comply with Accounting Standard – 11 (revised) - The Effects Of Changes in Foreign Exchange Rates which is effective April 1, 2004, during the nine months ended December 31, 2004, the Company changed its accounting policy in respect of accounting for forward exchange contracts entered into to hedge the foreign currency risk of the underlying assets and liabilities at the balance sheet date. Consequently, in respect of foreign currency monetary assets or liabilities in respect of which forward exchange contract is taken, exchange differences on such contracts are recognised in the summary statement of profits and losses in the period in which the exchange rates change. Accordingly, exchange gain or loss on forward exchange contracts outstanding at March 31, 2004 and 2003, have been recomputed and adjusted in the restated financial statements. The Company did not have any open forward exchange contracts as at March 31, 2002, 2001, 2000 and 1999.

*3. Deferred tax adjustment*

The Company adopted Accounting Standard (AS) – 22, Accounting for taxes on income (‘AS 22’) issued by the Institute of Chartered Accountants of India (‘ICAI’) for the first time in preparation of the financial statements for the year ended March 31, 2002. Accordingly, a sum of Rs 5.36 million paid by the Company as Minimum Alternate Tax during the year 1997-98 and the credit for which was utilized in the year 1999-00, has been recorded as a ‘deferred tax asset’ at March 31, 1999 with a corresponding effect in the reserves.

Further, the Company has recognised deferred tax asset on unabsorbed business losses, under the Indian Income Tax Act, 1961, as at March 31, 1999 and 2003, to the extent utilized in the years ended March 31, 2000 and 2004, and during the nine months ended December 31, 2004. Similarly, in respect of overseas branches, the deferred tax asset on unabsorbed business losses has been recognised as at March 31, 2001 and 2002, to the extent utilized in the year ended March 31, 2004 and during the nine months ended December 31, 2004.

**C Other material adjustments**

*1. Employee Compensation Cost*

On December 31, 2002, the Company cancelled all its outstanding stock options issued to employees under the Sasken ESOP 2000 plan, and the Company reversed in the profit and loss account all compensation costs recognized by it in the prior years. Accordingly, for the purposes of this statement, the compensation costs recognized by the Company towards the cancelled options have been reversed in the year in which such compensation costs were originally recorded by adjusting the summary statement of profits and losses for the years ended March 31, 2003, 2002 and 2001.

*2. Provision for doubtful debts*

Debts which were considered doubtful and provided in earlier years, which have been subsequently recovered, have been adjusted in the summary statement of profits and losses of such years when such amounts were originally provided for. Accordingly, adjustments have been made to the summary statement of profits and losses, as restated, for the years ended March 31, 2002, 2003, 2004 and for the nine months ended December 31, 2004.

*3. Provision for warranty*

Provision for warranties made in the earlier years and which were subsequently reversed as considered no longer required, have been adjusted in the summary statement of profits and losses of such years when such amounts were originally provided for. Accordingly, adjustments have been made to the summary statement of profits and losses, as restated, for the years ended March 31, 2002 and 2003.

*4. Income tax refunds*

Income taxes provided in earlier years on a conservative basis and in respect of which refunds have been subsequently received from the authorities on completion of assessments, have been adjusted in the summary statement of profits and losses of such years when such amounts were originally provided for. Accordingly, adjustments have been made to the summary statement of profits and losses, as restated, for the years ended March 31, 2000, 2001, 2002, 2003 and 2004 and for the nine months ended December 31, 2004, and the Opening Balance in Profit and Loss Account as on April 1, 1999 has been adjusted.

Further, domestic income taxes of Rs 0.92 million provided during the year ended March 31, 2003 based on a claim from the income tax authorities pertaining to assessment year 1992-93 has been adjusted during the year ended March 31, 2003 and the Opening Balance in Profit and Loss Account as at April 1, 1999 has been adjusted to the same extent.

**D. Non-adjustments/Regroupings**

The following regroupings have been made in the summary restated statements of assets and liabilities profits and losses and cash flows:

*1. Capital advances*

At March 31, 2000, capital advances were included under 'Loans and Advances' in the balance sheet. The same has now been regrouped as part of 'Capital work-in-progress including capital advances' under 'Fixed assets' for making the same comparable with the other periods presented.

*2. Capitalised software product costs (net of amortization)*

Effective March 31, 2003, the Company reflected capitalized software product costs (net of amortization) separately in the balance sheet, as against reflecting the same as part of inventories as at March 31, 2002 and 2001. Accordingly, capitalized software product costs (net of amortization) as at March 31, 2002 and 2001 have been reclassified separately in the summary statement of assets and liabilities, as restated.

*3. Exchange gains/(losses)*

During the years ended March 31, 2002 and 2003, realized and unrealized exchange gains/(losses) on transactions related to revenue were included in revenues from software services & licensing. Effective year ended March 31, 2004, all exchange gains/(losses) on revenue transactions was recorded as part of 'Other Income'. Accordingly, realized and unrealized exchange gains/(losses) on transactions related to revenue have been regrouped to conform to the latest presentation. Further, effective nine months ended December 31, 2004, exchange gains and losses, net were reflected separately in the Profit and Loss Account. For the purposes of the summary statement of profits and losses, as restated, exchange gain, net has now been reflected as part of Other Income and exchange loss, net as part of administrative & marketing expenses.

*4. Grouping of expenses*

The Company has adopted functional disclosures relating to expenses in each of the audited financial statements for the nine months ended December 31, 2004 and year ended March 31, 2004, 2003, 2002, 2001 and 2000. Accordingly, the Employment Costs and Depreciation have been grouped as separate heads which were included as part of the Cost of Revenue, Product Engineering expenses, Selling & Marketing expenses, Administrative & General expenses and Research & Development expenses, in the audited financial statements for the respective years/period. Further Decrease/(Increase) in Inventory and Capitalisation and Amortisation of Capitalised Software Development Costs have been shown separately in the summary statement of profits and losses, as restated. These items were included as part of 'Cost of Revenue' in the audited financial statements for the years/period. Also, administrative and marketing expenses have been grouped as one head in the statement of summary profits and losses, as restated.

*5. Cash flows relating to capitalised software product costs*

Effective year ended March 31, 2004, the Company classified the cash flows relating to capitalised software product costs as investing activities instead of operating activities. The cash flows relating to capitalised software product costs for the years ended March 31, 2003, 2002 and 2001, have been reclassified in line with the latest presentation.

6. Under the Company's revenue recognition policy, principal elements for revenue recognition include delivery and acceptance of the product or service by the customer, probability of collection, etc. irrespective of the period in which such efforts are expended. In accordance with such policy, revenues for the nine months ended December 31, 2004 and for the quarter ended March 31, 2005, include a sum of Rs 13.54 million and Rs 35.31 million, respectively, for which substantial efforts were incurred in earlier years. However, in accordance with the above stated policy, the earlier years' financial statements have not been restated.

**E. Auditors' Qualifications**

1. The remuneration paid to one of the whole-time directors of the Company for the years ended March 31, 2003 and 2002, exceeded the limits prescribed under Schedule XIII to the Companies Act, 1956 by Rs 2.95 million and Rs.3.59 million respectively, which was pending receipt of the Central Government approvals for the respective years as required under Schedule XIII read with sections 269 and 309 of the Companies Act, 1956. Also, during the year ended March 31, 2002, the Company made a provision of Rs.1.8 million as remuneration to non-whole time directors, which was subject to the approval of the Central Government under section 309 of the Companies Act, 1956.

The statutory auditors' opinion on the financial statements for the years ended March 31, 2003 and 2002 was subject to pending receipt of such approvals from the Central Government. However, the Company received the required approvals from the Central Government in the following years. Accordingly, no adjustments are required to be made to the restated summary financial statements for the years ended March 31, 2003 and 2002.

## F. Restated opening profit and loss account

a. Restatement of profit and loss account of Sasken, as at April 1, 1999

| | Rs. in million |
|---|---|
| Profit and loss account as at April 1, 1999, as per audited financial statements | 116.75 |
| *Increase/(decrease) in the accumulated profit at April 1, 1999 as a result of adjustments for:* | |
| - Leave encashment provision | 2.96 |
| - Deferred tax on MAT and losses carried forward and utilized | 5.78 |
| - Income Tax refunds | 12.48 |
| Profit and loss account as at April 1, 1999, as restated | 137.97 |

# Annexure - 5: Significant Accounting Policies

## Basis for preparation of financial statements

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis.

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's best knowledge of current events and actions the Company may undertake in future, actual results ultimately may differ from the estimates.

## Revenue Recognition

The Company derives its revenues from product and technology licensing, and software services.

Licensing revenue is recognized when the product or technology is delivered and accepted. Revenue related to customized products or technology development agreements is recognized using the proportionate completion method, determined based on the achievement and acceptance of the milestone. In all cases revenue is recognized only when no further vendor obligations remain and collection is probable. Revenue related to post contract customer support is recognized over the support period.

Revenue from time and material service contracts is recognized as the services are provided. Revenue from fixed price service contracts is recognized based on the proportionate completion method, determined based on the achievement and acceptance of the milestone, provided collection is probable. Revenue from maintenance is recognized ratably over the term of the maintenance arrangement.

Revenue from royalty is recognized on an accrual basis based on the terms of the agreement, provided collection is probable

Dividend income is recognized when the right to receive dividend is established.

Interest income is recognized on an accrual basis.

## Work in progress

Costs related to milestones that have not been met are treated as costs of future activity and are reported as work in progress. Work in progress is carried at cost or net realizable value whichever is lower.

## Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation and impairment, if any. Cost comprises of the purchase price and any attributable cost of bringing the asset to its 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.

## Depreciation

Depreciation is provided on Straight Line Method (SLM) at the rates mentioned below which are greater than or equal to the corresponding rates prescribed in Schedule XIV of the Companies Act, 1956:

| Type of asset | Rates (SLM)(%) | Schedule XIV rates (SLM) (%) |
|---|---|---|
| Building | 5 | 1.63 |
| Computers | 25 | 16.21 |
| Electrical Fittings | 20 | 4.75 |
| Furniture & Fittings | 10 | 6.33 |
| Office Equipment | 20 | 4.75 |

Leasehold improvements at leased property are depreciated over estimated useful life or the lease period of the property, whichever is lower.

Assets with unit value of Rs. 5,000 or less are depreciated entirely in the period of acquisition.

Intangible assets comprise of the following and are depreciated over the estimated useful life as given below:

a) Computer Software used for development of software/rendering software services – Over the life of the project/product.

b) Generic Computer Software –over 12 months.

c) Product Software for administration purposes– 3 years.

## Capitalization and Amortization of Software

Costs incurred towards development of computer software products meant for sale, lease or otherwise marketed, are capitalized subsequent to establishing technological feasibility. Capitalization ceases when the product is available for general release to customers. Capitalized software costs are amortized on a product-by-product basis. The amortization shall be greater of the amount computed using (a) the ratio that current gross revenue for a product bears to the total of current and anticipated future gross revenues for that product or (b) the straight-line method over the remaining estimated economic life of the product. The unamortized cost of capitalized software products is carried at cost or net realizable value whichever is lower.

## Investments

Investments that are readily realizable and intended not to be held for more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

## Foreign currency transactions

(i) Initial Recognition - Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency approximately at the date of the transaction.

(ii) Conversion - Foreign currency monetary items are reported using the closing rate. Non-monetary items, which are carried in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction.

(iii) Exchange Differences - Exchange differences arising on the settlement or conversion of monetary items, are recognized as income or as expenses in the period in which they arise except those arising on liabilities pertaining to fixed assets, which are adjusted with the cost of the fixed assets.

(iv) Forward Exchange Contracts - The Company uses forward exchange contracts to hedge its exposure to movements in foreign exchange rates. The Company does not use the forward exchange contracts for trading or speculation purposes. In respect of foreign currency monetary assets or liabilities in respect of which forward exchange contract is taken, the premium or discount arising at the inception of forward exchange contracts is amortized as expense or income over the life of the contract, except where it relates to fixed assets in which case it is adjusted to the cost of the corresponding asset. Exchange differences on such contracts are recognized in the profits and losses in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for the period.

(v) Foreign branches -The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the Company itself.

## Retirement benefits to employees

The Company contributes to a Group Gratuity Scheme, administered by private insurers. The contributions are charged to the Profit and Loss account. Provision is made for the difference between the actuarial valuation (determined as at the balance sheet date) and the funded balance.

Provision for leave encashment benefits is made based on actuarial valuation as at the balance sheet date.

The Company has established a Provident Fund Trust to which contributions towards provident fund are made each month. The contributions towards the pension fund are remitted to the Regional Provident Fund. Contributions towards Provident Fund and Pension Fund are charged to the Profit and Loss Account on an accrual basis. The Trust guarantees a specified rate of return on such contributions of employees and employer on a yearly basis. The Company will meet the shortfall in the return, if any, and the same is charged to the profit and loss account.

The Company has established a Super Annuation Scheme administered by private insurers. As per the Scheme, for employees claiming the benefit, the Company makes monthly contributions, which are charged to the Profit and Loss Account on an accrual basis. The Company has no other obligations under the Scheme.

## Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or recoverable amount of the cash-generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

## Warranty expenses

The Company provides for the estimated costs based on trends of past analysis and nature of services rendered, that may be incurred under free warranties, as provided in licensing and service contracts.

## Research and Development

All research and development costs are charged to Profit and Loss account when incurred. Equipment or facilities that are acquired or constructed for research and development activities, which have alternative future uses are capitalized as tangible assets. Depreciation on such assets is charged to expense as research and development costs.

## Income Taxes

Tax expense comprises both current and deferred taxes. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961 and tax laws applicable to the overseas branches under the respective jurisidictions. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities across various countries of operation are not set off against each other as the Company does not have a legal right to do so. Deferred tax assets are recognized 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 realized. Deferred tax assets are recognized on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realized against future taxable profits. Unrecognized deferred tax assets of earlier years are re-assessed and recognized to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realized.

## Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period are adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

## Stock Compensation Expense

The Company accounts for stock compensation expense based on the fair value of the options granted on the date of grant. Compensation expense is amortized over the vesting period of the option on a straight-line basis. The accounting value of the options net of the Deferred Compensation Expense is reflected as Employee Stock Options Outstanding under Reserves and Surplus.

## Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event; 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 best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

## Segment Policy

Identification of segments:
The Company is focused in the telecommunication space. The risks and returns of the Company are predominantly determined by the nature of the solution offered to its customers, which may be in the form of products or services. The primary reporting segments are Services and Products.

The geographical segment information is disclosed based on the location of the customers.

Allocation of common costs:
Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Unallocated items:
The Corporate and other segment include general corporate income and expense items, which are not allocated to any business segment.

**Operating leases:**
Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

**Sasken Communication Technologies Limited**
**Annexure 6: Details of rates of dividend paid by the Company**

| | | Nine months ended December 31, 2004 | Year ended March 31, 2004 | Year ended March 31, 2003 | Year ended March 31, 2002 | Year ended March 31, 2001 | Year ended March 31, 2000 |
|---|---|---|---|---|---|---|---|
| **Class of Shares** | | | | | | | |
| *Equity shares* | Face Value (Rs)* | 10 | 5 | 5 | 5 | 10 | 10 |
| Final dividend | | - | 25% | - | - | 40% | 40% |

* Notes :

1. The shareholders at the Extraordinary General Meeting ('EGM') of the Company held on June 8, 2001, approved in accordance with the provisions of Section 94 of the Companies Act, 1956, the sub division of equity shares of face value of Rs 10 each into 2 equity shares of Rs 5 each. The Board of Directors in their meeting held on July 12, 2001 declared a record date of July 17, 2001 for effecting the sub division.

2. The shareholders at the EGM of the Company held on July 16, 2004 approved the consolidation of 2 equity shares of Rs 5 each into 1equity share of Rs 10 each. The Board of Directors in their meeting held on June 11, 2004 have declared a record date of July 16, 2004 for effecting the consolidation.

Sasken Communication Technologies Limited
**Annexure 7: Accounting ratio (on restated profits)**

| | Nine months ended December 31, 2004 | Year ended March 31, 2004 | Year ended March 31, 2003 | Year ended March 31, 2002 | Year ended March 31, 2001 | Year ended March 31, 2000 |
|---|---|---|---|---|---|---|
| Basic Earnings/(Loss) per share (Rs) | 4.92 | 9.52 | (9.54) | (4.30) | 27.44 | 14.26 |
| Diluted Earnings/(Loss) per share (Rs) | 4.76 | 9.05 | (9.54) | (4.30) | 27.12 | 13.34 |
| Return on Net worth | 5.88% | 12.32% | (13.19)% | (5.24)% | 31.59% | 20.74% |
| Net Asset Value per share (Rs) | 80.39 | 76.95 | 72.16 | 81.79 | 86.57 | 63.92 |
| Weighted average number of equity shares used for: | | | | | | |
| Basic Earnings/(Loss) per share (Rs) | 16,166,686 | 15,093,479 | 12,689,718 | 12,616,939 | 12,520,000 | 11,601,067 |
| Diluted Earnings/(Loss) per share (Rs) | 16,728,597 | 15,883,602 | 12,689,718 | 12,616,939 | 12,695,400 | 12,474,700 |
| Total No.of equity shares outstanding at the end of the year/period | 16,828,782 | 15,160,819 | 12,710,019 | 12,669,417 | 12,565,300 | 12,474,700 |

**Notes to Accounting Ratios**

1. The ratios have been computed as under:

Basic earnings per share (Rs) = $\frac{\text{Net profit after tax, as restated, attributable to equity shareholders}}{\text{Weighted average number of equity shares outstanding during the year/period}}$

Diluted earnings per share (Rs) = $\frac{\text{Net profit after tax, as restated, attributable equity shareholders}}{\text{Weighted average number of dilutive equity shares outstanding during the year/period}}$

Return on net worth (%) = $\frac{\text{Net profit after tax, as restated}}{\text{Net worth, as restated, at the end of the year/period}}$

Net asset value per share (Rs) = $\frac{\text{Net worth, as restated, at the end of the year/period}}{\text{Number of equity shares outstanding at the end of the year/period}}$

2. Net profit, as restated as appearing in the summary statement of profits and losses, as restated of the Company has been considered for the purpose of computing the above ratios.

3. The shareholders at the Extraordinary General Meeting (‘EGM’) of the Company held on June 8, 2001, approved in accordance with the provisions of Section 94 of the Companies Act, 1956, the sub division of equity shares of face value of Rs 10 each into 2 equity shares of Rs 5 each. The Board of Directors in their meeting held on July 12, 2001 declared a record date of July 17, 2001 for effecting the sub division.

4. The shareholders at the Extraordinary General Meeting (‘EGM’) of the Company held on July 16, 2004 approved the consolidation of 2 equity shares of Rs 5 each into 1equity share of Rs 10 each. The Board of Directors in their meeting held on June 11, 2004 have declared a record date of July 16, 2004 for effecting the consolidation.

5. Earnings per share calculations are done in accordance with Accounting Standard 20 ‘Earnings Per Share’, issued by the Institute of Chartered Accountants of India. . Accordingly, all share data share split and consolidation of shares are adjusted for all the years presented for share split and consolidation of shares.

6. Earnings per share and return on networth for nine months ended December 31, 2004, are not comparable with that of other financial years presented above.

7. Net worth is computed after excluding share application money.

8. Diluted earnings per share has been computed after considering the impact of dilutive equity shares arising from employee stock options, share warrants and fully convertible debentures, as appropriate. For the year ended March 31, 2002 and 2003, the diluted loss per share equals basic loss per share since the effect of potential dilutive equity shares has been ignored, as their impact is anti-dilutive. For this purpose, weighted average number of equity shares used for diluted earnings per share is restated if the impact on diluted earnings per share is anti-dilutive, after restatement of profits/losses.

**Sasken Communication Technologies Limited**
**Annexure 8: Capitalisation statement as at December 31, 2004**

Rs in million

| | Pre issue | Post issue** |
|---|---|---|
| **Borrowings:** | | |
| Short term debts | 116.33 | |
| Long term debts | - | |
| **Total debts** | **116.33** | |
| | | |
| Shareholder's funds | | |
| Equity Share capital | 168.29 | |
| Share application money | 0.16 | |
| Reserves and surplus* | 1,184.51 | |
| **Total shareholder's funds** | **1,352.96** | |
| **Total capitalization** | **1,469.29** | |
| Long term debt /equity ratio | - | |

*Includes Employee Stock Option Outstanding (Net of deferred compensation cost)

** Shareholder's funds post issue can be calculated only on the conclusion of the book building process.

Note:

1. Since December 31, 2004 equity share capital has increased to Rs 225.11 million and Securities Premium increased by Rs 940.77 million due to allotment of equity shares between January 1, 2005 and May 9, 2005.

2. Short term debts are debts maturing within the next one year form the date of the above statement.

**Sasken Communication Technologies Limited**
**Annexure 9: Details of other income, as restated**

Rs in million

| | Nine months ended December 31, 2004 | Year ended March 31, 2004 | Year ended March 31, 2003 | Year ended March 31, 2002 | Year ended March 31, 2001 | Year ended March 31, 2000 |
|---|---|---|---|---|---|---|
| Other income as restated | 6.25 | 21.30 | 1.35 | 29.57 | 26.62 | 42.73 |
| Net profit/(loss) before tax, as restated | 90.88 | 168.04 | (89.76) | (14.18) | 370.52 | 252.11 |
| **Percentage** | **6.88%** | **12.68%** | **-*** | **-*** | **7.18%** | **16.95%** |

| | Nine months ended December 31, 2004 | Year ended March 31, 2004 | Year ended March 31, 2003 | Year ended March 31, 2002 | Year ended March 31, 2001 | Year ended March 31, 2000 | Nature | Related/Not Related to Business Activity |
|---|---|---|---|---|---|---|---|---|
| *Source of other income* | | | | | | | | |
| Exchange gain, net | - | 14.35 | - | 18.87 | 19.41 | 6.54 | Recurring | Related |
| Interest income on | | | | | | | | |
| - Bank deposits | 0.34 | 0.43 | 0.04 | 0.39 | 2.09 | 0.17 | Recurring | Not Related |
| - Loan to subsidiaries | 1.60 | - | - | - | - | - | Non-Recurring | Not Related |
| - Others | 0.30 | 0.17 | 0.06 | - | 0.13 | 1.01 | Non-Recurring | Not Related |
| Net profit on sale of assets | - | - | - | 2.50 | 1.74 | - | Non-Recurring | Not Related |
| Net gain on sale of current investments | 1.08 | - | - | 0.93 | 1.38 | 31.87 | Non-Recurring | Not Related |
| Dividend received on current investments | 0.82 | 5.55 | - | 0.58 | 1.57 | 2.39 | Non-Recurring | Not Related |
| Miscellaneous income | 2.11 | 0.80 | 1.25 | 6.30 | 0.30 | 0.75 | Non-Recurring | Not Related |
| **Total** | **6.25** | **21.30** | **1.35** | **29.57** | **26.62** | **42.73** | | |

*since there is a net loss before tax, as restated, percentage has not been shown

Note:

(1)The classification of income as recurring/non recurring and related/not related to business activity is based on the current operations and business activity of the Company as determined by the management.

(2)The above amounts are as per the Summary Statements of Profit and Losses of the Company, as restated.

**Sasken Communication Technologies Limited**

**Annexure 10: Details of unsecured loans**

Rs in million

| | As at December 31, 2004 | As at March 31, 2004 | As at March 31, 2003 | As at March 31, 2002 | As at March 31, 2001 | As at March 31, 2000 |
|---|---|---|---|---|---|---|
| 10% Fully Convertible Unsecured Debentures of Rs 10 each | - | - | - | - | - | 0.65 |
| (Convertible into Fully paid up Equity Shares of Rs10 each , at par on October 1, 2000) | | | | | | |
| 10% Fully Convertible Unsecured Debentures of Rs 10 each | - | - | - | - | 0.63 | 0.77 |
| (Convertible into Fully paid up Equity Shares of Rs 10 each , at par on October 1, 2001) | | | | | | |
| 10% Fully Convertible Unsecured Debentures of Rs 40 each | - | - | - | - | - | 1.32 |
| (Convertible into Fully paid up Equity Shares of Rs 10 each , at a premium of Rs 30 per share on October 1, 2000) | | | | | | |
| 10% Fully Convertible Unsecured Debentures of Rs 40 each | - | - | - | - | 1.92 | 2.49 |
| (Convertible into Fully paid up Equity Shares of Rs 10 each , at a premium of Rs 30 per share on October 1, 2001) | | | | | | |
| 10% Fully Convertible Unsecured Debentures of Rs 40 each | - | - | - | 1.99 | 2.46 | 3.20 |
| (Convertible into Fully paid up Equity Shares of Rs 10 each , at a premium of Rs 30 per share on October 1, 2002) | | | | | | |
| 10% Fully Convertible Unsecured Debentures of Rs 40 each | - | - | 0.06 | 0.07 | 0.11 | 0.13 |
| (Convertible into Fully paid up Equity Shares of Rs 10 each , at a premium of Rs 30 per share on October 1, 2003) | | | | | | |
| **Total** | **-** | **-** | **0.06** | **2.06** | **5.12** | **8.56** |

Notes:

1. The above said 10% Fully Convertible Unsecured Debentures of Rs 10/- each were issued to employees of the Company and were redeemable at par when the employee leaves the services of the Company or surrenders before the date of conversion as given above .

2. The shareholders at the Extraordinary General Meeting ('EGM') of the Company held on June 8, 2001, approved in accordance with the provisions of Section 94 of the Companies Act, 1956, the sub division of equity shares of face value of Rs 10 each into 2 equity shares of Rs 5 each. The Board of Directors in their meeting held on July 12, 2001 declared a record date of July 17, 2001 for effecting the sub division.

3. The shareholders at the EGM of the Company held on July 16, 2004 approved the consolidation of 2 equity shares of Rs 5 each into 1equity share of Rs 10 each. The Board of Directors in their meeting held on June 11, 2004 have declared a record date of July 16, 2004 for effecting the consolidation.

**Sasken Communication Technologies Limited**
**Annexure 11: Details of Sundry Debtors, as restated**

Rs in million

| | Nine Months Ended December 31, 2004 | As at March 31, 2004 | As at March 31, 2003 | As at March 31, 2002 | As at March 31, 2001 | As at March 31, 2000 |
|---|---|---|---|---|---|---|
| a) Debts outstanding for a period exceeding six months | | | | | | |
| -Unsecured, considered good | 6.83 | 13.22 | 76.67 | 133.22 | 35.65 | 28.78 |
| -Unsecured, considered doubtful | 9.85 | 7.87 | 12.40 | - | 1.85 | - |
| b) Other debts | | | | | | |
| -Unsecured, considered good | 376.20 | 324.72 | 246.33 | 217.49 | 457.62 | 234.81 |
| -Unsecured, considered doubtful | - | - | 2.64 | - | - | - |
| Less: Provisions | (9.85) | (7.87) | (15.04) | - | (1.85) | - |
| **Total** | **383.03** | **337.94** | **323.00** | **350.71** | **493.27** | **263.59** |

Note:

1.The above amounts are as per Statement of Assets and Liabilities, of the Company, as restated.

2. Debtors include dues from the related parties as given below:

- As at March 31, 2001, Rs 11.45 million was receivable from Silicon Automation Systems (Kabushiki Kaisha), a wholly-owned subsidiary company.
- As at March 31, 2000, Rs 13.92 million was receivable from Silicon Automation Systems, Inc. a company incorporated in the United States of America, having three common directors.

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**Sasken Communication Technologies Limited**
**Annexure 12: Details of Secured Loans**

Rs in million

| | As At December 31, 2004 | As at March 31, 2004 | As at March 31, 2003 | As at March 31, 2002 | As at March 31, 2001 | As at March 31, 2000 |
|---|---|---|---|---|---|---|
| **Term Loan** | - | - | 134.39 | 328.59 | 312.52 | - |
| **Packing credit (rupee loan)** | 116.33 | 2.32 | 133.09 | 23.28 | - | - |
| **Packing credit (foreign currency loan)** | - | 1.95 | - | - | - | - |
| **Total** | **116.33** | **4.27** | **267.48** | **351.87** | **312.52** | **-** |

Note:

a. As at March 31, 2003 and 2002, the term loan was secured by pari passu first charge on all movable fixed assets of the Company and an equitable mortage of land, buildings and other fixed assets and guaranteed by the Directors of the Company. As at March 31, 2001, the term loan was secured by pari passu first charge on all movable fixed assets of the Company and an equitable mortgage of the property of the Company and guaranteed by the Directors of the Company.

b. Packing credit (both rupee loan and foreign currency loan) as at December 31, 2004 and March 31, 2004 were secured by a charge on the current assets including receivables, both present and future and equitable mortgage on land and buildings of the Company and hypothecation of the other fixed assets of the Company.

   Packing credit (both rupee loan and foreign currency loan) as at March 31, 2003 and 2002 were secured by a charge on the current assets including receivables, both present and future and a second charge on fixed assets of the Company, both movable and immovable properties, present and future and guaranteed by the Directors of the Company.

c. Interest on term loan was payable in the range of 12%, 12% to 13% and 12% to 13% for the year ended March 31, 2003, 2002 and 2001, respectively.

d. Interest on packing credit (rupee loan) was payable in the range of 6-6.5%, 6.5-7%, 7-8%, 8-9%, 9% and 9% for the period/years ended December 31,2004, March 31,2004, 2003, 2002, 2001 and 2000 respectively.

e. Interest on packing credit (foreign currency loan) was payable in the range of 3.63-3.89%, 3.63-3.89% and 3.87% for the period/years ended December 31,2004, March 31, 2004 and 2003 respectively.

**Sasken Communication Technologies Limited**

**Annexure 13: Details of investments**

Rs in million

| | As At December 31, 2004 | As at March 31, 2004 | As at March 31, 2003 | As at March 31, 2002 | As at March 31, 2001 | As at March 31, 2000 |
|---|---|---|---|---|---|---|
| Units in mutual funds | 61.51 | 24.95 | - | - | - | 170.62 |
| Investments in subsidiaries | 27.37 | 0.50 | - | - | 2.98 | 2.98 |
| Investment in shares (non-trade) | 40.97 | 40.97 | 40.94 | 40.94 | 16.94 | 16.94 |
| **Total** | **129.85** | **66.42** | **40.94** | **40.94** | **19.92** | **190.54** |
| | | | | | | |
| Less: Provision made for (other than temporary) diminution | - | - | - | - | - | - |
| Investments in subsidiaries | - | - | - | - | (1.30) | - |
| Investment in shares(non-trade) | (39.50) | (39.50) | (39.50) | (7.40) | - | - |
| **Total** | **(39.50)** | **(39.50)** | **(39.50)** | **(7.40)** | **(1.30)** | **-** |
| | | | | | | |
| **Investments- Carrying Value** | - | - | - | - | - | - |
| Units in mutual funds | 61.51 | 24.95 | - | - | - | 170.62 |
| Investments in subsidiaries | 27.37 | 0.50 | - | - | 1.68 | 2.98 |
| Investment in shares(non-trade) | 1.47 | 1.47 | 1.44 | 33.54 | 16.94 | 16.94 |
| **Total** | **90.35** | **26.92** | **1.44** | **33.54** | **18.62** | **190.54** |
| | | | | | | |
| **Aggregate Book value of quoted investments** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Aggregate Book value of Un-quoted investments** | **90.35** | **26.92** | **1.44** | **33.54** | **18.62** | **190.54** |

**Note:**

| **Investments in subsidiaries comprise of:** | | | | | | |
|---|---|---|---|---|---|---|
| - 500,000 equity shares of Re 1 each, fully paid up of Sasken Network Systems Limited | 0.50 | 0.50 | - | - | - | - |
| - 50,000 equity shares of Rs 10 each, fully paid up of Sasken Network Engineering Limited (SNEL) | 0.50 | - | - | - | - | - |
| - Application money towards optionally convertible debentures in SNEL | 26.37 | - | - | - | - | - |
| - 200 equity shares of Silicon Automation Systems (Kabushiki Kaisha) of Japanese Yen 50,000 each fully paid up. | - | - | - | - | 2.98 | 2.98 |
| | **27.37** | **0.50** | **-** | **-** | **2.98** | **2.98** |
| | | | | | | |
| Less: Provision made for (other than temporary) diminution in investment in Silicon Automation Systems (Kabushiki Kaisha) | - | - | - | - | (1.30) | - |
| Investments in subsidiaries - carrying value | **27.37** | **0.50** | **-** | **-** | **1.68** | **2.98** |

**Sasken Communication Technologies Limited**
**Annexure 14: Details of Loans and advances, as restated**

Rs in million

| | As At December 31, 2004 | As at March 31, 2004 | As at March 31, 2003 | As at March 31, 2002 | As at March 31, 2001 | As at March 31, 2000 |
|---|---|---|---|---|---|---|
| A. Unsecured, considered good | | | | | | |
| Due from subsidiary companies | | | | | | |
| -Sasken Network Systems Ltd | 6.57 | 0.04 | - | - | - | - |
| -Sasken Network Engineering Ltd | 1.88 | - | - | - | - | - |
| Loan to Subsidiary Company | | | | | | |
| -Sasken Network Systems Ltd | 45.71 | - | - | - | - | - |
| Advances recoverable in cash or in kind or for value to be received | 64.31 | 48.06 | 19.43 | 22.15 | 23.96 | 14.14 |
| Deposits with government departments and others | 82.38 | 54.68 | 15.35 | 38.97 | 47.05 | 24.56 |
| Loans and advances to staff | 20.63 | 13.92 | 11.48 | 10.31 | 17.68 | 11.88 |
| Interest income accrued but not due | 0.76 | 0.07 | 0.07 | 0.09 | 0.15 | - |
| Unbilled revenues | 33.05 | 53.19 | 11.92 | 6.72 | 80.72 | - |
| Advance Income Tax (net of provision for tax) | 15.80 | 11.71 | 43.95 | 41.68 | 54.26 | 33.08 |
| B. Secured, considered good | | | | | | |
| Loan to Blue Broadband Tech Pvt Ltd. | 5.00 | - | - | - | - | - |
| **Total** | **276.09** | **181.67** | **102.20** | **119.92** | **223.82** | **83.66** |

Note:
1. The above amounts are as per Summary Statement of Assets and Liabilities of the Company, as restated.

2. Also, as at March 31, 2002 and 2001, Rs 3.45 million was receivable from Silicon Automation Systems, Inc. a company incorporated in the United States of America, having three common directors.

**Sasken Communication Technologies Limited**
**Annexure 15: Tax Shelter Statement**

Rs in million

| | Nine months ended December 31, 2004 | Year ended March 31, 2004 | Year ended March 31, 2003 | Year ended March 31, 2002 | Year ended March 31, 2001 | Year ended March 31, 2000 |
|---|---|---|---|---|---|---|
| Net Profit / (Loss) before tax, as restated | 90.88 | 168.04 | (89.76) | (14.18) | 370.52 | 252.11 |
| Income Tax Rates Applicable | 36.59% | 35.88% | 36.75% | 35.70% | 39.55% | 38.50% |
| **Tax at Notional Rate** | **33.25** | **60.29** | **(32.99)** | **(5.06)** | **146.54** | **97.06** |
| **Adjustments:** | | | | | | |
| **Permanent Differences** | | | | | | |
| Benefit under section 10A | (87.12) | (137.83) | - | (15.44) | (351.58) | (238.39) |
| Deduction u/s 80HHE | - | - | - | (0.11) | (3.13) | - |
| Deduction u/s 80O | - | - | - | (0.29) | - | - |
| Expenses disallowed | 6.17 | 3.14 | 32.20 | 22.34 | 6.54 | 1.75 |
| Long term capital gain | - | - | - | - | (0.12) | - |
| Dividend exempt u/s 10(33) / 10(34) | (0.82) | (5.55) | - | - | (1.57) | (2.39) |
| Carry forward of unabsorbed losses | - | - | 15.54 | - | - | - |
| Others | - | - | 1.99 | 1.32 | (0.45) | 1.79 |
| **Total** | **(81.77)** | **(140.24)** | **49.73** | **7.82** | **(350.31)** | **(237.24)** |
| **Temporary Differences** | | | | | | |
| Difference between Tax Depreciation and Book Depreciation | (18.44) | (4.48) | (4.97) | (1.11) | (14.32) | 20.40 |
| Provision for Doubtful Debts | (0.21) | (12.13) | 15.04 | - | 1.85 | - |
| Provision for Retirement Benefits | 8.86 | 5.00 | 3.83 | 11.04 | (6.01) | (2.07) |
| Provision for warranty | - | - | 14.02 | 4.05 | - | - |
| Exchange gain/(loss), restated | 8.92 | (8.26) | (0.67) | - | - | - |
| **Total** | **(0.87)** | **(19.87)** | **27.25** | **13.98** | **(18.48)** | **18.33** |
| **Net Adjustment** | **(82.64)** | **(160.11)** | **76.98** | **21.80** | **(368.79)** | **(218.91)** |
| **Tax Saving thereon:** | (30.24) | (57.44) | 28.29 | 7.78 | (145.86) | (84.28) |
| **Total Taxation Charge/(Savings) (A)** | **3.01** | **2.85** | **(4.70)** | **2.72** | **0.68** | **12.78** |
| Incremental taxes due to MAT | 0.42 | 0.38 | - | - | 0.09 | |
| Deferred tax asset (domestic only), refer note below | (2.99) | (2.36) | 5.35 | - | - | (5.78) |
| **Total Taxation (domestic)** | **0.44** | **0.87** | **0.65** | **2.72** | **0.77** | **7.00** |
| **Total tax as per books of account** | | | | | | |
| **Provision for domestic taxes** | 0.44 | 0.87 | 0.65 | 2.72 | 0.77 | 7.00 |
| **Provision for overseas taxes** | 0.98 | (22.19) | 26.85 | 36.80 | 53.04 | 94.45 |
| **Total tax as per books of account** | **1.42** | **(21.32)** | **27.50** | **39.52** | **53.81** | **101.45** |

Notes:

1. In accordance with ASI 05 "Accounting for Taxes on Income in the situations of Tax Holiday under Sections 10A and 10B of the Income-tax Act, 1961", issued by the Institute of Chartered Accountants of India, no deferred tax asset or liability has been created for the adjustments made [as applicable for timing differences] in the Summary Statement of Profits and Losses, as restated, since these timing differences reverse within the tax holiday period. Since the Company's significant portion of taxable income is deductible under section 10A of the Income tax Act, 1961 until Financial Year 2008-09 (Assessment Year 2009-2010) subject to the Company continuing to fulfill the applicable conditions, deferred tax asset on carry forward losses are not recognized in accordance with the accounting policy of the Company.

**Annexure 16**

**Statement of Possible Tax Benefits available to the Company and its shareholders**

We hereby report that the enclosed statement states the possible tax benefits available to the Company under the Income-tax Act, 1961 and Indirect tax laws, presently in force in India and to the shareholders of the Company under the Income tax Act, 1961, Wealth Tax Act, 1957 and the Gift Tax Act, 1958, presently in force in India. 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, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

The benefits discussed in the enclosed statement 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:

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

The contents of the enclosed statement are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

For S R Batliboi & Company
Chartered Accountants

per Sunil Bhumralkar
*Partner*
Membership No.: 35141

Bangalore
May 17, 2005

**Sasken Communication Technologies Limited**
**Annexure 16: Statement of Possible tax benefits available to the Company and its Shareholders**

**(A) Benefits to the Company Under Income-Tax Act, 1961 (the Act)**:

1. Under the provisions of Section 10A of the Act, a company which is engaged in the business of export of articles or things or computer software and which satisfies the prescribed conditions is eligible to claim a benefit with respect to profits derived by its undertaking/s from the export of articles or things or computer software for a period of ten consecutive assessment years, beginning with the assessment year relevant to the previous year in which the undertaking/s begin to manufacture or produce such articles or things or computer software. The eligible deduction would be the amount which bears to the profits of the undertaking/s the same proportion as the export turnover of the undertaking/s bears to the total turnover of the undertaking/s. Profits on domestic turnover would get taxed. The corporate tax rate for the Assessment Year 2005-06 is 36.59% (including a surcharge of 2.5% and education cess of 2% on the overall tax). The corporate tax rate for the Assessment Year 2006-07 as per the Finance Act, 2005 is 33.66% (including a surcharge of 10% and education cess of 2% on the overall tax). However, for the Assessment Year 2003-2004, the tax holiday under Section 10A of the Act was limited to 90 per cent of the eligible profits instead of 100 per cent of such profits. As a consequence, 10 per cent of the eligible profits of the undertakings would be taxable at the normal corporate tax rate of 36.75 per cent (including surcharge of 5 per cent) for Assessment Year 2003-04. The 10 per cent restriction has been removed thereafter. The benefit is available subject to fulfillment of conditions prescribed by the Section and no benefit under this Section shall be allowed to any assessee with respect to any such undertaking for the assessment year beginning on the 1st day of April 2010 and subsequent years.

2. In terms of section 10(34) of the Act, any income by way of dividends referred to in Section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003 by domestic companies) received on the shares of any company is exempted from the tax.

3. In terms of section 10(38) of the Act, any long-term capital gains arising to a shareholder from transfer of long-term capital asset being an equity shares in a company would not be liable to tax in the hands of the shareholder if the following conditions are satisfied:

   a) The transaction of sale of such equity share is entered into on or after 1st October, 2004
   b) The transaction is chargeable to such securities transaction tax as explained below.

4. In terms of Securities Transaction Tax as enacted by Chapter VII of the Finance (No.2) Act, 2004, transactions for purchase and sale of the securities in the recognized stock exchange by the shareholder, shall be chargeable to securities transaction tax. As per the said provisions, any delivery based purchase and sale of equity share in a company through the recognized stock exchange is liable to securities transaction tax @ 0.075% of the value payable by both buyer and seller (0.1% with effect from 1 June, 2005 as per the Finance Act, 2005). The non-delivery based sale transactions are liable to tax @ 0.015% of the value payable by the seller (0.02% with effect from 1 June, 2005 as per the Finance Act, 2005).

5. Under section 48 of the Act, if the investments in shares are sold after being held for not less than twelve months, the gains (in cases not covered under section 10(38) of the Act), if any, will be treated as long-term capital gains and the gains shall be calculated by deducting from the gross consideration, the indexed cost of acquisition.

6. Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from capital gains tax if the capital gain are invested in certain notified bonds within a period of 6 months after the date of such transfer for a period of at least 3 years. However, if the assessee transfers or converts the notified bonds into money with in a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the bonds are transferred or converted into money.

7. Under section 54ED of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) on the transfer of investment in shares will be exempt from capital gains tax if the capital gains are invested in shares of an Indian Company forming part of an eligible public issue, within a period of 6 months after the date of such transfer and held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely -

   a) the issue is made by a public company formed and registered in India;

   b) the shares forming part of the issue are offered for subscription to the public;

   There is a legal uncertainty over whether the benefit under this Section can be extended to shares forming part of the offer for sale by the selling shareholders.

8. Under section 112 of the Act and other relevant provisions of the Act, long-term capital gains, (i.e., if the shares are held for a period exceeding 12 months) (in cases not covered under section 10(38) of the Act), arising on transfer of investment in shares, shall be taxed at a rate of 20% (plus applicable surcharge & cess) after indexation as provided in the second proviso to section 48. The amount of such tax should, however, be limited to 10% (plus applicable surcharge & cess) without indexation, at the option of the shareholder.

9. Under section 111A of the Act and other relevant provisions of the Act, short-term capital gains (i.e., if the shares are held for a period not exceeding 12 months), arising on transfer of investment in shares listed on a recognized stock exchange, shall be taxed at a rate of 10% (plus applicable surcharge & cess) in cases where securities transaction tax has been paid.

10. Under Chapter XII-H of the Act (as introduced by the Finance Act, 2005) in addition to the income-tax charged under the Act, the Company shall be charged for every assessment year commencing on or after the 1st day of April, 2006 (financial year 2005-06), additional income-tax (referred to as "fringe benefit tax") in respect of fringe benefits provided or deemed to have been provided by an employer to its employees during the previous year at the rate of 33.66 % (inclusive of surcharge at the rate of 10% and education cess at the rate of 2%) on the value of such fringe benefits. Fringe benefits shall be deemed to have been provided if the employer has, in the course of his business or profession, incurred any expense on or made any payment for purposes such as entertainment, festival celebrations gifts, use of club facilities, conference, employee welfare, conveyance, tour and travel (including foreign travel), hotel, boarding and lodging, repair running and maintenance of motor cars, use of telephone etc. In case of a company which is in the business of manufacture of computer software, the value of fringe benefit relating to expenditure incurred on conveyance, tour and travel (including foreign travel expenses) and the use of hotel, boarding and lodging facilities will be deemed to be 5% of the total expenditure instead of 20% applicable to other employers.

**(B) Benefits available under Indirect Tax Laws**

The Company has Units registered under the Software Technology Parks ('STP') Scheme. The key benefits that could be available under indirect tax laws to a STP unit, subject to satisfaction of the specified conditions, are as under:

***Customs duty***

11. Specified goods, which are in the nature of capital goods, office equipment, components, etc. procured by a STP unit, are exempt from customs duty. All goods, other than prohibited goods under the EXIM Policy are exempt from customs duty.

***Excise duty***

12. The local purchases by the Company will qualify as deemed exports. Further, the Company can avail of an exemption from payment of Central excise duty on all goods as per its entitlement for creating a central facility for use by software development units.

***Sales tax***

13. Concessions under the State Sales Tax legislations (depending upon the relevant State where the unit is set-up) are available. Further, the Company can claim a reimbursement of the Central Sales Tax paid on its local purchases. Further, export sales made by the Company would not be subject to sales tax. Purchases by a unit in a SEZ will also be exempt from Central Sales Tax. Further, in order to avail the above benefits, the unit will be required to meet prescribed export obligations.

***Service tax***

14. A company which renders services in relation to computer software is eligible for exemption available to "Consulting Engineer" from levy of service tax on services rendered.

**(C) Benefits to the Shareholders of the Company under the Income-Tax Act, 1961:**

**Resident Shareholders**

15. In terms of section 10(32) of the Income-tax Act, any income of minor children, included in the total income of the parent under Section 64(1A) of the IT Act will be exempt from tax to the extent of Rs. 1,500 per minor child.

16. In terms of section 10(34) of the Act, any income by way of dividends referred to in Section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003) received on the shares of the company is exempted from the tax.

17. In terms of section 10(38) of the Act, any long term capital gains arising to a shareholder from transfer of long term capital asset being an equity share in a company would not be liable to tax in the hands of the shareholder if the following conditions are satisfied:

   a) The transaction of sale of such equity share is entered into on or after 1st October 2004

   b) The transaction is chargeable to such securities transaction tax as explained below.

18. In terms of Securities Transaction Tax as enacted by Chapter VII of the Finance (No.2) Act, 2004, transactions for purchase and sale of the securities in the recognized stock exchange by the shareholder, shall be chargeable to securities transaction tax. As per the said provisions, any delivery based purchase and sale of equity share in a company through the recognized stock exchange is liable to securities transaction tax @ 0.075% of the value payable by both buyer and seller (0.1% with effect from 1 June, 2005 as per the Finance Act 2005). The non-delivery based sale transactions are liable to tax @ 0.015% of the value payable by the seller (0.02% with effect from 1 June, 2005 as per the Finance Act 2005).

19. In terms of section 88E of the Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for rebate from the amount of income-tax on the income chargeable under the head "Profit and gains of business or profession" arising from taxable securities transactions. As such, no deduction in respect of amount paid on account of securities transaction tax will be allowed in computing the income chargeable to tax as capital gains

20. Under section 48 of the Act, if the company's shares are sold after being held for not less than twelve months, the gains (in cases not covered under section 10(38) of the Act), if any, will be treated as long term capital gains and the gains shall be calculated by deducting from the gross consideration, the indexed cost of acquisition.

21. Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of investment in shares will be exempt from capital gains tax if the capital gain are invested in certain notified bonds within a period of 6 months after the date of such transfer for a period of at least 3 years. However, if the assessee transfers or converts the notified bonds into money with in a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the bonds are transferred or converted into money.

22. Under section 54ED of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) on the transfer of listed shares of the Company will be exempt from capital gains tax if the capital gains are invested in shares forming part of an eligible public issue of an Indian Company within a period of 6 months after the date of such transfer and such are held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely

a) the issue is made by a public company formed and registered in India;

b) the shares forming part of the issue are offered for subscription to the public;

There is a legal uncertainty over whether the benefit under this Section can be extended to shares forming part of the offer for sale by the selling shareholders

23. Under section 54F of the Act, long-term capital gains (in cases not covered under section 10(38) of the Act) arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the company will be exempt from capital gain tax subject to certain conditions, if the net consideration from such shares are used for purchase of residential house property within a period of one year before and two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

24. Under section 112 of the Act and other relevant provisions of the Act, long-term capital gains, (i.e., if shares are held for a period exceeding 12 months) (in cases not covered under section 10(38) of the Act), arising on transfer of shares in the Company, shall be taxed at a rate of 20% (plus applicable surcharge & cess) after indexation as provided in the second proviso to section 48. The amount of such tax should however be limited to 10% (plus applicable surcharge & cess) without indexation, at the option of the shareholder, if the transfer is made after listing of shares.

25. Under section 111A of the Act and other relevant provisions of the Act, short-term capital gains (i.e., if shares are held for a period not exceeding 12 months), arising on transfer of shares listed on a recognized stock exchange, shall be taxed at a rate of 10% (plus applicable surcharge & cess) in cases where securities transaction tax has been paid.

**Non-Resident Indians/Non Residents Shareholders (Other than FIIs and Foreign venture capital investors).**

26. In terms of section 10(32) of the Income Tax Act, any income of minor children, included in the total income of the parent under Section 64(1A) of the IT Act will be exempt from tax to the extent of Rs. 1,500 per minor child.

27. In terms of section 10(34) of the Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003) received by a non-resident Indian shareholder (i.e. an individual being a citizen of India or person of Indian origin who is not a 'resident') on the shares of the company is exempted from the tax.

28. In terms of section 10(38) of the Act, any long term capital gains arising to a shareholder from transfer of long term capital asset being an equity shares in a company would not be liable to tax in the hands of the shareholder if the following conditions are satisfied:

a) The transaction of sale of such equity share is entered into on or after 1st October 2004

b) The transaction is chargeable to such securities transaction tax.

29. In terms of section 88E of the Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for rebate from the amount of income-tax on the income chargeable under the head "Profit and gains of business or profession" arising from taxable securities transactions. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains, such amount paid on account of securities transaction tax.

30. In terms of Securities Transaction Tax as enacted by Chapter VII of the Finance (No.2) Act, 2004, transactions for purchase and sale of the securities in the recognized stock exchange by the shareholder, shall be chargeable to securities transaction tax. As per the said provisions, any delivery based purchase and sale of equity share in a company through the recognized stock exchange is liable to securities transaction tax @ 0.075% of the value payable by both buyer and seller (0.1% with effect from 1 June, 2005 as per the Finance Act 2005). The non-delivery based sale transactions are liable to tax @ 0.015% of the value payable by the seller (0.02% with effect from 1 June, 2005 as per the Finance Act 2005)

31. Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of investment in shares will be exempt from capital gains tax if the capital gain are invested in certain notified bonds within a period of 6 months after the date of such transfer for a period of at least 3 years. However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the bonds are transferred or converted into money.

32. Under section 54ED of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) on the transfer of listed shares of the Company will be exempt from capital gains tax if the capital gains are invested in shares forming part of an eligible public issue of an Indian Company within a period of 6 months after the date of such transfer and such are held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely

a) the issue is made by a public company formed and registered in India;

b) the shares forming part of the issue are offered for subscription to the public;

There is a legal uncertainty over whether the benefit under this Section can be extended to shares forming part of the offer for sale by the selling shareholders

33. Under section 54F of the Act, long-term capital gains (in cases not covered under section 10(38) of the Act) arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the company will be exempt from capital gain tax subject to certain conditions, if the net consideration from such shares are used for purchase of residential house property within a period of one year before and two year after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

34. Under Section 112 of the Act and other relevant provisions of the Act, long-term capital gains (i.e. if shares are held for a period exceeding 12 months) (in cases not covered under section 10(38) of the Act), arising on transfer of shares in the company, shall be taxed at a rate of 20% (plus applicable surcharge & cess) after indexation as provided in the second proviso to section 48. The amount of such tax should however, be limited to 10% (plus applicable surcharge & cess) without indexation, at the option of the shareholder, if the transfer is made after listing of shares.

35. Under section 115-I of the Act, the non-resident Indian shareholder has an option to be governed by the provisions of Chapter XIIA of the Income Tax Act, 1961 viz. "Special Provisions Relating to Certain Incomes of Non-Residents" which are as follows: -

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

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

c) Under provisions of Section 115G of the Act, Non-Resident Indians are not required to file a return of income under Section 139(1) of the Act, if their only income is income from forex asset investments or long-term capital gains in respect of those assets or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.

d) 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 XIIA shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.

36. Provisions of the Act vis-à-vis provisions of the tax treaty: In terms of Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to non-resident.

**Foreign Institutional Investors (FIIs)**

37. In terms of section 10(34) of the Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003) received on the shares of the company is exempted from the tax.

38. In terms of section 10(38) of the Act, any long term capital gains arising to an investor from transfer of long-term capital asset being an equity shares in a company would not be liable to tax in the hands of the investor if the following conditions are satisfied:

a) The transaction of sale of such equity share is entered into on or after 1st October, 2004

b) The transaction is chargeable to such securities transaction tax as explained below.

39. In terms of Securities Transaction Tax as enacted by Chapter VII of the Finance (No.2) Act, 2004, transactions for purchase and sale of the securities in the recognized stock exchange by the investor, shall be chargeable to securities transaction tax. As per the said provisions, any delivery based purchase and sale of equity share in a company through the recognized stock exchange is liable to securities transaction tax @ 0.075% of the value payable by both buyer and seller. (0.1% with effect from 1 June, 2005 as per the Finance Act, 2005). The non-delivery based sale transactions are liable to tax @ 0.015% of the value payable by the seller (0.02% with effect from 1 June, 2005 as per the Finance Act, 2005).

40. In terms of section 88E of the Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for rebate from the amount of income-tax on the income chargeable under the head “Profit and gains of business or profession” arising from taxable securities transactions. As such, no deduction in respect of amount paid on account of securities transaction tax will be allowed in computing the income chargeable to tax as capital gains,

41. The income by way of short-term capital gains or long-term capital gains (in cases not covered under section 10(38) of the Act) realized by FIIs on sale of shares in the company would be taxed @ 10% as per section 115AD of the Act. However, in case of such long-term capital gains, the tax is levied on the capital gains computed without considering the cost indexation and protection against foreign exchange fluctuation).

42. Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gain (in cases not covered under section 10(38) of the Act) arising on the transfer of investment in shares will be exempt from capital gains tax if the capital gain are invested in certain notified bonds within a period of 6 months after the date of such transfer for a period of at least 3 years. However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the bonds are transferred or converted into money.

43. Under section 54ED of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) on the transfer of listed shares of the Company will be exempt from capital gains tax if the capital gains are invested in shares forming part of an eligible public issue of an Indian Company within a period of 6 months after the date of such transfer and such are held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely

c) the issue is made by a public company formed and registered in India;

d) the shares forming part of the issue are offered for subscription to the public;

There is a legal uncertainty over whether the benefit under this Section can be extended to shares forming part of the offer for sale by the selling shareholders.

44. Provisions of the Act vis-à-vis provisions of the tax treaty: In terms of Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to FIIs

**Venture Capital Companies/Funds**

45. In terms of section 10(23FB) of the Act, all Venture capital companies/funds registered with Securities and Exchange Board of India, subject to the conditions specified, are eligible for exemption from income tax on all their income, including dividend from and income from sale of shares of the company.

**Mutual funds**

46. In terms of section 10(23D) of the Act, all Mutual Funds set up by Public Sector Banks or Public Financial Institutions or Mutual Funds registered under the Securities and Exchange Board of India Act/ regulation thereunder or Mutual Funds authorized by the Reserve Bank of India, subject to the conditions specified, are eligible for exemption from income tax on all their income, including income from investment in the shares of the company.

**(D) Benefits to shareholders of the Company under the Wealth Tax Act, 1957**

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

**(E) Benefits to shareholders of the Company under the Gift Tax Act, 1958.**

48. Gift made after 1st October 1998 is not liable for any gift tax, and hence, gift of shares of the company would not be liable for any gift tax.

**Notes:**

1. All the above benefits are as per the current tax law as amended by the Finance Act, 2005.
2. The stated benefits will be available only to the sole/first named holder in case the share are held by joint holders
3. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements, if any, between India and the country in which the non-resident has fiscal domicile.
4. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme.

**Annexure 17**

**Sasken Network Systems Limited**
**Statement of Assets and Liabilities, as restated**

| | As at December 31, 2004 | As at March 31, 2004 |
|---|---|---|
| | | Rs in million |
| Fixed assets | | |
| Gross block | 11.11 | - |
| Less : Accumulated depreciation | 1.09 | - |
| Net block | **10.02** | **-** |
| Investments | **0.01** | **0.01** |
| Current assets, loans and advances | | |
| Sundry debtors | 50.64 | - |
| Cash and bank balances | 3.95 | 0.44 |
| Loans and advances | 10.10 | - |
| Total | **64.69** | **0.44** |
| Liabilities and provisions | | |
| Unsecured loans | 45.71 | - |
| Current liabilities | 12.26 | 0.09 |
| Provisions | 1.40 | - |
| Total | **59.37** | **0.09** |
| **Networth** | **15.35** | **0.36** |
| Represented by: | | |
| Equity share capital | 0.50 | 0.50 |
| Profit and loss account | 14.85 | (0.14) |
| **Networth** | **15.35** | **0.36** |

The above statement should be read with the significant accounting policies and Notes to the Summary Statement of Assets and Liabilities and Profit and Loss, as restated, appearing in this annexure.

**Sasken Network Systems Limited**
**Summary Statement of Profit & Loss, as restated**

| | Nine Months Ended December 31, 2004 | From October 20, 2003 (date of incorporation) to March 31, 2004 |
|---|---|---|
| | | Rs in million |
| **Income** | | |
| Software services | 108.27 | - |
| **Total Income** | **108.27** | **-** |
| | | |
| **Expenditure** | | |
| Employment cost | 67.56 | - |
| Other operational expenses | 14.21 | - |
| Administrative & marketing expenses | 8.96 | 0.14 |
| Interest expense | 1.46 | - |
| Depreciation | 1.09 | - |
| **Total Expenditure** | **93.28** | **0.14** |
| | | |
| **Net Profit/(loss) before taxes** | **14.99** | **(0.14)** |
| Taxation | **-** | **-** |
| **Net Profit/(loss) after taxes** | **14.99** | **(0.14)** |
| | | |
| **Adjustments** | **-** | **-** |
| | | |
| **Net Profit/(loss), as restated** | **14.99** | **(0.14)** |
| **Profit and loss account, beginning of the year** | **(0.14)** | **-** |
| **Balance carried forward , as restated** | **14.85** | **(0.14)** |

The above statement should be read with the significant accounting policies appearing and Notes to the Summary Statement of Assets and Liabilities and Profit and Loss, as restated, appearing in this annexure.

**Sasken Network Systems Limited**

**Significant Accounting Policies**

**Basis for preparation of financial statements**

The financial statements have been prepared under the historical cost convention, on accrual basis, in conformity with the Accounting Standards issued by the Institute of Chartered Accountants of India, and other applicable statutes and guidelines.

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's best knowledge of current events and actions the Company may undertake in future, actual results ultimately may differ from the estimates.

**Revenue Recognition**

The Company derives its revenues from software services. Revenue from time and material service contracts is recognized as the services are provided. Interest income is recognized on an accrual basis.

**Fixed Assets**

Fixed Assets are stated at cost of acquisition less accumulated depreciation. The cost of an asset comprises its purchase price and any cost directly attributable to bringing the asset to its present condition for intended use.

**Depreciation**

Depreciation on fixed assets is provided under the straight-line method over the estimated useful lives of assets as appraised by the Management.

The estimated useful lives are as follows:

| **Type of asset** | **Estimated life (in years)** |
|---|---|
| Computers | 4 |
| Furniture & Fittings | 10 |
| Office equipments | 5 |

Assets with unit value Rs.5,000 or less are depreciated entirely in the period of acquisition.

Intangible assets comprise of the following and are depreciated over the estimated useful life as given below:

Generic Computer Software is depreciated over a period of twelve months.

**Investments**

Long-term investments are stated at cost. Any decline in the carrying value, other than a temporary decline, is provided for.

**Foreign Exchange Transactions**

Transactions arising in foreign currency are recorded at average rates closely approximating those ruling at the transaction dates. Assets and liabilities in foreign currency (other than those covered by forward contracts) as at the date of Balance Sheet are re-stated at period-end exchange rate. All exchange differences arising from settlement / conversion are recognised in the Profit and Loss account, except differences on liabilities for purchase of fixed assets, which are capitalised.

In respect of transactions covered by forward exchange contracts, the difference between the forward rate and the exchange rate as at the date of the transaction is recognized as an income or expense over the life of the contract except where it relates to fixed assets, in which case it is adjusted to the cost of the corresponding asset. Gain or loss on cancellation/ renewal of forward contracts is recognized in the Profit and Loss account for the period.

Revenue items of Branch Offices are translated using the monthly average rate, fixed assets are translated at the month end rate and monetary assets and liabilities are translated at the rate as at the balance sheet date. The resultant exchange gain/loss is recognised in the Profit and Loss account.

**Retirement benefits to employees**

The Company contributes to a Group Gratuity Scheme, administered by a Private Insurance Company. The contributions are charged to the Profit and Loss account. Provision is made as per actuarial valuation.

Provision for leave encashment benefits is made based on actuarial valuation.

The contributions towards Provident Fund and Pension fund are remitted to the Regional Provident Fund. Contributions towards Provident Fund and Pension Fund are charged to the Profit and Loss Account on an accrual basis.

The Company established a Superannuation Scheme administered by a Private Insurance Company. As per the Scheme, for employees claiming the benefit, the Company makes monthly contributions which are charged to the Profit and Loss Account on an accrual basis. The Company has no other obligations under the Scheme.

**Segment Reporting**

The company currently operates in a single business and geographical segment.

**Income Taxes**

Tax expense comprises both current and deferred taxes. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized 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 realized. Deferred tax assets are recognized on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realized against future taxable profits.

**Earnings Per Share**

Basic Earnings per Share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

***Notes to the summary statement of assets and liabilities and profit and loss, as restated***

**Non adjustments/Regroupings**

The following regroupings have been made in the statement of profit and loss, as restated and statement of assets and liabilities, as restated:

*Unbilled revenue*

At December 31, 2004, unbilled revenue is included under ‘Debtors’ in the audited balance sheet of SNS. The same has been regrouped as part of ‘Loans and advances’ in line with the groupings of the parent company, Sasken.

*Grouping of expenses*

Employment Costs and Depreciation have been grouped as separate heads which were included as part of the Cost of Revenue, Selling & Marketing expenses and Administrative & General expenses, in the audited financial statements for the period. Also, administrative and marketing expenses have been grouped as one head in the statement of summary profit and loss, as restated.

**Annexure 18**

**Sasken Network Engineering Limited**
**Statement of Assets And Liabilities, As Restated**

| | Rs in million |
|---|---|
| | **As at December 31, 2004** |
| Fixed assets | |
| Gross block | 25.77 |
| Less : Accumulated depreciation | 2.18 |
| Net block | **23.59** |
| | |
| Current assets, loans and advances | |
| Sundry debtors | 10.95 |
| Cash and bank balances | 9.25 |
| Loans and advances | 5.36 |
| **Total** | **25.56** |
| | |
| Liabilities and provisions | |
| Unsecured loans | 28.88 |
| Current liabilities | 25.01 |
| Provisions | 0.09 |
| **Total** | **53.98** |
| | |
| **Networth** | **(4.83)** |
| | |
| Represented by: | |
| Equity share capital | 0.50 |
| Profit and loss account | (5.33) |
| | |
| **Networth** | **(4.83)** |

The above statement should be read with the significant accounting policies and Notes to the summary Statement of Assets and Liabilities and Profit and Loss, as restated, appearing in this annexure .

**Sasken Network Engineering Limited**
**Summary Statement of Profit & Loss, as restated**

| | Rs in million<br>From September 29, 2004 (date of incorporation) to December 31, 2004 |
|---|---|
| **Income** | |
| Commissioning and installation services | 12.73 |
| **Total Income** | **12.73** |
| | |
| **Expenditure** | |
| Employment cost | 9.93 |
| Other operational expenses | 3.39 |
| Administrative & marketing expenses | 2.18 |
| Interest expense | 0.39 |
| Depreciation | 2.17 |
| **Total Expenditure** | **18.06** |
| | |
| **Net Loss before taxes** | **(5.33)** |
| Taxation | - |
| **Net Loss after taxes** | **(5.33)** |
| | |
| **Adjustments** | - |
| | |
| **Net Loss, as restated** | **(5.33)** |
| | |
| **Balance carried forward , as restated** | **(5.33)** |

The above statement should be read with the significant accounting policies and Notes to the summary Statement of Assets and Liabilities and Profit and Loss, as restated, appearing in this annexure.

**Sasken Network Engineering Limited**

**Significant Accounting Policies**

**Basis for preparation of financial statements**

The financial statements have been prepared under the historical cost convention, on accrual basis, in conformity with the Accounting Standards issued by the Institute of Chartered Accountants of India, the provisions of The Companies Act, 1956 and other applicable statutes and guidelines.

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's best knowledge of current events and actions the Company may undertake in future, actual results ultimately may differ from the estimates.

The Company was incorporated on September 29, 2004 and obtained the certificate for Commencement of Business on October11, 2004 from the Registrar of Companies, Karnataka.

**Revenue Recognition**

The Company derives its revenues from Installation & Commissioning services. Revenue from time and material service contracts is recognized as the services are provided. On Fixed Price Revenue Contracts, the Company determines percentage of completion of a particular contract based on the milestone delivered and accepted by the customer in view of the nature of contracts entered into by the Company. Interest income is recognized on an accrual basis.

**Fixed Assets**

Fixed Assets are stated at cost of acquisition less accumulated depreciation. The cost of an asset comprises its purchase price and any cost directly attributable to bringing the asset to its present condition for intended use.

**Depreciation**

Depreciation on fixed assets is provided under the straight-line method over the estimated useful lives of assets as appraised by the Management.

The estimated useful lives are as follows:

| **Type of asset** | **Estimated life (in years)** |
|---|---|
| Intangibles - Contracts | 3 |
| Test Equipments | 4 |
| Equipments | 4 |
| Office equipments | 5 |
| Furniture & Fixtures | 10 |
| Tools & Tackles | 4 |
| Computers | 4 |
| Vehicles | 5 |

Assets with unit value Rs.5,000 or less are depreciated entirely in the period of acquisition.

Generic Computer Software is depreciated over a period of twelve months.

**Retirement benefits to employees**

The Company contributes to a Group Gratuity Scheme, administered by a Private Insurance Company. The contributions are charged to the Profit and Loss account. Provision is made as per actuarial valuation.

Provision for leave encashment benefits is made based on actuarial valuation.

The contributions towards Provident Fund and Pension fund are remitted to the Office of the Regional Provident Fund Commissioner, Bangalore. Contributions towards Provident Fund and Pension Fund are charged to the Profit and Loss Account on an accrual basis.

**Segment Reporting**

The company currently operates in a single business and geographical segment.

**Income Taxes**

Tax expense comprises both current and deferred taxes. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized 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 realized. Deferred tax assets are recognized on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realized against future taxable profits. The company is not liable for any overseas taxes on its income.

**Earnings Per Share**

Basic Earnings per Share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

***Notes to the summary statement of assets and liabilities and profit and loss, as restated***

**Non adjustments/Regroupings**

The following regroupings have been made in the statement of profit and loss, as restated and statement of assets and liabilities, as restated:

*Unbilled revenue*

At December 31, 2004, unbilled revenue is included under 'Debtors' in the audited balance sheet of SNEL. The same has been regrouped as part of 'Loans and advances' in line with the groupings of the parent company, Sasken.

*Grouping of expenses*

Employment Costs and Depreciation have been grouped as separate heads, which were included as part of the Cost of Revenue, Selling & Marketing expenses and Administrative & General expenses, in the audited financial statements for the period. Also, administrative and marketing expenses have been grouped as one head in the statement of summary profit and loss, as restated.

**Sasken Communication Technologies Limited**
**Annexure 19: Details of contingent liability**

Rs in million

| | As At December 31, 2004 | As at March 31, 2004 | As at March 31, 2003 | As at March 31, 2002 | As at March 31, 2001 | As at March 31, 2000 |
|---|---|---|---|---|---|---|
| Bank Guarantees and Letters of Credit | 22.06 | 25.01 | 13.02 | 7.17 | 101.51 | 3.38 |
| Income Tax related issues | 15.35 | 16.54 | 7.65 | 3.16 | - | - |

Note:
As at December 31, 2004 there are certain other claims against the Company, which in the view of the management are not tenable and amounts are currently not ascertainable.

**Sasken Communication Technologies Limited**
**Annexure 20: Related Party Transactions**

Summary of significant transactions with related parties as defined by the Accounting standard 18 - Related Party Disclosure

**Subsidiary companies**
Sasken Network Systems Limited. (With effect from October 20, 2003)
Sasken Network Engineering Limited (with effect from September 29, 2004)
Silicon Automation Systems (Kabushiki Kaisha) (with effect from August 13, 1997, liquidated as at March 31, 2001)
Silicon Automation Systems (Mauritius) Private Limited (With effect from December 28, 1997 dissolved on January 5, 2004)
**Key managerial personnel**
Rajiv C Mody
Pranabh D Mody
Krishna Jhaveri
**Companies with common directors -Significant influence**
Silicon Automation Systems, Inc

Rs in million

| | **As At December 31, 2004** | **As At March 31, 2004** | **As At March 31, 2003** | **As At March 31, 2002** | **As At March 31, 2001** | **As At March 31, 2000** |
|---|---|---|---|---|---|---|
| **Subsidiary companies** | | | | | | |
| *Sasken Network Systems Limited.* | | | | | | |
| Expenses Recovered | 6.82 | 0.04 | - | - | - | - |
| Interest Income | 1.46 | - | - | - | - | - |
| Loan given | 45.71 | - | - | - | - | - |
| Dues receivable | 6.57 | 0.04 | - | - | - | - |
| *Sasken Network Engineering Limited* | | | | | | |
| Expenses Recovered | 1.74 | - | - | - | - | - |
| Interest Income | 0.14 | - | - | - | - | - |
| Application money towards optionally convertible debentures | 26.37 | - | - | - | - | - |
| Dues receivable | 1.88 | - | - | - | - | - |
| *Silicon Automation Systems (Kabushiki Kaisha)* | | | | | | |
| Revenue from software development services | - | - | - | - | 19.58 | 5.21 |
| Distributor fee expenses | - | - | - | - | 46.44 | 36.57 |
| Dues receivable | - | - | - | - | 11.45 | - |
| Accounts payables | - | - | - | - | - | 10.99 |
| Transfer of assets on conversion of subsidiary to branch | - | - | - | 1.70 | - | - |
| **Remuneration paid to key managerial personnel** | | | | | | |
| Rajiv C Mody | 4.51 | 5.64 | 3.20 | 3.53 | 4.00 | 3.00 |
| Pranabh D Mody | 2.86 | 3.74 | 2.75 | 2.64 | 3.00 | - |
| Krishna Jhaveri | 9.00 | 11.19 | 7.75 | 8.38 | 3.17 | - |
| **Advances made to key managerial personnel** | | | | | | |
| Pranabh D Mody | - | - | - | - | 1.00 | 0.10 |
| **Companies with common directors** | | | | | | |
| *Silicon Automation Systems , Inc* | | | | | | |
| Revenue from software development services | - | - | - | - | 2.93 | 17.67 |
| Distributor fee | - | - | - | - | 17.22 | 21.66 |
| Purchase of capital assets & consumables | - | - | - | 0.77 | 27.55 | 13.99 |
| Dues receivable | - | - | - | 3.45 | 3.45 | 13.92 |

Notes:
1. The related parties are as identified by the management.
2. Remuneration paid to key managerial personnel does not include provisions for contribution to provident fund, retirement and other employee benefit schemes determined on actuarial basis.
3. The above information is as per the audited financial statements for the respective years/period.

## Financial and Other Information Of Group Companies

Our Promoters have direct ownership control of all the Indian group companies described herein. Financial data for each group company has been derived from its financial statements prepared in accordance with Indian GAAP.

The details of the Indian group companies mentioned above have been described below in the following order:

Acta Cast Private Limited
Ansuya Mody Securities Private Limited
Arcoy Industrial Cements Private Limited
Bharati S Mody Investments Private Limited
Dinesh Mody Securities Private Limited
Ifiunik Pharmaceuticals Limited
J.B. Chemicals and Pharmaceuticals Limited
J.B. Life Science Overseas Limited
J.B.Mody and Bros.
J.B.Mody Finance and Investments Private Limited
Jyotindra Mody Holdings Private Limited
Kumud Mody Securities Private Limited
Lekar Healthcare Limited
Lekar Pharma Limited
Lifetime Healthcare Private Limited
M/s. Kit Kat
M/s. Patel Timbers
M/s. Sealers India
Madanji Meghraj Jewelers Private Limited
McDA Agro Private Limited
Mody Brothers
Mody Trading Co
Shirish B Mody Investments Private Limited
Synit Drugs Private Limited
Unique Pharmaceutical Laboratories Limited

### 1. Acta Cast Private Limited ("ACPL")

ACPL was incorporated as a private limited company on October 31, 1984 under the Companies Act, with its registered office at 83 B and C, Sheth Govindrao Smriti, Dr.A.B.Road, Worli, Mumbai 400 018. The company was converted into a public company on November 3, 1989 and was re-converted into a private limited company on February 7, 2002. The main business of ACPL is to manufacture, deal, import and export ferrous and non-ferrous metals, casting of all types and varieties. ACPL is a non-operating company and proposes to merge with Ifiunik Pharmaceuticals Limited. The Board has approved the scheme of amalgamation on March 24, 2005 and the scheme of amalgamation has been filed in the High Court of Mumbai on May 2, 2005.

**Shareholding Pattern**

The shareholding pattern of ACPL as of February 15, 2005 is as set forth below:

| Sl. No. | Name of the Shareholder | No of Shares | Percentage |
|---|---|---|---|
| 1. | Jyotindra Mody Holdings Private Limited | 3,400 | 30.30 |
| 2. | Dinesh Mody Securities Private Limited | 3,300 | 29.41 |
| 3. | Bharati S. Mody Investments PrivateLimited | 3,300 | 29.41 |

| | | | |
|---|---|---|---|
| 4. | Jyotindra B. Mody | 1,100 | 9.81 |
| 5. | Shirish B. Mody | 100 | 0.89 |
| 6. | Ifiunik Pharmaceuticals Limited. | 11 | 0.10 |
| 7. | Ansuya J. Mody | 5 | 0.04 |
| 8. | Kumud D. Mody | 5 | 0.04 |
| | **Total** | **11,221** | **100.00** |

**Board of Directors**

The Board of Directors of ACPL as of February 15, 2005 comprises:

1. Mr. Kamlesh L. Udani
2. Mr. Pranabh D. Mody
3. Mr. Anupam P. Mehta

**Financial Performance**

*(Rs. in million, except share data)*

| Particulars | Fiscal 2002 | Fiscal 2003 | Fiscal 2004 |
|---|---|---|---|
| Sales and other income | 0.00 | 0.01659 | 0.00 |
| Profit/(Loss) after Tax (before adjustments) | (0.01373) | (0.001879) | (0.01331) |
| Equity Capital (par value Rs.10 per Share) | 0.11221 | 0.11221 | 0.11221 |
| Reserves | NIL | NIL | NIL |
| Earnings per share | (4.28) | (0.18) | (1.19) |
| Book value per share | (27.48) | (27.65) | (28.84) |

2. **Ansuya Mody Securities Private Limited ("AMSL")**

AMSL was incorporated as a private limited company on February 8, 1983 under the Companies Act in the name of Kumud D. Mody Investments Private Limited. The name was changed to AMSL on May 6, 1998. AMSL's registered office is located at 83 B and C, Sheth Govindrao Smriti, Dr.A.B.Road, Worli, Mumbai 400 018. AMSL is registered with RBI as a Non Banking Finance Company and is engaged in investment activities.

**Shareholding Pattern**

The shareholding pattern of AMSL as of February 15, 2005 is as set forth below:

| Sr. No. | Name of the Shareholder | No. of equity shares | Percentage |
|---|---|---|---|
| 1 | Shirish B. Mody Investments Private Limited | 4 | 0.04 |
| 2 | Bharati S. Mody Investments Private Limited | 4 | 0.04 |
| 3 | Jyotindra Mody Holdings Private Limited | 4 | 0.04 |
| 4 | Dinesh Mody Securities Private Limited | 4 | 0.04 |
| 5 | Kumud Mody Securities Private Limited | 4 | 0.04 |
| 6 | Ansuya J. Mody | 3326 | 33.26 |
| 7 | Pallavi B. Mehta | 3326 | 33.26 |
| 8 | Jyotindra B. Mody | 3328 | 33.28 |
| | **Total Equity Shares** | 10,000 | 100.00 |
| | | | |
| **Sr. No.** | **Name of the Shareholder** | **No. of preference shares** | **Percentage** |
| 1 | Kamlesh L. Udani | 77 | 96.25 |
| 2 | Kumud D.Mody | 1 | 1.25 |
| 3 | Bharati S. Mody | 1 | 1.25 |
| 4 | Ansuya J. Mody | 1 | 1.25 |

| | | | |
|---|---|---|---|
| | **Total Redeemable Non Cumulative Preference Shares** | 80 | 100.00 |
| | | | |
| **Sr. No.** | **Name of the Shareholder** | **No. of preference shares** | **Percentage** |
| 1 | Jyotindra B. Mody | 10000 | 40.00 |
| 2 | Ansuya J. Mody | 10000 | 40.00 |
| 3 | Pallavi B. Mehta | 5000 | 20.00 |
| | **Total Redeemable Non Cumulative Non Voting Participating Preference Shares** | 25,000 | 100.00 |

**Board of Directors**

The Board of Directors of AMSL as of February 15, 2005 comprises:

1. Mr. Jyotindra B. Mody
2. Ms. Ansuya J. Mody
3. Ms. Pallavi B. Mehta

**Financial Performance**

*(Rs. in million, except share data)*

| Particulars | Fiscal 2002 | Fiscal 2003 | Fiscal 2004 |
|---|---|---|---|
| Sales and other income | 9.86 | 7.38 | 17.04 |
| Profit/(Loss) after Tax (before adjustments) | 9.86 | 6.79 | 16.70 |
| Equity Capital (par value Rs.10 per Share) | 0.10 | 0.10 | 0.10 |
| Reserves | 12.62 | 13.30 | 29.97 |
| Earnings per share | 358.87 | 243.01 | 1,666.53 |
| Book value per share | 1,271.67 | 1,340.15 | 3,006.68 |

3. **Arcoy Industrial Cements Private Limited ("AICPL")**

AICPL was incorporated on July 4, 1968 as a private limited company under the Companies Act, with its registered office at 606, Abhijeet Building, Mithakhali Six Road, Ellisbridge, Ahmedabad. AICPL carries on business in the field of manufacturing, trading and export of anticorrosive materials and paints.

**Shareholding Pattern**

The shareholding pattern of AICPL as of February 15, 2005 is as set forth below:

| Sr. No. | Name of the Shareholder | No. of equity shares | Percentage |
|---|---|---|---|
| 1 | Dineshbhai A. Chokshi HUF | 4,600 | 9.20 |
| 2 | Harinbhai A. Chokshi HUF | 4,600 | 9.20 |
| 3 | Mr. Adityabhai H. Chokshi | 4,600 | 9.20 |
| 4 | Mr. Harinbhai A. Chokshi | 4,600 | 9.20 |
| 5 | Mr. Monalbhai D. Chokshi | 4,600 | 9.20 |
| 6 | Ms. Beenaben M. Chokshi | 4,600 | 9.20 |
| 7 | Ms. Pranjaliben Anandbhai Shah | 4,600 | 9.20 |
| 8 | Ms. Shreedeviben H. Chokshi | 4,600 | 9.20 |
| 9 | Ms. Vandanaben D. Chokshi | 4,540 | 9.08 |
| 10 | Ms. Yaminiben A. Chokshi | 4,540 | 9.08 |
| 11 | Arcoy Services Private Limited | 4,000 | 8.00 |
| 12 | Others | 120 | 0.24 |
| | **Total** | **50,000** | **100.00** |

**Board of Directors**

The Board of Directors of AICPL as of February 15, 2005 comprises:

1. Mr. Harinbhai A. Chokshi
2. Mr. Monalbhai D. Chokshi
3. Mr. Adityabhai H. Chokshi
4. Ms. Vandanaben D. Chokshi

**Financial Performance**

*(Rs. in million, except share data)*

| Particulars | Fiscal 2002 | Fiscal 2003 | Fiscal 2004 |
|---|---|---|---|
| Sales and other income | 48.699 | 55.455 | 83.327 |
| Profit/(Loss) after Tax (before adjustments) | 1.356 | 0.912 | 1.267 |
| Equity Capital (par value Rs.10 per Share) | 0.5 | 5 | 5 |
| Reserves | 8.712 | 5.01 | 6.27 |
| Earnings per share | 271.28 | 18.24 | 25.33 |
| Book value per share | 1842.41 | 200.20 | 225.53 |

**4. Bharati S Mody Investments Private Limited ("BMIL")**

BMIL was incorporated as a private limited company on February 8, 1983 under the Companies Act, with its registered office at 83 B and C, Sheth Govindrao Smriti, Dr.A.B.Road, Worli, Mumbai 400 018. BMIL is registered with RBI as a Non Banking Finance Company and is engaged in investment activities.

**Shareholding Pattern**

The shareholding pattern of BMIL as of February 15, 2005 is as set forth below:

| Sr. No. | Name of the Shareholder | No. of equity shares | Percentage |
|---|---|---|---|
| 1 | Shirish B. Mody | 3328 | 33.28 |
| 2 | Bharati S. Mody | 3326 | 33.26 |
| 3 | Nirav S. Mody | 3326 | 33.26 |
| 4 | Shirish B. Mody Investments Private Limited | 4 | 0.04 |
| 5 | Jyotindra Mody Holdings Private Limited | 4 | 0.04 |
| 6 | Dinesh Mody Securities Private Limited | 4 | 0.04 |
| 7 | Kumud Mody Securities Private Limited | 4 | 0.04 |
| 8 | Ansuya Mody Securities Private Limited | 4 | 0.04 |
| | **Total Equity Shares** | **10,000** | **100.00** |
| | | | |
| **Sr. No.** | **Name of the Shareholder** | **No. of preference shares** | **Percentage** |
| 1 | Kamlesh L. Udani | 77 | 96.25 |
| 2 | Bharati S. Mody | 1 | 1.25 |
| 3 | Ansuya J. Mody | 1 | 1.25 |
| 4 | Kumud D. Mody | 1 | 1.25 |
| | **Total Redeemable Non Cumulative Preference Shares** | **80** | **100.00** |
| | | | |
| **Sr. No.** | **Name of the Shareholder** | **No. of preference shares** | **Percentage** |
| 1 | Shirish B. Mody | 10000 | 40.00 |
| 2 | Bharati S. Mody | 10000 | 40.00 |
| 3 | Nirav S. Mody | 5000 | 20.00 |
| | **Total Redeemable Non Cumulative Non Voting Participating Preference Shares** | **25,000** | **100.00** |

**Board of Directors**

The Board of Directors of BMIL as of February 15, 2005 comprises:

1. Mr. Shirish B. Mody
2. Ms. Bharati S. Mody

**Financial Performance**

*(Rs. in million, except share data)*

| Particulars | Fiscal 2002 | Fiscal 2003 | Fiscal 2004 |
|---|---|---|---|
| Sales and other income | 10.83 | 8.02 | 18.96 |
| Profit/(Loss) after Tax (before adjustments) | 10.82 | 7.38 | 18.71 |
| Equity Capital (par value Rs.10 per Share) | 0.10 | 0.10 | 0.10 |
| Reserves | 14.00 | 14.74 | 33.40 |
| Earnings per share | 393.74 | 264.03 | 1,865.94 |
| Book value per share | 1,409.96 | 1,484.09 | 3,350.03 |

**5. Dinesh Mody Securities Private Limited ("DMSL")**

DMSL was incorporated as a private limited company on February 8, 1983 under the Companies Act in the name of Jyotindra B Mody Investments Private Limited. The name was changed to DMSl on May 6, 1998. DMSL's registered office is located at 83 B and C, Sheth Govindrao Smriti, Dr.A.B.Road, Worli, Mumbai 400 018. DMSL is registered with RBI as a Non Banking Finance Company and is engaged in investment activities.

**Shareholding Pattern**

The shareholding pattern of DMSL as of February 15, 2005 is as set forth below:

| Sr. No. | Name of the Shareholder | No. of equity shares | Percentage |
|---|---|---|---|
| 1 | Dinesh B. Mody | 3,328 | 33.28 |
| 2 | Kumud D. Mody | 3,326 | 33.26 |
| 3 | Pranabh D. Mody | 3,326 | 33.26 |
| 4 | Shirish B. Mody Investments Private Limited | 4 | 0.04 |
| 5 | Bharati S. Mody Investments Private Limited | 4 | 0.04 |
| 6 | Jyotindra Mody Holdings Private Limited | 4 | 0.04 |
| 7 | Kumud Mody Securities Private Limited | 4 | 0.04 |
| 8 | Ansuya Mody Securities Private Limited | 4 | 0.04 |
| | **Total Equity Shares** | **10,000** | **100.00** |
| | | | |
| **Sr. No.** | **Name of the Shareholder** | **No. of preference shares** | **Percentage** |
| 1 | Kamlesh L. Udani | 77 | 96.25 |
| 2 | Ansuya J. Mody | 1 | 1.25 |
| 3 | Kumud D. Mody | 1 | 1.25 |
| 4 | Bharati S. Mody | 1 | 1.25 |
| | **Total Redeemable Non Cumulative Preference Shares** | **80** | **100.00** |
| | | | |
| **Sr. No.** | **Name of the Shareholder** | **No. of preference shares** | **Percentage** |
| 1 | Dinesh B. Mody | 10,000 | 40.00 |
| 2 | Kumud D. Mody | 10,000 | 40.00 |
| 3 | Pranabh D. Mody | 5,000 | 20.00 |
| | **Total Redeemable Non Cumulative Non Voting Participating Preference Shares** | **25,000** | **100.00** |

**Board of Directors**

The Board of Directors of DMSL as of February 15, 2005 comprises:

1. Mr. Dinesh B. Mody
2. Ms. Kumud D. Mody
3. Mr. Pranabh D. Mody

**Financial Performance**

*(Rs. in million, except share data)*

| Particulars | Fiscal 2002 | Fiscal 2003 | Fiscal 2004 |
|---|---|---|---|
| Sales and other income | 9.74 | 7.22 | 16.92 |
| Profit/(Loss) after Tax (before adjustments) | 9.72 | 6.64 | 16.81 |
| Equity Capital (par value Rs.10 per Share) | 0.10 | 0.10 | 0.10 |
| Reserves | 10.26 | 11.00 | 27.77 |
| Earnings per share | 409.42 | 242.55 | 1,677.25 |
| Book value per share | 1,035.98 | 1,109.68 | 2,786.93 |

**6. Ifiunik Pharmaceuticals Limited ("IPL")**

IPL was incorporated as a private limited company on December 2, 1977 under the Companies Act., with its registered office at 83 B and C, Sheth Govindrao Smriti, Dr. A. B. Road, Worli, Mumbai 400 018. IPL was converted from a private limited company to a public limited company on September 21, 1988. The pharmaceutical manufacturing division of Ifiunik Pharmaceuticals Limited was demerged into JBCPL by way of a scheme of arrangement sanctioned by the High Court of Mumbai on November 8, 2000. The resulting company, IPL is registered with RBI as a Non Banking Finance Company and is engaged in investment activities. It is proposed to merger Acta Cast Private Limited into Ifiunik Pharmaceuticals Limited. The Board has approved the scheme of amalgamation on March 24, 2005 and the scheme of amalgamation has been filed in the High Court of Mumbai on May 2, 2005.

**Shareholding Pattern**

The shareholding pattern of IPL as of February 15, 2005 is as set forth below:

| Sr. No. | Name of the Shareholder | No. of equity shares | Percentage |
|---|---|---|---|
| 1 | Ansuya Mody Securities Private Limited. | 73,000 | 15.84 |
| 2 | Bharati S. Mody Investments Private Limited | 69,000 | 14.97 |
| 3 | Dinesh Mody Securities Private Limited | 69,000 | 14.97 |
| 4 | Jyotindra Mody Holdings Private Limited. | 69,000 | 14.97 |
| 5 | Kumud Mody Securities Private Limited | 69,000 | 14.97 |
| 6 | Shirish B. Mody Investments Private Limited | 65,000 | 14.11 |
| 7 | Pallavi B. Mehta | 11,200 | 2.43 |
| 8 | Shirish B. Mody | 6,500 | 1.41 |
| 9 | Bharati S . Mody | 6,500 | 1.41 |
| 10 | Master Nirav S. Mody | 6,400 | 1.39 |
| 11 | Kumud D. Mody | 5,300 | 1.15 |
| 12 | Dinesh B. Mody | 5,200 | 1.13 |
| 13 | Pranabh D. Mody | 5,100 | 1.11 |
| 14 | J. B. Mody and Brothers Investments Private Limited | 200 | 0.04 |
| 15 | Jyotindra B. Mody | 200 | 0.04 |
| 16 | Ansuya J. Mody | 200 | 0.04 |
| | **Total** | **460,800** | **100.00** |

**Board of Directors**

The Board of Directors of IPL as of February 15, 2005 comprises:

1. Mr. J. B. Mody
2. Mr. D. B. Mody
3. Mr. S. B. Mody
4. Mr. P. D. Mody
5. Mr. K. L. Udani
6. Mr. A. P. Mehta

**Financial Performance**

*(Rs. in million, except share data)*

| Particulars | Fiscal 2002 | Fiscal 2003 | Fiscal 2004 |
|---|---|---|---|
| Sales and other income | 19.75 | 8.56 | 17.24 |
| Profit/(Loss) after Tax (before adjustments) | 17.48 | 5.64 | 15.62 |
| Equity Capital (par value Rs.10 per Share) | 4.61 | 4.61 | 4.61 |
| Reserves | 63.84 | 65.52 | 81.14 |
| Earnings per share | 37.94 | 12.24 | 33.91 |
| Book value per share | 148.55 | 152.19 | 186.10 |

**7. J.B. Chemicals and Pharmaceuticals Limited ("JBCPL")**

JBCPL was incorporated as a public limited company on December 18, 1976 under the Companies Act in the name of J.B. Mody Chemicals and Pharmaceuticals Limited, with its registered office at Neelam Centre, B Wing, 4th Floor, Hind Cycle, Road, Worli, Mumbai 400 030. The name was changed to JBCPL on August 21, 1985. JBCPL is engaged in the manufacturing of pharmaceutical products. JBCPL is currently listed on the BSE and NSE. JBCPL voluntarily delisted its equity shares from the Ahmedabad Stock Exchange with effect from December 8, 2003.

**Shareholding Pattern**

The shareholding pattern of JBCPL as on December 31, 2004 is provided below:

| Category | No. of shares held | Percentage |
|---|---|---|
| PROMOTER'S HOLDING | | |
| Promoters | 9,362,524 | 58.30 |
| Persons acting in concert | 126,887 | 0.79 |
| **Total of Promoter's holding** | **9,489,411** | **59.09** |
| | | |
| NON-PROMOTERS HOLDING | | |
| *Institutional Investors* | | |
| Mutual Funds | 3,150 | 0.02 |
| Banks, Financial Institutions, Insurance Companies, (Central/State Govt. Institutions/ Non-Government Institutions) | 644,874 | 4.02 |
| FIIs | 79,343 | 0.49 |
| **Total of Institutional Investors** | **727,367** | **4.53** |
| *Others* | | |
| Private Corporate Bodies | 877,973 | 5.47 |
| Indian Public | 4,677,686 | 29.12 |
| NRIs/OCBs | 282,038 | 1.76 |
| Trusts | 4,525 | 0.03 |
| **Subtotal of Others** | **5,842,222** | **36.38** |
| **TOTAL** | **16,059,000** | **100.00** |

**Board Of Directors**

The Board of Directors of JBCPL as of February 15, 2005 comprises:

1. Mr. J. B. Mody
2. Mr. Dinesh B. Mody
3. Mr. Shirish B. Mody
4. Mr. Bansi S. Mehta
5. Mr. Durgadass Chopra
6. Mr. V.D.Patel
7. Mr. Rohit S. Shah
8. Mr. Chandrakant J. Mody
9. Dr. Niranjan N. Maniar
10. Mr. Bharat P. Mehta
11. Mr. Pranabh D. Mody
12. Mr. Mahesh K. Shroff
13. Dr. Rajen D. Shah
14. Mr. Kamlesh L. Udani

**Financial Performance**

*(Rs. in million, except share data)*

| Particulars | Fiscal 2000 | Fiscal 2001 | Fiscal 2002 | Fiscal 2003 | Fiscal 2004 |
|---|---|---|---|---|---|
| Sales and other income | 1,810.73 | 2,460.73 | 2,874.45 | 3,015.16 | 3,127.64 |
| Profit/(Loss) after Tax (before adjustments) | 218.54 | 312.23 | 420.52 | 485.10 | 510.40 |
| Equity Capital (par value Rs. 10 per share) | 145.26 | 160.59 | 160.59 | 160.59 | 160.59 |
| Reserves | 1,156.77 | 1,438.51 | 1,743.15 | 2,100.53 | 2,329.02 |
| Earnings per share | 15.00 | 19.45 | 26.19 | 30.22 | 31.78 |
| Book value per share | 89.63 | 99.58 | 118.55 | 140.80 | 155.03 |

The high and low prices for the equity shares of JBCPL in the last six months as quoted in the BSE and the NSE is provided below:

(i) For equity shares listed on the NSE

| Month | High | Low |
|---|---|---|
| November 2004 | 405.95 | 351 |
| December 2004 | 526.8 | 368.05 |
| January 2005 | 500 | 422.55 |
| February 2005 | 468.5 | 415.55 |
| March 2005 | 450 | 385.05 |
| April 2005* | 458 | 71.75 |

* On April 5, 2005, each equity share of Rs. 10 was split into 5 equity shares of Rs. 2 each. The high and low figures for the month of April 2005 adjusted for this split would be Rs. 94.85 and Rs. 70.05, respectively.

(ii) For equity shares listed on the BSE

| Month | High | Low |
|---|---|---|
| November 2004 | 405.00 | 351.00 |
| December 2004 | 518.00 | 368.60 |
| January 2005 | 500.00 | 426.00 |
| February 2005 | 468.90 | 418.00 |
| March 2005 | 449.80 | 391.00 |
| April 2005* | 456.90 | 71.50 |

* On April 5, 2005, each equity share of Rs. 10 was split into 5 equity shares of Rs. 2 each. The high and low figures for the month of April 2005 adjusted for this split would be Rs. 94.85 and Rs. 70.05, respectively.

## 8. J.B. Life Science Overseas Limited ("JBLSOL")

JBLSOL was incorporated as a public limited company on April 8, 2002, under the Companies Act, with its registered office at Neelam Centre, B Wing, 4th Floor, Hind Cycle, Road, Worli, Mumbai 400 030. The company does not conduct any activities in India. It holds 20% membership interest in NeoJB LLC, USA

**Shareholding Pattern**

The shareholding pattern of JBLSOL as on February 15,2005 is provided below:

| Sl. No. | Name of the Shareholder | No of Shares | Percentage |
|---|---|---|---|
| 1. | J.B. Chemicals and Pharmaceuticals Limited | 119,940 | 99.95 |
| 2. | J.B. Chemicals and Pharmaceuticals Limited Jointly J. B Mody. | 10 | 0.00 |
| 3. | J.B. Chemicals and Pharmaceuticals Limited Jointly D.B.Mody | 10 | 0.00 |
| 4. | J.B. Chemicals and Pharmaceuticals Limited Jointly S.B.Mody | 10 | 0.00 |
| 5. | J.B. Chemicals and Pharmaceuticals Limited Jointly M.K. Shroff | 10 | 0.00 |
| 6. | J.B. Chemicals and Pharmaceuticals Limited Jointly U.M. Asher | 10 | 0.00 |
| 7. | J.B. Chemicals and Pharmaceuticals Limited Jointly B.P.Mehta | 10 | 0.00 |
| | **Total** | **120,000** | **100.00** |

**Board Of Directors**

The Board of Directors of JBLSOL as of February 15, 2005 comprises:

1. Mr. J. B. Mody
2. Mr. D. B. Mody
3. Mr. S. B. Mody

**Financial Performance**

*(Rs. in million, except share data)*

| Particulars | Fiscal 2002 | Fiscal 2003 | Fiscal 2004 |
|---|---|---|---|
| Sales and other income | NA | 0.00 | 0.00 |
| Profit/(Loss) after Tax (before adjustments) | NA | 0.02 | 0.00 |
| Equity Capital (par value Rs.10 per Share) | NA | 0.5 | 1.2 |
| Reserves | NA | 0.00 | 0.00 |
| Earnings per share | NA | (0.46) | (0.21) |
| Book value per share | NA | 9.54 | 9.65 |

## 9. J.B.Mody and Brothers

M/s. J.B.Mody and Brothers was constituted as a partnership pursuant to partnership deed dated June 6, 1966 (further amended on July 1, 1983) and registered with the Registrar of Firms, Bombay on October 19, 1966 to carry out business in investor, data processing and computer services, with its place of business at 83 B and C, Sheth Govindrao Smriti, Dr.A.B.Road, Worli, Mumbai 400 018.

**Name of the Partners and Share in Profit and Loss**

| Sl. No. | Name of Partner | Percentage |
|---|---|---|
| 1. | Ansuya J. Mody | 25 |
| 2. | Iffiunik Pharmaceuticals Limited | 25 |
| 3. | Kumud D Mody | 25 |
| 4. | Shirish B Mody | 25 |
| | **Total** | **100** |

**Financial Performance**

*(Rs. in million, except share data)*

| Particulars | Fiscal 2002 | Fiscal 2003 | Fiscal 2004 |
|---|---|---|---|
| Sales and other income | 1.44 | 1.63 | 2.06 |
| Profit/(Loss) after Tax (before adjustments) | 1.34 | 1.20 | 1.84 |
| Partners Capital Account | 3.69 | 2.99 | 3.36 |
| Reserves | N.A. | N.A. | N.A. |
| Earnings per share | N.A. | N.A. | N.A. |
| Book value per share | N.A. | N.A. | N.A. |

**10. J.B.Mody Finance and Investments Private Limited ("JBMFI")**

JBMFI was incorporated as a private limited company on April 29, 1992 under the Companies Act, with its registered office at 83 B and C, Sheth Govindrao Smriti, Dr.A.B.Road, Worli, Mumbai 400 018. JBMFI has filed an application with the Registrar of Companies, Maharashtra on December 29, 2003 for striking off its name, under the Simplified Exit Scheme.

**Shareholding Pattern**
The shareholding pattern of JBMFI as of February 15, 2005 is as set forth below:

| Sr. No. | Name of the Shareholder | No. of equity shares | Percentage |
|---|---|---|---|
| 1 | Jyotindra B. Mody | 500 | 33.33 |
| 2 | Dinesh B. Mody | 500 | 33.33 |
| 3 | Shirish B. Mody | 500 | 33.34 |
| | **Total** | **1,500** | **100.00** |

**Board of Directors**

The Board of Directors of JBMFI as of February 15, 2005 comprises:
1. Mr. Jyotindra B. Mody
2. Mr. Dinesh B. Mody
3. Mr. Shirish B. Mody

**Financial Performance**

*(Rs. in million, except share data)*

| Particulars | Fiscal 2002 | Fiscal 2003 | Fiscal 2004 |
|---|---|---|---|
| Sales and other income | 0.00 | 0.00 | 0.0269 |
| Profit/(Loss) after Tax (before adjustments) | (0.01) | (0.01) | 0.02 |
| Equity Capital (par value Rs.10 per Share) | 0.02 | 0.02 | 0.02 |
| Reserves | 0.00 | 0.00 | 0.00 |
| Earnings per share | Nil | Nil | 13.46 |
| Book value per share | (36.03) | (41.46) | Nil |

* Balance sheet for the period April 1, 2003 to December 15, 2003.

## 11. Jyotindra Mody Holdings Private Limited ("JMHL")

JMHL was incorporated as a private limited company on February 8, 1983 under the Companies Act in the name of D.B.Mody Investments Private Limited. The name was changed to JMHL on May 8, 1998. JMHL's registered office is located at 83 B and C, Sheth Govindrao Smriti, Dr.A.B.Road, Worli, Mumbai 400 018. JMHL is registered with RBI as a Non Banking Finance Company and is engaged in investment activities.

**Shareholding Pattern**
The shareholding pattern of JMHL as of February 15, 2005 is as set forth below:

| Sr. No. | Name of the Shareholder | No. of equity shares | Percentage |
|---|---|---|---|
| 1 | Jyotindra B. Mody | 3,328 | 33.28 |
| 2 | Ansuya J. Mody | 3,326 | 33.26 |
| 3 | Pallavi B. Mehta | 3,326 | 33.26 |
| 4 | Shirish B. Mody Investments Private Limited | 4 | 0.04 |
| 5 | Bharati S. Mody Investments Private Limited | 4 | 0.04 |
| 6 | Dinesh Mody Securities Private Limited | 4 | 0.04 |
| 7 | Kumud Mody Securities Private Limited | 4 | 0.04 |
| 8 | Ansuya Mody Securities Private Limited | 4 | 0.04 |
| | **Total Equity Shares** | **10,000** | **100.00** |
| | | | |
| **Sr. No.** | **Name of the Shareholder** | **No. of preference shares** | **Percentage** |
| 1 | Kamlesh L. Udani | 77 | 96.25 |
| 2 | Kumud D.Mody | 1 | 1.25 |
| 3 | Bharati S. Mody | 1 | 1.25 |
| 4 | Ansuya J. Mody | 1 | 1.25 |
| | **Total Redeemable Non Cumulative Preference Shares** | **80** | **100.00** |
| | | | |
| **Sr. No.** | **Name of the Shareholder** | **No. of preference shares** | **Percentage** |
| 1 | Jyotindra B. Mody | 10,000 | 40.00 |
| 2 | Ansuya J. Mody | 10,000 | 40.00 |
| 3 | Pallavi B. Mehta | 5,000 | 20.00 |
| | **Total Redeemable Non Cumulative Preference Shares** | **25,000** | **100.00** |

**Board of Directors**
The Board of Directors of JMHL as of February 15, 2005 comprises:

1. Mr. Jyotindra B. Mody
2. Ms. Ansuya J. Mody
3. Ms. Pallavi B. Mehta

**Financial Performance**

*(Rs. in million, except share data)*

| Particulars | Fiscal 2002 | Fiscal 2003 | Fiscal 2004 |
|---|---|---|---|
| Sales and other income | 10.30 | 7.57 | 18.35 |
| Profit/(Loss) after Tax (before adjustments) | 10.28 | 6.96 | 18.08 |
| Equity Capital (par value Rs.10 per Share) | 0.10 | 0.10 | 0.10 |
| Reserves | 10.82 | 11.52 | 29.57 |
| Earnings per share | 431.60 | 248.92 | 1804.80 |
| Book value per share | 1,092.07 | 1,161.76 | 2,966.56 |

## 12. Kumud Mody Securities Private Limited ("KMSL")

KMSL was incorporated as a private limited company on February 8, 1983 under the Companies Act, in the name of Anusuya J. Mody Investments Private Limited with its registered office at 83 B and C, Sheth Govindrao Smriti, Dr.A.B.Road, Worli, Mumbai 400 018. The name was changed to KMSL on on May 8, 1998. KMSL is registered with RBI as a Non Banking Finance Company and is engaged in investment activities.

**Shareholding Pattern**

The shareholding pattern of KMSL as of February 15, 2005 is as set forth below:

| Sr. No. | Name of the Shareholder | No. of equity shares | Percentage |
|---|---|---|---|
| 1 | Dinesh B. Mody | 3,328 | 33.28 |
| 2 | Kumud D. Mody | 3,326 | 33.26 |
| 3 | Pranabh D. Mody | 3,326 | 33.26 |
| 4 | Shirish B. Mody Investments Private Limited | 4 | 0.04 |
| 5 | Bharati S. Mody Investments Private Limited | 4 | 0.04 |
| 6 | Jyotindra Mody Holdings Private Limited | 4 | 0.04 |
| 7 | Dinesh Mody Securities Private Limited | 4 | 0.04 |
| 8 | Ansuya Mody Securities Private Limited | 4 | 0.04 |
| | **Total Equity Shares** | **10,000** | **100.00** |
| | | | |
| **Sr. No.** | **Name of the Shareholder** | **No. of preference shares** | **Percentage** |
| 1 | Kamlesh L. Udani | 77 | 96.25 |
| 2 | Kumud D.Mody | 1 | 1.25 |
| 3 | Bharati S. Mody | 1 | 1.25 |
| 4 | Ansuya J. Mody | 1 | 1.25 |
| | **Total Redeemable Non Cumulative Preference Shares** | **80** | **100.00** |
| | | | |
| **Sr. No.** | **Name of the Shareholder** | **No. of preference shares** | **Percentage** |
| 1 | Dinesh B. Mody | 10,000 | 40.00 |
| 2 | Kumud D. Mody | 10,000 | 40.00 |
| 3 | Pranabh D. Mody | 5,000 | 20.00 |
| | **Total Redeemable Non Cumulative Non Voting Participating Preference Shares** | **25,000** | **100.00** |

**Board of Directors**

The Board of Directors of KMSL as of February 15, 2005 comprises:

1. Mr. Dinesh B. Mody
2. Ms. Kumud D. Mody
3. Mr. Pranabh D. Mody

**Financial Performance**

*(Rs. in million, except share data)*

| Particulars | Fiscal 2002 | Fiscal 2003 | Fiscal 2004 |
|---|---|---|---|
| Sales and other income | 9.78 | 7.35 | 16.88 |
| Profit/(Loss) after Tax (before adjustments) | 9.78 | 6.76 | 16.56 |
| Equity Capital (par value Rs.10 per Share) | 0.10 | 0.10 | 0.10 |
| Reserves | 12.62 | 13.30 | 29.82 |
| Earnings per share | 409.63 | 241.97 | 1652.25 |
| Book value per share | 1271.78 | 1339.84 | 2992.09 |

**13. Lekar Healthcare Limited ("LHL")**

LHL was originally incorporated as a private limited company on February 16, 1987, under the Companies Act with the name Ifiunik Chemicals Private Limited, with its registered office at 83 B and C, Sheth, Govindrao Smriti, Dr. A.B. Road, Worli, Mumbai 400 018. It was later converted into a public limited company on July 30, 1990 and the name was changed to LHL on February 16, 1996. LHL is engaged in manufacturing of pharmaceutical products on a loan license basis.

**Shareholding Pattern**

The Shareholding pattern of LHL as on February 15,2005, is as set forth below:

| Sr. No. | Name of the Shareholder | No of shares | Percentage |
|---|---|---|---|
| 1. | J.B. Chemicals and Pharmaceuticals Limited | 4,955 | 99.10 |
| 2. | J.B. Chemicals and Pharmaceuticals Limited Jointly M.K. Shroff | 10 | 0.00 |
| 3. | J.B. Chemicals and Pharmaceuticals Limited Jointly K.L. Udani | 10 | 0.00 |
| 4. | J.B. Chemicals and Pharmaceuticals Limited Jointly A.P.Mehta | 10 | 0.00 |
| 5. | J.B. Chemicals and Pharmaceuticals Limited Jointly J. B Mody. | 5 | 0.00 |
| 6. | J.B. Chemicals and Pharmaceuticals Limited Jointly D.B.Mody | 5 | 0.00 |
| 7. | J.B. Chemicals and Pharmaceuticals Limited Jointly S.B.Mody | 5 | 0.00 |
| | | **5,000** | 100.00 |

**Board Of Directors**

The Board of Directors of LHL as of February 15, 2005 comprises:

1. Mr. J. B. Mody
2. Mr. D. B. Mody
3. Mr. S. B. Mody
4. Mr. M. K. Shroff
5. Dr. M. M. Doshi

**Financial Performance**

*(Rs. in million, except share data)*

| Particulars | Fiscal 2002 | Fiscal 2003 | Fiscal 2004 |
|---|---|---|---|
| Sales and other income | 81.30 | 70.60 | 54.02 |
| Profit/(Loss) after Tax (before adjustments) | 6.82 | (1.55) | (3.82) |
| Equity Capital (par value Rs.100 per Share) | 0.01 | 0.5 | 0.5 |
| Reserves | 0.00 | 0.00 | 0.00 |
| Earnings per share | 59,330.43 | 965.02 | (763.08) |
| Book value per share | 100 | 100 | 100 |

**14. Lekar Pharma Limited ("LPL")**

LPL was incorporated as a private limited company on April 4, 1986 under the Companies Act, with its registered office located at 83 B and C, Sheth Govindrao Smriti, Dr.A.B.Road, Worli, Mumbai 400 018. LPL was converted into a public limited company on July 25, 1994. LPL is engaged in parmaceutical activities.

**Shareholding Pattern**

The shareholding pattern of LPL as of February 15, 2005 is as set forth below:

| Sr. No. | Name of the Shareholder | Number of Shares | Percentage |
|---|---|---|---|
| 1 | Ifiunik Pharmaceuticals Limited | 9,500 | 22.62 |
| 2 | Unique Pharmaceutical Labs Limited | 9,500 | 22.62 |
| 3 | Jyotindra B. Mody | 7,000 | 16.67 |
| 4 | Dinesh B. Mody | 7,000 | 16.67 |
| 5 | Shirish B. Mody | 7,000 | 16.67 |
| 6 | Shirish B. Mody Investments Private Limited. | 320 | 0.76 |
| 7 | Bharati S. Mody Investments Private Limited | 320 | 0.76 |
| 8 | Dinesh Mody Securities Private Limited | 320 | 0.76 |
| 9 | Jyotindra Mody Holdings Private Limited | 320 | 0.76 |
| 10 | Kumud Mody Securities Private Limited | 320 | 0.76 |
| 11 | Ansuya Mody Securities Private Limited | 320 | 0.76 |
| 12 | J. B. Mody and Brothers Investments. Private Limited | 40 | 0.10 |
| 13 | Purvi U. Asher | 10 | 0.02 |
| 14 | Pallavi B. Mehta | 10 | 0.02 |
| 15 | Kamlesh Udani | 10 | 0.02 |
| 16 | Vibha A. Mehta | 10 | 0.02 |
| | **Total** | **42,000** | **100.00** |

**Board of Directors**

The Board of Directors of LPL as of February 15, 2005 comprises:

1. Mr. Anupam P. Mehta
2. Ms. Vibha A. Mehta
3. Dr. Nalinkumar R. Naik

**Financial Performance**

*(Rs. in million, except share data)*

| Particulars | Fiscal 2002 | Fiscal 2003 | Fiscal 2004 |
|---|---|---|---|
| Sales and other income | 254.27 | 241.94 | 224.99 |
| Profit/(Loss) after Tax (before adjustments) | 62.37 | 53.14 | 55.38 |
| Equity Capital (par value Rs.100 per Share) | 4.20 | 4.20 | 4.20 |
| Reserves | 126.56 | 181.56 | 191.82 |
| Earnings per share | 1485.05 | 1265.24 | 1318.52 |
| Book value per share | (33786.96) | (988.40) | (1762.4) |

**15. Lifetime Healthcare Private Limited ("LHPL")**

LHPL was incorporated as a private limited company on April 1, 2005 under the Companies Act, with its registered office at 83 B and C, Sheth Govindrao Smriti, Dr.A. B. Road, Worli, Mumbai 400 018. LHPL intends to sell, distribute, franchise, import, export and deal in and dispose of all types of pharmaceuticals, medicines, healthcare products, surgical applicances, equipments and any stores, accessories or consumables related to the above.

**Proposed Shareholding Pattern**

Subscription to initial capital is proposed to be as follows:

| Sr. No. | Name of the Shareholder | Number of Shares | Percentage |
|---|---|---|---|
| 1 | Pranabh D. Mody | 5,000 | 50 |
| 2 | Rajiv C. Mody | 5,000 | 50 |
| | Total | 10,000 | 100 |

**Board of Directors**

The Board of Directors of LHPL comprises:

1. Mr. Pranabh D Mody
2. Mr. Uday M. Asher
3. Mr. A. Suryanarayanan
4. Mr. Jay B. Mehta
5. Mr. Nirav S. Mody
6. Mr.Rajiv Mody
7. Prof. J. Ramachandran
8. Mr. M. C. Kini

**Financial Performance**

*(Rs. in million, except share data)*

| Particulars | Fiscal 2002 | Fiscal 2003 | Fiscal 2004 |
|---|---|---|---|
| Sales and other income | NA | NA | NA |
| Profit/(Loss) after Tax (before adjustments) | NA | NA | NA |
| Equity Capital (par value Rs.10 per Share) | NA | NA | NA |
| Reserves | NA | NA | NA |
| Earnings per share | NA | NA | NA |
| Book value per share | NA | NA | NA |

**16. M/s. Kit Kat**

M/s. Kit Kat was constituted as a partnership pursuant to partnership deed dated July 22, to carry out business in footwear, with its place of business at Vardhman Chambers, Dhebar Road, Rajkot 360001, Gujarat. They are also general merchants and agents under the name and style of Kit Kat.

**Name of the Partners and Share in Profit and Loss**

| Sl. No. | Name of Partner | Percentage |
|---|---|---|
| 1. | Ms. Amitaben M. Kamdar | 33.00 |
| 2. | Ms. Ushaben R. Bavishi | 34.00 |
| 3. | Ms.Chandrikaben D. Bavishi | 16.50 |
| 4. | Ms. Nainaben C. Modi | 16.50 |
| | **Total** | **100.00** |

**Financial Performance**

*(Rs. in million, except share data)*

| Particulars | Fiscal 2002 | Fiscal 2003 | Fiscal 2004 |
|---|---|---|---|
| Sales and other income | 0.06 | 0.05 | 0.03 |
| Profit/(Loss) after Tax (before adjustments) | 0 | (0.01) | (0.02) |
| Partners Capital Account | 0.21 | 0.18 | 0.20 |
| Reserves | N.A. | N.A. | N.A. |
| Earnings per share | N.A. | N.A. | N.A. |
| Book value per share | N.A. | N.A. | N.A. |

**17. M/s. Patel Timbers**

M/s. Patel Timbers was constituted as a partnership pursuant to partnership deed dated July 7, 1999 to carry out business of dealing in building materials, with its place of business at Mangal Murti, Jhwahar Road, Junagadh, Gujarat.

**Name of the Partners and Share in Profit and Loss**

| Sl. No. | Name of Partner | Percentage |
|---|---|---|
| 1. | Mr. Gopal Jaisukhlal Jamvecha | 50 |
| 2. | Mr. Kishor Jaisukhlal Jamvecha | 50 |
| | **Total** | **100** |

**Financial Performance**

*(Rs. in million, except share data)*

| Particulars | Fiscal 2002 | Fiscal 2003 | Fiscal 2004 |
|---|---|---|---|
| Sales and other income | 2.768 | 4.123 | 4.06 |
| Profit/(Loss) after Tax (before adjustments) | 0.288 | 0.237 | 0.236 |
| Partners Capital Account | 0.615 | 0.71 | 0.99 |
| Reserves | N.A. | N.A. | N.A. |
| Earnings per share | N.A. | N.A. | N.A. |
| Book value per share | N.A. | N.A. | N.A. |

**18. M/s. Sealers India**

M/s. Sealers India was constituted as a partnership pursuant to partnership deed dated October 7, 1989 (further amended on July 14, 1992) to carry out business in packing and packaging machineries, etc., with its place of business at D/204 A, Ghatkopar Industrial Estate, L.B.S.Marg, Ghatkopar (West), Bombay 400 086.

**Name of the Partners and Share in Profit and Loss**

| Sl. No. | Name of Partner | Percentage |
|---|---|---|
| 1. | Mr. Manharkant V Udani | 33.3 |
| 2. | Mr. Rajesh M Udani | 33.3 |
| 3. | Ms. Rupa M Udani | 33.3 |
| | **Total** | **100** |

**Financial Performance**

*(Rs. in million, except share data)*

| Particulars | Fiscal 2002 | Fiscal 2003 | Fiscal 2004 |
|---|---|---|---|
| Sales and other income | 8.98 | 7.98 | 8.72 |
| Profit/(Loss) after Tax (before adjustments) | 0.061 | 0.064 | 0.073 |
| Partners Capital Account | 1.7 | 1.83 | 2.072 |
| Reserves | N.A. | N.A. | N.A. |
| Earnings per share | N.A. | N.A. | N.A. |
| Book value per share | N.A. | N.A. | N.A. |

**19. Madanji Meghraj Jewelers Private Limited ("MMJPL")**

MMJPL was incorporated as a private limited company on February 4, 2002 under the Companies Act, with its registered office at 16/17, Panorama complex, R.C Dutta Road, Vadodara, Gujarat. MMJPL is in the business of manufacturing, retailing and exporting gold and diamond jewelry.

**Shareholding Pattern**

The shareholding pattern of MMJPL as on February 15, 2005 was as follows:

| Sr. No. | Name of the Shareholder | Number of Shares | Percentage |
|---|---|---|---|
| 1. | Mahendra Jhaveri | 5010 | 49.40 |
| 2 | Mahendra Jhaveri HUF | 10 | .10 |
| 3. | Madhuker Jhaveri | 5000 | 49.30 |
| 4 | Abhishek Jhaveri | 10 | .10 |
| 5 | Brinda Jhaveri | 10 | .10 |
| 6 | Vraj Raj | 10 | .10 |
| 7 | Nila Jhaveri | 10 | .10 |
| 8 | Malti Jhaver | 10 | .10 |
| 9 | Dhruv Javeri | 10 | .10 |
| 10 | Jigna Jhaveri | 10 | .10 |
| 11 | Jayantilal Jhaveri | 10 | .10 |
| 12 | Jayantilal Jhaveri HUF | 10 | .10 |
| 13 | Dhirumati Jhaveri | 10 | .10 |
| 14 | Krishna Jhaveri | 10 | .10 |
| 15 | Neeta Jhaveri | 10 | .10 |
| | **Total** | **10140** | **100** |

**Board of Directors**

The Board of Directors of MMJPL as of February 15, 2005 comprises:

1. Mr. Mahendra Jhaveri
2. Mr. Madhuker Jhaveri

**Financial Performance**

*(Rs. in million, except share data)*

| Particulars | Fiscal 2002 | Fiscal 2003 | Fiscal 2004 |
|---|---|---|---|
| Sales and other income | Nil | 9.63 | 17.95 |
| Profit/(Loss) after Tax (before adjustments) | (0.04) | (0.93) | 1.01 |
| Equity Capital (par value Rs.10 per Share) | 0.10 | 0.10 | 0.10 |
| Reserves | Nil | Nil | 0.08 |
| Earnings per share | Nil | Nil | 99.4 |
| Book value per share | 6 | (83.68) | 17.49 |

**20. McDA Agro Private Limited ("MAPL")**

MAPL was incorporated as a private limited company on July 11, 1985 under the Companies Act, with its registered office is located at 83 B and C, Sheth Govindrao Smriti, Dr.A.B.Road, Worli, Mumbai 400 018. MAPL was converted into a public company on August 7, 1992 and was re-converted into a private company on February 27, 2002. The main business of MAPL is to sell, purchase, manufacture, grow and deal in seeds, nuts, plant hormones, soil fertility products, animal feeds, inorganic materials, fertilizers, weeds, roots, herbs and agro chemicals. MAPL is a non-operating company and intends to apply to the Registrar of Companies, Maharashtra to have its name struck off under the Simplified Exit Scheme 2005.

**Shareholding Pattern**

The shareholding pattern of MAPL as of February 15, 2005 is as set forth below:

| Sr. No. | Name of the Shareholder | No. of equity shares | Percentage |
|---|---|---|---|
| 1 | J. B. Chemicals and Pharmaceuticals Limited | 12,940 | 48.30 |
| 2 | Kumud D. Mody | 3,207 | 11.97 |
| 3 | Ansuya J. Mody | 3,207 | 11.97 |
| 4 | Bharati S. Mody | 3,206 | 11.97 |
| 5 | Vasant P. Asher | 1,100 | 4.11 |
| 6 | Deepak H. Doshi | 1,010 | 3.77 |
| 7 | Ashwin R. Mehta | 700 | 2.61 |
| 8 | Nalini R. Mehta | 400 | 1.49 |
| 9 | Atul R. Mehta / Leena Mehta | 400 | 1.49 |
| 10 | Atul R. Mehta | 230 | 0.86 |
| 11 | Atul R. Mehta (HUF) | 200 | 0.75 |
| 12 | Ashwin R. Mehta (HUF) | 190 | 0.71 |
| | **Total Equity Shares** | **26,790** | **100.00** |
| | | | |
| **Sr. No.** | **Name of the Shareholder** | **No. of preference shares** | **Percentage** |
| 1 | J.B. Chemicals and Pharmaceuticals Limited | 20,000 | 100.00 |
| | **Total preference shares (12% cumulative redeemable)** | **20,000** | **100.00** |
| | | | |

**Board of Directors**

The Board of Directors of MAPL as of February 15, 2005 comprises:

1. Mr. Dinesh B. Mody
2. Mr. Shirish B. Mody
3. Mr. Bharat P. Mehta
4. Mr. Pranabh D. Mody

5. Mr. Mahesh K. Shroff

**Financial Performance**

*(Rs. in million, except share data)*

| Particulars | Fiscal 2002 | Fiscal 2003 | Fiscal 2004 |
|---|---|---|---|
| Sales and other income | 0.00 | 0.434 | 0.00 |
| Profit/(Loss) after Tax (before adjustments) | (0.01) | (2.40) | (0.01) |
| Equity Capital (par value Rs.100 per Share) | 2.68 | 2.68 | 2.68 |
| Reserves | 0.58 | 5.94 | 5.94 |
| Earnings per share | (12.60) | (99.31) | (9.25) |
| Book value per share | (181.22) | (71.30) | (71.59) |

**21. Mody Brothers**

M/s. Mody Brothers was constituted as a partnership pursuant to partnership deed dated February 1, 1961 and registered with the Registrar of Firms, Bombay on May 27, 1961 to carry on business as dealers in and manufacturers of pharmaceutical drugs and also letting of premises and other assets and working as financiers including carrying of business of vyaj badla, bill discounting, etc., and in shares, securities, debentures, general merchandiser and other commodities. Its place of business is located at 83 B and C, Sheth Govindrao Smriti, Dr.A.B.Road, Worli, Mumbai 400 018.

**Name of the Partners and Share in Profit and Loss**

| Sl. No. | Name of Partner | Percentage |
|---|---|---|
| 1. | Ansuya J Mody | 16.67 |
| 2. | Bharati S Mody | 16.66 |
| 3. | Dinesh B Mody | 16.66 |
| 4. | Jyotindra B Mody | 16.67 |
| 5. | Nirav S Mody | 16.66 |
| 6. | Pranabh D Mody | 16.67 |
| | **Total** | **100.00** |

**Financial Performance**

*(Rs. in million, except share data)*

| Particulars | Fiscal 2002 | Fiscal 2003 | Fiscal 2004 |
|---|---|---|---|
| Sales and other income | 29.04 | 36.90 | 114.15 |
| Profit/(Loss) after Tax (before adjustments) | 1.01 | (0.39) | 9.04 |
| Partners Capital Account | 4.54 | 2.32 | 10.03 |
| Reserves | N.A. | N.A. | N.A. |
| Earnings per share | N.A. | N.A. | N.A. |
| Book value per share | N.A. | N.A. | N.A. |

**22. Mody Trading Company**

M/s. Mody Trading Company was constituted as a partnership pursuant to partnership deed dated November 24, 1971 registered with the Registrar of Firms, Bombay on September 6, 1973 to carry out the business of manufacturing and dealing in medicines, drugs, toiletries, perfumeries, etc., and working as purchasing, carting and warehousing agents, with its place of business at 83 B and C, Sheth Govindrao Smriti, Dr.A.B.Road, Worli, Mumbai 400 018.

Name of the Partners and Share in Profit and Loss

| Sl. No. | Name of Partner | Percentage |
|---|---|---|
| 1. | Bharati S Mody | 33.33 |
| 2. | Dinesh B Mody,HUF | 33.33 |
| 3. | Pallavi Bharat Mehta | 33.33 |
| | **Total** | **100** |

**Financial Performance**

*(Rs. in million, except share data)*

| Particulars | Fiscal 2002 | Fiscal 2003 | Fiscal 2004 |
|---|---|---|---|
| Sales and other income | 21.62 | 1.03 | 1.57 |
| Profit/(Loss) after Tax (before adjustments) | 0.18 | 0.16 | 0.71 |
| Partners Capital Account | 6.42 | 4.92 | 5.63 |
| Reserves | N.A. | N.A. | N.A. |
| Earnings per share | N.A. | N.A. | N.A. |
| Book value per share | N.A. | N.A. | N.A. |

**23. Shirish B Mody Investments Private Limited ("SMIL")**

SMIL was incorporated as a private limited company on February 8, 1983 under the Companies Act, with its registered office at 83 B and C, Sheth Govindrao Smriti, Dr.A.B.Road, Worli, Mumbai 400 018. SMIL is registered with RBI as a Non Banking Finance Company and is engaged in investment activities. Pursuant to order dated April 1, 2005 passed by the High Court of Mumbai, a scheme of amalgamation of J.B. Mody and Brothers Investments Private Limited (JBBIL) into SMIL was sanctioned. The drawn up order sanctioning the scheme was filed with the Registrar of Companies, Mumbai on May 6, 2005. In this behalf, the appointed date for the merger is April 1, 2004. SMIL is in the process of preparing the audited accounts taking into account the aforesaid merger.

**Shareholding Pattern**

The shareholding pattern of SMIL as of February 15, 2005 is as set forth below:

| Sr. No. | Name of the Shareholder | No. of equity shares | Percentage |
|---|---|---|---|
| 1 | Shirish B. Mody | 3,328 | 33.28 |
| 2 | Bharati S. Mody | 3,326 | 33.26 |
| 3 | Nirav S. Mody | 3,326 | 33.26 |
| 4 | Bharati S. Mody Investments Private Limited | 4 | 0.04 |
| 5 | Jyotindra Mody Holdings Private Limited | 4 | 0.04 |
| 6 | Dinesh Mody Securities Private Limited | 4 | 0.04 |
| 7 | Kumud Mody Securities Private Limited | 4 | 0.04 |
| 8 | Ansuya Mody Securities Private Limited | 4 | 0.04 |
| | **Total Equity Shares** | **10,000** | **100.00** |
| | | | |
| **Sr. No.** | **Name of the Shareholder** | **No. of preference shares** | **Percentage** |
| 1 | Kamlesh L. Udani | 77 | 96.25 |
| 2 | Bharati S. Mody | 1 | 1.25 |
| 3 | Ansuya J. Mody | 1 | 1.25 |
| 4 | Kumud D. Mody | 1 | 1.25 |
| | **Total Redeemable Non Cumulative Preference Shares** | **80** | **100.00** |
| | | | |
| **Sr. No.** | **Name of the Shareholder** | **No. of preference** | **Percentage** |

| | | shares | |
|---|---|---|---|
| 1 | Shirish B. Mody | 10,000 | 40.00 |
| 2 | Bharati S. Mody | 10,000 | 40.00 |
| 3 | Nirav S. Mody | 5,000 | 20.00 |
| | **Total Redeemable Non Cumulative Non Voting Participating Preference Shares** | **25,000** | **60.00** |

**Board of Directors**

The Board of Directors of SMIL as of February 15, 2005 comprises:
1. Mr. Shirish B. Mody
2. Ms. Bharati S. Mody

**Financial Performance**

*(Rs. in million, except share data)*

| Particulars | Fiscal 2002 | Fiscal 2003 | Fiscal 2004 |
|---|---|---|---|
| Sales and other income | 8.76 | 6.56 | 15.10 |
| Profit/(Loss) after Tax (before adjustments) | 8.74 | 6.04 | 14.98 |
| Equity Capital (par value Rs.10 per Share) | 0.10 | 0.10 | 0.10 |
| Reserves | 9.33 | 10.00 | 24.88 |
| Earnings per share | 322.42 | 221.32 | 1,494.32 |
| Book value per share | 942.57 | 1,010.35 | 2,497.66 |

**24. Synit Drugs Private Limited ("SDPL")**

SDPL was incorporated as a private limited company on October 12, 1984 under the Companies Act, with its registered office is located at Mohatta Bhava, Off Haines Road, Worli, Mumbai 400 018. SDPL is carrying on investment activities and as per RBI NBFC regulations permission for such activities is not required.

**Shareholding Pattern**

The shareholding pattern of SDPL as of February 15, 2005 is as set forth below:

| Sr. No. | Name of the Shareholder | No. of equity shares | Percentage |
|---|---|---|---|
| 1 | Shirish B. Mody (HUF) | 25,600 | 12.52 |
| 2 | Pranabh D. Mody | 21,760 | 10.64 |
| 3 | Dinesh B. Mody | 21,122 | 10.33 |
| 4 | Kumud D. Mody | 21,120 | 10.33 |
| 5 | Jyotindra B. Mody | 19,201 | 9.39 |
| 6 | Shirish B. Mody | 19,201 | 9.39 |
| 7 | Ansuya J. Mody | 19,200 | 9.39 |
| 8 | Pallavi B. Mehta | 19,200 | 9.39 |
| 9 | Bharati S. Mody | 19,200 | 9.39 |
| 10 | Jay Bharat Mehta | 6,400 | 3.13 |
| 11 | Jyotindra B. Mody (JBMIPL) | 2,000 | 0.98 |
| 12 | Dinesh B. Mody (DBMIPL) | 2,000 | 0.98 |
| 13 | Shirish B. Mody (SBMIPL) | 2,000 | 0.98 |
| 14 | Jyotindra B. Mody (AJMIPL) | 2,000 | 0.98 |
| 15 | Dinesh B. Mody (KDMIPL) | 1,000 | 0.49 |
| 16 | Shirish B. Mody (BSMIPL) | 1,000 | 0.49 |
| 17 | Dinesh Mody Securities Private Limited | 835 | 0.40 |
| 18 | Shirish B. Mody Investments Private Limited | 833 | 0.41 |
| 19 | Jyotindra Mody Holdings Private Limited | 833 | 0.40 |
| | **Total** | **204,505** | **100.00** |

**Board of Directors**

The Board of Directors of SDPL as of February 15, 2005 comprises:

1. Mr. Jyotindra B. Mody
2. Mr. Dinesh B. Mody
3. Mr. Shirish B. Mody

**Financial Performance**

*(Rs. in million, except share data)*

| Particulars | Fiscal 2002 | Fiscal 2003 | Fiscal 2004 |
|---|---|---|---|
| Sales and other income | 3.33 | 2.40 | 16.62 |
| Profit/(Loss) after Tax (before adjustments) | 2.66 | 0.91 | 15.04 |
| Equity Capital (par value Rs.100 per Share) | 2.05 | 2.05 | 2.05 |
| Reserves | 34.62 | 35.52 | 50.56 |
| Earnings per share | 12.99 | 4.43 | 73.52 |
| Book value per share | 179.28 | 183.71 | 257.23 |

**25. Unique Pharmaceutical Laboratories Limited ("UPLL")**

UPLL was incorporated as a private limited company on April 11, 1972 under the Companies Act, with its registered office at 83 B and C, Sheth Govindrao Smriti, Dr.A. B. Road, Worli, Mumbai 400 018. It was converted into a public limited company on November 4, 1988. UPLL is registered with RBI as a Non Banking Finance Company and is engaged in investment activities.

**Shareholding Pattern**

The shareholding pattern of UPLL as of February 15, 2005 is as follows:

| Sl.No | Name Of The Shareholder | Nos. of Shares | Percentage |
|---|---|---|---|
| 1 | Shirish B. Mody Investment Private Limited | 94,800 | 13.05 |
| 2 | Bharati S. Mody Investment Private Limited | 94,800 | 13.05 |
| 3 | Ansuya Mody Securities Private Limited | 94,800 | 13.05 |
| 4 | Dinesh Mody Securities Private Limited | 94,800 | 13.05 |
| 5 | Jyotindra Mody Holdings Private Limited | 94,800 | 13.05 |
| 6 | Kumud Mody Securities Private Limited | 94,800 | 13.05 |
| 7 | Ansuya J Mody (jointly with Kumud Mody and Bharati Mody) | 90,000 | 12.39 |
| 8 | Pallavi Bharat Mehta | 22,200 | 3.06 |
| 9 | Kumud D. Mody | 7,650 | 1.05 |
| 10 | Dinesh B. Mody | 7,500 | 1.03 |
| 11 | Nirav S. Mody | 7,500 | 1.03 |
| 12 | Pranabh D. Mody | 7,450 | 1.03 |
| 13 | Shirish B. Mody | 7,450 | 1.03 |
| 14 | Bharati S. Mody | 7,450 | 1.03 |
| 15 | J. B. Mody and Bros. Investment Private Limited | 200 | 0.03 |
| 16 | Jyotindra B. Mody | 200 | 0.03 |
| 17 | Ansuya J. Mody | 200 | 0.03 |
| | **Total** | **726,600** | **100.00** |

**Board of Directors**

The Board of Directors of UPLL as of February 15, 2005 comprises:

1. Mr. Jyotindra B. Mody
2. Mr. Dinesh B. Mody
3. Mr. Shirish B. Mody
4. Mr. Bharat P. Mehta
5. Mr. Pranabh D. Mody
6. Mr. Kamlesh L. Udani

**Financial Performance**

*(Rs. in million, except share data)*

| Particulars | Fiscal 2002 | Fiscal 2003 | Fiscal 2004 |
|---|---|---|---|
| Sales and other income | 29.75 | 19.40 | 31.96 |
| Profit/(Loss) after Tax (before adjustments) | 25.08 | 13.95 | 25.89 |
| Equity Capital (par value Rs.100 per Share) | 7.27 | 7.27 | 7.27 |
| Reserves | 54.22 | 62.72 | 88.61 |
| Earnings per share | 34.51 | 19.19 | 35.63 |
| Book value per share | 84.63 | 96.32 | 131.95 |

**Indian entities disassociated from Promoters**

| Name of company | Date of Disassociation | Mode of disassociation |
|---|---|---|
| M/s Comet Agencies | May 17, 2004 | Wound up |

**Common pursuits**

We do not have any common pursuits, conflict of interest (including related party transactions within the aforesaid promoter groups), the significance of these transactions on the financial performance of the companies and no sales or purchase exceeding 10% of the total sales or purchase of Sasken, including material items of income/expenditure arising out of transactions in the promoter group.

**Group companies making losses**

The following companies forming part of the Promoter group of companies have accumulated losses:-

1. Acta Cast Private Limited
2. J.B.Life Science Overseas Limited
3. J.B.Mody Finance and Investments Private Limited
4. Lekar Healthcare Limited
5. M/s Kitkat
6. Madanji Meghraj Jewelers Private Limited
7. McDA Agro Private Limited
8. Mody Brothers

For additional information please refer to the section entitled "Risk Factors" on page 12 of this Draft Red Herring Prospectus.

**Group Companies with negative networth**

The following companies forming part of the Promoter group of companies have a negative net worth. They are

1. Acta Casta Private Limited
2. Lekar Pharma Limited
3. McDa Agro Private Limited

**Sick companies/BIFR proceedings**

There are no sick companies or BIFR proceedings initiated against any of the aforesaid Indian group companies.

**Struck off from the Register of Registrar of Companies**

None of our group companies have been struck off from the Register of the relevant Registrar of Companies.

**Changes in the accounting policies in the last three years**

1. Accounting Standard – 11 (Revised) – The Effects of Changes in Foreign Exchange Rates
   For FY 2004-05, in order to comply with Accounting Standard – 11 (Revised) – The Effects of Changes in Foreign Exchange Rates, which is effective April 1, 2004, during the reporting periods subsequent to March 31, 2004, the Company changed its accounting policy in respect of accounting for forward contracts entered into to hedge the foreign currency risk of the underlying assets and liabilities at the balance sheet date. Consequently, in respect of foreign currency monetary assets or liabilities in respect of which forward exchange contract is taken, exchange differences on such contracts are recognized in the statement of profit and loss of the relevant period.

2. Accounting Standard –22 – Accounting for Taxes on Income.
   The Company adopted Accounting Standard (AS) – 22, Accounting for taxes on income ('AS 22') issued by the Institute of Chartered Accountants of India ('ICAI') for the first time in preparation of the financial statements for the year ended March 31, 2002. Accordingly, the Company changed its accounting policy from the erstwhile tax payable method to the deferred tax method, effective April 1, 2001.

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**Selected Financial Data (As Per Consolidated Financial Statements Under Indian GAAP)**

Sasken Communication Technologies Limited
Consolidated Balance Sheet

*(Rs. in million)*

| | | As At December 31, 2004 | As at March 31, 2004 |
|---|---|---|---|
| **Sources of Funds** | | | |
| Shareholders' Funds | | | |
| Share Capital | | 168.29 | 151.61 |
| Share Application Money | | 0.17 | - |
| Reserves and Surplus | | 1,194.04 | 985.87 |
| Loan Funds | | | |
| Secured Loans | | 116.33 | 4.27 |
| Unsecured Loans | | 2.50 | - |
| **Total Sources** | | **1,481.33** | **1,141.75** |
| | | | |
| **Application of Funds** | | | |
| Fixed Assets | | | |
| Gross Block | | 1,555.68 | 1,359.90 |
| Less: Accumulated depreciation | | 687.65 | 591.15 |
| Net Block | | 868.03 | 768.75 |
| Capital Work in Progress including Capital Advances | | 8.42 | 11.78 |
| Total | | 876.45 | 780.53 |
| Capitalised software product costs (net of amortization) | | - | 11.50 |
| Investments | | 62.99 | 26.43 |
| Current Assets, Loans and Advances | | | |
| Inventories | | 0.73 | 5.50 |
| Sundry Debtors | | 444.62 | 336.78 |
| Cash and Bank balances | | 102.90 | 27.26 |
| Loans and Advances | | 237.40 | 156.89 |
| Gross Current Assets | (A) | 785.65 | 526.43 |
| Less: Current Liabilities and Provisions | | | |
| Current Liabilities | | 219.17 | 147.51 |
| Provisions | | 24.59 | 55.63 |
| Total | (B) | 243.76 | 203.14 |
| Net Current Assets | (A-B) | 541.89 | 323.29 |
| **Total Applications** | | **1,481.33** | **1,141.75** |

Sasken Communication Technologies Limited
Consolidated Profit and Loss Account

*(Rs. in million)*

| | For Nine Months Ended December 31, 2004 | For the Year ended March 31, 2004 |
|---|---|---|
| Revenues | 1,672.18 | 1,661.30 |
| Cost of Revenues including product engineering expenses | 1,144.51 | 1,102.26 |
| Gross Profit | 527.67 | 559.04 |
| | | |
| Research and Development | 20.95 | 19.38 |
| Gross Profit after Research and Development | 506.72 | 539.66 |
| | | |
| Selling and Marketing Expenses | 175.72 | 189.09 |
| Administrative and General Expenses | 210.91 | 192.02 |
| Employee stock option compensation cost (net) | 5.73 | 1.56 |
| | | |
| Profit from operations | 114.36 | 156.99 |
| Other Income, including exchange gain/(loss), net | 9.25 | 13.05 |
| Profit before Interest and Income Taxes | 123.61 | 170.04 |
| | | |
| Interest | 3.85 | 7.99 |
| **Profit before Income taxes** | **119.76** | **162.05** |
| Income Taxes (net of reversals/refunds) | 1.41 | (21.32) |
| **Profit after Tax** | **118.35** | **183.37** |

**Sasken Communication Technologies Limited**
Consolidated Cash Flow Statement

*(Rs. in million)*

| | For the nine months ended December 31, 2004 | For the year ended March 31, 2004 |
|---|---|---|
| **A. Cash flow from operating activities:** | | |
| Net Profit before tax | 119.76 | 162.05 |
| Adjustments for: | | |
| Depreciation | 96.67 | 18.78 |
| Amortization of capitalized software development costs | 11.50 | 46.14 |
| Other non-cash writeback/charges | (4.02) | 5.93 |
| Foreign exchange adjustments | (13.97) | - |
| Interest expense | 3.85 | 7.99 |
| Other income | (2.55) | (6.15) |
| Loss on sale of fixed assets | 0.01 | - |
| Operating profit before working capital changes | 211.25 | 334.74 |
| Adjustments for: | | |
| (Increase)/decrease in Sundry Debtors | (106.44) | (29.31) |
| (Increase)/decrease in Work in progress | 4.76 | 19.10 |
| (Increase)/decrease in Loans & Advances | (69.04) | (94.27) |
| Increase/(decrease) in Current Liabilities and provisions | 104.34 | 16.97 |
| Cash generated from operations | 144.87 | 247.23 |
| Direct taxes (paid) / refund received | (10.78) | 12.25 |
| **Net cash from operating activities** | **134.09** | **259.48** |
| **B. Cash flow from investing activities:** | | |
| Purchase of fixed assets | (192.65) | (81.45) |
| Sale of fixed assets | - | 1.17 |
| Interest received | - | 0.60 |
| Sale of investments | 227.68 | 281.81 |
| Investments purchased | (262.38) | (302.27) |
| **Net cash used in investing activities** | **(227.35)** | **(100.14)** |
| **C. Cash flow from financing activities:** | | |
| Proceeds from issue of shares (includes share application money) | 100.93 | - |
| Refund of share application money | - | (17.28) |
| Repayment of long-term borrowing | - | (134.39) |
| Increase/ (decrease) in Working capital loans | 114.58 | (128.82) |
| Redemption of Debentures | - | (0.02) |
| Dividend Paid (inclusive of dividend tax) | (42.76) | - |
| Interest paid | (3.85) | (11.92) |
| **Net cash from/(used) in financing activities** | **168.90** | **(292.43)** |
| Net increase/(Decrease) in Cash and Bank balances (A+B+C) | 75.64 | (133.09) |
| Cash and Bank balances at the beginning of the period/year | 27.26 | 160.35 |
| **Cash and Bank Balances at the end of the period/**year | **102.90** | **27.26** |
| **Supplementary non-cashflow information** | | |
| Issuance of Share Capital out of Share Application money | - | 147.00 |
| Dividends received re-invested in units of Mutual funds | 0.86 | 5.55 |
| Conversion of Fully Convertible Debentures into Equity Shares | - | 0.03 |

## Management Discussion And Analysis Of Financial Condition And Results Of The Operations (As Per Indian GAAP – Consolidated)

### 1. Overview

Headquartered in Bangalore, India, Sasken is a global telecom software solutions provider offering a unique combination of complementary IP software components, research and development consultancy as well as software services to many of the leading semiconductor manufacturers, network equipment companies, and global wireless handset developers. Established in 1989, Sasken employs over 2000 people, operating from a state of the art research and development center in Bangalore, India with offices in Canada, China, Germany, Japan, Sweden, UK and US.

Sasken is an embedded telecom solutions company that helps businesses across the telecom value chain accelerate product development life cycles. Sasken helps client's speed product development through a unique combination of ready-to-use technology blocks and services. Sasken works with terminal device manufacturers, network equipment manufacturers, semiconductor vendors and network operators to help them get to market ahead of the competition and stay focused on new product development and manufacturing.

TheSasken group comprises of Sasken Communication Technologies Limited, Sasken Network Systems Limited and Sasken Network Engineering Limited. The Sasken group currently employs over 2300 people, operating from centers in Bangalore, India with offices in Canada, China, Germany, Japan, Sweden, UK and US.

Sasken Network Systems Limited is a 100% wholly owned subsidiary of Sasken Communication Technologies Limited and the subsidiary engages in the business of consultative engineering services focused on telecom operation systems.

Sasken Network Engineering Limited is a 100% wholly owned subsidiary of Sasken Communication Technologies Limited and its principal business is the installation and commissioning of cellular networks.

**Our track record**

The Group's total revenue has grown from Rs. 1,661.30 million in March 31, 2004 to Rs. 1,672.18 million for the nine-month period ended December 31, 2004.

**Revenue**

(Rs. in million)

| | Year ended March 31, 2004 | Nine months ended December 31, 2004 |
|---|---|---|
| **Total Revenues** | **1,661.30** | **1,672.18** |
| Software Services | 1,237.84 | 1,425.30 |
| Software Products | 423.46 | 234.15 |
| Network Engineering Services | - | 12.73 |
| **Segmental Profit** | **559.04** | **527.67** |
| Software Services | 443.09 | 509.86 |
| Software Products | 115.95 | 17.56 |
| Network Engineering Services | - | 0.25 |
| Less: | | |
| Corporate Expenses | 402.05 | 413.31 |
| **Operating Profit before interest, other income and taxes** | **156.99** | **114.36** |
| Software Services as % of Total Revenue | 74.51% | 85.24% |
| Software Products as % of Total Revenue | 25.49% | 14.00% |
| Network Engineering Services as % of Total Revenue | - | 0.76% |

Overall consolidated revenues have grown to Rs. 1,672.18 million during the nine months ended December 31, 2004 as against Rs. 1,661.30 million during the year ended March 31, 2004. While the software services revenues have grown to Rs. 1,425.30 million during the nine month ended December 31, 2004 as against Rs. 1,237.84 million during the year ended March 31, 2004. The proportion of the software services business has grown to 85.24% of total revenue during the nine months ended December 31, 2004 as against 74.51% of revenue during the year ended March 31, 2004. The growth in the software services business is in line with the growth in software services seen over the last few quarters. However, the revenues from software products declined to 14.00% during the nine months ended December 31, 2004 from 25.49% during the year ended March 31, 2004. A new stream of revenue was from network engineering services as a result of the commencement of operations by Sasken Network Engineering Limited and it grew to Rs. 12.73 million during the nine months ended December 31, 2004.

Segmental profits were Rs. 527.67 million during the nine months ended December 31, 2004 as against Rs. 559.04 million during the year ended March 31, 2004. Segmental profit margin for software services was 35.77% during the nine months ended December 31, 2004 as against 35.79% during the year ended March 31, 2004. However the segmental profits for software products declined sharply to 7.50% during the nine months ended December 31, 2004 as against 27.38% during the year ended March 31, 2004 on the back of the revenue decline during the nine months ended December 31, 2004. The fall in the software product revenues and the resultant segmental profits is largely on account of a shift in strategy to focus from licensing agreements to royalty linked agreements. The shift in focus from licensing agreements has resulted in lower upfront revenues.

Consolidated Revenue Model (Rs. in million)

| Revenue | Year ended March 31, 2004 | Year ended March 31, 2004 % | Nine Months ended December 31, 2004 | Nine Months ended December 31, 2004 % |
|---|---|---|---|---|
| | | | | |
| Software Services | | | | |
| - Time & Material Onsite | 354.55 | 28.64% | 360.17 | 25.27% |
| - Time & Material Offshore | 698.29 | 56.41% | 956.70 | 67.12% |
| - Fixed Price | 185.00 | 14.95% | 108.43 | 7.61% |
| TOTAL | 1237.84 | 100.00% | 1,425.30 | 100.00% |
| | | | | |
| Software Products | | | | |
| - License fees | 279.33 | 65.96% | 83.82 | 35.80% |
| - Royalties | 9.46 | 2.23% | 24.46 | 10.44% |
| - Development and customization fees | 134.67 | 31.81% | 125.87 | 53.76% |
| TOTAL | 423.46 | 100.00% | 234.15 | 100.00% |
| | | | | |
| Network Engineering Services | | | | |
| - Time & Material | - | - | 3.68 | 28.93% |
| - Fixed Price | - | - | 9.05 | 71.07% |
| TOTAL | - | - | 12.73 | 100.00% |
| | | | | |
| TOTAL | 1,661.30 | | 1,672.18 | |

The time and material offshore business model generated the highest revenue under the software services model, it contributed 56.41% of software services revenue during the year ended March 31, 2004 and further increased to 67.12% of the software services revenue during the nine months ended December 31, 2004. While, the license fees generated the highest revenues to the software products revenue at 65.96% for the year ended March 31, 2004, the largest revenue contributor during nine months ended December 31, 2004 to software products was development and customization fees at 53.76%. The largest component of network engineering services was fixed price with 71.07% for the nine months ended December 31, 2004.

The revenue earned from the various geographies are as stated:

Consolidated Geography Wise Revenue (Rs. in million)

| Revenue | Year ended March 31, 2004 | Nine Months ended December 31, 2004 |
|---|---|---|
| | | |
| North America (including Canada) | 641.39 | 589.51 |
| Europe | 579.93 | 833.74 |
| India | 150.12 | 115.90 |
| APAC (excluding India) | 289.86 | 133.03 |
| TOTAL | 1,661.30 | 1,672.18 |

North America's (including Canada) contribution to the total revenue has declined to 35.25% during the nine months ended December 31, 2004 as against 38.61% during the year ended March 31, 2004. The contribution of Europe has increased to 49.86% during the nine months ended December 31, 2004 as against 34.91% during the year ended March 31, 2004.

Revenue from Asia Pacific (excluding India) has declined to 7.96% for the nine months ended December 31, 2004 as against 17.45% of total revenues for the year ended March 31, 2004. Revenue from India has declined to 6.93% during the nine months ended December 31, 2004 from 9.04% in the year ended March 31, 2004.

Consolidated Customer Concentration (Rs. in million)

| Revenue | Year ended March 31, 2004 | Nine Months ended December 31, 2004 |
|---|---|---|
| Single largest customer contribution to revenues | 453.12 | 466.78 |
| Top 5 customer contribution to revenues | 944.90 | 1,188.63 |
| Top 10 customer contribution to revenues | 1,194.80 | 1,402.37 |
| Contribution % of Top 10 customers to Overall Revenue | 71.92 % | 83.86 % |

Note: Single largest, Top 5 or Top 10 client contribution is based on the sales from customers during the years/period.

The Company has been able to increase its business with its top 10 customers to 83.86% during the nine months ended December 31, 2004 from 71.92% during the year ended March 31, 2004. The contribution to total revenue from the top 5 customers over the two periods has increased to 71.08% during the nine months ended December 31, 2004 as against 56.88% for the year ended March 31, 2004. The top customer contributed 27.91% and 27.28% of total revenue during the nine months ended December 31, 2004 and year ended March 31, 2004, respectively.

Customer Profile

| Revenue | March 31, 2004 | December 31, 2004 |
|---|---|---|
| Number of less than US $ 1 million customers | 50 | 45 |
| Number of more than US $ 1 million less than US $ 3 million customers | 5 | 5 |
| Number of more than US $ 3 million less than US $ 10 million customers | 2 | 2 |
| Number of more than US $ 10 million customers | - | 1 |
| Total Number of Customers | 57 | 53 |

Note: The numbers of customers in the above categories are based on the sales of the trailing 12 months and the sales are based on the actual billings in foreign currency.

The total number of customers were 53 during the trailing 12 months ended December 31, 2004 as against 57 during the year ended March 31, 2004. The number of customers in the less than US$ 1 million category was 45 for the trailing 12 months ended December 31, 2004 as against 50 for the year ended March 31, 2004. The number of customers generating revenues in excess of US $ 3 million but less than US $ 10 million was 2 during the year ended March 31, 2004 as well as during the trailing 12 months ended December 31, 2004. For the first time the revenues from a single customer exceeded US $ 10 million during the trailing 12 months ended December 31, 2004.

Comparison of the financials for the nine months ended December 31, 2004 with financials for the full year ended March 31, 2004

**Income**

The total revenue of the Company during the nine months ended December 31, 2004 was Rs. 1,672.18 million as against Rs. 1,661.30 million for the year ended March 31, 2004. There was a significant increase in the contribution of the services revenue towards the growth. The services revenue was Rs. 1,425.30 million for the nine-month period ended December 31, 2004 as compared to Rs. 1,237.84 million for the year ended March 31, 2004. The new business line of network engineering services contributed Rs 12.73 million during the nine months ended December 31, 2004.

**Other Income**

The total income including other income was Rs. 1,681.43 million up to December 31, 2004 as compared to Rs. 1,674.35 million for the year ended March 31, 2004 while the percentage of other income to total income was 0.55% and 0.78% respectively.

**Total Expenditure**

The total expenditure was Rs. 1,561.67 million for the nine months ended December 31, 2004 as against Rs. 1,512.30 million for the year ended March 31, 2004. The largest component in the total expenditure was employee costs. The employee costs incurred during the nine months ended December 31, 2004 was Rs 1,040.82 million as compared to Rs. 976.54 million for the year ended March 31, 2004. The percentage of employee costs compared to overall expenses was 66.65% during the nine months ended December 31, 2004 as against 64.57% during the year ended March 31, 2004.

The other major component in the total expenditure was expenses incurred for selling and marketing expenses and administrative and general expenses. The amount spent on selling and marketing expenses including employee costs and depreciation was Rs. 175.72 million during the nine months ended ended December 31, 2004 as against Rs. 189.09 million for the year ended March 31, 2004. The percentage of the selling & marketing expenses including employee costs and depreciation to total expenditure was 11.25% for the nine months ended December 31, 2004 as compared to 12.50% for the year ended March 31, 2004. The administrative and general expenses including employee costs and depreciation increased to Rs. 210.91 million (13.51% of total expenditure) for the nine months ended December 31, 2004 from Rs. 191.94 million (12.69% of total expenditure) for the year ended March 31, 2004.

**EBITDA**

EBITDA was Rs. 237.51 million (14.13% of total income) for the nine months ended December 31, 2004 as against Rs. 336.52 million (20.10% of total income) for the year ended March 31, 2004. The net profit after taxes was Rs. 118.35 million (7.04 % of total income) during the nine months ended December 31, 2004 as compared to Rs. 183.37 million (10.95% of total income) for the year ended March 31, 2004.

**Depreciation**

The depreciation incurred during the nine months ended December 31, 2004 was Rs. 96.67 million (5.75 % of total income) as compared to Rs. 118.78 million (7.09 % of total income) during the year ended March 31, 2004.

**Unusual or infrequent events or transactions**

1. The Company incorporated a Subsidiary named Sasken Network Engineering Limited (SNEL) during the nine months ended December 31, 2004 SNEL acquired the assets and a customer contract from Blue Broadband Technologies Private Limited. The primary business activity of SNEL is installation and commissioning of cellular networks and was operational from $11^{th}$ October 2004.

2. The Company formed a Subsidiary named Sasken Network Systems Limited (SNSL) during the year ended March 31, 2004. SNS is engaged in the business of consultative engineering services focused on telecom operation systems and was operational only from $1^{st}$ April 2004.

3. During the year ended March 31, 2004, one of the companies in the Group entered into an agreement for services rendered to one of its customers. The customer has agreed to settle the consideration by transferring certain software programs and annual maintenance services amounting to Rs. 15.71 million. The Company has considered this transaction to be a non-monetary exchange.

**Cash Flow**

(Rs. in million)

| | For Nine months ended December 31, 2004 | For the Year ended March 31, 2004 |
|---|---|---|
| Net Cash from/(used in) Operating Activities | 134.09 | 259.48 |
| Net Cash from/(used in) Investing Activities | (227.35) | (100.14) |
| Net Cash from/(used in) Financing Activities | 168.90 | (292.43) |
| Net Increase/(Decrease) in Cash and Cash Equivalents | 75.64 | (133.09) |

**For the nine months ended December 31, 2004**

The net cash from operating activities was Rs. 134.09 million, largely on account of net profit before taxes. The net cash used in investing activities was Rs.227.35 million primarily on account of purchases of fixed assets amounting to Rs. 192.65 million and investments in mutual funds amounting to Rs. 34.70 million net of sale. The net cash from financing activities was Rs. 168.90 million as a result of issuance of shares (including share application money) amounting to Rs. 100.93 million and an increase in the utilization of the working capital loans amounting to Rs. 114.58 million. Overall there was an increase in the cash during the period by Rs. 75.64 million.

**For the financial year ended March 31, 2004**

The net cash from operating activities was Rs. 259.48 million, largely on account of net profit before taxes amounting to Rs. 162.05 million. The net cash used in investing activities was Rs.100.14 million primarily on account of purchases of fixed assets amounting to Rs. 81.45 million and investments in mutual funds amounting to Rs. 20.46 million net of sale of investments. The net cash used in financing activities was Rs. 292.43 million as a result of repayment of the term loan amounting to Rs. 134.39 million and decrease in utilization of the working capital amounting to Rs. 128.82 million. Overall there was a decrease in the cash during the year by Rs. 133.09 million.

**Selected Financial Data (As Per Unconsolidated Restated Summary Financial Statements under Indian GAAP)**

Sasken Communication Technologies Limited
Summary statement of Assets and Liabilities, as restated

Rs. in million

| | As at December 31, 2004 | As at March 31, 2004 | As at March 31, 2003 | As at March 31, 2002 |
|---|---|---|---|---|
| Fixed assets | | | | |
| Gross block | 1,518.79 | 1,359.90 | 1,315.36 | 1,191.17 |
| Less : Accumulated depreciation | 684.38 | 591.15 | 493.99 | 409.95 |
| Net block | 834.41 | 768.75 | 821.37 | 781.22 |
| Capital work in progress, including capital advances | 8.42 | 11.78 | 2.12 | 113.7 |
| Total | 842.83 | 780.53 | 823.49 | 894.92 |
| Capitalised software product costs (net of amortization) | - | 11.50 | 57.64 | 95.83 |
| Investments | 90.35 | 26.92 | 1.44 | 33.54 |
| Deferred tax asset | - | 3.16 | 7.49 | 2.14 |
| | | | | |
| Current assets, loans and advances | | | | |
| Inventories | 0.73 | 5.50 | 24.60 | 9.05 |
| Sundry debtors | 383.03 | 337.94 | 323.00 | 350.71 |
| Cash and bank balances | 89.70 | 26.82 | 160.35 | 28.58 |
| Loans and advances | 276.09 | 181.67 | 102.20 | 119.92 |
| Total | 749.55 | 551.93 | 610.15 | 508.26 |
| | | | | |
| Liabilities and Provisions | | | | |
| Secured loans | 116.33 | 4.27 | 267.48 | 351.87 |
| Unsecured loans | - | - | 0.06 | 2.06 |
| Current liabilities | 190.34 | 147.46 | 136.68 | 134.75 |
| Provisions | 23.10 | 55.63 | 14.59 | 9.70 |
| Total | 329.77 | 207.36 | 418.81 | 498.38 |
| | | | | |
| Networth | 1,352.96 | 1,166.68 | 1,081.40 | 1,036.31 |
| | | | | |
| Represented by: | | | | |
| Equity share capital | 168.29 | 151.61 | 127.10 | 126.69 |
| Share application money | 0.16 | - | 164.28 | 0.01 |
| | | | | |
| *Reserves and surplus* | | | | |
| General Reserve | 81.44 | 81.44 | 63.09 | 63.09 |
| Securities Premium | 611.68 | 527.39 | 404.87 | 403.35 |
| Profit and Loss Account | 484.29 | 404.68 | 322.06 | 443.06 |
| Employee Stock Option Outstanding (net of deferred compensation cost) | 7.10 | 1.56 | - | 0.11 |
| | | | | |
| Networth | 1,352.96 | 1,166.68 | 1,081.40 | 1,036.31 |

Sasken Communication Technologies Limited
Summary statement of Profits and Losses, as restated

Rs. in million

| | Nine Months Ended December 31, 2004 | Year ended March 31, 2004 | Year ended March 31, 2003 | Year ended March 31, 2002 |
|---|---|---|---|---|
| Income | | | | |
| Software services & software licensing | 1,551.18 | 1,661.30 | 1,093.82 | 1,071.60 |
| Other income | 6.25 | 21.30 | 1.35 | 29.57 |
| **Total Income** | **1,557.43** | **1,682.60** | **1,095.17** | **1,101.17** |
| | | | | |
| **Expenditure** | | | | |
| Employment cost | 962.27 | 976.52 | 672.86 | 590.52 |
| Other operational expenses | 217.25 | 159.27 | 144.45 | 197.87 |
| Administrative & marketing expenses | 166.06 | 179.98 | 135.22 | 162.89 |
| Employee stock option compensation cost (net) | 5.73 | 1.56 | 0.04 | 0.19 |
| Provision for diminution in value of investments | - | - | 32.10 | 7.40 |
| Provision for doubtful debts | 1.97 | 5.23 | 15.60 | - |
| Decrease/ (Increase) in inventory | 4.77 | 19.10 | (15.54) | (2.90) |
| Capitalisation of capitalised software products costs | - | - | (88.45) | (104.98) |
| Amortization of capitalized software products costs | 11.50 | 46.14 | 126.64 | 41.35 |
| Interest expenses | 3.60 | 7.98 | 36.22 | 43.96 |
| Depreciation | 93.40 | 118.78 | 125.79 | 179.05 |
| **Total Expenditure** | **1,466.55** | **1,514.56** | **1,184.93** | **1,115.35** |
| **Net Profit before tax** | **90.88** | **168.04** | **(89.76)** | **(14.18)** |
| Income Taxes | 11.27 | 24.31 | 31.24 | 40.16 |
| **Net Profit, as restated** | **79.61** | **143.73** | **(121.00)** | **(54.34)** |

**Sasken Communication Technologies Limited**
**Statement of Cash Flows, as restated**

Rs. in million

| | Nine Months Ended December 31, 2004 | Year Ended March 31, 2004 | Year Ended March 31,2003 | Year Ended March 31, 2002 |
|---|---|---|---|---|
| **A. Cash flow from operating activities:** | | | | |
| **Net Profit/(Loss) before tax** | **90.88** | **168.04** | **(89.76)** | **(14.18)** |
| *Adjustments for:* | | | | |
| Depreciation | 93.40 | 118.78 | 125.79 | 179.05 |
| Amortization of capitalised software costs | 11.50 | 46.14 | 126.64 | 41.35 |
| Other non-cash writeback/charges | 6.30 | 8.33 | 48.08 | 20.92 |
| Foreign exchange adjustments | (5.04) | (8.26) | (1.97) | (2.01) |
| Interest expense | 3.60 | 7.98 | 36.22 | 43.96 |
| Other income | (2.53) | (6.15) | (1.38) | (5.10) |
| **Operating profit before working capital changes** | 198.11 | 334.86 | 243.62 | 263.99 |
| *Adjustments for:* | | | | |
| (Increase)/decrease in Sundry Debtors | (44.84) | (29.31) | 14.76 | 146.76 |
| (Increase)/decrease in Work in progress | 4.77 | 19.10 | (15.54) | (2.90) |
| (Increase)/decrease in Loans & Advances | (62.00) | (94.31) | 20.64 | 91.38 |
| Increase/(decrease) in Current Liabilities and provisions | 74.03 | 16.95 | 28.98 | 2.37 |
| **Cash generated from operations** | 170.07 | 247.29 | 292.46 | 501.60 |
| Direct taxes (paid) / refund received | (10.77) | 12.25 | (38.86) | (29.73) |
| **Net cash from operating activities(A)** | **159.30** | **259.54** | **253.60** | **471.87** |
| **B. Cash flow from investing activities:** | | | | |
| Purchase of fixed assets | (155.77) | (81.46) | (81.18) | (364.20) |
| Sale of fixed assets | - | 1.17 | 8.91 | 9.29 |
| Capitalisation of software product costs | - | - | (88.45) | (104.98) |
| Other income | - | - | 1.25 | 1.20 |
| Dividend received | - | - | - | 0.57 |
| Interest received | | 0.60 | - | 0.39 |
| Investments purchased | (262.38) | (302.26) | - | (286.32) |
| Sale of investments | 227.68 | 281.81 | - | 262.44 |
| Investment in subsidiary companies | (0.50) | (0.50) | - | - |
| Loan given to subsidiaries | (72.08) | - | - | - |
| **Net cash used in investing activities(B)** | **(263.05)** | **(100.64)** | **(159.47)** | **(481.61)** |
| **C. Cash flow from financing activities:** | | | | |
| Proceeds from issue of shares ( includes share application money) | 100.93 | - | 164.45 | 2.62 |
| Refund of share application money | - | (17.28) | - | - |
| Proceeds from long-term borrowings | - | - | - | 16.06 |
| Repayment of long-term borrowings | - | (134.39) | (194.20) | - |
| Proceeds from issue of Debentures | - | - | - | - |
| Increase/ (decrease) in Working capital loans | 112.06 | (128.82) | 109.80 | 23.29 |
| Redemption of Debentures | - | (0.02) | (0.40) | (3.06) |
| Interest paid | (3.60) | (11.92) | (42.01) | (34.23) |
| Dividends paid (inclusive of dividend tax) | (42.76) | - | - | (55.27) |
| **Net cash from / (used in) financing activities(C)** | **166.63** | **(292.43)** | **37.64** | **(50.59)** |
| **Net increase/(decrease) in cash and cash equivalents (A+B+C)** | **62.88** | **(133.53)** | **131.77** | **(60.33)** |
| **Cash and Bank balances at the beginning of the year/ period** | **26.82** | **160.35** | **28.58** | **88.91** |
| **Cash and Bank Balances at the end of the year/ period** | **89.70** | **26.82** | **160.35** | **28.58** |

Management Discussion And Analysis Of Financial Condition And Results Of The Operations (As Per Indian GAAP – Restated)

## 1. Overview

Headquartered in Bangalore, India, Sasken is a global telecom software solutions provider offering a unique combination of complementary IP software components, research and development consultancy as well as software services to many of the leading semiconductor manufacturers, network equipment companies, and global wireless handset developers. Established in 1989, Sasken employs over 2000 people, operating from a state of the art research and development center in Bangalore, India with offices in Canada, China, Germany, Japan, Sweden, UK and US.

Sasken is an embedded telecom solutions company that helps businesses across the telecom value chain accelerate product development life cycles. Sasken helps customers' speed product development through a unique combination of ready-to-use technology blocks and services. Sasken works with terminal device manufacturers, network equipment manufacturers, semiconductor vendors and network operators to help them get to market ahead of the competition and stay focused on new product development and manufacturing.

### Significant developments subsequent to last financial year

1. Nortel Networks Mauritius Limited has invested in Sasken for a minority stake.
2. Nokia Growth Partners has invested in Sasken for a minority stake.
3. MVC VI FVCI Limited has invested in Sasken for a minority stake.

### Factors that may affect operations

The R&D outsourcing services and software industry demands that vendors are able to perform critical, technology intensive activities on behalf of their customers with consistent quality and significant cost benefits. The management of the Company believes that this industry being relatively undeveloped, is likely to see significant growth in the coming years and that the Company, being a pioneer in this field, would be able to benefit from this trend. The Company's capability to attract, recruit and rapidly train human resources while ensuring that employment costs are controlled will be critical in order to participate in this trend. The availability of talented manpower pool in the country, the English language skills of the manpower pool and a growing domestic market for telecom services is likely to positively impact the Company's business. On the other hand, since the Company's business is solely focused on the telecom vertical, any global slowdown in the telecommunication segment could negatively impact demand for our services and products. Further, since a significant proportion of the Company's revenues are derived from exports, any fluctuations in the value of the Indian Rupee against global currencies may affect the Company's profitability.

### Our track record

The Company's total revenue has grown from Rs. 1,071.60 million during the year ended March 31, 2002 to Rs. 1,551.18 million for the nine-month period ended December 31, 2004.

### Revenue

Segmental Revenue (Rs. in million)

| Revenue | Year Ended March 31, 2002 | Year Ended March 31, 2003 | Year Ended March 31, 2004 | Nine Months Ended December 31, 2004 |
|---|---|---|---|---|
| | | | | |
| Software Services | 673.43 | 654.09 | 1,237.84 | 1,317.03 |
| Software Products | 398.17 | 439.73 | 423.46 | 234.15 |
| | | | | |
| TOTAL | 1,071.60 | 1,093.82 | 1,661.30 | 1,551.18 |
| | | | | |
| Software Services in % | 62.84% | 59.80% | 74.51% | 84.91% |
| Software Products in % | 37.16% | 40.20% | 25.49% | 15.09% |

Service revenues have grown consistently over the last 3 years and nine months, where as product revenue has declined during the same period as a percentage of revenue. The slowdown in the global telecom sector led to slowdown of investments by telecom vendors in newer technologies such as 3G. This resulted in a reduced demand for our products. This led to a conscious effort on growing the services business to bring greater stability to the overall revenue base of the Company. The proportion of the services business has grown during the period from 62.84% of revenue during the year ended March 31, 2002 to 84.91% of revenue during the nine months ended December 31, 2004. However, the revenues from products declined from 37.16% to 15.09% during the same period.

Revenue Model (Rs. in million)

| Revenue | Year Ended March 31, 2002 Rs. in million | Year Ended March 31, 2002 % | Year Ended March 31, 2003 Rs. in million | Year Ended March 31, 2003 % | Year Ended March 31, 2004 Rs. in million | Year Ended March 31, 2004 % | Nine Months Ended December 31, 2004 Rs. in million | Nine Months Ended December 31, 2004 % |
|---|---|---|---|---|---|---|---|---|
| Software Services | | | | | | | | |
| - Time & Material Onsite | 209.33 | 31.08% | 248.67 | 38.01% | 354.55 | 28.64% | 356.27 | 27.05% |
| - Time & Material Offshore | 388.17 | 57.64% | 278.94 | 42.65% | 698.29 | 56.41% | 852.34 | 64.72% |
| - Fixed Price | 75.93 | 11.28% | 126.48 | 19.34% | 185.00 | 14.95% | 108.42 | 8.23% |
| Total – Software Services | 673.43 | 100.00% | 654.09 | 100.00% | 1237.84 | 100.00% | 1317.03 | 100.00% |
| | | | | | | | | |
| Software Products | | | | | | | | |
| - License fees | 336.01 | 84.39% | 345.96 | 78.68% | 279.33 | 65.96% | 83.82 | 35.80% |
| - Royalties | - | - | - | - | 9.46 | 2.23% | 24.46 | 10.45% |
| - Development and Customization fees | 62.16 | 15.61% | 93.77 | 21.32% | 134.67 | 31.81% | 125.87 | 53.75% |
| Total – Software Products | 398.17 | 100.00% | 439.73 | 100.00% | 423.46 | 100.00% | 234.15 | 100.00% |
| | | | | | | | | |
| TOTAL – REVENUE | 1071.60 | | 1093.82 | | 1,661.30 | | 1551.18 | |

The offshore model generates the highest revenue under the services model, it contributed 57.64% of services revenue during the year ended March 31, 2002 and further increased to 64.72% of the services revenue during the nine months ended December 31, 2004, while the license fees generated the highest revenues to the products revenue at 84.39% for the year ended March 31, 2002, the drop in licensing revenues in the current year is due to a shift in the company's strategy to focus on royalty based agreements rather than up-front licensing agreements. The Development and Customization fees as a percentage of revenue have increased in the current year primarily due to a drop in licensing fees. The absolute Development and Customization fees are indicators of the total Customer specific effort expended, irrespective of the nature of the deal (licensing or royalty).

The revenue earned from the various geography is as stated:

Geography Wise Revenue (Rs. in million)

| Revenue | Year Ended March 31, 2002 | Year Ended March 31, 2003 | Year Ended March 31, 2004 | Nine Months Ended December 31, 2004 |
|---|---|---|---|---|
| | | | | |
| North America (including Canada) | 486.61 | 468.82 | 641.39 | 468.51 |
| Europe | 162.50 | 239.41 | 579.93 | 833.74 |
| India | 58.88 | 101.31 | 150.12 | 115.91 |
| APAC (excluding India) | 363.61 | 284.28 | 289.86 | 133.02 |
| TOTAL | 1,071.60 | 1,093.82 | 1,661.30 | 1,551.18 |

North America's (including Canada) contribution to the total revenue has declined from 45.41% in 2002 to 30.20% in December 2004. In absolute amount North America (including Canada) has seen an increase in revenues from March 31, 2002 to March 31, 2004 and the revenue for the nine months ended December 31, 2004 was Rs. 468.51 million. The contribution of Europe has increased significantly from 15.16% of total revenues during the year ended March 31, 2002 to 53.75% during the nine months ended December 2004.

Revenue from Asia Pacific (excluding India) has declined from 33.93% of total revenues during the year ended March 31, 2002 to 8.58% during the nine months ended December 31, 2004. Revenue from India has remained steady at 5.49 % during the year ended March 31, 2002, 9.26 % during the year ended March 31, 2003, 9.04 % during the year ended March 31, 2004 and 7.47 % during the nine months ended December 31, 2004.

Customer Concentration (Rs. in million)

| Revenue | Year Ended March 31, 2002 | Year Ended March 31, 2003 | Year Ended March 31, 2004 | Nine Months Ended December 31, 2004 |
|---|---|---|---|---|
| Single largest customer contribution to revenues | 241.61 | 276.83 | 453.12 | 463.10 |
| Top 5 customer contribution to revenues | 603.11 | 551.60 | 944.90 | 1,182.13 |
| Top 10 customer contribution to revenues | 813.10 | 753.35 | 1,194.80 | 1,332.78 |
| Contribution % of Top 10 customers to Overall Revenue | 75.88% | 68.87% | 71.92% | 85.92% |

Note: Single largest, Top 5 or Top 10 client contribution is based on the sales from customers during the years/period.

The Company has been able to increase its business with its top 10 customers over the period except during the year ended March 31, 2003. The percentage of contribution of the top 10 customers to total revenue has been 75.88%, 68.87%, 71.92% and 85.92 % for the year ended March 31, 2002, March 31, 2003, March 31, 2004 and the nine months ended December 31, 2004, respectively. The contribution from the top 5 customers has been 56.28%, 50.43%, 56.88% and 76.21 % for the year ended March 31, 2002, March 31, 2003, March 31, 2004 and the nine months ended December 31, 2004, respectively.

Customer Profile

| Revenue | March 31, 2002 | March 31, 2003 | March 31, 2004 | December 31, 2004 |
|---|---|---|---|---|
| Number of less than US $ 1 million Customers | 29 | 41 | 50 | 44 |
| Number of more than US $ 1 million but less than US $ 3 million Customers | 6 | 5 | 5 | 4 |
| Number of more than US $ 3 million but less than US $ 10 million Customers | 1 | 1 | 2 | 2 |
| Number of more than US $ 10 million Customer | - | - | - | 1 |
| Total Number of Customers | 36 | 47 | 57 | 51 |

Note: The numbers of customers in the above categories are based on the sales of the trailing 12 months and the sales are based on the actual billings in foreign currency.

The number of Customers increased from 36 in the year ended March 31, 2002 to 47 in the year ended March 31, 2003 and further to 57 year ended March 31, 2004. However, the number of Customers reduced to 51 in the trailing 12-month ended December 31, 2004. The reduction was primarily on account of transactional Customers but the company retained its key Customers as seen by the growth of revenues from customers of more than US $ 3 million but less than US $ 10 million. The number of customers generating revenues in excess of US $ 3 million but less than US $ 10 million was 2 during the year ended March 31, 2004 as well as during the trailing 12 month ended December 31, 2004. For the first time the revenues from a single customer exceeded US $ 10 million during the trailing 12 month ended December 31, 2004.

**Comparison of the financials for the nine months ended December 31, 2004 with financials for the full year ended March 31, 2004**

**Income**

The total revenue of the Company during the nine months ended December 31, 2004 was Rs. 1,551.18 million as against Rs. 1,661.30 million for the year ended March 31, 2004. There was an increase in the contribution of the services revenue towards the growth. The services revenue was Rs. 1,317.03 million for the nine-month period ended December 31, 2004 as compared to Rs. 1,237.84 million for the year ended March 31, 2004 where as the products revenue was Rs. 234.15 for the nine months ended December 31, 2004 compared to Rs. 423.46 million during the year ended March 31, 2004.

**Other Income, net**

The total income including other income was Rs. 1,557.43 million during the nine-month ended December 31, 2004 as compared to Rs. 1,682.60 million for the year ended March 31, 2004. The percentage of other income to total income was 0.40 % and 1.27 % for the nine months ended December 31, 2004 and year ended March 31, 2004, respectively. Other income included interest income on bank deposits and net gain on sale of investments.

**Total Expenditure**

The total expenditure for the nine months ended December 31, 2004 was Rs. 1,466.55 million as against Rs. 1,514.56 million for the year ended March 31, 2004. The largest component in the total expenditure was employee costs. The employee costs incurred during the nine months ended December 31, 2004 was Rs 962.27 million as compared to Rs. 976.52 for the year ended March 31, 2004. The percentage of employee costs compared to total expenditure was 65.61% during the nine months ended December 31, 2004 as against 64.48% during the year ended March 31, 2004.

The other major components in the total expenditure were other operational expenses, which are incurred directly towards generating revenue. The other operational expenses incurred during the nine months ended December 31, 2004 was Rs. 217.25 million as compared to Rs. 159.27 million incurred during the year ended March 31, 2004. The percentage of other operational expenses to total expenditure was 14.81% during the nine months ended December 31, 2004 as against 10.52% for the year ended March 31, 2004. The increase in the other operational expenses was primarily on account of procuring software licenses and the rent towards leasing out facilities to accommodate the increase in manpower.

**EBITDA**

EBITDA was Rs. 205.11 million (13.17% of total income) for the nine months ended December 31, 2004 as against Rs. 342.50 million (20.36% of total income) for the year ended March 31, 2004. The drop in EBITDA was on account of the increase in the other operational expenses during the nine-month ended December 31, 2004.

**Depreciation**

The depreciation incurred during the nine months ended December 31, 2004 was Rs. 93.40 million (6.00 % of total income) as compared to Rs. 118.78 million (7.06 % of total income) during the year ended March 31, 2004.

**Income Tax**

The income taxes were 12.40% of net profit before taxes for the nine months ended December 31, 2004 as compared to 14.47% for the year ended March 31, 2004. The taxes were mainly on account of overseas taxes and withholding taxes.

**Net Profit after Taxes**

The net profit after taxes earned was Rs. 79.61 million during the nine months ended December 31, 2004 as against Rs. 143.73 million during the year ended March 31, 2004. The percentage of net profit after taxes as a percent of total income was 5.11% during the nine months ended December 31, 2004 as against 8.54 % during the year ended March 31, 2004.

**Unusual or infrequent events or transactions**

The Company incorporated a Subsidiary named Sasken Network Engineering Limited (SNEL) during the year ended December 31, 2004. SNEL acquired the assets and a customer contract from Blue Broad Band Technologies Limited. The primary business activities of SNEL are installation and commissioning of cellular networks.

**Comparison of financial year ended March 31, 2004 with financial year ended March 31, 2003**

**Income**

The revenues registered a growth of 51.88% during the year ended March 31, 2004 over its previous year. The revenues increased to Rs. 1,661.30 million during the year ended March 31, 2004 from Rs. 1,093.82 million during the year ended March 31, 2003. The increase was predominantly due to the increase in the services revenue, which recorded a growth of 89.25% to Rs. 1,237.84 million during the year ended March 31, 2004 from Rs. 654.09 million during the year ended March 31, 2003. The business growth was contributed by the growth in revenue of the top 10 Customers.

**Other Income, net**

The other income during the year ended March 31, 2004 was Rs. 21.30 million (1.27 % of total income) as compared to Rs. 1.35 million (0.12 % of total income) during the year ended March 31, 2003. Other income included dividends on investments in mutual fund units, gains from the hedging activities and the gain on restatement of balance of debtors outstanding in foreign currencies.

**Total Expenditure**

The total expenditure incurred during the year ended March 31, 2004 was Rs. 1,514.56 million as compared to Rs. 1,184.93 million incurred during the year ended March 31, 2003. The increase in the expenditure was largely due to increase in the headcount; there were 1,438 employees as of March 31, 2004 as against 962 employees as of March 31, 2003. The employment costs increased to Rs. 976.52 million for the year ended March 31, 2004 as against Rs. 672.86 million during the year ended March 31, 2003. The employment costs as a percentage of total expenditure increased to 64.48% during the year ended March 31, 2004 from 56.78% during the year ended March 31, 2003.

The other operational expenses incurred during the year ended March 31, 2004 was Rs. 159.27 million as compared to Rs. 144.45 million during the year ended March 31, 2003. The percentage of other operational expenses to total expenditure was 10.52% for the year ended March 31, 2004 as against 12.19% during the year ended March 31, 2003. The administrative and marketing expenses as a percentage of total expenditure increased to 11.88% during the year ended March 31, 2004 as against 11.41% during the year ended March 31, 2003. The marginal increase in administrative and marketing expenses was as a result of increase in agency commission and professional charges in overseas offices. However, these increase were offset to an extent by lower expenses incurred on rent and travel.

**EBITDA**

The EBITDA was Rs. 342.50 million during the year ended March 31, 2004 as compared to Rs. 231.03 million earned for the year ended March 31, 2003. The percentage of EBITDA to total income was 20.36% for the year ended March 31, 2004 as against 21.10% for the previous year. The EBITDA was lower during the year ended March 31, 2004 as a result of increase in the employment costs

**Interest**

There was savings on interest costs during the year ended March 31, 2004 as the term loan was fully repaid and a reduction in utilization of the packing credit limits during the year. The interest costs reduced to Rs. 7.98 million during the year ended March 31, 2004 from Rs. 36.22 million incurred during the year ended March 31, 2003.

**Depreciation**

The depreciation costs incurred during the year ended March 31, 2004 was Rs. 118.78 million as compared to Rs. 125.79 million incurred during the year ended March 31, 2003. The depreciation cost reduced to 7.06% of total income during the year ended March 31, 2004 from 11.49% of total income during the year ended March 31, 2003.

**Income Tax**
The income taxes were Rs. 24.31 million during the year ended March 31, 2004 as compared to Rs. 31.24 million during the year ended March 31, 2003. The income taxes were mainly on account of taxes withheld and foreign taxes on the overseas branch offices.

**Net Profit after Taxes**
The net profit after taxes was Rs. 143.73 million during the year ended March 31, 2004 compared to a loss of Rs. 121.00 million during the year ended March 31, 2003. The percentage of net profit after taxes as compared to total income was 8.54% during the year ended March 31, 2004 as against a negative return of 11.05% during the previous year.

**Unusual or infrequent events or transactions**

1. The company formed a subsidiary named Sasken Network Systems Limited during the year ended March 31, 2004. SNS is engaged in the business of consultative engineering services focused on telecom operation systems.

2. During the year ended March 31, 2004, the company entered into an agreement for services rendered to one of its Customers. The Customer has agreed to settle the consideration by transferring certain software programs and annual maintenance services amounting to Rs. 15.71 million. The company has considered this transaction to be a non-monetary exchange.

3. A provision of Rs 32.10 million has been created during the year ended March 31, 2003 towards diminution in the value of long-term investment. Of the amount provided during the year ended March 31, 2003 Rs 15.50 million has been created towards diminution in the value of long-term investment in 2Wire Incorporated, an unlisted company incorporated in the USA. An amount of Rs. 16.60 million has been provided towards diminution in the value of long-term investment in Prime Tele Systems Limited, during the year ended March 31, 2003.

**Comparison of financial year ended March 31, 2003 with financial year ended March 31, 2002**

**Income**
The revenues registered a growth of 2.07% during the year ended March 31, 2003. The revenue earned during the year ended March 31, 2003 was Rs. 1,093.82 million as against Rs. 1,071.60 million during the year endedMarch 31, 2002. The products revenue increased from 37.16 % during the year ended March 31, 2002 to 40.20% as a percent of total revenue during the year ended March 31, 2003. The Customer base increased from 36 during the year ended March 31, 2002 to 47 during the year ended March 31, 2003. The revenues from the top 10 Customers dropped to 68.87% during the year ended March 31, 2003 from 75.88% during the year ended March 31, 2002. Though the revenue from the top Customer increased to 25.31 % during the year ended March 31, 2003 from 22.55 % during the year ended March 31, 2002.

**Other Income, net**
The other income during the year ended March 31, 2003 was Rs. 1.35 million (0.12% of total income) as compared to Rs. 29.57 million (2.69% of total income) during the year ended March 31, 2002. Other income included accrued income of Rs. 5.70 million on account of contractual charges receivable on contract closure during the year ended March 31, 2002. The other income for the year ended March 31, 2002 included Rs. 18.87 million from exchange gain on foreign currency transactions.

**Total Expenditure**
The total expenditure incurred during the year ended March 31, 2003 was Rs. 1,184.93 million as compared to Rs. 1,115.35 million incurred during the year ended March 31, 2002. The total expenditure as a percent of total income was 108.20% during the year ended March 31, 2003 as against 101.29% during the year ended March 31, 2002.

The employment costs increased to Rs. 672.86 million for the year ended March 31, 2003 from Rs. 590.52 million during the year ended March 31, 2002. The employment costs as a percentage of total expenditure increased to 56.78% during the year ended March 31, 2003 from 52.94% during the year ended March 31, 2002. The increase was largely on account of the increase in the employment costs on the sales and marketing team.

The other operational expenses incurred during the year ended March 31, 2003 was Rs. 144.45 million as compared to Rs. 197.87 million during the year ended March 31, 2002. The other operational expenses as a percent of total expenditure reduced to 12.19% for the year ended March 31, 2003 as against 17.74% during the year ended March 31, 2002. The administrative and marketing expenses decreased to 11.41% during the year ended March 31, 2003 as against 14.60% during the year ended March 31, 2002. The decrease in administrative and marketing expenses was due to reduction in professional and legal expenses on patents filed, reduction in the rent, as the own premise was fully functional during March 31, 2003. Administrative and marketing expenses for the year ended March 31, 2002 included Rs. 13.50 million for anticipated losses for commitments given by the company towards a joint venture.

**EBITDA**

The EBITDA was Rs. 231.03 million for the year ended March 31, 2003 as compared to Rs. 257.77 million earned during the year ended March 31, 2002. The percentage of EBITDA to total income was 21.10% for the year ended March 31, 2003 as against 23.41% for the previous year. The decrease in margin during the year ended March 31, 2003 was due to the expenses on account of provision for doubtful debts provided during the year ended March 31, 2003 and correspondingly the other income during the year ended March 31, 2002 was higher as a result of exchange gain which resulted in a better EBITDA.

**Interest**

The interest costs reduced to Rs. 36.22 million during the year ended March 31, 2003 from Rs. 43.96 million incurred during the year ended March 31, 2002. The interest costs represented 3.31% of total income during the year ended March 31, 2003 as against 3.99% of total income during the year ended March 31, 2002. There was a decrease in interest expense of term loan but was offset by an increase in the interest towards working capital loans. The demand loan was converted into a foreign currency loan at a much lower interest rate towards the end of the year ended March 31, 2003.

**Depreciation**

The depreciation incurred during the year ended March 31, 2003 was Rs. 125.79 million as compared to Rs. 179.05 million incurred during the year ended March 31, 2002. The reduction during the year ended March 31, 2003 was largely due to reduction of depreciation on generic software. The depreciation as percentage of total income reduced to 11.49% during the year ended March 31, 2003 as against 16.26% during the year ended March 31, 2002

**Income Tax**

The income taxes provided during the year ended March 31, 2003 was Rs. 31.24 million as against Rs. 40.16 million for the year ended March 31, 2002. The income tax as percentage of total income was 2.85 % during the year ended March 31, 2003 as against 3.65% during the year ended March 31, 2002.

**Net Profit after Taxes**

The net loss after taxes increased to Rs. 121.00 million during the year ended March 31, 2003 as against a net loss of Rs. 54.34 million during the year ended March 31, 2002. The net loss as a percent of total income was 11.05% during the year ended March 31, 2003 as against a net loss of 4.93% during the year ended March 31, 2002. The increased loss was on account of the diminution in the long-term investments and amortization of capitalized software development.

**Unusual or infrequent events or transactions**

1. A provision of Rs 32.10 million and Rs 7.40 million has been created during the year ended March 31, 2003 and during the year ended March 31, 2002 respectively, towards diminution in the value of investments. Of the amount provided during the year ended March 31, 2003, Rs 15.50 million has been created towards diminution in the value of long-term investment in 2Wire Incorporated, an unlisted company incorporated in the USA. An amount of Rs. 16.60 million and Rs 7.40 million has been provided towards diminution in the value of long term investment in Prime Tele Systems Limited, during the year ended March 31, 2003 and during the year ended March 31, 2002 respectively.

2. During the year ended March 31, 2003, the Company entered into an agreement to license its protocol stack to one of its Customer for a sum of Rs. 27.90 million. Simultaneously, the company entered into an agreement to purchase software at a value of Rs. 27.90 million. The company considers this transaction to be an exchange of software products to enable testing of products at both the company and Customer's locations. For financial reporting purpose, the company has netted off the two transactions in its books of accounts.
3. Administrative and marketing expenses for the year ended March 31, 2002, included Rs. 13.50 million for anticipated losses for commitments given by the company towards a joint venture.

**Cash Flow**

| | For the Nine months ended December 31, 2004 | For the Year ended March 31, 2004 | For the Year ended March 31, 2003 | For the Year ended March 31, 2002 |
|---|---|---|---|---|
| Net Cash from/(Used in) Operating Activities | 159.30 | 259.54 | 253.60 | 471.87 |
| Net Cash from/(Used in) Investing Activities | (263.05) | (100.64) | (159.47) | (481.61) |
| Net Cash from/(Used in) Financing Activities | 166.63 | (292.43) | 37.64 | (50.59) |
| Net Increase/(Decrease) in Cash and Cash Equivalents | 62.88 | (133.53) | 131.77 | (60.33) |

**For the nine months ended December 31, 2004**
The net cash from operating activities was Rs. 159.30 million, largely on account of net profit before taxes and non-cash charges. The net cash used in investing activities was Rs.263.05 million primarily on account of purchases of fixed assets amounting to Rs. 155.77 million and a further investment in mutual funds amounting to Rs. 34.70 million net of sales of investment. There was also an outflow on loans made to subsidiaries amounting to Rs 72.08 million. The net cash from financing activities was Rs. 166.63 million as a result of issuance of shares (including share application money) amounting to Rs. 100.93 million and an increase in the utilization of the working capital amounting to Rs. 112.06 million. Overall there was an increase in the cash during the period by Rs. 62.88 million.

**For the financial year ended March 31, 2004**
The net cash from operating activities was Rs. 259.54 million, largely on account of net profit before taxes amounting to Rs. 168.04 million. The net cash used in investing activities was Rs.100.64 million primarily on account of purchases of fixed assets amounting to Rs. 81.46 million and a further investment in mutual funds amounting to Rs. 20.45 million. The net cash used in financing activities was Rs. 292.43 million as a result of repayment of the term loan amounting to Rs. 134.39 million and decrease in utilization of the working capital amounting to Rs. 128.82 million. Overall there was a decrease in the cash during the year by Rs. 133.53 million.

**For the financial year ended March 31, 2003**
The net cash from operating activities was Rs. 253.60 million, largely on account of non-cash charge of depreciation and other non-cash write backs. The net cash used in investing activities was Rs.159.47 million primarily on account of purchases of fixed assets amounting to Rs. 81.18 million. The net cash from financing activities was Rs. 37.64 million as a result of Rs. 164.45 million proceeds from the issue of share capital (including share application money). The term loan was extinguished to the extent of Rs. 194.20 million. There was also an increase in utilization of the working capital loans amounting to Rs. 109.80 million. Overall there was an increase in the cash during the year by Rs. 131.77 million.

**For the financial year ended March 31, 2002**
The net cash from operating activities was Rs. 471.87 million, largely on account of non-cash charge of depreciation and other non-cash write backs. The net cash used in investing activities was Rs.481.61 million primarily on account of purchases of fixed assets amounting to Rs. 364.20 million. The fixed asset expenditure was largely on the new building amounting to Rs. 328.87 million. The net cash used in financing activities was Rs. 50.59 million as a result of payment of dividends and interest. Overall there was a decrease in the cash during the year by Rs. 60.33 million.

## SECTION VI: LEGAL AND OTHER INFORMATION

### Outstanding Litigation and Defaults

Except as stated in this Draft Red Herring Prospectus, there is no outstanding or pending litigation, suit, criminal or civil prosecution, proceeding initiated for offence (irrespective of whether specified in paragraph (I) of Part 1 of Schedule XIII of the Companies Act) or litigation for tax liabilities against the Company, its Subsidiary, Promoters, Promoter Ggoup of companies or Directors and there are no defaults, non payment or overdues of statutory dues, institutional or bank dues or dues towards holders of debentures, bonds and fixed deposits and arrears of preference shares, other than unclaimed liabilities of the Company or its Subsidiaries and no disciplinary action has been taken by SEBI or any stock exchanges against the Company, its Subsidiaries, Promoters, Group Companies or Directors.

### Cases involving our Company (including branch offices) and our Subsidiaries

### Civil suits

(i) A suit (O.S. No. 1944 of 2001) was instituted around September 2001 in the Delhi High Court by Mr. Ajay Satsangi (former director of PTL) against PTL, Mr. Satish Mehta and Mr. Ajit Sarin (both directors of PTL) alleging that he was illegally removed as director of PTL in violation of the Shareholder cum Subscription Agreement dated February 28, 2001, and further that Mr. Satish Mehta and Mr. Ajit Sarin have been improperly diverting the funds of PTL for their own personal gains. The plaintiff has primarily sought a permanent injunction restraining Mr. Satish Mehta and Mr. Ajit Sarin, the persons authorized to operate PTL's bank accounts, from operating the bank accounts and assets of PTL. Sasken, Citicorp and others have been arrayed as parties but no reliefs are sought qua them in this suit. The Investors, including Sasken, have not filed any pleading in this suit till date, as they are pursuing their remedies under the Arbitration clause of the Subscription cum Shareholders Agreement dated February 28, 2001. In this suit, PTL has filed an application, being I.A. No. 726 of 2001, under Section 8 of the Arbitration and Conciliation Act, 1996 for referring to arbitration the disputes raised in this suit. The said application of PTL is pending disposal on date. The captioned matter was last listed before the High Court on March 15, 2005 on which date, notice was issued in the matter in an interim application filed by the Plaintiff, being I.A. No.2046 of 2005. In the said application, the Plaintiff has drawn the Court's attention to the fact that Mr. Satish Mehta has made a statement before the Arbitral Tribunal to the effect that he had ceased to be a director of PTL in 2001. The Plaintiff has pointed out in his application that this statement of Mr. Satish Mehta before the Arbitral Tribunal is contrary to the fact that Mr. Satish Mehta has over the last two years, been filing pleadings in the present suit proceedings on behalf of PTL acting as its director. Accordingly, the Plaintiff sought directions from the Court to reject all pleadings filed under the affidavit of Mr. Satish Mehta as PTL's Director. Notice in the aforesaid application was accepted by the Counsel for PTL and Mr. Satish Mehta has been directed to appear in court before the judge on the next date of hearing on July 24, 2005.

(ii) A suit (O.S. No. 2772/2000) has been filed in the court of the Additional City Civil Judge, Bangalore by Mr. Abhishek Saraf against our Company. The plaintiff has sought a permanent injunction restraining Sasken from carrying on the fabrication work of steel while the corporate office building was being constructed next to the property where the plaintiff resides and from carrying on construction work except between 8 a.m. and 5 p.m. on the property bearing No. 407, Amarjyothi Layout, Off Koramangala Ring Road, Koramangala, Bangalore 560 071 on the grounds that these activities are causing noise and air pollution, inconvenience and nuisance to the people residing in the surrounding area. The next date of hearing is scheduled on July 14, 2005 for the plaintiff to commence his evidence.

(iii) A suit (O.S.1648/2003) has been filed in the Court of the City Civil Judge, at Banaglore by Sasken against Dr. M. Shantakumar, Mr. C. Somashekhar and others, seeking for a permanent injunction to restrain the defendants from interfering with the possession of property situated at Survey No. 73, Domlur Village, Kasaba Hobli, Bangalore North Taluk, Bangalore District, measuring 1,44,627.sq ft and for restraining the defendants from executing any sale deed in favour of any person in respect of 4565.26 sq. ft. in survey No. 73. A temporary injunction has been granted in our favor wherein the defendants are restrained from interfering with the our peaceful possession of schedule A, suit property. The next date of hearing in this matter is July 8, 2005.

(iv) A suit (O.S. No. 8652 of 2001) has been filed in the court of the Additional City Civil Judge, Bangalore by Sasken against Printers India being the owner of the property "The Estate" located at Municipal Door No. 121, Dickenson Road, Bangalore. Sasken claims refund of the sum of Rs. 806,500 (representing a principal sum of Rs. 700,000 along with interest at 18% per annum) which Sasken deposited with the defendant as interest free security deposit pursuant to its intention to take on lease the said property. Sasken maintains that it never occupied the property and was therefore entitled for refund of the advance amount. Printers India has filed a written statement in response to this plaint. The case has been posted to May 23, 2005 to commence evidence.

(v) A petition (O.M.P.185 of 2002) has been filed in the Delhi High Court by Sasken against PTL, Mr. Satish Mehta, Mr. Ajit Sarin and one of their private companies (OEPL) under Section 9 of the Arbitration and Conciliation Act, 1996 for protection and preservation of the corpus and assets of PTL (including its balances in bank accounts, movable/immovable and intellectual properties of PTL) pending arbitration proceedings pursuant to the Shareholder-cum-Subscription Agreement dated February 28, 2001. Sasken has alleged that certain representations, warranties and covenants made in the said agreement in respect of PTL by Mr. Satish Mehta and Mr. Ajit Sarin were untrue and specifically that they had not complied with certain obligations under the Agreement. PTL and Mr. Satish Mehta have counter alleged that Sasken has attempted to gain access to the trade secrets of PTL and has therefore not come to the court with clean hands. Pursuant to an order dated May 31, 2002, passed in the matter the Delhi High Court had inter alia frozen the equity account bearing no.0-422262-229 in Citibank, Delhi. However, subsequently, on applications being moved by PTL, the aforesaid order was modified from time to time to allow PTL to make payment of dues to UPFC and to statutory authorities. Subsequently, vide another order dated February 27,2004, orders were passed in the matter directing PTL to move all future applications for release of monies out of the equity account of PTL (frozen by the order dated May 31, 2001) before the Arbitral Tribunal which had been constituted to adjudicate upon the disputes between the parties. An appeal, ( FAO (OS) No. 98/2004) was preferred by PTL against the order dated February 27, 2004, which was disposed off by the Division Bench of the Delhi High Court, vide its order dated May 26, 2004, whereby the High Court transferred the files of OMP No. 185 of 2002 to the Arbitral Tribunal comprised of Mr. Justice R.S. Pathak (Retd.), Mr. Justice M.L. Pendse (Retd.) and Mr. Justice D.R. Dhanuka (Retd.) which was seized of the disputes between the parties. The Arbitral Tribunal, vide its order dated February 1, 2005, has held that it lacks in jurisdiction to deal with OMP No. 185 of 2002 and the applications made therein and has returned the records of OMP 185 of 2002 to the Hon'ble Delhi High Court which, vide its order dated May 26, 2004 in FAO (OS) No. 98 of 2004, had transferred OMP No.185 of 2002 to the Tribunal. The Delhi High Court has received the records of OMP 185 of 2002 and has directed at the hearing of April 5, 2005 that it will issue directions on the OMP 185 of 2002 on May 10, 2005. The next date of hearing is on July 26, 2005.

**Criminal cases**

(i) A criminal case (C.C.No. 27219/2003) has been filed in the court of the 14th Additional Metropolitan Magistrate, Bangalore by Sasken against M/s. Navin Builders, Mr. Deepak L. Rupani (being the general power of attorney holder for Navin Builders) and Mr. L.G. Rupani (proprietor of Navin Builders) under Section 138 of the Negotiable Instruments Act, 1881 for dishonour of the cheques issued by Navin Builders bearing number 924617 dated November 15, 2001 and number 924618 dated November 30, 2001 both drawn on State Bank of India, Indiranagar branch and each for a sum of Rs. 335,200. The court has posted this case to October 10, 2005.

**Income Tax disputes**

(i) For the assessment year 2001-2002, a demand of Rs. 8,898,769 has been made on Sasken by the assessing authorities. Sasken has filed an appeal (No. ITA No 91/AC 12 (2)/CIT (A) III / 2003-04) with the Commissioner of Income-Tax (Appeals) against the assessment order dated November 14, 2003 passed by the Assistant Commissioner of Income-Tax, Bangalore on the grounds that: (i) the interest on margin money and bank guarantee deposits are entitled for exemption under Section 10A as business income and is not to be assessed as "income from other sources".. (ii) profits on domestic turnover upto 25% of the total turnover is also entitled to deduction under S. 10 A of the Income Tax Act, for that assessment year. The Assessing officer has disallowed the same and the benefit has not been provided to Sasken. However, the demand of Rs. 8,898,769 was subsequently revised to

5,092,018 vide order under Section 154 of the Income Tax Act, 1961 dated May 11, 2004. This was done to give effect of the S. 10 A benefit for the remittance received subsequent to the passing of the order. The revised demand has been adjusted by the Assessing Officer against the refund due to the company for the assessment year 2003-04 pursuant to an intimation dated February 13, 2004 under Section 143(1) of the Income Tax Act, 1961. The CIT (Appeals III) has upheld the order passed by the Assessing officer vide order dated December 6, 2004. Sasken has filed an appeal with the ITAT (Income Tax Appellate Tribunal) on February 21,2005. Sasken has provided for Rs. 5,092,018 as a contingent liability in our financial statements as of December 31, 2004.

(ii) A demand of Rs. 654,553 for the assessment year 1999-2000 and Rs. 239,131 for the assessment year 2000-2001, aggregating Rs. 893,684, has been made on Sasken by the Income-Tax Officer for non-deduction of tax under Section 195 of the Income-Tax Act and Article 12 of the Double Tax Avoidance Agreement between India and United States ("India-US DTAA") in relation to payments made by Sasken us to non-residents, which payments allegedly come within the scope of "royalties" for the purpose of Section 9(1)(vi) of the Income-tax Act and Article 12 of the DTAA. Sasken has contested this demand on the grounds that the software imports were in the nature of a sale consideration and not royalty income, and since the non-resident do not have permanent establishment in India, no tax is liable to be deducted at source. Sasken has filed an appeal (Appeal ITA Nos. 61 and 62/B/02) on January 16, 2002 before the Income-tax Appellate Tribunal against the order dated October 31, 2001 passed by the Commissioner of Income-Tax (Appeals)-V, Bangalore. The matter is pending before the ITAT. Sasken has paid Rs. 893,684 in this behalf under protest on July 17, 2001 and the same was debited to the Profit and Loss account.

(iii) For the assessment year 1992-1993, a demand for payment of Rs. 922,850 has been made by the assessing officer on Sasken on the ground that Sasken is not entitled to claim exemption under Section 10-B of the Income-Tax Act pursuant to the shift in location of its 100% export oriented unit from Baroda to Bangalore since the unit in Bangalore cannot be construed as a new unit but an existing unit. Sasken has contended that the unit in Bangalore was formed by investment in new plant and machinery and this did not amount to a reconstruction of existing business. Sasken has paid the demand amount of Rs. 922,850 on July 2, 2002. The Assistant Commissioner of Income-Tax, Bangalore has filed an appeal (I.T.Appeal No. 23/Bang/2004) before the Income-Tax Appellate Tribunal against the order dated October 9, 2003 passed by the Commissioner of Income-tax (Appeals) which has partly allowed the appeal in favor of Sasken. The CIT (Appeals) had upheld the contention of Sasken with respect to entitlement of exemption under S. 10 B of the Income Tax Act for the new unit set up in Bangalore. The appeal filed by the Assistant Commissioner of Income Tax is currently pending before the ITAT. Sasken has paid Rs. 922,820 in this behalf under protest on July 2, 2002 and the same was debited to the Profit and Loss account.

(iv) For the Assessment year 1999-2000 the assessing officer has issued a notice dated December 1, 2004 under Section 148 of the Income Tax Act, for reopening of the assessment. In response to the notice, the company has on December 21, 2004 filed the returns again for the assessment year 1999-2000 and has also sought clarification on the grounds for the reopening of the assessment.

(v) For the assessment year 2001-02 the Commissioner of Income tax has passed an order dated January 25, 2005 under S. 263 of the Income Tax Act, regarding the computation of the deduction under S. 80 HHE for one of the units of the company and the amount is yet to determined by the assessing officer. Sasken has filed an appeal with the ITAT (Income Tax Appellate Tribunal) on March 16, 2005.

(vi) For the assessment year 2003-04, Sasken has received a notice dated October 12, 2004 under S. 143(2) Income Tax Act, seeking for further information to be provided. The company has appeared before Assessing Officer who has specified the information that needs to be provided by the company. Sasken has furnished the information requested on March 4, 2005.

**Non-payment of statutory dues and other defaults**

Sasken has not been in default of payment of statutory dues or any other default, except as stated below:

| FY | Nature of delay | Due Date | Filed on | Delay in days |
|---|---|---|---|---|
| 2004-05 | Form 27 (TDS on sums payable to non-residents) for first quarter | July 15, 2004 | August 31, 2004 | 45 |
| | Form 27 (TDS on sums payable to non-residents) for second quarter | October 15, 2004 | October 18, 2004 | 2 |
| | Professional tax remittance for January 2005 | February 20, 2005 | February 22, 2005 | 1 |
| 2003-04 | Delay in remittance of provident fund liability of Rs. 32,444 | April 15, 2004 | April 30, 2004 | 15 |
| | Delay in remittance of pension fund liability of Rs. 13,570 | April 15, 2004 | April 23, 2004 | 8 |
| | Delay in remittance of pension fund liability of Rs. 22,732 | April 15, 2004 | April 30, 2004 | 15 |
| 2002-03 | Nil | - | - | - |

**Arbitral proceedings**

(i) Arbitration was commenced by Sasken against Prime Telesystems Limited, in September 2001 for recovery of Rs. 23,999,996.30 and which is pending on date before an arbitration panel consisting of Mr. Justice R.S. Pathak, Mr. Justice M.L. Pendse and Mr. Justice D.R.Dhanuka ("Arbitral Tribunal"). One Promoter of PTL, Mr. Ajit Sarin has not appeared before the Tribunal till date, and has not defended the claim despite due service being made to him and the Arbitral proceedings are continuing ex-parte against him. Another Promoter, Mr. Ajay Satsangi has been granted permission by the Arbitral Tribunal not to appear in the arbitration on account of his pending suit (OS No. 1944 of 2001) in the Delhi High Court. PTL has entered appearance once in the arbitral proceedings through its Principle Promoter, Mr. Satish Mehta and has filed applications for inter alia, withdrawal of funds from the bank accounts of PTL frozen by the Delhi High Court in OMP 185 of 2002 and Suit No. 1944 of 2001. Mr. Satish Mehta has filed a defence in the matter on his individual behalf and the Arbitral Tribunal had framed issues and directed the Claimants, including Sasken, to file their Affidavits of Evidence by March 25, 2005 and produce their witnesses at the hearing fixed from April 11,2005 to April 15, 2005. The Claimants through Counsel had sought liberty to file one Affidavit of Evidence of one witness who could be examined on April 11, 2005 and pursuant thereto have filed the affidavit of evidence of Mr. J.K.Basu, Vice President Citibank N.A. The examination and cross examination of Mr. J.K.Basu was conducted before the Tribunal between April 11, 2005 and April 15, 2005 and the cross examination will continue further from August 16, 2005. In the meanwhile the Tribunal has directed other affidavits in support of the claims to be filed on or before July 15, 2005. The claim of Sasken in the arbitration proceedings is Rs. 23,999,996.30 plus interest @ 18% from April 18, 2001, pendentilite and future or in the alternative the Put option amount of Rs. 31,300,420.15 plus interest @ 18% from October 11, 2001, pendentilite and future.

Arbitration was commenced by PTL against Sasken (and Citicorp) on April 14, 2005, when PTL filed its counter claims against Sasken and Citicorp before the Arbitral Tribunal for missappropriation of PTL`s technology. PTL has sought mandatory injunctions against Sasken to prevent Sasken from using the alleged technology that PTL claims Sasken has missappropriated from PTL. Further, PTL has claimed damages amounting to Rs. 5000 million jointly and severally from Sasken and Citicorp for the losses allegedly suffered by PTL on that account. The Statement of claim of PTL is accompanied by an application under Section 17 of the Arbitration and Conciliation Act, 1996 from PTL for interim measures of protection to prevent inter alia, Sasken from commercially exploiting the alleged PTL technology. Sasken has instructed its lawyers to take appropriate action and represent Sasken at the next hearing of the Arbitral Tribunal on June 4, 2005.

(ii) Sasken is the Respondent to an London Court of International Arbitration (Ref 3516) in which it is alleged by 3G.com ("Claimant") that Sasken failed to supply a protocol stacks which conformed with the terms of an agreement between Sasken and the Claimant. The Claimant has claimed, in its statement of case, damages amounting to US$8,750,000 in respect of Sasken's alleged breaches. Sasken has denied the allegations and has counterclaimed a sum of US$ 41,961 plus interest and costs in respect of support services provided by Sasken to the Claimant under the contract, and not paid for by the Claimant. The parties have completed the filing of statements of case and have exchanged primary and supplementary factual and expert witness statements. The tribunal will shortly give further directions for the conduct of the arbitration, including a date for the substantive hearing.

**Potential disputes/claims involving our Company**

(i) A legal notice dated November 11, 2003 has been issued by M/s. Pixtel Communications (India) Private Limited against Mr. Panindra S., Mr. Pramod Rathod and Mr. Balaji B., being its former employees who are presently in the employment of our Company. Pixtel has alleged that by joining the employment of Sasken (allegedly in the same line of business as Pixtel), the above-mentioned persons are in violation of their obligations of confidentiality and non-compete under the confidentiality non-disclosure agreement dated October 18, 2001 entered into by them with Pixo Inc (being an affiliate company of Pixel) and the release certificate dated September 25, 2003. In the legal notice, Pixtel has demanded the abovementioned persons to issue an unconditional affidavit undertaking: (i) not to disclose the proprietary information belonging to Pixtel to any third party, (ii) not to solicit or attempt to solicit any of the employees of Pixtel, and (iii) to adhere to the obligations under the confidentiality agreement and the release certificate. Sasken, though not a named party, has responded vide letter dated November 26, 2003 refuting the allegations that Sasken had been illegally and unilaterally contacting and soliciting Pixtel employees in conjunction with the abovementioned employees and further stating that neither the confidentiality agreement or the release certificate are binding on Sasken. Sasken has denied the receipt or usage of any confidential/proprietary information belonging to Pixtel.

(ii) Our Company received a letter dated July 30, 2002 from European Telecommunications Standards Institute ("ETSI") stating that ETSI have been informed that the Company is distributing for commercial sale the ATS technology which is based on the 3GPP Test Specifications T 34.123.1 owned by the Organizational Partners of the 3GPP and therefore, the intellectual property rights to such ATS technology is vested in 3GPP Organizations Partners. This letter seeks confirmation from Sasken that it is not in infringement of the intellectual property rights above mentioned. Sasken has responded vide letter dated September 27, 2002 confirming that it has not and does not intend distributing for commercial gain the technical specifications of ETSI but is only using such specifications as a reference and utilizing the accepted industry standards laid down by ETSI (which are public documents) in the implementation of the Company's software. Further, our Company denies that it is selling any software developed by or proprietary to ETSI in the implementation of the 3GPP UE Protocol Stack. The Company has not received any further communication from ETSI since the July 30, 2002 letter.

(iii) Our Company has received a letter dated September 20, 2002 from BTexact Technologies setting out the European patents owned by it in relation to GSM and G.723.1 which are essential for conforming to the ETSI GSM standards. BTexact has set out that it has given ETSI an undertaking that it will grant licenses with regard to certain of its patents to the licensees to conform to those ETSI standards. Sasken has responded by way of letter dated April 8, 2003 that to the best of its knowledge it is not in infringement of any of the patents owned by BTexact and has requested for details on the royalty free license granted by BTexact in case of use of the subject matter of the patent by Sasken in future. The Company has not received any further communication from BTexact since the September 20, 2002 letter.

(iv) Our Company has received letters dated March 8, 2004 and April 1, 2004 from the legal counsels of Uecker and Associates ("Uecker"), being the assignee of the properties of Innovics Wireless Inc ("Innovics") for the benefit of creditors of Innovics. Our Company was licensing software to Innovics as per software license agreement dated August 26, 2002 and pursuant to such agreement we have claimed a sum of US$ 685,122.02 towards unpaid invoices which amount has been disputed by

Uecker. Uecker has claimed recovery of the amount of US$50,000 from Sasken on the grounds that this sum was paid to Sasken 90 days prior to the assignment of properties of Innovics in favour of Uecker which sum it is therefore entitled to recover under Section 1800 of the California Code of Civil Procedure. In light of the claims of both parties, Uecker has proposed off-setting the amount of US$50,000 against the amount owed to Sasken (as per Uecker's estimate). Sasken maintains that it is willing to adjust the amount of US$ 50,000 in favour of Uecker provided that Sasken is allowed to increase its original claims to US$ 739,547.91. In letter dated May 12, 2004, Uecker has accepted Sasken's proposal and has offered payment of an aggregate sum of US$ 706,455.28 to Sasken which sum has been agreed to by Sasken.

(v) Our Company has received a notice dated November 22, 2001 from iWave Systems Technologies Private Limited who claim to be the true owners of the trademark "*iWave*" stating that they have been using the above trademark for past innumerable years and have acquired immense reputation and enviable goodwill. Further they have stated that the Sasken by naming its WAP Gateway product as "iWave" is violating, infringing and passing off the Trade Marks and Copyrights of iWave Systems Technologies Private Limited, situated in Bangalore.

(vi) At meetings held in 2003 and 2004, Qualcomm alleged that the Company may have infringed upon the some intellectual property of Qualcomm relating to modem software / protocol stacks. Following the allegation, the Company investigated and determined that there has been no such infringement. However, there has been no written notice on this matter of any kind received from Qualcomm, nor any further action on the allegation.

(vii) Sasken has received a legal notice dated November 11, 2003 from Ms.. Shymala Narayana and Ms.. K.S. Sukanya, wherein it has been stated that pursuant to a contract dated April 20, 2000 for hiring for 60 computer work stations which were installed in our premises, at the rate of Rs. 1,200 for each work station,a total of Rs. 12,24,000 together with a rate of interest of 24% pa is payable. Sasken has replied to the above notice on December 9, 2003 and clarified that they had entered into the contract for hiring of computer work stations solely in connection with the facility situated at Plot. No-8, HAL III State, Corporate Division # 67, Jeevan Bhima Nagar, Bangalore 560 017. Sasken has clarified to them that the rents required were paid as long as the lease was valid and that the computer equipment is not in our posssession. Sasken received an invoice dated December 30, 2003 for Rs. 72,000 for which Sasken responded by its letter dated January 16, 2004.

(viii) A summons under Section 108 of the Customs Act, 1962 was issued by the Superintendent of Customs on February 24, 2005 for giving evidence and / or producing evidence in respect of an enquiry in connection with the imports made by our Company. The enquiry conducted by the Customs Department stated that our company has shifted certain goods from the original bonded premises to their new premises, and that these goods had been imported duty free from the years 1992-2001, by availing the benefit of exemption certain goods had been imported duty free during the years from 1992 and 2001 and that the said goods were not correctly accounted for in the new premises. Based on the findings of the Customs Department an order dated May 11, 2005 was passed by the Commissioner of Customs in relation to our Company. The said order confirmed the demand of a sum of Rs. 80,27,231 and an interest of Rs. 43,05,015 in respect of goods covered under 404 nos,of time expired bonds in terms of the provisiosn of Section 72 of the Customs Act,1962. The order further stated that the confirmation of RS. 43.05.015 paid towards interest is without prejudice to the eventual decisions by the Chief Commissioner of Customs. Further the demand of duty of Rs. 22,97,878 in respect of capital goods covered under 396 nos has been confirmed. The order has also stated that the goods that were liable to be confisticated have not been confisticated as the duty for the same has been paid. Our Company has also been cautioned to exercise greater care in future in the following the prescribed procedures.

(ix) An ex employee of Sasken has through an email threatened to initiate legal action against Sasken in relation to her termination of service. She has claimed that due process was not followed in her case and has alleged bias and prejudice by certain key employees of the company.

(x) The Company has sent a letter to Media Tek Incorporation on January 5, 2005 claiming that the Company has learnt of certain actions that Media Tek had taken that might have exposed the Company's intellectual property rights and confidentiality provisions. Media Tek has by a letter dated

January 11, 2005 responded that they will ensure that they do not release any confidential information without the prior written consent of the Company.

(xi) A show cause notice has been issued to an employee on April 11, 2005, as certain files containing confidential information of a customer, was emailed to his personal account from his official account. The same was identified by our internal Information Security Department.

**Relevant cases in the past involving our Company**

(i) In the matter of Arbitration between Telesoft Inc and Silicon Automation Systems Limited (now known as Sasken), the Arbitral Tribunal consisting of Mr. Justice Jagannatha Shetty, Mr. P.R. Bopanna and Mr. H.A.K. Rao, delivered their award, in favor of Telesoft Inc and have directed Sasken to pay a sum of Rs. 17,55,000.

(ii) The following are the various proceedings that have arisen from the Subscription cum Shareholders Agreement dated February 28, 2001 with PTL and have been disposed. They are :

- OMP 188 of 2002 (Delhi High Court proceeding filed by PTL against Sasken and Citicorp and disposed of vide Order dated March 16, 2005)
- AP 484 of 2001 (Mumbai High Court proceeding filed by Citicorp under Section 9 of the Arbitration Act 1996 that was disposed on jurisdictional grounds)
- Appeal 903 of 2002 (Mumbai High Court appeal filed by Satish Mehta against the order in AP 484 of 2001 for failing to specify the time when interim injunctions against PTL would end)
- FAO (OS) 87 of 2003 (Delhi High Court appeal filed by Citicorp arising from OMP 185 of 2002 and disposed on May 13 2003)
- FAO (OS) 375 of 2003 (Delhi High Court appeal filed by Citicorp arising from OMP 185 of 2002 and disposed on January 12 2004)
- FAO (OS) 377 of 2003 (Delhi High Court appeal filed by Citicorp arising from OMP 185 of 2002 and disposed on January 12 2004)
- FAO (OS) 98 of 2004 (Delhi High Court appeal filed by PTL against the Investors arising from OMP 185 of 2002 impugning order dated May 26 2004 in which PTL was directed to appear before the Arbitral Tribunal)
- SLP 11461 of 2004 (Supreme Court Petition under Article 136 of the Constitution of India filed by PTL against the orders in FAO (OS) 98 of 2004 and that was dismissed vide orders dated July 1, 2004)
- Arb.App.5 of 2003 (Supreme Court Petition under Section 11 of the Arbitration and Conciliation Act, 1996 filed by Sasken, Citicorp and others jointly for appointment of PTL's nominee arbitrator and allowed by SC vide order dated May 21, 2003)
- Arb. App. 58 of 2002 (Delhi HC petition under Section 11 of the Arbitration Act filed by Sasken that was disposed of on account of lack of jurisdiction vide order dated August 6, 2002)

**Cases involving group companies of our Promoters**

The litigation details of all the promoters and the companies coming within the definition of Promoter Group are given below.

1. J.B. Chemicals and Pharmaceuticals Limited ("JBCPL")

**Criminal cases**

(i). Three complaints (No.1946/S/02, 1949/S/02 & 1950/S/02) have been filed in the 7th court of Metropolitan Magistrate,Bhoiwada Court, Dadar by us against M/s Shakti Agencies, Sangli, and its Proprietor Mr.Ranade, under S. 138 of the Negotiable Instruments Act,1881 for the recovery of an amount of Rs. 36,000. The accused party has failed to appear in the court and therefore non bailable warrant have been issued. The next date of hearing is May 3, 2005.

(ii). A complaint (No.840/S/2004) has been filed in the 7th court of the Metropolitan Magistrate, Dadar by us, against M/s Jindal Pharmaceuticals, Sangrur, Punjab, under S. 138 of the Negotiable Instruments

Act,1881, for the recovery of an amount of Rs. 30,000. The summons is yet to be served on the party. The next date of hearing is May 3, 2005.

**Civil Suits**

(i) A winding up petition (No. 398/2004) has been filed in the High Court of Mumbai, by us against National Organic Chemical Industries Limited (NOCIL), for the recovery of an amount of Rs. 89,081. NOCIL has failed to repay the advance amount Rs.89,081, owing to which the winding up petition has been filed. The date of hearing is yet to be fixed. This Petition was filed in the year 2003 (lodging no.813/03) and the final petition number was allotted in the year 2004.

2. Unique Pharmaceutical Laboratories Limited ("UPLL")

**Civil Suits**

(i). A suit (No. 3946/1994) has been filed in the High Court of Mumbai against UPLL by Smith Kline and French (SKF) on the alleged ground of similarity between SKF`s Trademark "FESOVIT" and UPLL's Trademark "FITOVIT". The notice of motion filed by SKF came up for hearing on September 22, 2004 and the request for interim injunction by the plaintiff was rejected. The case has been transferred to the long causes court and the parties to file the affidavit of documents. The Plaintiff has requested for two weeks' time from February 21,2005 to file their Affidavit examination chief.

(ii). A suit (No. 690/1993) has been filed in the High Court of Mumbai against UPLL by MTNL for the recovery of Rs. 3,28,399.70, being the amount outstanding towards the payment of certain bills. The High Court vide its order dated September 10, 2004, has referred the said matter to arbitration. The sole Arbitrator appointed by the Arbitrator appointed by the Central Government has conducted the hearing in this matter. The order of the Arbitrator is awaited in this regard.

(iii). A suit (No.2339/1990) has been filed by UPLL against MTNL claiming certain deductions on account of defective working hot lines and claiming compensation for loss of business on account of non working of hot lines. At the time of filing the suit, UPLL did not make the payment of 7 bills for the period between April 15, 1986 to June 2, 1992 aggregating to Rs. 3,28,399.70. This suit is disposed of vide order of the High Court dated July 28, 2004 referring the matter to the sole Arbitrator to be appointed by Central Government. The sole arbitrator appointed by the Central Govt. has conducted the hearing in this matter. An order is awaited in this regard.

**Cases involving our Directors**

(i). A criminal case (new No. 740/S/2003 and old No.44/S/98) had been filed in the court of the Chief Metropolitan Magistrate by the Inspector Mr. R.K.Mhatre appointed under the Security Guard Board (Regulation of Employment and Welfare) Act, 1981 against Mr.Mr. J.B. Mody, Mr.Mr. D.B. Mody and J.B. Chemicals and Pharmaceuticals Limited (JBCPL), on the ground that the JBCPL, had not obtained registration under the Security Guard Board (Regulation of Employment and Welfare) Act, 1981. The said matter is pending in the Ballard Pier court since 1998. The next date of hearing is June 2, 2005.

**Government Approvals**

On the basis of the indicative list of approvals below, we are permitted to carry on our business activities and no further major approvals are required to be obtained by us from any government authorities/RBI to continue these activities. It must be distinctly understood that, in granting these licenses, the Government of India and/or RBI does not take any responsibility for our financial soundness or for the correctness of any of the statements made or opinions expressed in this behalf.

**Approvals for the Business**

We require various approvals for us to carry on our business in India and overseas.

In India, the approvals obtained relate to (i) 139/25, Corporation Division 72, Domlur Layout, Bangalore-560017; (ii) 135, RMZ Titanium, Airport Road, Bangalore; (iii) No. 690, Goldhill Square, Hosur Main Road, Bommanahalli, Bangalore-560068 and (iv) S.R. Chambers, Plot No. 2/A, S.No. 162, H.No. 4A/5A, D.P. Road, Aundh, Pune.

In relation to our overseas offices, we have obtained the necessary approvals and registrations for conduct of business in the United States of America, United Kingdom, Sweden, Japan, China, Canada and Germany.

**STPI**

Sasken has, since inception, obtained necessary approvals required for: (a) setting up its Export Oriented Unit in April 1990 under the 100% Export Oriented Scheme, (b) for the setting up the STP Unit (in January 1997) as a 100% Export Oriented Unit under the STP Scheme, (c) approvals for extension of the aforementioned STPI permissions to various new premises from time to time, (e) for debonding of certain premises; and (f) approvals for import of capital goods. Some of the major approvals that are still subsisting are detailed below.

We have obtained STPI approval, Private Bonded Warehouse License and In Bond Manufacturing Sanction Order for our facilities in Bangalore and Pune. In addition we have obtained a Green Card for our Bangalore facilities.

**RBI/FIPB**

We have obtained necessary approvals from FIPB and/or RBI from time to time in relation to (i) foreign equity investment into the Company, including issue of bonus shares; (ii) overseas investment by the Company, including closure of wholly owned subsidiaries overseas; and (iii) transfer of shares of the Company between residents and non residents

**Miscellaneous**

We have also obtained necessary approvals and registrations from the tax authorities, labour department, pollution control board, etc. which include:-

(i) Importer-Exporter Code Number under the Foreign Trade Development and Regulation Act, 1992

(ii) Approval from the Karnataka State Pollution Control Board under the Water (Prevention and Control of Pollution) Act, 1974 and Air (Prevention and Control of Pollution) Act, 1981.

(iii) Registration under the Central Sales Tax Act, 1956, Karnataka Sales Tax Act, 1957 and the Bombay Sales Tax Act, 1959

(iv) Permanent Account Number and Tax Deduction Account Number under the Income Tax Act, 1961

(v) Service Tax Registration

(vi) Registration under the Karnataka Tax on Professions, Trades, Callings and Employments Act, 1976 and the Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975.

(vii) Registration under the Karnataka Shops and Commercial Establishments Act, 1961 in relation to our facilities at Bangalore and Pune;

(viii) Registration with the Employees' State Insurance Corporation under the Employees' State Insurance Act, 1948.

(ix) Registration under the Contract Labour (Registration and Abolition) Act, 1970 in relation to our facilities at Bangalore.

**Sasken Network Systems Limited (SNSL)**

STPI

We have obtained STPI approval, Private Bonded Warehouse License and In Bond Manufacturing Sanction Order for facilities located at 4th Floor, Goldhill Square, Hosur Main Road, Bommanahalli, Bangalore-560068;

**Miscellaneous**

(i) Importer-Exporter Code Number under the Foreign Trade Development and Regulation Act, 1992

(ii) Permanent Account Number and Tax Deduction Account Number under the Income Tax Act, 1961

(iii) Registration under the Central Sales Tax Act, 1956 and Karnataka Sales Tax Act, 1957

(iv) Service Tax Registration

(v) Registration under the Karnataka Tax on Professions, Trades, Callings and Employments Act, 1976

(vi) Registration under the Employees Provident Fund & Provisions Act, 1952

(vii) Registration under the Karnataka Shops and Commercial Establishments Act, 1961,

(viii) Registration with the Employees' State Insurance Corporation under the Employees' State Insurance Act, 1948.

**Sasken Network Engineering Limited (SNEL)**

(i) Importer-Exporter Code Number under the Foreign Trade Development and Regulation Act, 1992

(ii) Permanent Account Number and Tax Deduction Account Number under the Income Tax Act, 1961

(iii) Registration under the Karnataka Tax on Professions, Trades, Callings and Employments Act, 1976

(iv) Service Tax Registration

(v) Registration under the Central Sales Tax Act, 1956 and Karnataka Sales Tax Act, 1957

(vi) Registration under the Employees Provident Fund & Provisions Act, 1952

(vii) Registration under the Karnataka Shops and Commercial Establishments Act, 1961,

All the aforesaid approvals obtained by the Company and its Subsidiaries are valid as of the date of this Draft Red Herring Prospectus.

**Material Developments**

Apart from the changes mentioned elsewhere in this Draft Red Herring Prospectus, including in the share capital as mentioned below, which have occurred since the date of the last financial statements disclosed (i.e., December 31, 2004) in this Draft Red Herring Prospectus, the Board of Directors are not aware of any circumstances that materially or adversely affect or are likely to affect the profitability of the Company or the value of its assets or its ability to pay its liabilities within the next twelve months.

1. On April 14, 2005 we issued 3,228,334 Equity Shares aggregating 14.34% of our pre Issue paid up Equity Share capital to Nortel Networks Mauritius Limited for a consideration of Rs. 457.23 million.

2. On April 14, 2005 we allotted 600,000 Equity Shares aggregating 2.67% of our pre-Issue paid up Equity Share capital to Nokia Growth Partners LP, for a consideration of Rs. 133.80 million

3. On April 19, 2005 our Board approved our financial statements for the year ended March 31, 2005.

4. On April 19, 2005 our Board approved the payment of dividend of 30%, (at the rate of Rs.3/- per Equity Share) for year ended March 31, 2005.

5. On April 27, 2005 we allotted 1,800,000 Equity Shares aggregating 8.00% of our pre-Issue paid up Equity Share capital to MVC VI FVCI Limited for a consideration of Rs. 401.40 million.

6. The compensation committee on January 25, 2005 and April 19, 2005 authorized the grant of 45,265 and 302,950 options after December 31, 2004 to eligible employees at a price varying from quarter to quarter in the range of Rs. 184 to Rs. 256 and Rs. 225 to Rs. 321 per stock option respectively. Upon exercise, the holder of each stock option is entitled to one Equity Share.

7. We have entered into a share subscription and shareholders agreement with our largest customer for issuance of Equity Shares. Such Equity Shares were issued at a price lower than the price at which other Equity Shares were issued to other investors during the same period. This customer, in an amendment to the existing master services agreement, has additionally committed to provide us a certain volume of business over a specified period. We may have to provide for a non-cash charge towards such discount to the price of Equity Shares as 'sales discount' in each quarter, proportionate to the volume of business generated by that customer in the respective quarter as maybe required by Indian GAAP.

8. We had commenced business in our Subsidiary, SNSL in November 2003, with two individuals who had certain skills and business relationships that we believe would help scale the business faster. SNSL's revenues for the nine months ended December 31, 2004 was Rs. 108.27 million, which was 6.47% of Sasken's consolidated revenues for the same period. With effect from April 1, 2005, these individuals moved from SNSL to Sasken in different roles. In this regard, we entered into a non-compete arrangement with each of them, restricting them from joining a competitor for a period of one year from the date they leave Sasken or SNSL, whichever is later, in return for an individual compensation of US$563,000. This compensation amount would need to be charged to our profit and loss account in FY05-06 or thereafter as required by Indian GAAP.

## SECTION VII: OTHER REGULATORY AND STATUTORY DISCLOSURES

**Authority for the Issue**

The Issue has been authorized by a special resolution adopted pursuant to Section 81(1A) of the Companies Act*,* at the extraordinary general meeting of the shareholders of our Company held on July 16, 2004. The Board of Directors has pursuant to a resolution dated April 20, 2004 authorized a committee of its Directors referred to as the IPO Committee to take decisions on behalf of the Board in relation to the Issue. The IPO Committee pursuant to its resolution dated May 16, 2005 has approved and authorized this Draft Red Herring Prospectus for Issue.

**Prohibition by SEBI**

Our Company, our Directors, our Promoters, the directors and persons in control of our Promoters, our Subsidiaries, our group companies, other companies promoted by our Promoters and companies with which our Company's Directors are associated as directors have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

**Eligibility for the Issue**

Our Company is eligible for the Issue in accordance with Clause 2.2.1 of the SEBI DIP Guidelines as explained under, with the eligibility criteria calculated in accordance with unconsolidated financial statements under Indian GAAP:

- Our Company has net tangible assets of at least Rs. 30 million in each of the preceding three full years of which not more than 50% is held in monetary assets and is compliant with Clause 2.2.1(a) of the SEBI DIP Guidelines;

- Our Company has a track record of distributable profits in accordance with Section 205 of Companies Act, for at least three of the immediately preceding five years and is compliant with Clause 2.2.1(b) of the SEBI DIP Guidelines;

- Our Company has a net worth of at least Rs. 10 million in each of the three preceding full years and is compliant with Clause 2.2.1(c) of the SEBI DIP Guidelines;

- The aggregate of the proposed Issue size and all previous issues made in the same financial year in terms of size (i.e. offer through the offer document + firm allotment + promoter's contribution through the offer document) is not expected to exceed five times the pre-Issue net worth of our Company as per the audited balance sheet of the last financial year and is compliant with Clause 2.2.1(e) of the SEBI DIP Guidelines.

- There has been no change in the name of our Company in the last one year.

Our net tangible assets, monetary assets, net profits (as restated) and networth (as restated) as derived from the unconsolidated financial statements (Restated), as per Indian GAAP and included in this Draft Red Herring Prospectus under the section titled "Financial Statements", as at, and for the last five years ended March 31, 2004 and the nine months ended December 31, 2004 is set forth below:

*(Rs.in million)*

| | Year ended March 31, 2000 | Year ended March 31, 2001 | Year ended March 31, 2002 | Year ended March 31, 2003 | Year ended March 31, 2004 | Nine months ended December 31, 2004 |
|---|---|---|---|---|---|---|
| **Net tangible assets** | 801.37 | 1,366.31 | 1,253.24 | 1,142.44 | 1,149.59 | 1344.96 |
| **Monetary assets** | 245.28 | 88.91 | 28.58 | 160.35 | 51.77 | 151.21 |
| **Net profit/(losses), as restated** | 165.37 | 343.61 | (54.34) | (121.00) | 143.73 | 79.61 |
| **Networth, as restated** | 797.46 | 1,087.82 | 1,036.31 | 1,081.40 | 1,166.68 | 1352.96 |

*(1) Net tangible assets is defined as the sum of fixed assets (including capital work in progress and capital advances and excluding revaluation reserves), investments, current assets (excluding deferred tax assets) less current liabilities and short term liabilities.*

*(2) Monetary assets include cash on hand and bank balances and investments in mutual funds.*

Further, the Issue is subject to the fulfillment of the following conditions as required by the Securities Contracts (Regulations) Rules, 1957:

- A minimum of 20,00,000 Equity Shares (excluding reservations, firm allotments and promoters contribution) are offered to the public;
- The Issue size, which is the Offer Price multiplied by the number of Equity Shares offered to the public, is a minimum of Rs. 1000 million; and
- The Issue is made through the Book Building Method with allocation of 60% of the Net Offer to the Public to Qualified Institutional Buyers, as defined under DIP Guidelines.

For a complete explanation of the above figures please refer to the section entitled “Financial Statements” beginning on page 139 of this Draft Red Herring Prospectus.

**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, ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER 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, ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED MAY 17, 2005 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:**

**(i) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH**

COLLABORATORS, ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE 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) WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID; AND

(E) WHEN UNDERWRITTEN WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITTERS TO FULFIL THEIR UNDERWRITING COMMITTMENTS

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, ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS."

THE BOOK RUNNING LEAD MANAGER AND US 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 PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH 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, BANGALORE, KARNATAKA, IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT.

**Caution**

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

The BRLM accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into between the BRLM 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 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 not minors, Hindu Undivided Families (HUFs), companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other trust law and who are authorized under their constitution to hold and invest in shares, permitted insurance companies and pension funds and to non-residents including NRIs and FIIs. This Draft 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 Draft 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 Bangalore, 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 Draft Red Herring Prospectus has been submitted to the SEBI. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and this Draft Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Draft Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of our Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

**Accordingly the Equity Shares are not being offered or sold in the United States to "qualified institutional buyers" as defined in Rule 144A under the U.S. Securities Act of 1933 (the "Securities Act"), in reliance on Rule 144A under the Securities Act and outside the United States to certain Persons in offshore transactions in reliance on Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.**

**Disclaimer Clause of BSE**

As required, a copy of this Draft Red Herring Prospectus has been submitted to BSE. BSE has given vide its letter dated •, 2005, permission to this Company to use BSE's name in this Draft Red Herring Prospectus as one of the stock exchanges on which this Company's securities are proposed to be listed. BSE has scrutinized this Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company.

BSE does not in any manner:

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

and it should not for any reason be deemed or construed to mean that this Draft Red Herring Prospectus has been cleared or approved by BSE. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

**Disclaimer Clause of the NSE**

As required, a copy of this Draft Red Herring Prospectus has been submitted to NSE. NSE has given vide its letter dated •, 2005, permission to the Company to use the NSE's name in this Draft Red Herring Prospectus as one of the stock exchanges on which this Company's securities are proposed to be listed, subject to the Company fulfilling the various criteria for listing including the one related to the paid-up capital and market capitalization (i.e. the paid up capital shall not be less than Rs. 100 million and market capitalization shall not be less that Rs. 250 million at the time of listing). The NSE has scrutinized this Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed to mean that this Draft Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that this Company's securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company.

Every person who desires to apply for or otherwise acquires any securities of the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

**Filing**

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 Registrar of Companies, 'E' wing, 2nd floor, Kendriya Sadana, Koramangala, Bangalore 560034. A copy of this Draft Red Herring Prospectus has been filed with the Corporation Finance Department of SEBI at Mittal Court, "B" Wing, First Floor, 224, Nariman Point, Mumbai 400 021.

**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.

If the permissions to deal in and for an official quotation of our Equity Shares are not granted by any of the Stock Exchanges mentioned above, our Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Draft Red Herring Prospectus. If such money is not repaid within 8 days after our Company become liable to repay it, i.e. from the date of refusal or within 70 days from the Bid/Issue Closing Date, whichever is earlier, then the Company, and every Director of the Company who is an officer in default shall, on and from such expiry of 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 Statutory Auditors, Bankers to the Company and Bankers to the Issue; and (b) Book Running Lead Manager to the Issue and Syndicate Members, Escrow Collection Bankers, Registrar to the Issue and Legal Advisors to the Company and Underwriters, to act in their respective capacities, have been obtained and filed along with a copy of the Prospectus with the Registrar of Companies, Karnataka located at Bangalore, as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus for registration with the RoC.

S. R. Batliboi and Company, Chartered Accountants, and our statutory auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Draft Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus for registration with the RoC.

S. R. Batliboi and Company, Chartered Accountants, have given their written consent to the tax benefits accruing to our Company and its members in the form and context in which it appears in this Draft Red Herring Prospectus and has not withdrawn such consent up to the time of delivery of this Draft Red Herring Prospectus for registration with the RoC.

**Expert Opinion**

Except as stated elsewhere in this Draft Red Herring Prospectus, we have not obtained any expert opinions.

**Expenses of the Issue**

The estimated Issue expenses are as under:

| Sl. No. | Expenses incurred | Percentage of total Issue expenses | Percentage of total Issue size |
|---|---|---|---|
| 1. | BRLM | 37.50 | 3.00 |
| 2. | Registrar to the Issue | 12.50 | 1.00 |
| 3. | Advisors (Legal Counsel and Auditors) | 4.38 | 0.35 |
| 4. | Bankers to the Issue | NA | NA |
| 5. | Marketing Costs | 15.62 | 1.25 |
| 6. | Others (Insurance, printing, stamp duty, listing fees, depository fees and other related expenses) | 30.00 | 2.40 |
| | **Total** | **100.00** | **8.00** |

The total expenses of the Issue are estimated to be approximately Rs. 8.80 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 the Company.

**Fees Payable to the BRLM**

The total fees payable to the Book Running Lead Manager will be as per the letter of appointment dated January 31, 2005 with Enam Financial Consultants Private Limited, a copy of which is available for inspection at our corporate office.

**Fees Payable to the Registrar to the Issue**

The fees payable to the Registrar to the Issue will be as per the letter of appointment dated February 7, 2005, issued by our Company, a copy of which is available for inspection at our corporate office.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allotment advice by registered post.

**Underwriting commission, brokerage and selling commission**

The underwriting commission and brokerage for the Issue is set out in the Underwriting Agreement and the Syndicate Agreement.

**Previous Rights and Public Issues**

Our Company has not made any previous rights and public issues except as stated in the section titled "Capital Structure" on page 38 of this Draft Red Herring Prospectus.

**Previous issues of shares otherwise than for cash**

Our Company has not made any previous issues of shares otherwise than for cash, except as stated in the section titled "Capital Structure" beginning on page 38 of this Draft Red Herring Prospectus.

**Commission and Brokerage on Previous Issues**

No sum has been paid or is payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of our Equity Shares since our inception.

**Companies Under the Same Management**

The following companies have been declared to be under the same management within the meaning of section 370(1)(B) of the Companies Act:

1. SNSL

2. SNEL

For more details, please refer to the section titled "Financial and other Information of Group Companies" beginning on page 230 of this Draft Red Herring Prospectus.

**Promise vis-à-vis performance**

*Issuer*

Our Company has not made any public issues.

*Listed ventures of Promoters*

None in the last five years

**Outstanding Debentures or Bond Issues or Preference Shares**

Our Company has no outstanding debentures or bond issues.

**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.

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 appointed a Share Transfers and Investor Grievance Committee on February 1, 2001 chaired by Professor J. Ramachandran with Mr. Rajiv Mody and Dr. G. Venkatesh as members. We have also appointed Mr. B. Ramkumar as the Compliance Officer for this Issue.

Similar mechanisms have been evolved for the listed companies under the same management within the meaning of Section 370(1)(B). For more details please refer to the section titled "Financial and other information for our Group Companies" beginning on page 230 of this Draft Red Herring Prospectus.

**Change in Statutory Auditors**

The auditors of our Company are appointed (and reappointed) in accordance with provisions of the Companies Act and their remuneration, rights and duties are regulated by Sections 224 to 233 of the Companies Act.

There have been no changes of the **statutory** auditors in the last three years except as detailed below:

| **Name of Auditor** | **Date of Appointment** | **Date of resignation** |
|---|---|---|
| S. R. Batliboi & Company | September 29, 1993 | Continuing |

**Capitalization of Reserves or Profits**

Our Company has not capitalized its reserves or profits during the last five years, except as stated in the section titled "Capital Structure" on page 38 of this Draft Red Herring Prospectus.

**Revaluation of Assets**

We have not revalued our assets in the last five years.

## SECTION VIII: ISSUE INFORMATION

### Terms of the Issue

The Equity Shares being issued are subject to the provisions of the Companies Act, our Memorandum and Articles, the terms of this Draft Red Herring 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, Government of India, Stock Exchanges, Registrar of Companies and/or other authorities, as in force on the date of the Issue and to the extent applicable.

### Authority for the Issue

The Board of Directors has pursuant to a resolution dated June 11, 2004, authorized the Issue. The Issue has been authorised by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, at the extraordinary general meeting of the shareholders of the Company held on July 16, 2004.

### Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of our Memorandum and Articles of Association and shall rank pari-passu with the existing Equity Shares of our company including rights in respect of dividend. The Person 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.

### Face Value and Issue Price

Fresh Equity Shares with a face value of Rs. 10 each are being offered as part of the Issue at a total price of Rs. • per share. At any given point of time there shall be only one denomination for the Equity Shares.

### Rights of the Equity Shareholder

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

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and 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 "Description of Equity Shares" beginning on page 323 of this Draft Red Herring Prospectus and the section titled "Main Provisions of Articles of Association of the Sasken Communication Technologies Limited" on page 326 of this Draft Red Herring Prospectus.

### Market Lot

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form. As per existing SEBI DIP Guidelines, the trading of our Equity Shares shall only be in dematerialised form.

Since trading of our Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment in this Issue will be only in electronic form in multiples of one Equity Share subject to a minimum allotment of • Equity Shares.

**Jurisdiction**

Exclusive jurisdiction for the purpose of this Issue is with the competent courts/authorities in Bangalore, 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.

**The Equity Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended (the "Securities Act ") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons "(as defined in Regulation S of the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares will be offered and sold only (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.**

**Minimum Subscription**

If our Company does not receive the minimum subscription of 90% of the net offer to public, 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.

**Arrangements for disposal of odd lots**

There are no arrangments for disposal of odd lots.

**Restrictions on transfer of shares and alteration of capital structure**

We presently do not intend or propose to alter our capital structure for a period of 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, except that we may issue options to our employees pursuant to a new employee stock option plan or, if we enter into acquisitions or joint ventures, we may consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.

**Issue Procedure**

**Book Building Procedure**

The Issue is being made through the 100% Book Building Process wherein not more than 60% of the Net Offer to the Public shall be available for allocation on a discretionary basis to QIBs. Further not less than 10% of the Net Offer to the Public shall be available for allocation on a proportionate basis to the Retail Bidders and not less than 30% of the Net Offer to the Public shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. Our Company in consultation with the BRLM, reserves the right to reject any Bid procured from QIB Bidders, by any or all members of the Syndicate, without assigning any reason thereof. In case of Non-Institutional Bidders and Retail Bidders and Bids under the Employee Reservation Portion, 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.

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

Bidders can bid at any price within the price band. For instance, assume a price band of Rs 20 to Rs 24 per share, issue size of 3000 equity shares and receipt of five bids from bidders out of which one bidder has bid for 500 shares at Rs.24 per share while another has bid for 1,500 shares at Rs.22 per share. A graphical representation of the consolidated demand and price would be made available at the bidding centers during the bidding period. The illustrative book as shown below shows the demand for the shares of the company at various prices and is collated from bids from various investors.

| **Bid Quantity** | **Bid Price (Rs.)** | **Cumulative Quantity** | **Subscription** |
|---|---|---|---|
| 500 | 24 | 500 | 27.77% |
| 1000 | 23 | 1500 | 83.33% |
| 1500 | 22 | 3000 | 166.67% |
| 2000 | 21 | 5000 | 277.78% |
| 2500 | 20 | 7500 | 416.67% |

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

**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 Draft Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised our Company to make the necessary changes in this Draft Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories, is as follows:

| **Category** | **Colour of Bid cum Application Form** |
|---|---|
| Indian public, NRIs applying on a non-repatriation basis | White |

| | |
|---|---|
| NRIs, or FIIs or Foreign Venture Capital Funds registered with SEBI, Multilateral and Bilateral Development Financial Institutions applying on a repatriation basis | Blue |
| Eligible Employees | Pink |

**Who can Bid?**

- Indian nationals resident in India who are majors, 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;
- Indian Mutual Funds registered with SEBI;
- Indian Financial Institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission, 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 and who are authorised under their constitution to hold and invest in equity shares;
- NRIs and FIIs on a repatriation basis or a non-repatriation basis subject to applicable laws;
- Scientific and/or Industrial Research Organisations authorised to invest in equity shares;
- Insurance Companies registered with Insurance Regulatory and Development Authority;
- 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;
- Multilateral and Bilateral Development Financial Institutions; and
- Pursuant to the existing regulations, OCBs are not eligible to participate in the Issue.

**Note**: The BRLM, the Syndicate Members and any associate of the BRLM and Syndicate Members (except asset management companies on behalf of mutual funds, Indian financial institutions and public sector banks) cannot participate in that portion of the Issue where allocation is discretionary and will not be eligible in the QIB Portion. Further, the BRLM and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.
**Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.**

**Application by Mutual Funds**

*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. These limits would have to be adhered to by the mutual funds for investment in the Equity Shares.

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.

**Application by NRIs**

Bid cum Application Forms have been made available for NRIs at the registered office of the Bank.

NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment under the NRI category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians (white in colour). All instruments accompanying Bids shall be payable in Mumbai only.

**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 27,511,496 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. With the approval of our Board and that of the shareholders by way of a special resolution datedJune 11, 2004, the aggregate FII holding limit has been enhanced up to 30%.

**Bids by NRIs or FIIs on a repatriation basis**

Bids and revision to Bids must be made:

- On the Bid cum Application Form or Revision Form, as applicable, (Blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.

- In a single or joint names (not more than three).

- Bids by NRIs for a Bid Amount of up to less than Rs. 100,000 would be considered under the Retail Individual Bidders Portion for the purposes of allocation and Bids for a Bid Amount of more than or equal to Rs. 100,000 would be considered under Non Institutional Bidder Portion for the purposes of allocation; by FIIs or Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions for a minimum of such number of Equity Shares and in multiples of 10 Equity Shares thereafter so that the Bid Amount exceeds Rs. 100,000; for further details, please refer to the sub-section titled "Maximum and Minimum Bid Size" on page 299 of this Draft Red Herring Prospectus.

- In the names of individuals or in the names of FIIs or in the names of Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, firms or partnerships, foreign nationals or their nominees or OCB's.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money payable upon submission of the Bid cum Application Form or Revision Form through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post/speed post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. The Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

**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. Our Company and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that their number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

**Maximum and Minimum Bid Size**

(a) **For Retail Bidders:** The Bid must be for a minimum of • Equity Shares and in multiples of • Equity Share thereafter, so as to ensure that the Bid Price payable by the Bidder does not exceed Rs. 100,000. In case of revision of Bids, the Retail 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 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 Price exceeds Rs. 100,000 and in multiples of • Equity Shares thereafter. A Bid cannot be submitted for more than the Net Offer to the Public. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. Under the existing SEBI DIP Guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.

In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Price is greater than Rs. 100,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Price reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIBs are not allowed to Bid at 'Cut-off'.

(c) **For Bidders in the Employee Reservation Portion:** The Bid by Eligible Employees must be for a minimum of • Equity Shares and in multiples of • Equity Shares thereafter. The maximum Bid in this portion cannot exceed Rs. • million. Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the Bidding Options not exceeding Rs. 100,000 may bid at "Cut-off".

**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 Draft Red Herring Prospectus and/ or the Bid cum Application Form can obtain the same from our registered office or from any of the members of the Syndicate.

(d) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of 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 and the BRLM shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with RoC and also publish the same in two widely circulated newspapers (one each in English and Hindi) and one regional newspaper in Kannada. 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) Investors who are interested in subscribing for our Equity Shares should approach any of the members of the Syndicate or their authorised agent(s) to register their Bid.

(c) The Bidding 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 two national newspapers (one each in English and Hindi) and one regional newspaper in Kannada and the Bidding Period may be extended, if required, by an additional three days, subject to the total Bidding Period not exceeding 10 days.

(d) 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 300 of this Draft Red Herring Prospectus) within the Price Band and specify the demand (i.e., the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.

(e) 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 303 of this Draft Red Herring Prospectus.

(f) 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.

(g) During the Bidding 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.

(h) 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 302 of this Draft Red Herring Prospectus.

**Bids at Different Price Levels**

(a) The Price Band has been fixed at Rs. • to Rs. • per Equity Share of Rs. 10 each, Rs • being the lower end of the Price Band and Rs. • 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, reserves the right to revise the Price Band, during the Bidding Period, in which case the Bidding Period shall be extended further for a period of three days, subject to the total Bidding Period not exceeding thirteen days. 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 Draft 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 two national newspapers (one each in English and Hindi) and one regional newspaper in Kannada, and also by indicating the change on the websites of the BRLM, and at the terminals of the Syndicate Members and the Bidding Period shall be extended for a further period of three days, subject to the total Bidding Period not exceeding thirteen days.

(d) Our Company, in consultation with the BRLM, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.

(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 Bidders applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 and Eligible Employees 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 Bidders or Eligible Employees who bid at the Cut-Off Price agree that they shall purchase the Equity Shares at the Issue Price, as finally determined, which will be a price within the Price Band. Retail Bidders or Eligible Employees 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 Allocation Amount payable by the Retail Bidders or Eligible Employees, 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 Bidders or Eligible Employees, 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 Bidders or Eligible Employees 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 Bidders or Rs. 100,000 for Eligible Employees, 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 Bidders or for Eligible Employees the Bid will be considered for allocation under the Non-Institutional portion in terms of this Draft Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the 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 Bidders or Eligible Employees 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 • 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 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 this Draft 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 Banks 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 Escrow Account are per the terms of the Escrow Agreement and this Draft Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between 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 Collection Accounts**

In case of Non-Institutional Bidder and Retail Individual Bidders, each Biddershall, 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 310 of this Draft Red Herring Prospectus) 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 till the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account shall be held in the Refund Account for the benefit of the Bidders who are entitled to refunds. No later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank(s) shall refund all amounts payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allotment to the Bidders.

In case of QIBs, the members of the Syndicate may, at their discretion, waive such payment at the time of the submission of the Bid cum Application Form. Where such payment at the time of submission of the Bid cum Application Form is waived at the discretion of the members of the Syndicate, the Issue Price shall be payable for the allocated Equity Shares no later than the date specified in the CAN, which shall be subject to a minimum period of two days from date of communication of the allocation list to the members of the Syndicate by the BRLM. **If the payment is not made favouring the Escrow Account within the time stipulated above, the application of the Bidder is liable to be rejected.** However, if the members of the Syndicate do not waive such payment, the full amount of payment has to be made at the time of submission of the Bid cum Application Form.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date, failing which the Company shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

**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) 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. 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 (Investors should ensure that the name given in the bid cum application form is exactly the same as the Name in which the Depositary Account is held. In case the Bid cum Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form.)

- Investor Category – Employee (whether eligible or not), Individual, Corporate, NRI, FII, or Mutual Fund etc.

- Numbers of Equity Shares bid for.

- Bid price.

- Bid cum Application Form number.

- Whether payment is made upon submission of Bid cum Application Form.

- Depository Participant Identification Number and Client Identification Number of the demat account of the Bidder.

(e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate. The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or our Company.

(f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(g) Consequently, the member of the Syndicate also has the right to accept the Bid or reject it without assigning any reason, in case of QIBs. In case of Non-Institutional Bidders, Retail Bidders and Bids under the Employee Reservation Portion, Bids would not be rejected except on the technical grounds listed on page 313 of this Draft Red Herring Prospectus.

(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 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 Promoters, 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 Draft 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 Draft 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 on a regular basis.

(c) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.

(d) 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 Draft Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate may at their sole discretion waive the payment requirement at the time of one or more revisions by the QIB Bidders.

(h) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the 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) In case of discrepancy of data between BSE or NSE and the members of the Syndicate, the decision of the BRLM, based on the physical records of Bid cum Application Forms, shall be final and binding on all concerned.

**Price Discovery and Allocation**

(a) After the Bid Closing Date /Issue Closing Date, the BRLM will analyse the demand generated at various price levels and discuss pricing strategy with us.

(b) The Company, in consultation with the BRLM, shall finalise the “Issue Price”, the number of Equity Shares to be allotted in each category and the allocation to successful QIB Bidders. The allocation will be decided based on the quality of the QIB Bidder determined broadly by the size, price and date of the Bid.

(c) The allocation to QIB Bidders for at least 60% of the Net Offer to the Public would be discretionary and will be decided based *inter alia*, on the quality of the Bidder, and the size, price and time of the Bid. The allocation to Non-Institutional Bidders of not less than 10% and Retail Bidders of not less than 30% of the Net Offer to the Public, would be on proportionate basis, in the manner specified in the SEBI DIP Guidelines, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.

(d) Under subscription, if any, in any category, other than in the QIB category, would be allowed to be met with spill over from any of the other categories at our discretion in consultation with the BRLM. Any under subscription in Equity Shares reserved for allocation to Eligible Employees would be treated as part of the Net Offer to the Public and allocated in accordance with the basis of allotment described in the section titled “Basis of Allotment” on page 316 of this Draft Red Herring Prospectus

(e) Allocation to NRIs, FIIs, foreign venture capital funds Multilateral and Bilateral Development Financial Institutions registered with SEBI applying on repatriation basis will be subject to the terms and conditions stipulated by the FIPB and RBI while granting permission for allotment of Equity Shares to them.

(f) The BRLM, 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 DIP Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.

**Signing of Underwriting Agreement and RoC Filing**

(a) The Company, the BRLM and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s) 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 Registrar of Companies, Bangalore, Karnataka 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 Draft Red Herring Prospectus from SEBI, publish an advertisement, in the form prescribed by the SEBI DIP Guidelines in an English national daily with wide circulation, one Hindi National newspaper and a regional language newspaper with wide circulation at Banaglore.

**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 Confirmation of Allocation Note (CAN)**

(a) The BRLM or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue.

(b) The BRLM 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 Allocation Amount payable into the Escrow Account by the Pay-in Date specified in the CAN.

(c) Bidders who have been allocated Equity Shares and who have already paid 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.

**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, we would allot the Equity Shares to the allottees. 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. In case, our Company fails to make allotment or transfer within 15 days of the Bid/Issue Closing Date, interest would be paid to the investors at the rate of 15% per annum.

(b) In accordance with the SEBI DIP 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 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) or Eligible Employee Bid Cum Application Form (pink 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) Investor 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;

e) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;

f) Ensure that you have been given a TRS for all your Bid options;

g) Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;

h) Ensure that the Bid is within the Price Band; and

i) Ensure that you mention your Permanent Account Number (PAN) allotted under the I.T. Act where the maximum Bid for Equity Shares by a Bidder is for a total value of Rs. 50,000 or more. In case the PAN has not been allotted, mention "Not allotted" in the appropriate place.

**Don'ts:**

(a) Bid for lower than the minimum Bid size;

(b) 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) Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;

(d) Pay the Bid Price in cash;

(e) Send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;

(f) Bid at Cut Off Price (for QIB Bidders, Non-Institutional Bidders ;

(g) Bid at Bid Amount exceeding Rs 100,000 (for Retail Bidders and/or Eligible Employees);

(h) Fill up the Bid cum Application Form such that the Equity Shares bid for exceeds the Net Offer to the Public 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;

(i) Submit Bid accompanied with Stockinvest.

**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 colour for Resident Indians, blue colour for NRI, FII or foreign venture capital fund registered with SEBI applying on repatriation basis and pink colour for Eligible Employees).

(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 Bidders, the Bid must be for a minimum of • Equity Shares and in multiples of • thereafter subject to a maximum Bid Price 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 • Equity Shares thereafter. Bids cannot be made for more than the Net Offer to the Public. 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) For Eligible Employees, the Bid must be for a minimum of • Equity Shares and shall be in multiples of • Equity Shares thereafter. The maximum Bid Price in this portion cannot exceed Rs. • million.

(f) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).

(g) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

**Bids by Employees**

1. Bids by Eligible Employees shall be made only in the prescribed Bid cum Application Form or Revision Form, (i.e., pink colour form).

2. Eligible Employees should mention their Employee ID at the relevant place in the Bid cum Application Form.

3. Only Eligible Employees, who are Indian Nationals based in India and are physically present in India on the date of submission of the Bid-cum-Application Form and such person is an employee or Director during the period commencing from the date of filing of the Red Herring Prospectus with the

RoC upto the Bid/Issue Closing Date would be eligible to apply in this Issue under the Employee Reservation portion on a competitive basis.

4. The sole/first Bidder should be an Eligible Employee. 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 in the same sequence in which they appear in the Bid cum Application Form.
5. Eligible Employees will have to Bid like any other Bidder. Only those Bids, which are received at or above the Issue Price, would be considered for allotment under this category.

6. Eligible Employees who apply or bid for securities of or for a value of not more than Rs. 100,000 in any of the bidding options can apply at Cut-Off. Eligible Employees should ensure that such Bids (whether at Cut-Off or not) should not exceed Rs. 100,000, failing which such Bids may be rejected.

7. The maximum Bid in this category should not exceed • Equity Shares.

8. If the aggregate demand in this category is less than or equal to • Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand. Any under-subscription in Equity Shares reserved for Eligible Employees would be treated as part of the Net Offer to the Public and allotment shall be in accordance with the basis of allotment described in the section titled "Basis of Allotment" on page 316 of this Draft Red Herring Prospectus.

9. If the aggregate demand in this category is greater than • Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis subject to a minimum of • Equity Shares. For the method of proportionate basis of allotment, refer to section titled "Basis of Allotment" on page 316 of this Draft Red Herring Prospectus.

10. Bidding at Cut-off is allowed only for Eligible Employees whose Bid Price is less than or equal to Rs 100,000.

**Bidder's Bank Details**

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details. These Bank Account details would be printed on the refund order, if any, to be sent to Bidders. Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk.

**Bidder's Depository Account Details**

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.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation (hereinafter referred to as 'Demographic Details'). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/Allocation Advice and printing of Bank particulars on the refund order and the

Demographic Details given by Bidders in the Bid cum Application Form would not be used for any other purpose by the Registrar to the Issue. Hence Bidders are advised to update their Demographic Details as provided to their Depository Participants.

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.

Refund Orders/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk.

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.

**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 FIIs for a minimum of such number of Equity Shares and in multiples of • thereafter that the Bid Price exceeds Rs. 100,000.

4. For further details, please refer to the section titled 'Maximum and Minimum Bid Size' on page 299 of this Draft Red Herring Prospectus. 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.

5. 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 does not require approvals from FIPB or RBI for the transfer 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.

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.

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

**Securities Act, and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.**

**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 therefore.

In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason 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 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 mutual fund registered with SEBI, venture capital fund registered with SEBI and foreign venture capital investor registered with SEBI, a certified copy of their SEBI registration certificate must be submitted 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.

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, and the BRLM may deem fit.

**PAYMENT INSTRUCTIONS**

The Company shall open Escrow Accounts with the Escrow Collection Bank(s) for the collection of the Bid Prices payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue. Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

**Payment into Escrow Account**

1. The applicable Margin Amount for Non Insititutional and Retail investors is equal to 100% and while submitting the Bid cum Application Form, shall be drawn as a payment instrument for the Bid Price in favour of the Escrow Account and submitted 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.

3. The payment instruments for payment into the Escrow Account should be drawn in favour of:

   (a) In case of Resident Bidders: “Escrow Account –Sasken Public Issue”

   (b) In case of Non Resident Bidders: “Escrow Account – Sasken Public Issue – NR”

   (c) In case of Eligible Employees: “Escrow Account – Sasken Public Issue – Eligible Employees”

(d) In case of refunds to Bidders: "Escrow Account – Sasken Refund Account"

4. 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.

5. In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to Special Rupee Account.

6. Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Account of the Company.

7. The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.

8. 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.

9. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.

10. 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. Each member of the Syndicate may, at its sole discretion, waive the requirement of payment at the time of submission of the Bid cum Application Form and Revision Form.

No separate receipts shall be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection 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.

**Multiple Bids**

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same. In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Bids made by Eligible Employees both under Employee Reservation Portion as well as in the Net Offer to the Public shall not be treated as multiple Bids. Our Company reserve 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**

In terms of SEBI (Central Database of Market Participants) Regulation, 2003 as amended from time to time ("said Regulations") and SEBI Notification dated November 25, 2003 and July 30, 2004, no specified intermediaries, its related persons as mentioned in Regulation 4 of the said regulations shall subscribe to securities which are proposed to be listed in any recognized stock exchange unless such specified intermediaries, its related persons, have been allotted unique identification numbers. Provided however that SEBI by its notification dated 17th August 2004 has specified 30th June 2005 as the extended date within which such promoters or directors of specified intermediaries, as are resident outside India, shall obtain Unique Identification Number. In terms of SEBI (Central Database of Market Participants) Regulation, 2003 as amended from time to time ("said Regulations") and SEBI Notification dated July 30, 2004, no specified investor being a body corporate shall subscribe to securities which are proposed to be listed in any recognized stock exchange unless such specified investor, its promoters and directors have been allotted unique identification numbers. In case of specified investor being a body corporate, the above para shall not apply to such specified investor who has applied for allotment of a unique identification number before December 31, 2004, till the disposal of its application or, where it has filed an appeal, till the disposal of the appeal, as the case may be. SEBI has by press release dated 31st December 2004 bearing PR No. 344 /2004 extended the notified date for the purposes of obtaining unique identification numbers for specified investors being bodies corporate whose promoters or directors are persons resident outside India to 31st December 2005. Furthermore SEBI vide its circular no. MAPIN-1/2005 dated January 4, 2005 has stated that:

"The SEBI (Central Database of Market Participants) Regulations, 2003 were notified on November 20, 2003. Pursuant to the notification dated July 30, 2004 issued under the captioned Regulations, SEBI has, inter-alia, specified in terms of sub-regulation (2) of regulation 6 that "All investors being bodies corporate as 'specified investors', along with their promoters and directors are required to obtain a UIN before December 31, 2004".
However, it is clarified that "wherever the President of India / Central Government / State Government is a promoter, it is exempted from the requirement of obtaining a UIN under regulation 6(2) of SEBI (Central Database of Market Participants) Regulations, 2003".

In terms of the above it shall be compulsory for specified intermediaries and specified investors being bodies corporate making application in this issue to give their unique identification number.

***Applications from bodies corporate as mentioned above and specified intermediaries, which are not in compliance with the above regulations and any subsequent regulations/ notifications/ circulars/ guidelines/ clarifications if any, issued by SEBI shall be liable to be rejected.***

**OUR RIGHT TO REJECT BIDS**

Our Company, and the members of the Syndicate reserve the right to reject any Bid without assigning any reason therefor in case of QIB Bidders. In case of Non-Institutional Bidders, Retail Bidders and Eligible Employees who Bid, our Company and the members of the Syndicate have a right to reject Bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

**Grounds For Technical Rejections**

Bidders are advised to note that Bids are liable to be rejected *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. Bank account details for refund are not given;

7. UIN number not given for body corporates;

8. Bids for lower number of Equity Shares than specified for that category of investors;

9. Bids at a price less than lower end of the Price Band;

10. Bids at a price more than the higher end of the Price Band;

11. Bids at Cut Off Price by Non-Institutional and QIB Bidders;

12. Bids for number of Equity Shares which are not in multiples of •;

13. Category not ticked;

14. Multiple Bids as defined in this Draft Red Herring Prospectus;

15. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;

16. Bids accompanied by Stockinvest/money order/postal order/cash;

17. Signature of sole and / or joint Bidders missing;

18. Bid cum Application Forms does not have the stamp of the BRLM, or Syndicate Members;

19. Bid cum Application Forms does not have Bidder's depository account details;

20. 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 this Draft Red Herring Prospectus and as per the instructions in this Draft Red Herring Prospectus and the Bid cum Application Forms;

21. 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 identity;

22. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;

23. Bids by OCBs;

24. Bids by US persons other than "qualified institutional buyers" as defined in Rule 144A of the Securities Act;

25. Bids under Employee Reservation Portion for more than • Equity Shares.

26. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations, see the details regarding the same at page 299 of this Draft Red Herring Prospectus;

27. Bids not duly signed by the sole/joint Bidders;

28. Bids accompanied with Stockinvests;

29. Bids by OCBs ; or

30. Bids by U.S. residents or U.S. persons other than "qualified institutional buyers" as defined in Rule 144A of the U.S. Securities Act of 1933.

**EQUITY SHARES IN DEMATERIALISED FORM WITH NSDL OR CDSL**

As per the provisions of Section 68B of the Companies Act, the allotment of Equity Shares in this Issue shall be only in a de-materialised form, (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among the Company, the respective Depositories and the Registrar to the Issue:

a) Agreement dated •, 2005 with NSDL, the Company and the Registrar to the Issue;

b) Agreement dated •, 2005 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) Non-transferable allotment advice or refund orders will be directly sent to the Bidder by the Registrars to the Issue.

g) The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.

h) Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

i) The trading of the Equity Shares of the Company would be in 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.

**DISPOSAL OF APPLICATIONS AND APPLICATIONS MONEY**

Our Company shall ensure dispatch of allotment advice, refund orders and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within 2 (two) working days of date of finalisation of allotment of Equity Shares. Our Company shall dispatch refund orders, if any, of value up to Rs. 1,500, "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or First Bidder's sole risk.

Our Company shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges where the Equity Shares are proposed to be listed are taken within 7 (seven) working days of finalisation of the basis of allotment.

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

- allotment shall be made only in dematerialised form within 15 (fifteen) days of the Bid/Issue Closing Date;

- dispatch refund orders within 15 (fifteen) days of the Bid/Issue Closing Date would be ensured; and

- our Company shall pay interest at 15% (fifteen) per annum (for any delay beyond the 15 (fifteen)-day time period as mentioned above), if allotment is not made and refund orders are not dispatched and/or demat credits are not made to investors within the 15 (fifteen)-day time prescribed above as per the Guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the Stock Exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI DIP Guidelines.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

**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 Employee Reservation Portion

Only Eligible Employees are eligible to apply under the Employee Reservation Portion.

- Bids received from the Eligible Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Eligible Employees will be made at the Issue Price.
- If the aggregate demand in this category is less than or equal to 500,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.
- If the aggregate demand in this category is greater than 500,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of one Equity Share. For the method of proportionate basis of allocation, refer below.
- The unsubscribed portion, if any, out of the Equity Shares in the Employee Reservation Portion will be added to the categories of Non Institutional Bidders and Retail Bidders, in a proportion to be determined by the Company in consultation with the BRLM.

B. For Retail Bidders

- Bids received from the Retail 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 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 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 1,350,000 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Bidders to the extent of their demand.

If the aggregate demand in this category is greater than 1,350,000 Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis up to a minimum of • Equity Shares. For the method of proportionate basis of allotment, refer below.

C. 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 450,000 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 450,000 Equity Shares at or above the Issue Price, allotment shall be made on a proportionate basis up to a minimum of • Equity Shares. For the method of proportionate basis of allotment refer below.
- The aggregate allotment to Retail and Non-Institutional Bidders shall not exceed • Equity Shares.

D. For QIBs

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the QIBs will be made at the Issue Price.
- The Issue size less allotment to Non-Institutional Portion and Retail Portion shall be available for allotment to QIBs who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- The allotment would be decided by our Company in consultation with the BRLM and would be at their sole discretion, based on various factors, such as quality of the Bidder, size, price and date of the Bid.
- The aggregate allotment to QIB Bidders shall not be less than 2,700,000 Equity Shares.

Undersubscription, if any in the Non Institutional and Retail Bidders categories would be allowed to be met with spill over from any other category at the sole discretion of our Company and the BRLM.

**Procedure and time of schedule for allotment and issue of certificates**

The Issue will be conducted through a "100% book building process" pursuant to which the Underwriters will accept bids for the Equity Shares during the Bidding Period. The Bidding Period will commence on • and expire on •. Following the expiration of the Bidding Period, the Company, in consultation with the BRLM, will determine the offering price and the offering size, and, in consultation with the BRLM, the basis of allocation and entitlement to allotment based on the bids received and subject to the confirmation by the BSE/NSE. Successful bidders will be provided with a confirmation of their allocation and will be required to pay any unpaid amount for the Equity Shares within a prescribed time. The Prospectus will be filed with SEBI on • and the Registrar of Companies on • and will be made available to investors. SEBI Guidelines require the Company to complete the allotment to successful bidders within 15 days of the expiration of the Bidding Period. The Equity Shares will then be credited and allotted to the investors' demat accounts maintained with the relevant depository participant. Upon approval by the Stock Exchanges, the Equity Shares will be listed and trading will commence. This typically takes three trading days from the date of crediting the investor's demat account, subject to final approval by the Stock Exchanges.

**Method of Proportionate Basis of Allotment**

In the event of the Issue being over-subscribed, we shall finalize the basis of allotment to Retail and Non-Institutional Bidders in consultation with the Designated Stock Exchange. The Executive Director or Managing Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrar to the Issue shall be responsible for ensuring that the basis of allotment is finalized in a fair and proper manner.

The 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 • Equity Shares per Bidder, the allotment shall be made as follows:

  - Each successful Bidder shall be allotted a minimum of • 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 • but is not a multiple of 1 (which is the marketable lot), the number in excess of the multiple of 1 would be rounded off to the higher multiple of 1 if that number is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower multiple of 1. 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.

**Letters of Allotment or Refund Orders**

We shall ensure dispatch of allotment advice, refund orders and give benefit to the beneficiary account with Depositary Participants and submit the documents pertaining to the allotment to the Stock Exchanges within two working days of finalization of the basis of allotment of Equity Shares. We shall dispatch refund orders, if any, of value up to Rs. 1,500, by "Under Certificate of Posting", and will dispatch refund orders above Rs. 1,500, if any, by registered post only at the sole or First Bidder`s sole risk and adequate funds for the purpose shall be made available to the Registrar by us.

We shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven working days of the finalisation of the basis of allotment.

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;

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 as per the guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No.F/8/S/79 dated July 31, 1983, as amended by their letter No.F/14/SE/85 dated September 27, 1985, addressed to the Stock Exchanges and as further modified by SEBI`s clarification XXI dated October 27, 1997, with respect to the SEBI DIP Guidelines.

- Complaints received in respect of this Issue shall be attended to by the Company expeditiously and satisfactorily;

- The funds required for despatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by the Company;

- Refund orders or allotment advice to the NRIs or FIIs or multilateral or bilateral development financial institutions, foreign venture capital investors registered with SEBI shall be despatched within the specified time;

- No further issue of Equity Shares shall be made till the Equity Shares offered through this Draft Red Herring Prospectus are listed or until the Bid moneys are refunded on account of non-listing, under-subscription, etc.

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.

**Dispatch of refund orders**

We shall ensure dispatch of refund orders of value over Rs. 1500 and share certificates by registered post only and adequate funds for the purpose shall be made available to the Registrar to the Issue by us.

**Interest in case of delay in dispatch of allotment letters/refund orders**

We agree that allotment of securities offered to the public shall be made not later than 15 days from the Bid/Issue Closing Date. We further agree that we shall pay interest at 15% per annum if the allotment letters/refund orders have not been dispatched to the applicants within 15 days from the Bid/Issue Closing Date.

Issue Program

| | |
|---|---|
| BID/ISSUE OPENS ON: | •, 2005 |
| BID/ISSUE CLOSES ON: | •, 2005 |

Bids and any revision in Bids shall be accepted only between 10 a.m. and 3 p.m. (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid/Issue Closing Date, the Bids shall be accepted only between 10 a.m. and 1 p.m. (Indian Standard Time) or uploaded till such time as may be permitted by the BSE and NSE on the Bid/Issue Closing Date.

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

## UNDERTAKINGS BY OUR COMPANY

Our Company undertakes as follows:

- 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 the funds required for dispatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us;
- that the refund orders or allotment advice to the successful Bidders shall be dispatched within specified time; and
- that no further issue of Equity Shares shall be made till the Equity Shares offered through this Draft 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. Pending utilization for the purposes described above, we intend to temporarily invest the funds in high quality, interest/dividend bearing liquid instruments including money market mutual funds, deposits with banks for the necessary duration. Such investments would be in accordance with investment policies approved by the Board from time to time.
- The utilisation of monies received under the Employee Reservation Portion shall be disclosed under an appropriate head of the balance sheet indicating the purpose for which such monies have been utilised.
- The details of all unutilised monies out of the funds received under the Employee Reservation Portion shall be disclosed under a separate head in the balance sheet indicating the form in which such unutilised monies have been invested.

## RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of 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 information technology sector is permitted up to 100% under the automatic route.

Our Company does not require approvals from FIPB or RBI for the transfer 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.

**Foreign Investment**

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 IT companies, is under the automatic route (i.e., prior approval of the Foreign Investment Promotion Board (FIPB) is not required).

Foreign investment by way of subscription to equity shares in the ITES sector currently does not require the prior approval of the RBI (vide Press Note 8 of 2000) or the FIPB, except for a post subscription filing with the RBI in Form FC-GPR within 30 days from the issue of shares by the company. The Government of India has indicated that in all cases where foreign direct investment is allowed on an automatic basis without FIPB approval, the RBI would continue to be the primary agency for the purposes of monitoring and regulating foreign investment.

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.

**Investment by Foreign Institutional Investors**

Foreign Institutional Investors ("FIIs") including institutions such as pension funds, investment trusts, asset management companies, nominee companies and incorporated, institutional portfolio managers can invest in all the securities traded on the primary and secondary markets in India. FIIs are required to obtain an initial registration from the SEBI and a general permission from the RBI to engage in transactions regulated under FEMA. FIIs must also comply with the provisions of the SEBI (Foreign Institutional Investors) Regulations, 1995, as amended from time to time. The initial registration and the RBI's general permission together enable the registered FII to buy (subject to the ownership restrictions discussed below) and sell freely securities issued by Indian companies, to realise capital gains or investments made through the initial amount invested in India, to subscribe or renounce rights issues for shares, to appoint a domestic custodian for custody of investments held and to repatriate the capital, capital gains, dividends, income received by way of interest and any compensation received towards sale or renunciation of rights issues of shares.

**Investment by Non-Resident Indians**

A variety of special facilities for making investments in India in shares of Indian companies is available to individuals of Indian nationality or origin residing outside India ("NRIs"). These facilities permit NRIs to make portfolio investments in shares and other securities of Indian companies on a basis not generally available to other foreign investors. Under the portfolio investment scheme, NRIs are permitted to purchase and sell equity shares of the company through a registered broker on the stock exchanges. NRIs collectively should not own more than 10% of the post-issue paid up capital of the company. However, this limit may be increased to 24% if the shareholders of the company pass a special resolution to that effect. No single NRI may own more than 5% of the post- issue paid up capital of the Company. NRI investment in foreign exchange is now fully repatriable whereas investments made in Indian Rupees through rupee accounts remains non-repatriable.

**Ownership restrictions of FIIs**

Under the portfolio investment scheme, the overall issue of equity shares to FIIs on a repatriation basis should not exceed 24% of post-issue paid-up capital of the company. However, the limit of 24% can be raised upto the permitted sectoral cap for that company after approval of the board of directors and shareholders of the company. The offer of equity shares to a single FII should not exceed 10% of the post-issue paid-up capital of the Company. In respect of an FII investing in equity shares of a company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital of that company.

The aggregate FII holding in our Company is permitted up to 30% of the total issued share capital.

# SECTION IX: DESCRIPTION OF EQUITY SHARES AND TERMS OF THE ARTICLES OF ASSOCIATION

## Description of Equity Shares

Described below is the material information concerning our share capital and a brief summary of the material provisions of the Companies Act, or Companies Act, and our charter documents. Certain provisions will be applicable upon our Equity Shares being listed on the Stock Exchanges. The following description is not complete and should be read in conjunction with our Memorandum of Association and our Articles of Association, and the relevant provisions of the Companies Act.

## General

Our authorized share capital is Rs. 350,000,000 divided into 35,000,000 equity shares, each with par value of Rs. 10. The equity shares are our only class of share capital. However, our Articles and the Companies Act permit us to issue classes of securities other than equity shares. For the purposes of this Draft Red Herring Prospectus, "shareholder" means a shareholder who is registered as a member in the register of members of our Company.

## Dividends

If our shareholders approve this recommendation at our next annual general meeting, this dividend will be paid along with any final dividend that may be declared later, to our shareholders.

Under the Companies Act, unless our board of directors, or the Board, recommends the payment of a dividend, we may not declare a dividend. Furthermore, our shareholders at a general (shareholders) meeting may declare a dividend lower than, but not higher than the dividend recommended by our Board. Furthermore, such dividend shall be declared or paid by us only out of our profits for that year arrived at after providing for depreciation in accordance with the relevant provisions of the Companies Act, or out of our profits for any previous financial year(s), after providing for depreciation, and which remain undistributed, or out of both. Similarly, under our Articles, although the shareholders may, at the annual general meeting, approve a dividend in an amount less than that recommended by the Board, they cannot increase the amount of the dividend. In India, dividends generally are declared as a percentage of the par value of a company's equity shares subject to the limitations described above. The dividend recommended by the Board and approved by our shareholders is distributed and paid to shareholders in proportion to the paid up value of their shares within thirty (30) days of such approval by the shareholders at the annual general meeting. Apart from paying interim dividends, which the board may do at their discretion, where the company's profit warrant such payment before the holding of the annual general meeting, a final dividend for any financial year can be declared and paid only when the balance sheet and profit and loss account are presented to the shareholders at the annual general meeting, and the shareholders after consideration of the amount recommended by the board approve the same, or such lesser amount as may appear to them to be reasonable. Pursuant to our Articles, our Board has discretion to declare and pay interim dividends without shareholder approval. Under the Companies Act, dividends can only be paid in cash to the registered shareholder at a record date fixed on or prior to the annual general meeting or to their order or their banker's order. The Companies Act provides that any dividends that remain unpaid or unclaimed after the 30-day period following the annual general meeting at which such dividend is declared are to be transferred to a special bank account and any dividends that remain unclaimed and unpaid for seven years from the date of such transfer is transferred to a fund created by the Indian government. No claims for the payment of unpaid or unclaimed dividends have been made against us.

Under the Companies Act, dividends may be paid out of profits of a company in the year in which the dividend is declared or out of the undistributed profits of previous fiscal years. Before declaring a dividend greater than 10% of the par value of its equity shares, a company is required under the Companies Act and Companies (Transfer of Profits to Reserves) Rules, 1975 to transfer to its reserves a minimum percentage of its profits for that year, ranging from 2.5% to 10% depending upon the dividend percentage to be declared in such year. The Companies Act read with the Companies (Declaration of Dividend out of Reserves) Rules, 1975 further provides that, in the event of an inadequacy or absence of profits in any year, a dividend may be declared for such year out of the company's accumulated profits, subject to the following conditions:

(i) the rate of dividend to be declared may not exceed ten percent (10%) of the company's paid up capital, or the average of the rate at which dividends were declared by the company in the prior five years, whichever is less;

(ii) the total amount to be drawn from the accumulated profits earned in the previous years and transferred to the reserves may not exceed an amount equivalent to ten percent (10%) of the company's paid up capital and free reserves, provided the amount so drawn is used first to set off the losses incurred in the fiscal year before any dividends in respect of preference or equity shares are declared; and

(iii) the balance of reserves after withdrawals shall not fall below fifteen percent (15%) of the company's paid up capital.

**Annual General Meetings of Shareholders**

We must convene an annual general meeting of shareholders within fifteen months after the date of the previous annual general meeting or 6 months from the end of each financial year, whichever is earlier, and may convene an extraordinary general meeting of shareholders when necessary or at the request of a shareholder or shareholders holding at least ten percent (10%) of our paid up capital carrying voting rights. The annual general meeting of the shareholders is generally convened by our secretary pursuant to a resolution of the Board. Written notice setting out the agenda of the meeting must be given at least twenty-one (21) days, excluding the days of mailing and date of the meeting, prior to the date of the general meeting to the shareholders of record. Shareholders who are registered as shareholders on the date of the general meeting are entitled to attend or vote at such meeting. The annual general meeting of shareholders must be held at our registered office, or at such other place, within the city in which the registered office is located as the Board may decide to be the venue of the meeting. Meetings other than the annual general meeting may be held at any other place if so determined by our Board. Our registered office is located at 139/25, Ring Road, Domlur, Bangalore 560 071.

Our Articles provide that a quorum for a general meeting is the presence of at least five shareholders in person.

**Voting Rights**

At any general meeting, voting is by show of hands unless a poll is demanded by a shareholder or shareholders present in person or by proxy holding at least ten percent (10%) of the total shares entitled to vote on the resolution, or by those holding shares with an aggregate paid up capital of at least fifty thousand Indian rupees (Rs. 50,000). A poll may also be ordered by the chairman of the meeting of his own motion. Upon a show of hands, every shareholder entitled to vote and present in person has one vote and, on a poll, every shareholder entitled to vote and present in person or by proxy has voting rights in proportion to the paid up capital held by such shareholders. In the case of partly paid up shares, the company may make calls on its shareholders at various times for payment of the remaining unpaid amounts and such calls have to be paid by the shareholders in cash. There may be restrictions on exercise of voting right in case of shareholders who have not paid their calls on partly paid-up shares.

Any shareholder may appoint another person (whether a shareholder or not) as his proxy. The instrument appointing a proxy must be delivered to us at least forty-eight (48) hours prior to the meeting. A proxy may not vote except on a poll. A corporate shareholder may appoint an authorized representative who can vote on behalf of the shareholder, both upon a show of hands and upon a poll.

Ordinary resolutions may be passed by simple majority of those present and voting at any general meeting for which the required period of notice has been given. However, special resolutions are required for major matters such as amendments to our Articles or the Memorandum, commencement of a new line of business, the waiver of preemptive rights for the issuance of any new shares and a reduction of share capital, require that votes cast in favor of the resolution, whether by show of hands or poll, are not less than three times the number of votes, if any, cast against the resolution.

The Companies Act allows a company to issue shares with different rights to dividend, voting or otherwise, subject to certain conditions prescribed under the Companies (Issue of Share Capital with Differential Voting Rights) Rules, 2001. These rules require that for a public company to issue shares with different voting rights the company must have had distributable profits as provided in the Companies Act for a period of three financial years, the company should not have defaulted in filing annual accounts and annual returns for the immediately preceding three years and that the Articles of Association of the company allow for the issuance of such shares with different voting rights.

**Proposed Amendments to the Companies Act**

The Ministry of Company Affairs, Government of India, on August 4, 2004, introduced a concept paper with the objective of replacing the existing Companies Act with a re-codified act which will remove redundant provisions, streamline certain existing sections, rearrange inter-related sections dealing with the same topic giving them their proper priority, and place procedures prescribed in the act as part of separate rules.

The concept paper is only an approach to the introduction of a re-codified bill in the Indian Parliament and comments by the public are invited to this concept paper (until October 31, 2004). The concept paper has not yet been vetted by the Legislative Department, Ministry of Law, Government of India. These proposals would have legal effect only after the bill, if any, has been passed by the Indian Parliament re-codifying the Companies Act and such bill has received the assent of the President of India.

**Main Provisions of the Articles of Association of Sasken Communication Technologies Limited**

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 DIP Guidelines, the main provisions of the Articles of Association of Sasken are detailed below:

| Article No. | Heading | Details |
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| 32 | If call or installment not paid notice may be given | If any member fails to pay any call or installment on or before the day appointed for the payment of the same the Directors may at any time thereafter during such time as the call or installment remain unpaid serve a notice on such member requiring him to pay the same forthwith within a further stipulated period together with any interest that may have accrued thereon calculated at 10 percent per annum from the date on which the same fell due and all expense that may have been incurred by the Company by reason of such non payment. |
| 34 | If notice not complied with, shares may be forfeited. | If the requisitions of any such notice as aforesaid be not complied with any shares in respect of which such notice has been given may at any time thereafter, before payment of all calls or installment, interest and expenses due in respect thereof, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture. |
| 35 | Notice after forfeiture | When any shares shall have been so forfeited notice of the resolution shall be given to the member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture with the date thereof shall forthwith be made in the Register, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make such entry as aforesaid. |
| 36 | Forfeited shares become property of Company | Any share so forfeited shall be deemed to be the property of the Company and the Directors may sell, re-allot and otherwise dispose of the same in such a manner as they think fit. |
| 37 | Power to annul forfeiture | The Directors may, at any time before any share so forfeited shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as they think fit. |
| 38 | Arrears to be paid not withstanding forfeiture | Any member whose shares shall have been forfeited shall, not withstanding, be liable to pay and shall forthwith pay to the Company all calls, installments, interest and expenses, owing upon or in respect of such shares at the time of the forfeiture together with interest thereon from the time of forfeiture until payment at 10 percent per annum, and the Directors may enforce the payment thereof without any deduction or allowance for the value of the shares at the time of forfeiture which they shall not be under any obligation to do so. |

| Article No. | Heading | Details |
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| 39 | Effect of forfeiture | The forfeiture of a share shall involve the extinction of all interest in and also of all claims and demands against the Company in respect of the share and all other rights incident to the share except only such of those rights as by these Articles are expressly saved. |
| 40 | Evidence of forfeiture | A duly verified declaration in writing that the declarant is a Director of the Company and that certain shares in the Company have been duly forfeited on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares and such declaration and the receipt of the Company for the consideration, if any, given for the shares on the sale or, disposal thereof shall constitute a good title to such shares and the person to whom the shares are sold shall be registered as the holder of such shares who shall not be bound to see the application of the purchase money nor shall his title to such shares be affected by any irregularity or invalidity in the proceedings in reference to such forfeiture, sale or disposal. |
| 41 | Company's lien on shares | The Company shall have a first and paramount lien upon all the shares other than fully-paid shares registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for such members debts, liabilities, and engagements solely or jointly with any other person to or with the Company whether the period for the payment, fulfillment or discharge thereof shall have actually arrived or not, and such lien shall extend to all dividends from time to time declared in respect of such shares. Unless otherwise agreed the registration of a transfer of shares shall operate as a waiver of the Company's lien, if any on such shares. The Board may at any time declare any shares to be exempt, wholly or partially from the provision of these Articles. |
| 42 | Notice to be given | For the purpose of enforcing such lien the Directors may sell the shares subject thereto in such a manner as they think fit but no sale shall be made until such period as aforesaid shall have arrived and until notice in writing of the intention to sell shall have been served on such member, his executors or, administrators or his committee, curator bonis, or other legal curator, and default shall have been made by him or them in the payment fulfillment, or discharge of such debts, liabilities or engagements until the expiry on seven days after such notice. |
| 43 | Application of proceeds of sale | The net proceeds on any such sale after payment of the costs of such sale shall be applied in or towards satisfaction of the debts and liabilities of such members or engagements and the residue (if any) shall be paid to such member, his heirs, executors, administrators, committee or curator. |
| 44 | Validity of sale under Article 41 | Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers herein before given the Directors may cause the purchase's name to be entered in Register in respect of the shares sold and the purchase shall not be bound to see to the regularity of the proceeding or to the application of the purchase money and after his name has been entered in the Register in respect of such shares the validity of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively. |

| Article No. | Heading | Details |
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| | | TRANSFER AND TRANSMISSION OF SHARES |
| 46 | Transfer fee not be charged | No fee shall be charged for registration of transfer, transmission, probate, succession certificate and letters of administration, certification of death or marriage, power of attorney or similar other document. |
| 47 | Transmission for shares | The legal representative of a deceased member shall be entitled to be recognized by the Company as having title to the shares of the deceased member on production of probate or letters of administration or a succession certificate from a competent court of law, provided that the Directors may dispense with the production of such probate letters of administration or succession certificates on the legal representative furnishing such indemnity as the Directors may require. |
| 48 | Instrument of transfer | The instrument of transfer shall be in writing and all provisions of Section 108 of the Act and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof. |
| 49 | Registration of transfer | Every instrument of transfer duly stamped and executed shall be left at the office of the Company for registration, accompanied by the Certificates of the shares to be transferred and such other evidence as the Company may require to prove the title of the transferor or his right to transfer the shares. The Company shall retain all instruments of transfer, which shall be registered, but any instrument of transfer, which the Directors may decline to register, shall, on demand be returned to the person depositing the same. |
| 50 | Directors may refuse to register transfer | Subject to the provisions of Section 111 of the Act and Section 22A of the Securities Contracts (Regulation) Act, 1956, the Directors may, at their own absolute and uncontrolled discretion and by giving reasons, decline to register or acknowledge any transfer of shares whether fully paid or not and the right of refusal, shall not be affected by the circumstances that the proposed transferee is already a member of the Company but in such cases, the Directors shall within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and transferor notice of the refusal to register such transfer provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except when the company has a lien on the shares. Transfer of shares/debentures in whatever lot shall not be refused. |
| 53 | Directors right to refuse registration of transmission | The Directors shall have the same right to refuse a person entitled by transmission to any share or his nominee, as if he was the transferor named in an ordinary transfer for registration. |
| 54 | No transfer to minor etc | The Board shall not issue or register a transfer of any share to a minor (except in case where they are fully paid) or insolvent or person of unsound mind. |
| 58 | Register of members when closed. | The Board of directors shall have power on giving not less than seven days previous notice by advertisement in some news paper circulating in the district in which the registered office of the Company is situated to |

| Article No. | Heading | Details |
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| | | close the Register of Members and/or Register of Debenture Holder at such time or times and for such period or periods, not exceeding thirty days at a time, and not exceeding in the aggregate forty five days in each year as it may seem expedient to the Board. |
| 60 | Compliance with rules, regulations and requirements of stock exchanges, etc. | The Company shall comply with the rules, regulations and requirements of the Stock Exchange or the rules made under the Act, or the rules made under the Securities Contracts (Regulation) Act, 1956 or any other law or Rules applicable, relating to the transfer or transmission of shares or debentures. |
| | | SHARE WARRANTS |
| 61 | Power to issue Share Warrant | The Company may issue share warrants subject to and in accordance with the provisions of Sections 114 and 115 and accordingly the Board may in its discretion, with respect to any share is fully paid upon application in writing signed by the persons registered as holder of the share, and authenticated by such evidence (if any) as the Board may, from time to time, require as to the identity of the person signing the application and on receiving the certificate (if any) of the share, and the amount of the stamp duty on the warrant and such fee as the Board may, from time to time, require, issue a share warrant. |
| 62 | Deposit of share warrant | The bearer of a share warrant may, at any time, deposit, the warrant at the office of the Company, and so long as the warrant remains so deposited, the depositor shall have the same right of signing a requisition for calling a meeting of the Company, and of attending and voting and exercising the other privileges of the member at any meeting held after the expiry of two clear days from the time of deposit, as if his name were inserted in the Register of Members as the holder of the share included in the deposited warrant.<br><br>Not more than one person shall be recognized as depositor of the share warrant.<br><br>The Company shall, on two days written notice, return the deposited share warrant to the depositor. |
| 63 | Privileges and disabilities of the holders of Share Warrant | Subject as herein otherwise expressly provided, no person shall, as bearer of a share warrant, sign a requisition for calling a meeting of the Company, or attend or vote or exercise any other privileges of a member at a meeting of the Company, or be entitled to receive any notice from the Company.<br><br>The bearer of a share warrant shall be entitled in all other respect to the same privileges and advantages as if he were named in the Register of Members as the holder of the shares included in the warrant, and he shall be a member of the Company. |
| 64 | Issue of new share warrant or coupon | The Board may, from time to time, make bye-laws as to the terms on which (if it shall think fit) a new share warrant or coupon may be issued by way of renewal in case of defacement, loss or destruction. |

| Article No. | Heading | Details |
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| | | INCREASE, REDUCTION AND ALTERATION OF SHARE CAPITAL |
| 65 | Increase of capital | The Company may, by a resolution passed in a General Meeting, from time to time increase the share capital by the creation of new shares of such amount as may be deemed expedient and specified in the resolution, subject to compliance with the provision of the Act and of any other laws that may be in force. |
| 66 | On what conditions new shares may be issued (whether preferential or not) | The new shares shall be issued upon such terms and conditions and with such rights and privileges attached thereto as are consistent with provisions of the Act and which the General Meeting, resolving upon the creation thereof shall direct and if no direction be given, as the Directors shall determine, and in particular such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company and with a special or without any right of voting. |
| 67 | Provision relating to issue | Before the issue of any new shares, the Company in General Meeting may make provisions as to the allotment and issue of the new shares, and in particular may determine that the same shall be offered in the first instance either at par or at a premium and, in default of any such provisions, or so far as the same shall not extend, the Directors shall comply with the provisions of Section 81 of the Act. |
| 68 | How far new shares to rank with shares in original capital | Except so far as otherwise provided by the condition of issue or by these presents, any capital raised by the creation of new shares shall be considered as part of the original capital and shall be subject to the provisions herein contained with reference to the payment of calls and installments, transfer and transmission, forfeiture, lien and otherwise. |
| 70 | Consolidation, subdivision and cancellation of shares | (1) The Company may by Ordinary Resolution:<br>(a) Consolidate and divide its shares or any of them into shares of larger amount than its existing shares<br>(b) Sub-divided its existing shares or any of them into shares of smaller amount than is fixed originally by the Memorandum of Association, so however that in the subdivision the proportion between the amount paid and the amount, if any unpaid on each reduced share be the same as it was in the case of the share from which the reduced share is derived and other conditions, if any laid down by these Articles.<br>(c) Cancel any shares which at the date of the passing of the ordinary resolution, have not been taken or agreed to be taken by any person and also may diminish the amount of its share capital by the amount of the shares so cancelled.<br>(2) The Company shall file with the Registrar Notice of exercise of any power referred to in sub clauses (a), (b) or (c) of Clause (1) of this Article within thirty days from the exercise thereof. |
| 71 | Sub-division into preferred and ordinary | The resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division one or more of such shares shall have some preference or special advantage as |

| Article No. | Heading | Details |
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| | | regards dividend, capital, voting or otherwise over or as compared with other or others, subject, nevertheless, to the provisions of Section 94 of the Act. |
| 72 | Reduction of capital | The Company may, from time to time, by special resolution reduce its share capital or any share premium account in any manner and with, and subject to any incident authorized and consent required by law. |
| 74 | Issue at discount etc. or with special privileges | Subject to the provisions of Section 79 of the Act any debenture, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares, 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. |
| | | MODIFICATION OF RIGHTS OF SHARE HOLDERS |
| 75 | Power to modify rights to shareholders | If at any time the capital by reason of the issue of preference shares of otherwise, is divided into different classes of shares, all or any of the rights and privileges attached to each class may be raised subject to the provisions of Sections 106 and 107 of the Act and all the provisions hereinafter contained as to General Meetings, shall mutatis mutandis, apply as regards meeting, if any, to be held for the purpose. |
| | | DIRECTORS |
| 112 | Board's maximum strength | The minimum number of directors shall not be less than three and the maximum number of directors shall not be more than fifteen. The maximum number of fifteen Directors shall include a minimum of five independent directors. The maximum number of directors shall not include Alternate Directors appointed in terms of Article 129 of these Articles. |
| 115 | Qualification Shares not required | A director shall not be required to hold any qualification shares. |
| 116 | Director's fees remuneration and expenses | Unless otherwise determined by the Company in General Meeting each Directors shall be entitled to receive out of the funds of the Company for his services in attending meetings of the Board or of a committee of the Board, such sum as may be fixed by the Board of Directors not exceeding the amount specified in this regard under the provisions of the Act, for each meeting of the Board or committee of the Board attended by him. All other remuneration, if any payable by the Company to each Director whether in respect of his services as a Managing Director or a Director in whole or part time employment of the Company shall be determined in accordance with and subject to the provision of the Act. The Directors shall be entitled to be paid their reasonable traveling and hotel and actual expenses incurred in consequence of their attending at Board and committee meeting and actually incurred in the execution of their duties as Directors. |

| Article No. | Heading | Details |
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| 121 | Director may contract with the Company | (1) Subject to the provisions of the Act, Directors including the Managing Director, if any shall not be disqualified by reason of their office contracting with the Company either as vendor purchaser, lender, agent, broker, or otherwise shall not apply to any contract or arrangement entered into by or on behalf of the Company with any Director the Managing Director or with any Company or partnership of or in which any Director or Managing Director shall be a member or otherwise interested by avoided nor shall any Director or the Managing Director, so contracting or being such member or so interested be liable to account to the Company for any profit realized by such contract or arrangement by reason only of such Director or the Managing Director holding that office or of the fiduciary relation thereby established, but the nature of the interest must be disclosed by him or them at the meeting of the Board at which the contract or arrangement is determined on, if the interest then exists or in any other case at the meeting of the Board after the acquisition of the interest. Provided nevertheless that no Director shall take part in the discussion of or vote, as a Director in respect of any contract or arrangement in which he is so interested as aforesaid and if he does so his vote shall not be counted but he shall be entitled to be present at the meeting during the transaction of the business in relation to which he is precluded from voting although he shall not be counted for the purpose of ascertaining whether there is a quorum of Director present. The provision shall not apply to any contract by or on behalf of the Company to give to the Directors or the Managing Directors or any of them any security by way of indemnity against any loss which they or any of them suffer by becoming or being sureties for the Company or to any contract or arrangements entered into or to be entered for the Company or to any contract or arrangements entered into or to be entered into with a public company, or a private company which is a subsidiary of a public company, in which the interest of the Director aforesaid consists solely in his being a Director of such Company and the holder of not more than shares of such number or value therein as is requisite to qualify him for appointment as a Director thereof, he having been nominated as such Director by the Company or in his being a member holding not more than 2 % of its paid up share capital.<br><br>(2) A general notice that any Director is a Director or a member of any specified company or is a member of any specified firm and is to be regarded as interested in subsequent transaction with the company or firm shall, as regards any such transaction by sufficient disclosure under this Article and after such general notice it shall not be necessary to give any special notice relating to any particular transaction with such Company or firm.<br><br>(3) A Director may be or become, a Director or member of any company promoted by this Company or in which this Company may be interested as a vendor shareholder or otherwise and no such Director shall be accountable to the Company for any benefit received as a Director or member of such Company |
| 122 | Disclosure of a | Every Director who is in any way whether directly or indirectly, |

| Article No. | Heading | Details |
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| | Director's interest | concerned or interested in contract or arrangement, entered into or to be entered into by or on behalf of the Company (not being a contract or arrangement entered into or to be entered into between the Company and any other company where any of the Directors of the Company or two or more of them together holds or hold not more than two percent of the paid up share capital in the other company) shall disclose the nature of his concern or interest at a meeting of the Board as required by Section 299 of the Act. A general notice, renewable in the last month of each financial year of the Company, that a Director is a director or a member of any specified body Corporate or is a member of any specified firm and is to be regarded as concerned or interested in any subsequent contract or arrangement with that body corporate or firm shall be sufficient disclosure of concern of interest in relation to any contract or arrangement so made and, after such general notice, it shall not be necessary to give special notice relating to any particular contract or arrangement with such body corporate or firm provided such general notice is given at a meeting of the Board or the Director concerned takes reasonable steps to secure that it is brought up and read at the first meeting of the Board after it is given. |
| 123 | Which Directors to retire | The Directors to retire by rotation at every Annual General Meeting shall be those who have been longest in office since their last appointment but as between persons who became Directors on the same day those to retire shall in default or the subject to any agreement among themselves, be determined by lot. |
| 125 | Power to remove Director by ordinary resolution on Special Notice | The Company may, subject to the provisions of Section 284 of the Act, by ordinary resolution, of which Special Notice has been given, remove any Director before the expiration of his period of office and may, by ordinary resolution of which Special Notice has been given appoint another person in his stead, if the Director so removed was appointed by the Company in general meeting or by the Board under Article 114. The person so appointed shall hold office until the date up to which his predecessor would have held office if he had not been so removed. If the vacancy created by the removal of a Director under the provision of this Article is not so filled by the meeting at which he is removed, the Board may at any time thereafter, fill such vacancy under the provisions of Article 114. |
| 126 | Board may fill up casual vacancies | If any Director appointed by the Company in general meeting vacates office as a Director before his term of office will expire in the normal course the resulting casual vacancy may be filled up by the Board at a meeting of the Board but any person so appointed shall retain his office so long only as the vacating Director would have retained the same if no vacancy had occurred. Provided that the Board may not fill such a vacancy by appointing thereto any person who has been removed from the office of Director under Article 119. |
| 128 | Director elected by minority shareholders | The Company may have a director elected by minority shareholders in such manner as may be prescribed in this behalf by the government or any other statutory authority from time to time. |
| 129 | Alternate Directors | The Board of Directors may appoint an alternate Director may appoint an alternate Director to act for a Director (hereinafter called the original Director) during the absence of the original Director for a period of not less than three months from the State in which the meetings of the Board are ordinarily held. An alternate Director so appointed shall vacate office |

| Article No. | Heading | Details |
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| | | if and when the original Director returns to the State in which meetings of the Board are ordinarily held. If the term of office of original Directors is determined before he so returns to the state aforesaid, any provision for the automatic reappointment of retiring Director in default of another appointment shall apply to the original and not to the alternate Director. |
| 130 | Meeting of Directors | Directors shall convene Board Meetings for the dispatch of business, adjourn and otherwise regulate their meeting and proceedings, as they deem fit and proper. |
| 131 | Quorum | The quorum for a meeting of the Board of Directors shall be one-third of its total strength (any fraction contained in that one-third being rounded off as one) or two Directors, whichever is higher. |
| 132 | Resolution by circulation | Subject to the provisions of Section 289 of the Act, a resolution by circulation signed by the Directors shall be as valid and effectual as if it had been passed at meeting of Directors duly called and constituted. |
| 133 | How question be decided | Any questions arising at a meeting shall be decided by a majority of votes and, in case of any equality of votes, the Chairman shall have a second or casting vote. |
| 134 | Power to appoint Committees and to delegate | The Board may, subject to the provisions of the Act, from time to time and at any time delegate any of its powers to a committee consisting of such Director or Directors as it thinks fit, and may from time to revoke such delegation, Any committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board. |
| 135 | Proceedings of Committee | The meetings and proceedings of any such committee consisting of two or more members shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Board so far as the same are applicable thereto and to are not superseded by any regulations made by the Board under the last preceding Article. |
| 136 | When acts of a Director valid not withstanding defective appointment etc. | Acts done by a person as a Director shall be valid not withstanding that it may afterwards be discovered that his appointment was invalid by reason of any defect or disqualification or had terminated by virtue of any provisions contained in the act or in these Articles. Provided that nothing in this Article shall be deemed to give validity to acts done by a Director after his appointment has been shown to the Company to be invalid or to have terminated. |
| 139 | Retirement of directors | Not less than two-thirds of the total number of Directors shall (a) be persons whose period of the office is liable to termination by retirement of Directors by rotation and (b) save as otherwise expressly provided in these Articles be appointed by the Company in General Meeting.<br><br>Subject to the provision of Section 256 of the Act at every annual general meeting of the Company one-third of such of the Directors for the time being as are liable to retire by rotation, or if their number is not three or a multiple of three the number nearest to one-third shall retire from office. |
| 140 | Eligibility for re-election | A retiring Director shall be eligible for re-election. |
| | | *POWERS OF THE BOARD* |

| Article No. | Heading | Details |
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| 141 | General power of Company vested in the Board | Subject to the provisions of the Act, the control of the Company shall be vested in the Board who shall be entitled to exercise all such powers, and to do all such acts and things as the Company is authorized to exercise and do. The Board shall be entitled to pay all expenses incidental to the formation of the Company and in particular, expenses incurred by the promoters for the purpose. Provided that the Board shall not exercise any power or to do any act or thing which is directed or required whether by Act or any other statute or by the Memorandum of the Company or by these Articles or otherwise, or be exercised or done by the Company in general meeting. Provided further that in exercising any such or doing any such act thing the Board shall be subject to the provisions in the behalf contained in the Act or any other statute or in Memorandum of the Company or in these Articles or in any regulations not inconsistent there with any fully made there under, including regulations made by the Company in general meeting, but no regulation made by the Company in general meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made. |
| | | DIVIDEND |
| 156 | Dividend to be declared in General Meeting | The Company in General Meeting may declare dividends to be paid to the Members according to their respective right and interest in the profits. No dividend shall exceed the amount recommended by the Directors, but the Company may declare a smaller dividend in a General Meeting. The provisions regarding the manner and time of payment of dividend embodied in Sections 205, 206, 207 and 93 of the Act shall apply accordingly. |
| 157 | Interim dividends | The Directors may from time to time pay the Members such interim dividends as appear to them to be justified. |
| 158 | Dividends out of profit only | No dividend shall be paid otherwise than out of the profits of the Company arrived at in the manner provided for in Section 205 of the Act. The declaration of the Directors as to the net profits of the Company shall be conclusive. |
| 159 | Division of profits | Subject to the rights of persons if any entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof the dividend is paid, but if and so long as nothing is paid upon any of shares in the Company, dividends may be declared and paid according to the amounts paid on the shares. No amount paid or credited as paid on a share in advance of calls shall be treated for the purpose of this regulation as paid on the share. |
| 160 | Debts may be deducted | The Directors may retain any dividends on which the Company has a lien and may apply the same in or towards the satisfaction of the debts, liabilities or engagements in respect of which the lien exists. |
| 162 | Dividends in proportion to amount paid up. | All dividends shall be appointed and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid but if any share is issued on terms, providing that it shall rank for dividends as from a particular date such share shall rank for dividend accordingly.<br><br>No member to receive dividend whilst indebted to the Company and the Company's right of reimbursement thereof. |

| Article No. | Heading | Details |
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| | | No member shall be entitled to receive payment of any interest or dividend or bonus in respect of his share or shares, whilst any money may be due or owing from him to the Company in respect of such share or shares (or otherwise however either alone or jointly with any other person or persons) and the Board of Directors may deduct from the interest or dividend to any member all such sums of money so due from him to the Company. |
| 163 | Effect of transfer of shares | A transfer of shares shall not pass the right to any dividend declared therein before the registration of the transfer. |
| 164 | Dividend to joint holders | Any one of several persons who are registered as joint holders of any share may give effectual receipts for all dividends or bonus and payments on account of dividends in respect of such share.<br><br>A person entitled to a share by transmission shall subject to the right of the Directors to retain such dividends or money as is hereafter provided be entitled to receive dividend without being registered as member and may give a discharge for any dividends or other moneys payable in respect of the share. |
| 165 | Dividend how remitted | The dividend payable in cash may be paid by transfer to bank account or by cheque or warrant sent through post direct to registered address of the share-holder entitled to the payment of the dividend or in case of joint holders to the registered address of that one of the joint holders which is first named on the register of members or to such person and to such address as they may direct in writing. The Company shall not be liable or responsible for any Cheque or Warrant or pay slip or receipt lost in transmission or for any dividend lost, to the member or person entitled thereto by forged endorsement of any cheque or warrant or forged signature on any pay slip or receipt or the fraudulent recovery of the dividend by any other means. |
| 167 | Dividend to be paid within thirty days | The Company shall pay the dividend or send the warrant in respect thereof to the shareholders entitled to the payment of dividend, within thirty days from the date of the declaration unless:<br><br>i where the dividend could not be paid by reason of the operation of any law;<br>ii where a shareholder has given directions regarding the payment of the dividend and those directions cannot be complied with;<br>iii where there is a dispute regarding the right to receive the dividend;<br>iv where the dividend has been lawfully adjusted by the Company against any sum due to it from shareholder, or<br>v where for any other reason, the failure to pay the dividend or to post the warrant within the period aforesaid was not due to any default on the part of the Company. |
| 168 | Unclaimed dividend | No unclaimed dividend shall be forfeited by the Board and the Directors shall comply with provisions of Sections 205A and 205B of the Act, as regards unclaimed dividends. |
| 169 | No interest on dividends | Subject to the provisions of Section 205 A of the Act no dividend shall bear interest as against the Company. |
| 170 | Dividends in cash | No dividend shall be payable except in cash, provided that nothing in this |

| Article No. | Heading | Details |
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| | | Article shall be deemed to prohibit the capitalization of the profits or reserves of the Company for the purpose of issuing fully paid up bonus shares or paying up any amount for the time being unpaid on any shares held by members of the Company. |
| | | DEMATERIALIZATION OF SECURITIES |
| 174 | Dematerialization of securities | Notwithstanding anything contained in the Articles, the Company shall be entitled to dematerialize its securities, rematerialize its securities held by the depositories and/or to offer its fresh securities in the dematerialized form pursuant to the Depositories Act, 1996 and the rules framed there under, if any. |
| 175 | Option given to investors | Every person shall have the option to hold the securities with a depository. Such a person who is a beneficial owner of the securities can at any time opt out of a depository in respect of such security in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificate of securities.<br><br>If a person opts to hold his security with a depository, the Company shall intimate such depository the details of allotment of the security, and on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of the security. |
| 176 | Securities in Depository to be in fungible form | All securities held by a Depository shall be dematerialized and shall be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187A, 187B, 187C and 372A of the Act shall apply to a depository in respect of securities held by it on behalf of the beneficial owners. No certificate shall be issued for the securities held by the depository. |
| 177 | Voting rights of Depository and beneficial owner | The Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of securities on behalf of a beneficial owner.<br><br>Save as otherwise provided here in above, the Depository as a registered owner shall not have any voting rights or any other rights in respect of securities held by it.<br><br>Every person holding securities 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 shall be entitled to all the rights and benefits and shall be subject to all the liabilities in respect of such of his securities that are held by the Depository. |
| 178 | Allotment of securities by the Depository | Notwithstanding anything contained in the Act or the Articles, where the Depository holds the securities, the Company shall intimate the details thereof to the depository immediately on allotment of such securities. |
| 179 | Register and Index of beneficial owners | The register and index of beneficial owners maintained by the Depository under the Depositories Act shall be deemed to be the Register and Index of Members and security holders for the purpose of these Articles except as is mentioned in the provisions of Section 150, 151 and 152 of the Act. |
| 180 | Transfer of securities | Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a depository. |

# SECTION X: 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 Draft 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 Draft Red Herring Prospectus, delivered to the Registrar of Companies, Karnataka at Bangalore for registration and also the documents for inspection referred to hereunder, may be inspected at the corporate office of our Company situated at 139/25, Ring Road, Domlur, Bangalore 560 071 from 10.00 am to 4.00 pm on working days from the date of this Draft Red Herring Prospectus until the Bid/Issue Closing Date.

Material Contracts

1. Letter of appointment dated January 31, 2005 to Enam Financial Consultants Private Limited from our Company appointing them as the BRLM.
2. Memorandum of Understanding amongst our Company and BRLM.
3. Memorandum of Understanding/ Agreements executed by our Company with Bankers to the Issue, Registrar to the Issue, etc.
4. Escrow Agreement dated •, 2005 between the Company, the BRLM, the Escrow Banks, and the Registrar to the Issue.
5. Syndicate Agreement dated •, 2005 between the Company, the BRLM and the other Members of the Syndicate.
6. Underwriting Agreement dated •, 2005 between the Company, the BRLM and other Underwriters.

Material Documents

1. Our Memorandum and Articles of Association as amended from time to time.
2. Our certification of incorporation dated February 13, 1989.
3. Our certificates in relation to change of names dated October 13, 1992, December 30, 1998 and October 17, 2000.
4. Our certificate dated April 20, 1993 with respect to change of registered office of Sasken from the state of Gujarat to the state of Karnataka confirmed by the order of the Company Law Board, Western Region Bench, Mumbai dated February 24, 1993.
5. Shareholders Agreement dated August 17, 1999 between Intel Pacific, Inc. and Sasken and Mr. Rajiv Mody, Mr. Krishna Jhaveri, Mr. Pranabh Mody, Mr. Suresh Dholakia and Mr. Badruddin Agarwala.
6. Shareholders' resolutions in relation to this Issue and other related matters such as appointment of statutory auditors, formation and revision of Audit, Remuneration and other committees
7. Annual Report for the year 2004-05 (including financial statements for the year ended March 31, 2005) as approved by the Board on April 19, 2005 and subject to the further approval of the shareholders at the ensuing AGM.
8. Resolutions of the IPO Committee
9. Present terms of employment and remuneration between Sasken and our Directors fixed by way of Board meetings and approved by the Shareholders.
10. Report of the statutory auditors, S.R.Batliboi and Company dated April 20, 2004 for Consolidated Financial Statements for the year ended March 31, 2004 prepared as per Indian GAAP and mentioned in the Draft Red Herring Prospectus

11. Report of the statutory auditors, S.R.Batliboi and Company dated February 11, 2005 for Consolidated Financial Statements for the quarter and nine months ended December 31, 2004 prepared as per Indian GAAP and mentioned in the Draft Red Herring Prospectus

12. Report of the statutory auditors, S.R.Batliboi and Company dated May 17, 2005 for Unconsolidated Summary Restated Financial Statements for the nine months ended December 31, 2004, years ended March 31, 2004, March 31, 2003, March 31, 2002, March 31, 2001 and March 31, 2000 prepared as per Indian GAAP and mentioned in the Draft Red Herring Prospectus

13. Copies of annual reports of our Company for the years ended March 31, 2000, 2001, 2002, 2003 and 2004 and for our Subsidiary, SNSL for the period ended March 31, 2004.

14. Consent of the Statutory Auditors being S.R.Batliboi and Company for inclusion of their report on accounts in the form and context in which they appear in the Draft Red Herring Prospectus

15. Consents of Statutory Auditors, Bankers to the Company, BRLM, Syndicate Members, Registrar to the Issue, Escrow Collection Bank(s), Banker to the Issue, Legal counsel to the Company and Underwriters, Directors of the Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities

16. Initial listing applications dated •, 2005 and •, 2005 filed with BSE and NSE respectively

17. In-principle listing approval dated •, 2005 and •, 2005 from BSE and NSE respectively

18. Tripartite Agreement between NSDL, our Company and the Registrar to the Issue dated •, 2005

19. Tripartite Agreement between CDSL, our Company and the Registrar to the Issue dated •, 2005

20. Due diligence certificate dated May 17, 2005 to SEBI from Enam Financial Consultants Private Limited

21. SEBI observation letter No. • dated •, 2005.

22. Letter from Registrar quoting terms of appointment

23. Shareholders Agreement with Intel

24. Shareholders Agreement with NNML

25. Shareholders Agreement with NGP

26. Shareholders Agreement with MVC VI FVCI Limited

27. Asset Transfer Agreement dated October 28, 2004 with Blue Broadband Technologies

28. SNEL Debenture Subscription Agreement

Any of the contracts or documents mentioned in this Draft Red Herring Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the Shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

**Declaration**

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by Securities and Exchange Board of India, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or the rules made thereunder or guidelines issued, as the case may be. The Company further certifies that all the statements in this Draft Red Herring Prospectus are true and correct.

**SIGNED BY THE DIRECTORS OF THE COMPANY**

Mr. Rajiv C. Mody
Mr. Vinod Dham
Mr. Krishna J. Jhaveri
Dr. Ashok Jhunjhunwala
Mr. Bansi S. Mehta
Mr. J.B. Mody
Mr. Pranabh D. Mody
Prof. J. Ramachandran
Dr. G. Venkatesh

**SIGNED BY THE CHAIRMAN & MANAGING DIRECTOR**

Mr. Rajiv C. Mody

**SIGNED BY THE CHIEF FINANCIAL OFFICER & COMPANY SECRETARY**

Ms. Neeta Revankar

Date: May 17, 2005

Place: Bangalore