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RED HERRING PROSPECTUS
Please read Section 60B of the Companies Act, 1956
Dated June 25, 2005
100% Book Built Issue

IDFC

INFRASTRUCTURE DEVELOPMENT FINANCE COMPANY LIMITED

(Incorporated on January 13, 1997 under the Companies Act, 1956 as a public limited company)
Registered Office : ITC Centre, 3rd floor, 760, Anna Salai, Chennai - 600 002, India.
Tel: 91 44 2855 9448; Fax 91 44 2854 7597
Corporate Office: Ramon House, H.T. Parekh Marg, 169, Backbay Reclamation, Mumbai - 400 020, India
Tel: 91 22 5633 9100; Fax 91 22 2202 9711
E-mail: ipo@idfc.com; Website: www.idfc.com
Contact Person : Mr. Mahendra N. Shah; Tel: 91 22 5633 9118

PUBLIC ISSUE OF 403,600,000 EQUITY SHARES OF RS. 10 EACH FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE AGGREGATING RS. [●] MILLION, COMPRISING A FRESH ISSUE OF 120,000,000 EQUITY SHARES OF RS. 10 EACH BY INFRASTRUCTURE DEVELOPMENT FINANCE COMPANY LIMITED ("IDFC", THE "COMPANY" OR THE "ISSUER") AND AN OFFER FOR SALE OF 283,600,000 EQUITY SHARES OF RS. 10 EACH BY THE SELLING SHAREHOLDERS. THE FRESH ISSUE AND THE OFFER FOR SALE ARE JOINTLY REFERRED TO HEREIN AS THE ISSUE. THE ISSUE WILL CONSTITUTE 35.96% OF THE FULLY DILUTED POST-ISSUE CAPITAL OF OUR COMPANY.

PRICE BAND: Rs. 29 TO Rs. 34 PER EQUITY SHARE OF FACE VALUE Rs. 10

ISSUE PRICE IS 2.9 TIMES THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND 3.4 TIMES THE FACE VALUE AT THE HIGHER END OF THE PRICE BAND

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

The Issue is being made through the 100% Book Building Process wherein up to 50% of the Issue shall be allocated on a discretionary basis to Qualified Institutional Buyers. Further, at least 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and at least 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

RISK IN RELATION TO FIRST ISSUE

This being the first public issue of the Equity Shares, there has been no formal market for the Equity Shares. The face value of the Equity Shares is Rs. 10 and the Issue Price is [l] times of the face value. The Issue Price (as determined by the Company and the Selling Shareholders in consultation with the BRLM and the Senior Co-BRLM, on the basis of assessment of market demand for the Equity Shares by way of Book Building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company nor regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

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

COMPANY AND SELLING SHAREHOLDERS' ABSOLUTE RESPONSIBILITY

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

LISTING

The Equity Shares offered through this Red Herring Prospectus are proposed to be listed on the NSE and the BSE. We have received in-principle approval from the NSE and the BSE for the listing of our Equity Shares pursuant to letters dated June 1, 2005 and May 24, 2005, respectively. The NSE shall be the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGER	SENIOR CO-BOOK RUNNING LEAD MANAGER	CO-BOOK RUNNING LEAD MANAGER	REGISTRAR TO THE ISSUE
kotak Investment Banking	DSP Merrill Lynch		KARVY Karvy Computershare Private Limited
KOTAK MAHINDRA CAPITAL COMPANY LIMITED	**DSP MERRILL LYNCH LIMITED**	**SBI CAPITAL MARKETS LIMITED**	**KARVY COMPUTERSHARE PRIVATE LIMITED**
Bakhtawar, 3rd Floor, 229, Nariman Point, Mumbai - 400 021, India	10th Floor, Mafatlal Centre, Nariman Point, Mumbai - 400 021, India	202, Maker Tower E, Cuffe Parade, Mumbai - 400 005, India	Karvy House, 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad - 500 034, India
Tel. : 91 22 5634 1100	Tel: 91 22 2262 1071	Tel: 91 22 2218 9166	Tel: 91 40 2331 2454
Fax.: 91 22 2284 0492	Fax: 91 22 2262 1187	Fax: 91 22 2218 8332	Fax: 91 40 2331 1968
E-mail: idfc.ipo@kotak.com	E-mail: idfc_ipo@ml.com	E-mail: idfc.ipo@sbicaps.com	E-mail: idfc.ipo@karvy.com
Website: www.kotak.com	Website: www.dspml.com	Website: www.sbicaps.com	Website: www.karvy.com

ISSUE PROGRAM

BID/ISSUE OPENS ON : FRIDAY, JULY 15, 2005	BID/ISSUE CLOSES ON : FRIDAY, JULY 22, 2005

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GLOSSARY OF TERMS/ABBREVIATIONS

DEFINITIONS

Term	Description
"IDFC" or "Company" or "our Company" or "Issuer" or "Infrastructure Development Finance Company Limited"	Infrastructure Development Finance Company Limited, a public limited company incorporated under the Companies Act, 1956.
"we" or "us" and "our"	Refers to Infrastructure Development Finance Company Limited and, where the context requires, its subsidiaries, which are IDFC Asset Management Company Limited, IDFC Trustee Company Limited and Feedback First Urban Infrastructure Development Company Limited.

ISSUE RELATED TERMS

Term	Description
Allotment	Unless the context otherwise requires, the allotment and transfer of Equity Shares pursuant to this Issue.
Amended and Restated Shareholders Agreement	The amended and restated shareholders agreement dated May 9, 2005 among our Company, the Selling Shareholders and CDCIH amending and restating the Original Shareholders Agreement.
Articles/Articles of Association	Articles of association of our Company.
Auditors	The statutory auditors of the Company are S. B. Billimoria & Co., Chartered Accountants.
Bankers to the Issue	The bankers to the Issue being Centurion Bank Limited, Citibank N.A., Deutsche Bank AG, HDFC Bank Limited, ICICI Bank Limited, IDBI Bank Limited, Kotak Mahindra Bank Limited, Standard Chartered Bank, State Bank of India, The Hongkong and Shanghai Banking Corporation Limited and UTI Bank Limited.
Bid	An indication to make an offer during the Bidding/Issue Period by a prospective investor to subscribe to our Equity Shares at a price within the Price Band, including all revisions and modifications thereto.
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue.
Bid/Issue Closing Date	The date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in an English national newspaper, a Hindi national newspaper and a Tamil newspaper, with wide circulation.
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to subscribe to the Equity Shares and which will be considered as the application for issue of the Equity Shares pursuant to the terms of this Red Herring Prospectus.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Red Herring Prospectus and the Bid cum Application Form.
Bidding/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.

Bid/Issue Opening Date	The date on which the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in an English national newspaper, a Hindi national newspaper and a Tamil newspaper, with wide circulation.
Board of Directors/Board	The board of directors of our Company or a committee constituted thereof.
Book Building Process	Book building route as provided under Chapter XI of the SEBI Guidelines, in terms of which the Issue is made.
BRLM/Book Running Lead Manager	Book Running Lead Manager to the Issue, in this case being Kotak Mahindra Capital Company Limited.
CAN/Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process.
Co-BRLMs/Co-Book Running Lead Managers	Co-Book Running Lead Managers to the Issue, in this case being JM Morgan Stanley Private Limited and SBI Capital Markets Limited.
Companies Act	The Companies Act, 1956, as amended from time to time.
Cut-off Price	Any price within the Price Band finalized by us in consultation with the BRLM and the Senior Co-BRLM. A Bid submitted at the Cut-off Price is a valid Bid at all price levels within the Price Band.
Depository	A body corporate registered under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.
Depositories Act	The Depositories Act, 1996, as amended from time to time.
Depository Participant	A depository participant as defined under the Depositories Act.
Designated Date	The date on which funds are transferred from the Escrow Account to the Issue Account after the Prospectus is filed with the RoC, following which the Allotment will be made to successful Bidders.
Designated Stock Exchange	The NSE.
Director(s)	Director(s) of Infrastructure Development Finance Company Limited, unless otherwise specified.
Domestic Institutions	SBI, ICICI, HDFC, UTI-I, IFCI and IDBI so long as they own any Equity Shares and are parties to the Amended and Restated Shareholders Agreement.
Eligible NRI	NRI from such jurisdiction outside India where it is not unlawful to make an offer or invitation under the Issue.
Equity Shares	Equity shares of the Company of Rs. 10 each unless otherwise specified in the context thereof.
Escrow Account	Account opened with an Escrow Collection Bank and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid.
Escrow Agreement	Agreement to be entered into amongst the Company, the Selling Shareholders, the Registrar, the Escrow Collection Banks, the BRLM, Senior Co-BRLM, the Co-BRLMs and the Syndicate Members for collection of the Bid Amounts and for remitting refunds, if any, of the amounts collected, to the Bidders.

Escrow Collection Banks	The banks, which are clearing members and registered with SEBI as banker to the issue at which the Escrow Account will be opened.
Financial Year/fiscal/FY	Period of twelve months ended March 31 of that particular year, unless otherwise stated.
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form.
Foreign Investors	ADB, IFC, IPL, CDCFS, CDCIH, KHL, BNL, SLAC, SECO and DB so long as they own any Equity Shares and are parties to the Amended and Restated Shareholders Agreement.
Fresh Issue	Issue of 120,000,000 Equity Shares by the Company at the Issue Price.
Government	The Government of India.
Indian GAAP	Generally accepted accounting principles in India.
I.T. Act	The Income Tax Act, 1961, as amended from time to time.
Issue	Public issue of 403,600,000 Equity Shares for cash at a price of Rs. [●] per Equity Share aggregating Rs. [●] million comprising a Fresh Issue of 120,000,000 Equity Shares by the Company and an Offer for Sale of 283,600,000 Equity Shares by the Selling Shareholders, pursuant to this Red Herring Prospectus and the Prospectus.
Issue Price	The final price at which Equity Shares will be allotted in terms of this Red Herring Prospectus, as determined by the Company and the Selling Shareholders, in consultation with the BRLM and the Senior Co-BRLM, on the Pricing Date.
Issue Account	Account opened with the Bankers to the Issue to receive monies from the Escrow Account for the Issue on the Designated Date.
Public Financial Institution	A public financial institution as defined under Section 4A of the Companies Act.
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 0% to 100% of the Bid Amount.
Memorandum/Memorandum of Association	The Memorandum of Association of our Company.
Non-Institutional Bidders	All Bidders that are not eligible Qualified Institutional Buyers for this Issue or Retail Individual Bidders and who have bid for an amount more than Rs. 100,000 (but not including NRIs other than Eligible NRIs).
Non-Institutional Portion	The portion of the Issue being at least 60,540,000 Equity Shares, available for allocation to Non-Institutional Bidders.
Non-Residents	Eligible NRIs, FIIs, FVCIs and multilateral and bilateral development financial institutions, who are eligible to Bid in the Issue.
Offer for Sale	Offer for sale of 283,600,000 Equity Shares by the Selling Shareholders, pursuant to this Red Herring Prospectus.
Original Shareholders Agreement	The shareholders agreement dated March 25, 1998 between our Company, the Selling Shareholders and the RBI.
Pay-in Date	Bid/Issue Closing Date or the last date specified in the CAN sent to Bidders, as applicable.

Pay-in-Period	(i) With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the Bid/Issue Closing Date, and (ii) With respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date, as specified in the CAN.
Person/Persons	Any individual, sole proprietorship, unincorporated association, unincorporated organization, body corporate, corporation, company, partnership, limited liability company, joint venture, or trust or any other entity or organization validly constituted and/or incorporated in the jurisdiction in which it exists and operates, as the context requires.
Price Band	The price band with a minimum price of Rs. 29 per Equity Share and the maximum price of Rs. 34 per Equity Share, including revisions thereof.
Pricing Date	The date on which the Company and the Selling Shareholders in consultation with the BRLM and the Senior Co-BRLM finalize the Issue Price.
Prospectus	The Prospectus, 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.
Qualified Institutional Buyers or QIBs	Public Financial Institutions, scheduled commercial banks, mutual funds, FIIs 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 the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million.
QIB Portion	The portion of the Issue being up to 201,800,000 Equity Shares, available for allocation to QIBs.
Refund Account	Account opened with an Escrow Collection Bank, from which refunds of the whole or part of the Bid Amount, if any, shall be made.
Registered Office	ITC Centre, 3rd Floor, 760, Anna Salai, Chennai 600 002.
Registrar/Registrar to the Issue	Registrar to the Issue, in this case being Karvy Computershare Private Limited.
Retail Individual Bidders	Individual Bidders (including HUFs and Eligible NRIs) who have bid for Equity Shares for an amount less than or equal to Rs. 100,000, in any of the bidding options in the Issue.
Retail Portion	The portion of the Issue being at least 141,260,000 Equity Shares, available for allocation to Retail Individual Bidders.
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s).

RHP or Red Herring Prospectus	This document issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and the size of the Issue, which has been filed with the RoC at least three days before the Bid/Issue Opening Date.
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time.
SEBI Employee Stock Option/Purchase Guidelines	Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended from time to time.
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time.
SEBI MAPIN Regulations	SEBI (Central Database of Market Participants) Regulations, 2003, as amended from time to time.
Selling Shareholders	Each of the following: ● The President of India acting through the Ministry of Finance, Government of India; ● Industrial Development Bank of India Limited; ● IFCI Limited; ● Housing Development Finance Corporation Limited; ● The Administrator of the Specified Undertaking of Unit Trust of India; ● ICICI Bank Limited; ● State Bank of India; ● Asian Development Bank; ● International Finance Corporation; ● Indivest Pte Ltd. ● CDC Financial Services (Mauritius) Limited; ● Kendall Holdings Limited; ● Deutsche Asia Pacific Holdings Pte. Limited; ● State Secretariat for Foreign Economic Affairs, Switzerland; ● SLAC (Mauritius Holdings) Limited; and ● BNL International Investments SA.
Senior Co-BRLM/ Senior Co-Book Running Lead Manager	Senior Co-Book Running Lead Manager to the Issue, in this case being DSP Merrill Lynch Limited.
Specified Investor	An investor being a (i) body corporate, (ii) FIIs and sub-accounts of FIIs or (iii) FVCIs, and specified as such under the SEBI MAPIN Regulations and notifications and press releases thereunder and who (along with its promoters and directors) are required to obtain, prior to or as on the Bid/Issue Closing Date, unique identification numbers for the purpose of subscribing to securities which are proposed to be listed on any recognized stock exchange.

Sponsors	GOI and IDBI, so long as any Equity Shares are held by them and they are parties to the Amended and Restated Shareholders Agreement.
Stock Exchanges	BSE and NSE.
Syndicate	The BRLM, the Senior Co-BRLM, the Co-BRLMs and the Syndicate Members.
Syndicate Agreement	The agreement to be entered into among the Company, the Selling Shareholders and the members of the Syndicate, in relation to the collection of Bids in this Issue.
Syndicate Members	Kotak Securities Limited and JM Morgan Stanley Retail Services Private Limited.
TRS or Transaction Registration Slip	The slip or document issued by the Syndicate Members to the Bidder as proof of registration of the Bid.
Underwriters	The BRLM, the Senior Co-BRLM, the Co-BRLMs and the Syndicate Members.
Underwriting Agreement	The Agreement among the members of the Syndicate, the Selling Shareholders and the Company to be entered into on or after the Pricing Date.

Abbreviation	**Full Form**
ADB	Asian Development Bank.
AIG	American International Group, Inc.
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India.
BNL	BNL International Investments SA.
BSE	The Stock Exchange, Mumbai.
CDCFS	CDC Financial Services (Mauritius) Limited.
CDCIH	CDC Investments Holdings Limited.
CDSL	Central Depository Services (India) Limited.
DB	Deutsche Asia Pacific Holdings Pte. Limited.
EGM	Extraordinary General Meeting.
EPS	Earnings per share.
ESOP	The employee stock option plan of our Company as approved by our shareholders in a general meeting held on May 9, 2005.
ESPS	The employee stock purchase scheme of our Company as approved by our shareholders in a general meeting held on May 9, 2005.
FCNR Account	Foreign Currency Non Resident Account.
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed thereunder.
FII	Foreign Institutional Investor (as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000) registered with SEBI under applicable laws in India.

FIPB	Foreign Investment Promotion Board.
FOFEA	Swiss Federal Office for Foreign Economic Affairs (Acting on behalf of the Swiss Confederation).
FVCI	Foreign Venture Capital Investor registered with SEBI.
GDP	Gross Domestic Product.
GIC	Government of Singapore Investment Corporation.
GIR Number	General Index Registry Number.
GOI	The President of India acting through the Ministry of Finance, Government of India.
HDFC	Housing Development Finance Corporation Limited.
HUF	Hindu Undivided Family.
ICICI	ICICI Bank Limited.
IDBI	Industrial Development Bank of India Limited.
IDFC Private Equity	IDFC Asset Management Company Limited.
IFC	International Finance Corporation.
IFCI	IFCI Limited (erstwhile Industrial Finance Corporation of India Limited).
IFRS	International Financial Reporting Standards of the International Accounting Standards Board.
IPL	Indivest Pte Ltd.
IPO	Initial Public Offering.
KHL	Kendall Holdings Limited.
MoF	Ministry of Finance, Government of India.
NAV	Net Asset Value.
NBFC	Non Banking Finance Company.
NPAs	Non-performing assets.
NRE Account	Non-Resident External Account.
NRI/Non-Resident Indian	Non-resident Indian, is a person resident outside India, who is a citizen of India or a person of Indian origin and shall have the same meaning as ascribed to such term in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.
NRO Account	Non Resident Ordinary Account.
NSDL	National Securities Depository Limited.
NSE	National Stock Exchange of India Limited.
OCB/Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.

P/E Ratio	Price to Earnings Ratio.
PAN	Permanent Account Number.
RBI	The Reserve Bank of India.
RoC	Registrar of Companies, Tamil Nadu located at Chennai.
RONW	Return on Net Worth.
SBI	State Bank of India.
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time.
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992.
SECO	State Secretariat for Economic Affairs, Switzerland (formerly known as FOFEA).
SLAC	SLAC (Mauritius Holdings) Limited.
UIN	Unique Identification Number.
U.S. GAAP	Generally accepted accounting principles in the United States of America.
UTI-I	The Administrator of the Specified Undertaking of Unit Trust of India.
VCF	Venture Capital Fund registered with SEBI.

PRESENTATION OF FINANCIAL AND MARKET DATA

Unless stated otherwise, the financial data in this Red Herring Prospectus is derived from the restated unconsolidated financial statements of IDFC as of and for the fiscal years ended March 31, 2001, 2002, 2003, 2004 and 2005, all prepared in accordance with Indian GAAP and included in this Red Herring Prospectus. Unless stated otherwise, the operational data in this Red Herring Prospectus is presented on an unconsolidated basis. Our fiscal year commences on April 1 and ends on March 31 of each year, so all references to a particular fiscal year are to the twelve-month period ended March 31 of that year. In this Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding.

There are significant differences between Indian GAAP, IFRS and U.S. GAAP; accordingly, the degree to which the Indian GAAP financial statements included in this Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Red Herring Prospectus should accordingly be limited. Except for the information presented in the section titled "Summary of Significant Differences Between Indian GAAP, IFRS and U.S. GAAP", we and the Selling Shareholders have not attempted to explain those differences or quantify their impact on the financial data included herein, and we and the Selling Shareholders urge you to consult your own advisors regarding such differences and their impact on our financial data.

We use the following terms in relation to our infrastructure assets and their meanings are as set forth below:

Approvals	Approvals we grant for fund based and non-fund based financing and equity.
Disbursements	Funds disbursed for fund based financing and equity, and guarantees and take-out commitments entered into for non-fund based financing.
Exposure	Approvals, less cancellations less repayments plus defaults of interest, penal interest and liquidated damages, and includes funded and non-funded debt and equity.

All references to "India" contained in this Red Herring Prospectus are to the Republic of India. All references to "Rupees" or "Rs." are to Indian Rupees, the official currency of the Republic of India. All references to "US$"; "U.S. Dollar" or "US Dollars" are to United States Dollars, the official currency of the United States of America. All references to "€" are to Euros, the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time. All references to "£" are to Pounds Sterling, the official currency of the United Kingdom.

Unless stated otherwise, macroeconomic and industry data used throughout this Red Herring Prospectus has been obtained from publications prepared by Government sources, multilateral institutions and providers of industry information. Such 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 and the Selling Shareholders believe that industry data used in this Red Herring Prospectus is reliable, it has not been independently verified. Gross Domestic Product ("GDP") data is presented herein on a constant price basis.

FORWARD-LOOKING STATEMENTS

All statements contained in this Red Herring Prospectus that are not statements of historical fact constitute "forward-looking statements". We have included statements in this Red Herring Prospectus which contain words or phrases such as "will", "aim", "will likely result", "believe", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "contemplate", "seek to", "future", "objective", "goal", "project", "should", "will pursue" and similar expressions or variations of such expressions, that are "forward-looking statements".

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

- General and project-specific risks applicable to infrastructure projects;
- General economic and business conditions in India;
- The development of stable regulatory and policy frameworks for the infrastructure sector in India, including in key sectors such as energy, transportation and telecommunications;
- Our ability to successfully implement our strategy, our growth and expansion plans;
- Changes in Indian or international interest rates;
- Our ability to compete effectively and access funds at competitive cost;
- The success of our equity investments;
- The level of non-performing assets in our portfolio;
- Changes in tax benefits and incentives and other applicable regulations;
- Our ability to retain management team and skilled personnel;
- Our level of exposure to certain borrowers and sectors;
- Changes in the value of the Rupee and other currency changes;
- Changes in laws and regulations that apply to Financial Institutions and/or NBFCs in India, including laws that impact our ability to enforce our collateral; and
- Changes in political conditions in India.

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

RISK FACTORS

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

Internal Risk Factors and Risks Relating to Our Business

Infrastructure projects carry certain risks which, to the extent they materialize, could adversely affect our business and result in our loans and investments declining in value.

Our business consists primarily of lending to, investing in, and providing advisory services related to infrastructure projects in India. Infrastructure projects are characterized by project-specific risks as well as general risks. These risks are generally out of our control, and include:

- political, regulatory and legal actions that may adversely affect project viability;
- changes in government and regulatory policies;
- delays in construction and operation of projects;
- adverse changes in market demand or prices for the products or services that the project, when completed, is expected to provide;
- the willingness and ability of consumers to pay for infrastructure services;
- shortages of or adverse price developments for raw materials and key inputs such as oil and natural gas;
- potential defaults under financing arrangements with lenders and investors;
- failure of third parties to perform on their contractual obligations;
- adverse developments in the overall economic environment in India;
- interest rate or currency exchange rate fluctuations or changes in tax regulations;
- economic, political and social instability or occurrences such as natural disasters, armed conflict and terrorist attacks, particularly where projects are located or in the markets they are intended to serve; and
- the other risks discussed below under "External Risk Factors".

To the extent these or other risks relating to the projects we finance materialize, the quality of our asset portfolio and our profitability may be adversely affected.

The private infrastructure development industry in India is still at a relatively early stage of development and is linked to the continued growth of the Indian economy, the sectors on which we focus and stable and experienced regulatory regimes.

We believe that the further development of India's infrastructure is dependent on programs and policies that facilitate and encourage private sector investment in infrastructure. Many of these programs and policies are evolving and their success will depend on whether they are designed to properly address the issues faced and are effectively implemented. Additionally, these programs will need continued support from stable and experienced regulatory regimes that not only stimulate and encourage the continued movement of private capital into infrastructure development, but also lead to increased competition, appropriate allocation of risk, transparency and more efficient and cost-effective services to the end consumer.

The availability of private capital and the continued growth of the infrastructure development industry are also linked to continued growth of the Indian economy. Many specific factors within each industry sector may also influence the success of the projects within those sectors, including changes in policies, regulatory frameworks and market structures. While there has been progress in sectors such as telecommunications, transportation, energy, tourism and industrial and commercial infrastructure, other sectors such as urban infrastructure and healthcare have not progressed to the same degree. Further, since infrastructure services in India have historically been provided by the central and state governments without charge or at a low charge to consumers, the growth of the infrastructure industry will be impacted by consumers' income levels and the extent to which they would be willing to pay or can be induced to pay for infrastructure services. If the central and state governments' initiatives and regulations in the infrastructure industry do not proceed in the desired direction, or if there is any downturn in the macroeconomic environment in India or in specific sectors, our business and financial performance and the price of our Equity Shares could be adversely affected.

We have significant exposure to certain sectors and to certain borrowers and if these exposures become non-performing, the quality of our asset portfolio may be adversely affected.

As of March 31, 2005, our three largest sector-wise exposures were in the energy, transportation and telecommunications sectors, which in the aggregate constituted 86.9% of our total exposure of Rs. 124,137 million. Additionally, our concentration within these sectors was also significant, with the top five borrowers in each of these sectors representing 41.5% of our total exposure to those sectors. Any negative trends or financial difficulties in the energy, transportation and telecommunications sectors, particularly among our large borrowers, could increase the level of non-performing assets in our portfolio and adversely affect our business and financial performance. For the foreseeable future, we expect to continue to have a significant concentration of loans in these three sectors and to certain borrowers.

As of March 31, 2005, our ten largest single borrowers in the aggregate accounted for 28.4% of our total exposure and the ten largest borrower groups in the aggregate accounted for 50.6% of our total exposure. As of March 31, 2005, our largest single borrower and our largest borrower group accounted for 22.7% and 42.3%, respectively, of our total capital funds. Credit losses on our significant single borrower and group exposures could adversely affect our business and financial performance and the price of our Equity Shares.

We will be impacted by volatility in interest rates in both our lending and treasury operations, which could cause our net interest margins to decline and adversely affect our profitability.

Our business is largely dependent on interest income from our infrastructure operations, which accounted for 72.8% of our total income in fiscal 2005. Accordingly, we are impacted by volatility in interest rates in our lending operations. Interest rates are highly sensitive to many factors beyond our control, including the monetary policies of the RBI, deregulation of the financial sector in India, domestic and international economic and political conditions and other factors. Due to these factors, interest rates in India have historically experienced a relatively high degree of volatility. Yields on the Government's ten-year bonds were 6.2%, 5.2% and 6.7% as of March 31, 2003, 2004 and 2005.

We attempt to hedge our exposure by aligning the interest rates on our disbursements to the interest rates on the funds we raise. When interest rates decline, we are subject to greater repricing and prepayment risks as borrowers take advantage of the attractive interest rate environment. In periods of low interest rates and high competition among lenders, borrowers may seek to reduce their borrowing cost by asking lenders to reprice loans. For example, in fiscal 2004 and 2005, we were required to reprice Rs. 20,439 million of our loan portfolio due to competitive pressures. If we are required to reprice loans, our results are adversely affected in the period in which the repricing occurs because we are required to create provisions for the repricing effect. If borrowers prepay loans, the return on our capital may be impaired as any prepayment premium we receive may not fully compensate us for the costs of utilizing funds elsewhere. If interest rates rise we may have greater difficulty in maintaining a low effective cost of funds compared to our banking competitors which have access to low-cost deposit funds.

Volatile interest rates may adversely affect our treasury operations. Our income from treasury operations accounted for 5.1% of our total income in fiscal 2005. In a rising interest rate environment, especially if the rise were sudden or sharp, we could be adversely affected by the decline in the market value of our securities portfolio and other fixed income securities. In addition, the value of any interest rate hedges we may enter into in the future would be affected by changes in interest rates.

The infrastructure financing industry is becoming increasingly competitive and our growth will depend on our ability to compete effectively and maintain a low effective cost of funds.

We face increasing competition from public and private sector Indian commercial banks and from other financial institutions that provide infrastructure finance products or services. Many of our competitors have greater resources than we do. The competition we face from banks is increasing as more banks are targeting infrastructure projects for lending. Competition in our industry depends on, among other things, the ongoing evolution of Government policies relating to the industry, the entry of new participants into the industry and the extent to which there is consolidation among banks and financial institutions in India.

Our ability to compete effectively is dependent on our ability to maintain a low effective cost of funds. Our borrowing costs have been competitive in the past initially due to the sizeable equity contribution made by our investors, the availability of long-term subordinated debt from the Government and subsequently as a result of our strong credit ratings. With the growth of our business, we are increasingly reliant on funding from the debt capital markets and commercial borrowings. The market for such funds is competitive and our ability to obtain funds on acceptable terms will depend on various factors including our ability to maintain our credit ratings. If we are unable to access funds at an effective cost that is comparable to or lower than our competitors, we may not be able to offer competitive interest rates for our infrastructure loans.

Our equity investments in infrastructure projects can be particularly volatile and may not be recovered.

We make minority equity investments in infrastructure projects either directly or through the funds we manage. As of March 31, 2005, our equity investments accounted for 2.2% of our outstanding disbursements. The value of these investments depends on the success and continued viability of these projects. In addition to the project-specific risks described in the above risk factors, we have limited control over the operations or management of these projects. Therefore, our ability to realize expected gains as a result of our equity interest in a project is highly dependent on factors outside of our control. Write-offs or write-downs in respect of our equity portfolio may adversely affect our financial performance and the price of our Equity Shares.

If the level of non-performing assets in our portfolio were to increase, our business will suffer.

As of March 31, 2004 and 2005, our gross non-performing assets were Rs. 296 million and Rs. 506 million, respectively. We believe that our provisions for non-performing assets are adequate to cover known losses in our asset portfolio. However, as we commenced operations only in 1997 our asset portfolio is relatively unseasoned. Therefore it may not be indicative of the expected quality of our asset portfolio if risks affecting a significant portion of our exposure were to materialize or general economic conditions deteriorate. Additionally, if the loans in respect of which we have take-out obligations are or were to become non-performing, our level of non-performing assets will increase when we take over the loans. Furthermore, under the RBI guidelines we are not required to record or provide for defaults by infrastructure projects under implementation as non-performing assets. We also had Rs. 3,844 million and Rs. 1,204 million of assets restructured during fiscal 2004 and fiscal 2005 in order to increase the ability of these debtors to perform their obligations. We expect the size of our loan portfolio to continue to increase in the future, including in sectors to which we have historically not had much exposure, and we may have additional non-performing or restructured loans on account of these new loans and sectoral exposures. If we are not able to prevent increases in our level of non-performing or restructured loans, our business and our future financial performance could be adversely affected.

Over half of our loans are made on a non-recourse or limited recourse basis, which increases the risk of non-recovery and may adversely affect our financial performance.

As of March 31, 2005, 79.3% of our outstanding disbursements was to borrowers that were special purpose entities. 17.8% of our outstanding disbursements (excluding equity) was non-recourse, for which only the related project assets are available to repay the loan in the event the borrowers are unable to meet their obligations under the loan agreements. 35.1% of our outstanding disbursements (excluding equity) was made on a limited recourse basis whereby the project sponsors give guarantees only for construction risks, including funding shortfalls and cost overruns. The ability of borrowers to perform their obligations will depend primarily on the financial condition of the projects, which may be affected by many factors beyond the borrowers' control, including competition, operating costs, regulatory issues and the other risks discussed above. If borrowers with non-recourse or limited recourse loans were to be adversely affected by these or other factors and were unable to meet their obligations, the value of the underlying assets available to repay the loans could be or may become insufficient to pay the full principal and interest on the loans, which could expose us to significant losses.

We may experience delays in enforcing our collateral when borrowers default on their obligations to us, which may result in failure to recover the expected value of collateral and adversely affect our financial performance.

As of March 31, 2005, all of our loans were secured by project assets. For debt provided on a senior basis (comprising 94.4% of the value of our outstanding disbursements, excluding equity), we have a general first ranking charge on the project assets. For loans provided on a subordinated basis (comprising 5.6% of the value of our outstanding disbursements, excluding equity), we have a general second ranking charge on the project assets. Although we seek to maintain a collateral value to loan ratio of at least 100% for our secured loans, an economic downturn or the other project risks described above could result in a fall in collateral values. Additionally, the realizable value of our collateral in a liquidation may be lower than its book value.

Although there has been recent legislation which may strengthen the rights of creditors and lead to faster realization of collateral in the event of default, we cannot guarantee that we will be able to realize the full value of our collateral, due to, among other things, delays on our part in taking immediate action and in bankruptcy foreclosure proceedings, stock market downturns, defects in the perfection of collateral and fraudulent transfers by borrowers. In the event a specialized regulatory agency gains jurisdiction over the borrower, creditor actions can be further delayed.

In addition, to put in place an institutional mechanism for the timely and transparent restructuring of corporate debt, the RBI has devised a corporate debt restructuring system. The applicable RBI guidelines envisage that for debt amounts of Rs. 200 million and above, lenders holding more than 75% of such debt can decide to restructure the debt and such a decision would be binding on the remaining lenders. In situations where other lenders own more than 75% of the debt of a borrower, we could be required by the other lenders to agree to restructure the debt, regardless of our preferred method of settlement. Any failure to recover the expected value of collateral security could expose us to a potential loss. Apart from the RBI guidelines, we may be a part of a syndicate of lenders the majority of whom elect to pursue a different course of action than we would have chosen. Any such unexpected loss could adversely affect our business and financial performance and the price of our Equity Shares.

If we are unable to manage our rapid growth effectively, our business and financial results could be adversely affected.

Our business has grown rapidly since we began operations in 1997. From March 31, 2001 to March 31, 2005, our net approvals and outstanding disbursements increased at a compound annual growth rate of 20.3% and 47.6%, respectively. We intend to continue to grow our business rapidly, which could place significant demands on our operational, credit, financial and other internal risk controls. It may also exert pressure on the adequacy of our capitalization, making management of asset quality increasingly important.

Our asset growth will be primarily funded by the issuance of new debt. We may have difficulty obtaining funding on attractive terms. Adverse developments in the Indian credit markets, such as the recent increase in interest rates, may significantly increase our debt service costs and the overall cost of our funds.

An inability to manage our growth effectively on favourable terms could have a material adverse effect on our business and financial performance and the price of our Equity Shares. Because of our rapid growth and the long gestation period for infrastructure investments, our historical financial statements may not be an accurate indicator of our future financial performance.

Our success depends in large part upon our management team and skilled personnel and our ability to attract and retain such persons.

Our future performance will be affected by the continued service of our management team and skilled personnel. We also face a continuing challenge to recruit and retain a sufficient number of suitably skilled personnel, particularly as we continue to grow. There is significant competition for management and other skilled personnel in our industry, and it may be difficult to attract and retain the personnel we need in the future. While we have an employee stock option plan to encourage employee retention, the loss of key personnel may have a adverse effect on our business, results of operations, financial condition and ability to grow.

As an infrastructure lending institution, we receive tax benefits as a result of the type of lending operations we conduct that if no longer available, would adversely affect our results.

We, as well as infrastructure projects and their sponsors, have benefited from, and continue to benefit from, certain tax regulations and incentives that accord favourable treatment to infrastructure-related activities. In fiscal 2003, 2004 and 2005, our effective tax rates (net of deferred tax) were 10.2%, 4.7% and 5.9% respectively, compared to the marginal rate of tax of 35% plus applicable surcharges and cess that would have been applicable to us if these regulations did not exist or did not cover us. If the laws or regulations regarding these tax benefits were to change, our taxable income and tax liability may rise which would adversely impact our financial results. Additionally, if such tax benefits were not available, infrastructure projects could be considered less attractive which could negatively affect the sector and be detrimental to our business.

Material changes in the regulations that govern us could cause our business to suffer and the price of our Equity Shares to decline.

We are regulated by the Companies Act, 1956 and are subject to detailed supervision and regulation by the RBI and by SEBI for certain of our activities. See the section titled “Regulatory Policies in India” on page 62 of this Red Herring Prospectus. In addition, we are subject generally to changes in Indian law, as well as to changes in regulation and government policies and accounting principles. We also receive certain benefits from being classified as a Public Financial Institution under the Companies Act, 1956. The laws and regulations governing us could change in the future and any such changes could adversely affect our business, our future financial performance and the price of our Equity Shares, by requiring a restructuring of our activities, increasing costs or otherwise.

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

After the completion of this Issue, our principal shareholders will collectively hold approximately 63.8% of our Equity Shares. Additionally, the Amended and Restated Shareholders Agreement provides that our principal shareholders will have the ability to appoint five of our twelve directors. Consequently, our principal shareholders will be able to exercise a significant degree of influence over us and, if they act together, will be able to control the outcome of any proposal that can be passed with a majority shareholder vote.

If we engage in foreign currency lending or borrowing in the future, we will be exposed to fluctuations in foreign exchange rates.

We are impacted by adverse movements in foreign exchange rates to the extent they impact our borrowers negatively, which may in turn impact the quality of our exposure to these borrowers. We have foreign currency borrowings of US$25 million (equivalent of approximately Rs. 1,087 million) outstanding (as on June 21, 2005) and we may be more actively involved in foreign currency activities in the future. This will further expose us to fluctuations in foreign currency rates. Volatility in foreign exchange rates could adversely affect our business and financial performance and the price of our Equity Shares.

Our contingent liabilities could adversely affect our financial condition.

As of March 31, 2005, we had contingent liabilities of Rs. 6,630 million, including Rs. 5,074 million of guarantees and other contingent non-funded disbursements (not including take-out facilities). These guarantees and similar obligations form part of our business operations and make up 4.1% of our total exposure. If these contingent liabilities fully materialize, our financial condition could be adversely affected. For further details of our contingent liabilities, see the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the notes to our financial statements.

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

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

Our subsidiaries and joint ventures are engaged in businesses in which we are also engaged, which may cause us to indirectly compete with them.

Our subsidiaries and joint ventures are engaged in making loans and investments in areas similar to those we focus on. As these businesses overlap, there is a possibility that we may be competing with these entities for business. As a result, there may be conflicts of interest between us and our subsidiaries and joint ventures in addressing business opportunities and strategies.

We are involved in a number of legal proceedings that, if determined against us, could adversely impact our business and financial condition.

We are involved in disputes pending with the Department of Income Tax regarding income tax assessments for the assessment years 1997-98, 1998-99, 1999-2000, 2000-2001, 2001-2002 and 2002-2003. The aggregate income tax liability in dispute is Rs. 405 million. We are involved in disputes pending with the Department of Income Tax relating to interest tax assessments for the assessment years 1999-2000 and 2000-2001. The aggregate interest tax liability in dispute is Rs. 18 million. The disputes are currently under appeal.

In addition, we are involved in a civil suit relating to the recovery of maintenance charges pertaining to an immovable property, which we had used for our offices in New Delhi. The total amount claimed against us and other defendants is approximately Rs. 0.4 million plus interest. The matter is pending before the Additional District and Sessions Judge, New Delhi.

In addition to the aforesaid litigation against us, (i) there is a criminal complaint against Mr. Serajul Haq Khan, our independent Director, as a director of Bajaj Auto Limited pending before the Sessions Court, Nagpur; (ii) a show cause notice dated August 30, 2004 issued by SEBI to Mr. Shardul Suresh Shroff, our independent Director, as a director of Himachal Futuristic Communications Limited and (iii) Mr. Donald Macinnes Peck, was a director in Shree Rama Multi-Tech Limited at the time the said company failed to discharge its repayment obligations in relation to certain debts.

For further details of the cases mentioned above, see the section titled "Outstanding Litigation and Material Developments" on page 181 of this Red Herring Prospectus.

We are subject to certain restrictive covenants in our loan/debentures documents, which may restrict our operations and expansion ability and may adversely affect our business.

We have entered into certain debenture trust deeds and facility agreements in respect of our borrowings, which contain certain restrictive covenants or require us to obtain approval from the trustee or the lender, as the case may be, for disposing of (including creating any charge on) our specified assets, undertaking any merger or reorganisation, declaring dividends in certain circumstances, amending our memorandum and articles of association in certain circumstances, making substantial change to the general nature or scope of our business, incur or assume any debt in certain circumstances, reduce our share capital, prepay any long-term debt in certain circumstances and in case of any change in our management. Although we have generally not encountered difficulties in obtaining consent from the trustee or the lender, as the case may be, for desired actions in the past, no assurance can be given that such consent will be granted in the future.

In addition, pursuant to the trust deed in respect of our non-convertible debentures, the trustee shall have a right to appoint a nominee director on our Board in the event of two consecutive defaults in payment of interest to the debenture holders or any default in redemption thereof. For further details, please refer to the section titled "Financial Indebtedness" on page 185 of this Red Herring Prospectus.

External Risk Factors

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

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

Significant shortages in the supply of crude oil or natural gas could adversely affect the Indian economy and the infrastructure sector, which could adversely affect us.

India imports approximately 75.0% of its requirements of crude oil. Crude oil prices are volatile and are subject to a number of factors such as the level of global production and political factors such as war and other conflicts, particularly in the Middle East, where a substantial proportion of the world's oil and natural gas reserves are located. Global crude oil prices have risen significantly in 2004 and 2005, driven in part by the strong demand for imported oil in India and China. Any significant increase in oil prices could affect the Indian economy, including the infrastructure sector, and the Indian banking and financial system. High oil prices could also add to inflationary pressures in the Indian economy. Additionally, increases in oil prices may have a significant impact on industries in which we have substantial exposure. This could adversely affect our business including our ability to grow, the quality of our infrastructure finance assets, our financial performance, our ability to implement our strategy and the price of our Equity Shares.

In addition, natural gas is a significant input for infrastructure projects, particularly those in the energy sector. India has experienced delays in the availability of natural gas which has caused difficulties in these projects. Continued difficulties in obtaining reliable, timely supply of natural gas could adversely affect some of the projects we finance and could impact the quality of our asset portfolio and our financial performance.

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

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

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

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

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

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

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

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

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

Any downgrading of India's debt rating by an international rating agency could have a negative impact on our business.

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

Notes to Risk Factors:

- Public issue of 403,600,000 Equity Shares for cash at a price of Rs. [●] per Equity Share aggregating Rs. [●] million comprising a Fresh Issue of 120,000,000 Equity Shares by the Company and an Offer for Sale of 283,600,000 Equity Shares by the Selling Shareholders. The Issue would constitute 35.96% of the fully diluted post Issue paid-up capital of the Company.
- The net worth of our Company before the Issue (as of March 31, 2005) was Rs. 18,889 million (on an unconsolidated basis).
- The book value per Equity Share as of March 31, 2005 was Rs. 18.89 per Equity Share.
- Our Company is a Public Financial Institution under the Companies Act and a residuary NBFC not accepting public deposits.
- Refer to our financial statements relating to related party transactions in the section titled "Financial Statements—Related Party Disclosures" on page 112 of this Red Herring Prospectus.
- Investors may contact the BRLM, the Senior Co-BRLM and the Co-BRLMs for any complaints, information or clarifications pertaining to the Issue.
- Investors are advised to refer to the section titled "Basis for Issue Price" on page 29 of this Red Herring Prospectus.

Investors should note that in case of oversubscription in the Issue, Allotment would be made on a proportionate basis to Retail Individual Bidders and Non-Institutional Bidders. See the paragraph titled "Basis of Allocation" on page 212 of this Red Herring Prospectus.

SUMMARY OF OUR BUSINESS

This is only a summary and does not contain all information that you should consider before investing in our Equity Shares. You should read the entire Red Herring Prospectus, including the information on "Risk Factors" and our financial statements and related notes appearing elsewhere in this Red Herring Prospectus, before deciding to invest in our Equity Shares.

OVERVIEW

We are a leading Indian infrastructure financing institution. We provide a wide range of financing products and fee-based services to infrastructure projects and their sponsors. We also work closely with government entities and regulators in India to advise and assist in formulating government policy and regulatory frameworks that support private investment and public-private partnerships in infrastructure development.

We were established in 1997 as a private sector enterprise by a consortium of public and private investors. We operate as a professionally managed commercial entity with the objective of maximizing shareholder value. Our expertise in the infrastructure sector and strong relationships with government and infrastructure sponsors provide us with a platform for facilitating private investment and public-private partnerships in infrastructure projects in sectors where market structures, government policy and regulation are evolving. Our main focus has been on energy, telecommunications and transportation projects. We expect to see continued and strong growth opportunities in the energy sector in the areas of power generation, transmission and distribution; in telecommunications, given the expected consolidation in the sector and the resulting need for acquisition financing; and in transportation, particularly in the development of roads, ports and airports. In addition, we expect the industrial and commercial infrastructure sector to emerge as a new area of business growth, particularly with respect to special economic zones, industrial parks, township developments and hotels.

Our growth has been driven by the substantial investment requirements of the infrastructure sector in India combined with the growth in the Indian economy over the last several years. India's GDP growth has averaged 6.1% per year over the past ten years and was 8.5% in fiscal 2004 and 6.9% in the first nine months of fiscal 2005. We believe that continued future growth of the Indian economy will require substantial investment in creating and improving infrastructure.

We view ourselves as a specialized intermediary in infrastructure financing. We not only provide project finance but also arrange and facilitate the flow of private capital to infrastructure development by creating appropriate structures and financing vehicles for a wide range of market participants. We formed one of the first infrastructure focused private equity funds in India and played a key role in introducing innovative structures like take-out financing that enabled the participation of a broader section of lenders and investors in infrastructure financing.

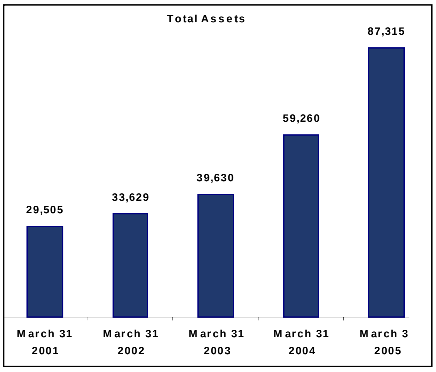
Our clients include prominent participants in infrastructure development in India. Our product portfolio caters to the diverse needs of these clients across all layers of the capital structure. We draw on our deep domain knowledge and structuring expertise in our financing activities and in providing fee-based services. Our products and services include:

- senior debt financing in the form of loans, debentures and securitized debt;
- mezzanine products, including subordinated debt and preference capital, and equity financing through proprietary investments in unlisted equity as well as in public offerings of infrastructure companies;
- private equity investments and asset management services for third party funds through our subsidiary IDFC Private Equity, to provide long term equity capital to infrastructure companies requiring financing support during their growth stages;
- non-fund based products such as guarantees and structured facilities including risk participation and take-out financing; and
- debt syndication and advisory services, including advice on project and financial structuring, risk evaluation and the privatization of infrastructure assets and services.

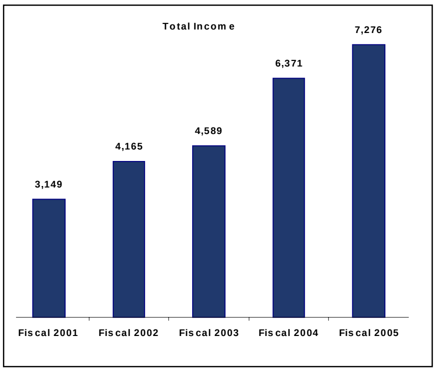
We are actively involved in providing policy advice to the Indian central and state governments and regulatory agencies. Our policy advisory function is independent of our business activities. We have helped government entities develop infrastructure related policies that support the entry of new participants, increase competition and end monopolies, and have recommended regulatory frameworks within which policy reforms can be put into practice. Through these activities, we have become one of India's premier providers of professional advice on infrastructure policy.

Our business has grown rapidly since we began operations in 1997. As the following charts illustrate, our total assets, total income and profit after tax, as restated, grew at a compound annual growth rate of 31.2%, 23.3% and 20.7%, respectively, from fiscal 2001 to fiscal 2005.

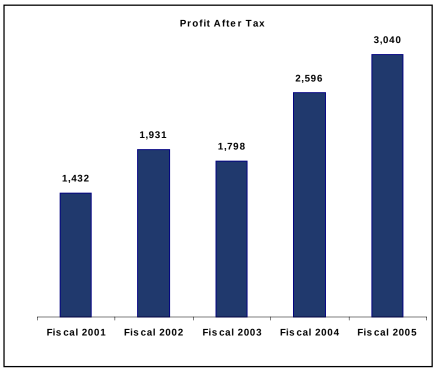
(Rs. in million)



(Rs. in million)



(Rs. in million)



As of March 31, 2005, our gross NPAs as a percentage of total loan assets and net NPAs as a percentage of net loan assets, were 0.7% and 0%, respectively. Our capital to risk-weighted asset ratio as of March 31, 2005 was 28.7% and our return on average total assets in fiscal 2005 was 4.5%.

STRENGTHS

We believe that the following are our primary strengths:

Exclusive focus on infrastructure and leading innovator in infrastructure financing. Infrastructure projects in India have historically been financed by large financial institutions as part of their general lending operations. We were founded with the sole objective of, and our focus continues to be on, providing and promoting private financing of Indian infrastructure. We have developed extensive domain knowledge, particularly with regard to project structuring, appraisal and risk evaluation. We have expertise in providing financing through a variety of products, including senior debt as well as mezzanine and private equity investments. We played a key role in introducing innovative financial products and structures such as take-out financing and risk-participation facilities, which allow a broader cross-section of lenders and investors to participate in infrastructure financing. We believe that these attributes have enabled us to emerge as one of the leading infrastructure financing institutions in India.

Established relationships with government entities. Our strong relationship with the Government gives us access to decision makers in government entities and multilateral development agencies. As a consequence, we are able to play a significant role in the direction of infrastructure policy in the country. We believe that our policy-related initiatives have helped rationalize India's policy and regulatory frameworks across infrastructure sectors, which has encouraged an increased flow of private capital, including foreign capital, into infrastructure investment. In addition, we believe that our multidimensional relationship with governmental entities gives us access to major financing and advisory opportunities in the infrastructure sector.

Well-developed client relationships. We have well-developed relationships with the prominent private sector sponsors in India's infrastructure sector, including the Bharti, Tata, Reliance, L&T, Torrent, GMR and GVK groups, along with many emerging participants in the sector. We were among the earliest supporters of infrastructure investment for many of these clients, which has fostered our relationships in the industry. These relationships have enabled us to have a role in prospective projects with such sponsors at an early stage and to obtain leadership roles in advising and financing infrastructure projects.

Strong asset quality. We have one of the strongest asset quality positions of any bank or financial institution in India. We believe that this has been achieved due in part to our strong credit and project appraisal skills and disciplined risk management practices. Our credit process involves extensive screening and financial analysis to assess potential risks and devise appropriate risk mitigation mechanisms. We also have a systematic review process to continuously monitor and evaluate the projects in our portfolio. We had 0.7% gross and zero net non-performing assets as of March 31, 2004 and 2005.

Low leverage and access to long-term funding. We believe that our conservative capital structure and low leverage allow us significant room to grow our balance sheet and our return on equity. Our leverage, which we define as long-term borrowings divided by net worth, was 3.31 times as of March 31, 2005, which is lower than that of many of our competitors, including banks. Our leverage will be further reduced by the proceeds raised in this Issue. Our Rs. 6,500 million of subordinated debt provided by the Government, which matures only in 2047, also provides a significant source of long-term funding. Due in part to these factors, our long term borrowings have been rated AAA by CRISIL and LAAA by ICRA, which are the highest credit ratings awarded by these rating agencies.

Competitive effective cost of funds. We believe that our cost of borrowings of 6.53% in fiscal 2005 compares favourably with our competitors, including commercial banks. Due to our status as a non banking financing institution, unlike our competitor commercial banks, we are not required under the RBI guidelines to hold a significant portion of our funds in relatively low yielding assets, including government and other approved securities and cash reserves. In addition, we have low establishment and administrative expenses, which represented only 0.4% of our average total assets as of March 31, 2005, compared with commercial banks that have large networks of branches. As a result of these factors, we are able to deliver infrastructure debt financing at a competitive effective cost.

Experienced management team and dynamic professional staff. The members of our management team and professional staff come from a diverse set of backgrounds including leading commercial banks and lending institutions, finance companies, regulators, academia, rating agencies, investment banks and private equity firms. Our managers and professional staff have domestic and international expertise in areas such as project finance and corporate lending, structured finance, private equity and investment management, as well as in developing policy. Our managers and professional staff also have deep domain knowledge of and experience in the various sectors we serve, which contributes to our understanding of the sector-specific aspects of our business.

STRATEGY

Our mission is to be the financier and advisor of choice for infrastructure projects in India. We are focused on enhancing shareholder value through pursuing strategies that enhance our profitability, return on assets and return on equity. The key elements of our business strategy are as follows:

Deliver profitability growth by:

- Seeking transaction leadership roles in select projects in which we participate and working closely with clients, from the pre-bidding stage to project commissioning.
- Diversifying our revenue stream to include fee-based income and other forms of non-interest related income and capturing a greater share of client revenues by providing products and services that address client needs.
- Expanding our product range to participate in the more profitable parts of the capital structure of a project.
- Maintaining high levels of operational efficiency to retain our low expense to assets ratio.

Achieve robust balance sheet growth by:

- Building on the strong relationships we have with the sponsors of infrastructure projects to continue expanding our business activities and financing opportunities.
- Focussing on our key sectors, including energy, transportation, telecommunications and industrial and commercial infrastructure while diversifying into emerging sectors such as urban services, rural infrastructure, education and healthcare.

- Offering a broader array of financing solutions tailored to different risk appetites in order to expand funding options for infrastructure projects.
- Utilizing our conservative capital structure and long-term funding resources to expand our financing operations while maintaining our competitive cost of funds.

Pursue innovation by:

- Using our structuring skills and knowledge of domestic and international capital markets to continuously develop and launch new products suitable to a wider array of domestic and international investors and lenders.
- Working with regulators and market participants to further the development of capital markets in India in order to expand the market for new products across the risk spectrum.

Promote thought leadership by:

- Advocating policy and regulatory frameworks and tailoring global best practices in our areas of focus to the Indian context.
- Delivering high quality advisory services to clients and working with government entities in India, as well as with multilateral and bilateral development agencies, to remove bottlenecks and encourage private investment into infrastructure.

THE ISSUE	
Issue	403,600,000 Equity Shares
Which comprises a:	
Fresh Issue of	120,000,000 Equity Shares
Offer for Sale of	283,600,000 Equity Shares
Of the Issue:	
QIB Portion*	Up to 201,800,000 Equity Shares (allocation on a discretionary basis)
Non – Institutional Portion*	At least 60,540,000 Equity Shares (allocation on a proportionate basis)
Retail Portion*	At least 141,260,000 Equity Shares (allocation on a proportionate basis)
Equity Shares outstanding prior to the Issue	1,002,453,512 Equity Shares
Equity Shares outstanding after the Issue	1,122,453,512 Equity Shares
Objects of the Issue	Please see the section titled “Objects of the Issue” on page 26 of this Red Herring Prospectus.

** Undersubscription, if any, in any of the categories, would be allowed to be met with spill-over from any of the other categories, at the discretion of our Company and Selling Shareholders, in consultation with the BRLM and the Senior Co-BRLM.*

SUMMARY FINANCIAL INFORMATION

The following table sets forth summary financial information derived from our restated unconsolidated financial statements as of and for the fiscal years ended March 31, 2003, 2004 and 2005, which are included in this Red Herring Prospectus under the section titled "Financial Statements" on page 89. The restated unconsolidated financial statements have been prepared in accordance with Indian GAAP and the SEBI Guidelines and have been restated as described in the auditors' report attached thereto. The summary financial information presented below should be read in conjunction with the financial statements included in this Red Herring Prospectus, the notes thereto and the sections titled "Selected Statistical Information" on page 143 and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 152 of this Red Herring Prospectus. Indian GAAP differs in certain significant respects from IFRS and U.S. GAAP. For more information on these differences, see the section titled "Summary of Significant Differences Between Indian GAAP, IFRS and U.S. GAAP" on page 174 of this Red Herring Prospectus.

SUMMARY PROFIT AND LOSS INFORMATION

(Rs. in million)

	Fiscal year		
	2003	**2004**	**2005**
Income			
Income from infrastructure operations	3,525	5,337	6,818
Income from treasury operations	893	972	368
Other income	171	61	90
Total income	**4,589**	**6,370**	**7,276**
Expenditures			
Interest and other charges	1,870	2,260	3,119
Operating expenses	293	307	279
Provisions, contingencies and losses from the sale of investments	422	1,084	648
Total expenditures	**2,585**	**3,651**	**4,046**
Profit before tax	**2,004**	**2,719**	**3,230**
Provision for taxation	205	128	190
Profit after tax	**1,799**	**2,591**	**3,040**
Profit after tax, as restated	**1,798**	**2,596**	**3,040**

SUMMARY BALANCE SHEET INFORMATION

(Rs. in million)

	As of March 31,		
	2003	**2004**	**2005**
Infrastructure loans	26,596	44,189	70,504
Investments	9,151	11,640	7,688
Other assets	3,883	3,431	9,123
Total assets	**39,630**	**59,260**	**87,315**
Borrowings	21,750	39,750	65,451
Other liabilities and provisions	2,357	2,519	2,975
Total liabilities	**24,107**	**42,269**	**68,426**
Share capital	10,000	10,000	10,000
Reserves and surplus	5,523	6,991	8,889
Shareholders' funds	15,523	16,991	18,889

SIGNIFICANT ACCOUNTING RATIOS

	As of and for the year ended March 31,		
	2003	**2004**	**2005**
Earnings per share (Rs.)	1.80	2.59	3.04
Return on net worth (%)	11.58	15.28	16.10
Net asset value per share (Rs.)	15.52	16.99	18.89

GENERAL INFORMATION

REGISTERED OFFICE OF OUR COMPANY

Infrastructure Development Finance Company Limited
ITC Centre, 3rd Floor
760, Anna Salai
Chennai - 600 002, India.
Tel: 91 44 2855 9440/48
Fax: 91 44 2854 7597
E-mail: ipo@idfc.com
Registration Number: 18-37415 of 1997

Our Company is registered at the Registrar of Companies, Tamil Nadu situated at Shastri Bhavan, Haddows Road, Chennai - 600 006.

CORPORATE OFFICE OF OUR COMPANY

Infrastructure Development Finance Company Limited
Ramon House
H.T. Parekh Marg
169, Backbay Reclamation
Mumbai - 400 020
Tel: 91 22 5633 9100
Fax: 91 22 2202 9711

BOARD OF DIRECTORS

The following persons constitute our Board of Directors:

1. Mr. Deepak Shantilal Parekh
2. Dr. Rajiv B. Lall
3. Mr. Vinod Rai
4. Mr. S. S. Kohli
5. Mr. Dimitris Tsitsiragos
6. Mr. Donald Macinnes Peck
7. Mr. Serajul Haq Khan
8. Mr. Gautam Subodh Kaji
9. Mr. Shardul Suresh Shroff
10. Dr. Omkar Goswami

For further details of our Chairman, Managing Director and Chief Executive Officer, see the section titled "Our Management" on page 72 of this Red Herring Prospectus.

Company Secretary and Compliance Officer

Mr. Mahendra N. Shah
Ramon House
H.T. Parekh Marg
169, Backbay Reclamation
Mumbai - 400 020
Tel: 91 22 5633 9118
Fax: 91 22 2202 9711
E-mail: ipo@idfc.com

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

LEGAL ADVISORS TO THE ISSUE

Domestic Legal Counsel to the Issue

Amarchand & Mangaldas & Suresh A. Shroff & Co.
Amarchand Towers
216, Okhla Industrial Estate, Phase - III
New Delhi 110 020
Tel: 91 11 2692 0500
Fax: 91 11 2692 4900
E-mail: am.delhi_corp@amarchand.com

International Legal Counsel to the Company

(Advising on matters pertaining to the laws of the State of New York and the Federal laws of the United States of America)

Cravath, Swaine & Moore LLP
Worldwide Plaza
825 Eighth Avenue
New York, New York - 10019
United States of America
Tel: 1 212 474 1000
Fax: 1 212 474 3700

International Legal Counsel to the Underwriters

Coudert Brothers
80 Raffles Place
#48-01
UOB Plaza 1
Singapore - 048624
Tel: 65 6512 9595
Fax: 65 6512 9500

BANKERS TO THE COMPANY

HDFC Bank Limited
Motwani Chambers
Maneckji Wadia Building
Nanik Motwani Marg
Fort, Mumbai - 400 023
Tel: 91 22 2498 8892
Fax: 91 22 2496 3871
E-mail: bijal.kakaria@hdfcbank.com

Deutsche Bank
Hazarimal Somani Marg
Fort, Mumbai - 400 002
Tel: 91 22 5658 4045
Fax: 91 22 2207 6553
E-mail: shyamal.malhotra@db.com

State Bank of India
Main Branch, Fort
Mumbai - 400 023
Tel: 91 22 2266 3226
Fax: 91 22 2265 2742
E-mail: umesh.das@sbi.co.in

BOOK RUNNING LEAD MANAGER

Kotak Mahindra Capital Company Limited
Bakhtawar, 3rd Floor
229 Nariman Point
Mumbai - 400 021
Tel. : 91 22 5634 1100
Fax. : 91 22 2284 0492
E-mail: idfc.ipo@kotak.com
Contact Person: Mr. Amit Sharma
Website: www.kotak.com

SENIOR CO-BOOK RUNNING LEAD MANAGER

DSP Merrill Lynch Limited
10th Floor, Mafatlal Centre
Nariman Point
Mumbai - 400 021
Tel: 91 22 2262 1071
Fax: 91 22 2262 1187
E-mail: idfc_ipo@ml.com
Contact Person: Mr. N. S. Shekhar
Website : www.dspml.com

CO-BOOK RUNNING LEAD MANAGERS

JM Morgan Stanley Private Limited
141, Maker Chambers III
Nariman Point
Mumbai - 400 021
Tel: 91 22 5630 3030
Fax: 91 22 5630 1694
E-mail: viral.mehta@jmmorganstanley.com
Contact Person: Mr. Viral Mehta
Website: www.jmmorganstanley.com

SBI Capital Markets Limited
202, Maker Tower E
Cuffe Parade
Mumbai - 400 005
Tel: 91 22 2218 9166
Fax: 91 22 2218 8332
E-mail: amit.ramchandani@sbicaps.com
Contact Person: Mr. Amit Ramchandani
Website: www.sbicaps.com

SYNDICATE MEMBERS

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

JM Morgan Stanley Retail Services Private Limited
Apeejay House, 3rd Floor
3, Dinshaw Wachha Road
Churchgate
Mumbai - 400 020
Tel: 91 22 5504 0404
Fax: 91 22 5654 1511
E-mail: anil.mavinkurve@jmmorganstanley.com
Contact Person: Mr. Anil Mavinkurve
Website: www.jmmorganstanley.com

REGISTRAR TO THE ISSUE

Karvy Computershare Private Limited
Karvy House, 46, Avenue 4, Street No.1
Banjara Hills
Hyderabad - 500034
Tel: 91 40 2331 2454
Fax: 91 40 2331 1968
E-mail: idfc.ipo@karvy.com
Contact Person: Mr. Murali Krishna
Website: www.karvy.com

BANKERS TO THE ISSUE AND ESCROW COLLECTION BANKS

Centurion Bank Limited
Ground Floor, Block C
Central Bombay Infotech Park
101, K. Khadye Marg
Mahalaxmi
Mumbai - 400 011
Tel: 91 22 5554 0250
Fax: 91 22 5554 0022
E-mail: sramkumar@centurionbank.com
Contact Person: Mr. S. Ramkumar
Website: www.centurionbank.com

Citibank, N.A.
Bombay Mutual Building
293, D. N. Road, Fort
Mumbai - 400 001
Tel: 91 22 5001 5652, 2269 1713
Fax: 91 22 5001 5824, 2269 1715
E-mail: balaji.n@citigroup.com/ ketki.shroff@citigroup.com
Contact Person: Mr. N. Balaji/ Ms. Ketki Shroff
Website: www.citibank.co.in

Deutsche Bank AG
Global Transaction Banking
Kodak House
222, Dr. D.N. Road, Fort
Mumbai - 400 001
Tel: 91 22 5658 4045
Fax: 91 22 2207 6553
E-mail: shyamal.malhotra@db.com
Contact Person: Mr. Shyamal Malhotra
Website: www.db.com

HDFC Bank Limited
26 A, Narain Properties
Chandivali Farm Road
Saki Naka, Andheri (East)
Mumbai - 400 072
Tel: 91 22 2856 9202
Fax: 91 22 2856 9272
E-mail: viral.kothari@hdfcbank.com
Contact Person: Mr. Viral Kothari
Website: www.hdfcbank.com

ICICI Bank Limited
Capital Markets Division
30, Mumbai Samachar Marg, Fort
Mumbai - 400 001
Tel: 91 22 2265 5285
Fax: 91 22 2261 1138
E-mail: sidhartha.routray@icicibank.com
Contact Person: Mr. Sidhartha Sankar Routray
Website: www.icicibank.com

IDBI Bank Limited
Mittal Court, 'A' Wing
2nd Floor, Nariman Point
Mumbai - 400 021
Tel: 91 22 2288 5424
Fax: 91 22 5633 6362
E-mail: vivek_h@idbibank.com
Contact Person: Mr. Vivek Handa
Website: www.idbibank.com

Kotak Mahindra Bank Limited
Mittal Court, 'C' Wing
Nariman Point
Mumbai - 400 021
Tel: 91 22 5659 6022
Fax: 91 22 2281 7527
E-mail: capitalmarket.ipo@kotak.com
Contact Person: Mr. Pankaj Thakkar
Website: www.kotak.com

Standard Chartered Bank
90, Mahatma Gandhi Road, Fort
Mumbai - 400 001
Tel: 91 22 2265 0700
Fax: 91 22 2269 6925
E-mail: prakash.guptan@in.standardchartered.com
Contact Person: Mr. Prakash Guptan
Website: www.standardchartered.co.in

State Bank of India
New Issues and Securities Services Division
Mumbai Main Branch
Mumbai Samachar Marg, P. B. No. 13, Fort
Mumbai - 400 023
Tel: 91 22 2266 2133
Fax: 91 22 2267 0745
E-mail: agmnissd@vsnl.net
Contact Person: Mrs. Anuradha Kurma
Website: www.sbi.co.in

The Hongkong and Shanghai Banking Corporation Limited
52/60 Mahatma Gandhi Road, Fort
Mumbai - 400 001
Tel: 91 22 2268 1673, 2268 1171
Fax: 91 22 2262 3890, 2273 4388
E-mail: dhirajbajaj@hsbc.co.in, santanusengupta@hsbc.co.in
Contact Person: Mr. Dhiraj Bajaj, Mr. Santanu Sengupta
Website: www.hsbc.co.in

UTI Bank Limited
Universal Insurance Building
Ground Floor, Sir P.M. Road, Fort
Mumbai - 400 001
Tel: 91 22 2202 0447
Fax: 91 22 2283 5785
E-mail: roshan.mathias@utibank.co.in, pooja.verma@utibank.co.in
Contact Person: Mr. Roshan Mathias, Ms. Pooja Verma
Website: www.utibank.com

AUDITORS

S. B. Billimoria & Co.,
12, Dr. Annie Besant Road
Opposite Shiv Sagar Estate
Worli
Mumbai - 400 018
Tel: 91 22 5667 9121
Fax: 91 22 5657 9100
E-mail: nalshah@deloitte.com

Statement of Inter se Allocation of Responsibilities for the Issue

The following table sets forth the distribution of responsibility and coordination for various activities among the BRLM, the Senior Co-BRLM and the Co-BRLMs:

	Activities	Responsibility	Co-ordinator
1.	Capital structuring with the relative components and formalities such as type of instruments.	KMCC, DSPML, SBICAP	KMCC
2.	Due diligence of our Company including our operations, management and business plans. Drafting and design of the draft Red Herring Prospectus and statutory advertisement including memorandum containing salient features of the Prospectus. The BRLM, the Senior Co-BRLM and SBI Capital Markets Limited (as a Co-BRLM) shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, the RoC and SEBI including finalization of Prospectus and the RoC filing of the same.	KMCC, DSPML, SBICAP	KMCC
3.	Drafting and approval of all publicity material other than statutory advertisement as mentioned in (2) above including corporate advertisement, brochure, road show presentations, FAQs and corporate films.	KMCC, DSPML, SBICAP	KMCC
4.	Appointment of other intermediaries namely, Registrar, printers, advertising agency and Bankers to the Issue.	KMCC, DSPML	KMCC
5.	Institutional marketing of the Issue, which will cover, *inter alia,* ● Finalizing the list and division of investors for one to one meetings; and ● Finalizing road show schedule and investor meeting schedules	Domestic QIBs: KMCC, DSPML, SBICAP Foreign QIBs: KMCC, DSPML	KMCC
6.	Non-Institutional and retail marketing of the Issue, which will cover, *inter alia,* ● Formulating marketing strategies, preparation of publicity budget; ● Finalizing media and public relations strategy; ● Finalizing centres for holding conferences; ● Finalizing collection centres; ● Follow-up on distribution of publicity and Issue material including form, prospectus and deciding on the quantum of the Issue material; and ● Co-ordination with Stock Exchanges for book building software, bidding terminals and mock trading	KMCC, DSPML, SBICAP, JMMS	DSPML
7.	Finalization of pricing and institutional allocation in consultation with our Company.	KMCC, DSPML	KMCC
8.	The post bidding activities including management of escrow accounts, coordination of non-institutional allocation, intimation of allocation and dispatch of refunds to Bidders etc. The post Issue activities will involve essential follow up steps, which include the finalization of listing of instruments and dispatch of certificates and demat delivery of shares, with the various agencies connected with the work such as the Registrar to the Issue and Bankers to the Issue and the bank handling refund business. The merchant banker shall be responsible for ensuring that these agencies fulfil their functions and enable it to discharge this responsibility through suitable agreements with our Company.	KMCC, DSPML, SBICAP	DSPML

Credit Rating

As this Issue is of Equity Shares, credit rating is not required. However, our Company has obtained credit ratings from Credit Rating Information Services of India Limited ("CRISIL") and ICRA Limited ("ICRA") for our borrowings.

The long-term credit ratings of our non-convertible debentures by CRISIL and ICRA during the last three years are as follows:

Year	CRISIL	ICRA
2004-05	AAA	LAAA
2003-04	AAA	LAAA
2002-03	AAA	LAAA

Debentures rated "AAA" by CRISIL are judged to offer highest safety of timely payment of interest and principal. Though the circumstances providing this degree of safety are likely to change, such changes as can be envisaged are most unlikely to affect adversely the fundamentally strong position of such issues. "LAAA" is the highest-credit-quality rating assigned by ICRA, which indicates that the rated instrument carries the lowest credit risk.

The short-term credit ratings by CRISIL and ICRA during the last three years are as follows:

Year	CRISIL	ICRA
2004-05	P1+	A1+
2003-04	P1+	A1+
2002-03	P1+	A1+

CRISIL has assigned a rating of "P1+". This rating indicates that the degree of safety regarding timely payment on the instrument is very strong. The "+" sign indicates a comparatively higher standing in the P1 category.

ICRA has assigned a rating of "A1+". This is the highest quality rating assigned by ICRA to short-term debt instruments. The rated instrument carries the lowest credit risk in the short-term. The "+" sign indicates relatively stronger credit quality.

Trustees

As the Issue is of equity shares, the appointment of trustees is not required.

Book Building Process

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

The principal parties involved in the Book Building Process are:

1. The Company;
2. The Selling Shareholders;
3. Book Running Lead Manager, Senior Co-Book Running Lead Manager and Co-Book Running Lead Managers;
4. Syndicate Members who are intermediaries registered with SEBI or registered as brokers with NSE/BSE and eligible to act as underwriters; and
5. Registrar to the Issue.

SEBI through its guidelines has permitted an issue of securities to the public through 100% Book Building Process, wherein: (i) up to 50% of the Issue shall be allocated on a discretionary basis to QIBs (ii) not less than 15% of the Issue shall be available for allocation on a proportionate basis to the Non-Institutional Bidders (iii) not less than 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

Pursuant to amendments to the SEBI Guidelines, QIB Bidders are not allowed to withdraw their Bid(s) after the Bid/Issue Closing Date and for further details see the section titled "Terms of the Issue" on page 194 of this Red Herring Prospectus.

Our Company and the Selling Shareholders shall comply with guidelines issued by SEBI for this Issue. In this regard, our Company and the Selling Shareholders have appointed Kotak Mahindra Capital Company Limited as the BRLM and DSP Merrill Lynch Limited as the Senior Co-BRLM and JM Morgan Stanley Private Limited and SBI Capital Markets Limited as the Co-BRLMs to procure subscription for the Issue.

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

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

Bidders can bid at any price within the price band. For instance, assume a price band of Rs. 26 to Rs. 30 per share, issue size of 1,800 equity shares and receipt of five bids from bidders. A graphical representation of the consolidated demand and price would be made available on the websites of BSE (www.bseindia.com) and NSE (www.nseindia.com) and also at the bidding centres during the bidding/issue period. The illustrative book as shown below shows the demand for the shares of a company at various prices and is collated from bids from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
500	30	500	27.77%
1,000	29	1,500	83.33%
1,500	28	3,000	166.67%
2,000	27	5,000	277.78%
2,500	26	7,500	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 number of shares is the price at which the issue is subscribed, i.e., Rs. 28 in the above example. The issuer company in consultation with the book running lead managers will finalize the issue price at or below such cut off price, i.e., at or below Rs. 28. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in the respective categories.

Steps to be taken for bidding:

1. Check eligibility for bidding (see the section titled "Issue Procedure - Who Can Bid" on page 196 of this Red Herring Prospectus);
2. Ensure that the Bidder has a demat account and the demat account details are correctly mentioned in the Bid cum Application Form;
3. If your Bid is for Rs. 50,000 or more, ensure that you have mentioned your PAN and attach copies of your PAN card to the Bid cum Application Form (see the section titled "Issue Procedure" on page 196 of this Red Herring Prospectus;
4. If you are a Specified Investor making a Bid, ensure that you provide your UIN in the Bid cum Application Form (see the section titled "Issue Procedure" on page 196 of this Red Herring Prospectus). If you have made an application for allotment of UIN before December 31, 2004, but UIN has not been allotted, or where an appeal has been filed but not disposed of, ensure that you provide such information in the Bid cum Application Form; and
5. Ensure that the Bid cum Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid cum Application Form.

Underwriting Agreement

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

Agreement, the BRLM, the Senior Co-BRLM and the Co-BRLMs shall be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfil 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	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. In million)
Kotak Mahindra Capital Company Limited Bakhtawar, 3rd Floor 229 Nariman Point Mumbai - 400 021	[●]	[●]
DSP Merrill Lynch Limited 10th Floor, Mafatlal Centre Nariman Point Mumbai - 400 021	[●]	[●]
JM Morgan Stanley Private Limited 141, Maker Chambers III Nariman Point Mumbai - 400 021	[●]	[●]
SBI Capital Markets Limited 202, Maker Tower E Cuffe Parade Mumbai - 400 005	[●]	[●]
Kotak Securities Limited Bakhtawar, 1st Floor 229, Nariman Point Mumbai - 400 021	[●]	[●]
JM Morgan Stanley Retail Services Private Limited Apeejay House, 3rd Floor 3 Dinshaw Wachha Road Churchgate Mumbai - 400 020	[●]	[●]

The above Underwriting Agreement is dated [●].

In the opinion of the Board, based on a certificate dated [●] given to them by the Underwriters, the resources of the Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the stock exchanges. The above Underwriting Agreement has been accepted by the Board of Directors acting through our Chairman or the Managing Director and Chief Executive Officer and we have issued letters of acceptance to the Underwriters.

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the Underwriters shall be severally responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default, the respective Underwriter in addition to other obligations to be defined in the Underwriting Agreement will also be required to procure/subscribe to the extent of the defaulted amount. Allocation to QIBs is discretionary as per the terms of this Red Herring Prospectus and may not be proportionate in any way and the patterns of allocation to the QIBs could be different for the various Underwriters.

CAPITAL STRUCTURE

Financial data presented in this section is derived from our restated unconsolidated financial statements prepared in accordance with Indian GAAP. Unless otherwise indicated, the data in the tables presented below assume no exercise of any outstanding stock option grants under our ESOP.

The share capital of our Company as of the date of filing of this Red Herring Prospectus with SEBI (before and after the Issue) is set forth below:

(Rs. in million)

			Aggregate nominal value	Aggregate Value at Issue Price
A.	**Authorized Capital**			
	4,000,000,000	Equity Shares of Rs. 10 each	40,000.00	
	100,000,000	Preference Shares of Rs. 100 each	10,000.00	
B.	**Issued, Subscribed and Paid-Up Capital before the Issue**			
	1,002,453,512	Equity Shares of Rs. 10 each	10,024.54	
C.	**Present Issue in terms of this Red Herring Prospectus**			
	403,600,000	Equity Shares of Rs. 10 each of which:		
	(i) Fresh Issue of:			
	120,000,000	Equity Shares of Rs. 10 each	1,200.00	[●]
	(ii)Offer for Sale of:			
	283,600,000	Equity Shares of Rs. 10 each	2,836.00	[●]
D.	**Paid Up Equity Capital after the Issue**			
	1,122,453,512	Equity Shares of Rs. 10 each	11,224.54	
E.	**Share Premium Account**			
		Before the Issue	18.35	
		After the Issue	[●]	

The Selling Shareholders are together offering 283,600,000 Equity Shares, in the following manner:

Selling Shareholders	Equity Shares being offered for Sale	Percentage of Pre-Issue Equity Share Capital
GOI	88,600,000	8.84%
IDBI	15,000,000	1.50%
SBI	18,000,000	1.80%
ICICI	18,000,000	1.80%
HDFC	9,000,000	0.90%
UTI-I	9,000,000	0.90%
IFCI	6,000,000	0.60%
IPL	18,300,000	1.83%
ADB	18,300,000	1.83%
IFC	18,300,000	1.83%

Selling Shareholders	Equity Shares being offered for Sale	Percentage of Pre-Issue Equity Share Capital
CDCFS	18,300,000	1.83%
DB	12,000,000	1.20%
KHL	12,000,000	1.20%
SECO	11,400,000	1.14%
BNL	5,700,000	0.57%
SLAC	5,700,000	0.57%
Total	**283,600,000**	**28.29%**

Notes to Capital Structure

1. Share capital history of our Company

Date/Year of Allotment	No. of Shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration	Reasons for Allotment	Cumulative Paid-up Capital	Cumulative Share Premium
February 20, 1997	300,000	10	10	Cash	Subscription by GOI to Equity Shares on signing of the Memorandum of Association	3,000,000	Nil
February 20, 1997	300,000	10	10	Cash	Subscription by IFCI to Equity Shares on signing of the Memorandum of Association	6,000,000	Nil
February 20, 1997	300,000	10	10	Cash	Subscription by HDFC to Equity Shares on signing of the Memorandum of Association	9,000,000	Nil
February 20, 1997	300,000	10	10	Cash	Subscription by RBI to Equity Shares on signing of the Memorandum of Association	12,000,000	Nil
February 20, 1997	300,000	10	10	Cash	Subscription by UTI to Equity Shares on signing of the Memorandum of Association	15,000,000	Nil
February 20, 1997	300,000	10	10	Cash	Subscription by ICICI to Equity Shares on signing of the Memorandum of Association	18,000,000	Nil
February 20, 1997	200,000	10	10	Cash	Subscription by IDBI to Equity Shares on signing of the Memorandum of Association	20,000,000	Nil
March 30, 1998	199,700,000	10	10	Cash	Subsequent allotment to GOI	2,017,000,000	Nil
March 30, 1998	19,700,000	10	10	Cash	Subsequent allotment to IFCI	2,214,000,000	Nil
March 30, 1998	29,700,000	10	10	Cash	Subsequent allotment to HDFC	2,511,000,000	Nil
March 30, 1998	149,700,000	10	10	Cash	Subsequent allotment to RBI	4,008,000,000	Nil
March 30, 1998	29,700,000	10	10	Cash	Subsequent allotment to UTI-I	4,305,000,000	Nil
March 30, 1998	59,700,000	10	10	Cash	Subsequent allotment to ICICI	4,902,000,000	Nil
March 30, 1998	49,800,000	10	10	Cash	Subsequent allotment to IDBI	5,400,000,000	Nil
March 30, 1998	60,000,000	10	10	Cash	Subsequent allotment to SBI	6,000,000,000	Nil
March 30, 1998	61,000,000	10	10	Cash	Subsequent allotment to ADB	6,610,000,000	Nil
March 30, 1998	61,000,000	10	10	Cash	Subsequent allotment to IFC	7,220,000,000	Nil
March 30, 1998	61,000,000	10	10	Cash	Subsequent allotment to IPL	7,830,000,000	Nil
March 30, 1998	61,000,000	10	10	Cash	Subsequent allotment to CDCFS	8,440,000,000	Nil
March 30, 1998	40,000,000	10	10	Cash	Subsequent allotment to KHL	8,840,000,000	Nil
March 30, 1998	40,000,000	10	10	Cash	Subsequent allotment to DB	9,240,000,000	Nil
March 30, 1998	38,000,000	10	10	Cash	Subsequent allotment to FOFEA	9,620,000,000	Nil
March 30, 1998	19,000,000	10	10	Cash	Subsequent allotment to SLAC	9,810,000,000	Nil
March 30, 1998	19,000,000	10	10	Cash	Subsequent allotment to BNL	10,000,000,000	Nil
May 16, 2005	2,453,512	10	17.48	Cash	Allotment to our eligible employees as defined under our ESPS	10,024,535,120	18,352,270

2. Promoters' Contribution and Lock-In

IDFC is a professionally managed company and there is no identifiable promoter or promoter group. In terms of clause 4.10.1 of the SEBI Guidelines, since there is no identifiable promoter or promoter group, there is no requirement of promoters' contribution in this Issue. Consequently, in terms of clause 4.11.1 of SEBI Guidelines, there is no lock-in requirement.

However, in terms of clause 4.14 of the SEBI Guidelines, the entire pre-Issue share capital, excluding the number of Equity Shares, which are being offered for sale in this Issue and Equity Shares allotted under our ESPS, shall be locked in for a period of one year from the date of Allotment.

Further, in terms of clause 18.2 of the SEBI Employee Stock Option/Purchase Guidelines, Equity Shares allotted under our ESPS shall be locked in for a period of one year from May 16, 2005 (i.e. the date of allotment thereof).

3. The shareholding pattern of our Company before and after the Issue is as follows:

	Before the Issue		**After the Issue**	
	No. of shares	**%**	**No. of shares**	**%**
Sponsors				
GOI	350,000,000	34.91%	261,400,000	23.29%
IDBI	50,000,000	4.99%	35,000,000	3.12%
Sub Total	*400,000,000*	*39.90%*	*296,400,000*	*26.41%*
Other Domestic Institutions				
SBI	60,000,000	5.99%	42,000,000	3.74%
ICICI	60,000,000	5.99%	42,000,000	3.74%
HDFC	30,000,000	2.99%	21,000,000	1.87%
UTI-I	30,000,000	2.99%	21,000,000	1.87%
IFCI	20,000,000	2.00%	14,000,000	1.25%
Sub Total	*200,000,000*	*19.96%*	*140,000,000*	*12.47%*
Foreign Investors				
IPL	61,000,000	6.09%	42,700,000	3.80%
ADB	61,000,000	6.09%	42,700,000	3.80%
IFC	61,000,000	6.09%	42,700,000	3.80%
CDCFS	18,300,000	1.83%	-	0.00%
CDCIH	42,700,000	4.26%	42,700,000	3.80%
DB	40,000,000	3.99%	28,000,000	2.49%
KHL	40,000,000	3.99%	28,000,000	2.49%
SECO	38,000,000	3.79%	26,600,000	2.37%
BNL	19,000,000	1.90%	13,300,000	1.18%
SLAC	19,000,000	1.90%	13,300,000	1.18%
Sub Total	*400,000,000*	*39.90%*	*280,000,000*	*24.94%*
Employees (pursuant to our ESPS)	*2,453,512*	*0.24%*	*2,453,512*	0.22%
Public	*Nil*	*Nil*	*403,600,000*	35.96%
TOTAL	**1,002,453,512**	**100.00%**	**1,122,453,512**	**100.00%**

4. The list of top 11 shareholders of our Company and the number of Equity Shares held by them two years prior to the date of filing of this Red Herring Prospectus with RoC is as under:

S. No.	Names of Shareholders	Number of Equity Shares held	Percentage of holding
1.	GOI	200,000,000	20.00%
2.	RBI	150,000,000	15.00%
3.	ADB	61,000,000	6.10%
4.	CDCFS	61,000,000	6.10%
5.	IPL	61,000,000	6.10%
6.	IFC	61,000,000	6.10%
7.	ICICI	60,000,000	6.00%
8.	SBI	60,000,000	6.00%
9.	IDBI	50,000,000	5.00%
10.	DB	40,000,000	4.00%
11.	KHL	40,000,000	4.00%

5. The list of the top 10 shareholders of our Company and the number of Equity Shares held by them 10 days prior and on the date of filing of this Red Herring Prospectus with the RoC is as under:

S. No.	Names of Shareholders	Number of Equity Shares held	Percentage of holding
1.	GOI	350,000,000	34.91%
2.	ADB	61,000,000	6.09%
3.	IPL	61,000,000	6.09%
4.	IFC	61,000,000	6.09%
5.	ICICI	60,000,000	5.99%
6.	SBI	60,000,000	5.99%
7.	IDBI	50,000,000	4.99%
8.	CDCIH*	42,700,000	4.26%
9.	DB	40,000,000	3.99%
10.	KHL	40,000,000	3.99%

* On March 16, 2005, CDCFS transferred 42,700,000 Equity Shares to CDCIH, as an inter se group transfer as per the Original Shareholders Agreement.

6. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into our Equity Shares, other than outstanding options granted under our ESOP Scheme. For further details of our ESOP, see note 9 below.

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

8. In the Issue, in case of over-subscription in all categories, up to 50% of the Issue shall be available for allocation on a discretionary basis to Qualified Institutional Buyers, a minimum of 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and a minimum of 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Under subscription, if any, in any portion would be met with spill over from other categories at the sole discretion of our Company (and the Selling Shareholders) in consultation with the BRLM and the Senior Co-BRLM.

9. On May 9, 2005, our shareholders approved our ESPS. Under our ESPS, 2,453,512 Equity Shares have been issued to the eligible employees as defined therein. Further, on May 9, 2005, our shareholders approved our ESOP. Under our ESOP, up to 17,546,488 Equity Shares may be issued to the eligible employees as defined therein. Our ESOP will be administered by our Compensation Committee, which shall determine the terms and conditions of the stock options granted from time to time. Our equity capital upon completion of the Issue, assuming full exercise of all the outstanding options issued or to be issued under our ESOP, will comprise 1,140,000,000 Equity Shares.

Of the above, we have granted options to acquire an aggregate of 11,867,198 Equity Shares to the eligible employees as defined therein.

Pursuant to our ESPS, we have allotted the following Equity Shares:

Particulars (as at June 23, 2005)

a.	Number of Equity Shares issued	2,453,512
b.	Price at which Equity Shares were issued	Rs. 17.48
c.	Employee-wise details of Equity Shares issued to:	
	i) Directors and key managerial employees	Refer Note 1 below
	ii) any other employee who is issued Equity Shares in any one year amounting to 5% or more of Equity Shares issued during that year	Nil
	iii) identified employees who are issued Equity Shares, during any one year equal to or exceeding 1% of the issued capital of our Company at the time of issuance	Nil
d.	Diluted EPS pursuant to issuance of Equity Shares under ESPS	Rs. 3.03^
e.	Consideration received against the issuance of Equity Shares	Rs. 42.89 million

^The diluted EPS is computed using the pre-Issue issued capital, including Equity Shares issued under our ESPS.

We have issued the following options under our ESOP:

Particulars (as at June 23, 2005)

a.	Options granted	11,867,198
b.	Exercise Price	Rs. 17.48
c.	Options vested	Nil
d.	Options exercised	Nil
e.	The total number of Equity Shares arising as a result of full exercise of options already granted	11, 867,198
f.	Options lapsed	Not Applicable
g.	Variation of terms of options	Nil
h.	Money realized by exercise of options	Nil
i.	Total number of options in force	11, 867,198
j.	Person-wise details of options granted to:	
	i) Directors and key managerial employees	Refer Note 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	Nil
	iii) identified employees who are granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of our Company at the time of grant	Nil
k.	Diluted EPS pursuant to issue of Equity Shares on exercise of options granted	Rs. 3.00#
l.	Vesting Schedule	30% at the end of one year; 30% at the end of two years and 40% at the end of three years from the date of grant.

#The diluted EPS is computed using the pre-Issue issued capital, including Equity Shares issued under our ESPS and Equity Shares that will be issued on the full exercise of options already granted under our ESOP.

Note 1: Details regarding options granted to our Directors and our key managerial employees are set forth below:

Sr. No.	Name of Director/ Key Managerial Personnel	No. of shares allotted under ESPS	No. of shares to be allotted under ESOP
1	Dr. Rajiv B. Lall	171,664	858,320
2	Mr. A. K. T. Chari	288,129	288,130
3	Mr. L. K. Narayan	77,483	387,415
4	Mr. M. K. Sinha	Nil	460,056
5	Mr. Urjit R. Patel	75,722	378,611
6	Mr. Vikram Limaye	86,288	431,440
7	Mr. Cherian Thomas	59,029	295,146
8	Mr. Anupam Srivastava	47,290	236,451
9	Mr. Sadashiv S. Rao	47,290	236,451
10	Mr. V. Ravi Kumar	Nil	220,000

None of our employees or our Managing Director, who have been granted options under our ESOP, would be entitled to exercise the same within three months after the date of listing of our Equity Shares.

The Equity Shares issued to our employees and our Managing Director under our ESPS are in compliance with the SEBI Employee Stock Option/Purchase Guidelines. The options granted under our ESOP were granted in compliance with the SEBI Employee Stock Option/Purchase Guidelines and the issuance of Equity Shares pursuant to exercise of these options shall be in compliance with SEBI Employee Stock Option/Purchase Guidelines.

10. Our Directors have not purchased or sold any Equity Shares during a period of six months preceding the date on which this Red Herring Prospectus is filed with SEBI, except that Dr. Rajiv B. Lall, our Managing Director and Chief Executive Officer, was allotted Equity Shares pursuant to our ESPS and granted options pursuant to our ESOP, as mentioned above.

11. An investor 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.

12. An oversubscription to the extent of 10% of the Issue can be retained for purposes of rounding off to the nearest multiple of 200 while finalizing the basis of Allotment.

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

14. We presently do not intend or propose to alter our capital structure for a period of six months from the Bid/Issue Opening Date, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise, except that we may grant options to our employees pursuant to our ESOP or, if we enter into acquisitions or joint ventures, we may, subject to necessary approvals, consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.

15. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.

16. As of March 31, 2005 the total number of holders of Equity Shares was 17. On January 25, 2005, RBI transferred 150,000,000 Equity Shares to GOI and on March 16, 2005, CDCFS transferred 42,700,000 Equity Shares to CDCIH, as an inter se group transfer as per the Original Shareholders Agreement. Subsequently, we have allotted Equity Shares to 117 employees under our ESPS.

17. Our Company has not raised any bridge loans against the proceeds of the Issue.
18. We have not issued any Equity Shares out of revaluation reserves or for consideration other than cash.
19. Our Company has received approval from the FIPB pursuant to its letter June 22, 2005, for the transfer of Equity Shares in this Issue to Eligible NRIs, FIIs, FVCIs and multilateral and bilateral development financial institutions. As per the RBI regulations, OCBs are not permitted to participate in the Issue. Our Company has received approval from the RBI stating that the RBI has no objection for Non-Resident Bidders to acquire Equity Shares in the Offer for Sale, pursuant to its letter no. FE.CO.FID/8887/10.1.07.02.200 (665)/ 2004-05 dated June 23, 2005. The final permission of the RBI for acquisition of Equity Shares is to be received on completion of certain filing requirements. Further RBI has granted approval for divestment of Equity Shares in the Offer for Sale from non-resident Selling Shareholders to resident Bidders pursuant to letter no. FE.CO.FID/8916/10.I.07.02.200 (665)/ 2004-05 dated June 25, 2005.

OBJECTS OF THE ISSUE

The objects of the Issue are to achieve the benefits of listing on the Stock Exchanges and to raise capital. We believe that listing will enhance our brand name and provide liquidity to our existing shareholders and our employees who have been or shall be allotted Equity Shares under our ESOP and ESPS. Listing will also provide a public market for our Equity Shares in India.

The Issue comprises the Fresh Issue and the Offer for Sale. The object of the Offer for Sale is to carry out the disinvestment of up to 283,600,000 Equity Shares of Rs. 10 each by the Selling Shareholders. The Offer for Sale is being made in compliance with the Original Shareholders Agreement and we will not receive any of the proceeds from the Offer for Sale.

The objects of the Fresh Issue are to augment our capital base to meet the future capital requirements arising out of growth in our assets, primarily our loan and investment portfolio due to the growth of the Indian economy and for other general corporate purposes including meeting the expenses of the Issue. We are seeking to strengthen our capital base to support the future growth in our assets.

Requirement and Sources of Funds

Requirement of Funds	**Rs. in million**
Augment our capital base to meet our future capital requirements arising out of growth in our business and for other general corporate purposes*	[●]
Estimated Issue expenses*	[●]
TOTAL	**[●]**
Sources of Funds	**Rs. in million**
Proceeds of the Fresh Issue*	[●]
TOTAL	**[●]**

***** *Will be incorporated after finalisation of Issue Price*

We provide a wide range of financing products and fee based services to infrastructure projects and their sponsors. We view ourselves as a specialized intermediary in infrastructure financing. We not only provide project finance but also arrange and facilitate the flow of private capital to infrastructure development by creating appropriate structures and financing vehicles for a wide range of market participants. The proceeds from the Fresh Issue will be used to augment our capital base to meet our future capital requirements arising out of growth in our business and for other general corporate purposes.

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

Estimated Issue Expenses

Activity	**Rs. in million**
Estimated lead management, underwriting and selling commission	[●]*
Estimated other expenses (including advertising fees, Registrar's fees, legal fees, printing and stationery expenses and listing fees)	180.0
TOTAL	**[●]***

* *Will be incorporated after finalisation of Issue Price*

Interim Use of Proceeds

Our management, in accordance with the policies established by the Board, will have flexibility in deploying the proceeds received from the Issue. Pending utilization of the proceeds out of the Fresh Issue for the purposes described above, we intend to temporarily invest the funds in high quality interest bearing liquid instruments including deposits with banks. Such investments would be in accordance with the investment policies approved by our Board of Directors from time to time.

ISSUE STRUCTURE

Public issue of 403,600,000 Equity Shares for cash at a price of Rs. [●] per Equity Share aggregating Rs. [●] million comprising a Fresh Issue of 120,000,000 Equity Shares by the Company and an Offer for Sale of 283,600,000 Equity Shares by the Selling Shareholders. The Issue would constitute 35.96% the fully diluted post Issue paid-up capital of the Company. The Issue is being made through the book building process.

	QIB Bidders	**Non-Institutional Bidders**	**Retail Individual Bidders**
Number of Equity Shares*	Up to 201,800,000 Equity Shares or Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders	Minimum of 60,540,000 Equity Shares or Issue less allocation to QIB Bidders and Retail Individual Bidders	Minimum of 141,260,000 Equity Shares or Issue less allocation to QIB Bidders and Non-Institutional Bidders
Percentage of Issue size av.ailable for allocation	Up to 50% of Issue or Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders	Minimum 15% of Issue or Issue less allocation to QIB Bidders and Retail Individual Bidders	Minimum 35% of Issue or Issue less allocation to QIB Bidders and Non-Institutional Bidders
Basis of Allocation if respective category is oversubscribed	Discretionary	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000	200 Equity Shares
Maximum Bid	Such number of Equity Shares not exceeding the Issue, subject to applicable limits	Such number of Equity Shares not exceeding the Issue subject to applicable limits	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000
Mode of Allotment	Compulsorily in dematerialised form	Compulsorily in dematerialised form	Compulsorily in dematerialised form
Bid Lot	200 Equity Shares and in multiples of 200 Equity Shares	200 Equity Shares and in multiples of 200 Equity Shares	200 Equity Shares and in multiples of 200 Equity Shares
Trading Lot	One Equity Share	One Equity Share	One Equity Share
Who can Apply**	Public Financial Institutions, scheduled commercial banks, mutual funds, foreign institutional investors registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, State Industrial Development Corporations and insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million in accordance with applicable law	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, Eligible NRIs, scientific institutions, societies and trusts.	Resident Indian individuals, HUF (in the name of Karta) and Eligible NRIs.
Terms of Payment	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 Individual Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate
Margin Amount	Nil	Full Bid Amount on bidding	Full Bid Amount on bidding

** Subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in any category, would be allowed to be met with spillover from any other categories at the discretion of our Company, in consultation with the BRLM and the Senior Co-BRLM, in consultation with the Designated Stock Exchange.*

***In case the Bid cum Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form.*

Withdrawal of the Issue

We, in consultation with the BRLM, the Senior Co-BRLM and the Co-BRLMs, reserve the right not to proceed with the Issue at anytime after the Bid/Issue Opening Date but before Allotment, without assigning any reason therefor.

Bid/Issue Programme

BID/ISSUE OPENS ON	**FRIDAY, JULY 15, 2005**
BID/ISSUE CLOSES ON	**FRIDAY, JULY 22, 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) and uploaded till such time as permitted by the BSE and the NSE on the Bid/Issue Closing Date.

The Price Band will be decided by us in consultation with the BRLM and the Senior Co-BRLM. The announcement on the Price Band shall also be made available on the websites of the BRLM, the Senior Co-BRLM, the Co-BRLMs and at the terminals of the Syndicate.

We reserve the right to revise the Price Band during the Bidding Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20%.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional days after revision of Price Band subject to the Bidding/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release, and also by indicating the change on the web sites of the BRLM, the Senior Co-BRLM, the Co-BRLMs and at the terminals of the Syndicate.

BASIS FOR ISSUE PRICE

The Price Band will be decided prior to the filing of the Red Herring Prospectus with the RoC. The face value of the Equity Shares is Rs. 10 and the Issue Price is 2.9 times the face value at the lower end of the Price Band and 3.4 times the face value at the higher end of the Price Band.

1. Adjusted earning per share (EPS)

Year	EPS (Rs.)	Weight
Fiscal 2003	1.80	1
Fiscal 2004	2.59	2
Fiscal 2005	3.04	3
Weighted Average	2.68	

(i) EPS has been calculated as per the following formula:

(Net Profit attributable to equity shareholders)/(Weighted average number of Equity Shares outstanding during the year)

(ii) Net Profit, as restated and appearing in the statement of profits and losses has been considered for the purpose of computing the above ratio. The net profit is based on the restated unconsolidated financial statements of the Company.

(iii) EPS calculations have been done in accordance with Accounting Standard 20 – "Earnings per share" issued by the Institute of Chartered Accountants of India.

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

(i) Based on the fiscal 2005 EPS of Rs. 3.04 is [●].

(ii) There are no listed companies of comparable size in the Indian infrastructure financing industry, hence there is no industry P/E.

3. Return on Net Worth (RONW)

Year	RONW	Weight
Fiscal 2003	11.58%	1
Fiscal 2004	15.28%	2
Fiscal 2005	16.10%	3
Weighted Average	15.07%	

(i) RONW has been calculated as per the following formula:

(Net Profit after tax)/(Net Worth excluding revaluation reserve at the end of the year)

4. Minimum Return on total Net Worth after the Issue required to maintain pre-Issue EPS of 3.04 is [●]%

5. Net Asset Value (NAV) per Equity Share

(i) As of March 31, 2005: Rs. 18.89;

(ii) After the Issue: Rs. [●]

NAV has been calculated as per the following formula:

(Net worth excluding revaluation reserve and preference share capital at the end of the year)/(Total number of Equity Shares outstanding at the end of the year)

The Issue Price of Rs. [●] has been determined by us and the Selling Shareholders, in consultation with the BRLM and the Senior Co-BRLM, on the basis of the demand from investors for the Equity Shares through the Book-Building Process and is justified based on the above accounting ratios.

6. Comparison with Industry Peers

There are no listed companies of comparable size in the Indian infrastructure financing industry, and, hence, this comparison is not possible.

STATEMENT OF TAX BENEFITS

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

STATEMENT OF POSSIBLE DIRECT TAX BENEFITS AVAILABLE TO INFRASTRUCTURE DEVELOPMENT FINANCE COMPANY LIMITED AND IT'S SHAREHOLDERS

1. Benefits available to the Company

Under the Income-tax Act, 1961 ('Act')

1.1 **Exemption under section 10(23G)**

In accordance with and subject to the provisions of section 10(23G) of the Act, the Company will be eligible to claim exemption on any income by way of dividends (other than dividends exempt under Section 10(34) of the Act), interest or long-term capital gains from investments made by way of shares or long-term finance in specified enterprises, wholly engaged in specified businesses or projects and which have been approved by the Central Government.

1.2 **Dividends exempt under Section 10(34)**

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

1.3 **Dividends exempt under Section 10(35)**

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

1.4 **Computation of capital gains**

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

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

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

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

1.4.5 *Exemption of capital gain from income tax*

- According to section 10(38) of the Act, long-term capital gains on sale of equity shares or units of an equity oriented fund where the transaction of sale is chargeable to STT shall be exempt from tax.
- According to the provisions of section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.
- According to the provisions of section 54ED of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising from transfer of long term assets, being listed securities or units shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an "eligible issue of share capital" within six months from the date of transfer of the long term assets (provided they are not transferred within one year of acquisition). Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:
  - the issue is made by a public company formed and registered in India; and
  - the shares forming part of the issue are offered for subscription to the public.

  However, if the above specified shares are sold or otherwise transferred within a period of one year from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the shares are sold or otherwise transferred.

1.5 **Other specified deductions**

Subject to fulfillment of conditions, the Company will be eligible, *inter alia,* for the following specified deductions in computing its business income:-

1.5.1 According to section 36(1)(viia)(c) of the Act, deduction in respect of any provision for bad and doubtful debts made by the Company will be allowed at 5% of the total income (computed before making any deduction under this section and Chapter VIA)

1.5.2 According to section 36(1)(viii) of the Act, the Company being a financial corporation will be eligible for deduction at 40% of the profits derived from the business of providing long term finance for specified purposes computed in the manner specified under the section and carried to a Special Reserve account created and maintained by the Company.

The deduction will be allowed subject to the aggregate of the amounts transferred to the Special Reserve Account for this purpose from time to time not exceeding twice the paid-up share capital and general reserves of the Company. The amount withdrawn from such a Special Reserve Account will be chargeable to income tax in the year of withdrawal, in accordance with the provisions of Section 41(4A) of the Act.

1.5.3 According to section 43D of the Act, interest on certain categories of bad and doubtful debts as specified in Rule 6EA of the Income-tax Rules, 1962, will be chargeable to tax only in the year of receipt or credit to the Company's Profit and Loss Account, whichever is earlier.

2. Benefits available to resident shareholders

2.1 Dividends exempt under Section 10(34)

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

2.2 Computation of capital gains

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

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

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

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

2.2.5 *Exemption of capital gain from income tax*

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

  Where the benefit of section 54EC has been availed of on investments in the notified bonds, a deduction from the income with reference to such cost shall not be allowed under section 80C of the Act.
- According to the provisions of section 54ED of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising from transfer of long term assets, being listed securities or units shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an "eligible issue of share capital" within six months from the date of transfer of the long term assets (provided they are not transferred within one year

of acquisition). Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:

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

However, if the above specified shares are sold or otherwise transferred within a period of one year from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the shares are sold or otherwise transferred.

The issue of shares by the Company being an eligible issue of share capital, the subscribers thereto would be eligible to claim the exemption granted under section 54ED. However 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.

Where the benefit of section 54ED has been availed of on investments in the equity shares forming part of an eligible issue of share capital, a deduction from the income with reference to such cost shall not be allowed under section 80C of the Act.

- According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family ('HUF'), gains arising on transfer of a long term capital asset (not being a residential house), other than gains exempt under section 10(38), are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

2.3 **Rebate under section 88E**

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

3. Benefits available to Non-Resident Indian shareholders

3.1 **Dividends exempt under Section 10(34)**

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

3.2 **Computation of capital gains**

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

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

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

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

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

3.2.5 *Options available under the Act*

Where shares have been subscribed to in convertible foreign exchange –

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

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

- According to the provisions of section 115D read with Section 115E of the Act and subject to the conditions specified therein, long term capital gains arising on transfer of an Indian company's shares, will be subject to tax at the rate of 10 percent (plus applicable surcharge and education cess), without indexation benefit.
- According to the provisions of section 115F of the Act and subject to the conditions specified therein, gains arising on transfer of a long term capital asset being shares in an Indian company shall not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of six months in any specified asset or savings certificates referred to in section 10(4B) of the Act. If part of such net consideration is invested within the prescribed period of six months in any specified asset or savings certificates referred to in Section 10(4B) of the Act then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.
- Further, if the specified asset or savings certificate in which the investment has been made is transferred within a period of three years from the date of investment, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such specified asset or savings certificates are transferred.
- As per the provisions of Section 115G of the Act, Non-Resident Indians are not obliged to file a return of income under Section 139(1) of the Act, if their only source of income is income from investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.

- Under Section 115H of the Act, where the Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under Section 139 of the Act to the effect that the provisions of the Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.
- As per the provisions of Section 115I of the Act, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that assessment year under Section 139 of the Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

3.2.6 *Exemption of capital gain from income tax*

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

  Where the benefit of section 54EC has been availed of on investments in the notified bonds, a deduction from the income with reference to such cost shall not be allowed under section 80C of the Act.
- According to the provisions of section 54ED of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising from transfer of long term assets, being listed securities or units shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an “eligible issue of share capital” within six months from the date of transfer of the long term assets (provided they are not transferred within one year of acquisition). Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:

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

  However, if the above specified shares are sold or otherwise transferred within a period of one year from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the shares are sold or otherwise transferred.

  The issue of shares by the Company being an eligible issue of share capital, the subscribers thereto would be eligible to claim the exemption granted under section 54ED. However 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.

  Where the benefit of section 54ED has been availed of on investments in the equity shares forming part of an eligible issue of share capital, a deduction from the income with reference to such cost shall not be allowed under section 80C of the Act.

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

3.3 **Rebate under section 88E**

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

4. Benefits available to other Non-residents

4.1 **Dividends exempt under Section 10(34)**

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

4.2 **Computation of capital gains**

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

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

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

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

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

4.2.5 *Exemption of capital gain from income tax*

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

  Where the benefit of section 54EC has been availed of on investments in the notified bonds, a deduction from the income with reference to such cost shall not be allowed under section 80C of the Act.
- According to the provisions of section 54ED of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising from transfer of long term assets, being listed securities or units shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an "eligible issue of share capital" within six months from the date of transfer of the long term assets (provided they are not transferred within one year of acquisition). Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:

  ❑ the issue is made by a public company formed and registered in India; and

  ❑ the shares forming part of the issue are offered for subscription to the public.

  However, if the above specified shares are sold or otherwise transferred within a period of one year from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the shares are sold or otherwise transferred.

  The issue of shares by the Company being an eligible issue of share capital, the subscribers thereto would be eligible to claim the exemption granted under section 54ED. However 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.

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

4.3 **Rebate under section 88E**

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

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

5.1 **Dividends exempt under section 10(34)**

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

5.2 **Taxability of capital gains**

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

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

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

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

5.3 **Exemption of capital gain from income tax**

- According to section 10(38) of the Act, long-term capital gains on sale of shares where the transaction of sale is chargeable to STT shall be exempt from tax.
- As per the provisions of Section 54ED of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising from transfer of long term assets, being listed securities or units shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an "eligible issue of share capital" within six months from the date of transfer of the long term assets (provided they are not transferred within one year of acquisition). Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:
  - ❑ the issue is made by a public company formed and registered in India; and
  - ❑ the shares forming part of the issue are offered for subscription to the public.

  However, if the above specified shares are sold or otherwise transferred within a period of one year from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the shares are sold or otherwise transferred.

  The issue of shares by the Company being an eligible issue of share capital, the subscribers thereto would be eligible to claim the exemption granted under section 54ED. However 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.

5.4 **Rebate under section 88E**

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

6. Benefits available to Mutual Funds

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

7. Tax Treaty benefits

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

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

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

9. Benefits available under the Gift-tax Act, 1958

Gift tax is not leviable in respect of any gifts made on or after October 1, 1998. Therefore, any gift of shares will not attract gift tax.

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

INFRASTRUCTURE DEVELOPMENT AND FINANCING IN INDIA

The information in this section has been extracted from publicly available documents prepared by various sources, including officially prepared materials from the Government and its various ministries, the RBI and various multilateral institutions and has not been prepared or independently verified by us or any of our advisors.

The Indian Economy and Infrastructure Development

Over the past ten years, the Indian economy has grown at an average rate of 6.1% per year. The following chart presents a comparison of India's GDP growth rate with the growth rates of certain other countries from 1993 to 2003.

Country	Average GDP growth
India	6.16%
Australia	3.79%
Brazil	2.52%
Chile	4.56%
China	8.92%
Japan	1.32%
Korea	5.50%
Malaysia	5.32%
Russia	0.91%
Thailand	3.54%
United Kingdom	2.92%
United States of America	3.27%

Source: United Nations Statistical Division

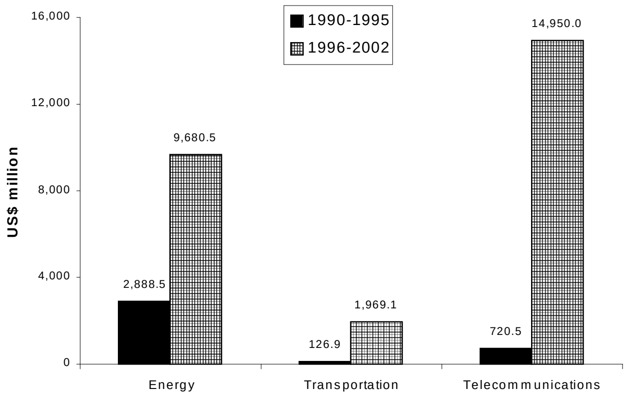
Over the past ten years the per capita GDP and average consumer spending in India has increased at an average rate of 3.82% and 4.79%, respectively. This growth in the Indian economy has fuelled demand for quality infrastructure services, which has led to increased infrastructure development in India. Due in part to recent regulatory and policy reforms, there has been growth in several areas of infrastructure, as illustrated in the following table:

	(% Growth rate) Fiscal year			
	2001	**2002**	**2003**	**2004**
Electricity generated through thermal utilities	7.4	2.5	6.2	3.5
Electricity generated through hydel utilities	(7.6)	(0.7)	(13.7)	15.6
Cargo handled at major ports	3.4	2.3	9.0	9.9
Passengers handled at international airport terminals	4.6	(5.0)	4.8	6.5
Passengers handled at domestic airport terminals	7.7	(5.7)	9.6	13.1
New telephone connections	27.2	23.9	21.5	40.1

Source: Economic Survey 2004-05

We believe a significant proportion of this growth has been a consequence of increased private sector involvement in infrastructure. While historically infrastructure services in India have been provided through government entities, in recent years, changes in the legal, regulatory and policy regimes in India have allowed for increased private involvement in infrastructure development. Some of these recent legislative reforms include the Airports Authority of India Act, 1994, as amended in 2003 and the Electricity Act, 2003, pursuant to which the Government has announced the National Electricity Policy articulating its resolve to make electricity available to all households and fully meet the demand for power by the year 2012.

These measures have allowed public-private partnerships where projects are developed, financed, constructed and operated by private sector sponsors with cooperation from the Government. The following chart presents the volume of private investment in three key sectors, namely energy, transportation and telecommunications for the periods indicated:

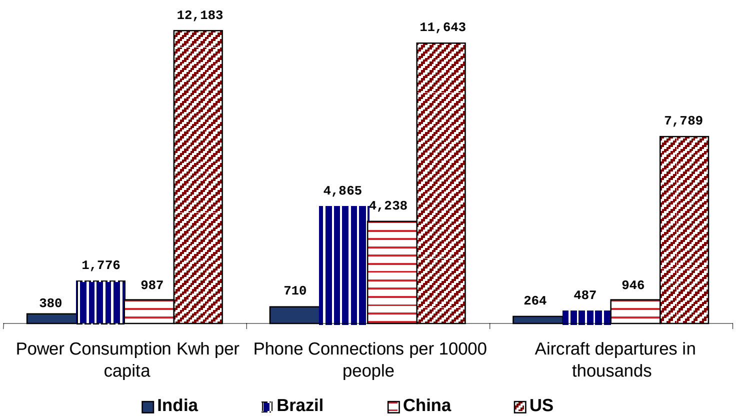


Source: World Bank's World Development Indicators Online (2004),

The increase in investments has led to notable progress in certain key sectors, particularly telecommunications and roads. For example, the total number of telephones (mobile and basic) increased from 22.8 million in 1999 to 100.1 million in 2005 at a compounded annual growth rate of 34.4%. Tele-density rose from just 2.32 in 1999 to 9.26 in March 2005 and telecom tariffs witnessed a sharp decline, particularly in the mobile, national long distance and international long distance segments. In roads, under the National Highway Development Program (NHDP), the largest highway project ever undertaken by the country, 14,279 kilometres of highways are being upgraded out of which 5,418 kilometres had already been completed as of January 31, 2005.

Investment requirements

Despite recent progress, India has lagged behind many other developing and developed nations in terms of infrastructure development. The following chart illustrates the gap between India and other selected countries for 2003, in terms of certain indicators of infrastructure development:



Source: World Development Indicators Online 2005, World Bank

Infrastructure is an integral part of economic development and the availability of quality infrastructure services is key to sustained growth of any economy. The current rate of infrastructure investment in India at 3.5% of GDP is well below the target rate of 8.0% proposed by the Expert Group on Commercialisation of Infrastructure Projects. (Source: ADB)

This indicates significant opportunities for further infrastructure development and financing in India, particularly as regulatory, legal and market frameworks evolve and become more supportive of private investment.

Providers of Infrastructure Finance in India

The primary providers of infrastructure financing in India are financing institutions, public sector banks and other public sector institutions, private banks, foreign banks and multilateral development institutions.

Financial Institutions

Financial institutions were established to provide medium-term and long-term financial assistance to various industries for setting up new projects and for the expansion and modernization of existing facilities. These institutions provide fund-based and non-fund based assistance to industry in the form of loans, underwriting, direct subscription to shares, debentures and guarantees. The primary long-term lending institutions include IFCI Limited, Industrial Investment Bank of India Limited and Small Industries Development Bank of India.

Specialized Financial Institutions

In addition to the long-term lending institutions, there are various specialized financial institutions, which cater to the specific needs of different sectors. We are a specialized financial institution focused on infrastructure financing and related advisory activities. Other such institutions include the National Bank for Agricultural and Rural Development, Export Import Bank of India, Risk Capital and Technology Finance Corporation Limited, Tourism Finance Corporation of India Limited, Housing and Urban Development Corporation Limited, Power Finance Corporation Limited, Infrastructure Leasing & Financial Services Company, Rural Electrification Corporation and Indian Railway Finance Corporation.

State Level Financial Institutions

State financial corporations operate at the state level and form an integral part of the institutional financing system. State financial corporations were set up to finance and promote small and medium-sized enterprises. At the state level, there are also state industrial development corporations, which provide finance primarily to medium-sized and large-sized enterprises.

Public Sector Banks and other Public Sector Institutions

Public sector banks make up the largest category of banks in the Indian banking system. The primary public sector banks operating in the infrastructure finance sector include banks such as the Industrial Development Bank of India, State Bank of India, Punjab National Bank and the Bank of Baroda. Additionally, other public sector entities also provide financing to the infrastructure sector. These include organizations such as the Life Insurance Corporation of India.

Private Sector Banks

After the first phase of bank nationalization was completed in 1969, the majority of Indian banks were public sector banks. Some of the existing private sector banks, which showed signs of an eventual default, were merged with state-owned banks. In July 1993, as part of the banking reform process and as a measure to induce competition in the banking sector, the RBI permitted entry by the private sector into the banking system. This resulted in the introduction of nine private sector banks. These banks are collectively known as the ''new'' private sector banks. The primary private sector bank operating in the infrastructure financing sector is ICICI Bank.

Foreign Banks and Multilateral Development Institutions

Foreign banks are permitted to operate through (i) branches; (ii) a wholly owned subsidiary, or (iii) a subsidiary with aggregate foreign investment of up to 74% in a private bank. Additionally, foreign bilateral and multilateral agencies also provide infrastructure financing in India. The primary multilateral institutions involved in infrastructure lending in India include several international banking institutions, the World Bank, the Asian Development Bank and the International Finance Corporation.

OUR BUSINESS

Overview

We are a leading Indian infrastructure financing institution. We provide a wide range of financing products and fee-based services to infrastructure projects and their sponsors. We also work closely with government entities and regulators in India to advise and assist in formulating government policy and regulatory frameworks that support private investment and public-private partnerships in infrastructure development.

We were established in 1997 as a private sector enterprise by a consortium of public and private investors. We operate as a professionally managed commercial entity with the objective of maximizing shareholder value. Our expertise in the infrastructure sector and strong relationships with government and infrastructure sponsors provide us with a platform for facilitating private investment and public-private partnerships in infrastructure projects in sectors where market structures, government policy and regulation are evolving. Our main focus has been on energy, telecommunications and transportation projects. We expect to see continued and strong growth opportunities in the energy sector in the areas of power generation, transmission and distribution; in telecommunications, given the expected consolidation in the sector and the resulting need for acquisition financing; and in transportation, particularly in the development of roads, ports and airports. In addition, we expect the industrial and commercial infrastructure sector to emerge as a new area of business growth, particularly with respect to special economic zones, industrial parks, township developments and hotels.

Our growth has been driven by the substantial investment requirements of the infrastructure sector in India combined with the growth in the Indian economy over the last several years. India's GDP growth has averaged 6.1% per year over the past ten years and was 8.5% in fiscal 2004 and 6.9% in the first nine months of fiscal 2005. We believe that continued future growth of the Indian economy will require substantial investment in creating and improving infrastructure.

We view ourselves as a specialized intermediary in infrastructure financing. We not only provide project finance but also arrange and facilitate the flow of private capital to infrastructure development by creating appropriate structures and financing vehicles for a wide range of market participants. We formed one of the first infrastructure focused private equity funds in India and played a key role in introducing innovative structures like take-out financing that enabled the participation of a broader section of lenders and investors in infrastructure financing.

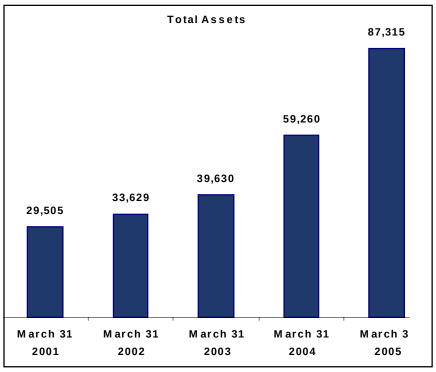
Our clients include prominent participants in infrastructure development in India. Our product portfolio caters to the diverse needs of these clients across all layers of the capital structure. We draw on our deep domain knowledge and structuring expertise in our financing activities and in providing fee-based services. Our products and services include:

- senior debt financing in the form of loans, debentures and securitized debt;
- mezzanine products, including subordinated debt and preference capital, and equity financing through proprietary investments in unlisted equity as well as in public offerings of infrastructure companies;
- private equity investments and asset management services for third party funds through our subsidiary IDFC Private Equity, to provide long term equity capital to infrastructure companies requiring financing support during their growth stages;
- non-fund based products such as guarantees and structured facilities including risk participation and take-out financing; and
- debt syndication and advisory services, including advice on project and financial structuring, risk evaluation and the privatization of infrastructure assets and services.

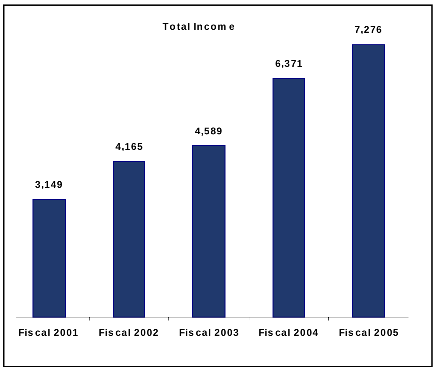
We are actively involved in providing policy advice to the Indian central and state governments and regulatory agencies. Our policy advisory function is independent of our business activities. We have helped government entities develop infrastructure related policies that support the entry of new participants, increase competition and end monopolies, and have recommended regulatory frameworks within which policy reforms can be put into practice. Through these activities, we have become one of India's premier providers of professional advice on infrastructure policy.

Our business has grown rapidly since we began operations in 1997. As the following charts illustrate, our total assets, total income and profit after tax, as restated, grew at a compound annual growth rate of 31.2%, 23.3% and 20.7%, respectively, from fiscal 2001 to fiscal 2005.

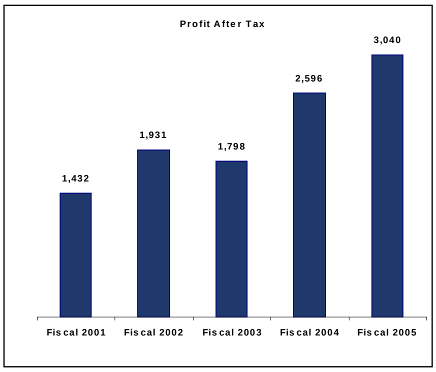
(Rs. in million)



(Rs. in million)



(Rs. in million)



As of March 31, 2005, our gross NPAs as a percentage of total loan assets and net NPAs as a percentage of net loan assets, were 0.7% and 0%, respectively. Our capital to risk-weighted asset ratio as of March 31, 2005 was 28.7% and our return on average total assets in fiscal 2005 was 4.5%.

Strengths

We believe that the following are our primary strengths:

Exclusive focus on infrastructure and leading innovator in infrastructure financing: Infrastructure projects in India have historically been financed by large financial institutions as part of their general lending operations. We were founded with the sole objective of, and our focus continues to be on, providing and promoting private financing of Indian infrastructure. We have developed extensive domain knowledge, particularly with regard to project structuring, appraisal and risk evaluation. We have expertise in providing financing through a variety of products, including senior debt as well as mezzanine and private equity investments. We played a key role in introducing innovative financial products and structures such as take-out financing and risk-participation facilities, which allow a broader cross-section of lenders and investors to participate in infrastructure financing. We believe that these attributes have enabled us to emerge as one of the leading infrastructure financing institutions in India.

Established relationships with government entities*:* Our strong relationship with the Government gives us access to decision makers in government entities and multilateral development agencies. As a consequence, we are able to play a significant role in the direction of infrastructure policy in the country. We believe that our policy-related initiatives have helped rationalize India's policy and regulatory frameworks across infrastructure sectors, which has encouraged an increased flow of private capital, including foreign capital, into infrastructure investment. In addition, we believe that our multidimensional relationship with governmental entities gives us access to major financing and advisory opportunities in the infrastructure sector.

Well-developed client relationships: We have well-developed relationships with the prominent private sector sponsors in India's infrastructure sector, including the Bharti, Tata, Reliance, L&T, Torrent, GMR and GVK groups, along with many emerging participants in the sector. We were among the earliest supporters of infrastructure investment for many of these clients, which has fostered our relationships in the industry. These relationships have enabled us to have a role in prospective projects with such sponsors at an early stage and to obtain leadership roles in advising and financing infrastructure projects.

Strong asset quality: We have one of the strongest asset quality positions of any bank or financial institution in India. We believe that this has been achieved due in part to our strong credit and project appraisal skills and disciplined risk management practices. Our credit process involves extensive screening and financial analysis to assess potential risks and devise appropriate risk mitigation mechanisms. We also have a systematic review process to continuously monitor and evaluate the projects in our portfolio. We had 0.7% gross and zero net non-performing assets as of March 31, 2004 and 2005.

Low leverage and access to long-term funding: We believe that our conservative capital structure and low leverage allow us significant room to grow our balance sheet and our return on equity. Our leverage, which we define as long-term borrowings divided by net worth, was 3.31 times as of March 31, 2005, which is lower than that of many of our competitors, including banks. Our leverage will be further reduced by the proceeds raised in this Issue. Our Rs. 6,500 million of subordinated debt provided by the Government, which matures only in 2047, also provides a significant source of long-term funding. Due in part to these factors, our long term borrowings have been rated AAA by CRISIL and LAAA by ICRA, which are the highest credit ratings awarded by these rating agencies.

Competitive effective cost of funds: We believe that our cost of borrowings of 6.53% in fiscal 2005 compares favourably with our competitors, including commercial banks. Due to our status as a non banking financing institution, unlike our competitor commercial banks, we are not required under the RBI guidelines to hold a significant portion of our funds in relatively low yielding assets, including government and other approved securities and cash reserves. In addition, we have low establishment and administrative expenses, which represented only 0.4% of our average total assets as of March 31, 2005, compared with commercial banks that have large networks of branches. As a result of these factors, we are able to deliver infrastructure debt financing at a competitive effective cost.

***Experienced management team and dynamic professional staff*:** The members of our management team and professional staff come from a diverse set of backgrounds including leading commercial banks and lending institutions, finance companies, regulators, academia, rating agencies, investment banks and private equity firms. Our managers and professional staff have domestic and international expertise in areas such as project finance and corporate lending, structured finance, private equity and investment management, as well as in developing policy. Our managers and professional staff also have deep domain knowledge of and experience in the various sectors we serve, which contributes to our understanding of the sector-specific aspects of our business.

Strategy

Our mission is to be the financier and advisor of choice for infrastructure projects in India. We are focused on enhancing shareholder value through pursuing strategies that enhance our profitability, return on assets and return on equity. The key elements of our business strategy are as follows:

Deliver profitability growth by:

- Seeking transaction leadership roles in select projects in which we participate and working closely with clients, from the pre-bidding stage to project commissioning.
- Diversifying our revenue stream to include fee-based income and other forms of non-interest related income and capturing a greater share of client revenues by providing products and services that address client needs.
- Expanding our product range to participate in the more profitable parts of the capital structure of a project.
- Maintaining high levels of operational efficiency to retain our low expense to assets ratio.

Achieve robust balance sheet growth by:

- Building on the strong relationships we have with the sponsors of infrastructure projects to continue expanding our business activities and financing opportunities.
- Focussing on our key sectors, including energy, transportation, telecommunications and industrial and commercial infrastructure while diversifying into emerging sectors such as urban services, rural infrastructure, education and healthcare.
- Offering a broader array of financing solutions tailored to different risk appetites in order to expand funding options for infrastructure projects.
- Utilizing our conservative capital structure and long-term funding resources to expand our financing operations while maintaining our competitive cost of funds.

Pursue innovation by:

- Using our structuring skills and knowledge of domestic and international capital markets to continuously develop and launch new products suitable to a wider array of domestic and international investors and lenders.
- Working with regulators and market participants to further the development of capital markets in India in order to expand the market for new products across the risk spectrum.

Promote thought leadership by:

- Advocating policy and regulatory frameworks and tailoring global best practices in our areas of focus to the Indian context.
- Delivering high quality advisory services to clients and working with government entities in India, as well as with multilateral and bilateral development agencies, to remove bottlenecks and encourage private investment into infrastructure.

Infrastructure Operations

We provide financing products and fee-based services to infrastructure projects and their sponsors. In fiscal 2005, we recorded gross approvals and disbursements of Rs. 64,137 million for 59 projects and Rs. 37,392 million for 77 projects, respectively, our highest since our founding. This represented an increase of 12.1% and 38.4%, respectively, over gross approvals and disbursements in fiscal 2004. On a cumulative basis, as of March 31, 2005, our gross approvals were Rs. 245,937 million for 198 projects and gross disbursements were Rs. 105,986 million for 121 projects. Our net approvals, i.e., approvals net of cancellations as of March 31, 2005 were Rs. 149,805 million and our outstanding disbursements were Rs. 80,274 million.

The following table sets forth, as of March 31, 2005, the allocation of our net approvals and outstanding disbursements by sector:

(Rs. in million)

	Energy	Transport	Telecom[3]	Industrial / Commercial[4]	Other[5]	Total
Net approvals	**52,078**	**33,112**	**47,450**	**10,951**	**6,214**	**149,805**
Funded debt[1]	47,789	30,255	38,920	10,711	4,428	132,103
Non-funded debt[2]	3,459	2,121	7,635	230	295	13,740
Equity and preference capital	830	736	895	10	1,491	3,962
Outstanding disbursements	**26,609**	**18,180**	**28,134**	**4,711**	**2,640**	**80,274**
Funded debt[1]	23,386	16,389	26,038	4,481	1,870	72,164
Non-funded debt[2]	2,883	1,161	1,881	230	10	6,165
Equity and preference capital	340	630	215	-	760	1,945

(1) *Includes senior debt and subordinated debt financing.*

(2) *Includes guarantees, take-out financing and risk participation products.*

(3) *Includes Telecommunications and Information Technology.*

(4) *Includes Special Economic Zones ("SEZs"), IT parks, commercial real estate projects and tourism.*

(5) *Includes urban services, rural infrastructure, education and healthcare. Our commitments and contributions to the India Development Fund are also included in this column.*

As of March 31, 2005, our total exposure to infrastructure projects, including guarantees and other non-funded exposure and equity, and excluding cancelled approvals and repayments/prepayments, was Rs. 124,137 million, of which energy accounted for the highest proportion at 34.2%, followed by telecommunications at 26.9%, transportation at 25.9%, industrial and commercial infrastructure at 8.4% and others at 4.6%.

Products and Services

The following table sets forth, as of March 31, 2005, the allocation of our net approvals and outstanding disbursements by product:

	Net Approvals		Outstanding Disbursements	
	Rs. in million	**% of total**	**Rs. in million**	**% of total**
Senior debt financing	127,483	85.1%	68,725	85.6%
Mezzanine products[(1)]	4,307	2.9%	3,589	4.5%
Proprietary equity investments	4,276	2.8%	1,795	2.2%
Guarantees	11,823	7.9%	5,209	6.5%
Take-out financing	1,676	1.1%	716	0.9%
Risk participation facilities	240	0.2%	240	0.3%
Total	**149,805**	**100.0%**	**80,274**	**100.0%**

[(1)] *Comprises subordinated financing and preference capital investments.*

Senior Debt Financing

Senior debt forms the largest component of our financing portfolio, and accounted for 85.6% of our outstanding disbursements as of March 31, 2005. Senior debt financing is provided through loans or in the form of subscriptions to debentures. Senior debt ranks ahead of other debt obligations of the borrower with respect to security and right of payment. Debentures are generally more liquid than loans.

Our senior debt financings are generally fully secured and have recourse to the project assets in the event of any default. As of March 31, 2005, 79.3% of our outstanding disbursements was to borrowers that were special purpose entities. For 18.8% of our senior debt financing, there is no recourse to the sponsors. For 31.1% of our senior debt financing, there is limited recourse to the sponsors where they undertake to meet construction cost overruns or funding shortfalls. In most cases, senior debt is collateralized by a pledge of all or part of the sponsors' equity holding in the borrower, an assignment of rights under the various project contracts such as concession agreements, off-take agreements and construction contracts, and a direct security interest in and rights to monitor the project receivables through a trust and retention account arrangement. For 28.0% of our outstanding disbursements, we have negotiated corporate or personal guarantees from one or more sponsors of the project for the interest and principal payment obligations. We also provide securitized debt that is collateralized by the cash flow receivables of the project.

Our senior debt financing typically bears fixed rate interest with repricing mechanisms, usually effective after five years, to adjust for changes in interest rates. Additionally, senior loans may also be repriced for changes in the credit quality of the borrower. Our senior debentures also often have repricing mechanisms for interest rate changes.

Mezzanine Products

In order to strengthen project structures, we also provide financing in the form of mezzanine products, comprising preference capital and subordinated debt. Mezzanine products are layered in a firm's capital structure between equity and senior debt and act as an additional tier in the capital structure. Mezzanine instruments are subordinated in right of payment to senior debt and typically have only a second charge on the borrower's assets. These subordinated financing structures carry higher risk as compared to senior debt but have the potential of earning higher returns. As of March 31, 2005, mezzanine financing accounted for 4.5% of our outstanding disbursements.

Proprietary Equity Investments

We provide financing to infrastructure companies through proprietary minority equity investments in them. As of March 31, 2005, our equity portfolio was valued at Rs. 3,210 million (calculated on the basis of market value for listed equities and the lower of acquisition cost or book value for unlisted equity), including unrealized gains of Rs. 2,208 million on quoted equity investments. We have made proprietary equity investments in infrastructure related companies that subsequently listed on stock exchanges, such as Gateway Distripark, Indraprastha Gas and Power Trading Corporation. We have also invested in the public offerings of companies such as Bharti Tele-ventures, Jet Airways, National Thermal Power Corporation, Oil and Natural Gas Corporation, Tata Consultancy Services and Tata Teleservices (Maharashtra). The focus of our proprietary equity investments is on companies that have high quality sponsorship, good growth prospects and clearly defined exit opportunities. Our investment horizon tends to focus on the short to medium term. As of March 31, 2005, proprietary equity investments accounted for 2.2% of our outstanding disbursements.

Private Equity and Asset Management

We mobilize and manage third party funds through our wholly owned subsidiary, IDFC Asset Management Company Limited ("IDFC Private Equity"). IDFC Private Equity focuses on long-term private equity investment opportunities and also invests in listed equities in certain circumstances. The objective is to achieve attractive returns by providing equity risk capital to early stage and rapidly growing infrastructure focused companies. IDFC Private Equity has a panel of highly regarded advisors and an experienced team that leverages the client relationships and domain expertise of IDFC.

IDFC Private Equity is the investment manager of the India Development Fund ("IDF"), which was formed in fiscal 2003 and in which IDFC is a sponsor investor. The IDF is one of the largest domestic private equity infrastructure focused fund in India and has invested in power generation, gas pipelines, hotels and port projects, among others. As of March 31, 2005, the IDF had committed and disbursed 66% and 34%, respectively, of its available capital of Rs. 8,438 million which was raised from Indian banks and financial institutions. IDFC Private Equity has an independent investment committee, and receives a management fee from the IDF for asset management services. IDFC Private Equity is targeting to raise Rs. 13,500 million for a new infrastructure focused fund, from both Indian and non-Indian investors.

We intend to build on our experience in infrastructure investing by exploring opportunities to raise other kinds of third party fee generating funds, including an equity fund for investing in listed equities and pre-IPO opportunities and potentially a mezzanine fund for providing quasi-equity to infrastructure companies.

Non-Funded Products

Financial and Performance Guarantees

We issue guarantees on behalf of projects to guarantee their performance and payment obligations. Our guarantees enhance the credit ratings of the underlying financial instruments and enable projects to secure financing from a wider spectrum of sources, including borrowings from commercial banks, foreign lenders and the debt capital markets. Performance guarantees are generally extended by us to secure the performance obligations of borrowers, such as meeting license requirements in the telecommunications and transportation industries. The guarantees are usually fully secured, similarly to senior loans, by security interests in the project's assets. We earn commissions for extending guarantees. As of March 31, 2005, guarantees accounted for 6.5% of our outstanding disbursements.

Take-Out Financing

Take-out financing is a product designed to address the maturity mismatches and the risk appetite of certain categories of lenders, allowing them to participate in infrastructure financing. Commercial banks and other financial intermediaries in India face asset-liability mismatches in funding infrastructure projects with long gestation periods. We are able to take over outstanding loans from such project lenders after a certain period, typically five years, because of our access to funds with long-term maturity. Take-out financing is a non-funded product which is designed to eventually become a funded product when the asset is taken over. We charge a commission for providing a take-out financing commitment in the form of an up-front fee and quarterly fees during the tenure of the loan. The take-out financing commitment and the loan, once funded, are fully secured (similarly to senior loans) by security interests in the project's assets. Like guarantees, take-out financings are considered contingent liabilities which we monitor. As of March 31, 2005, take-out financing accounted for 0.9% of our outstanding disbursements.

Risk Participation

The amount of debt funding provided by a bank or financial institution participating in project funding is constrained by industry, group and borrower limits on exposures that apply to them. To address this constraint we may assume a portion of the credit risk in an underlying instrument through our risk participation product. This product is structured as a revolving partial guarantee, where we would be required to pay the direct lender a portion of any defaulted amount. This product is fully secured (similarly to senior loans) by a security interest in the project's assets. The amount of risk participation is typically determined either as a percentage of the principal amount provided by the other bank or financial institution or in absolute terms and typically also covers applicable interest for the covered portion. We earn commissions for providing risk participation facilities in the form of an up-front fee and periodic fees during the tenure of the loan. As of March 31, 2005, risk participation accounted for 0.3% of our outstanding disbursements.

Debt Syndication and Advisory Services

Debt Syndication

We generally seek and obtain the role of lead arranger for select projects. As the lead arranger, we appraise and structure the projects, syndicate the debt commitments among other financial institutions, and also participate in the financing. This allows us to utilize our expertise in structuring and assessing projects and to earn incremental fee income. We seek to leverage our syndication capabilities to securitise loans originated by us.

Advisory Services

We provide a wide range of fee-earning advisory services to infrastructure development projects and their sponsors. Our advisory services principally comprise three types of activities:

- *Government Advisory Services*: Our government advisory services are generally provided through engagements with government entities and their nominated agencies. Our services typically involve advising on and managing the process of privatization and commercialization of infrastructure assets. For example, we have provided privatization advisory services to the governments of Karnataka and Kerala in the energy sector and structured concessions agreements for private investment in highways and ports.
- *Corporate Advisory Services*: Our corporate advisory services are generally provided through engagements with our corporate clients. Our services typically involve advising on risk assessment, feasibility analysis, project structuring, financial modelling and developing appropriate financing structures and solutions for achieving successful financing of infrastructure projects. For example, we have provided advisory services to sponsors and potential investors in power, road and port projects in India.
- *Project Development and Consulting Services*: We provide project development and consulting services through our joint ventures with the states of Karnataka and Uttaranchal to promote investments in infrastructure through public-private partnerships. Our joint venture with the state of Karnataka, Infrastructure Development Corporation (Karnataka) Ltd., was set up in fiscal 2001 to promote and develop infrastructure projects in the state, utilizing private capital and professional management with strong public sector support. Our joint venture with the state government of Uttaranchal, Uttaranchal Infrastructure Development Company Ltd. was created in fiscal 2003 with the objective of assisting the government of Uttaranchal and its agencies to develop appropriate policy and legal frameworks for the development of infrastructure and encourage the implementation of viable infrastructure projects in the private sector.

Environment Management and Social Development

We have an environment management and social development group that provides support in evaluating projects from an environmental and social development perspective. It also assists in monitoring projects throughout their term from an environmental and social perspective. In addition, the group provides evaluation and assessment services to third parties. The group has evaluated three projects for the Prototype Carbon Fund managed by the World Bank. It was engaged by the government of Uttaranchal to develop the State of The Environment Report and also did an advisory assignment for the Municipal Corporation of Delhi on the segregation, treatment and disposal of municipal waste.

Industry Sectors

Our project financing and advisory activities have to date been focused primarily on the energy, telecommunications and transportation sectors. We intend to continue to build on our experience in these areas, and increase our participation in other growth areas, including industrial and commercial infrastructure, in which we are already active, and urban services, rural infrastructure, education and healthcare.

Energy

We finance projects for electricity generation, transmission and distribution, as well as projects in the oil and gas industry. During fiscal 2005, we approved financing aggregating Rs. 20,791 million for 15 projects in the energy sector, compared to Rs. 22,086 million for 27 projects in fiscal 2004. Disbursements during fiscal 2005 aggregated Rs. 16,389 million for 24 projects compared to Rs. 8,275 million for 22 projects in fiscal 2004. As of March 31, 2005, our outstanding disbursements to the energy sector was Rs. 26,609 million, which represented 33.1% of our aggregate outstanding disbursements.

Electricity: We focus on financing captive power plant projects, small and medium sized hydroelectric projects, select coal and gas based independent power producers, electricity distribution businesses (primarily in the private sector) and environmentally friendly wind farms. We also provide related advisory services. As part of a consortium we are currently engaged in providing advisory services to the Government of Karnataka in connection with the privatization of electricity distribution in Karnataka. In Kerala we have provided advisory services for framing the policy guidelines and managing the bid process for the awarding of small hydroelectric projects. In Uttaranchal, we have prepared a power policy for the improvement of the sector, including the development of hydroelectric potential in the state, attracting investments in the distribution business and finding solutions for improving rural connectivity, and providing access to power in rural areas.

We have limited our exposure to large scale independent power projects (those over 300 megawatts). This exposure was Rs. 4,034 million as of March 31, 2005, comprising only 9.5% of our total exposure to the energy sector. We were the lead financial institution for a 370 megawatt gas based combined cycle power plant in Andhra Pradesh and a 210 megawatt coal based power station in Karnataka. We are the financial advisor and lead arranger for a 1,110 megawatt liquefied natural gas ("LNG") based combined cycle power plant in the state of Gujarat. We were one of the main lenders for the 1,150 kilometer transmission project between Tala and Delhi, which is the only private sector transmission project in India. We have also financed several major private distribution licensees in Delhi, Ahmedabad, Surat and Mumbai. In addition, we have made proprietary equity investments in leading companies in this sector, including an investment in Power Trading Corporation that was subsequently listed on the stock exchanges, and an investment in the public offering of National Thermal Power Corporation Limited. IDFC Private Equity has also made a private equity investment in GMR Energy through the IDF.

We believe that there are significant opportunities in the electricity industry due to the need for additional generation, transmission and distribution capacity by both the private and public sectors to meet India's need for additional capacity. The Government aims to add 100,000 megawatts of generation capacity by 2012, 23,000 megawatts of which would be in the private sector. This would provide access to the 45% of households still without power and would require an investment of approximately US$100 billion. The Government has also stated an intention to increase hydroelectric capacity by 50,000 megawatts with 162 projects to be developed during 2007-2017. The sector also has many opportunities for new projects to meet these demands. In addition, the Electricity Act, 2003, is intended to introduce market-based competitive reforms through measures that include the de-licensing of power generation and measures that encourage captive power generation and open and non-discriminatory access in transmission. This has created opportunities for infrastructure development in several areas in the sector, most particularly in the development of captive power plants.

Oil and Gas: Our primary focus in the oil and gas industry has been on natural gas and LNG projects. We were an initial subscriber to the equity of Indraprastha Gas Limited (IGL) in fiscal 2000, which implemented a gas distribution system in Delhi. We sold part of our equity holding in IGL's initial public offering in fiscal 2004. We have provided financing for the development and construction of the 5 million tons per annum LNG terminal of Petronet LNG at Dahej, Gujarat, which is the first LNG terminal in India to achieve commercial operation. We are also involved in the financing of gas grid networks and gas and compressed natural gas distribution in Gujarat. We have also made equity investments in the listed equity of leading companies in this sector such as Oil and Natural Gas Corporation. IDFC Private Equity has also made a private equity investment in Gujarat State Petronet through the IDF.

Natural gas consumption in India increased at an average growth rate of 6.6% per annum in the ten years from 1993 to 2003. According to the India Hydrocarbon Vision 2025 Report, the demand for natural gas is projected to increase due to its cost competitiveness with other fuels and environmental friendliness. Additionally, the completion of the National Gas Grid is expected to require an investment of Rs. 180 billion over five years, a portion of which is expected to be provided by the private sector. Development of independent gas grids is also expected. There are also city gas distribution projects in several major metropolitan areas, including Ahmedabad, Baroda, Pune, Kanpur and Hyderabad. We believe that the increased focus on natural gas and LNG as alternatives to oil-based fuels and the development of the various gas distribution projects offer significant opportunities for growth in the oil and gas sector.

Transportation

We finance projects for the development of roads, ports, airports, railways and pipelines. We have also made investments in the airline industry. During fiscal 2005, we approved financing of Rs. 18,882 million for 15 projects in the transportation sector compared to Rs. 16,326 million for 18 projects in fiscal 2004. Disbursements of Rs. 5,655 million were made for 18 projects in fiscal 2005 compared to Rs. 5,747 million for 15 projects in fiscal 2004. As on March 31, 2005, our outstanding disbursements to the transportation sector was Rs. 18,180 million, which was 22.6% of our aggregate outstanding disbursements.

Roads: Our activities in road finance have focused on projects involving the construction, operation and maintenance of new and existing stretches of national and state highways and expressways as well as providing related advisory services. Our advisory services in this sector include finalizing the Model Concession Agreement for toll roads for the National Highway Authority of India ("NHAI") and drafting a similar agreement for smaller toll roads which is used by several state governments. We also prepared a "toolkit", including a model concession agreement, entry criteria and standardized bidding documents for "operate, maintain and transfer" ("OMT") concessions for completed sections of highways. We have played a key role in opening up the sector to private investment and have financed a number of "build, operate and transfer" ("BOT") highway projects. We represented and advised the NHAI in structuring a unique method for undertaking BOT projects known as the "annuity approach". Under this model, private parties build and maintain BOT projects, generally with a 15-year term of maintenance. The contractor is then compensated by a fixed annuity. Beginning in 2000, the NHAI started putting up BOT projects for bids under the annuity approach. We have financed over 1,100 kilometers of roads, involving cumulative disbursements of Rs. 10,484 million, under the BOT model, including under the annuity approach, at both the national and the state level in Karnataka. We have financed toll roads, bridges and bypasses and participated in securitization of toll receivables in existing road projects in the states of Maharashtra, Rajasthan, Madhya Pradesh, Gujarat, Delhi, Karnataka, Andhra Pradesh and Kerala, including the Mumbai entry point toll securitization. In these securitization projects, lenders provide funding to sponsors based on estimated receivables. We are lead arrangers or lead lenders in several other prominent road projects, including the Jaipur-Kishangarh Expressway in Rajasthan and annuity projects in West Bengal.

Development of highways and expressways by the private sector through the BOT approach is likely to remain a significant portion of our financing and advisory business, as we expect substantial investments in the sector in the near and medium term. The National Highways Development Project (Phases II, III and IV) is likely to require investment of Rs. 1,720 billion over the next seven years based on recent reports. Phase III will involve the upgrading of 10,000 kilometers of existing national highways to four lanes. Phase IV will involve upgrading 21,000 kilometers of existing single lane road to two lane roads with paved shoulders and strengthening and adding paved shoulders to an existing 17,000 kilometers of existing two lane highways. Additionally, securitizations of tolls and maintenance through public-private partnerships are being planned for completed sections of the national highways.

Ports: We have advised and financed several port projects in India. We have also prepared commercially acceptable bidding documents and the Model License Agreement for ports which are now being used widely, and we have advised on a framework for corporatizing Ennore, a major port. We have played an important role in making ports a more attractive investment for private investors through an optimal allocation of risk by proposing a move from guaranteed royalty payments to revenue sharing. We have been awarded mandates for arranging senior debt financing for the development and construction of a port on the west coast of India and a container terminal project in south India. We are the only

Indian lender in another container terminal project in Gujarat. Additionally, we were the sole lender for a container terminal project on the east coast of India and we are advisors and arrangers for a bulk handling port in eastern India. We made an equity investment in Gateway Distriparks Limited, which is a provider of port-related logistics support services with a presence across India. We sold part of our equity holding in Gateway's initial public offering in fiscal 2005. IDFC Private Equity has also made a private equity investment in Gujarat Pipavav Port through the IDF.

We expect the development of ports in India to continue to grow due to the increase in shipping and trade as a result of India's growing economy. The Government of India's National Maritime Development Project to develop ports, inland waterways and coastal shipping aims to have a port every 150 kilometers of India's approximately 6,000 kilometers of natural coastline. This project which is still in the planning stages, is expected to involve investment of over Rs. 1,000 billion, 85% of which is to be private investment. Additionally, in the near term, there are 23 port projects with an annual capacity addition of 89.3 million metric tons at various stages of evaluation and implementation.

Aviation: We provide financing in the aviation sector to both airport projects and airlines. Growth in this sector has been driven by the Government's recently adopted legal framework for private investment in airports. The Airports Authority of India Act, 1994, as amended in 2003, allows for up to 100% private equity investment in airport projects. Additionally, the Government has allowed for a maximum of 74% of foreign investment without Government approval. As a result of this liberalization, a significant amount of investment is expected in the development and construction of new international airports at Bangalore and Hyderabad and the privatization of the major airports in the four key metropolitan areas of Mumbai, Delhi, Kolkata and Chennai. Of these, the government has initiated bidding for the airports at Mumbai and Delhi. We have been named the lead lender for the new international airport being constructed in Hyderabad. We have provided a mezzanine financing facility to India's largest private sector airline, for the financing of aircraft. Additionally, we have an equity investment in Jet Airways India (Private) Limited.

Future investment opportunities in the aviation sector include the privatization and development of urban airports as well as investment opportunities in existing and new private airlines. India is one of the fastest growing aviation markets in the world, with domestic and international air traffic up 26.5% and 18%, respectively, from April through November 2004 over the same period in the prior year. The need for high quality airports with better infrastructure is expected to increase significantly with the high rate of economic growth in India and increasing air travel to and within India. Currently, there are severe infrastructure bottlenecks in the 62 Indian airports that currently handle scheduled airlines and substantial investment in infrastructure is required. The Government announced plans to modernize 25 non-metro airports. Additionally, we believe India is gradually moving towards an open skies model that will allow increased competition and opportunities for private airlines.

Railways: We provide advisory and financing services in the railways sector. We have participated in developing the Hassan-Mangalore rail project which was funded by a public-private consortium. We are also a member of the Task Force for the National Rail Vikas Yojana ("NRVY") project which utilizes a public-private partnership framework through our joint venture company IDECK. We expect additional opportunities for private-public partnerships to develop networks of railways based on the successful example of the NHAI as described above. There are also similar opportunities in areas such as the haulage of container trains by private entities. We have provided structuring and financial services for four projects under the NRVY.

Telecommunications

We provide project financing to new projects and acquisition finance to enable consolidation in the telecommunications industry. During fiscal 2005, we approved financing aggregating Rs. 13,305 million for eight projects in the telecommunications sector compared to Rs. 12,615 million for ten projects in fiscal 2004. Disbursements during fiscal 2005 aggregated Rs. 9,230 million for eleven projects compared to Rs. 11,296 million for eleven projects in fiscal 2004. As on March 31, 2005, our outstanding disbursements to the telecommunications sector was Rs. 28,134 million, which was 35% of our aggregate outstanding disbursements.

We have provided financing to projects in most telecommunications areas, including cellular, basic, national and international long distance and cable, and have lent to most of the major private access providers. We provided the first financing for an acquisition of a major private sector telecommunications operator and the first project financing for an Indian cable television service provider. Additionally, we structured and financed the first guarantee with take-out financing for a mobile service provider. We also made a proprietary equity investment in Bharti Tele-ventures Limited.

We believe that the emerging clarity in the policy and regulatory environment for telecommunications services in India offers significant opportunities. The issue of "limited mobility" services offered by Basic Services Operators (BSOs) was resolved in 2004 by the unification of the Cellular Mobile Telephony Services (CMTS) and Basic Telephony Services (BTS) licenses. A new Interconnect Usage Charges (IUC) regime came into effect, resulting in near convergence of tariffs provided by the various mobile telephone operators. To facilitate consolidation in the sector, the Department of Telecommunications has introduced guidelines to permit the merger of licenses within the same area. The broadband policy of the Government, announced on October 14, 2004, is targeting 40 million internet subscribers, including 20 million broadband subscribers, by 2010. This goal is expected to be accomplished by lowered rates for bandwidth. Additionally, the delicensing of the 2.4/5 Ghz bands is expected to increase the roll-out. The positive impact of these enabling policies is reflected in the increased penetration, with telephone connections of over 100 million in India in April 2005.

We believe there will be additional opportunities in the telecommunication sector as penetration rates in India continue to increase. As an example, in 2004 India's mobile penetration was 5% compared with 21% in China and 54% in the United States. Additionally, we believe consolidation in the sector will provide financing opportunities.

Industrial and Commercial Infrastructure

Our industrial and commercial sector financing includes project-based lending to private initiatives in tourism, Special Economic Zones ("SEZs"), townships, IT parks and commercial and retail real estate projects. During fiscal 2005, we approved financing aggregating Rs. 8,981 million for twelve projects in this sector compared to Rs. 3,110 million for six projects in fiscal 2004. Disbursements during fiscal 2005 aggregated Rs. 4,747 million for ten projects compared to Rs. 213 million for one project in fiscal 2004. This is a relatively new area of focus for us and as on March 31, 2005, our outstanding disbursements to this sector was Rs. 4,711 million, which was 5.9% of our aggregate outstanding disbursements. In the near term, we expect tourism, SEZs, townships and IT parks to be a major source of financing opportunities.

Tourism: We finance tourism related infrastructure, focusing on hotels and other accommodations. We facilitated the entry of a well known luxury lodging company into India by financing the transformation of a budget hotel to a deluxe boutique hotel. We believe that large investment opportunities exist in the mid-price accommodation category in primary as well as secondary metropolitan areas in India and we have participated in financing the entry of a large chain into this segment. We also intend to explore opportunities utilizing the public-private partnership framework for state-owned tourist accommodation facilities, tourism opportunities related to the Golden Quadrilateral highways program and the development of convention facilities in large cities. We also believe that there will be overlap of the tourism sector with the healthcare sector, given the importance of India as a destination for medical tourism. According to estimates of the World Travel and Tourism Council, Indian tourism is expected to grow at an annual rate of 8.8% through 2014, indicating significant opportunities for infrastructure financing in the sector. IDFC Private Equity has also made private equity investments in Hotel Leelaventure and Chalet Hotels through the IDF.

Special Economic Zones (SEZs): SEZ projects focus on the development of infrastructure in targeted areas and are intended to provide internationally competitive duty-free environments for export with minimum formalities. The Government has also introduced a draft "Central Special Economic Zone Bill 2004" ("SEZ Bill"), which is designed as a single comprehensive framework for setting up SEZs, the administration of units within them and other related matters. Although a few SEZ projects are already in the development stage, the number of such projects is expected to increase in the future after passage of the SEZ Bill.

Commercial and Retail Real Estate and Industrial Parks: The rapid growth and development of information technology and information technology enabled services and business process outsourcing operations have given rise to demand for quality commercial real estate and industrial parks, especially in metropolitan areas. We are advising a number of cities on setting up combined car park and commercial complexes on a public-private partnership basis. We believe that the demand for commercial and retail real estate is likely to increase due to liberalization in entry norms for foreign direct investment in construction and the potential liberalization of such norms in the retail sector.

Townships. Townships provide residential services in planned communities. We believe that the recent liberalization allowing 100% foreign direct investment without prior RBI approval in the construction of townships, housing and development projects, and the reduction of the minimum acreage for foreign investment to 25 acres will significantly boost investment in area development schemes.

Other Sectors

In addition to the sectors above, we have recently targeted urban services, rural infrastructure, education and healthcare as sectors with future growth potential. We aim to selectively introduce innovative approaches to financing these sectors and expect that over time these sectors will generate significant new opportunities for lending and other products.

Urban Services

With the expected increase in the percentage of India's population in urban areas from 26% in 2001 to 36% in 2011, there is intense demand for the development of urban infrastructure. Although much of the development of urban infrastructure spending in the short to medium term will likely be in the public sector, we believe that there are select opportunities for private initiatives in urban transportation, solid waste management and industrial water supply. We also expect that the "viability gap funding" mechanism announced by the Government, whereby the Government would provide funding up to 20% for certain projects meeting its criteria, will increase private sector investment in this area. During fiscal 2005, we approved financing aggregating Rs. 128 million for two projects in this sector and disbursed Rs. 465 million for five projects. To assist in the development of this sector, we are advising a number of government agencies and urban bodies on public-private partnership models.

Urban Transport: To effectively address the pressing need of urban transport, we have focused on promoting modular alternatives such as the High Capacity Bus System (HCBS). We believe these projects are more likely to be viable development options than capital-intensive solutions such as metro rail. Along with the Indian Institute of Technology (Delhi), we are implementing an HCBS for Delhi on select corridors and we are exploring the possibility of implementing HCBS in other cities. We have advised the government of Kerala on setting up the first State Road Fund, under which the state government proposes to enter into long-term, annuity-type contracts for the improvement and maintenance of urban roads.

Waste Management: As a result of action by non-governmental organizations, we expect that several private projects for the collection, transportation and disposal of solid waste will be developed. We are assisting the Municipal Corporation of Delhi (MCD) to enable private sector participation in the management of waste for Delhi. We have prepared detailed guidelines and contracts and concession agreements for MCD for effective public-private partnership in this sector. A similar exercise in solid waste management is also being carried out for the municipal corporation of the city of Thiruvananthapuram. We expect additional opportunities in this sector as the Government aims by March 31, 2007 to have 100% of the urban population supplied with water supply facilities, from the current coverage of 89%, and 75% of the urban population supplied with sewage and sanitation, from the current coverage of 63%.

Rural Infrastructure

The rural infrastructure sector focuses on opportunities in infrastructure development in rural areas. These include rural roads, telecommunications, energy and certain areas of food and agriculture, including contract farming and irrigation systems. We assisted in a pilot project to develop 1,000 kilometers of rural roads in Maharashtra and conducted a study for the Karnataka State Warehousing Corporation to examine the feasibility of establishing modern and integrated bulk storage silo facilities for grain. We see significant opportunities in this area as rural infrastructure has historically lagged behind urban infrastructure. For example, 56% of rural India still needs to be electrified. Additionally, a goal of the New Telecom Policy 1999 was to increase rural teledensity from 0.4% to 4% by the year 2010 and provide reliable transmission facilities in all rural areas. Additionally, the Pradhan Mantri Gram Sadak Yojana scheme to develop rural roads is estimated to require new construction of 369,000 kilometers and upgradation of 368,000 kilometers at an estimated cost of Rs. 1,330 billion.

Education

We provide financing to projects to develop facilities for primary and secondary school education, colleges, professional institutes and universities. We believe opportunities exist in the emerging private provision of school education (day and residential schools) and on private universities and technical and vocational institutes due to recent judgments of the Supreme Court of India regarding private sector participation in providing education. During fiscal 2005, we approved financing aggregating Rs. 950 million for four projects and disbursed Rs. 194 million for three projects in this sector.

Healthcare

We provide financing for the development of infrastructure in the healthcare sector, primarily in the construction and expansion of private general and specialized hospitals and clinics. During fiscal 2005, we approved financing of Rs. 240 million for one project and disbursements were Rs. 105 million for three projects in fiscal 2005. We have an equity investment in Akshaya Apollo Hospitals Limited. We believe there is significant potential for investment in the healthcare infrastructure sector. It is estimated that by 2012, 750,000 additional hospital beds will be needed in India. An emerging trend in the sector is the increasing corporatization of healthcare services, which enables private investment in sophisticated hospital infrastructure. India is increasingly expanding its resources to provide quality specialty healthcare and we believe there will be opportunities in expanding high-end healthcare facilities. We believe that public-private partnership frameworks can play a key role in healthcare infrastructure and we intend to explore possibilities of public-private partnership investments in states such as Maharashtra, West Bengal and Tamil Nadu.

Policy Formulation

Our policy formulation activities are aimed at attracting private capital to commercially viable infrastructure projects through rationalizing policy and regulatory frameworks. Our policy advisory function is independent from our financing activities. Specifically, we identify best practices in each of the sectors, assimilate them for the Indian context and disseminate them amongst key stakeholders, including central and state governments, regulatory agencies and investors. This is achieved through participating in expert groups and committees, writing position papers and making presentations.

We believe that efficient provision of services to end consumers and achieving stable and effective regulatory and policy frameworks is fundamental to ensuring projects are financeable and sustainable in the long run. Our work is therefore guided by the following tenets:

- competition in the production and distribution of services;
- effective and independent regulation;
- appropriate allocation of risk; and
- transparency in addressing stakeholder issues.

We have made significant contributions to policy development in all of our primary financing sectors:

Energy: Our efforts have played a significant role in changing the focus of power sector reform from adding generation capacity without a significant focus on demand to the privatization of electricity distribution. This has been achieved through intensive and proactive participation in deliberations with government entities regarding sector reforms. We participated in the Ministry of Power's Expert Group on Settlement of SEB Dues, Distribution Policy Committee and Expert Committee on State-specific Reforms (which recommended the framework for operationalizing the Accelerated Power Development and Reform Programme). In addition, we have intensively interacted with the Ministry of Power and the Central Electricity Regulatory Commission on several major initiatives, including the Electricity Act 2003 and the introduction of open access in transmission. We also participated in the government of Karnataka's High Level Committee on the issue of an acceptable payment security mechanism for escrowing cash flows for the development and construction of independent power projects in the state. We were part of the government of Maharashtra's Energy Review Committee which recommended a model for restructuring the power sector in the state.

Transport: We participated as the Secretariat to the Prime Minister's Task Force on Infrastructure and, in that capacity, played an instrumental role in the conceptualization of the National Highways Development Project and the policy for collecting proxy user charges through a levy on fuel and ring-fencing these in a Central Road Fund. Also, as discussed above, we facilitated the development of annuity projects, which paved the way for more private investment in the sector. Our work in the port sector contributed to a paradigm shift from mere capacity addition to aligning capacities with the changes in cargo composition and harnessing efficiencies through private participation and competition. Additionally, we have recently assisted the Ministry of Civil Aviation's (Naresh Chandra) Committee in devising a road map for the industry, which is expected to form the basis for the Civil Aviation Policy. The Committee's recommendations, some of which have already been implemented, are expected to significantly enhance the scope for private participation in aviation and related infrastructure.

Telecommunications: We have helped foster competition in the telecommunications industry. Previously, through our inputs to the Government founded Group on Telecommunications, we advocated resolving the then high-license fee imbroglio by shifting to a revenue share regime and concurrently liberalizing entry. Both these features were adopted in the New Telecom Policy, 1999. Later, in 2003, we provided inputs to the Group of Ministers on Telecom matter on various emerging areas of concern including the dispute between cellular and wireless local loop operators (regarding the scope of the latter's license), Access Deficit Charge, foreign direct investment, mergers and acquisition policy and Universal Service Obligations. Subsequent policy developments in the sector have reflected many of our suggestions.

Industrial and Commercial Infrastructure: Our work on the special economic zones expanded the view of SEZs as not merely as centers for increasing exports but also as vehicles for overall growth. We played a key role in developing the concept of "large virtual SEZs" covering existing industrial and commercial agglomerations. We believe that such an approach merits consideration as it enables leveraging of existing infrastructure and market linkages. In order to maximize logistical efficiency, we believe provision of infrastructure in such SEZs should be entrusted to private sector. We believe that these views are gaining ground among investors and policy-makers.

Others: We have also made notable contributions in areas such as railways, urban infrastructure (through participation in the Sukthankar Committee) and financial sector reforms. Additionally, in order to stimulate innovative thinking on issues related to infrastructure investments, we established the 3i Network, which includes IIT (Kanpur) and IIM (Ahmedabad). The network has acted as a principal catalyst for bringing infrastructure issues to the focus of policy analysts and researchers at various institutions.

Treasury Operations

We generally fund our assets, largely comprising infrastructure loans, with market borrowings of various maturities and subordinated debt. Our market borrowings include bonds, debentures, term loans from banks and financial institutions, commercial paper, term money borrowings and certificates of deposit. Our subordinated debt is provided by the Government. This subordinated debt has a term of 50 years, maturing in 2047. The interest rate on our subordinated debt is set at 25 basis points over the five-year government bond, and reprices every five years. The debt is next scheduled to be repriced on April 1, 2007. Below are our primary categories of outstanding obligations as of March 31, 2004 and 2005.

	March 31, 2004		**March 31, 2005**	
	Rs. in million	**% of total**	**Rs. in million**	**% of total**
Long-term funds				
Subordinated debt	6,500	16.35%	6,500	9.93%
Bonds	5,000	12.58%	4,800	7.33%
Debentures	17,500	44.03%	27,026	41.29%
Term loans from banks	2,000	5.03%	20,250	30.94%
Term loans from others	-	-	4,000	6.11%
Short-term funds				
Commercial paper	3,750	9.43%	2,250	3.44%
Term loans from banks	5,000	12.58%	625	0.96%
Total	**39,750**	**100.00%**	**65,451**	**100.00%**

Our bonds are rated LAAA by ICRA and AAA by CRISIL, the highest possible domestic ratings.

The general reduction in domestic interest rates and opportunistic borrowing has enabled us to reduce our cost of funds, calculated as the ratio of interest expense to average daily balance of interest bearing liabilities. Below is our cost of funds for the last three fiscal years.

	Cost of funds
Fiscal 2003	9.47%
Fiscal 2004	7.79%
Fiscal 2005	6.53%

The primary objective of our investment policy is the prudent management of surplus funds so as to achieve optimal returns. Under the direction of the Finance Committee we aim to use our treasury operations to manage our liquidity, provide a steady source of income with minimal risks and increase the overall return on assets. Through our treasury operations, we maintain our ability to repay borrowings as they mature and make new loans and investments as opportunities arise. Our investments are predominantly in fixed income securities and instruments such as mutual funds (consisting of both debt and equity investments), corporate bonds and bank deposits, intercorporate deposits and government securities, as summarized in the table below.

	March 31, 2004		**March 31, 2005**	
	Rs. in million	**% of total**	**Rs. in million**	**% of total**
Mutual funds	7,626	82.44%	3,557	39.40%
Corporate bonds	1,622	17.54%	1,219	13.51%
Bank deposits	2	0.02%	4,252	47.09%
Total	**9,250**	**100.00%**	**9,028**	**100.00%**

Risk Management

As a financial institution, we are primarily exposed to three categories of risks, namely credit risk, market risk and operational risk. As we are focused on financing of infrastructure projects, the risks faced by us are reflective of the distinctive characteristics of infrastructure project financing.

We have a Project Finance Group, responsible for monitoring credit risk at the transaction level, for all individual projects. The Risk Management Group is responsible for managing the portfolio credit risk, market risk and operational risk. The Project Finance Group and the Risk Management Groups are independent from business development groups, and are overseen by Executive Directors, reporting to the Managing Director.

The Risk Management Group makes regular presentations to the Credit Policy Committee of the Board of Directors on the significant policies and activities undertaken by it, including portfolio credit risk, transaction processing and operational risk. An Asset Liability Management Committee has also been constituted to oversee our activities pertaining to asset liability management.

Credit Risk

The underlying projects financed by us are usually characterized by long maturity and our credit is supported mainly by cash flows generated by these projects. The financing of such projects is therefore prone to credit risks, related mainly to the factors that could affect the cash flows generated by such projects. The risks also vary across sectors, depending on the policies, regulations and market dynamics governing the sector.

We follow an institutional and systematic process to assess and mitigate the risks pertaining to a project at a transaction as well as portfolio level. At the transaction level, the processes include a detailed appraisal process, suitable structuring and credit mitigation measures and appropriate pricing of residual risk in the project. We use a range of quantitative as well as qualitative tools and techniques as a part of the deal appraisal process which enhances our ability to make a sound assessment of the extent of risk underlying in a project being financed by us. We also monitor, and include in our appraisal system, the levels of exposure to individual projects, sectors and promoter groups, in order to maintain a healthy level of risk diversification within the portfolio.

Deal Appraisal Processes

The process of risk measurement and evaluation of a potential financing begins with the origination of the deal and continues until the commitment. Thereafter, exposure is monitored as a part of our portfolio management.

The credit appraisal process commences with the prudent selection of the borrower. All financing opportunities are subjected to a structured and detailed due diligence process to analyze the risk–return profile, and thereby to determine the appropriate nature and amount of credit exposure. Financing proposals are evaluated and deliberated through multi-disciplinary teams and committees at different levels.

The first stage of the appraisal process involves screening by a committee, which is comprised of a senior officer and the various sector heads. The committee discusses the project features, promoter's track record, contractual, legal and regulatory structure, technical feasibility and overall terms of the proposal. The committee also undertakes an initial risk assessment and recommends whether detailed due diligence is warranted.

After an investment proposal is recommended by the committee for detailed due diligence, a multi-disciplinary deal team is constituted. The deal team comprises professionals drawn from project finance as well as other functions including risk management, legal and environment. The deal team undertakes structured and detailed evaluation of the investment opportunity comprising promoter/sponsor analysis, contractual, legal and regulatory aspects, scope and details of the project, techno-commercial feasibility, environment and social impact assessment, demand/off-take market studies, financial forecasting and credit risk analysis.

The appraisal process is supported by the use of various quantitative and qualitative tools and techniques in order to enable an objective and accurate assessment of the investment opportunity. The tools and techniques are proprietary and customized for arriving at sound decisions in the context of the unique features characterizing the financing of infrastructure projects. The quantitative techniques draw from a range of advanced mathematical and statistical methods employed in the area of financial analysis. The qualitative factors are considered important in view of the evolving policy and regulatory framework of infrastructure projects and hence given due weight in the appraisal process.

We follow a similar appraisal process for our proprietary equity investments, including our investments in public offerings. The investment decisions of IDFC Private Equity are determined by its independent investment committee.

Portfolio Management

We assess the extent of risk in the aggregate credit portfolio on a regular basis. The process involves the assessment of all funded as well as non-funded financing across all sectors and products (debt, mezzanine and equity). Currently the assessment is done on a semi-annual basis.

The process of assessing the portfolio involves the assessment of the two major sources of risk, namely default risk and prepayment risk, to all project credits individually. With the help of various quantitative tools and techniques, the credit risk across all projects is aggregated to assess the risk to the entire portfolio under various scenarios, including the worst case scenario. We also explicitly recognize the impact of any correlation between the behaviour of different projects and include this as a part of our assessment process. Ultimately, with the help of this process, we are able to arrive at a sound assessment of the health of our portfolio at an aggregate level. With this forward looking and portfolio based approach to credit risk, we are able to devise suitable management strategies to achieve an optimal risk-return profile.

Prudential Guidelines

Our exposure to the energy, transport and telecommunications sectors constituted 34.2%, 25.9% and 26.9%, respectively, of our total exposure (defined as approvals less cancellations less repayments plus defaults of interest, penal interest and liquidated damages, and including funded and non-funded debt and equity) at March 31, 2005 compared to 40.0%, 25.9% and 27.6%, respectively, at fiscal year end 2004 and 36.4%, 31.7% and 29.9%, respectively, at fiscal year end 2003. Our current policy is to limit our exposure to any particular sector to 50% of our total assets.

Our total exposure at March 31, 2005 increased by 28.1% compared to fiscal year-end 2004. The following table represents our exposure by sector for the three years ended March 31, 2003, 2004 and 2005 as a percentage of our total assets.

	As of March 31,					
	2003		2004		2005	
	Rs. in million	% of total	Rs. in million	% of total	Rs. in million	% of total
Energy	27,444	39.7%	38,824	40.0%	42,413	34.2%
Transport	19,804	28.6%	24,707	25.5%	32,120	25.9%
Telecommunications	19,871	28.7%	27,017	27.9%	33,392	26.9%
Industrial and commercial infrastructure	-	-	1,830	1.9%	10,452	8.4%
Other[(1)]	2,012	3.0%	4,560	4.7%	5,760	4.6%
Total	**69,131**	**100.0%**	**96,938**	**100.0%**	**124,137**	**100.0%**

[(1)] *Including exposure to the India Development Fund.*

Our policy is to limit exposure to a single borrower and to a group to 20% and 50% of our total capital funds (comprising Tier-I and Tier-II capital) on their contractual obligations, respectively, as per the RBI norms. At March 31, 2005, our largest exposure to a single group and single borrower was Rs. 10,850 million and Rs. 5,818 million, respectively, which was 42.3% and 22.7% of our capital funds, respectively. We received the approval of our board for the single borrower exposure that exceeded our limit as of March 31, 2005.

Market Risk

Market risk is the risk to earnings arising from adverse movements in interest rates and equity prices. Our techniques and processes for managing the various components of market risk have been adopted, and continue to evolve, in line with the relative significance of these risks in the balance sheet.

Interest Rate Risk

We assess and manage the interest rate risk on our balance sheet through the process of asset liability management. An Asset Liability Management ("ALM") Policy, which has been approved and adopted by the Board of Directors, sets forth the broad guidelines for ALM activities. The ALM function categorizes all rate sensitive assets and liabilities into various time period categories according to contracted residual maturities or anticipated re-pricing dates, as may be relevant in each case. The difference between the amounts of assets and liabilities maturing, or being re-priced, in any time period category provides a measure of the extent to which we are exposed to the risk of potential changes in the margins on new or re-priced assets and liabilities. Most of our senior debt has re-pricing mechanisms.

In addition, we face prepayment risk from our borrowers, especially when interest rates are declining. In order to manage this risk, most of our contracts either prohibit prepayment prior to an interest reset date or require a prepayment premium if the loan is prepaid prior to an interest reset date. This premium is generally calculated from the net present value of our reduction in income (on the basis of the marginal cost of borrowing at the prepayment date) due to the prepayment and any loss of tax benefits to us.

In order to mitigate interest rate risks, we follow a process of liability management that involves matching the average duration of our liabilities with that of the assets, after considering any likelihood of prepayment and repricing. An evaluation of the duration of our assets and liabilities enables us to understand the degree to which the net assets may be susceptible to losses, on account of a small and parallel shift in the yield curve.

Liquidity risk

Liquidity risk arises from the absence of liquid resources, when funding loans, investments and repaying borrowings. This could be due to a decline in the expected liquidation price of our assets, or our inability to raise adequate resources at an appropriate price. This risk is minimized through a mix of strategies, including the maintenance of liquid treasury assets and following a forward-looking resource raising program based on projected disbursements and maturing obligations.

We also monitor liquidity risk through our ALM function with the help of liquidity gap reports. This involves the categorization of all assets and liabilities in different maturity profiles, and evaluating them for any mismatches in any particular maturities, especially in the short-term. The ALM Policy has established the maximum allowed mismatches in the various maturities.

Since the interest rates at which funds are available can be volatile, we monitor our positions through interest rate sensitivity reports as stipulated by the RBI as well as through regular asset liability management reports.

Equity Risk

We assess our equity assets before approval and disbursement for their risk-return profile. We also monitor our equity portfolio on a periodic basis, to evaluate any risks in the portfolio. We have followed conservative principles in determining our exposures in our equity portfolio, which helps in limiting the equity price risk to the overall portfolio of assets. The investment decisions of IDFC Private Equity are determined by its independent investment committee.

Operational Risk

Operational risks are risks arising from inadequate or failed internal processes, people and systems or from external events. As IDFC's operations are non-retail in nature, for both assets and liabilities, we have established centralized systems and procedures to control our operational risks.

Operational Controls in Project Finance Activities

Our Operating Manual provides a detailed description of the systems and procedures to be followed in the course of appraisal, approval, disbursement and recovery of a loan. Various checks and control measures have been built in for timely review of the operating activities and monitoring of any gaps in the same. A significant proportion of the activities are subject to regular monitoring and auditing, including loan approvals, disbursements and recovery. In addition to this, many important activities are monitored on a periodic basis.

Operational Controls in Treasury Activities

Our Treasury Investment Policy provides a description of the pre-trade and post-trade operations to be followed, with suitable exposure and counterparty limits. Compliance with our guidelines is monitored through internal control and a comprehensive audit system including external, internal and systems audits which provide reports to our Board.

Operational Controls in Information Technology Activities

We closely monitor all our information technology systems, to assess any risk of failure or delay in their operations. We also undertake an annual audit review of our application software and system controls by internationally reputable audit firms.

Legal Risk

Legal risk arises from the uncertainty of the enforceability of contracts relating to the obligations of our borrowers. This could be on account of delay in the process of enforcement or difficulty in the applicability of the contractual obligations. We minimize the legal risk through stringent legal documentation and forward looking contractual provisions in the legal documents.

Competition

Our primary competitors are public sector banks, private banks (including foreign banks) and other financial institutions. In advisory services our competitors are investment banks, credit rating agencies and consulting organizations. In asset management we face competition from other private equity management companies and managers of other types of third party funds. Competition in our industry is expected to continue.

Regulation

We are incorporated as a public limited company under the Companies Act and notified as a public finance institution under Section 4A of the Companies Act. Additionally, we are registered with the RBI as a non-public deposit accepting residuary non-banking finance company. Our business activities are regulated by RBI regulations applicable to financial institutions and non-public deposit accepting non-banking finance companies. Our financial intermediary activities, such as debenture trusteeship, underwriting and merchant banking, are regulated by SEBI. For more information on the regulatory system applicable to our business, see the section titled "Regulatory Policies in India" on page 62 of this Red Herring Prospectus.

Employees

As of March 31, 2005 and 2004, we had a total of 104 employees and 123 employees, respectively. Of our employees as of March 31, 2005, 72 were based in Mumbai, 17 in Chennai, 11 in Delhi and 4 in Bangalore. Of these employees, 71 were professionals holding formal qualifications in varied disciplines, including engineering, academia, business management, law and accountancy, and 33 are members of our support staff. The members of our professional staff have a wide range of prior experience, including with leading commercial banks and lending institutions, finance companies, regulators, academia, rating agencies, investment banks and private equity firms. Our net profit per employee was Rs. 29.2 million in fiscal 2005, compared to Rs. 20.6 million in fiscal 2004 and Rs. 13.6 million in fiscal 2003. In addition to salary and allowance, we provide our employees medical and retirement benefits, including provident fund, gratuity and superannuation, and insurance.

We have been authorized by our shareholders to allot up to 2% of our issued equity share capital as of March 31, 2005 to our employees pursuant to our ESPS and ESOP. Both of these schemes will be administered by our compensation committee. Generally, our permanent employees and full-time Directors will be eligible for these programs. We have allocated 2,453,512 Equity Shares to our employees pursuant to our ESPS at a purchase price of Rs. 17.48 per Equity Share prior to the Issue. These Equity Shares will be restricted from transfer for a period of one year from the date of their allotment. We have also granted options to purchase 11,867,198 Equity Shares prior to the Issue through our ESOP. These options will vest over a period of three years, with 30%, 30% and 40%, respectively, vesting at the end of each successive year. These options have an exercise price of Rs. 17.48 and an exercise period ending two years from the date of vesting of the options. We plan to grant options to purchase up to 5,679,290 Equity Shares after the Issue, at such time and on such terms as the compensation committee may determine and as allowed by the rules and regulations of SEBI.

Properties

Our registered office is located at ITC Centre, 3rd Floor, 760 Anna Salai, Chennai 600 002 and our corporate office is located at Ramon House, 169, Backbay Reclamation, Mumbai 400 020. In addition to these properties, we own a commercial office property in New Delhi. We also rent several residential premises in New Delhi and Mumbai.

REGULATORY POLICIES IN INDIA

Our Company is a residuary NBFC not accepting public deposits and is notified as a Public Financial Institution under section 4A of the Companies Act. As such, our business activities are regulated by RBI regulations applicable to non-public deposit accepting residuary NBFCs and Public Financial Institutions. We are also regulated by the SEBI with respect to our activities as a financial intermediary.

Following are the significant regulations that affect our operations:

I. Regulations Issued by the RBI:

Resource Raising Norms:

The raising of resources by financial institutions is primarily governed by RBI guidelines. Resources can be mobilized by the issue of bonds/debentures, borrowing through term loans or by short-term instruments. The aggregate resources mobilized at any point of time by a financial institution should not exceed 10 times its net owned funds, including the resources mobilized under the "umbrella limit", which specifies the limit for borrowings through specified instruments such as term deposits, term money borrowings, certificates of deposits, commercial papers and inter-corporate deposits. The aggregate resources mobilized through these instruments should not at any time exceed the net owned funds of the financial institution.

Exposure Norms:

In order to ensure better risk management and avoidance of concentration of credit risks, the RBI has prescribed credit exposure limits for financial institutions in respect of their lending to single/group borrowers. Credit exposure to a single borrower shall not exceed 15% of capital funds of the financial institution and it may exceed by an additional 5% provided that the additional credit exposure is on account of infrastructure projects. In exceptional circumstances, this may be enhanced by a further 5% with the approval of the board of directors of the financial institution. The credit exposure to the borrowers belonging to a group shall not exceed 40% of capital funds of the financial institution. It may exceed the foregoing limit by an additional 10% provided the additional credit exposure is on account of infrastructure projects. In exceptional circumstances, this may be enhanced by another 5% with the approval of their board of directors.

Capital Adequacy Norms:

Financial Institutions are subject to the capital adequacy requirements of the RBI. A minimum ratio of total capital to risk adjusted assets (CRAR) of 9% is required to be maintained on an ongoing basis. Capital funds are broadly classified as Tier I and Tier II capital. Elements of Tier II capital are reckoned as capital funds up to a maximum of 100% of Tier I capital, after making the deductions/adjustments as stipulated by the relevant guidelines. Tier I capital includes paid up capital, statutory reserves, and other disclosed free reserves if any and capital reserves representing surplus arising out of sale proceeds of assets. Tier II capital includes undisclosed reserves, revaluation reserves, general provisions and loss reserves, hybrid capital instruments, subordinated debt (the eligibility of subordinated debt instruments eligible to be reckoned as Tier II capital is limited to 50% of Tier I capital), investments in financial entities (subject to certain restrictions).

Prudential Norms for Asset Classification:

The prescribed directions specify that every NBFC shall, after taking into account the degree of well defined credit weaknesses and extent of dependence on collateral security for realisation, classify its loans and advances and any other forms of credit into the following classes:

- Standard assets i.e. assets in respect of which, no default in repayment of principal or payment of interest is perceived and which does not disclose any problem nor carry more than normal risk attached to the business;
- Sub-standard assets i.e. assets, which have been classified as non-performing assets for a period not exceeding 12 months;

- Doubtful assets i.e. assets that remain substandard assets for a period exceeding 12 months; and
- Loss assets i.e. assets which have been identified as loss assets by the NBFC or its internal or external auditor or by the RBI during the inspection of the NBFC, to the extent it is not written off by the NBFC, and assets which are adversely affected by a potential threat of non-recoverability due to either erosion in the value of security or non-availability of security or due to any fraudulent act or omission on the part of the borrower.

It is provided that every NBFC shall, after taking into account the time lag between an account becoming doubtful of recovery, its recognition as such, the realisation of the security and the erosion over time in the value of security charged, make provision against sub-standard assets, doubtful assets and loss assets to the extent indicated below.

The provisioning requirement in respect of loans, advances and other credit facilities including bills purchased and discounted are:

(a) Loss Assets: The entire asset shall be written off. If the assets are permitted to remain in the books for any reason, 100% of the outstanding amount should be provided for.

(b) Doubtful Assets: 100% provision to the extent to which the advance is not covered by the realisable value of the security to which the NBFC has a valid recourse shall be made. In addition, depending upon the period for which the asset has remained doubtful, provision in respect of the secured portion (i.e., the estimated realisable value) shall be made on the following basis:

Period for which the asset has been considered as doubtful	Percentage of provisioning required
Up to one year	20
One to three years	30
More than three years	100

(c) Sub-standard Assets: A general provision of 10% of sub-standard assets is required to be made.

(d) Standard assets: A general provision of 0.25% of standard assets is required to be made.

Prudential Norms for Classification, Valuation and Operation of Investment Portfolio:

Financial institutions undertake transactions in securities on their own account as also on behalf of clients. In the context of such transactions, financial institutions must lay down the broad investment objectives to be followed, the authority to transact deals, procedure to be followed for obtaining sanction of the appropriate authority, prudential exposure limits, and the reporting system.

Financial institutions may invest only in rated securities, which carry a minimum investment grade rating from a credit rating agency registered with the SEBI. Further, all fresh investments in debt securities may be made only in listed debt securities of specified companies. This is subject to the exception that a financial institution may invest in unlisted rated debt securities up to specified limits so long as disclosure requirements prescribed by the SEBI for listed companies are followed by the issuer company. The debt securities (other than commercial paper and certificates of deposits) in which the financial institution proposes to invest must have a maturity period of at least one year. The total investment in the unlisted debt securities should not exceed 10% of the financial institution's total investment in debt securities as on March 31 of the previous year.

Financial institutions are expected to stipulate minimum ratings/quality standards and industry-wise, maturity-wise, duration-wise, issuer-wise limits for acquiring exposure in debt securities so as to address concentration risk and the risk of illiquidity.

Asset Liability Management:

The RBI has prescribed guidelines pertaining to Asset Liability Management ("ALM") that are applicable to all NBFCs with an asset size of Rs. 1 billion or more as part of an overall system of effective risk management. The ALM system rests on the functioning of ALM Information Systems within the NBFC, ALM Organisation including the Asset Liability Committee and ALM Support Groups, and the ALM Process including liquidity risk management,

management of marketing risks, funding and capital planning, profit planning and growth projection, and forecasting/ preparation of contingency plans. It is provided that the management committee of the Board of Directors or any other specific committee should oversee the implementation of the system and review its functioning periodically.

Supervision by the RBI:

Select financial institutions not accepting public deposits and having assets of Rs. 5 billion and above are subject to limited off-site supervision wherein they are required to submit a quarterly return on important financial parameters, in the format as prescribed by RBI.

II. Applicable Foreign Direct Investment Regime:

Under the guidelines prescribed by the RBI, foreign direct investment in the NBFC sector is under the automatic route subject to compliance by the NBFC with applicable RBI guidelines. The minimum capitalization norms for NBFCs have been prescribed as follows:

(i) If foreign direct investment is less than 51%, US$0.5 million to be brought in upfront;

(ii) If foreign direct investment is more than 51% and up to 75%, US$5 million to be brought in upfront; and

(iii) If foreign direct investment is more than 75% and up to 100%, US$50 million to be brought in upfront and the balance in 24 months.

Foreign investors can set up 100% operating subsidiaries without the condition to disinvest a minimum of 25% of its equity to Indian entities, subject to bringing in US$50 million.

III. Legislative Framework for Recovery of Debts due to Financial Institutions:

- The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 ("SARFAESI") grants certain special rights to banks and financial institutions to enforce their security interests. Under the SARFAESI, all mortgages and charges on immovable properties in favour of banks and financial institutions are enforceable without intervention of the courts. The SARFAESI provides for setting up of asset reconstruction companies regulated by RBI to acquire assets from banks and financial institutions.
- To put in place an institutional mechanism for the restructuring of corporate debt, RBI has devised a corporate debt restructuring system. The objective of the framework is to ensure a voluntary, timely and transparent mechanism for the restructuring of corporate debts of viable entities facing problems, outside the purview of debt recovery tribunals and other legal proceedings, based on debtor-creditor and inter-creditor agreements.

IV. Other Laws:

- The financial intermediation such as merchant banking, underwriting and debenture trustee are governed by the following primary regulations prescribed by SEBI:

Regulations governing Merchant Bankers

The SEBI (Merchant Bankers) Regulations, 1992 govern merchant banking activities. A merchant banker is bound by the prescribed code of conduct, which *inter alia* obligates such merchant banker to protect the interest of the investors, to avoid a conflict of interest and to make adequate disclosures. Additionally, a merchant banker is required to maintain a net worth of Rs. 5 million and barred from entering into any transaction in securities of bodies corporate on the basis of unpublished price sensitive information obtained during the course of any professional assignment.

Regulations governing Underwriters

The SEBI (Underwriters) Regulations, 1992 govern underwriting activities. An underwriter is bound by the prescribed Code of Conduct, which *inter alia* obligates the underwriter to protect the interest of the investors, to avoid a conflict of interest, to make adequate disclosures to clients/SEBI and not to indulge in unfair competition/insider trading. An underwriter is required to maintain a net worth of Rs. 2 million. An underwriter is prohibited from deriving any direct or indirect benefit from underwriting the issue other than the commission or brokerage payable under an agreement. Additionally, an underwriter is required to maintain proper books of account, records and other specified documents for a minimum of five years and to provide SEBI with information relating to the underwriting business that it may at any time call for.

Regulations governing Debenture Trustees

The SEBI (Debenture Trustee) Regulations, 1992 govern the debenture trusteeship activities of an organisation. The prescribed Code of Conduct, *inter alia* obligates a debenture trustee to protect the interest of debenture holders, avoid conflict of interest and make adequate disclosures. A debenture trustee is required to maintain a net worth of Rs. 10 million and is barred from acting as debenture trustee for any issue of debentures in case such debenture trustee is an associate of the body corporate issuing the debentures or if the body corporate is yet to repay a loan or if such debenture trustee is proposing to make a loan to the body corporate.

HISTORY AND CERTAIN CORPORATE MATTERS

In 1994, the Department of Economic Affairs, MoF in recognition of the need to develop the country's infrastructure, established an Expert Group on Commercialisation of Infrastructure Projects under the Chairmanship of Dr. Rakesh Mohan. The group reviewed the existing state of infrastructure in the country, including the state of corporate debt market to provide long-term funds to infrastructure projects, and recommended the need for a specialized financial intermediary for funding infrastructure projects.

Thereafter, the announcement for the setting up of IDFC was made in the Union Finance Minister's budget speech in July 1996.

Our Company was incorporated as a public limited company on January 30, 1997 with its registered office at Chennai and commenced business activities on June 9, 1997. IDFC was conceptualised to lead private capital to commercially viable infrastructure projects. Towards this objective, IDFC would nurture and develop bankable projects and create innovative instruments that unbundle and mitigate the risks for investors in the infrastructure sector. IDFC's role is to complement existing institutions undertaking infrastructure financing with focus on strengthening market mechanisms where these were evolving or had failed to develop. IDFC also works closely with the GOI and the state governments on conceptualizing and formulating policies that would be conducive for private sector participation in the infrastructure sector.

In 2002, in order to attract private sector investment in infrastructure projects to supplement public investment, the Finance Minister of India in his Budget speech for 2002-03, proposed the setting up of Rs. 10,000 million Infrastructure Equity Fund, to be managed by IDFC, to help in providing equity investment in infrastructure projects. To give effect to the same, on November 7, 2002, we had incorporated IDFC Asset Management Company Limited as our subsidiary.

Major Events:

Year	Event
1997	• Incorporation of IDFC.
	• Commencement of business.
1998	• Registered with the RBI as a NBFC.
1999	• Notified as Public Financial Institution under section 4A of the Companies Act.
2000	• Registered with the SEBI as a merchant banker.
	• Registered with the SEBI as an underwriter.
2001	• Registered with the SEBI as a debenture trustee.
	• Infrastructure Development Corporation (Karnataka) Limited set up pursuant to a shareholders agreement between IDECK and the Governor of the State of Karnataka, HDFC and our Company.
2002	• IDFC Asset Management Company Limited incorporated as a subsidiary.
	• Uttaranchal Infrastructure Development Company Limited set up pursuant to a joint venture agreement between the Government of Uttaranchal and our Company.
2003	• India Development Fund formed, in which IDFC is a sponsor investor.

Our Main Objects

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

A. The main objects of the Company to be pursued by the Company on its incorporation:

1. To carry on the business of acting as a specialised financial institution for the purpose of developing and provision of wide range of financial products and services for the purpose of and in relation to the development and establishment of infrastructure projects and facilities in India, including without limitation provision of various kinds of guarantees and various kinds of credit enhancement and refinancing assurance including market making or provision

of liquidity support of various kinds, development, encouragement and participation in securities market for infrastructure financing, development and implementation of various opportunities and schemes for domestic savers to participate in infrastructure development, mobilising capital from domestic and foreign investors including insurance and pension funds and from other financial investors and the management thereof.

2. To carry on the business of arranging or providing financial assistance independently or in association with any person, Government or any other agencies, whether incorporated or not, in the form of lending or advancing money by way of a loan (including long-term loan), working capital finance, overdraft, cash credit, refinance or in any other form, whether with or without security to institutions, banks, bodies corporate (whether or not incorporated), firms, associations authorities, bodies, trusts, agencies, societies or any other person or persons engaged in or in connection with either directly or indirectly and whether wholly or in part, for the purposes of infrastructure development work or providing infrastructure facility or engaged in infrastructure activities, which shall include work or facility or providing of services in relation to or in connection with setting up, development, construction, operation, maintenance, modernisation, expansion and improvement of any infrastructure project or facility including roads, highways, railways, airways, waterways, ports, transport systems, bridges, tele-communication and other communication systems, systems for generation or storage or transmission or distribution of power, irrigation and irrigation systems, sewerage, watersupply, sanitation, health, tourism, education, oil & gas (excluding exploration), food and agriculture infrastructure and setting up of industrial areas.

3. To carry on the business of providing, whether in India or abroad, guarantees and counter guarantees, letters of credit, indemnities and other form of credit enhancements to companies engaged in development or financing of infrastructure work or activity, whether by way of personal covenant or by mortgaging or charging all or any part of the undertaking, property or assets of the company, both present and future, wheresoever situate or in any other manner and in particular to guarantee the payment of any principal moneys, interests or other moneys secured by or payable under contracts, obligations, debentures, bonds, debenture stocks, mortgages, charges, repayment of capital moneys and the payments of dividends in respect of stocks and shares or the performance of any other obligations by such companies.

4. To mobilise capital from financial investors and to manage the investment of such funds in infrastructure projects.

5. To carry on the business of negotiating loans and advances of all nature, to formulate schemes for the purpose of mobilisation of resources and extension of credit for infrastructure development projects and to act as underwriters to the issue of stocks, shares, bonds, debentures and security of every description of companies engaged wholly or in part in the development or financing of infrastructure development work or activity.

6. To promote the development of primary and secondary market for shares and securities of various kinds including equity, debt, quasi equity, subordinated debt, derivatives and such other securities as may be permissible, issued by companies engaged in infrastructure development work or projects and to provide assistance in placement of shares and securities by such companies with foreign and local investors, to subscribe to the shares and securities being issued by them and to generally do all activities and enter into all kinds of financial arrangements so as to enable mobilising of funds by such companies and ensuring liquidity for the investors investing in shares and securities issued by such companies.

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

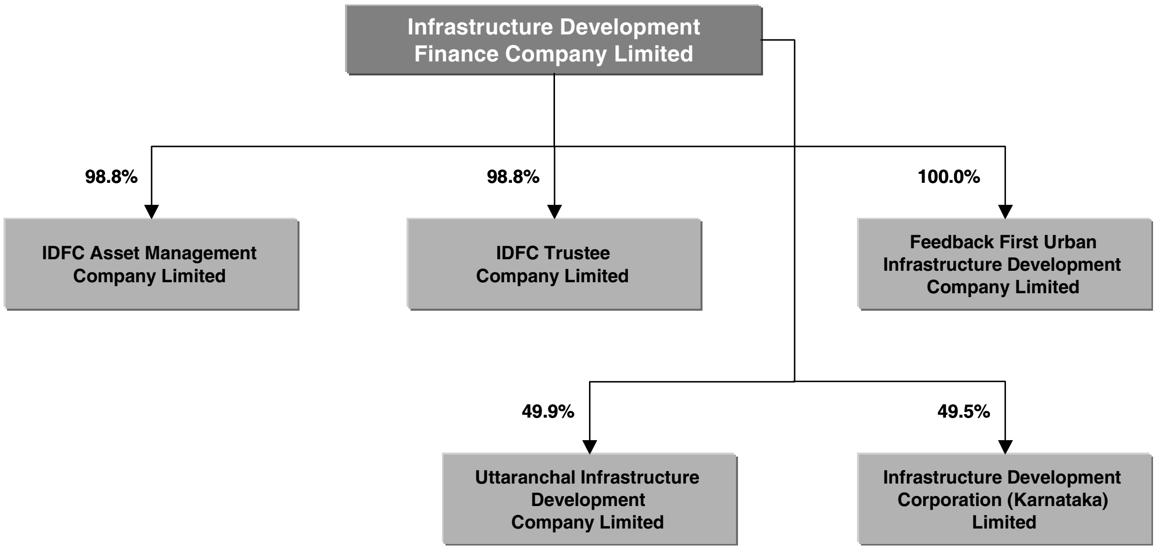
Changes in Memorandum of Association

Since our incorporation, the following change has been made to our Memorandum of Association:

Date of Amendment	Amendment
June 19, 2002	In sub-clause 2 of clause (iii a) of the memorandum of association, the words “health, tourism, education, oil & gas (excluding exploration), food and agriculture infrastructure” were inserted after the words ‘sanitations’ and before the words ‘and setting up industrial areas’.

Our Corporate Structure

The following diagram sets out our corporate structure:



SUBSIDIARIES

1. IDFC Asset Management Company Limited ("IDFC Private Equity")

IDFC Private Equity, a subsidiary of our Company, was incorporated on November 7, 2002, with the objective to act as a manager, advisor or administrator for mutual funds, private equity and debt funds. It commenced business on November 29, 2002. The principal activity of the IDFC Private Equity is to act as the investment manager to the India Development Fund ("IDF"), a scheme formulated by IDFC Infrastructure Fund, which is registered with SEBI as a venture capital fund.

We own 98.8% of the shareholding in IDFC Private Equity. The other shareholders are Mr. A. K. T Chari, Mr. Urjit R. Patel, Mr. L. K. Narayan, Mr. Bipin Gemani, Mr. Sadashiv Rao and Mr. Mahendra N. Shah.

The board of directors of IDFC Private Equity as on March 31, 2005 comprises Dr. Rajiv B. Lall, Mr. Vikram Limaye, Mr. Vijay Kelkar, Mr. Kishore Chaukar, Mr. N. Raghavan, Mr. Jerry Rao and Mr. Dominic Price.

The financial performance of the IDFC Private Equity since incorporation is as follows:

(Rs. in million)

	As of March 31,		
	2003*	**2004**	**2005**
Total Income	3.60	88.35	101.89
Profit/(Loss) after Tax	0.11	35.47	33.78
Equity Share Capital	0.50	0.50	0.50
Reserves (excluding revaluation reserves)	(0.29)	35.57	69.36
Earnings per share (Rs.) (Face Value is Rs. 10 per share)	2.20	709.40	675.60
Book Value per share (Rs.)	4.20	721.40	1397.20

** For the period from November 7, 2002 to March 31, 2003*

2. IDFC Trustee Company Limited ("IDFC TCL")

IDFC TCL, a subsidiary of our Company, was incorporated on October 11, 2002, with the objective to act as a trustee for new investment funds or replace existing trustees of mutual funds etc. It commenced business on November 29, 2002. The principal activity of IDFC TCL is to act as a trustee to the IDF.

We own 98.8% of the shareholding in this company. The other shareholders are Mr. A. K. T. Chari, Mr. Urjit R. Patel, Mr. L. K. Narayan, Mr. Bipin Gemani, Mr. Sadashiv Rao and Mr. Mahendra N. Shah.

The board of directors of IDFC TCL as on April 30, 2005, comprises Mr. A. K. T. Chari, Mr. Urjit R. Patel and Mr. Mahendra N. Shah.

The financial performance of the IDFC TCL since incorporation is as follows:

(Rs. in million)

	As of March 31,		
	2003*	**2004**	**2005**
Total Income	0.01	0.16	0.08
Profit (Loss) after Tax	(0.01)	0.05	0.03
Equity Share Capital	0.50	0.50	0.50
Reserves (excluding revaluation reserves)	(0.05)	0.04	0.07
Earnings per share (Rs.) (Face Value is Rs. 10 per share)	(0.20)	1.00	0.60
Book Value per share (Rs.)	9.00	10.80	11.40

** For the period from October 11, 2002 to March 31, 2003*

3. Feedback First Urban Infrastructure Development Company Limited ("U-Fund")

U-Fund was incorporated on April 18, 2000, as a private limited company and converted into a public company on September 14, 2000. U-Fund was conceptualized for the business of arranging/raising or mobilising finance for deployment in ventures engaged in infrastructure facilities or projects, directly or indirectly.

U-Fund was the first private sector urban infrastructure equity fund designed to develop and manage small to medium-sized projects in the urban infrastructure sector. U-Fund was expected to develop urban infrastructure projects and take equity position in such projects. However, the funding of and operations in U-Fund could not proceed as envisaged and the shareholders of U-Fund, including IDFC decided to close operations in present form. To effectuate such closure, IDFC bought out all shares of U-Fund in May 2004.

We hold 100% equity shares of U-Fund. The board of directors of U-Fund as on March 31, 2005 comprises Mr. Serajul Haq Khan, Mr. Hasmukh Shah, Mr. A. K. T. Chari, Mr. Sadashiv Rao and Mr. Mahendra N. Shah.

The financial performance of the U-Fund for the past three financial years is as follows:

(Rs. in million)

	As of March 31,		
	2003	**2004**	**2005**
Total Income	17.46	16.77	9.60
Profit (Loss) after Tax	2.27	(1.22)	5.84
Equity Share Capital	210.00	210.00	210.00
Reserves (excluding revaluation reserves)	(10.84)	(5.56)	0.83
Earnings per share (Rs.) (Face Value is Rs. 10 per share)	0.11	(0.06)	0.28
Book Value per share (Rs.)	9.48	9.73	10.04

JOINT VENTURES

1. Uttaranchal Infrastructure Development Company Limited ("U-DEC")

U-DEC was incorporated on November 18, 2002, with the objective to assist the Government of Uttaranchal and its agencies in (i) developing policy and legal frameworks, institutional structures and sectoral strategies for development of infrastructure and support in the promotion of Uttaranchal as an attractive investment destination; (ii) assist in the process of implantation of viable infrastructure projects by private sector, including evaluation, structuring and execution of such projects; and (iii) assist in arranging central/multilateral/institutional funds for infrastructure projects, including evaluation, structuring and execution of such projects. It commenced business on January 31, 2003.

A joint venture agreement was entered into between the Government of Uttaranchal and our Company on September 27, 2002. The shareholding of U-DEC is split 49.9:49.0 between our Company and the Government of Uttaranchal. The remaining 1.1% is held by Infrastructure Development Corporation (Karnataka) Limited.

Subsequently, a shareholders agreement dated October 30, 2003, has been entered into between the Government of Uttaranchal, IDFC, U-DEC and Infrastructure Development Corporation (Karnataka) Limited. The shareholders agreement lays down certain restrictions on us with respect to transfer of our shareholding in U-DEC. Further, in the event we want to dilute our shareholding, the Government of Uttaranchal shall have the right of first refusal to acquire the shares proposed to be sold by us and/or require us to sell or otherwise transfer the same to a third party nominated as the transferee, at the book value of the shares as per the latest audited financial statements of U-DEC.

We along-with the Infrastructure Development Corporation (Karnataka) Limited, shall have a right to nominate one director more than the number of directors that the Government of Uttaranchal shall be entitled to nominate on the board of directors of U-DEC.

The board of directors of U-DEC as on April 28, 2005 comprises Mr. R. S. Tolia, Mr. M. Ramachandran, Mr. Indu Kumar Pande, Mr. Sanjeev Chopra, Mr. A. K. T. Chari, Mr. Prem Subramaniam and Mr. Cherian Thomas.

The financial performance of the U-DEC since incorporation is as follows:

(Rs. in million)

	As of March 31,		
	2003*	**2004**	**2005**
Total Income	0.36	4.09	7.18
Profit (Loss) after Tax	0.06	0.67	0.65
Equity Share Capital	0.50	4.80	4.80
Reserves (excluding revaluation reserves)	(0.08)	0.62	1.31
Earnings per share (Rs.) (Face Value is Rs. 10 per share)	1.20	1.40	1.35
Book Value per share (Rs.)	8.40	11.29	12.73

** For the period from November 18, 2002 to March 31, 2003*

2. Infrastructure Development Corporation (Karnataka) Limited ("IDECK")

IDECK was set up pursuant to a shareholders agreement dated May 10, 2001 between IDECK and the Governor of the State of Karnataka, HDFC and our Company.

IDECK was incorporated on June 30, 2000, with the objective of carrying on business of acting as a nodal agency for development and establishment of infrastructure projects and facilities in Karnataka, including acting as managers, custodians, advisors of infrastructure funds. It commenced business on July 14, 2000. We hold 49.5% of the shareholding of IDECK, while the Government of Karnataka and HDFC hold 49% and 1.5% respectively of the shareholding of IDECK.

The shareholders agreement lays down certain restrictions on us with respect to transfer of our shareholding in IDECK. Further, in the event we want to dilute our shareholding, the Government of Karnataka shall have the right of first refusal to acquire the shares proposed to be sold by us and/or require us to sell or otherwise transfer the same to a third party nominated as the transferee, at the book value of the shares as per the latest audited financial statements of IDECK.

Also, under the shareholders agreement, we have a right to nominate four directors on the board of directors of IDECK, including the Chief Executive Officer of IDECK.

The board of directors of IDECK as on April 28, 2005 comprises Mr. Vinay Kumar, Mr. B. K. Das, Mr. A. K. T. Chari, Mr. Y. M. Shivamurthy, Mr. R. V. S. Rao and Mr. Cherian Thomas.

The financial performance of IDECK for the past three financial years as follows:

(Rs. in million)

	As of March 31,		
	2003	**2004**	**2005**
Total Income	29.70	48.57	58.91
Profit (Loss) after Tax	4.90	21.84	25.76
Equity Share Capital	100.00	100.00	100.00
Reserves (excluding revaluation reserves)	(4.32)	17.53	43.28
Earnings per share (Rs.) (Face Value is Rs. 10 per share)	0.49	2.18	2.58
Book Value per share (Rs.)	9.57	11.75	14.33

Shareholders Agreement

Amended and Restated Shareholders Agreement dated May 9, 2005 between our Company, the Selling Shareholders and CDCIH.

Our Company, the Selling Shareholders and CDCIH have recently entered into Amended and Restated Shareholders Agreement to restate and replace the terms and conditions agreed upon in the Original Shareholders Agreement in the light of the Issue. The key provisions of the Amended and Restated Shareholders Agreement are as follows:

(i) The Sponsors shall use their best efforts to ensure that, for a period of three years from the date of filing of the draft Red Herring Prospectus, their cumulative shareholding in our Company does not fall below 26% of our equity share capital.

(ii) The Sponsors shall use their best efforts to ensure that our Company does not fall within the ambit of sections 617 and 619B of the Companies Act.

(iii) The strength of our Board of Directors shall be a maximum of 12 Directors which shall include the following:

(a) non-executive Chairman and up to two whole-time/executive Directors (including the Managing Director);

(b) Four independent Directors;

(c) Two Directors nominated by the GOI; and

(d) Three Directors nominated by a nomination committee of our Board from the panel of names proposed by the Domestic Institutions and the Foreign Investors.

(iv) All our Directors shall be liable for retirement, except the whole-time/executive Directors (including the Managing Director) for whom the term of appointment/employment may extend up to a period of five years at a time.

(v) The Amended and Restated Shareholders Agreement shall continue to be in force till such time as at least two shareholders of our Company continue to be bound by the provisions thereof. However, the Amended and Restated Shareholders Agreement shall cease to bind any signatory shareholder, whose shareholding in our Company falls below two percent of our issued and paid up equity share capital.

OUR MANAGEMENT

Board of Directors

The general supervision, direction and management of the operation and business of our Company is vested in our Board which exercises all powers and does all acts and things which may be done by us under our Memorandum and Articles of Association. The primary responsibility of the Board of Directors includes:

- maintaining high standards of corporate governance and compliance with various laws and regulations;
- shaping our policies and procedures;
- monitoring our performance and evolving the growth strategy;
- setting up counter-party and other prudential risk management limits; and
- overseeing our financial management and approving various products and their policies.

Under our Articles of Association, we cannot have more than 12 Directors, excluding the alternate directors (if any), and our Board shall include one non-executive Chairman, up to two whole-time Directors (including the Managing Director), four independent Directors, two Directors nominated by the GOI, three Directors nominated by nomination committee of our Board from the panel of names proposed by the Domestic Institutions and the Foreign Investors.

We currently have 10 Directors. The following table sets forth current details regarding our Board of Directors:

Name, Father's Name, Designation, Address and Occupation	Age	Other Directorships
Mr. Deepak Shantilal Parekh S/o (Late) Mr. Shantilal Thakordas Parekh Non-executive Chairman *IDFC Limited* *Ramon House* *169, Backbay Reclamation* *Mumbai 400 020* Chairman, HDFC	60 years	Chairman: • Housing Development Finance Corporation Limited • HDFC Asset Management Company Limited • HDFC Standard Life Insurance Company Limited • GlaxoSmithKline Pharmaceuticals Limited • HDFC Chubb General Insurance Company Limited • Siemens Limited Director: • Hindustan Lever Limited • Mahindra & Mahindra Limited • Hindustan Oil Exploration Corporation Limited • The Indian Hotels Company Limited • Castrol India Limited • Zodiac Clothing Company Limited • Borax Morarji Limited • Bharat Bijlee Limited • Exide Industries Limited • Motor Industries Company Limited

Name, Father's Name, Designation, Address and Occupation	Age	Other Directorships
Dr. Rajiv B. Lall S/o Mr. Krishen Behari Lall Managing Director and Chief Executive Officer *IDFC Limited* *Ramon House* *169, Backbay Reclamation* *Mumbai 400 020* Managing Director and Chief Executive Officer	47 years	Chairman: ● Lok Foundation, U.S. Director: ● IDFC Asset Management Company Limited
Mr. Vinod Rai S/o Mr. B.N. Rai Director (nominated by the GOI) *Ministry of Finance,* *DEA (Banking Division),* *Government of India* *Jeevan Deep* *Parliament Street* *New Delhi 110 001* Additional Secretary, MoF	57 years	Director: ● Bank of Baroda ● IFCI Limited ● Small Industries Development Bank of India ● ICICI Bank Limited
Mr. S. S. Kohli S/o Awtar Singh Kohli Director (nominated by the GOI) *20, Rajdut Marg* *Chanakaya Puri* *New Delhi 110 021* Former Chairman and Managing Director, Punjab National Bank	60 years	Director: ● Small Industries Development Bank of India
Mr. Dimitris Tsitsiragos S/o Mr. Constantinos Tsitsiragos Director (nominated by the Domestic Institutions and the Foreign Investors) *International Finance Corporation* *2121 Pennsylvania Avenue NW* *Washington DC, 20433, U.S.A.* Director (Global Manufacturing and Services), IFC	41 years	Nil

Name, Father's Name, Designation, Address and Occupation	Age	Other Directorships
Mr. Donald Macinnes Peck S/o Mr. Edward Heywood Peck Director (nominated by the Domestic Institutions and the Foreign Investors) *Actis Advisers Private Limited* *11, Golf Links* *New Delhi 110 003* Country Head, Actis	53 years	Director: ● Alumnus Software Limited ● Swaraj Mazda Limited ● Actis Advisers Private Limited ● Cico Technologies Limited ● Ortel Communications Limited ● Swaraj Engines Limited ● Punjab Tractors Limited
Mr. Serajul Haq Khan S/o (Late) Mr. Sharfuddin Khan Independent Director *Flat No.181, 19th Floor* *Antariksha Co-op. Housing Society* *95/96, Kaka Saheb Gadgil Marg* *Prabhadevi* *Mumbai 400 025* Former Chairman and Managing Director, IDBI	66 years	Chairman: ● Feedback First Urban Infrastructure Development Company Limited Director: ● National Stock Exchange of India Limited ● Bajaj Auto Limited ● Shipping Corporation of India Limited ● BHW Birla Home Finance Limited
Mr. Gautam Subodh Kaji S/o Mr. Subodh B. Kaji Independent Director *5907, Moss Wood Lane* *McLean VA 22101* *USA* Former Managing Director of Operations, World Bank	64 years	Chairman: ● Centennial Group Washington DC ● Emerging Market Forum Director: ● Cabot Corporation, Boston ● Lewa, USA
Mr. Shardul Suresh Shroff S/o (Late) Mr. Suresh A. Shroff Independent Director Amarchand & Mangaldas & Suresh A. Shroff & Co. *Amarchand Towers* *216, Okhla Industrial Estate* *Phase III* *New Delhi 110 020* Advocate	49 years	Director: ● Apollo Tyres Limited ● NIIT Limited ● CMC Limited ● Ballarpur Industries Limited ● Amarchand Towers Property Holdings Private Limited ● Amarchand Mangaldas Properties Private Limited ● PSNSS Properties Private Limited ● Baghbaan Properties (P) Limited
Dr. Omkar Goswami S/o Mr. Mihir Kumar Goswami Independent Director CERG Advisory Private Limited *A 130, Neeti Bagh* *New Delhi 110 049* Business Consultant	48 years	Chairman: ● CERG Advisory Private Limited Director: ● Infosys Technologies Limited ● Dr. Reddy's Laboratories Limited ● Crompton Greaves Limited ● SRF Limited ● Sona Koyo Steering Systems Limited ● DSP Merrill Lynch Fund Managers Limited

Details of Directors

Mr. Deepak Shantilal Parekh, our non-executive Chairman, 60, an Indian national, has been a Director since inception. Mr. Parekh is a Chartered Accountant by qualification and a member of the Institute of Chartered Accountants, England and Wales. He began his career with Ernst & Ernst Management Consultancy Services in New York. On his return to India, he worked with Grindlays Bank. He later joined Chase Manhattan Bank as the Assistant Representative for South Asia and also did a short stint in Singapore and Hong Kong with Chase Manhattan Bank N.A. He is currently the Chairman of HDFC. He has been associated with various committees set up by the Government. In recognition of his achievements and contribution to Indian business, Mr. Parekh has been bestowed with several honors. Prominent among these are the prestigious Businessman of the Year 1996 by Business India, the J R D Tata Corporate Leadership Award by All India Management Association, the first recipient of the Qimpro Platinum Award for Quality and became the youngest recipient of the Corporate Award for Lifetime Achievement from The Economic Times.

Dr. Rajiv B. Lall, our Managing Director and Chief Executive Officer**,** 47, an Indian national, is a graduate from Oxford University and holds a Ph. D in Economics from Columbia University, New York. Dr. Lall had a three-year stint with Asian Development Bank in Manila, Philippines from 1985 to 1988 as the Project Economist, where his focus was on economic and financial analysis of port and road development projects. He moved on to the World Bank in Washington DC, first as industrial economist in the francophone West Africa region and then as the Senior Economist for China, where he was responsible for macroeconomics and trade policy issues. From 1995 to 1997, Dr. Lall was the Executive Director and Head, Asian Economics Research at Morgan Stanley, Hong Kong. From 1997 to 2005, he worked with Warburg Pincus in Hong Kong, Singapore and New York. As a Managing Director and Partner of Warburg Pincus, Dr. Lall looked after private equity investments in the area of financial services across non-Japan Asia and served as a member of the Economic Advisory Board of Warburg Pincus. Dr. Lall joined the Company on January 10, 2005. His compensation for fiscal 2005 (i.e. from the date his appointment till March 31, 2005) including all benefits was Rs. 2.03 million. As part of our ESPS and ESOP, he has been allotted 171,664 Equity Shares and granted an option to purchase 858,320 Equity Shares.

Mr. Vinod Rai, 57, an Indian national, has been a Director since January 2003. An officer of the Indian Administrative Services (batch of 1972), Mr. Rai holds a masters degree in Economics from Delhi School of Economics and a masters degree in Public Administration from Harvard University, U.S.A. Mr. Rai has held senior posts with the State Government of Kerala and the Government of India. Prior to his present posting in the Banking Division, Government, he was Principal Secretary Finance, Government of Kerala. Mr. Rai has been nominated as a Director by the GOI.

Mr. S. S. Kohli, 60, an Indian national, has been a Director since April 27, 2005. He holds a degree in Mechanical Engineering, a diploma in Industrial Finance and Certified Associate – Indian Institute of Banking. Mr. Kohli has 34 years of experience in the banking sector. He retired as the Chairman and Managing Director of Punjab National Bank on April 30, 2005. Mr. Kohli has been nominated as a Director by the GOI.

Mr. Dimitris Tsitsiragos, 41, a Greek national, has been a Director since April 2003. Mr. Tsitsiragos holds a management degree from the George Washington University. He joined IFC in 1989. In 2004, Mr. Tsitsiragos was appointed the Director of Global Manufacturing and Services, the second largest department in IFC. At present, Mr. Tsitsiragos manages IFC operations in the South-Asia region. Mr. Tsitsiragos has been nominated as a Director by the Domestic Institutions and the Foreign Investors.

Mr. Donald Macinnes Peck, 53, a national of the United Kingdom, has been a Director/alternate Director since 1999. Mr. Peck holds a Ph.D. in Economic History from Oxford University. He worked for 10 years in the emerging markets investment banking division at Lloyds Bank and Morgan Grenfell and for three years in the private equity division at IFC. Since 1995, Mr. Peck is based in India and has been involved in the private equity business of the CDC group. Mr. Peck has been nominated as a Director by the Domestic Institutions and the Foreign Investors.

Mr. Serajul Haq Khan, 66, an Indian national, has been a Director since 1998. He holds a masters degree in commerce from the University of Bihar with two gold medals. He is also an alumnus of International Management Institute, Geneva. He is former Chairman and Managing Director of IDBI and possesses deep knowledge and vast experience of development banking and project financing. He served IDBI for 32 years in various capacities, including last five years as its Chief Managing Director. Prior to joining IDBI, he worked for five years for the RBI in the division responsible for regulation and supervision of banks. After retirement from IDBI in 1998, he served for several years as the Chairman of NSE, NSDL, Credit Analysis and Research Limited and a venture capital company providing equity support to urban infrastructure projects. He has also served as member of several committees set up by the RBI and GOI on banking and finance. Mr. Khan is an independent Director.

Mr. Gautam Subodh Kaji, 64, an Indian national, has been a Director since 1998. Mr. Kaji is former Managing Director for operations of the World Bank, with responsibility for Africa, East Asia and the Pacific, and South Asia. He also led the World Bank's finance and private sector development programs and served as chair of the World Bank's operations committee, which reviews all projects put forward for World Bank support. Prior to a richly diverse career at the World Bank commencing in 1968, Mr. Kaji worked in a commercial bank. He currently serves as an advisor to J.P. Morgan and is a member of several boards. Mr. Kaji is an independent Director.

Mr. Shardul Suresh Shroff, 49, an Indian national, has been a Director since 1997. He holds a L.L.B. (Hons) degree from the Government Law College, Mumbai. He is the managing partner of the New Delhi office of M/s Amarchand & Mangaldas & Suresh A. Shroff & Co., one of the leading law firms of India. Mr. Shroff has been a practicing lawyer since 1980 and has vast experience in the areas of project finance, corporate and structured finance, insurance, telecom, joint ventures, mergers and acquisitions, disinvestment and a large body of corporate advisory work across sectors. He has been actively involved in important economic legislation, as a member of several high powered committees appointed by the GOI, on diverse areas like Companies Act, Insolvency, Takeover Code including the J.J. Irani Committee. Mr. Shroff is an independent Director.

Dr. Omkar Goswami, 48, an Indian national, has been a Director since January 2003. A professional economist, he completed Masters in Economics from the Delhi School of Economics in 1978 and a D.Phil (Ph.D) from Oxford in 1982. He taught and researched economics for 18 years at Oxford, Delhi School of Economics, Harvard, Tufts, Jawaharlal Nehru University, Rutgers University and the Indian Statistical Institute, New Delhi. Dr. Goswami is the founder and chairperson of CERG Advisory Private Limited. In March 1997, he moved away from formal academia to become the editor of Business India. From August 1998 up to March 2004, Dr. Goswami served as the chief economist of the Confederation of Indian Industry. Dr. Goswami has served on several government committees. He has been a consultant to the World Bank, the International Monetary Fund, ADB and the OECD. He has authored three books and over 70 research papers on economics, policy, bankruptcy laws and procedures, corporate finance, corporate governance, tax enforcement and legal reforms. Dr. Goswami is an independent Director.

Borrowing Powers of our Board of Directors

Pursuant to a resolution passed by our shareholders in accordance with provisions of the Companies Act, our Board is authorised to borrow sums of money for the purpose of the Company upon such terms and conditions and with or without security as the Board of Directors may think fit, provided that the money or monies to be borrowed together with the monies already borrowed by the company (apart from the temporary loans obtained from the company's bankers in the ordinary course of business) shall not exceed, at any time, a sum of Rs. 120,000 million.

Appointment of our Directors

Set forth below are the details of appointment and term of our existing Directors:

Name of Director	Date of Appointment/ Reappointment	Term
Mr. Deepak Shantilal Parekh	May 14, 2003	May 13, 2006
Dr. Rajiv B. Lall	January 10, 2005	January 9, 2010
Mr. Vinod Rai	January 9, 2003	Liable to retire by rotation
Mr. S. S. Kohli	April 27, 2005	Liable to retire by rotation
Mr. Dimitris Tsitsiragos	June 16, 2005	Liable to retire by rotation
Mr. Donald Macinnes Peck	April 27, 2005	Liable to retire by rotation
Mr. Serajul Haq Khan	June 16, 2005	Liable to retire by rotation
Mr. Gautam Subodh Kaji	June 16, 2005	Liable to retire by rotation
Mr. Shardul Suresh Shroff	July 15, 2003	Liable to retire by rotation
Dr. Omkar Goswami	January 24, 2003	Liable to retire by rotation

Compensation of our Directors

The annual compensation for our non-executive Chairman, Mr. Deepak Shantilal Parekh, was Rs. 900,000 in fiscal 2005. All Directors are reimbursed for travel expenses. The independent Directors of our Company receive sitting fees for attending meetings of the Board or committees thereof. For details of the compensation of our Managing Director & Chief Executive Officer, Dr. Rajiv B. Lall, please see his profile on page 75 of this Red Herring Prospectus.

Corporate Governance

Corporate governance is administered through our Board of Directors and the committees of the Board. However, primary responsibility for upholding high standards of corporate governance and providing necessary disclosures within the framework of legal provisions and institutional conventions with commitment to enhance shareholders' value vests with our Board of Directors.

Pursuant to listing of our Equity Shares, we would be required to enter into listing agreements with the Stock Exchanges. We are in compliance with the applicable provisions of listing agreement pertaining to corporate governance, including appointment of independent Directors and constitution of the following committees of our Board:

Audit Committee

The Audit Committee consists of Mr. Serajul Haq Khan, Mr. Gautam Subodh Kaji, Mr. Shardul Suresh Shroff and Dr. Omkar Goswami and any two members would constitute a quorum for a meeting of the Audit Committee. Senior executives of IDFC are invited as and when considered necessary. The Audit Committee acts as an interface between the management and the statutory and internal auditors overseeing the internal audit functions.

The functions of the Audit Committee are:

1. to provide direction and oversee audit functions of the Company and;
2. to periodically review financial statements before submission to the Board, focusing primarily on:
    - any changes in accounting policies and practices;
    - major accounting entries on exercise of judgment by management;
    - qualification in draft audit report;
    - significant audit adjustments;
    - compliance with accounting standards;
    - compliance with legal requirements concerning financial statements; and
    - any related party transactions such as transactions of material nature, with promoters or the management, their subsidiaries or associates that may have a potential conflict with our interests at large.
3. to undertake reviews with management, external and internal auditors, regarding the adequacy of our internal control system;
4. to participate in discussions with internal auditors;
5. to review action taken on inspection reports of RBI and statutory auditors report;
6. to review action taken on major findings of internal audit/concurrent audit reports; and
7. to address such other matters as may be delegated by our Board of Directors.

Compensation Committee

The Compensation Committee consists of Mr. Deepak Shantilal Parekh, Mr. S.S. Kohli and Mr. Donald Macinnes Peck and any two members would constitute quorum for a meeting of the Compensation Committee. Senior executives of IDFC are invited as and when considered necessary. The Compensation Committee is broadly responsible to review and approve the compensation package for senior management personnel including the Managing Director and Chief Executive Officer. It generally meets once a year.

Investor Grievance Committee

The Investor Grievance Committee of our Company consists of Mr. Serajul Haq Khan, Dr. Omkar Goswami and Dr. Rajiv B. Lall.

Other Committees

In addition to the foregoing, our Board constitutes committees from time to time depending on the operational requirements. At present, our Board has established a credit policy committee, executive committee, credit committee, finance committee and premises committee.

Shareholding of Directors in our Company

Our Articles of Association do not require our Directors to hold any Equity Shares. None of our Directors hold any Equity Shares except Dr. Rajiv B. Lall. For details of the Equity Shares allotted to him under our ESPS and options granted to him under our ESOP, see his profile given above on page 75 of this Red Herring Prospectus.

Interest of our Directors

All our Directors, including independent Directors, may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them under our Articles of Association. Dr. Rajiv B. Lall, Managing Director & Chief Executive Officer, is interested to the extent of remuneration paid to him for services rendered as an officer or employee of IDFC.

All our Directors, including independent Directors, may also be deemed to be interested to the extent of Equity Shares, if any, already held by them or that may be subscribed for and allotted to them, out of the present Issue in terms of the Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares. Our Directors, including independent Directors, may also be regarded as interested in the Equity Shares, if any, held by or that may be subscribed by and allotted to the companies, firms and trust, in which they are interested as directors, members, partners or trustees.

Mr. Shardul Suresh Shroff, one of our Directors, is also a partner in Amarchand & Mangaldas & Suresh A. Shroff & Co., which provides legal services to us from time to time.

Changes in our Board of Directors during the last three years

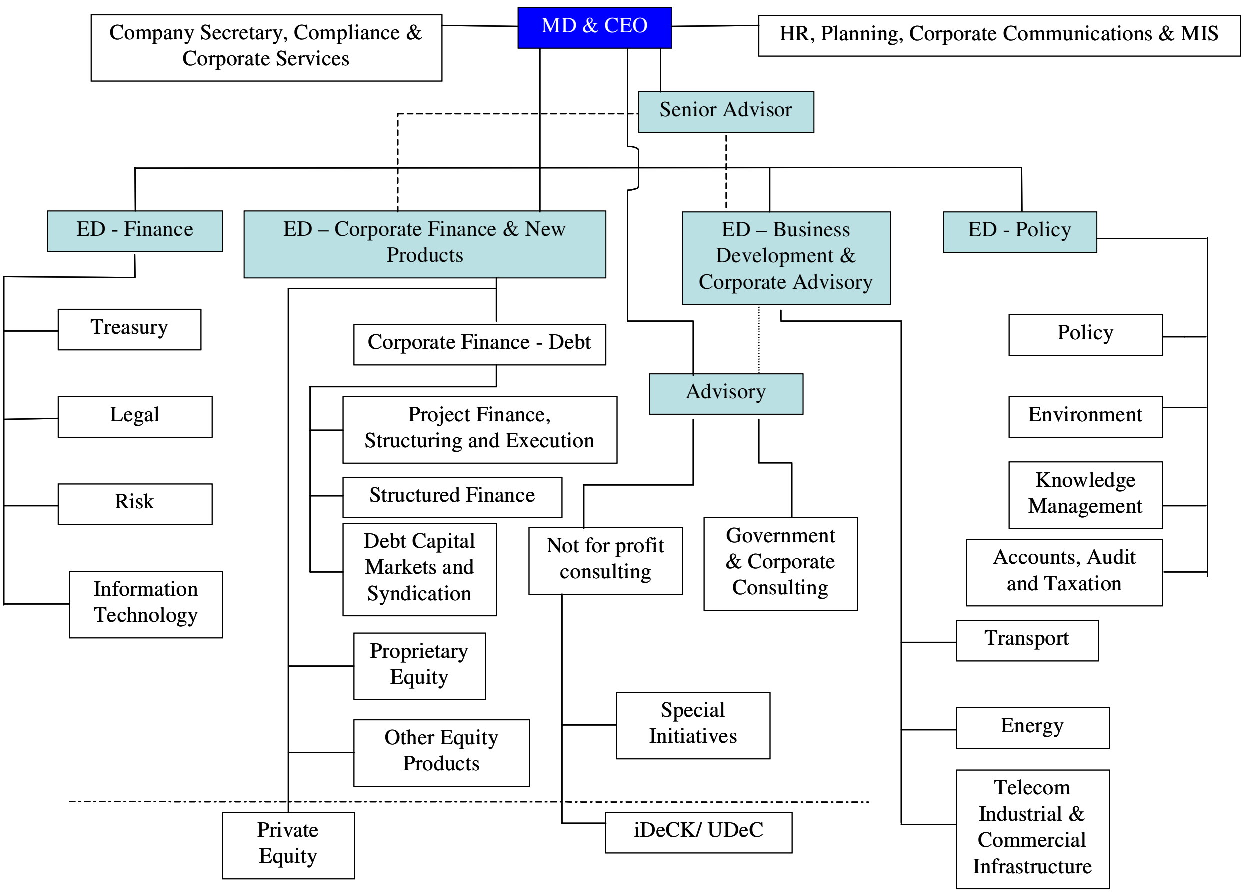
The changes in our Board of Directors during the last three years are as follows:

Name	Date of Appointment	Date of Cessation	Reason
Mr. Purkayastha		July 23, 2002	Resignation
Mr. D. C. Gupta	July 23, 2002		Appointment
Dr. Rakesh Mohan		September 9, 2002	Resignation
Ms. Mary Iskenderian		November 1, 2002	Resignation
Mr. D. C. Gupta		January 9, 2003	Resignation
Mr. Vinod Rai	January 9, 2003		Appointment
Dr. Omkar Goswami	January 24, 2003		Appointment
Mr. Janki Ballabh		January 24, 2003	Resignation
Mr. Vepa Kamesam		April 29, 2003	Resignation
Mr. Y. S. P. Thorat	April 29, 2003		Appointment
Mr. Dimitris Tsitsiragos	April 30, 2003		Appointment
Mr. A. K. Purwar	April 30, 2003		Appointment

Name	Date of Appointment	Date of Cessation	Reason
Mr. P. P. Vora		October 21, 2003	Resignation
Mr. M. Damodaran	October 21, 2003		Appointment
Mr. Nasser Munjee		March 31, 2004	Resignation
Dr. Rajiv B. Lall	January 10, 2005		Appointment
Mr. M. Damodaran		March 16, 2005	Resignation
Mr. S. S. Kohli	April 27, 2005		Appointment
Mr. Donald Peck	April 27, 2005		Appointment
Mr. Y. S. P. Thorat		April 27, 2005	Resignation
Mr. Adiwarman Idris		April 27, 2005	Resignation
Mr. A. K. Purwar		May 16, 2005	Resignation
Mr. Kunnasagaran Chinniah		May 16, 2005	Resignation

Management Organisation Structure

Our management organisation structure is set forth below:



Key Managerial Employees

Dr. Rajiv B. Lall, Managing Director and Chief Executive Officer. For a detailed profile of Dr. Lall, see the profiles of our Board of Directors on page 75 of this Red Herring Prospectus.

Mr. A. K. T. Chari, Senior Advisor, 65, holds a degree in electrical engineering. Prior to joining us in 1999, he worked for IDBI for a period of 23 years in various capacities including advisor – infrastructure. He has cumulative work experience of over 46 years and is an expert in the field of infrastructure financing. The compensation for fiscal 2005 including all benefits was Rs. 5.03 million. As part of our ESPS and ESOP, he has been allotted 288,129 Equity Shares and granted an option to purchase 288,130 Equity Shares.

Mr. L. K. Narayan, Executive Director – Finance, 50, is a commerce graduate and has qualified as a Chartered Accountant from Mumbai, in addition to a degree in law. Prior to joining our Company in 1997, he was the Vice President – Head of Debt Origination with DSP Merrill Lynch for a period of three years. Overall, he has 24 years of experience in the fields of risk management, debt capital markets, credit rating, resource mobilization and structured products. His compensation for fiscal 2005 including all benefits was Rs. 4.40 million. As part of our ESPS and ESOP, he has been allotted 77,483 Equity Shares and granted an option to purchase 387,415 Equity Shares.

Mr. M. K. Sinha, Executive Director – Business Development and Corporate Advisory, 38, is a mechanical engineer from Indian Institute of Technology, Kharagpur and has a management degree from Indian Institute of Management, Ahmedabad. Prior to joining us on June 8, 2005, Mr. Sinha was a Senior Vice President with GE Energy Financial Services based in Stamford, USA. He has work experience of over 15 years and is an expert in the field of project finance, corporate finance, investment banking and private equity investments. As part of our ESOP, he has been granted an option to purchase 460,056 Equity Shares. Since Mr. Sinha joined us on June 8, 2005, no compensation was paid to him for fiscal 2005.

Mr. Urjit R. Patel, Executive Director – Policy, 41, has a Ph. D in economics from Yale University. Prior to joining us in 1997, Mr. Patel was with the RBI on deputation from the International Monetary Fund. From 1998 to 2001, he was concurrently a consultant to the MoF. His compensation for fiscal 2005 including all benefits was Rs. 4.30 million. As part of our ESPS and ESOP, he has been allotted 75,722 Equity Shares and granted an option to purchase 378,611 Equity Shares.

Mr. Vikram Limaye, Executive Director – Corporate Finance & New Products, 38, is a Chartered Accountant from Mumbai and holds a MBA in finance and multinational management from The Wharton School, University of Pennsylvania. Mr. Limaye has over 15 years of work experience in India, Asia and USA with multinational financial services firms like Arthur Andersen, Ernst & Young, Citibank and Credit Suisse First Boston. His compensation for fiscal 2005 (i.e. from the date of his appointment till March 31, 2005) including all benefits was Rs. 0.23 million. As part of our ESPS and ESOP, he has been allotted 86,288 Equity Shares and granted an option to purchase 431,440 Equity Shares. Mr. Limaye joined us on March 17, 2005.

Mr. Cherian Thomas, Senior Director - Advisory, 42, is a mechanical engineer from Victoria Jubilee Technical Institute, Mumbai. He also holds a degree in MMS Finance from S P Jain Insitute of Management. Prior to joining us in 1998, Mr. Thomas was the Senior Manager Finance at Tata Industries Limited. He has over 10 years of experience in banking and finance with ICICI, SCICI and Citibank and his areas of expertise include project finance, corporate advisory, project structuring and resources. His compensation for fiscal 2005 including all benefits was Rs. 2.87 million. As part of our ESPS and ESOP, he has been allotted 59,029 Equity Shares and granted an option to purchase 295,146 Equity Shares.

Mr. Anupam Srivastava, Senior Director – Business Development (Telecom, Industrial and Commercial Infrastructure), 45, has a management degree in finance/marketing from Indian Institute of Management, Ahmedabad. Prior to joining us in 1998, he worked for IDBI for a period of 14 years as the Deputy General Manager, Corporate Advisory Services. With over 21 years of experience, he looks after business development in the Telecom, Industrial and Commercial Infrastructure sectors. His compensation for fiscal 2005 including all benefits was Rs. 2.58 million. As part of our ESPS and ESOP, he has been allotted 47,290 Equity Shares and granted an option to purchase 236,451 Equity Shares.

Mr. Sadashiv Rao, Senior Director – Execution (Debt & Equity), 44, is a chemical engineer from Indian Institute of Technology, Kanpur and has a management degree in finance/marketing from Indian Institute of Management, Bangalore.

Prior to joining us in 1997, Mr. Rao was the Head of the Investment Banking at Reliance Capital Limited. He has cumulative work experience of 20 years and is an expert in the field of project finance, investment banking and advisory services. His compensation for fiscal 2005 including all benefits was Rs. 2.58 million. As part of our ESPS and ESOP, he has been allotted 47,290 Equity Shares and granted an option to purchase 236,451 Equity Shares.

Mr. V. Ravi Kumar, Senior Director – Treasury, 45, is a gold medallist in M. Sc. (Mathematics) from St. Stephen's College, University of Delhi. Prior to joining us on June 15, 2005, Mr. Kumar was the Country Head – Financial Markets in ING Vysya Bank. He has cumulative work experience of 20 years and is an expert in the field of fixed income, foreign exchange, equity and derivatives markets in India. As part of our ESOP, he has been granted an option to purchase 220,000 Equity Shares. Since Mr. Kumar joined us on June 15, 2005, no compensation was paid to him for fiscal 2005.

All our key managerial employees are permanent employees of our Company and none of them are related to each other or to any Director.

Changes in our Key Managerial Employees during the last three years

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

Name	Date of Appointment	Date of Cessation	Reason
Mr. Anoop Seth		August 25, 2003	Resignation
Mr. Y. M. Shivamurthy		September 30, 2003	Resignation
Mr. Nasser Munjee		March 31, 2004	Resignation
Dr. Rajiv B. Lall	January 10, 2005		Appointment
Mr. Vikram Limaye	March 17, 2005		Appointment
Mr. M. K. Sinha	June 8, 2005		Appointment
Mr. V. Ravi Kumar	June 15, 2005		Appointment

ESOP/ESPS

For details of our ESPS and ESOP schemes, see section titled "Capital Structure – Notes to Capital Structure" on page 19 of this Red Herring Prospectus.

OUR SPONSORS AND SHAREHOLDERS

IDFC is a professionally managed company. It was set up to lead private capital into commercially viable infrastructure projects. Our Company was sponsored by the GOI, RBI and IDBI. On January 25, 2005 RBI, transferred its shareholding in IDFC to the GOI. See section titled "Capital Structure – Notes to Capital Structure" on page 19 of this Red Herring Prospectus.

The following are brief profiles of our principal shareholders:

Government of India (GOI)

Infrastructure development occupies a high priority on the agenda of the Government. In 1994, the Government established an Expert Group on the Commercialization of Infrastructure Projects. The group recommended the establishment of a specialized financial intermediary for infrastructure finance. In 1996, the then Finance Minister, Mr. P. Chidambaram announced the Government's commitment to create IDFC in his Union Budget Speech. Subsequently, our Company was incorporated on January 30, 1997. The Government's focus on infrastructure sector has continued over the years with consistent commitment of funds to the infrastructure sector in planned budgets.

Industrial Development Bank of India Limited (IDBI)

Industrial Development Bank of India was initially established in 1964 as a wholly owned subsidiary of the Reserve Bank of India to provide credit and other facilities for the development of industries. In 1976, the ownership of IDBI was transferred to Government and it was entrusted with the additional responsibility of acting as a principal financial institution for co-ordinating the activities of institutions engaged in the financing, promotion or development of industries. It was the first All-India Financial Institution to obtain ISO 9002:1994 certification for its treasury operations and the first organization in Indian financial sector to obtain ISO 9001:2000 certification for its forex services. IDBI was incorporated, as "Industrial Development Bank of India Limited" under the Companies Act in September 2004.The objective was to provide it with the requisite operational flexibility to undertake commercial banking business under the Banking Regulation Act 1949 in addition to the business carried on and transacted by it under the IDBI Act, 1964. In October 2004, it commenced operations as a banking company. The Board of Directors of IDBI, at its meeting held on January 20, 2005, approved the scheme of amalgamation, envisaging merging of IDBI Bank Ltd. with IDBI to mark the entry of the institution in the retail business. For the 18-month period ended September 30, 2004, IDBI's total income was Rs. 99,152 million and PAT was Rs. 4,650 million. For the six-month period ending March 31, 2005, IDBI's total income was Rs. 32,828 million and PAT was Rs. 3,073 million.

State Bank of India (SBI)

SBI was constituted in 1955 aided by 480 offices comprising branches, sub offices and three local head offices inherited from the Imperial Bank. As of March 2005, SBI had 9,089 branches in India and 54 overseas offices located in 28 countries making it India's largest commercial bank. SBI represents the RBI in locations where RBI does not have offices. It is the preferred vehicle of the Government of India for raising funds abroad. SBI through its subsidiaries undertakes commercial banking, merchant banking activities, advisory services, project appraisal, credit syndication and securities broking. In addition, it operates in mutual funds and as primary dealer in government and non-government securities, in the debt market. The bank has a fully owned bank subsidiary SBICI Bank Ltd., seven associate banks with controlling interest ranging from 75% to 100% and four non-bank subsidiaries in India. SBI also has subsidiaries in foreign countries including Mauritius, Canada, USA, and Nigeria. It has a presence in the life insurance business through its joint venture with Cardiff S.A. of France called SBI Life. For the year ending March 31, 2004 on a stand-alone basis, SBI's total income was Rs. 380,729 million and PAT was Rs. 36,810 million making it India's largest bank in terms of net earnings. For the nine-month period ended December 31, 2004, SBI posted a net profit of Rs. 32,396 million.

ICICI Bank Limited

ICICI Bank is the largest private sector bank in India and the second-largest bank with total income for the year ending March 31, 2005 of Rs. 128,260 million and PAT of Rs. 20,052 million. ICICI Bank has a network of about 530 branches and extension counters and over 1,880 ATMs. It offers a wide range of banking products and financial services to corporate and retail customers through a variety of delivery channels and through its specialized subsidiaries and affiliates in the areas of investment banking, life and non-life insurance, venture capital and asset management. ICICI Bank set up its international banking group in fiscal 2002. The bank currently has subsidiaries in the United Kingdom and Canada, branches in Singapore and Bahrain and representative offices in the United States, China, United Arab Emirates, Bangladesh and South Africa. ICICI Bank was originally promoted in 1994 by ICICI Limited, an Indian financial institution, and was its wholly-owned subsidiary. ICICI Limited's shareholding in ICICI Bank was reduced to 46% through a public offering of shares in India in fiscal 1998, an equity offering in the form of American depository receipts listed on the NYSE in fiscal 2000, ICICI Bank's acquisition of Bank of Madura Limited in fiscal 2001, and secondary market sales by ICICI to institutional investors in fiscal 2001 and fiscal 2002. In October 2001, the Boards of Directors of ICICI Limited and ICICI Bank approved the merger of ICICI Bank and two of its wholly-owned retail finance subsidiaries, ICICI Personal Financial Services Limited and ICICI Capital Services Limited, with ICICI Bank. The merger was approved by shareholders of ICICI Limited and ICICI Bank in January 2002 and consequently, ICICI group's financing and banking operations, both wholesale and retail, have been integrated in a single entity.

Housing Development Finance Corporation Limited (HDFC)

HDFC was incorporated in 1977 with the primary objective of promoting home ownership by providing long-term finance to households for their housing needs. HDFC's organizational goals are to a) develop close relationships with individual households, b) maintain its position as the premier housing finance institution in the country, c) transform ideas into viable and creative solutions, d) provide consistently high returns to shareholders, and e) to grow through diversification by leveraging off the existing client base. HDFC has a staff strength of 1,029, which includes professionals from the fields of finance, law, accountancy, engineering and marketing. HDFC provides financial assistance to individuals, corporate, and developers for the purchase or construction of residential housing throughout the country. HDFC also provides property-related services, training, consultancy and lease financing. Through its specialized subsidiaries and associate companies such as HDFC Bank, HDFC Mutual Fund, HDFC Standard Life Insurance Company etc., HDFC provides wide range of products including capital markets and banking, mutual funds, life insurance, realty etc. For the year ending March 31, 2005, HDFC's total income was Rs. 34,104 million and profit after tax was Rs. 10,366 million.

Unit Trust of India

Unit Trust of India was established in 1964 as India's first mutual fund with a view to fulfill the twin objectives of mobilizing retail savings and investing those savings in the capital market and passing on the benefits so accrued to the small investors. It has played a catalytic role in the promotion of savings and their efficient mobilization and deployment, providing avenues for investments to its about 20.02 million unit holders in a wide variety of more than 150 schemes/ funds. Individual household investors account for 99% of it's investor accounts and about 65% of unit capital of it's schemes. It has a nationwide network consisting 54 branch offices, three Unit Trust of India financial centres, 18 satellite offices and representative offices in Dubai and London. It has 2400 committed employees and over 10,000 active agents, 243 chief representatives, 172 collection centres, 51 franchise offices, four registrar offices and transfer agencies to sell and service its schemes. Unit Trust of India has several associate companies including UTI Bank, UTI Investment Advisory Services, and UTI Technology Services Ltd. Post restructuring of Unit Trust of India in 2002, Equity Shares held by it were transferred to the Administrator of the Specified Undertaking of Unit Trust of India.

IFCI Limited

IFCI was established in 1948, as India's first development financial institution to cater to the long-term finance needs of the industrial sector. In the early 1990s it was recognized that IFCI should directly access the capital markets for its funds needs. With this objective the constitution of IFCI was changed in 1993 from a statutory corporation to a company under the Companies Act. Subsequently, the name of the company was also changed to "IFCI Limited" with effect from October 1999. IFCI extends direct financial assistance to industrial projects in the form of rupee loans, foreign currency loans, equity participation, underwriting and guarantees for deferred payments. IFCI's financial services include equipment financing, leasing procurement, credit and hire purchase. IFCI has also been active in merchant banking services like issue management, credit syndication and project appraisal, offered through various subsidiaries and associate companies including IFCI Venture Capitals, IFCI Financial Services, ICRA Limited etc. IFCI has made disbursements to various sectors including consumer goods (textiles, paper, sugar); service industries (hotels, hospitals); basic industries (iron & steel, fertilizers, basic chemicals, cement); capital & intermediate goods industries (electronics, synthetic fibers, synthetic plastics, miscellaneous chemicals); and infrastructure (power generation, telecom services). For the nine-month period ending December 31, 2004, IFCI's total income was Rs. 10,064 million as against Rs. 11,052 million for the year ending March 31, 2004.

Asian Development Bank (ADB)

ADB is the multilateral development financial institution engaged in promoting the economic and social progress of its developing member countries in Asia and Pacific region. Established in 1966, it is owned by 63 members. ADB is headquartered in Manila with 24 other offices around the world employing over 2,000 employees. ADB's principal functions are to provide loans and equity investments for the economic and social advancement of developing member countries, to provide technical assistance and advisory services for the preparation and execution of development projects, to promote investment of public and private capital for development purposes, and to respond to requests for assistance in co-ordinating development policies and plans for member countries. It was reorganized, effective in January 2002 with the objective to strengthen ADB's country focus and unify accountability for all its services to a particular developing member country within one department. Lending operations of ADB totalled US$5.3 billion in the year ending December 2004. The US$5.3 billion was used for 80 loans for 64 projects in the public and private sectors. The average loan size in the year ending 2004 was US$66 million, compared with US$72 million in the year ending 2003. The largest borrowers in 2004 were the People's Republic of China and India, which each received US$1.3 billion or 24% each of the total. Other top borrowers were Pakistan (US$709 million or 13%) and the Philippines (US$446 million or 8%). The transport and communications sector received the largest share of lending at US$2.03 billion (38%), followed by energy US$761.8 million (14%); and law, economic management, and public policy US$584.4 million (11%).

CDC Group Plc. (CDC) (formerly known as Commonwealth Development Corporation)

CDCFS and CDCIH are wholly owned subsidiaries of CDC, through which CDC has invested in our Company. CDC was established by the Government of the United Kingdom in 1948 for investing in the private sector in developing economies. It has been an investor in emerging markets for over 50 years. CDC has developed and sold various businesses in Africa, Asia and Latin America. CDC typically invests through third party fund managers in companies and not via the direct investments route. CDC is based in London and is a member of the European Development Finance Institutions (EDFI), which includes 13 institutions from around Europe. For the year ending December 2004, CDC group including all subsidiaries and joint ventures made investments of £200m (US$367m), of which 70% were in Africa with a total return after tax of £200m. Actis, the fund manager created by CDC in 2004, has become a leading private equity manager of investments in emerging markets and manages the bulk of CDC's investments in India and elsewhere.

Government of Singapore Investment Corporation (GIC)

GIC is a global investment management company established in 1981 to manage Singapore's foreign reserves. Its mission is to achieve good long-term returns on the assets placed under its charge through prudent investment worldwide. GIC invests internationally in equities, fixed income, money market instruments, real estate and special investments through a network of six overseas offices in key financial capitals around the world including London, Beijing, Tokyo, San Francisco and New York. With a portfolio of about US$100 Billion, it is amongst the world's largest fund management companies. The GIC Group comprises four main areas – public markets, real estate, special investments and corporate services. The Public Markets Group is GIC's investment arm in public market assets. This comprises equities, fixed income and money market instruments. GIC Real Estate Pte Ltd (GIC RE) is the real estate investment arm of GIC. GIC Special Investments (GIC SI) is the private equity investment arm of GIC. The Corporate Services Group cover areas such as corporate planning, financial services, internal audit, risk & performance management, information technology, administration and human resources. GIC has invested in our Company through Indivest Pte Ltd.

International Finance Corporation (IFC)

IFC is a member of the World Bank Group and is headquartered in Washington, DC. It shares the primary objective of all World Bank Group institutions of improving the quality of the lives of people in its developing member countries. IFC has 177 members, which collectively determine its policies and approve investments. IFC is the largest multilateral source of loan and equity financing for private sector projects in the developing world. Its focus is to promote economic development by encouraging the growth of productive enterprise and efficient capital markets in its member countries. IFC has over 2,200 staff, of which 58% work in its Washington, DC, headquarters. About 42% of IFC staff are stationed in over 86 IFC field offices. IFC's traditional and largest activity is to finance private sector projects in developing countries. IFC provides loans, equity finance and quasi-equity. It also offers financial risk management products and intermediary finance. IFC provides advice and technical assistance to private businesses and governments in developing countries. These services cover a broad spectrum including advice on privatization, business related public policy and industry-specific issues. IFC plays a catalytic role, stimulating and mobilizing private investment in the developing world by demonstrating that these investments can be profitable. For the year ending June 30, 2004, IFC's total assets were US$32,361 million and PAT was US$993 million.

American International Group, Inc. (AIG)

AIG is the world's leading international insurance and financial services organization, with operations in more than 130 countries. AIG member companies serve commercial, institutional and individual customers through the most extensive worldwide property-casualty and life insurance networks. In the United States, AIG companies are the largest underwriters of commercial and industrial insurance and AIG American General is a highly ranked life insurer. AIG's global businesses include financial services, retirement services and asset management. AIG also has one of the largest U.S. retirement services businesses through AIG SunAmerica and AIG VALIC, and is a leader in asset management for the individual and institutional markets. As on December 31, 2003 the company had total assets of US$678,346 million and net income of US$9,274 million. AIG group has invested in our Company through Kendall Holdings Ltd.

Deutsche Bank

Deutsche Bank with home market in Europe is one of the world's leading international financial service providers. With roughly 66,000 employees, the bank serves customers in 74 countries worldwide and has a leading position in international foreign exchange, fixed-income and equities trading. It is also a principal provider of financial solutions for private and business clients. It provides clients with an all-round service extending from account keeping and cash & securities investment advisory to asset management. It offers corporate and institutional clients a full product assortment - from payments processing and corporate finance to support with IPOs and mergers and acquisitions advisory. Deutsche Bank ranks among the global leaders in corporate banking and securities, transaction banking, asset management & private wealth management, and has a significant retail banking franchise in Germany and other selected countries in Continental Europe. On a consolidated basis, for the year ending December 31, 2004, Deutsche Bank's PAT was €2,472 million and total assets as of 2004 year-end were €840,068 million. The bank has invested in our Company through Deutsche Asia Pacific Holdings Pte. Ltd.

State Secretariat for Economic Affairs, Switzerland (SECO)

SECO, formerly known as FOFEA, is a part of the Department of Public Economy of the Swiss Confederation. Its principal task is to safeguard the economic interests of Switzerland vis-á-vis foreign nations and international organizations. Its activities are characterized by the intent to mobilize private resources for development purposes and a strong private sector orientation of its financing instruments. These have traditionally comprised grant-funded activities in support of recipient countries' efforts aimed at establishing an economic environment conducive to private investment and trade promotion.

Banca Nazionale del Lavoro S.p.A.

Banca Nazionale del Lavoro S.p.A. is one of the largest banks in Italy, and amongst the top 100 banks worldwide. It has about 700 locations in Italy and offices in some 20 other countries. Established in 1913, it caters to the needs of businesses and public entities with an emphasis on medium-sized clients. With the acquisition of the Bank of Naples, it is positioned to become the largest Italian banking group. The BNL group offers, both in Italy and abroad, a wide range of banking products and services such as short, medium and long-term loans, mortgages, project financing, consumer credit, deposit taking, payment services including credit and debit cards and exchange risk hedging and management. The bank has a strong international presence, with offices throughout Europe, the Americas, Asia and Africa. On a consolidated basis, as on December 31, 2004, it had total assets worth € 78,892 million. The financial institution has invested in our Company through its wholly owned subsidiary BNL International Investments, an effective vehicle for fund raising in international markets on behalf of the BNL group.

Standard Life Assurance Company

Founded in Edinburgh (Scotland) in 1825, Standard Life Assurance Company had over £108 billion worth of assets under management as of December 31, 2004. It has over 7 million customers in the United Kingdom, Canada, Ireland, Germany, Austria, Spain, India, China and the United States, which are serviced through 12,101 employees worldwide. Its business operates within six key areas: UK life and pensions, bank, healthcare, investments, Canada and international. It offers a wide variety of retirement savings, investment plans, and insurance and services for individuals, families and for all size companies. Major product categories include individual insurance, individual investments, group life & health and group savings & retirement. It has invested in our Company through its affiliate SLAC (Mauritius Holdings) Limited.

Related Party Transactions

The statement of related party disclosures of our Company as at and for the financial years ended 31st March, 2002 to 2005 are as set out below:

A The following are the related parties as per Accounting Standard 18 on "Related Party Disclosure".

(i)	**Subsidiaries**	Feedback First Urban Infrastructure Development Company Limited (effective 29th April, 2004)
		IDFC Asset Management Company Limited
		IDFC Trustee Company Limited
		Uttaranchal Infrastructure Development Company Limited (up-to 30th October, 2003)
(ii)	**Joint Ventures**	Infrastructure Development Corporation (Karnataka) Limited
		Uttaranchal Infrastructure Development Company Limited (from 31st October, 2003)
		Infrastructure Finance Company Gujarat Limited (up-to 30th March, 2005)
(iii)	**Associates**	Feedback First Urban Infrastructure Development Company Limited (from 4th May, 2002 to 28th April, 2004)
(iv)	**Key Management Personnel**	Mr. Rajiv Lall - Managing Director & Chief Executive Officer (from 10th January, 2005) Mr. Nasser Munjee - Managing Director & Chief Executive Officer (up-to 31st March, 2004)

B The following transactions were carried out with the above parties:

(Rs. in million)

As at / Year ended 31st March,	**2002**	**2003**	**2004**	**2005**
Subsidiaries:				
(a) **Other services rendered:**				
IDFC Asset Management Company Limited	-	0.77	2.43	0.19
(b) **Other services taken:**				
IDFC Asset Management Company Limited	-	-	0.20	-
(c) Purchase of Fixed Assets :				
Feedback First Urban Infrastructure Development Company Limited	-	-	-	0.10
(d) **Balances outstanding as at the year end:**				
- Receivables				
IDFC Asset Management Company Limited	-	-	0.02	-
Uttaranchal Infrastructure Development Company Limited	-	0.22	-	-
(e) Deputation of Employees				
IDFC Asset Management Company Limited	-	1.63	-	-
Joint Ventures:				
(a) **Other services rendered:**				
Infrastructure Development Corporation (Karnataka) Limited	5.81	4.56	5.81	2.98
Uttaranchal Infrastructure Development Company Limited	-	-	1.72	0.81
Infrastructure Finance Company Gujarat Limited	0.07	-	0.23	-
(b) **Other services taken:**				
Infrastructure Development Corporation (Karnataka) Limited	0.99	1.99	4.47	6.55
Uttaranchal Infrastructure Development Company Limited	-	-	0.47	-
(c) **Sale of Fixed Assets**				
Infrastructure Development Corporation (Karnataka) Limited	-	-	-	1.34
(d) Deputation of Employees				
Infrastructure Development Corporation (Karnataka) Limited	-	0.31	0.60	0.60
(e) **Balances outstanding as at the year end:**				
- Receivables				
Infrastructure Development Corporation (Karnataka) Limited	0.34	0.05	0.01	-
Uttaranchal Infrastructure Development Company Limited	-	-	1.08	-
Infrastructure Finance Company Gujarat Limited	0.02	-	-	-
Key management personnel:				
(a) Remuneration	4.01	5.73	4.47	2.31
(b) Finance (loan installments recovered)	0.12	0.15	0.98	-
(c) Balances outstanding as at the year end	0.96	0.90	-	-

DIVIDEND POLICY

The declaration and payment of dividends will be recommended by our Board of Directors and approved by our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial condition. The dividends declared by our Company during the last five fiscal years have been presented below.

	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005
Face value of Equity Shares (Rs. per share)	10	10	10	10	10
Dividend (Rs. in million)	700	1,000	1,000	1,000	1,000
Dividend Tax (Rs. in million)	71	-	128	128	143
Dividend per Equity Share (Rs.)	0.70	1	1	1	1
Dividend Rate (%)	7	10	10	10	10

The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future.

FINANCIAL STATEMENTS

9. Supplementary financial information for Infrastructure Development Finance Company Limited as of and for the years ending March 31, 2001, 2002, 2003, 2004 and 2005

   XXVI. Statement of Accounting Ratios

   XXVII. Capitalisation Statement

   XXVIII. Statement of Tax Shelters

   XXIX. Statement of Dividend Paid

10. Consolidated Restated Financial Statements of Infrastructure Development Finance Company Limited as of and for the years ending March 31, 2003, 2004 and 2005 and the notes thereto

    XXX. Statement of Consolidated Profits, as restated

    XXXI. Summary Statement of Consolidated Assets and Liabilities, as restated

    XXXII. Significant Notes to the Consolidated Financial Statements

    XXXIII. Significant Accounting Policies

    XXXIV. Consolidated Cash Flow Statement

The Board of Directors
Infrastructure Development Finance Company Limited
ITC Centre
760, Anna Salai
Chennai - 600 002

Dear Sirs,

As required by Part II of Schedule II of the Companies Act, 1956 and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 ('the Guidelines') issued by the Securities and Exchange Board of India (SEBI) in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992, we have examined the financial information contained in the statements annexed to this report, which is proposed to be included in the Offer Document for the proposed public issue and sale of shares of **Infrastructure Development Finance Company Limited** ("the Company") and we report that:

1. We have examined the 'Statement of Profits as Restated' of the Company for each of the five financial years ended 31st March, 2001, 2002, 2003, 2004 and 2005, being the last date up to which the accounts have been made up and audited by us , the 'Statement of Assets and Liabilities as Restated' as at 31st March, 2001, 2002, 2003, 2004 and 2005, the 'Significant Notes to the Accounts', the 'Significant Accounting Policies' adopted by the Company for each of the said periods and the 'Cash Flow Statement' for the financial years ended 31st March, 2002, 2003, 2004 and 2005 enclosed as Annexures I to V and confirm that:
   (a) These statements reflect the profits, the assets and liabilities and cash flows of the Company for each of the relevant periods as extracted from the Profit and Loss Account for the financial years ended 31st March, 2001, 2002, 2003, 2004 and 2005, the Balance Sheet as at 31st March, 2001, 2002, 2003, 2004 and 2005 and the Cash Flow Statement for the financial years ended 31st March, 2002, 2003, 2004 and 2005 audited by us, after making therein the adjustments required to be made in accordance with the provisions of paragraph 6.10.2.7 of the Guidelines and such regroupings as we considered necessary. The financial statements for the years ended 31st March 2001, 2002, 2003 and 2004 have been adopted by the members and the financial statements for the year ended 31st March, 2005 are subject to the approval of the shareholders at the next Annual General Meeting.
   (b) The above financial statements have been drawn up by the Company in compliance with the Guidelines and in accordance with the requirement of clause B of Part II of Schedule II of the Companies Act, 1956 as amended from time to time.
2. We have examined the Statement on 'Disclosure of Segment Information' of the Company for each of the financial years ended 31st March, 2002, 2003, 2004 and 2005 as extracted from the Notes to the Financial Statements for each of the relevant periods audited by us, after making therein the adjustments required to be made in accordance with the provisions of paragraph 6.10.2.7 of the Guidelines and such regroupings as we considered necessary, enclosed as Annexure VI and report that it correctly records the matters stated therein.
3. We have examined the Statement of 'Related Party Disclosures' of the Company for each of the financial years ended 31st March, 2002, 2003, 2004 and 2005 as extracted from the Notes to the Financial Statements for each of the relevant periods audited by us, enclosed as Annexure VII and report that it correctly records the matters stated therein.
4. We have examined the 'Statement of Profits' of **IDFC Asset Management Company Limited**, a wholly-owned subsidiary of the Company, for the period from 7th November, 2002 to 31st March, 2003 and the financial years ended 31st March, 2004 and 2005, the 'Statement of Assets and Liabilities' of the said subsidiary as at 31st March, 2003, 2004 and 2005 and the 'Statement of Significant Accounting Policies' enclosed as Annexures VIII to X and confirm that these statements reflect the profits and the assets and liabilities of the said subsidiary for each of the relevant periods as extracted from the Profit and Loss Accounts and the Balance Sheets of the said subsidiary for the relevant periods, audited by another firm of Chartered Accountants.

5. We have examined the 'Statement of Profits and Losses' of **IDFC Trustee Company Limited**, a wholly-owned subsidiary of the Company, for the period from 11th October, 2002 to 31st March, 2003 and the financial years ended 31st March, 2004 and 2005, the 'Statement of Assets and Liabilities' of the said subsidiary as at 31st March, 2003, 2004 and 2005 and the 'Statement of Significant Accounting Policies' enclosed as Annexures XI to XIII and confirm that these statements reflect the profits and losses and the assets and liabilities of the said subsidiary for each of the relevant periods as extracted from the Profit and Loss Accounts and the Balance Sheets of the said subsidiary for the relevant periods, audited by another firm of Chartered Accountants.

6. We have examined the 'Statement of Profits and Losses' of **Feedback First Urban Infrastructure Development Company Limited**, an associate of the Company from 4th May, 2002 to 28th April, 2004 and a wholly-owned subsidiary of the Company thereafter, for the financial years ended 31st March, 2003, 2004 and 2005, the 'Statement of Assets and Liabilities' of the said Company as at 31st March, 2003, 2004 and 2005 and the 'Statement of Significant Accounting Policies' enclosed as Annexures XIV to XVI and confirm that these statements reflect the profits and losses and the assets and liabilities of the said subsidiary for each of the relevant periods as extracted from the Profit and Loss Accounts and the Balance Sheets of the said Company for the relevant periods, audited by us.

7. We have examined the 'Statement of Profits' of **Uttaranchal Infrastructure Development Company Limited**, a wholly-owned subsidiary of the Company from 18th November, 2002 to 30th October, 2003 and a Joint Venture of the Company thereafter, for the period from 18th November, 2002 to 31st March, 2003 and the financial years ended 31st March, 2004 and 2005, the 'Summary Statement of Assets and Liabilities' of the said Company as at 31st March, 2003, 2004 and 2005 and the 'Statement of Significant Accounting Policies' enclosed as Annexures XVII to XIX and confirm that these statements reflect the profits and the assets and liabilities of the said Company for each of the relevant periods as extracted from the Profit and Loss Accounts and the Balance Sheets of the said Company for the relevant periods, audited by another firm of Chartered Accountants.

8. We have examined the 'Statement of Profits' of **Infrastructure Development Corporation (Karnataka) Limited**, a Joint Venture of the Company, for the financial years ended 31st March, 2002, 2003, 2004 and 2005, the 'Summary Statement of Assets and Liabilities' of the said Joint Venture as at 31st March, 2002, 2003, 2004 and 2005 and the 'Statement of Significant Accounting Policies' enclosed as Annexures XX to XXII and confirm that these statements reflect the profits and the assets and liabilities of the said Joint Venture for each of the relevant periods as extracted from the Profit and Loss Accounts and the Balance Sheets of the said Joint Venture for the relevant periods, audited by us.

9. We have examined the 'Statement of Losses' of **Infrastructure Finance Company Gujarat Limited**, a Joint Venture of the Company, for the financial years ended 31st March, 2002, 2003 and 2004, the 'Summary Statement of Assets and Liabilities' of the said Joint Venture as at 31st March, 2002, 2003 and 2004 and the 'Statement of Significant Accounting Policies' enclosed as Annexures XXIII to XXV and confirm that these statements reflect the losses and the assets and liabilities of the said Joint Venture for each of the relevant periods as extracted from the Profit and Loss Accounts and the Balance Sheets of the said Joint Venture for the relevant periods, audited by us.

10. We have examined the 'Statement of Accounting Ratios' of the Company for each of the five financial years ended 31st March, 2001, 2002, 2003, 2004 and 2005 enclosed as Annexure XXVI to this report and confirm that these have been correctly computed from the figures stated in the 'Statement of Profits as Restated' and the 'Statement of Assets and Liabilities as Restated' of the Company referred to in paragraph 1 above.

11. We have examined the 'Capitalisation Statement' of the Company as at 31st March, 2005 enclosed as Annexure XXVII and report that it correctly records the matters stated therein.

12. We have examined the 'Statement of Tax Shelter' of the Company for each of the five financial years ended 31st March, 2001, 2002, 2003, 2004 and 2005 enclosed as Annexure XXVIII and report that, in our opinion, it correctly reflects the 'Tax Shelter' for each of those years.

13. We have examined the 'Statement of Dividend Paid' by the Company in respect of each of the five financial years ended 31st March, 2001, 2002, 2003, 2004 and 2005 on the Shares of the Company, enclosed as Annexure XXIX and confirm that it correctly records the dividend paid in respect of each of those years.

14. We have examined the 'Statement of Consolidated Profit as Restated' of the Company, its subsidiaries, joint ventures and associates ("the Group") for each of the financial years ended 31st March, 2003, 2004 and 2005, the 'Summary Statement of Consolidated Assets and Liabilities as Restated' of the Group as at 31st March, 2003, 2004 and 2005, the 'Significant Notes to the Consolidated Accounts', the 'Significant Accounting Policies' adopted by the Group for each of the said periods and the 'Consolidated Cash Flow Statement' of the Group for the financial years ended 31st March, 2003, 2004 and 2005 enclosed as Annexures XXX to XXXIV and report that:

    (a) These statements reflect the profits, assets and liabilities and cash flows of the group for each of the relevant periods as extracted from the Consolidated Profit and Loss Accounts for the financial years ended 31st March, 2003, 2004 and 2005, the Consolidated Balance Sheets as at 31st March, 2003, 2004 and 2005 and the Consolidated Cash Flow Statements for the financial years ended 31st March, 2003, 2004 and 2005 audited by us for the limited purpose of inclusion in the Offer Document, after making therein the adjustments required to be made in accordance with the provisions of paragraph 6.10.2.7 of the Guidelines and such regroupings as we considered necessary. These statements include amounts relating to three subsidiaries / joint venture referred to in paragraphs 4,5 and 7, which have been consolidated on the basis of accounts audited by other firms of Chartered Accountants.

    (b) The above financial statements have been drawn up by the Company in compliance with the Guidelines and in accordance with the requirement of clause B of Part II of Schedule II of the Companies Act, 1956 as amended from time to time.

This report is intended solely for your information for inclusion in the Offer Document and is not to be used, referred to or distributed for any other purpose without our prior written consent.

Yours faithfully,

For S. B. Billimoria & Co.
Chartered Accountants

Nalin M. Shah
Partner

Mumbai, 16th May, 2005

ANNEXURE I

I. STATEMENT OF PROFITS, AS RESTATED

The Statement of restated Profits of the Company for the financial years ended 31st March, 2001, 2002, 2003, 2004 and 2005 together with the Schedules and related notes appearing hereunder, are as set out below:

(Rs. in million)

Year ended 31st March,	Schedule	2001	2002	2003	2004	2005
Income :						
From Infrastructure Operations	1	1,366.73	2,673.54	3,524.67	5,337.38	6,817.90
From Treasury Operations	2	1,762.41	1,446.66	893.45	972.30	368.41
Other Income	3	19.89	44.49	170.56	61.12	90.10
Total Income		**3,149.03**	**4,164.69**	**4,588.68**	**6,370.80**	**7,276.41**
Expenditure :						
Interest and Other Charges		1,166.36	1,703.55	1,869.49	2,259.87	3,119.07
Staff Expenses		72.22	94.70	124.59	133.82	147.38
Establishment Expenses		31.08	34.81	27.40	31.21	19.70
Other Expenses (See Note 1)		133.86	92.74	96.35	101.41	76.36
Provisions and Contingencies	4	152.50	184.16	249.63	1,083.58	647.93
Loss on Sale of Investments		-	-	172.80	-	-
Depreciation		29.79	40.43	44.47	41.45	36.24
Total Expenditure		**1,585.81**	**2,150.39**	**2,584.73**	**3,651.34**	**4,046.68**
Profit Before Tax		**1,563.22**	**2,014.30**	**2,003.95**	**2,719.46**	**3,229.73**
Provision for Taxation						
Less : Current Tax		158.80	148.00	248.00	448.00	320.00
Add : Deferred Tax (See Note 3)		-	-	43.50	320.00	130.50
Profit After Tax		**1,404.42**	**1,866.30**	**1,799.45**	**2,591.46**	**3,040.23**
Adjustments on account of changes in accounting policies:						
Deferred Tax (See Note 3)		11.42	66.23	0.93	(2.62)	-
Contingent Provision against Standard Assets (See Note 4(a) & (b))		16.60	(1.30)	(2.60)	7.30	-
Total of Adjustments		**28.02**	**64.93**	**(1.67)**	**4.68**	**-**
Profit After Tax as Restated		1,432.44	1,931.23	1,797.78	2,596.14	3,040.23
Add : Balance brought forward		3,038.42	3,437.46	2,723.69	2,730.84	3,103.86
Profits available for appropriation		**4,470.86**	**5,368.69**	**4,521.47**	**5,326.98**	**6,144.09**
Appropriations :						
Debenture Redemption Reserve		200.00	200.00	-	-	-
Special Reserve u/s 36(1)(viii) of the Income Tax Act, 1961		62.00	150.00	300.00	282.50	420.00
Special Reserve u/s 45-IC of the RBI Act,1934		-	1,295.00	362.50	532.50	635.00
Investment Fluctuation Reserve		-	-	-	150.00	100.00
Capital Reserve		-	-	-	130.00	-
Proposed Dividend		700.00	1,000.00	1,000.00	1,000.00	1,000.00
Tax on Dividend		71.40	-	128.13	128.12	142.81
Balance Carried Forward		3,437.46	2,723.69	2,730.84	3,103.86	3,846.28
		4,470.86	**5,368.69**	**4,521.47**	**5,326.98**	**6,144.09**

Schedules to the Statement of Profits, as restated

(Rs. in million)

Year ended 31st March,	2001	2002	2003	2004	2005
Schedule 1					
Income from Infrastructure Operations					
Interest	1,178.00	2,419.42	3,227.32	3,992.37	5,294.81
Other Fees	101.95	85.88	106.92	164.90	198.29
Dividend	-	5.10	0.47	41.20	40.57
Profit on Sale of Investments	-	-	-	846.09	1,113.02
From Other Operations	86.78	163.14	189.96	142.82	171.21
Provision for diminution in value of investments written back	-	-	-	150.00	-
	1,366.73	**2,673.54**	**3,524.67**	**5,337.38**	**6,817.90**
Schedule 2					
Income from Treasury Operations					
Interest on Investments	538.71	266.21	136.88	149.37	141.99
Interest on Bank Deposits	581.26	361.30	127.96	17.06	17.31
Interest on Deposits and Loans	106.93	8.27	9.97	35.94	27.10
Dividend from Units of Mutual Fund	223.76	626.50	-	307.11	-
Profit on Sale of Treasury Investments	237.41	184.38	506.98	462.82	178.43
Provision for diminution in value of investments written back	74.34	-	111.66	-	3.58
	1,762.41	**1,446.66**	**893.45**	**972.30**	**368.41**
Schedule 3					
Other Income					
Dividend on Strategic Investments	-	-	115.00	60.00	50.00
Interest on Income Tax Refund	-	23.76	39.91	-	39.58
Profit on Sale of Assets (net)	-	-	-	0.35	-
Miscellaneous Income	19.89	20.73	15.65	0.77	0.52
	19.89	**44.49**	**170.56**	**61.12**	**90.10**
Schedule 4					
Provisions and Contingencies					
Contingent Provision against Standard Assets (See Note 2(a))	32.50	22.50	15.00	62.87	70.93
Provision for Doubtful Loans and Debtors (See Note 2(b))	120.00	50.00	59.63	1,017.13	448.45
Provision for Diminution in Value of Treasury Investments	-	111.66	-	3.58	-
Provision for Diminution in Value of Other Investments	-	-	175.00	-	128.55
	152.50	**184.16**	**249.63**	**1,083.58**	**647.93**

Notes to the Statement of Profits, as restated

(Rs. in million)

Year ended 31st March,	2001	2002	2003	2004	2005
1 **Other Expenses include:**					
Wealth Tax	1.20	2.00	2.00	2.00	2.00
Loss on Sale of Assets (net)	0.64	0.33	0.61	-	0.67
2 (a) **Contingent Provision against Standard Assets comprises of:**					
(i) General Provision at 0.25% of Standard Assets in accordance with the RBI Guidelines (See Note 4(a))	32.50	22.50	15.00	50.00	65.00
(ii) Additional Provision as per the provisioning policy of the Company (See Note 4(b))	-	-	-	12.87	5.93
	32.50	22.50	15.00	62.87	70.93
(b) **Provision for Doubtful Loans and Debtors comprises of:**					
(i) Adhoc Provision	120.00	50.00	30.00	263.50	-
(ii) Provision for Loss of Interest on Restructured Accounts as per the RBI Guidelines	-	-	-	486.50	83.20*
(iii) Provision for Non Performing Assets	-	-	29.63	266.63	359.55
(iv) Provision for Doubtful Debtors	-	-	-	0.50	5.70
	120.00	50.00	59.63	1,017.13	448.45

* *Additional provision of Rs. 83.20 million was made towards loss of interest on restructured accounts after adjusting adhoc provision of Rs. 583.50 million*

3 **Deferred Tax:**

The Company adopted Accounting Standard 22, Accounting for Taxes on Income issued by the Institute of Chartered Accountants of India for the first time in preparing the financial statements for the year ended 31st March, 2003. Accordingly, for the purpose of this statement, the Deferred Tax Asset has been recognised in the respective years of origination, considering the adjustment on account of change in accounting policy and other changes with the corresponding effect to the Statement of Profits, as restated

4 **Contingent Provision against Standard Assets:**

(a) **General Provision at 0.25% of Standard Assets**

The Company provided general provision at 0.25% of Standard Assets in accordance with RBI guidelines for the first time in fiscal 2001. Accordingly, for the purpose of this statement, the Contingent Provision pertaining to prior years has been adjusted in Reserves.

(b) **Additional Provision as per the provisioning policy of the Company**

The Company provided additional provision as per the provisioning policy of the Company for the first time in fiscal 2004. Accordingly, for the purpose of this statement, the additional provision has been created in the respective years considering the adjustment on account of change in accounting policy with the corresponding effect to Statement of Profits, as restated.

ANNEXURE II

II. STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

The Statement of Assets and Liabilities of the Company, as restated, as at 31st March, 2001, 2002, 2003 2004 and 2005 together with the Schedules appearing hereunder, are as set out below:

(Rs. in million)

	As at 31st March,	Schedule	2001	2002	2003	2004	2005
Assets							
A.	**Fixed Assets**						
	Gross Block		462.04	747.29	757.65	749.37	725.75
	Less : Depreciation		(87.14)	(124.99)	(162.10)	(198.32)	(221.13)
	Net Block		**374.90**	**622.30**	**595.55**	**551.05**	**504.62**
B.	**Investments**	1	**9,068.97**	**9,465.69**	**9,151.26**	**11,639.74**	**7,687.86**
C.	**Infrastructure Loans**	2	**11,747.05**	**20,065.57**	**26,595.98**	**44,189.23**	**70,504.46**
D.	**Deferred Tax Asset**	3	**103.45**	**169.69**	**214.12**	**531.50**	**662.00**
E.	**Current Assets, Loans and Advances**						
	Interest Accrued on Investments		169.26	97.17	63.48	55.35	49.60
	Interest Accrued on Infrastructure Loans		366.67	717.00	961.85	594.75	846.24
	Sundry Debtors (Other than Promoters) (Unsecured)	4	-	1.86	23.18	184.34	58.39
	Cash and Bank Balances		5,694.65	1,164.48	1,020.06	42.85	4,269.68
	Loans and Advances (Other than Promoters) (Unsecured)	5	1,980.02	1,324.80	1,004.61	1,471.38	2,732.41
	Total Current Assets		**8,210.60**	**3,305.31**	**3,073.18**	**2,348.67**	**7,956.32**
	Total Assets		**29,504.97**	**33,628.56**	**39,630.09**	**59,260.19**	**87,315.26**
Liabilities and Provisions							
F.	**Loan Funds**						
	Subordinated Debt - From sponsors	6	6,500.00	6,500.00	6,500.00	6,500.00	6,500.00
	Unsecured Loans (Other than Promoters)	7	7,500.00	10,000.00	15,250.00	33,250.00	58,951.37
			14,000.00	**16,500.00**	**21,750.00**	**39,750.00**	**65,451.37**
G.	**Current Liabilities and Provisions**	8	**1,582.60**	**2,274.95**	**2,356.83**	**2,518.91**	**2,975.19**
	Total Liabilities		**15,582.60**	**18,774.95**	**24,106.83**	**42,268.91**	**68,426.56**
	Net Assets		**13,922.37**	**14,853.61**	**15,523.26**	**16,991.28**	**18,888.70**
	Represented by :						
	Shareholders' Funds :						
	Share Capital		10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
	Reserves and Surplus		3,922.37	4,853.61	5,523.26	6,991.28	8,888.70
			13,922.37	**14,853.61**	**15,523.26**	**16,991.28**	**18,888.70**

Schedules to the Statement of Assets and Liabilities, as restated

(Rs. in million)

As at 31st March,		**2001**	**2002**	**2003**	**2004**	**2005**
Schedule 1						
Investments :						
A. Bonds - Redeemable (Fully paid - Unquoted, Non Trade)	(A)	4,519.59	2,850.32	1,962.28	1,621.85	1,219.39
B. Certificate of Deposit	(B)	45.74	-	-	-	-
C. Pass Through Certificates - (Unquoted, Non Trade)	(C)	35.48	21.94	485.74	258.88	376.40
D. Mutual Funds - (Unquoted, Non Trade)		3,720.71	4,879.90	4,687.65	7,626.38	3,556.63
Less : Provision for diminution in value of investments		-	111.66	-	3.58	-
	(D)	3,720.71	4,768.24	4,687.65	7,622.80	3,556.63
E. Equity Shares (Fully paid)						
Quoted						
Infrastructure (See Note 2)		444.95	865.89	432.56	460.33	810.32
Unquoted						
Infrastructure (See Note 3)		302.50	562.50	859.74	700.70	344.98
Others		-	396.80	798.29	800.18	1,003.69
		302.50	959.30	1,658.03	1,500.88	1,348.67
Less : Provision for diminution in value of investments		-	-	175.00	25.00	153.55
	(E)	747.45	1,825.19	1,915.59	1,936.21	2,005.44
F. Preference Shares						
Unquoted						
Infrastructure	(F)	-	-	-	-	150.00
G. Venture Capital Units (Partly paid)						
India Development Fund - Class A	(G)	-	-	100.00	200.00	380.00
(A+B+C+D+E+F+G)		**9,068.97**	**9,465.69**	**9,151.26**	**11,639.74**	**7,687.86**
Notes:						
1 Aggregate amount of quoted investments:						
Cost		444.95	865.89	432.56	460.33	810.32
Market Value		319.81	620.69	268.99	2,069.08	3,018.71
2 Quoted investments include equity shares which are subject to a lock-in-period.		-	-	-	120.00	104.51
3 Unquoted investments include equity shares which are subject to a lock-in-period.		-	-	22.50	72.50	75.00
4 The above investments have been classified as under as required by the RBI guidelines:						
Held To Maturity		156.78	462.78	307.49	379.39	812.89
Held For Trading		-	1,163.54	1,284.95	-	-
Available For Sale		8,912.19	7,839.37	7,558.82	11,260.35	6,874.97
		9,068.97	**9,465.69**	**9,151.26**	**11,639.74**	**7,687.86**

Schedules to the Statement of Assets and Liabilities, as restated

(Rs. in million)

As at 31st March,	2001	2002	2003	2004	2005
Schedule 2					
Infrastructure Loans: (Secured)					
A. Loans	3,548.98	6,149.04	12,736.03	35,678.02	61,428.35
B. Debentures - Redeemable (Fully Paid - Unquoted)	8,138.07	10,702.53	10,285.55	6,039.62	7,349.60
C. Subordinated Loans	300.00	3,504.00	3,924.03	3,837.84	3,385.59
	11,987.05	20,355.57	26,945.61	45,555.48	72,163.54
Less : Provision for doubtful infrastructure loans (See Note)	240.00	290.00	349.63	1,366.25	1,659.08
Total	11,747.05	20,065.57	26,595.98	44,189.23	70,504.46
Whereof :					
(i) Considered Good	11,987.05	20,355.57	26,915.98	45,259.23	71,657.66
(ii) Considered Doubtful	-	-	29.63	296.25	505.88
Note:					
Provision for doubtful infrastructure loans comprises of:					
(i) Adhoc Provision	240.00	290.00	320.00	583.50	-
(ii) Provision for Non Performing Assets	-	-	29.63	296.25	505.88
(iii) Provision for Loss of Interest on Restructured Accounts as per the RBI Guidelines	-	-	-	486.50	1,153.20
	240.00	290.00	349.63	1,366.25	1,659.08
Schedule 3					
Deferred Tax:					
The major components of the Deferred Tax Assets and Liabilities are as under:					
Liabilities					
Depreciation	(2.66)	(3.02)	(9.40)	(15.65)	(19.39)
Assets					
Provisions	98.98	165.52	215.58	541.43	680.82
Others	7.13	7.19	7.94	5.72	0.57
Net Deferred Tax Asset	**103.45**	**169.69**	**214.12**	**531.50**	**662.00**

Schedules to the Statement of Assets and Liabilities, as restated

(Rs. in million)

As at 31st March,	**2001**	**2002**	**2003**	**2004**	**2005**
Schedule 4					
Sundry Debtors (Other than Promoters)(Unsecured):					
Debts outstanding for a period exceeding six months					
- considered good	-	-	11.71	2.27	4.38
- considered doubtful	-	-	-	0.51	5.19
Other debts					
- considered good	-	1.86	11.47	182.07	54.01
- considered doubtful	-	-	-	-	1.02
Less : Provision for doubtful debts	-	-	-	(0.51)	(6.21)
Total	**-**	**1.86**	**23.18**	**184.34**	**58.39**
Schedule 5:					
Loans and Advances (Other than Promoters) (Unsecured):					
Advances recoverable in cash or in kind or for value to be received	180.68	60.46	79.30	143.71	41.49
Advance payments of income-tax (Net of provisions)	476.80	712.19	873.67	991.12	1,320.33
Loan to Financial Institution	-	-	-	300.00	300.00
Inter Corporate Deposit	1,250.00	500.00	-	-	1,000.00
Security / Other deposits	56.04	52.15	51.64	36.55	20.59
Investment Application Money	16.50	-	-	-	50.00
Total	**1,980.02**	**1,324.80**	**1,004.61**	**1,471.38**	**2,732.41**
Schedule 6:					
Subordinated Debt :					
A. Government of India (Repayable on 17th March, 2047)	3,000.00	3,000.00	3,000.00	3,000.00	6,500.00*
B. Reserve Bank of India (Repayable on 29th September, 2047)	3,500.00	3,500.00	3,500.00	3,500.00	-
	6,500.00	**6,500.00**	**6,500.00**	**6,500.00**	**6,500.00**
Rate of interest (See Note)	**7.00%**	**10.00%**	**7.45%**	**7.45%**	**7.45%**

Note:

The rate of interest up to 31st March 2002 was linked to the dividend rate and thereafter linked to yield on Five Year Government Bond + 25 basis points, to be repriced every five years.

** Rs. 3,500 million due on 29th September, 2047.*

Schedules to the Statement of Assets and Liabilities, as restated

Schedule 7:

Unsecured Loans :

(Rs. in million)

As at 31st March,	2001		2002		2003		2004		2005	
	Rate of Interest	Rs. in million	Rate of Interest	Rs. in million	Rate of Interest	Rs. in million	Rate of Interest	Rs. in million	Rate of Interest	Rs. in million
Bonds in the nature of Promissory Notes	10.80% to 11.04%	2,500.00	9% to 11.04%	5,000.00	9% to 11.04%	5,000.00	9% to 11.04%	5,000.00	9% to 11.04%	4,800.00
Repayable from	30th Nov 05 to 8th Jan 06		30th Nov 05 to 4th Sept 06		30th Nov 05 to 4th Sept 06		30th Nov 05 to 4th Sept 06		30th Nov 05 to 4th Sept 06	
Debentures (Non Convertible) (See Note)	12.50%	5,000.00	12.50%	5,000.00	6.05% to 12.50%	9,000.00	5.05% to 8.40%	17,500.00	5.35% to 8.40%	27,026.00
Repayable on / from	23rd Nov 03		23rd Nov 03		23rd Nov 03 to 3rd Jan 13		17th Sept 04 to 31st Mar 14		20th May 07 to 23rd Mar 15	
Term Loan from Banks		-		-			5.42%	2,000.00	5.42% to 6.50%	20,250.00
Repayable on / from							25th March 07		9th Dec 06 to 29th Oct 09	
Term Loan from Others									6.50%	4,000.00
Repayable from									23rd Dec 08 to 30th Mar 10	
Commercial Paper					6% to 6.01%	1,250.00	4.85% to 5.11%	3,750.00	4.70% to 4.75%	2,250.00
Repayable from					21st May 03 to 27th May 03		4th May 04 to 22nd Dec 04		13th Jun 05 to 20th Jun 05	
Short Term Loans from Banks							4.95% to 5.25%	5,000.00	5.85%	625.37
Repayable on / from							13th May 04 to 31st Dec 04		10th Jun 05	
Total		**7,500.00**		**10,000.00**		**15,250.00**		**33,250.00**		**58,951.37**

Note:

	2001	2002	2003	2004	2005
Debentures aggregating to	-	-	3,000.00	16,500.00	26,026.00

are secured by a mortgage on certain immovable properties up to a value of Rs. 1.00 million each

Schedules to the Statement of Assets and Liabilities, as restated

(Rs. in million)

As at 31st March,	**2001**	**2002**	**2003**	**2004**	**2005**
Schedule 8:					
Current Liabilities and Provisions:					
A **Current Liabilities**					
Sundry Creditors	26.59	103.70	24.86	26.60	32.11
Interest Accrued but not due on loan funds	674.17	1,041.55	1,055.43	1,208.80	1,377.83
Fees / Other Amounts received in Advance	7.36	17.95	13.03	15.14	172.41
Other liabilities	64.42	48.90	52.12	1.44	43.11
Total Current Liabilities (A)	**772.54**	**1,212.10**	**1,145.44**	**1,251.98**	**1,625.46**
B. **Provisions**					
Proposed Dividend	700.00	1,000.00	1,000.00	1,000.00	1,000.00
Tax on Proposed Dividend	71.40	-	128.13	128.13	140.25
Provision for Retirement Benefits	2.76	3.15	5.96	5.93	5.68
Contingent Provision against Standard Assets (See Note)	35.90	59.70	77.30	132.87	203.80
Total Provisions (B)	**810.06**	**1,062.85**	**1,211.39**	**1,266.93**	**1,349.73**
Total Current Liabilities and Provisions (A) + (B)	**1,582.60**	**2,274.95**	**2,356.83**	**2,518.91**	**2,975.19**
Note:					
Contingent Provision against Standard Assets comprises of:					
(i) General Provision at 0.25% of Standard Assets in accordance with the RBI Guidelines	32.50	55.00	70.00	120.00	185.00
(ii) Additional Provision as per the provisioning policy of the Company	3.40	4.70	7.30	12.87	18.80
	35.90	**59.70**	**77.30**	**132.87**	**203.80**

ANNEXURE III

II. SIGNIFICANT NOTES TO THE ACCOUNTS

(Rs. in million)

As at 31st March,	**2001**	**2002**	**2003**	**2004**	**2005**
1 **Contingent liabilities :**					
(i) Estimated amount of contracts remaining to be executed on capital account (net of advances)	124.26	1.11	-	0.03	-
(ii) Uncalled Liability on partly paid venture capital units	-	-	900.00	800.00	620.00
(iii) Capital Commitment on purchase of shares	-	-	-	165.00	-
(iv) **Claims not acknowledged as debts in respect of:**					
Income Tax demands under appeal	19.10	38.45	99.29	236.00	216.75
Others	-	3.79	-	0.50	-
(v) Bank Guarantee issued on behalf of the Company	-	-	1.73	1.73	1.73
(vi) **Guarantees Issued:**					
Financial Guarantees	1,381.30	1,861.00	2,637.00	3,123.00	4,409.00
Performance Guarantees	-	3,400.00	650.00	425.00	425.00
Risk Participation Facility	240.00	240.00	240.00	240.00	240.00
Take Out Facility	510.00	608.00	727.00	846.00	716.00
	2,131.30	**6,109.00**	**4,254.00**	**4,634.00**	**5,790.00**
(vii) Guarantee given on behalf of a third party	-	-	-	1.10	1.10

2 **Additional information disclosed in terms of RBI circular (Ref.No. DBS.FID.No.C-2/01.02.00/2004-05 Dated 2nd August,2004) on the basis of the audited accounts, without considering the effect of restatements:**

(Rs. in million)

As at 31st March,		**2001**	**2002**	**2003**	**2004**	**2005**
A	**Standard Assets subject to restructuring**	-	-	5,415.00	3,548.00	1,204.44
	Sub Standard Assets subject to restructuring	-	-	-	296.00	-
B	**Capital to Risk Assets Ratio (CRAR):**	84.11%	56.67%	51.32%	36.97%	28.65%
	(i) Core CRAR	56.45%	38.31%	35.91%	25.61%	20.14%
	(ii) Supplementary CRAR	27.66%	18.36%	15.41%	11.36%	8.51%
C	**The amount of sub-ordinated debt raised and outstanding as Tier II Capital**	6,500.00	6,500.00	6,500.00	6,500.00	6,500.00
D	**Risk weighted Assets:**					
	On Balance Sheet Items	22,353.70	31,142.62	37,389.60	58,434.57	82,410.91
	Off Balance Sheet Items	2,131.30	6,152.34	5,255.00	5,839.73	7,055.78
E	**Asset Quality and Credit Concentration:**					
	Total Net NPA Assets	-	-	266.63	-	-
	Total Net Loan Assets	-	-	26,595.98	44,189.23	70,504.46
	Percentage of net NPAs to net loans assets	-	-	1.00	-	-
F	**Amount of provisions made towards Standard Assets, NPAs, Investments (other than those in the nature of advance) and Income tax:**					
	Provision for Standard Assets	32.50	22.50	15.00	62.87	70.93
	Provision for Sub-standard, Doubtful and Loss Assets	-	-	29.63	1,017.13	448.45
	Provision for Investments	-	111.66	175.00	3.58	128.55
	Provision for Income tax	158.80	148.00	204.50	128.00	189.50

(Rs. in million)

As at 31st March,	2001		2002		2003		2004		2005	
	% to Capital Funds	% to Total Exposure	% to Capital Funds	% to Total Exposure	% to Capital Funds	% to Total Exposure	% to Capital Funds	% to Total Exposure	% to Capital Funds	% to Total Exposure
G. **Credit exposure as percentage to capital funds and as percentage to total assets in respect of:**										
The largest single borrower	31.11	6.81	18.72	4.80	12.73	4.50	21.04	5.13	22.70	4.69
The largest borrower group	53.50	11.72	46.98	12.04	29.49	10.43	39.63	9.65	42.33	8.74
The 10 largest single borrowers										
No. 1	31.11	6.81	18.72	4.80	12.73	4.50	21.04	5.13	22.70	4.69
No. 2	28.58	6.26	18.72	4.80	12.72	4.50	16.83	4.10	15.60	3.22
No. 3	26.04	5.71	17.97	4.61	12.69	4.49	14.10	3.43	15.60	3.22
No. 4	21.70	4.75	17.02	4.36	12.66	4.48	13.63	3.32	15.34	3.17
No. 5	21.70	4.75	17.02	4.36	11.66	4.12	12.79	3.12	12.75	2.63
No. 6	20.94	4.59	17.02	4.36	11.20	3.96	12.63	3.08	11.86	2.45
No. 7	18.09	3.96	17.02	4.36	10.60	3.75	12.62	3.08	11.70	2.42
No. 8	18.09	3.96	16.34	4.19	10.60	3.75	12.08	2.94	10.73	2.22
No. 9	16.82	3.68	15.98	4.10	10.60	3.75	11.57	2.82	10.69	2.21
No. 10	14.47	3.17	15.83	4.06	9.96	3.52	11.54	2.81	10.53	2.18
The 10 largest borrower groups										
No. 1	53.50	11.72	46.98	12.04	29.49	10.43	39.63	9.65	42.33	8.74
No. 2	41.60	9.11	35.74	9.16	26.89	9.51	25.01	6.09	35.07	7.24
No. 3	30.02	6.58	33.00	8.46	22.27	7.87	21.04	5.13	33.73	6.96
No. 4	26.04	5.71	18.72	4.80	17.38	6.14	20.68	5.04	24.19	4.99
No. 5	21.70	4.75	17.97	4.61	16.90	5.98	16.40	4.00	22.70	4.69
No. 6	16.82	3.68	15.83	4.06	12.72	4.50	15.78	3.84	20.95	4.33
No. 7	14.11	3.09	15.12	3.87	11.20	3.96	13.63	3.32	19.64	4.05
No. 8	13.60	2.98	10.17	2.61	10.60	3.75	12.63	3.08	16.03	3.31
No. 9	10.85	2.38	9.74	2.50	8.61	3.04	12.62	3.08	15.34	3.17
No. 10	6.15	1.35	8.00	2.05	8.48	3.00	11.57	2.82	15.12	3.12

Note:

(i) Capital Funds' comprises of Tier I and Tier II Capital as defined in RBI guidelines for Capital Adequacy Norms.

(ii) Credit Exposure' is computed as total sanctions including defaults and net of cancellation and receipts.

(iii) Total Assets' comprises of Total Credit Exposure as computed in (ii) above.

(Rs. in million)

As at / Year ended 31st March,	2001 % to Total Exposure	2002 % to Total Exposure	2003 % to Total Exposure	2004 % to Total Exposure	2005 % to Total Exposure
H. **Credit exposure to the five largest industrial sectors (if applicable) as percentage to total loan assets**					
No. 1 - Energy	57.92	29.36	36.42	39.93	34.17
No. 2 - Telecommunications and IT	25.12	37.30	29.94	27.60	26.90
No. 3 - Integrated Transportation	15.48	27.72	31.75	25.92	25.87
No. 4 - Urban Infrastructure	1.48	5.62	1.89	1.86	3.61
No. 5 - Tourism	-	-	-	1.62	1.18
I. **Operating Results:**					
Interest income as a percentage to average working funds	10.59%	11.75%	9.72%	8.39%	7.85%
Non-interest income as a percentage to average working funds	1.22%	1.09%	2.87%	4.35%	2.50%
Operating profit as a percentage to average working funds	6.43%	6.39%	5.50%	5.44%	4.59%
Return on average assets	5.26%	5.91%	4.94%	5.18%	4.32%
Net profit per employee (Rs. in million)	13.50	16.09	13.63	20.57	29.23

Definitions:

1. Average working funds is the half yearly average of total assets during the year.
2. Operating Profits = Profits Before Tax.
3. Productivity Ratio is based on number of employees at the year end.

J. **Interest Rate Swaps:**	2001	2002	2003	2004	2005
Notional Principal - Hedging.	Nil	Nil	500.00	500.00	Nil
Fair Value - Hedging.	Nil	Nil	(3.50)	(3.40)	Nil
Accounting Policy: Interest Rate Swaps are accounted on accrual basis.					
Quantification of the losses which would be incurred if the counter parties failed to fulfill their obligations under the agreements.	Nil	Nil	0.66	Nil	Nil
Collateral required by the entity upon entering into swaps.	Nil	Nil	Nil	Nil	Nil
Credit Risk Concentration.	Nil	Nil	Nil	Nil	Nil

(Rs. in million)

As at / Year ended 31st March,	2001	2002	2003	2004	2005
K. **Provisions for Non Performing Assets (comprising loans, bonds and debentures in the nature of advance and inter-corporate deposits):** (excluding provision for standard assets)					
(a) Opening balance as at the beginning of the financial year	120.00	240.00	290.00	349.63	1,366.75
Add: Provision made during the year	120.00	50.00	59.63	1,017.12	594.78
Less: Write back of excess provision	-	-	-	-	296.23
(b) Closing balance at the close of the financial year	240.00	290.00	349.63	1,366.75	1,665.30
L. **Provisions for depreciation in investments:**					
(c) Opening balance as at the beginning of the financial year	-	-	111.66	175.00	28.58
Add:					
i. Provisions made during the year	-	111.66	175.00	3.58	128.55
ii. Appropriation, if any, from Investment Fluctuation Reserve Account during the year	-	-	-	-	-
Less:					
i. Write back during the year	-	-	(111.66)	(150.00)	(3.58)
ii. Transfer, if any to Investment Fluctuation Reserve Account	-	-	-	-	-
(d) Closing balance as at the close of the financial year	-	111.66	175.00	28.58	153.55

ANNEXURE IV

IV. Significant Accounting Policies annexed to the Statement of Profits, as restated for the financial years ended 31st March, 2001, 2002, 2003, 2004 and 2005 and the Statement of Assets and Liabilities, as restated as at 31st March, 2001, 2002, 2003, 2004 and 2005.

A. **SYSTEM OF ACCOUNTING:**

The Company adopts the accrual concept in the preparation of the accounts. The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

B. **INFLATION:**

Assets and liabilities are recorded at historical cost to the Company. These costs are not adjusted to reflect the changing value in the purchasing power of money.

C. **INVESTMENTS:**

Investments are valued in accordance with the RBI guidelines on investment classification and valuation.

(a) Investments in bonds and mutual funds are classified under (i) 'Held to maturity' (ii) 'Available for sale' (iii) 'Held for trading' as per the RBI guidelines.

(b) 'Held to maturity' securities are carried at acquisition cost. A provision is made for diminution other than temporary.

(c) 'Available for sale' and 'Held for trading' securities are carried at the lower of cost and fair value determined by category of investments (except for investment in mutual funds where carrying value is determined on individual basis).

D. **ADVANCES:**

(a) All advances are classified under four categories i.e. (i) Standard Assets, (ii) Sub-standard Assets, (iii) Doubtful Assets and (iv) Loss Assets.

(b) Specific provisions on advances (including restructured advances) are arrived at in accordance with the RBI guidelines / directives.

(c) In respect of Debentures / Bonds in the nature of an advance, where interest is not serviced, provision for depreciation is made as per the method applicable to Non-Performing Advances (Income Recognition and Classification norms).

(d) Provisions on Standard Assets portfolio is made as per the provisioning policy of the Company in addition to general provision of 0.25% in accordance with the RBI guidelines.

E. **FIXED ASSETS:**

Fixed assets are stated at cost of acquisition, including any cost attributable for bringing the asset to its working condition, less accumulated depreciation.

F. **DEPRECIATION:**

Depreciation on Fixed Assets is provided on the written down value method, at the rates prescribed by Schedule XIV of the Companies Act, 1956. Depreciation on additions during the year is provided on a pro-rata basis. Assets costing less than Rs 5,000/- each are written off in the year of capitalisation.

G. **RETIREMENT BENEFITS:**

(a) The Company has taken a superannuation policy with Life Insurance Corporation of India, for future payment of superannuation. Annual superannuation contributions are made as determined by Life Insurance Corporation of India, for purpose of payment.

(b) The Company has taken a group gratuity policy with Life Insurance Corporation of India, for future payment of gratuities. Annual gratuity contributions are made as determined by Life Insurance Corporation of India, for purpose of payment, based on actuarial valuation.

(c) The Company has provided for liability towards the encashment of leave salary on retirement on the basis of an actuarial valuation.

(d) The Company's contribution to Provident Fund is deposited with Regional Provident Fund Commissioner and is charged to Profit and Loss Account every year.

H. **INCOME-TAX:**

The accounting treatment for Income-tax in respect of the Company's income is based on the Accounting Standard on 'Accounting for Taxes on Income' (AS 22) issued by the Institute of Chartered Accountants of India. The provision made for Income-tax in the Accounts comprises both, the current tax and deferred tax. The deferred tax assets and liabilities for the year, arising on account of timing differences, are recognised in the Profit & Loss Account; and the cummulative effect thereof is reflected in the Balance Sheet.

I. **REVENUE RECOGNITION:**

(a) Interest and other dues are accounted on accrual basis.

(b) Dividend is accounted when the right to receive is established.

(c) Front end fees on processing of loans are recognised upfront as income.

J. **TRANSLATION OF FOREIGN CURRENCY:**

Assets and liabilities in foreign currencies are converted at the rates of exchange prevailing at the year end.

ANNEXURE V

V. CASH FLOW STATEMENT

The cash flow statements of the Company for the financial years ended 31st March, 2002 to 2005 are as set out below:

(Rs. in million)

Year ended 31st March,	2002	2003	2004	2005
A. Cash Flow from Operating Activities:				
Profit after tax as restated	1,931.23	1,797.78	2,596.14	3,040.23
Add: Provision for tax (net of deferred tax)	81.77	203.57	130.62	189.50
Profit before tax as restated	2,013.00	2,001.35	2,726.76	3,229.73
Adjustments for :				
Depreciation	40.43	44.47	41.45	36.24
Provision for Retirement Benefits	0.39	2.81	(0.03)	(0.25)
Provision for Doubtful Loans and Debtors	73.80	77.23	1,072.70	369.46
Provision for Diminution in value of Investments written back	-	(111.66)	(150.00)	(3.58)
Provision for Diminution in value of Investments	111.66	175.00	3.58	128.55
(Profit) / Loss on sale of Investments	-	172.80	(846.09)	(1,113.02)
Loss / (Profit) on sale of Assets	0.33	0.61	(0.35)	0.67
Investment Income	(1,446.66)	(781.79)	(972.30)	(364.83)
Operating profit before Working Capital Changes	792.95	1,580.82	1,875.72	2,282.97
Changes in :				
Current Assets, Loans and Advances	(319.72)	(244.43)	99.47	(53.81)
Current Liabilities and Provisions	439.56	(66.66)	106.54	373.48
	119.84	(311.09)	207.01	319.67
Direct Taxes paid	(383.40)	(409.49)	(565.45)	(649.19)
NET CASH FROM OPERATING ACTIVITIES	529.39	860.24	1,516.28	1,953.45
B. Cash flow from Investing Activities:				
Purchase of Fixed Assets	(288.64)	(21.86)	(7.01)	(2.18)
Sale of Fixed Assets	0.48	3.54	10.40	11.69
Investment Income	1,626.90	775.41	1,037.08	361.31
Proceeds from / (Purchase) of Investments, Loans and Deposits (net)	241.62	578.29	(1,795.97)	3,939.93
NET CASH FROM / (USED) IN INVESTING ACTIVITIES	1,580.36	1,335.38	(755.50)	4,310.75
C. Cash flow from Financing Activities:				
Infrastructure Loans disbursed (net of repayment)	(8,368.52)	(6,590.04)	(18,609.87)	(26,608.06)
Proceeds from Borrowings (net of repayment)	2,500.00	5,250.00	18,000.00	25,701.37
Dividend paid (including dividend tax)	(771.40)	(1,000.00)	(1,128.13)	(1,130.68)
NET CASH USED IN FINANCING ACTIVITIES	(6,639.92)	(2,340.04)	(1,738.00)	(2,037.37)
Net change in cash and cash equivalents (A+B+C)	**(4,530.17)**	**(144.42)**	**(977.22)**	**4,226.83**
Cash and cash equivalents as at the beginning of the year as per Annexure II	5,694.65	1,164.48	1,020.06	42.85
Cash and cash equivalents as at the end of the year as per Annexure II	1,164.48	1,020.06	42.85	4,269.68
	4,530.17	**144.42**	**977.22**	**(4,226.83)**

ANNEXURE VI

VI. DISCLOSURE OF SEGMENT INFORMATION

The disclosure of segment information of the Company as at and for the financial years ended 31st March, 2002 to 2005 is as set out below:

(Rs. in million)

As at / Year ended 31st March,	**2002**	**2003**	**2004**	**2005**
Segment Revenue:				
(a) Infrastructure	2,673.54	3,524.67	5,337.38	6,817.90
(b) Treasury	1,446.66	893.45	972.30	368.41
(c) Others	-	115.00	60.00	50.00
	4,120.20	4,533.12	6,369.68	7,236.31
(d) Unallocated revenue	44.49	55.56	1.12	40.10
Total	**4,164.69**	**4,588.68**	**6,370.80**	**7,276.41**
Segment Results:				
[Profit before net unallocated expenses and tax]				
(a) Infrastructure	1,611.27	1,989.52	2,705.44	3,434.06
(b) Treasury	591.32	51.23	174.88	(104.94)
(c) Others	-	82.21	3.92	3.31
	2,202.59	2,122.96	2,884.24	3,332.43
Less: Unallocated expenditure net of unallocated income	(149.16)	(77.14)	(116.03)	(66.46)
Less: Depreciation (unallocated)	(40.43)	(44.47)	(41.45)	(36.24)
Profit before taxation as restated	2,013.00	2,001.35	2,726.76	3,229.73
Less: Provision for taxation (including adjustments)	(81.77)	(203.57)	(130.62)	(189.50)
Profit after taxation as restated	**1,931.23**	**1,797.78**	**2,596.14**	**3,040.23**
Segment Assets:				
(a) Infrastructure	22,539.97	29,379.44	47,754.49	75,021.58
(b) Treasury	9,416.88	8,260.44	9,863.28	10,815.74
(c) Others	-	740.80	740.80	740.80
(d) Unallocated	1,946.47	1,774.04	2,164.79	2,555.98
Total	**33,903.32**	**40,154.72**	**60,523.36**	**89,134.10**
Segment Liabilities:				
(a) Infrastructure	10,333.29	11,250.63	25,055.48	55,845.05
(b) Treasury	7,679.46	10,168.90	14,202.37	9,952.98
(c) Others	-	401.71	1,017.51	1,000.43
(d) Unallocated	1,036.96	2,810.22	3,256.72	3,446.94
Total	**19,049.71**	**24,631.46**	**43,532.08**	**70,245.40**
Net Capital Employed	**14,853.61**	**15,523.26**	**16,991.28**	**18,888.70**
Significant Non Cash Expenses				
(a) Infrastructure	73.80	252.23	1,080.00	647.93
(b) Treasury	111.66	-	3.58	-

Notes:

- The Company has no geographic segments.
- Segment results are arrived at after allocation of interest cost. The allocation recognises that Infrastructure fundings have been made out of own funds.

VII RELATED PARTY DISCLOSURES:

The statement of Related Party disclosures of the Company as at and for the financial years ended 31st March, 2002 to 2005 are as set out below:

A The following are the related parties as per Accounting Standard 18 on "Related Party Disclosure".

(i) **Subsidiaries**	Feedback First Urban Infrastructure Development Company Limited (effective 29th April, 2004)
	IDFC Asset Management Company Limited
	IDFC Trustee Company Limited
	Uttaranchal Infrastructure Development Company Limited (up to 30th October, 2003)
(ii) **Joint Ventures**	Infrastructure Development Corporation (Karnataka) Limited
	Uttaranchal Infrastructure Development Company Limited (from 31st October, 2003)
	Infrastructure Finance Company Gujarat Limited (up to 30th March, 2005)
(iii) **Associates**	Feedback First Urban Infrastructure Development Company Limited (from 4th May, 2002 to 28th April, 2004)
(iv) **Key Management Personnel**	Mr. Rajiv Lall - Managing Director & Chief Executive Officer (from 10th January, 2005)
	Mr. Nasser Munjee - Managing Director & Chief Executive Officer (up to 31st March, 2004)

B. The following transactions were carried out with the above parties:

(Rs. in million)

As at / Year ended 31st March,	2002	2003	2004	2005
Subsidiaries:				
(a) **Other services rendered:**				
IDFC Asset Management Company Limited	-	0.77	2.43	0.19
(b) **Other services taken:**				
IDFC Asset Management Company Limited	-	-	0.20	-
(c) Purchase of Fixed Assets :				
Feedback First Urban Infrastructure Development Company Limited	-	-	-	0.10
(d) **Balances outstanding as at the year end:**				
- Receivables				
IDFC Asset Management Company Limited	-	-	0.02	-
Uttaranchal Infrastructure Development Company Limited	-	0.22	-	-
(e) Deputation of Employees				
IDFC Asset Management Company Limited	-	1.63	-	-
Joint Ventures:				
(a) **Other services rendered:**				
Infrastructure Development Corporation (Karnataka) Limited	5.81	4.56	5.81	2.98
Uttaranchal Infrastructure Development Company Limited	-	-	1.72	0.81
Infrastructure Finance Company Gujarat Limited	0.07	-	0.23	-
(b) **Other services taken:**				
Infrastructure Development Corporation (Karnataka) Limited	0.99	1.99	4.47	6.55
Uttaranchal Infrastructure Development Company Limited	-	-	0.47	-
(c) **Sale of Fixed Assets**				
Infrastructure Development Corporation (Karnataka) Limited	-	-	-	1.34
(d) Deputation of Employees				
Infrastructure Development Corporation (Karnataka) Limited	-	0.31	0.60	0.60
(e) **Balances outstanding as at the year end:**				
- Receivables				
Infrastructure Development Corporation (Karnataka) Limited	0.34	0.05	0.01	-
Uttaranchal Infrastructure Development Company Limited	-	-	1.08	-
Infrastructure Finance Company Gujarat Limited	0.02	-	-	-
Key management personnel:				
(a) Remuneration	4.01	5.73	4.47	2.31
(b) Finance (loan installments recovered)	0.12	0.15	0.98	-
(c) Balances outstanding as at the year end	0.96	0.90	-	-

ANNEXURE VIII

IDFC Asset Management Company Limited (Wholly-Owned Subsidiary)

I. STATEMENT OF PROFITS

The Statement of Profits of the above wholly-owned Subsidiary for the period from 7th November, 2002 to 31st March, 2003 and financial years ended 31st March, 2004 and 2005 together with the note appearing thereunder, are as set out below:

(Rs. in million)

Period / Year ended 31st March	**2003**	**2004**	**2005**
Income :			
From Management Fees	3.60	87.60	98.79
Gains on redemption of current investments	-	0.75	2.97
Interest on Term Deposits with banks	-	-	0.12
Interest on Income Tax Refund	-	-	0.01
Total Income	**3.60**	**88.35**	**101.89**
Expenditure :			
Staff Expenses	2.39	21.13	27.89
Administrative and Other Expenses	0.94	8.27	16.93
Miscellaneous Expenditure Written Off (See Note)	0.10	0.39	-
Depreciation	-	2.14	3.11
Total Expenditure	**3.43**	**31.93**	**47.93**
Profit Before Tax	**0.17**	**56.42**	**53.96**
Provision For Tax			
Less : Current Tax	0.06	21.00	20.90
Less : Deferred Tax	-	(0.05)	(0.72)
Profit After Tax	**0.11**	**35.47**	**33.78**

Note:

Preliminary expenses of Rs.0.39 million have been fully charged off to the Profit and Loss Account during the year ended 31st March, 2004 as against the earlier policy of amortising such expenditure over a period of five financial years.

ANNEXURE IX

IDFC Asset Management Company Limited (Wholly-Owned Subsidiary)

II. STATEMENT OF ASSETS AND LIABILITIES

The Statement of Assets and Liabilities of the above wholly-owned Subsidiary as at 31st March 2003, 2004 and 2005 together with the Notes appearing hereunder, are as set out below:

(Rs. in million)

As at 31st March,	2003	2004	2005
Assets			
A. **Fixed Assets**			
Gross Block	-	10.02	10.33
Less : Depreciation	-	2.14	5.25
Net Block	**-**	**7.88**	**5.08**
B. **Investments** (See Note 1)	**0.10**	**58.41**	**0.10**
C. **Current Assets, Loans and Advances**			
Management Fee Accrued (Unsecured, less than six months)	-	0.58	0.03
Cash and Bank Balances	20.89	0.92	107.57
Interest accrued on Term Deposits with Banks	-	-	0.12
Loans and Advances (See Note 2)	1.44	33.49	56.71
Total Current Assets	**22.33**	**34.99**	**164.43**
D. **Deferred Tax Asset**	-	0.01	0.77
Total Assets	**22.43**	**101.29**	**170.38**
Liabilities and Provisions			
E. **Current Liabilities and Provisions**			
Current Liabilities (See Note 3)	22.16	43.80	57.63
Provisions (See Note 4)	0.06	21.42	42.89
Total Current Liabilities and Provisions	**22.22**	**65.22**	**100.52**
Total Liabilities	**22.22**	**65.22**	**100.52**
Net Assets	**0.21**	**36.07**	**69.86**
Represented By :			
Shareholders' Funds			
Share Capital	0.50	0.50	0.50
Reserves and Surplus	0.10	35.57	69.36
Miscellaneous Expenditure to the extent not written off	(0.39)	-	-
	0.21	**36.07**	**69.86**

Notes to Statement of Assets and Liabilities

(Rs. in million)

As at 31st March,		**2003**	**2004**	**2005**
1	**Investments :**			
	1000 Class B units of IDFC Infrastructure Fund - India Development Fund of Rs. 100 each (Non Trade, Long Term)	0.10	0.10	0.10
	Mutual Funds (Non Trade, Current)	-	58.31	-
		0.10	**58.41**	**0.10**
2	**Loans & Advances :**			
	Advances recoverable in cash or in kind or for value to be received	0.09	0.13	0.09
	Deposits	-	1.55	1.95
	Advance payment of Tax	1.35	31.81	54.67
		1.44	**33.49**	**56.71**
3	**Current Liabilities :**			
	Management Fees received in advance	20.91	36.29	48.36
	Sundry Creditors	1.25	7.51	9.27
		22.16	**43.80**	**57.63**
4	**Provisions:**			
	Gratuity	-	0.21	0.56
	Leave Encashment	-	0.15	0.36
	Taxation	0.06	21.06	41.97
		0.06	**21.42**	**42.89**
5	**Contingent Liabilities**	-	-	-

ANNEXURE X

IDFC Asset Management Company Limited (Wholly-Owned Subsidiary)

III. Significant Accounting Policies annexed to the Statement of Profits for the period from 7th November, 2002 to 31st March, 2003 and the financial years ended 31st March, 2004 and 2005 and the Statement of Assets and Liabilities as at 31st March, 2003, 2004 and 2005.

(a) **BASIS OF ACCOUNTING:**

The financial statements have been prepared under the historical cost convention on an accrual basis and comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.

(b) **REVENUE RECOGNITION:**

In accordance with the Private Placement Memorandum of India Development Fund dated February 21, 2003, an annual investment management fee ("Management Fees") is receivable from IDFC Infrastructure Fund - India Development Fund semi annually in advance. The management fees comprise of:

i. 2% of the amount invested in portfolio investments (which are neither realised nor written off); and

ii. 1% of the total capital commitment, during the commitment period, reduced by:

- amounts invested in portfolio investments (which are neither realised nor written off);
- returns of investors' capital contribution (at cost) from realised portfolio investments;
- the sum of all amounts written off (at cost) in respect of unrealised portfolio investments (after any write back).

The management fees accrue from the date of the initial closing up to the date when IDFC Infrastructure Fund - India Development Fund is wound up.

(c) **FIXED ASSETS AND DEPRECIATION:**

i. Fixed assets are stated at their original cost of acquisition, less accumulated depreciation.

ii. Depreciation on fixed assets is provided on the written down value method, at the rates prescribed by Schedule XIV of the Companies Act, 1956.

Depreciation on additions to fixed assets during the year is being provided on a pro-rata basis.

Leasehold improvements are depreciated over the primary period of lease.

iii. Assets individually costing less than Rs. 5,000 are charged off to the Profit and Loss Account in the year of purchase/acquisition.

(d) **INVESTMENTS:**

Long term investments are valued at cost except where there is a diminution in value other than temporary in which case the carrying value is reduced to recognize the decline. Current investments are valued at lower of cost or market value.

Profit/loss on sale of current investments is calculated based on cost calculated on first in first out method.

(e) **RETIREMENT BENEFITS:**

Retirement benefits to employees comprise contributions to provident fund, superannuation fund and gratuity. The provident fund is a defined contribution scheme. The Company makes contributions to the Employees Superannuation Scheme, a defined benefit scheme of the Life Insurance Corporation of India. Gratuity is accrued based on an actuarial valuation at the financial year-end. Provision for leave encashment is being made on accrual basis.

(f) **OPERATING LEASES:**

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Profit and Loss Account, on a straight-line basis, over the lease term.

(g) **DEFERRED TAX:**

Deferred tax is recognised, subject to the consideration of prudence in respect of deferred tax asset, on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

ANNEXURE XI

IDFC Trustee Company Limited (Wholly-Owned Subsidiary)

I. STATEMENT OF PROFITS AND LOSSES

The Statement of Profits and Losses of the above wholly-owned Subsidiary for the period from 11th October, 2002 to 31st March, 2003 and financial years ended 31st March, 2004 and 2005 together with the note appearing thereunder, are as set out below:

(Rs. in million)

Period / Year ended 31st March	2003	2004	2005
Income :			
Trusteeship Fees	0.01	0.15	0.05
Interest on Fixed Deposit	-	0.01	0.03
Total Income	**0.01**	**0.16**	**0.08**
Expenditure :			
Administrative and Other Expenses	0.01	0.02	0.02
Preliminary Expenses Written off (See Note)	0.01	0.05	-
Total Expenditure	**0.02**	**0.07**	**0.02**
Profit / (Loss) Before Tax	**(0.01)**	**0.09**	**0.06**
Provision For Tax			
Less : Current Tax	-	0.05	0.03
Less : Deferred Tax	-	(0.01)	-
Profit / (Loss) After Tax	**(0.01)**	**0.05**	**0.03**

Note:

Preliminary expenses of Rs. 0.05 million have been fully charged off to Profit and Loss Account during the year ended 31st March, 2004 as against the earlier policy of amortising such expenditure over a period of five financial years.

ANNEXURE XII

IDFC Trustee Company Limited (Wholly-Owned Subsidiary)

II. STATEMENT OF ASSETS AND LIABILITIES

The Statement of Assets and Liabilities of the above wholly-owned Subsidiary as at 31st March 2003, 2004 and 2005 are as set out below:

(Rs. in million)

As at 31st March,	2003	2004	2005
Assets			
A. **Current Assets, Loans and Advances**			
Cash and Bank Balances	0.44	0.59	0.59
Loans and Advances	0.01	0.01	0.02
Total Current Assets	**0.45**	**0.60**	**0.61**
Total Assets	**0.45**	**0.60**	**0.61**
Liabilities and Provisions			
B. **Current Liabilities and Provisions**			
Current Liabilities	-	0.01	0.02
Provisions	-	0.05	0.02
Total Current Liabilities and Provisions	**-**	**0.06**	**0.04**
Total Liabilities	**-**	**0.06**	**0.04**
Net Assets	**0.45**	**0.54**	**0.57**
Represented By :			
Shareholders' Funds			
Share Capital	0.50	0.50	0.50
Reserves and Surplus	(0.01)	0.04	0.07
Miscellaneous Expenditure to the extent not written off	(0.04)	-	-
	0.45	**0.54**	**0.57**
Contingent Liabilities	**-**	**-**	**-**

ANNEXURE XIII

IDFC Trustee Company Limited (Wholly-Owned Subsidiary)

III. Significant Accounting Policies annexed to the Statement of Profits and (Losses) for the period from 11th October, 2002 to 31st March, 2003 and the financial years ended 31st March, 2004 and 2005 and the Statement of Assets and Liabilities as at 31st March, 2003, 2004 and 2005.

(a) **BASIS OF ACCOUNTING:**

The financial statements have been prepared under historical cost convention on accrual basis and comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.

(b) **REVENUE RECOGNITION:**

Trusteeship fees are accounted for on accrual basis.

(c) **TAXATION:**

(i) The provision for Current Income Tax is made at the applicable rates under the Income Tax Act, 1961.

(ii) Deferred tax is recognised, subject to the consideration of prudence in respect of deferred tax asset, on timing differences, being the differences between taxable income and accounting income that originate in current period and are capable of reversal in one or more subsequent periods.

ANNEXURE XIV

Feedback First Urban Infrastructure Development Company Limited (Associate from 4th May, 2002 to 28th April, 2004 and Wholly-Owned Subsidiary thereafter)

I. STATEMENT OF PROFITS AND LOSSES

The Statement of Profits and Losses of the above Company for the financial years ended 31st March, 2003, 2004 and 2005 are as set out below:

(Rs. in million)

Year ended 31st March,	**2003**	**2004**	**2005**
Income :			
Income from Investments	7.68	14.84	5.62
Other Income	9.78	1.93	3.98
Total Income	**17.46**	**16.77**	**9.60**
Expenditure :			
Administrative Overheads	12.16	4.72	3.30
Settlement of claims	-	5.70	-
Deferred revenue expenses written off	2.02	5.94	-
Preliminary expenses written off	0.55	0.55	0.55
Loss on Sale of Assets	-	0.84	-
Depreciation	0.24	0.16	0.03
Total Expenditure	**14.97**	**17.91**	**3.88**
Profit/ (Loss) Before Tax	**2.49**	**(1.14)**	**5.72**
Provision For Tax			
Less : Current Tax	0.16	0.15	-
Less : Deferred Tax	0.06	(0.07)	(0.12)
Profit / (Loss) After Tax	**2.27**	**(1.22)**	**5.84**

ANNEXURE XV

Feedback First Urban Infrastructure Development Company Limited (Associate from 4th May, 2002 to 28th April, 2004 and Wholly-Owned Subsidiary thereafter)

II. STATEMENT OF ASSETS AND LIABILITIES

The Statement of Assets and Liabilities of the above Company as at 31st March 2003, 2004 and 2005 together with the notes appearing hereunder, are as set out below:

(Rs. in million)

As at 31st March	2003	2004	2005
Assets			
A. **Fixed Assets**			
Gross Block	2.60	0.20	-
Less : Depreciation	0.68	0.08	-
Net Block	**1.92**	**0.12**	**-**
B. **Investments**	**148.79**	**189.03**	**7.80**
C. **Current Assets, Loans and Advances**			
Cash and Bank Balances	50.92	21.09	199.11
Loans and Advances (See Note 1)	1.73	1.13	4.16
Total Current Assets	**52.65**	**22.22**	**203.27**
Total Assets	**203.36**	**211.37**	**211.07**
Liabilities and Provisions			
D. **Current Liabilities and Provisions**			
Current Liabilities (See Note 2)	3.11	5.81	0.09
Provisions (See Note 3)	0.90	1.00	0.15
	4.01	**6.81**	**0.24**
E. Deferred Tax Liability	**0.19**	**0.12**	**-**
Total Liabilities	**4.20**	**6.93**	**0.24**
Net Assets	**199.16**	**204.44**	**210.83**
Represented By :			
Shareholders' Funds			
Share Capital	210.00	210.00	210.00
Reserves and Surplus	(3.79)	(5.01)	0.83
Miscellaneous Expenditure to the extent not written off	(7.05)	(0.55)	-
	199.16	**204.44**	**210.83**

Notes to Statement of Assets and Liabilities

(Rs. in million)

As at March 31,	2003	2004	2005
1 **Loans & Advances :**			
Advances recoverable in cash or in kind or for value to be received	1.25	0.30	2.73
Advance Tax and Tax Deducted at Source	0.48	0.83	1.43
	1.73	**1.13**	**4.16**
2 **Current Liabilities :**			
Sundry Creditors	3.05	5.46	0.08
Other Liabilities	0.06	0.35	0.01
	3.11	**5.81**	**0.09**
3 **Provisions:**			
Taxation	0.16	0.31	0.15
Gratuity	0.30	0.26	-
Leave Encashment	0.44	0.43	-
	0.90	**1.00**	**0.15**
4 **Contingent Liabilities:**			
Claims not acknowledged as debts:			
Income tax demand not acknowledged as debt	-	0.10	0.10
Other matters	54.03	-	-

ANNEXURE XVI

Feedback First Urban Infrastructure Development Company Limited (Associate from 4th May, 2002 to 28th April, 2004 and Wholly-Owned Subsidiary thereafter)

III. Significant Accounting Policies annexed to the Statement of Profits and (Losses) for the financial years ended 31st March, 2003, 2004 to 2005 and the Statement of Assets and Liabilities as at 31st March, 2003, 2004 and 2005.

A. **BASIS OF ACCOUNTING:**

The Company adopts the accrual concept in the preparation of the accounts. The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

B. **REVENUE RECOGNITION:**

1. Income and Expenditure are accounted for on accrual basis.
2. Dividend Income on investments is recognised when unconditional right to receive is established.

C. **FIXED ASSETS:**

Fixed Assets are shown at cost less depreciation

Depreciation on assets acquired during the year is provided on Straight Line method, pro-rata from the month in which acquired, at the rates prescribed in Schedule XIV of the Companies Act, 1956.

D. **INVESTMENTS:**

Investments are classified as Current or Long Term. Provision for diminution in the value of investments is made in accordance with the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions & Guidelines issued by the Reserve Bank of India and Accounting Standard 13 issued by the Institute of Chartered Accountants of India.

Long Term investments are carried at cost (net of provision on an individual basis for diminution in value, which is not considered temporary). Upto the previous year, current investments were valued at the lower of cost and market value determined on the basis of category-wise investments. With effect from the current year, these are valued at the lower of cost and market value determined on an individual basis. However, this does not have any material impact on the results for the year.

E. **PRELIMINARY EXPENDITURE:**

Preliminary Expenditure include eligible expenses under Section 35D of the Income Tax Act, 1961. These expenses are amortised over a period of 5 (five) years.

F. **DEFERRED REVENUE EXPENDITURE:**

Deferred Revenue Expenditure include non - recurring revenue expenses incurred during the year, the benefit of which accrues to the Company in future years as well. These expenses are amortised over a period of 60 months pro-rata.

G. **RETIREMENT BENEFITS:**

Provision for leave salary and gratuity has been made on an accrual basis.

H. **INCOME TAX:**

The accounting treatment for Income tax in respect of the company's income is based on the Accounting Standard 22 on 'Accounting for Taxes on Income' issued by the Institute of Chartered Accountants of India. The provision for Income tax comprises both, the current tax and the deferred tax.

ANNEXURE XVII

Uttaranchal Infrastructure Development Company Limited (a Wholly-Owned Subsidiary from 18th November, 2002 to 30th October, 2003 and Joint Venture thereafter)

I. STATEMENT OF PROFITS

The Statement of Profits of the Company for the period from 18th November, 2002 to 31st March, 2003 and financial years ended 31st March, 2004 and 2005 are as set out below:

(Rs. in million)

Period / Year ended 31st March,	**2003**	**2004**	**2005**
Income :			
Fees from Advisory Services	0.36	4.00	6.59
Interest on Bank Deposits	-	0.07	0.42
Sale of Tender Documents	-	-	0.13
Other Income	-	0.02	0.04
Total Income	**0.36**	**4.09**	**7.18**
Expenditure :			
Staff Expenses	-	0.97	1.23
Establishment Expenses	-	0.49	0.63
Operating & Administrative Expenses	0.21	1.37	4.08
Miscellaneous Expenditure Written off	0.03	0.04	0.04
Depreciation	-	0.17	0.16
Total Expenditure	**0.24**	**3.04**	**6.13**
Profit Before Tax	**0.12**	**1.05**	**1.05**
Provision For Tax			
Less : Current Tax	0.06	0.34	0.38
Less : Deferred Tax	-	0.04	0.02
Profit After Tax	**0.06**	**0.67**	**0.65**

ANNEXURE XVIII

Uttaranchal Infrastructure Development Company Limited (a Wholly-Owned Subsidiary from 18th November, 2002 to 30th October, 2003 and Joint Venture thereafter)

II. SUMMARY STATEMENT OF ASSETS AND LIABILITIES

The summary Statement of Assets and Liabilities of the above Company as at 31st March 2003, 2004 and 2005 are as set out below:

(Rs. in million)

As at 31st March,	2003	2004	2005
Assets			
A. **Fixed Assets**			
Gross Block	-	0.69	0.79
Less : Depreciation	-	0.17	0.34
Net Block	**-**	**0.52**	**0.45**
B. **Current Assets, Loans and Advances**			
Debtors	-	1.18	1.70
Cash and Bank Balances	0.80	5.78	15.92
Loans and Advances	0.08	0.17	1.83
Total Current Assets	**0.88**	**7.13**	**19.45**
Total Assets	**0.88**	**7.65**	**19.90**
Liabilities and Provisions			
C. **Current Liabilities and Provisions**			
Current Liabilities	0.41	2.19	13.34
Provisions	0.06	-	0.39
Total Current Liabilities and Provisions	**0.46**	**2.19**	**13.73**
D. **Deferred Tax Liability**	**-**	**0.04**	**0.06**
Total Liabilities	**0.46**	**2.23**	**13.79**
Net Assets	**0.42**	**5.42**	**6.11**
Represented By :			
Shareholders' Funds			
Share Capital	0.50	4.80	4.80
Reserves and Surplus	0.06	0.73	1.38
Miscellaneous Expenditure to the extent not written off	(0.14)	(0.11)	(0.07)
	0.42	**5.42**	**6.11**
Contingent Liabilities	**-**	**-**	**-**

ANNEXURE XIX

Uttaranchal Infrastructure Development Company Limited (a Wholly-Owned Subsidiary from 18th November, 2002 to 30th October, 2003 and Joint Venture thereafter)

III. Significant Accounting Policies annexed to the Statement of Profits for the period from 18th November, 2002 to 31st March, 2003 and the financial years ended 31st March, 2004 and 2005 and the Summary Statement of Assets and Liabilities as at 31st March, 2003, 2004 and 2005.

(a) **BASIS OF ACCOUNTING:**

The Financial Statements have been prepared under Historical Cost Convention on accrual basis and comply with the Accounting Standards referred to in section 211 3(C) of the Companies Act, 1956.

(b) **REVENUE RECOGNITION:**

Fees from Advisory Services are accounted for on accrual basis based on contractual obligations. Interest income is recognised on accrual basis.

(c) **FIXED ASSETS:**

Fixed Assets are stated at cost, less depreciation. Cost comprises the purchase price and other non-refundable taxes and levies and any directly attributable cost of bringing the asset to the working condition for its intended use.

(d) **DEPRECIATION:**

Depreciation on fixed assets is provided on the written down value method at the rates prescribed by the Schedule XIV of the Companies Act, 1956 on pro-rata basis.

(e) **RETIREMENTS BENEFITS:**

The Company's contributions to provident and other funds are accounted for on accrual basis in the profit & loss account.

(f) **TAXATION:**

Income tax expense comprises current tax and deferred tax charge or credit. The deferred tax for timing difference between book profit and tax profit is accounted for using tax rates that have been enacted or substantially enacted at the Balance Sheet date. Deferred tax assets, if any, are recognised to the extent that there is virtual certainty that sufficient future taxable income will be available.

(g) **MISCELLANEOUS EXPENDITURE:**

Preliminary Expenses are being written off over a period of five financial years.

ANNEXURE XX

Infrastructure Development Corporation (Karnataka) Limited (Joint Venture)

I. STATEMENT OF PROFITS

The Statement of Profits of the above Joint Venture for the financial years ended 31st March, 2002, 2003, 2004 and 2005 are as set out below:

(Rs. in million)

Year ended 31st March,	2002	2003	2004	2005
Income :				
Advisory Services	8.87	15.53	22.49	32.09
Income from Infrastructure Loans	-	1.64	10.87	15.31
Interest on Bank Deposits	4.84	10.04	9.86	8.47
Income from Investments	0.02	2.49	5.10	3.04
Interest – Others	-	-	0.25	-
Total Income	**13.73**	**29.70**	**48.57**	**58.91**
Expenditure :				
Personnel Expenses	3.70	6.57	9.15	10.62
Operating & Administrative Expenses	6.75	14.50	14.08	14.62
Depreciation	1.76	1.91	1.03	1.02
Total Expenditure	**12.21**	**22.98**	**24.26**	**26.26**
Profit Before Tax	**1.52**	**6.72**	**24.31**	**32.65**
Provision For Tax				
Less : Current Tax	0.34	1.82	3.50	6.70
Add : Deferred Tax	-	-	(1.03)	0.19
Profit After Tax	**1.18**	**4.90**	**21.84**	**25.76**

ANNEXURE XXI

Infrastructure Development Corporation (Karnataka) Limited (Joint Venture)

II. SUMMARY STATEMENT OF ASSETS AND LIABILITIES

The Summary Statement of Assets and Liabilities of the above Joint Venture as at 31st March 2002, 2003, 2004 and 2005 are as set out below:

(Rs. in million)

As at 31st March,	2002	2003	2004	2005
Assets				
A. **Fixed Assets**				
Gross Block	7.36	8.04	8.91	9.86
Less : Depreciation	3.03	4.94	5.96	4.75
Net Block	**4.33**	**3.10**	**2.95**	**5.11**
B. **Investments**	**56.95**	**113.41**	**121.76**	**104.73**
C. **Infrastructure Loans**	**-**	**36.00**	**108.66**	**139.52**
D. **Deferred Tax Asset**	**-**	**-**	**1.03**	**0.84**
E. **Current Assets, Loans and Advances**				
Debtors	1.85	3.72	6.78	10.78
Cash and Bank Balances	124.73	144.36	152.69	161.61
Loans and Advances	3.82	7.53	11.15	22.15
Total Current Assets	**130.40**	**155.61**	**170.62**	**194.54**
Total Assets	**191.68**	**308.12**	**405.02**	**444.74**
Liabilities and Provisions				
F. **Unsecured Loans**				
From Government of Karnataka	**99.81**	**208.09**	**268.09**	**273.09**
G. **Current Liabilities and Provisions**				
Current Liabilities	0.63	1.92	13.28	15.35
Provisions	0.46	2.43	6.12	13.02
Total Current Liabilities and Provisions	**1.09**	**4.35**	**19.40**	**28.37**
Total Liabilities	100.90	212.44	287.49	301.46
Net Assets	**90.78**	**95.68**	**117.53**	**143.28**
Represented By :				
Shareholders' Funds				
Share Capital	100.00	100.00	100.00	100.00
Reserves and Surplus	(9.22)	(4.32)	17.53	43.28
	90.78	**95.68**	**117.53**	**143.28**
Contingent Liabilities	**-**	**-**	**-**	**-**

Infrastructure Development Corporation (Karnataka) Limited (Joint Venture)

III. Significant Accounting Policies annexed to the Statement of Profits for the financial years ended 31st March, 2002, 2003, 2004 and 2005 and the Summary Statement of Assets and Liabilities as at 31st March, 2002, 2003, 2004 and 2005.

1 **METHOD OF ACCOUNTING:**

The Company adopts the accrual concept in the preparation of the accounts.

2 **INFLATION:**

Assets and liabilities are recorded at historical cost to the Company. These costs are not adjusted to reflect the changing value in the purchasing power of the money.

3 **FIXED ASSETS:**

Fixed assets are stated at cost of acquisition, including any cost attributable for bringing the asset to its working condition, less accumulated depreciation.

4 **DEPRECIATION:**

Improvements to Leasehold Premises are depreciated over the primary period of the lease.

Other assets are depreciated on the written down value method , at the rates prescribed under Schedule XIV of the Companies Act, 1956.

5 **INVESTMENTS:**

Long Term investments have been stated at cost net of diminution in the value of investments, to the extent it represents, in the opinion of the Management, a permanent impairment in the values.

Current investments are valued at lower of cost and market / fair value, computed scripwise.

6 **REVENUE RECOGNITION:**

Fees from advisory services are accounted based on contractual obligations.

Interest income is accounted on accrual basis.

Dividends are accounted for in the year in which the dividends are declared.

7 **RETIREMENT BENEFITS:**

Company's contribution to Provident Funds are charged to Profit and Loss account on accrual basis.

The permanent employees of the Company are entitled to receive the retirement benefits under the Superannuation fund operated by Life Insurance Corporation of India. The Superannuation fund is a defined contribution plan under which the Company contributes annually a sum equivalent to 15% of the employee's eligible annual salary to Life Insurance Corporation of India, the manager of the Fund, which undertakes to pay a lump sum and annuity payments pursuant to the scheme. The Company's contributions under the plan are charged to the Profit & Loss account on accrual basis.

The Company has taken a group Gratuity policy with Life Insurance Corporation of India, for future payment of Gratuities. Annual Gratuity contributions as determined by Life Insurance Corporation of India are charged to the Profit & Loss account on accrual basis.

Leave encashment to employees is provided for based on management estimates.

8 **INCOME TAX:**

Income tax comprises the current tax provision and the net change in the deferred tax asset or liability in the year. Deferred tax assets and liabilities are recognised for the future tax consequences of temporary differences between the carrying values of the assets and liabilities and their respective tax bases. Deferred tax assets are recognised subject to management's judgment that realisation is virtually certain. Deferred tax assets and liabilities are measured using substantially enacted tax rates as on the Balance Sheet date. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the income statement in the period of enactment of the change.

ANNEXURE XXIII

Infrastructure Finance Company Gujarat Limited (Joint Venture)

I. STATEMENT OF LOSSES

The Statement of Losses of the above Joint Venture for the financial years ended 31st March, 2002, 2003 and 2004 are as set below:

(Rs. in million)

Year ended 31st March,	**2002**	**2003**	**2004**
Income :			
Consultancy Fees	5.00	2.00	1.38
Interest Income	1.00	1.08	0.73
Total Income	**6.00**	**3.08**	**2.11**
Expenditure :			
Consultancy Fees	4.00	1.20	-
Payments to & Provisions for Employees	1.81	2.91	1.15
Administrative & Other Expenses	5.22	2.26	1.88
Interest & Finance Charges	0.06	0.13	0.07
Depreciation	0.09	0.20	0.20
Total Expenditure	**11.18**	**6.70**	**3.30**
Loss Before Tax	**(5.18)**	**(3.62)**	**(1.19)**
Provision For Tax			
Add : Deferred Tax	-	0.06	0.03
Loss After Tax	**(5.18)**	**(3.68)**	**(1.22)**

ANNEXURE XXIV

Infrastructure Finance Company Gujarat Limited (Joint Venture)

II. SUMMARY STATEMENT OF ASSETS AND LIABILITIES

The Summary Statement of Assets and Liabilities of the above Joint Venture for the financial years ended 31st March 2002, 2003 and 2004 are as set out below:

(Rs. in million)

As at 31st March,	2002	2003	2004
Assets			
A. **Fixed Assets**			
Gross Block	2.40	2.48	2.48
Less : Depreciation	0.09	0.29	0.50
Net Block	**2.31**	**2.18**	**1.98**
B. **Current Assets, Loans and Advances**			
Debtors	3.71	-	0.43
Cash and Bank Balances	15.50	13.38	11.80
Loans and Advances	0.73	0.61	0.25
Total Current Assets	**19.94**	**13.99**	**12.48**
Total Assets	**22.25**	**16.17**	**14.46**
Liabilities and Provisions			
C. **Loan Funds**			
Secured Loan	**0.74**	**0.62**	**-**
D. **Deferred Tax Liability**	**-**	**0.15**	**0.19**
E. **Current Liabilities and Provisions**			
Current Liabilities	3.13	0.43	0.16
Provisions	-	-	-
Total Current Liabilities and Provisions	**3.13**	**0.43**	**0.16**
Total Liabilities	**3.87**	**1.20**	**0.35**
Net Assets	**18.38**	**14.97**	**14.11**
Represented By :			
Shareholders' Funds			
Share Capital	25.00	25.00	25.00
Profit and Loss Account	(5.18)	(8.95)	(10.17)
Miscellaneous Expenditure to the extent not written off	(1.44)	(1.08)	(0.72)
	18.38	**14.97**	**14.11**
Contingent Liabilities	-	-	-

ANNEXURE XXV

Infrastructure Finance Company Gujarat Limited (Joint Venture)

III. Significant Accounting Policies annexed to the Statement of Losses for the financial years ended 31st March, 2002, 2003 and 2004 and the Summary Statement of Assets and Liabilities as at 31st March, 2002, 2003 and 2004.

1 **ACCOUNTING CONVENTION :**

The Financial Statements have been prepared under the historical cost convention on an accrual basis. The accounts are prepared on going concern assumption.

2 **USES OF ESTIMATES :**

The preparation of financial statements in conformity with the generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3 **FIXED ASSETS:**

Fixed Assets are stated at cost of acquisition. They are stated at historical cost less depreciation. Cost includes purchase cost and all incidental cost of acquisition.

4 **DEPRECIATION:**

Depreciation on fixed assets is provided on the " Straight Line Method" as per Section 205(2)(b) of the of the Companies Act, 1956 at the rates specified in Schedule XIV. Depreciation on additions to / deletion from fixed assets made during the year is provided on an pro rata basis from/ upto the month of such addition/deletion as the case may be.

5 **INVESTMENTS:**

Long term investments are stated at cost. Provision for diminution in the value of long term investments is made only if, in the opinion of the management, such a decline is regarded as being other than temporary.

6 **REVENUE RECOGNITION :**

Revenue is recognised when no significant uncertainty as to its realisation / collection exists. Sale of services is net of service tax.

7 **LEASES :**

In case of operating leases, rentals are expensed with reference to, lease terms and other considerations. The aggregate of lease rentals payable are charged as rent in the Profit and Loss Account.

8 **AMORTISATION :**

Preliminary and Pre operative expenses are amortised over a period of five years.

ANNEXURE XXVI

STATEMENT OF ACCOUNTING RATIOS:

Year ended 31st March,	**2001**	**2002**	**2003**	**2004**	**2005**
A) Earnings Per Share (Rs.)	1.43	1.93	1.80	2.59	3.04
B) Return on Net Worth (%)	10.29	13.00	11.58	15.28	16.10
C) Net Asset Value per Share (Rs.)	13.92	14.85	15.52	16.99	18.89
D) Weighted average number of equity shares outstanding during the year (in million)	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
E) Total number of equity shares outstanding during the year (in million)	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00

Formula :

A) Earning Per Share (EPS) = Net profit attributable to equity shareholders / weighted average number of equity shares outstanding during the year.

B) Return on Net Worth (%) = Net profit after tax / Net worth excluding revaluation reserve at the end of the year.

C) Net Asset Value per equity share (Rs.) = Net worth excluding revaluation reserve and preference share capital at the end of the year / Number of equity shares outstanding at the end of the year.

Notes :

1) Ratios have been computed on the basis of the adjusted profits for the respective years.

2) Earnings per share calculations are done in accordance with Accounting Standard 20 “Earning per Share” issued by the Institute of Chartered Accountants of India.

ANNEXURE XXVII

CAPITALISATION STATEMENT:

(Rs in million)

	Pre Issue as on 31st March, 2005	As adjusted for the issue
Borrowings :		
Short term debt	2,875.37	(Refer Note 1)
Long term debt	56,076.00	
Subordinated Debt	6,500.00	
Total Debt	**65,451.37**	
Shareholders' Funds		
Share Capital		
- Equity	10,000.00	
- Reserves & Surplus	8,888.70	
Total Shareholders' Funds	**18,888.70**	
Long Term Debt / Equity	3.31	

Notes :

1. The post issue capitalisation cannot be determined till the completion of the book building process.

ANNEXURE XXVIII

STATEMENT OF TAX SHELTERS

(Rs. in million)

Year ended 31st March,	2001	2002	2003	2004	2005
Profit Before Tax	**1,563.22**	**2,014.30**	**2,003.95**	**2,719.46**	**3,229.73**
Tax Rate	**39.55%**	**35.70%**	**36.75%**	**35.88%**	**36.59%**
Tax at notional rate on profits	**618.25**	**719.10**	**736.45**	**975.61**	**1,181.84**
Less:					
(A) Permanent Differences:					
- Income exempt from tax	401.50	582.46	374.49	512.83	734.27
- Deduction u/s. 36(1)(viia)(c)	8.90	9.73	12.21	16.67	20.85
- Deduction u/s. 36(1)(viii)	23.91	39.31	73.05	100.51	150.83
- Indexation benefit	45.41	5.94	74.53	227.32	146.00
- Other adjustments	(0.78)	(1.38)	(1.00)	(0.08)	(6.31)
Sub Total (A)	**478.94**	**636.06**	**533.28**	**857.25**	**1,045.64**
(B) Timing Differences:					
- Depreciation	(0.28)	0.36	6.59	6.21	4.47
- Provisions	(30.91)	(65.75)	(50.70)	(336.14)	(179.68)
- Other adjustments	11.70	0.43	(0.72)	0.29	(8.59)
Sub Total (B)	**(19.49)**	**(64.96)**	**(44.83)**	**(329.64)**	**(183.80)**
Net Adjustments (A) + (B)	**459.45**	**571.10**	**488.45**	**527.61**	**861.84**
Provision for tax	**158.80**	**148.00**	**248.00**	**448.00**	**320.00**
Deferred Tax Adjustment	**-**	**-**	**(43.50)**	**(320.00)**	**(130.50)**
Total Provision for Tax	**158.80**	**148.00**	**204.50**	**128.00**	**189.50**

Notes:

The tax shelter is worked out on the basis of profits as per audited accounts and is not based on Profits as per the "Statement of Profits as restated in Annexure I".

Deferred Tax adjustment includes adjustment for difference in tax rate relating to earlier year's deferred tax.

ANNEXURE XXIX

STATEMENT OF DIVIDEND PAID

(Rs. in million)

Year ended 31st March,	**2001**	**2002**	**2003**	**2004**	**2005**
Equity Share Capital	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
No. of Shares (in million)	1,000	1,000	1,000	1,000	1,000
Dividend %	7.00	10.00	10.00	10.00	10.00 *
Dividend	700.00	1,000.00	1,000.00	1,000.00	1,000.00

** proposed, subject to approval of the shareholders.*

ANNEXURE XXX

STATEMENT OF CONSOLIDATED PROFITS, AS RESTATED

The Statement of restated Consolidated Profits of the Group for the financial years ended 31st March, 2003, 2004 and 2005 are as set out below:

(Rs. in million)

Year ended 31st March,	2003	2004	2005
Income :			
From Infrastructure Operations	3,537.65	5,443.98	6,943.49
From Treasury Operations	899.93	980.69	387.03
Other Income	170.56	61.26	90.19
Total Income	**4,608.14**	**6,485.93**	**7,420.71**
Expenditure :			
Interest and Other Charges	1,869.52	2,259.89	3,119.07
Staff Expenses	130.99	160.26	181.14
Establishment Expenses	27.40	31.45	20.01
Other Expenses	105.57	117.83	105.88
Provisions and Contingencies	249.63	1,083.58	647.93
Loss on Sale of Investments	172.80	-	-
Miscellaneous Expenditure	0.14	0.46	0.55
Depreciation	45.47	44.24	39.97
Total Expenditure	**2,601.52**	**3,697.71**	**4,114.55**
Profit Before Tax	**2,006.62**	**2,788.22**	**3,306.16**
Provision for Taxation			
Less : Current Tax	249.02	470.96	344.43
Add : Deferred Tax	43.46	320.54	131.24
Profit After Tax	**1,801.06**	**2,637.80**	**3,092.97**
Adjustment on account of changes in accounting policies (See Annexure I)			
Deferred Tax	0.93	(2.62)	-
Contingent Provision against Standard Assets	(2.60)	7.30	-
Total of Adjustments	**(1.67)**	**4.68**	**-**
Profit After Tax as Restated	**1,799.39**	**2,642.48**	**3,092.97**
Add: Share of Profit / (Loss) of Associate	0.45	(0.29)	-
Add : Balance brought forward	2,717.78	2,726.40	3,142.81
Less: Opening Adjustment (See Note)	-	(0.44)	(2.13)
Profits available for appropriation	**4,517.62**	**5,368.15**	**6,233.65**
Appropriations :			
Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961	300.00	282.50	420.00
Special Reserve u/s 45-IC of RBI Act,1934	363.10	534.72	637.64
Investment Fluctuation Reserve	-	150.00	100.00
Capital Reserve	-	130.00	-
Proposed Dividend	1,000.00	1,000.00	1,000.00
Tax on Dividend	128.12	128.12	142.81
Balance Carried Forward	2,726.40	3,142.81	3,933.20
	4,517.62	**5,368.15**	**6,233.65**

Note:

Consequent to the change in the ownership interest, certain opening balances have been considered based on current ownership and accordingly the differences are reflected as 'Opening Adjustment'.

ANNEXURE XXXI

SUMMARY STATEMENT OF CONSOLIDATED ASSETS AND LIABILITIES, AS RESTATED

The Summary Statement of restated Consolidated Assets and Liabilities of the Group as at 31st March, 2003, 2004 and 2005 are as set out below:

(Rs. in million)

As at March 31,	2003	2004	2005
Assets			
A. Fixed Assets			
Gross Block	762.28	764.79	741.35
Less : Depreciation	(164.62)	(203.62)	(228.90)
Net Block	**597.66**	**561.17**	**512.45**
B. Investments	9,147.83	11,697.14	7,484.70
Add: Goodwill	1.62	1.62	-
	9,149.45	**11,698.76**	**7,484.70**
C. Infrastructure Loans	**26,613.80**	**44,243.02**	**70,573.52**
D. Deferred Tax Asset	**214.08**	**531.95**	**663.16**
E. Current Assets, Loans and Advances			
Interest Accrued on Investments	63.48	55.35	49.60
Interest Accrued on Infrastructure Loans	961.85	594.75	846.24
Sundry Debtors (Other than Promoters) (Unsecured)	24.78	188.41	64.60
Cash and Bank Balances	1,117.13	125.89	4,664.89
Loans and Advances (Other than Promoters) (Unsecured)	1,010.04	1,510.55	2,805.30
Total Current Assets	**3,177.28**	**2,474.95**	**8,430.63**
Total Assets	**39,752.27**	**59,509.85**	**87,664.46**
Liabilities and Provisions			
F. Loan Funds			
Subordinated Debt - From sponsors	6,500.00	6,500.00	6,500.00
Loans (Secured) (Other than Promoters)	-	0.16	-
Loans (Unsecured) (Other than Promoters)	15,353.16	33,382.54	59,086.55
	21,853.16	**39,882.70**	**65,586.55**
G. Current Liabilities and Provisions	**2,381.54**	**2,594.36**	**3,096.88**
Total Liabilities	**24,234.70**	**42,477.06**	**68,683.43**
Net Assets	**15,517.57**	**17,032.79**	**18,981.03**
Represented by :			
Shareholders' Funds :			
Share Capital	10,000.00	10,000.00	10,000.00
Reserves & Surplus	5,518.43	7,033.03	8,981.07
Miscellaneous Expenditure	(0.86)	(0.24)	(0.04)
	15,517.57	**17,032.79**	**18,981.03**

ANNEXURE XXXII

SIGNIFICANT NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. **Brief Background:**

   The Company has not been preparing general purpose annual consolidated financial statements. The consolidated financial statements comprise the individual financial statements of IDFC Ltd., its subsidiaries and joint ventures (the 'Group') as at 31st March, 2003, 2004 and 2005 and for the year ended on 31st March, 2003, 2004 and 2005.

2. The financial statements of the following subsidiary companies have been consolidated as per Accounting Standard 21 on "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.

Name of the Subsidiary	Proportion of Ownership Interest (%)		
	2003	2004	2005
IDFC Asset Management Company Limited	**100%**	**100%**	**100%**
IDFC Trustee Company Limited	**100%**	**100%**	**100%**
Uttaranchal Infrastructure Development Company Limited	**100%**	-	-
Feedback First Urban Infrastructure Development Company Limited	-	-	**100%**

All the subsidiaries are incorporated in India.

3. The financial statements of the following joint venture companies, have been consolidated as per Accounting Standard 27 on "Financial Reporting of Interests in Joint Ventures" issued by the Institute of Chartered Accountants of India.

Name of the Jointly Controlled Entity	Proportion of Ownership Interest (%)		
	2003	2004	2005
Uttaranchal Infrastructure Development Company Limited	-	**49.90%**	**49.90%**
Infrastructure Finance Company Gujarat Limited	**26.00%**	**26.00%**	-
Infrastructure Development Corporation (Karnataka) Limited	**49.50%**	**49.50%**	**49.50%**

These companies are incorporated in India.

4. The Company's investment in **Feedback First Urban Infrastructure Development Company Limited**, which was an associate for the period from 4th May, 2002 to 30th April, 2004 has been accounted on the "Equity Method" during 2002-03 and 2003-04 in accordance with the Accounting Standard 23 on "Acounting for Investments in Associates in Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India and as a subsidiary during 2004-05.

ANNEXURE XXXIII

The Significant Accounting Policies annexed to the Statement of Consolidated Profits, as restated, of the Group for the financial years ended 31st March 2003, 2004 and 2005 and the Summary Statement of Consolidated Assets and Liabilities, as restated, of the Group as at 31st March 2003, 2004 and 2005 are as set out below :

1. **PRINCIPLES OF CONSOLIDATION :**

(a) **SUBSIDIARIES:**

The financial statements of the subsidiaries have been consolidated on a line by line basis, after eliminating all inter-company transactions in accordance with Accounting Standard 21 issued by the Institute of Chartered Accountants of India.

(b) **JOINT VENTURES:**

The financial statements of the Joint Ventures have been consolidated on a line by line basis using the "proportionate consolidation" method, after eliminating all inter-company transactions in accordance with Accounting Standard 27 issued by the Institute of Chartered Accountants of India.

(c) **ASSOCIATE:**

The Company's investment in its associate is accounted for under the equity method and its share of pre-acquisition losses is reflected as goodwill in accordance with the Accounting Standard 23 issued by the Institute of Chartered Accountants of India.

2. **UNIFORM ACCOUNTING POLICIES:**

The consolidated financial statements have been prepared on the basis of the accounting policies adopted by the individual entities, as indicated hereunder, which are uniform in all material respects.

Name of Entity	Annexure
Infrastructure Development Finance Company Limited	Annexure IV
IDFC Asset Management Company Limited	Annexure X
IDFC Trustee Company Limited	Annexure XIII
Feedback First Urban Infrastructure Development Company Limited	Annexure XVI
Uttaranchal Infrastructure Development Company Limited	Annexure XIX
Infrastructure Development Corporation (Karnataka) Limited	Annexure XXII
Infrastructure Finance Company Gujarat Limited	Annexure XXV

ANNEXURE XXXIV

CONSOLIDATED CASH FLOW STATEMENT

The cash flow statements of the Group for the financial years ended 31st March, 2003 to 2005 are as set out below:

(Rs. in million)

Year ended 31st March,	**2003**	**2004**	**2005**
A. Cash Flow from Operating Activities			
Profit after tax as restated	1,799.39	2,642.48	3,092.97
Add: Provision for tax (net of deferred tax)	204.63	153.04	213.19
Profit before tax as restated	2,004.02	2,795.52	3,306.16
Adjustments for :			
Depreciation	45.47	44.24	39.97
Provision for Retirement Benefits	2.88	0.43	0.41
Provision for Doubtful Loans, Debtors & Contingencies	74.63	1,072.70	369.46
Provision for Diminution in value of Investments	177.60	3.58	128.55
Provision for Diminution in value of Investments written back	(111.66)	(150.00)	(3.58)
(Profit) / Loss on sale of Investments	172.80	(846.09)	(1,113.02)
(Profit) / Loss on sale of Assets	0.61	(0.35)	0.67
Miscellaneous Expenditure Written off	0.14	0.46	0.55
Investment Income	(788.27)	(830.69)	(383.45)
Operating profit before Working Capital Changes	1,578.22	2,089.80	2,345.72
Changes in :			
Current Assets, Loans and Advances	(247.70)	95.57	(63.82)
Current Liabilities and Provisions	(44.21)	134.24	394.39
	(291.91)	229.81	330.57
Direct Taxes paid	(412.24)	(597.68)	(675.24)
NET CASH FROM OPERATING ACTIVITIES	874.07	1,721.93	2,001.05
B. Cash flow from Investing Activities			
Purchase of Fixed Assets	(22.22)	(17.82)	(4.12)
Sale of Fixed Assets	3.53	10.41	11.81
Investment Income	781.89	895.47	379.94
Proceeds from / (Purchase) of Investments, Loans and Deposits (net)	553.91	(1,856.80)	4,200.49
NET CASH FROM / (USED) IN INVESTING ACTIVITIES	1,317.11	(968.74)	4,588.12
C. Cash flow from Financing Activities			
Infrastructure Loans disbursed (net of repayment)	(6,607.86)	(18,645.84)	(26,623.34)
Proceeds from Borrowings (net of repayment)	5,303.56	18,029.54	25,703.85
Dividend paid (including dividend tax)	(1,000.00)	(1,128.13)	(1,130.68)
NET CASH USED IN FINANCING ACTIVITIES	(2,304.30)	(1,744.43)	(2,050.17)
Net change in cash and cash equivalent (A+B+C)	**(113.12)**	**(991.24)**	**4,539.00**
Cash and cash equivalents as at the beginning of the year as per Annexure XXXI	1,230.25	1,117.13	125.89
Cash and cash equivalents as at the end of the year as per Annexure XXXI	1,117.13	125.89	4,664.89
	113.12	**991.24**	**(4,539.00)**

SELECTED STATISTICAL INFORMATION

The following information should be read together with our financial statements included in this Red Herring Prospectus as well as the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 152 of this Red Herring Prospectus. The amounts presented in this section are based on our unconsolidated financial statements prepared in accordance with Indian GAAP and internally generated statistical data.

Average Interest Bearing Assets & Liabilities and Net Interest Margin

The table below presents the average balances for interest earning assets and interest-bearing liabilities together with the related interest income and expense amounts, resulting in the presentation of the average yields and cost for each year. The average balance is the daily average of balances outstanding. The average yield on interest-earning assets is the ratio of interest income to average interest-earning assets. The average cost of interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities. The average balances in the table below include gross non-performing assets.

(Rs. in million, except percentages)

	Fiscal year								
	2003			2004			2005		
	Average balance	Interest income / expense	Average yield / cost	Average balance	Interest income / expense	Average yield / cost	Average balance	Interest income / expense	Average yield / cost
Interest Earning Assets:									
Infrastructure Loans	23,515	3,227	13.72%	32,391	3,992	12.32%	56,136	5,295	9.43%
Treasury Investments[1]	8,860	893	10.08%	10,340	969	9.37%	7,369	368	4.99%
Total interest earning assets	**32,375**	**4,120**	**12.73%**	**42,731**	**4,961**	**11.61%**	**63,505**	**5,663**	**8.92%**
Interest Bearing Liabilities:									
Borrowings									
Subordinated Debt	6,500	484	7.45%	6,500	484	7.45%	6,500	484	7.45%
Other	13,241	1,385	10.46%	22,517	1,776	7.89%	41,267	2,635	6.39%
Total interest bearing liabilities	**19,741**	**1,869**	**9.47%**	**29,017**	**2,260**	**7.79%**	**47,767**	**3,119**	**6.53%**
Net interest income		**2,251**			**2,701**			**2,544**	
Net interest margin[2]			**6.95%**			**6.32%**			**4.01%**
Net interest income from infrastructure operations[3]		**1,869**			**2,279**			**2,538**	
Net interest margin from infrastructure operations[4]			**7.95%**			**7.04%**			**4.52%**

(1) *Treasury investments include interest earning investments and mutual fund investments. Most of our mutual fund investments are in debt mutual funds, and the dividends/profits earned on these mutual funds approximate the interest earned on the underlying debt securities. Treasury Income is net of provision for diminution in value of treasury investments.*

(2) *The net interest margin is the ratio of net interest income to average interest earning assets.*

(3) *The net interest income from infrastructure operations is the interest income from infrastructure loans less the proportion of our interest expense attributable to our infrastructure loans.*

(4) *The net interest margin from infrastructure operations is the ratio of net interest income from infrastructure operations to average infrastructure loans.*

Volume and Rate Analysis of Changes in Interest Income and Interest Expense

The following table sets forth, for the years indicated, the allocation of the changes in our interest income and interest expense between changes in average volume and changes in average rates. The changes in net interest income between periods have been reflected as attributed either to volume or rate changes. For the purposes of this table, changes which are due to both volume and rate have been allocated solely to changes in rate.

(Rs. in million)

	Fiscal 2004 vs. Fiscal 2003			Fiscal 2005 vs. Fiscal 2004		
	Net change in interest income or expense	**Change due to change in average volume[1]**	**Change due to change in average rate[2]**	**Net change in interest income or expense**	**Change due to change in average volume[1]**	**Change due to change in average rate[2]**
Interest income:						
Infrastructure Loans	765	1,218	(453)	1,303	2,926	(1,623)
Treasury Investments	76	149	(73)	(601)	(278)	(323)
Total interest earning assets	**841**	**1,367**	**(526)**	**702**	**2,648**	**(1,946)**
Interest expense:						
Borrowings						
Subordinated debt	-	-	-	-	-	-
Others	391	970	(579)	859	1,479	(620)
Total interest bearing liabilities	**391**	**970**	**(579)**	**859**	**1,479**	**(620)**
Net interest income	**450**	**397**	**53**	**(157)**	**1,169**	**(1,326)**

(1) *The change due to a change in the average volume was calculated from the change in average balance over the two years multiplied by the average rate in the earlier year.*

(2) *The change due to a change in the average rate is the total change less the change due to change in volume.*

Yields, Spreads and Margins

The following table sets forth, for the years indicated, the yields, spreads and interest margins on our interest-earning assets.

(Rs. in million, except percentages)

	Fiscal year		
	2003	**2004**	**2005**
Interest income	4,120	4,961	5,663
Average interest-earning assets	32,375	42,731	63,505
Interest expense	1,869	2,260	3,119
Average interest-bearing liabilities	19,741	29,017	47,767
Net interest income	2,251	2,701	2,544
Average total assets[1]	36,624	46,963	67,790
Average interest-earning assets as a percentage of average total assets	88.40%	90.99%	93.68%
Average interest-bearing liabilities as a percentage of average total assets	53.90%	61.79%	70.46%
Average interest-earning assets as a percentage of average interest-bearing liabilities	164.00%	147.26%	132.95%
Yield[2]	12.73%	11.61%	8.92%
Cost of funds[3]	9.47%	7.79%	6.53%
Spread[4]	3.26%	3.82%	2.39%
Spread on infrastructure operations[5]	4.25%	4.53%	2.90%
Net interest margin[6]	6.95%	6.32%	4.01%
Net interest margin from infrastructure operations[7]	7.95%	7.04%	4.52%

(1) *Approximately 4 - 8% of this amount is represented by fixed and net current assets, the average balances of which are available on a monthly and not daily basis.*

(2) *Yield represents the ratio of interest income to average interest earning assets.*

(3) *Cost of funds represents the ratio of interest expense to average interest bearing liabilities.*

(4) *Spread is the difference between yield and cost of funds.*

(5) *Spread on infrastructure operations is the difference between average yield on infrastructure loans and average cost of funds.*

(6) *Net interest margin is the ratio of net interest income to average interest-earning assets. The difference between net interest margin and spread arises due to the difference in the amount of average interest-earning assets and average interest-bearing liabilities. If average interest-earning assets exceed average interest-bearing liabilities, net interest margin is greater than the spread. If average interest-bearing liabilities exceed average interest-earning assets, net interest margin is less than the spread.*

(7) *The net interest margin from infrastructure operations is the ratio of net interest income from infrastructure operations to average infrastructure loans.*

Returns on Equity and Assets

The following table presents selected financial ratios for the years indicated.

(Rs. in million, except percentages)

	Fiscal year		
	2003	**2004**	**2005**
Profit after tax, as restated	1,798	2,596	3,040
Average total assets[1]	36,624	46,963	67,790
Average shareholders' funds	15,188	16,260	17,940
Profit after tax as a percentage of average total assets	4.91%	5.52%	4.48%
Profit after tax as a percentage of average shareholders' funds	11.83%	15.96%	16.95%
Average shareholders' funds as a percentage of average total assets	41.48%	34.62%	26.46%

(1) *Approximately 4 - 8% of this amount is represented by fixed and net current assets, the average balances of which are available on a monthly and not daily basis.*

The following table presents the return on average total assets (profit after tax as a percentage of average total assets as defined above) for the years indicated and the components thereof.

(percentages, except Rs. in million)

	Fiscal year		
	2003	**2004**	**2005**
Average total assets (Rs. in million)	36,624	46,963	67,790
Net interest income from infrastructure operations[1]	5.11%	4.85%	3.74%
Other income from infrastructure operations[2]	0.81%	2.86%	2.25%
Net total income from infrastructure operations	5.92%	7.71%	5.99%
Net income from treasury operations[3]	1.04%	0.91%	0.01%
Other income[4]	0.47%	0.13%	0.13%
Net total income	7.43%	8.75%	6.13%
Operating expenses[5]	(0.80)%	(0.65)%	(0.41)%
Profits before provisions, contingencies and losses from the sale of investments	6.63%	8.10%	5.72%
Provisions, contingencies and losses from the sale of investments	(1.15)%	(2.31)%	(0.96)%
Profit before tax	5.48%	5.79%	4.76%
Tax	(0.56)%	(0.27)%	(0.28%)
Profit after tax	**4.92%**	**5.52%**	**4.48%**

[(1)] *Net interest income from infrastructure operations is interest income from infrastructure loans less the proportion of our interest expense attributable to our infrastructure loans.*

[(2)] *Other income from infrastructure operations includes (i) fees, including front-end fees, prepayment premiums and premiums on interest rate reductions; (ii) dividends from our equity investments in infrastructure projects; (iii) profit from sales of equity investments in infrastructure projects; and (iv) income from other operations, which include commissions on guarantees, take-out financings and risk participation facilities, and fees from advisory services and our debenture trustee and security and syndicate agent activities.*

[(3)] *Net income from treasury operations includes: (i) interest from investments such as corporate bonds, certificates of deposit, commercial paper and government securities; (ii) interest from bank deposits; (iii) interest from inter-corporate deposits and loans to financial institutions; (iv) dividends from mutual fund units; and (v) profit on sale of treasury investments less the proportion of our interest expense attributable to our treasury investments.*

[(4)] *Other income includes: (i) dividend from strategic investments, which for the periods discussed below was our investment in Securities Trading Corporation of India; (ii) interest on income tax refunds; (iii) profit on sale of fixed assets; and (iv) miscellaneous income.*

[(5)] *Operating expenses includes non-interest expenditures including staff expenses, establishment expenses, other expenses and depreciation, and excludes provisions, contingencies and losses from the sale of investments.*

Unrealized Gains in Equity Portfolio

Our equity portfolio has unrealized gains, comprised of the difference between our cost and the market value of the securities. The following table shows our unrealized gain as of March 31, 2003, 2004 and 2005.

(Rs. in million)

	As of March 31,		
	2003	**2004**	**2005**
Cost	432	460	810
Market Value	269	2,069	3,019
Unrealized Gain	(163)	1,609	2,209

Concentration of Total Exposure

Our policy is to limit our exposure to a group (based on commonality of management and effective control) and individual borrower to 50% and 20% of capital funds (comprising Tier-I and Tier-II capital), respectively, as per the RBI norms. Either the credit limit or outstanding amount, whichever is higher, is used when computing the exposure ceiling.

The following table sets forth our ten largest single and group exposures (defined as approvals less cancellations less repayments plus defaults of interest, penal interest and liquidated damages, and including funded and non-funded debt and equity) as determined by the RBI guidelines, defined as of the top ten exposures as of March 31, 2005.

(Rs. in million, except percentages)

	Exposure	**% of total outstanding exposure**	**% of capital funds**
Borrower 1	5,818	4.69	22.70
Borrower 2	4,000	3.22	15.60
Borrower 3	4,000	3.22	15.60
Borrower 4	3,933	3.17	15.34
Borrower 5	3,268	2.63	12.75
Borrower 6	3,041	2.45	11.86
Borrower 7	3,000	2.42	11.70
Borrower 8	2,750	2.22	10.73
Borrower 9	2,740	2.21	10.69
Borrower 10	2,700	2.18	10.53
Total	**35,250**	**28.41**	**137.50**

As of March 31, 2005, our largest single exposure exceeded our limit of 20%, for which we obtained approval from our Board.

(Rs. in million, except percentages)

	Exposure	% of total outstanding exposure	% of capital funds
Group 1	10,850	8.74	42.33
Group 2	8,989	7.24	35.07
Group 3	8,646	6.96	33.73
Group 4	6,200	4.99	24.19
Group 5	5,818	4.69	22.70
Group 6	5,370	4.33	20.95
Group 7	5,034	4.05	19.64
Group 8	4,110	3.31	16.03
Group 9	3,933	3.17	15.34
Group 10	3,876	3.12	15.12
Total	**62,826**	**50.60**	**245.10**

Our internal policies limit our exposure to any particular industry to 50% of our total exposure. The table sets forth for March 31, 2005, 2004 and 2003, the percentage of each of the top ten industry exposures to our total loan assets.

(Rs. in million, except percentages)

Industry	March 31, 2003		March 31, 2004		March 31, 2005	
	Exposure	% of total exposure	Exposure	% of total exposure	Exposure	% of total exposure
Energy	27,444	39.7%	38,824	40.0%	42,413	34.2%
Transportation	19,804	28.6%	24,707	25.5%	32,120	25.9%
Telecommunications	19,871	28.7%	27,017	27.9%	33,392	26.9%
Industrial and Commercial	--	0.0%	1,830	1.9%	10,452	8.4%
Other[(1)]	2,012	3.0%	4,560	4.7%	5,760	4.6%
Total	**69,131**	**100.0%**	**96,938**	**100.0%**	**124,137**	**100.0%**

[(1)] *Including exposure to the India Development Fund.*

The following table shows the percentage share of the five largest borrowers in each the following industries to our total exposure to the respective industry as of March 31, 2005.

(Rs. in million, except percentages)

Industry	Exposure of top five borrowers	% of total industry exposure
Energy	13,079	30.84%
Transportation	15,627	48.65%
Telecommunications	16,059	48.09%
Industrial and Commercial	7,640	73.10%
Other[(1)]	2,886	50.11%
Total	**55,291**	**44.54%**

[(1)] *Including exposure to the India Development Fund.*

Non-Performing Assets

As of March 31, 2005, two of our loans have been categorized as non-performing. Our gross non-performing assets as a percentage of advances was 0.70% and our net non-performing assets as a percentage of net advances was 0.0%. We define net NPAs as gross NPAs less write-offs and our loan loss provision. We have made such provisions for 100% of our gross non-performing loan. All of our non-performing loans are rupee-denominated. Our two non-performing loans are in the energy and telecommunications sectors.

The following table set forth, as of the dates indicated, information about our non-performing loan portfolio:

(Rs. in million, except percentages)

	March 31, 2003			March 31, 2004			March 31, 2005		
	Loan Assets	NPAs	NPAs as a % of loan assets	Loan Assets	NPAs	NPAs as a % of loan assets	Loan Assets	NPAs	NPAs as a % of loan assets
Total gross	**26,946**	**296**	**1.10%**	**45,555**	**296**	**0.65%**	**72,164**	**506**	**0.70%**
Provisions and write-offs	350	30		1,366	296		1,659	506	
Net	**26,596**	**266**	**1.00%**	**44,189**	**0**	**0%**	**70,504**	**0**	**0%**

Classification of Assets

We classify and account for our assets in accordance with the RBI guidelines. Under these guidelines, assets are regarded as non-performing if any amount of interest or principal remains overdue for more than 180 days. From April 1, 2005, these assets will be deemed non-performing if irregularity continues for more than 90 days.

Our assets are classified as described below:

Standard assets	Assets that do not disclose any problems or which do not carry more than the normal risk attached to the business of the borrower.
Sub-standard assets	Assets that are non-performing for a period not exceeding 12 months (or 18 months for fiscal 2004 and prior years).
Doubtful assets	Assets that are non-performing for more than 12 months (or 18 months for fiscal 2004 and prior years).
Loss assets	Assets where loss has been identified and the amount has been written off, wholly or partly. Such an asset is considered not recoverable and of such little value that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value.

We monitor our loans and non-funded exposures through quarterly financials and occasional site visits. Since our loans are made using certain cash flow assumptions, we can usually identify in advance of a default if borrowers will have problems meeting their obligations. If this occurs, we discuss with borrowers the causes of these cash flow shortfalls and we may also discuss restructuring the loans in order to insure the future health of the project.

The following table provides a break down of our gross loan assets as of the dates indicated.

(Rs. in million, except percentages)

	March 31, 2003		March 31, 2004		March 31, 2005	
	Rs.	**%**	**Rs.**	**%**	**Rs.**	**%**
Standard assets	26,650	98.90%	45,259	99.35%	71,658	99.30%
Non-Performing assets	296	1.10%	296	0.65%	506	0.70%
of which:						
Sub-standard	296	1.10%	296	0.65%	506	0.70%
Doubtful assets	0	0%	0	0%	0	0%
Loss assets	0	0%	0	0%	0	0%
Total Loan assets	**26,946**		**45,555**		**72,164**	

Restructured and Repriced Assets

We define restructured assets as assets where the terms have been changed in order to increase the ability of the debtor to perform its obligations and disclose such assets as restructured assets. A fully secured standard asset can be restructured by rescheduling the principal and/or interest payments or by a reduction in the interest rate. We define repriced assets as non-restructured assets which have been subject to interest rate reduction. The amount of sacrifice, if any, in the element of interest, measured in present value terms, is either written off or provided for to the extent of the sacrifice involved. Similar guidelines apply to sub-standard assets. Sub-standard assets which have been restructured, whether in respect of principal or interest payments, are eligible to be upgraded to the "standard assets" category only after a specified period, which is one year after the date when first payment of interest or of principal, whichever is earlier, falls due, subject to satisfactory performance during the period.

In order to create an institutional mechanism for the restructuring of corporate debt, the RBI has also created a corporate debt restructuring ("CDR") system in 2003. The objective of this framework is to provide a more timely and transparent mechanism for the restructuring of corporate debts of viable entities facing financial difficulties. This system has led to the approval of restructuring programs for a large number of companies, which has resulted in an increase in the level of restructured assets in the Indian financial system, including an increase in our restructured assets.

The following table presents our assets restructured during the years indicated:

(Rs. in million)

	Fiscal year		
	2003	**2004**	**2005**
CDR restructured assets			
Standard assets	-	1,260	-
Sub-standard assets	-	-	-
Doubtful assets	-	-	-
Loss assets	-	-	-
Total CDR restructured assets	**-**	**1,260**	**-**
Other restructured assets			
Standard assets	5,415	2,288	1,204
Sub-standard assets	-	296	-
Doubtful assets	-	-	-
Total other restructured assets	**5,415**	**2,584**	**1,204**
Total restructured assets	**5,415**	**3,844**	**1,204**

Provisioning and Write-offs

Our policies on provisioning and write-offs of non-performing assets meet and exceed those prescribed by the RBI guidelines. The following is a summary of our provisioning policy:

Standard assets	A general provision of 0.25%. We also provide additional amounts depending upon the size of the loan and the payment record.
Sub-standard assets	A general provision of 10%.
Doubtful assets	We provide for 100% of the unsecured portion of the doubtful assets. We provide for secured advances (or the secured portion of partly secured advances) based on the period for which the asset remains doubtful, as follows: Up to one year : 20% provision One to three years : 30% provision More than three years : 100% provision The realizable value of the security to which we have a valid recourse is estimated on a realistic basis.
Loss assets	The entire asset is provided for.
Restructured and Repriced Assets	Reductions in the rate of interest, measured in present value terms, is provided for to the extent of the reduction. For this purpose, interest due under the original loan agreement is discounted to present value at a rate appropriate to the risk category of the borrower and compared to the present value of the amounts expected to be received under the restructuring or repricing package discounted on the same basis.

Management also provides amounts in excess of the amounts above if they determine that it is prudent for a known and identified risk. Statutory provisions are to be made in a timely manner as per RBI directives.

Under the RBI guidelines, financial institutions (including our Company) are not required to record or provide for as non-performing assets (i) defaults by infrastructure projects under implementation until the commencement date of the project or (ii) non-performing loans in respect of which we have take-out obligations until we in fact take over the loan (in which case we have to provide for the loan from the date on which it originally became non-performing).

The table below shows the changes in our provisions over the past three years.

(Rs. in million)

	Fiscal year		
	2003	**2004**	**2005**
Opening Balance	**290**	**350**	**1,367**
ADD: Provisions made during the year	60	1,017	594
LESS: Write-off/write-back during the year	-	-	296
Closing Balance	**350**	**1,367**	**1,665**

Once loan accounts are identified as non-performing, interest and other fees charged in the account, if uncollected, are not accrued. In compliance with regulations governing the presentation of financial information by banks, we report non-performing assets net of cumulative provision and interest suspended in our financial statements.

In accordance with the RBI guidelines, interest income from advances for non-performing assets is recognized upon realization, rather than on an accrual basis as with all other assets. Recovery in respect of non-performing advances is allocated toward interest on the advances, including derecognized or suspended interest, and then towards arrears in principal payments.

Interest in Suspense

Interest in suspense is the interest due on non-performing loans that has not been recognized in our accounts. The following table sets forth, for the periods indicated, the cumulative amount of interest in suspense on existing non-performing loans.

	(Rs. in million)
Fiscal year	**Interest in suspense**
2003	141
2004	185
2005	96

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements included in this Red Herring Prospectus, along with the section titled "Selected Statistical Information" beginning on page 143, which presents important statistical information about our business. You should also read the section titled "Risk Factors" beginning on page xi, which discusses a number of factors and contingencies that could impact our financial condition and results of operations. The following discussion relates to Infrastructure Development Finance Company Limited on a standalone basis, and, unless otherwise stated, is based on our restated unconsolidated financial statements, which have been prepared in accordance with Indian GAAP, the accounting standards and other applicable provisions of the Companies Act, 1956, the SEBI guidelines and the RBI guidelines. The following discussion is also based on internally prepared statistical information and information publicly available from the RBI and other sources. A summary of certain differences between our consolidated and unconsolidated results of operations and financial condition is included below. Our fiscal year ends on March 31 of each year so all references to a particular fiscal year are to the twelve months ended March 31 of that year.

Overview

We are a leading Indian infrastructure financing institution. We provide a wide range of financing products and fee-based services to infrastructure projects and their sponsors. We work closely with the central and state governments and regulators in India to advise and assist in formulating government policy and regulatory frameworks that support private investment and public-private partnerships in infrastructure development. We believe that we have played a key role in directing private investment into major infrastructure sectors such as telecommunications, energy and transportation, as well as other sectors such as urban development, food and agriculture, education, tourism and healthcare. We provide financing products such as loans, debentures, securitised debt, mezzanine products, equity investments, financial and performance guarantees, take out financing and risk participation facilities. We provide debt syndication and advisory services, including advice on project and financial structuring and the privatization of infrastructure assets and services.

Our business has grown rapidly since we began operations in 1997. From March 31, 2001 to March 31, 2005, our net approvals increased from Rs. 71,477 million to Rs. 149,805 million, representing a compound annual growth rate of 20.3% and our outstanding disbursements increased from Rs. 16,932 million to Rs. 80,274 million, representing a compound annual growth rate of 47.6%. During this period, our total income grew from Rs. 3,149 million to Rs. 7,276 million, representing a compound annual growth rate of 23.3%, and our profit after tax increased from Rs. 1,432 million to Rs. 3,040 million, representing a compound annual growth rate of 20.7%.

We derive most of our income from infrastructure operations, which accounted for 93.7% of our total income in fiscal 2005. While it is an important element of our growth strategy to diversify our range of products and services offered to the infrastructure industry, our business continues to be largely dependent on interest income from infrastructure operations, which accounted for 72.8% of our total income in fiscal 2005.

Factors Affecting Our Financial Results

Our financial results are dependent on the performance of the Indian economy and the infrastructure industry generally and the projects we finance in particular. Infrastructure projects are subject to various risks and uncertainties, including those discussed in the section titled "Risk Factors". The following is a discussion of certain other factors that have had, and we expect will continue to have, a significant effect on our financial results.

Economic growth and its impact on our key sectors

Our financial results are affected in large measure by general economic conditions prevailing in India. India's GDP has grown at an annual average of 6.1% per year over the past ten years on a constant price basis. India's GDP growth was 4.0% in fiscal 2003, 8.2% in fiscal 2004 and 6.9% in the first nine months of fiscal 2005. GDP growth increased in fiscal 2004 and fiscal 2005 due to, among other things, agricultural recovery from a decline in production due to insufficient rainfall in 2003, resurgence of the industrial sector and continued growth in the services sector.

Our financial results are in particular affected by developments in the energy, transportation and telecommunications sectors, which are the sectors in which a substantial proportion of our approvals and disbursements are concentrated. As of March 31, 2005, our net approvals to these sectors represented 34.8%, 22.1% and 31.7%, respectively, of our total net approvals and our outstanding disbursements to these sectors represented 33.1%, 22.6% and 35.0%, respectively, of our total disbursements. Projects in these sectors are susceptible to sector-specific factors and developments, such as the adoption of appropriate government policies and the actions of regulatory authorities.

Energy

In fiscal 2005, our approvals and disbursements to the energy sector were Rs. 20,791 million and Rs. 16,389 million, respectively. While private sector interest in investment in the energy sector has been limited due to the inadequacy of regulatory reforms in the sector, especially at the state level, there has nevertheless been progress and closure for many projects. Recently, there have also been a number of governmental initiatives aimed at achieving important changes in the energy sector. The most important among these is the enactment of the Electricity Act, 2003, which is intended to introduce market-based competitive reforms through, among other things, the de-licensing of power generation and measures that encourage captive power generation and open and nondiscriminatory access in transmission. This has created opportunities for infrastructure development in several areas in the sector, such as the development of captive power plants. Further state-level reforms will be necessary to fully realize the objectives of the Act.

Transportation

In fiscal 2005, our approvals and disbursements to the transportation sector were Rs. 18,882 million and Rs. 5,655 million, respectively. Growth in the transportation sector in India has been driven by both public and private investment in major infrastructure projects aimed at improving roads, ports, railways and aviation in India. Important initiatives at both the state and national levels include the ongoing Rs. 540 billion National Highway Development Project, the Rs. 800-1,000 billion Sagar Mala port project, the initial exploration of the Rs. 150 billion National Rail Vikas Yojana project and the passage of an amendment in 2003 to the Airports Authority of India Act, 1994, which provides for private airports and leasing of the airports to private operators, among other things. While there is appreciable progress in each of the major transportation areas, including by way of encouraging public-private partnerships and privatization, significant resources will still be needed to modernize the sector and achieve the efficient transportation of passengers and freight in India.

Telecommunications

In fiscal 2005, our approvals and disbursements to the telecommunications sector were Rs. 13,305 million and Rs, 9,230 million, respectively. Growth in the telecommunications sector has been driven by increased investment from the private sector, resulting from liberalized governmental policies that favour the removal of regulatory and other barriers that impede private investment and permit private service providers to provide the full spectrum of telecommunications services. These governmental policy shifts have led to increased competition among service providers and greater access to telecommunications services at cheaper prices to the end consumer. For example, in fiscal 2004, the mobile subscriber base in India grew by 160%, reaching 33.6 million in March 2004 and in fiscal 2005 the mobile subscriber base grew by 55%, reaching 52.1 million in March 2005. In fiscal 2004 and 2005, mobile tariffs declined by 74% and 35%, respectively. According to TRAI, India today is the lowest cost provider of cellular telecommunications services in the world.

Early stage development of the infrastructure industry and our business

Infrastructure development in India with private capital is still at a relatively early stage. Infrastructure services in India have historically been provided by the central and state governments and urban municipal bodies and municipalities without charge or at a low charge to consumers. While per capita income and average consumer spending in India has increased at an average rate of 4.43% and 3.45% per year, respectively, over the past 20 years, the growth of the infrastructure industry will be impacted by the future growth of consumers' income levels and the extent to which they would be willing to pay or can be conditioned to pay for infrastructure services. Our loan portfolio is relatively unseasoned and so our historical results of operations may not be an accurate indicator of our financial performance in the future. Nonetheless, we believe that, given the shortage of adequate infrastructure and the growing demand for products and services, the infrastructure industry in India is less susceptible to changes in economic conditions than other industries in India such as manufacturing.

Dependence on government policy and regulation

The growth of the infrastructure industry in India and our business is dependent on the establishment of stable government policies and prudent regulation. Infrastructure development in India has historically been the preserve of the central and state governments, and has been constrained by various factors such as shortages of public funding, political considerations and issues of transparency and accountability. Changes in government policies which began in the 1990s facilitated the entry of private capital into infrastructure and have led to rapid growth in certain sectors, notably telecommunications. More recently, policy changes in the transportation, energy and industrial and commercial infrastructure sectors have begun to attract significant private sector interest. The pace of regulatory change in other infrastructure sectors has not been as rapid, and there is substantial need for further reform. Although we believe that policy and regulatory reforms continue to move in the right direction, the precise nature and pace of policy and regulatory change will have an impact on our growth and financial results.

Long gestation periods for projects

Given the long gestation periods for the commencement, construction and deployment of project assets and the long-term nature of project objectives, infrastructure projects are susceptible to changes in various factors, such as interest rates, regulations and policies, the cost and availability of raw materials and other key inputs and general economic conditions. These factors could affect project viability and the ability of projects and their sponsors to repay the financing we extend to them. The impact of these factors tends to be more pronounced in the initial and implementation stages of projects. Such factors could require us to write down or write off loans as non-performing assets, which may affect the overall quality of our asset portfolio and have an adverse impact on our financial results. We believe that we have managed these risks judiciously and have preserved high asset quality despite rapid growth in our loan portfolio. As we grow our loan portfolios and increase lending to sectors we have historically not had much, if any, exposure to (such as industrial and commercial infrastructure and urban services), we will be exposed to different risks and our level of non-performing assets may increase.

Availability of cost effective funding sources and impact of interest rate volatility and competition

Our ability to meet demand for new loans and other financing for infrastructure projects will primarily be funded by increased borrowing from external sources and the issuance of new debt. Our debt service costs as well as our overall cost of funds depends on many external factors, including developments in the Indian credit markets and, in particular, interest rate movements and the existence of adequate liquidity in the debt markets. Internal factors which will impact our cost of funds include changes in our credit ratings and our level of borrowings. In the first few years of our operations, we relied on the sizeable equity contribution made by our shareholders, as a result of which we did not have to borrow significantly in an environment of relatively high interest rates. With the growth of our operations we have had to increasingly access the debt capital markets and commercial borrowings and we have benefited from lower interest rates on our borrowings. We have been able to offer competitive interest rates for our infrastructure loans due to our relatively low effective cost of funds in the past and an increase in our cost of funds may require us to raise interest rates on our loan products. Furthermore, competition from banks and other financial institutions for project financing mandates continues to increase in India, and as a result there could be further downward pressure on our interest margins. Volatility in interest rates could also affect our income from treasury operations.

In fiscal 2004 and for part of fiscal 2005, declining interest rates led to increased prepayments and repricing of our loans as borrowers took advantage of the more attractive interest rate environment to reduce their borrowing costs. When interest rates started rising in fiscal 2005, there was a significant increase in funds available for loan financing in the Indian financial system, due in part to the lower deployment of funds by banks and financial institutions in Government securities. For fiscal year 2005 the incremental non-food credit deposit ratio increased to 100.7% from 56.0% in fiscal year 2004. This led to increased competition among lenders for loan assets, thereby contributing to pressure on loan pricing. In fiscal 2004 and 2005 we were required to reprice Rs. 5,610 million and Rs. 14,829 million, respectively, of our loan portfolio due to competitive pressures. Additionally, Rs. 3,844 million and Rs. 1,204 million of our loan portfolio was subject to interest rate reductions as a result of restructurings in fiscal 2004 and 2005. We are required under the RBI guidelines to provide for the reduction in the rate of interest, measured in present value terms, of our repriced and restructured loans, and so we provisioned Rs. 487 million in fiscal 2004 and Rs. 83 million in fiscal 2005 for loans that were repriced or restructured in those respective years. Our total provision in respect of repriced and restructured loans was Rs. 1,153 million as of March 31, 2005. Pursuant to the RBI guidelines, this provision will be reversed over the residual life of the loans. The table below shows the amount by which this provision will be recognized as income over the periods indicated (without taking into account any future repricings and restructurings):

(Rs. in million)

	Fiscal Year					
	2006	**2007**	**2008**	**2009**	**2010**	**2011 and thereafter**
Provision to be recognized as income	121	171	167	141	111	442

If borrowers prepay loans our return on capital is reduced to the extent the prepayment premium we receive does not fully compensate us for the costs of utilizing funds elsewhere. In fiscal 2004 and 2005, aggregate loans of Rs. 5,834 million and Rs. 3,984 million, respectively, were prepaid by borrowers. We believe that in a rising interest rate environment there will be lesser pressure on us to reprice loans, and lower inclination on the part of borrowers to prepay loans.

Tax benefits and incentives

We, as well as infrastructure projects and their sponsors, have benefited from, and continue to benefit from, certain tax regulations and incentives that accord favourable treatment to infrastructure-related activities. As a result, our effective tax rates (net of deferred tax) were 10.2%, 4.7% and 5.9% respectively, compared to the marginal rate of tax of 35% plus applicable surcharges and cess that would have been applicable to us if these regulations did not exist or did not cover us.

Critical Accounting Policies

Critical accounting policies are those that are important to both the portrayal of the financial condition and results of operations and that also require management's most subjective and complex judgments. In order to provide an understanding about how management forms its judgment about the most appropriate accounting policy to be followed for complex transactions and future events, we identify the following critical accounting policies:

Income Recognition: Interest on loans and debentures and other dues (such as fees for guarantees and advisory services) are recognized on an accrual basis except in respect of loans classified as non-performing, where interest income is recognized upon realization. Prior to April 1, 2005, disbursements were classified as non-performing if any amount of interest or principal remained overdue for more than 180 days. From April 1, 2005, this period has been shortened to 90 days. See also the discussion under the section titled "Selected Statistical Information".

Dividends from our mutual fund and equity investments are accounted for when the right to receive them is established. Front end fees for the processing of loans are recognized upfront as income. Profit on the sale of infrastructure investments and treasury investments is recognized upon realization.

Classification of Assets: We classify and account for our assets in accordance with the RBI guidelines. Our asset classification policies are described in further detail in the section titled "Selected Statistical Information" on page 143 of this Red Herring Prospectus.

Provisioning and Write-offs: Our policies on provisioning and write-offs are in compliance with those prescribed by the RBI guidelines, and are described in the section titled "Selected Statistical Information" on page 143 of this Red Herring Prospectus. Our provisions are estimates and are therefore susceptible to revision as more information about the events or contingencies requiring the provision becomes available. We make our provisions on a quarterly basis.

Under the RBI guidelines, financial institutions (including our Company) are not required to record or provide for as non-performing assets (i) defaults by infrastructure projects under implementation until the commencement date of the project or (ii) non-performing loans in respect of which we have take-out obligations until we in fact take over the loan (in which case we have to provide for the loan from the date on which it originally became non-performing).

In respect of standard assets and non-performing or stressed assets, we aim to provide for more than the amounts required under the RBI guidelines on grounds of prudence. In determining the amount of the provision required, management assesses a number of factors, including our financial condition and results of operations, market risk, expectations and estimates regarding our asset portfolio and general prudential principles. For example, in fiscal 2004 and 2005 we provided for 100% of our non-performing assets though the RBI guidelines would have required us to provide for only 10%. In addition, in fiscal 2004 we made an ad hoc provision of Rs. 750 million (of which Rs. 263 million related to stressed assets and Rs. 487 million represented a provision for repriced and restructured loans). In fiscal 2005, we used part of the ad hoc amount towards provision for repriced and restructured loans, consistent with the RBI guidelines.

In respect of provisions for repriced and restructured assets, we are required under the RBI guidelines to reverse the provisions over the residual life of the assets. As of March 31, 2005, we had provisions for repriced and restructured loans of Rs. 1,153 million, which we will reverse in future periods. See "Availability of cost effective funding sources and impact of interest rate volatility and competition" above.

Classification and Valuation of Investments. In accordance with the RBI guidelines, we classify our investments into three categories, namely "Held to Maturity", "Held for Trading" and "Available for Sale" investments. Investments we intend to hold until maturity are classified as "Held to Maturity" investments. These investments are recorded on our balance sheet at their acquisition cost and any premium paid to acquire these investments is amortized in our statement of profit and loss over the remaining years to maturity of the investments. Investments that are held with the intention to trade by taking advantage of short-term price or interest rate movements are classified as "Held for Trading", and investments not falling into either of the first two categories are classified as "Available for Sale" securities. Within the three categories, we have various sub-categories, such as government securities, corporate bonds, pass-through certificates, mutual fund units, equity shares, preference shares, commercial paper and venture capital units. Within each sub-category other than mutual fund units and equity, we aggregate appreciation or depreciation in value of investments and provide for any net depreciation in value and ignore any net appreciation in value. For mutual funds and equity investments, we calculate and provide for depreciation on an individual basis and ignore any appreciation. In addition, the amount of gain or loss on the sale of "Held to Maturity" investments is appropriated to our capital reserve account.

Interest Rate Hedging. Income from swap transactions that we enter into for hedging purposes is accounted for on an accrual basis. Trading swaps are carried at market value or the lower of cost or market value. Gains or losses on termination of such swaps are recognized over the shorter of the remaining life of the swap contract or of the hedged asset or liability. Swaps that do not hedge assets or liabilities are marked-to-market on a monthly basis.

Employee Share Purchase Scheme ("ESPS") and Employee Stock Option Plan ("ESOP"). We have recently established an ESPS and an ESOP. Under our ESPS, employees were allotted 2,453,512 Equity Shares at a price of Rs. 17.48 per Equity Shares, based on an independent valuation. Under our ESOP, we have granted 11,867,198 options to certain of our employees at a price of Rs. 17.48. Since this price represents fair value of the Equity Shares prior to the Issue, the grant will not impact our income statement. Following the Issue, if we grant options at prices that are less than the trading price of the Equity Shares, we will be required to recognize a corresponding charge to our income statement for the periods in which the grants were made.

Results of Operations

Our revenue, which is referred to herein and in our financial statements as our income, consists of income from infrastructure operations, treasury income and other income, the components of which are as follows:

- Income from infrastructure operations includes: (i) interest from senior and subordinated loans to and debentures of infrastructure projects; (ii) other fees, including front-end fees, prepayment premiums and premiums on interest rate reductions; (iii) dividends from our equity investments in infrastructure projects; (iv) profit from sales of equity investments in infrastructure projects; and (v) income from other operations, which include commissions on guarantees, take-out financings and risk participation facilities, and fees from advisory services and our debenture trustee and security and syndicate agent activities.

- Treasury income includes: (i) interest from investments such as corporate bonds, certificates of deposit, commercial paper and government securities; (ii) interest from bank deposits; (iii) interest from inter-corporate deposits and loans to financial institutions; (iv) dividends from mutual fund units; and (v) profit on sale of treasury investments.
- Other income includes: (i) dividend from strategic investments, which for the periods discussed below was our investment in Securities Trading Corporation of India; (ii) interest on income tax refunds; (iii) profit on sale of fixed assets; and (iv) miscellaneous income.

The largest component of our expenditure is interest on borrowings and other charges related to our borrowings, such as fees to rating agencies, stamp duties, listing fees and issue expenses. Our non-interest expenditures include:

- staff expenses comprising salaries, contributions to provident, gratuity and superannuation funds and staff welfare expenses;
- establishment expenses comprising rent, rates and taxes, electricity, repairs and maintenance and insurance;
- other expenses, including travel expenses, printing and stationery, communications, advertising and publicity, audit and other professional fees, directors' fees and miscellaneous expenses;
- provisions and contingencies, including provisions for doubtful loans and debtors, contingent provisions against standard assets, and provisions for diminution in value of treasury and other investments;
- loss on the sale of investments; and
- depreciation.

We use a variety of indicators to measure our performance. These indicators are presented in tabular form in the section titled "Selected Statistical Information" on page 143 of this Red Herring Prospectus. Our net interest income represents our total interest income (on senior and subordinated loans and debentures, other interest bearing investments and bank and other deposits) net of total interest expense and other charges on borrowings. Net interest margin represents the ratio of net interest income to the daily average of total interest earning assets. Our spread represents the difference between the yield on the daily average of interest earning assets and the cost of the daily average of interest bearing liabilities. Our yield is the ratio of interest income to the daily average of interest earning assets. Our cost of funds is the ratio of interest expense to the daily average of interest bearing liabilities.

Summary Results of Operations

The following table sets forth our summary results of operations derived from our restated unconsolidated financial statements as of and for the fiscal years ended March 31, 2003, 2004 and 2005, which are included in this Red Herring Prospectus under the section titled "Financial Statements" on page 89.

(Rs. in million)

	Fiscal year		
	2003	**2004**	**2005**
Income			
Income from infrastructure operations	3,525	5,337	6,818
Income from treasury operations	893	972	368
Other income	171	61	90
Total income	**4,589**	**6,370**	**7,276**

	Fiscal year		
	2003	**2004**	**2005**
Expenditures			
Interest and other charges	1,870	2,260	3,119
Operating expenses	293	307	279
Provisions, contingencies and losses from the sale of investments	422	1,084	648
Total expenditures	**2,585**	**3,651**	**4,046**
Profit before tax	**2,004**	**2,719**	**3,230**
Provision for taxation	205	128	190
Profit after tax	**1,799**	**2,591**	**3,040**
Profit after tax, as restated	**1,798**	**2,596**	**3,040**

Fiscal Year Ended March 31, 2005 Compared to Fiscal Year Ended March 31, 2004

Total Income

Our total income increased by 14.2% from Rs. 6,371 million in 2004 to Rs. 7,276 million in 2005.

Infrastructure Operations

Our income from infrastructure operations increased by 27.7% from Rs. 5,337 million in fiscal 2004 to Rs. 6,818 million in fiscal 2005, primarily due to increased interest income from infrastructure projects and increased profit on the sale of investments. The following table sets forth the components of our income from infrastructure operations:

(Rs. in million)

	Year ended March 31,	
	2004	**2005**
Interest income	3,992	5,295
Other fees	165	198
Dividends	41	41
Profit on sale of investments	846	1,113
Other operations	143	171
Provision for diminution in value of investments written back	150	-
Total income from infrastructure operations	**5,337**	**6,818**

Interest Income: Interest income increased by 32.6% from Rs. 3,992 million in fiscal 2004 to Rs. 5,295 million in fiscal 2005, reflecting an increase in the average volume of infrastructure financing as a result of the general growth in our business offset in part by a decrease in yields. The general growth in our business was due to several factors, including better economic conditions, greater opportunities in the infrastructure sector as a result of regulatory and policy changes and continued demand for debt financing as a result of low interest rates. Yields on our infrastructure loans decreased from an average of 12.32% in fiscal 2004 to 9.43% in fiscal 2005. This decline was due to the general decline in interest rates and other market and competitive factors, which required us to price new financing at lower rates than in previous periods and reprice existing loans.

Our average volume of our infrastructure financing, defined as the daily average balance of our outstanding infrastructure loans, increased by 73.3% from Rs. 32,391 million in fiscal 2004 to Rs. 56,136 million in fiscal 2005 primarily due to larger volumes of financing of the energy, transportation and telecommunications sectors. Our financing of all of these sectors increased substantially in fiscal 2005 compared to fiscal 2004 due to the general growth of and increased demand for funds in these sectors.

Energy sector: Our average volume of infrastructure financing in the energy sector increased by 84.3% from Rs. 9,766 million in fiscal 2004 to Rs. 18,000 million in fiscal 2005.

Transportation sector: Our average volume of infrastructure financing to the transportation sector increased by 66.9% from Rs. 8,189 million in fiscal 2004 to Rs. 13,671 million in fiscal 2005.

Telecommunications sector: Our average volume of infrastructure financing to the telecommunications sector increased by 45.8% from Rs. 14,161 million in fiscal 2004 to Rs. 20,651 million in fiscal 2005.

Other sectors: Our average volume of infrastructure financing to all other sectors in which we do business, including industrial and commercial infrastructure, urban services, rural infrastructure, education and healthcare, increased from Rs. 275 million in fiscal 2004 to Rs. 3,814 million in fiscal 2005. We see these sectors as potential areas of growth and in 2005 increased our involvement in these sectors.

***Other Fees*:** Other fees increased by 20.0% from Rs. 165 million in fiscal 2004 to Rs. 198 million in fiscal 2005, primarily because of the increase in front-end fees as a result of increased financing approvals due to the growth in our business.

***Dividends*:** Dividends from equity investments in infrastructure projects remained unchanged at Rs. 41 million in fiscal 2005 and fiscal 2004.

***Profit on Sale of Investments*:** We had profit on sale of investments of Rs. 846 million in fiscal 2004 as a result of the partial sale of our holdings in Indraprastha Gas and Bharti Televentures, and profit on sale of investments of Rs. 1,113 million in fiscal 2005 as a result of the partial sale of our holdings in companies such as Indraprastha Gas, Bharti Televentures and Gateway Distriparks. Favourable conditions in the Indian equity capital markets facilitated these profitable sale of investments in 2005.

Other Operations: Our income from other operations increased by 19.9% from Rs. 143 million in fiscal 2004 to Rs. 171 million in fiscal 2005 mainly because of growth of 43.0% in income from advisory and other services. This growth reflects our renewed focus on advisory and other services as part of our strategy of using our domain knowledge to expand the range of our income generating activities.

Provision for Diminution in Value of Investments Written Back: We did not have any provisions for diminution in value of investments written back in fiscal 2005. In fiscal 2004, we wrote back Rs. 150 million relating to a prior period provision for diminution in value of investments, because of the improved performance of the investment which we had provided for.

Treasury Operations

The following table sets forth the components of our income from treasury operations:

(Rs. in million)

	Year ended March 31,	
	2004	**2005**
Interest on investments (gross)	149	142
Interest on bank deposits (gross)	17	17
Interest on deposits and loans (gross)	36	27
Dividend from units of mutual funds	307	-
Profit on sale of treasury investments	463	178
Provision for diminution in value of investments written back	-	4
Total income from treasury operations	**972**	**368**

Total income from treasury operations decreased by 62.1% from Rs. 972 million in fiscal 2004 to Rs. 368 million in fiscal 2005, primarily due to the reduction in the average volume of income earning treasury assets and the decline in yields. The average volume of income earning treasury assets declined by 28.7% from Rs. 10,340 million in fiscal 2004 to Rs. 7,369 million in fiscal 2005 because of increased deployment of funds in infrastructure operations and substantially lower investments in mutual funds, which also resulted in the decline in profit on sale of treasury investments. We did not derive any dividends from mutual funds in fiscal 2005 because all our mutual fund investments were in growth rather than dividend schemes. Treasury yield declined from 9.37% in fiscal 2004 to 4.99% in fiscal 2005, reflecting the increase in interest rates.

Other Income

Our other income increased by 47.5% from Rs. 61 million in fiscal 2004 to Rs. 90 million in fiscal 2005, mainly because of Rs. 40 million in income tax refunds received in fiscal 2005, which was partly offset by decreased dividend from our strategic investment in Securities Trading Corporation of India.

Expenditures

Total expenses increased by 10.8% from Rs. 3,651 million in fiscal 2004 to Rs. 4,047 million in fiscal 2005. As a percentage of our total income, our expenditures decreased to 55.6% in fiscal 2005 compared to 57.3% in fiscal 2004. Excluding interest and other charges and provisions, our expenditures decreased by 9.0% in fiscal 2005 compared to fiscal 2004. This decrease was mainly because of the rationalization of our office network in 2005.

Interest and Other Charges: The primary component of our expenditures was interest and other charges related to our borrowings, which increased by 38.0% from Rs. 2,260 million in fiscal 2004 to Rs. 3,119 million in fiscal 2005. This increase reflects a 64.6% increase in our average interest bearing liabilities from Rs. 29,017 million in fiscal 2004 to Rs. 47,767 million in fiscal 2005, reflecting our increased borrowings to fund the growth of our financing business. The increase was offset in part by a decline in interest rates. As a percentage of total income, interest payments increased from 35.5% in fiscal 2004 to 42.9% in fiscal 2005, reflecting the greater increase in our cost of funds relative to our yield on interest earning assets.

Staff Expenses: Our staff expenses increased by 10.1% from Rs. 134 million in fiscal 2004 to Rs. 147 million in fiscal 2005 primarily due to increases in employee compensation, which was partially offset by the rationalization of our office network.

Establishment Expenses: Our expenses for rent, rates and taxes, electricity, repairs and maintenance and insurance for our premises decreased by 36.9% from Rs. 31 million in fiscal 2004 to Rs. 20 million in fiscal 2005 primarily due to the rationalization of our office network. As a percentage of total revenues, these expenses were 0.5% in fiscal 2004 and 0.3% in fiscal 2005.

Other Expenses: Our other expenses decreased from Rs. 101 million in fiscal 2004 to Rs. 76 million in fiscal 2005, mainly because of lower general and administrative costs and travel expenses. The main reason for the decrease in other expenses was the rationalization of our office network in 2005.

Provisions and Contingencies: The following table sets forth, for the periods indicated, the components of our provisions and contingencies:

(Rs. in million)

	Year ended March 31,	
	2004	**2005**
Contingent provision against standard assets	63	71
Provision for doubtful loans and debtors	1,017	448
Provision for diminution in value of investments	4	129
Total provisions and contingencies	**1,084**	**648**

Total provisions and contingencies decreased by 40.2% from Rs. 1,084 million in fiscal 2004 to Rs. 648 million in fiscal 2005. Our provisions in 2004 included a provision of Rs. 63 million towards standard assets in accordance with the RBI guidelines and our provisioning policy, and a provision of Rs. 1,017 million towards doubtful loans and debtors, which consisted of a provision of Rs. 267 million towards non-performing assets and an ad hoc provision of Rs. 750 million (of which Rs. 263 million related to stressed assets and Rs. 487 million represented a provision for repriced and restructured loans).

Our provisions in fiscal 2005 included a provision of Rs. 71 million towards standard assets in accordance with the RBI guidelines and our provisioning policy, a provision of Rs. 448 million towards doubtful loans and debtors, which consisted of Rs. 512 million for non-performing assets and Rs. 83 million for repriced and restructured loans, less Rs. 147 million, which represented the part recovery in 2005 of an asset that we had fully provided for in earlier years. The total provision required for repriced and restructured loans amounted to Rs. 1,153 million as of March 31, 2005. The provision made in 2005 was Rs. 83 million after adjusting available provisions amounting to Rs. 1,070 million (consisting of Rs. 750 million made in fiscal 2004 and the rest made in earlier years). We also provided Rs. 129 million for the decline in value of our unlisted investments.

In fiscal 2004 and 2005, as a matter of prudence, we provided for 100% of our non-performing assets though the RBI provisioning norms would have required us to provide for only 10% of such assets.

Depreciation: Depreciation on our fixed assets decreased by 12.6% from Rs. 42 million in fiscal 2004 to Rs. 36 million in fiscal 2005.

Profit Before Tax

For the reasons stated above, our profit before tax increased by 18.8% from Rs. 2,719 million in fiscal 2004 to Rs. 3,230 million in fiscal 2005. As a percentage of total revenues, our profit before tax increased from 42.7% in fiscal 2004 to 44.4% in fiscal 2005.

Net Interest Income

Our net interest income decreased by 5.8% from Rs. 2,701 million in fiscal 2004 to Rs. 2,544 million in fiscal 2005. The following table sets forth the components of our net interest income:

(Rs. in million)

	Year ended March 31,	
	2004	**2005**
Interest income[(1)]	4,961	5,663
Interest expense	2,260	3,119
Net interest income	2,701	2,544

(1) *Interest income includes interest from infrastructure operations and income from treasury operations net of provisions against treasury assets.*

The decrease in our net interest income reflected the decrease in yield on average interest earning assets from 11.61% in 2004 to 8.92% in 2005. Yields decreased because we were required to reprice Rs. 14,829 million in principal amount of our outstanding loans during fiscal 2005, compared to Rs. 5,610 million in fiscal 2004, due to competitive pressures. As a result, our net interest margin declined from 6.32% in fiscal 2004 to 4.01% in fiscal 2005, while our spread declined from 3.82% to 2.39% in those years, respectively. Our cost of funds declined from 7.79% in fiscal 2004 to 6.53% in fiscal 2005, reflecting the lower interest rate environment.

Income Tax

Our income tax expense increased by 48.0% from Rs. 128 million in fiscal 2004 to Rs. 190 million in fiscal 2005, mainly because of the increase in our taxable income. Our effective rate of tax was 4.7% in fiscal 2004 and 5.9% in fiscal 2005. Of our total income tax expense of Rs. 190 million in fiscal 2005, our current income tax expense was Rs. 320 million and our deferred income tax was Rs. 130 million. Our low effective tax rate was due to the benefits and incentives available to us as an infrastructure financing company, as discussed above.

Profit After Tax

As a result of the foregoing factors, our profit after tax increased by 17.3% from Rs. 2,591 million in fiscal 2004 to Rs. 3,040 million in fiscal 2005. Following the restatement of our financial statements for changes in accounting policies, our profit after tax in fiscal 2004 was Rs. 2,596 million. Our earnings per equity share increased by 17.4% from Rs. 2.59 per equity share in fiscal 2004 to Rs. 3.04 per equity share in fiscal 2005.

Fiscal Year Ended March 31, 2004 Compared to Fiscal Year Ended March 31, 2003

Total Income

Our total income increased by 38.8% from Rs. 4,589 million in fiscal 2003 to Rs. 6,371 million in 2004.

Infrastructure Operations

Our income from infrastructure operations increased by 51.4% from Rs. 3,525 million in fiscal 2003 to Rs. 5,337 million in fiscal 2004, primarily due to an increase in interest income from infrastructure projects and income of Rs. 846 million in fiscal 2004 from profit on sale of investments. The following table sets forth the components of our income from infrastructure operations:

(Rs. in million)

	Year ended March 31,	
	2003	**2004**
Interest income	3,227	3,992
Other fees	107	165
Dividends	1	41
Profit on sale of investments	-	846
Other operations	190	143
Provision for diminution in value of investments written back	-	150
Total income from infrastructure operations	**3,525**	**5,337**

***Interest Income*:** Interest income increased by 23.7% from Rs. 3,227 million in fiscal 2003 to Rs. 3,992 million in fiscal 2004, reflecting an increase in the average volume of infrastructure financing as a result of the general growth in our business, offset in part by a decrease in yields. The general growth in our business was due to several factors, including better economic conditions, greater opportunities in the infrastructure sector as a result of regulatory and policy changes and continued demand for debt financing as a result of low interest rates. Yields on our infrastructure loans decreased from an average of 13.72% in fiscal 2003 to 12.32% in fiscal 2004. This decline was due to the general decline in interest rates and increased competition, which required us to price new financing at lower rates than in previous periods and reprice some existing loans at lower rates.

Our average volume of infrastructure loans and debentures increased by 37.7% from Rs. 23,515 million in fiscal 2003 to Rs. 32,391 million in fiscal 2004 primarily due to larger volumes of financing to the energy, transportation and telecommunications sectors. Our financing of all of these sectors increased substantially in fiscal 2004 compared to fiscal 2003.

Energy sector: Our average volume of infrastructure financing in the energy sector increased by 17.8% from Rs. 8,288 million in fiscal 2003 to Rs. 9,766 million in fiscal 2004.

Transportation sector: Our average volume of infrastructure financing to the transportation sector increased by 114.9% from Rs. 3,810 million in fiscal 2003 to Rs. 8,189 million in fiscal 2004.

Telecommunications sector: Our average volume of infrastructure financing to the telecommunications sector increased by 25.2% from Rs. 11,312 million in fiscal 2003 to Rs. 14,161 million in fiscal 2004.

Other sectors: Our average volume of infrastructure financing to all other sectors in which we do business, including industrial and commercial infrastructure, urban services, rural infrastructure, education and healthcare, increased from Rs. 105 million in fiscal 2003 to Rs. 275 million in fiscal 2004, due to our increased involvement in these sectors.

***Other Fees*:** Other fees increased by 54.3% from Rs. 107 million in fiscal 2003 to Rs. 165 million in fiscal 2004, primarily because of the increase in front-end fees as a result of increased financing approvals due to the growth in our business.

***Dividends*:** Dividends from equity investments in infrastructure projects were Rs. 41 million in fiscal 2004 compared to Rs. 1 million in fiscal 2003 because the companies we invested in did not declare dividends in fiscal 2003.

***Profit on Sale of Investments*:** Fiscal 2004 was the first year in which we sold equity investments. We had substantial profits on sale of investments of Rs. 846 million as a result of the partial sale of our holdings in Indraprastha Gas and Bharti Televentures.

Other Operations: Our income from other operations decreased by 24.8% from Rs. 190 million in fiscal 2003 to Rs. 143 million in fiscal 2004 primarily because of a decline in fees from advisory and other services. These fees declined because of our increased focus on growing our balance sheet rather than our advisory business in 2004.

Provision for Diminution in Value of Investments Written Back: In fiscal 2004, we wrote back Rs. 150 million relating to a prior period provision for diminution in value of investments, because of the improved performance of the investment which we had provided for.

Treasury Operations

The following table sets forth the components of our operating income from treasury operations:

(Rs. in million)

	Year ended March 31,	
	2003	**2004**
Interest on investments (gross)	137	149
Interest on bank deposits (gross)	128	17
Interest on deposits and loans (gross)	10	36
Dividend from units of mutual funds	-	307
Profit on sale of treasury investments	507	463
Provision for diminution in value of investments written back	112	-
Total income from treasury operations	**894**	**972**

Total income from treasury operations increased by 8.8% from Rs. 894 million in fiscal 2003 to Rs. 972 million in fiscal 2004, primarily due to the increase in the average volume of income earning treasury assets, partly offset by the decline in yields. The average volume of income earning treasury assets increased by 16.7% from Rs. 8,860 million in fiscal 2003 to Rs. 10,340 million in fiscal 2004 because of increased capital raising through borrowings that we temporarily deployed as treasury investments. These investments included substantially higher investments in mutual fund dividend schemes, which resulted in dividends of Rs. 307 million in 2004. Our bank deposits were significantly lower in fiscal 2004 as a result of which our interest on bank deposits was significantly lower in 2004 compared to 2003. Treasury yield declined from 10.08% in fiscal 2003 to 9.37% in fiscal 2004.

Other Income

Our other income decreased by 64.2% from Rs. 171 million in fiscal 2003 to Rs. 61 million in fiscal 2004, mainly because of lower dividends from our strategic investment in Securities Trading Corporation of India. We also received interest on income tax refund of Rs. 40 million in 2003.

Expenditures

Total expenditures increased by 41.3% from Rs. 2,585 million in fiscal 2003 to Rs. 3,651 million in fiscal 2004. As a percentage of our total income, our expenditures increased from 56.3% in fiscal 2003 to 57.3% in fiscal 2004.

Interest and Other Charges: The primary component of our expenditures was interest and other charges related to our borrowings, which increased by 20.9% from Rs. 1,870 million in fiscal 2003 to Rs. 2,260 million in fiscal 2004. This increase reflects a 47.0% increase in our average interest bearing liabilities from Rs. 19,741 million in fiscal 2003 to Rs. 29,017 million in fiscal 2004, offset in part by a decline in interest rates. Our average interest bearing liabilities were higher because of increased borrowings to fund the growth of our financing business. As a percentage of total income, interest payments decreased from 40.7% in fiscal 2003 to 35.5% in fiscal 2004, reflecting the lower decline in yield on interest earning assets relative to our cost of funds.

Staff Expenses: Our staff expenses increased by 7.4% from Rs. 125 million in fiscal 2003 to Rs. 134 million in fiscal 2004 due primarily due to increases in employee compensation and contribution to employee benefit funds.

Establishment Expenses: Our expenses for rent, rates and taxes, electricity, repairs and maintenance and insurance for our premises increased by 13.9% from Rs. 27 million in fiscal 2003 to Rs. 31 million in fiscal 2004 primarily due to ordinary course increases in these expenses. As a percentage of total revenues, these expenses were 0.6% in fiscal 2003 and 0.5% in fiscal 2004.

Other Expenses: Our other expenses increased by 5.2% from Rs. 96 million in fiscal 2003 to Rs. 101 million in fiscal 2004, mainly because of higher professional fees, partly offset by lower advertising and publicity expenses.

Provisions and Contingencies: The following table sets forth, for the periods indicated, the components of our provisions and contingencies:

(Rs. in million)

	Year ended March 31,	
	2003	**2004**
Contingent provision against standard asset	15	63
Provision for doubtful loans and debtors	60	1,017
Provision for diminution in value of investments	175	4
Total provisions and contingencies	**250**	**1,084**

Total provisions and contingencies increased from Rs. 250 million in fiscal 2003 to Rs. 1,084 million in fiscal 2004. This substantial increase was attributable to a provision of Rs. 267 million in respect of a non-performing asset and an ad hoc provision of Rs. 750 million, as discussed above. In 2003 we made a provision of Rs. 175 million in respect of diminution in the value of our listed and unlisted investments, of which Rs. 150 million was reversed in fiscal 2004. We also made in fiscal 2003 a provision of Rs. 30 million in respect of a non-performing asset, an ad hoc provision of Rs. 30 million and a provision against standard assets of Rs. 15 million, in accordance with the RBI guidelines.

Depreciation: Depreciation on our fixed assets decreased by 6.8% from Rs. 45 million in fiscal 2003 to Rs. 42 million in fiscal 2004.

Profit Before Tax

For the reasons stated above, our profit before tax increased by 35.7% from Rs. 2,004 million in fiscal 2003 to Rs. 2,720 million in fiscal 2004. As a percentage of total revenues, our profit before tax decreased from 43.7% in fiscal 2003 to 42.7% in fiscal 2004.

Net Interest Income

Our net interest income increased by 20.0% from Rs.2,251 million in fiscal 2003 to Rs.2,701 million in fiscal 2004. The following table sets forth the components of our net interest income:

(Rs. in million)

	Year ended March 31,	
	2003	**2004**
Interest income[1]	4,120	4,961
Interest expense	1,869	2,260
Net interest income	2,251	2,701

[1] *Interest income includes interest from infrastructure operations and income from treasury operations net of provisions against treasury assets.*

Net interest income increased because of the 32.0% increase in the volume of interest earning assets in fiscal 2004 compared to fiscal 2003. Yield on average total assets declined from 12.73% in 2003 to 11.61% in 2004 because of declining interest rates and repricing of loans due to competitive pressures. Our net interest margin declined from 6.95% in fiscal 2003 to 6.32% in fiscal 2004 while our spread increased from 3.26% to 3.82% in those years, respectively, due to the greater increase of 47.0% in interest bearing liabilities as compared to the 32.0% increase in interest earning assets. Our cost of funds declined from 9.47% in fiscal 2003 to 7.79% in fiscal 2004, reflecting the lower interest rate environment. Our spread as well as cost of funds benefited from the repayment of high interest borrowings during fiscal 2004.

Income Tax

Our income tax expense decreased by 37.4% from Rs. 205 million in fiscal 2003 to Rs. 128 million in fiscal 2004. Our effective rate of tax was 10.2% in fiscal 2003 and 4.7% in fiscal 2004. Of our total income tax expense of Rs. 128 million in fiscal 2004, our current income tax expense was Rs. 448 million and our deferred tax credit was Rs. 320 million. Our low effective tax rate was due to the benefits and incentives available to us as an infrastructure financing company, as discussed above.

Profit After Tax

As a result of the foregoing factors, our profit after tax increased by 44.0% from Rs. 1,799 million in fiscal 2003 to Rs. 2,591 million in fiscal 2004. Following the restatement of our financial statements for changes in accounting policies, our profit after tax in fiscal 2003 and 2004 was Rs. 1,798 million and Rs. 2,596 million, respectively. Our earnings per equity share increased by 43.9% from Rs. 1.80 per equity share in fiscal 2003 to Rs. 2.59 per equity share in fiscal 2004.

Related Party Transactions

We enter into transactions with related parties in the normal course of business. The principal related parties are our subsidiaries, joint ventures, affiliates and key management personnel. These transactions are generally at arms length and are in line with market pricing. We do not have any obligation to provide financial support or meet any obligations of these related parties. For further information see "Related Party Transactions on page 112 of this Red Herring Prospectus".

Liquidity and Capital Resources

Cash flows

As of March 31, 2005, we had cash and cash equivalents of Rs. 4,270 million, compared to Rs. 43 million and Rs. 1,020 million as of March 31, 2004 and 2003, respectively.

(Rs. in million)

	Year ended March 31,		
	2003	**2004**	**2005**
Cash flow from operating activities	860	1,516	1,953
Cash flow from (used in) lending and investing activities	1,335	(756)	4,311
Cash flow from (used in) financing activities	(2,340)	(1,738)	(2,037)
Cash and cash equivalents at the end of the year	1020	43	4270

***Cash flow from operations*:** Our cash flow from operations increased from Rs. 860 million in 2003 to Rs. 1,516 million in 2004 and Rs. 1,953 million in 2005.

Cash flow from operations in fiscal 2003 of Rs. 860 million resulted primarily from profit before tax of Rs. 2,001 million, a net upward adjustment for various non-cash items of Rs. 188 million, a downward adjustment of Rs. 782 million in investment income, which we account for under investing activities, a downward adjustment of Rs. 311 million for changes in working capital, and a downward adjustment of Rs. 410 million for direct taxes paid.

Cash flow from operations in fiscal 2004 of Rs. 1,516 million resulted primarily from profit before tax of Rs. 2,727 million, an upward adjustment for provisions for doubtful loans and debtors of Rs. 1,073 million, downward adjustments for profit on sale of investments of Rs. 846 million and investment income of Rs. 972 million, a net downward adjustment for various other non-cash items of Rs. 105 million, an upward adjustment for changes in working capital of Rs. 207 million, and a downward adjustment of Rs. 565 million for direct taxes paid.

Cash flow from operations in fiscal 2005 of Rs. 1,953 million resulted primarily from profit before tax of Rs. 3,230 million, an upward adjustment for provisions for doubtful loans and debtors of Rs. 369 million, downward adjustments for profit on sale of investments of Rs. 1,113 million and investment income of Rs. 365 million, a net upward adjustment for various other non-cash items of Rs. 161 million, an upward adjustment for changes in working capital of Rs. 320 million, and a downward adjustment of Rs. 649 million for direct taxes paid.

***Cash flow from (used in) investing activities*:** Our cash inflow from investing activities in fiscal 2003 was Rs. 1,335 million, and consisted mainly of investment income of Rs. 775 million and the net proceeds from investments, loans and deposits of Rs. 578 million. Our cash flow used in investing activities in fiscal 2004 was Rs. 756 million, which was net of investment income of Rs. 1,037 million and the net purchase of investments, loans and deposits of Rs. 1,796 million. Our cash flow from investment activities in fiscal 2005 was Rs. 4,311 million, and consisted mainly of investment income of Rs. 361 million and the net proceeds from investments, loans and deposits of Rs. 3,940 million.

***Cash flow used in financing activities*:** In fiscal 2003, we made infrastructure loans of Rs. 6,590 million, raised Rs. 5,250 million from borrowings and paid dividends of Rs. 1,000 million, which in large part accounted for our cash flow used in financing activities of Rs. 2,340 million. In fiscal 2004, we made infrastructure loans of Rs.18,610 million, raised Rs. 18,000 million from borrowings and paid dividends of Rs. 1,128 million, which in large part accounted for our cash flow used in financing activities of Rs. 1,738 million. In fiscal 2005, we made infrastructure loans of Rs. 26,608 million, raised Rs. 25,701 million from borrowings and paid dividends of Rs. 1,131 million, which in large part accounted for our cash flow used in financing activities of Rs. 2,037 million. The infrastructure loans and borrowing amounts listed in our financing activities are net of prepayments and repayments.

Capital Resources

The following are the sources of funding for our operations:

- equity from investors;
- subordinated debt from the Government of India;
- placements of bonds and debentures;
- commercial borrowings; and
- cash flow from operations.

***Shareholders' funds*:** As of March 31, 2005, our total shareholders' funds were Rs. 18,889 million, consisting of share capital of Rs. 10,000 million and reserves and surplus of Rs. 8,889 million. On that date, after giving pro forma effect to this Issue, our total shareholders' funds would have been Rs. [●] million, consisting of share capital of Rs. 11,225 million and reserves and surplus of Rs. [●] million*. Of our share capital, 63.8% will be held by parties to our shareholders agreement and 36.2% will be held by public shareholders (including employees). Equity from investors was a significant source of funding for us in the earlier years of our operations. With the growth of our business, we have become more reliant on other sources of funding, such as borrowings.

** Blanks to be filled in the Prospectus, upon determing the Issue Price.*

***Subordinated debt from the Government of India*:** As part of our initial funding, together with equity capital, the Government of India and the Reserve Bank of India provided us with subordinated debt of Rs. 3,000 million and Rs. 3,500 million, respectively, initially maturing in 2012 and subsequently extended to 2047. The facility currently carries an interest rate of 7.45%, which is repriced every five years based on the yield on five-year government securities plus a spread of 0.25%. The facility is next due to be repriced effective April 1, 2007. As of March 31, 2005, the outstanding amount of this facility was Rs. 6,500 million and the sole lender under this facility was the Government of India.

***Placements of bonds and debentures*:** The major source of our financing is placements of bonds and debentures with institutional investors such as banks, mutual funds and insurance companies. As of March 31, 2005, we had aggregate outstanding bonds and debentures of Rs. 31,826 million.

***Commercial borrowings*:** We also make short-term borrowings through term money borrowings, the issuance of commercial paper, certificates of deposits and term deposits and medium to long-term borrowings through term loans. As of March 31, 2005, the aggregate amount of outstanding commercial borrowings was Rs. 27,125 million. As of June 21, 2005, we had US$25 million of U.S. dollar borrowings outstanding (equivalent to approximately Rs. 1,087 million). We are also in the process of negotiating foreign currency denominated loans from multilateral lending institutions.

***Cash flow from operations*:** Our cash flow from operations, which is discussed above, contributes to our liquidity, reserves and surplus on an ongoing basis. As of March 31, 2005, we had reserves and surplus of Rs. 8,889 million. Our ability to generate cash from our operations depends on our future operating performance, which is in turn dependent, among other things, on general economic, financial, competitive, market, regulatory and other factors in India and within the infrastructure industry, including within individual sectors, as discussed above under “Factors Affecting Our Results of Operations” and in the section titled “Risk Factors”.

As a lending institution, we seek to match our assets with corresponding liabilities, and therefore are dependent on external funding from the debt capital markets as well as from commercial banks and other lending institutions. Because we fund most of our capital needs through the issuance of debt, our cost of capital rises during periods of increasing market interest rates. The pricing on our issuances of debt will also be negatively impacted by any downgrade or potential downgrade in our credit ratings. In addition, given the volatility in interest rates in India, we cannot predict whether the interest rate on our Rs. 6,500 million of subordinated debt will be reset at a higher or lower rate.

As we become increasingly dependent on non-governmental third-party sources of funds, including through the increased utilization of long-term and other borrowings to fund our operations and other liquidity needs, we expect that our overall cost of funds is likely to increase. Interest rates on new borrowings will be dependent on market interest rates, which have recently risen and may continue to rise following a period of general downward movement.

Although we believe that our expected cash flows from available borrowings, together with our expected cash flows from operations, will be adequate to fund our anticipated liquidity and debt service needs, we cannot assure you that operating cash flows and future debt and equity financing will be available to us on favourable terms or in amounts sufficient to fund our liquidity needs or to pay our debts when due.

Financial Condition

Our net assets, which we define as our total assets less our total liabilities, increased by 11.2% to Rs. 18,889 million as of March 31, 2005, from Rs. 16,991 million as of March 31, 2004.

Assets

The following tables set forth the principal components of our assets as of March 31, 2004 and 2005:

(Rs. in million)

	As of March 31,	
	2004	**2005**
Fixed assets	551	505
Investments	11,640	7,688
Infrastructure loans	44,189	70,504
Deferred tax asset	532	662
Interest accrued on investments	55	50
Interest accrued on infrastructure loans	595	846
Sundry debtors	184	58
Cash and bank balances	43	4,270
Loans and advances	1,471	2,732
Total assets	59,260	87,315

Our total assets increased by 47.3% from Rs. 59,260 million as of March 31, 2004 to Rs. 87,315 million as of March 31, 2005. The most significant element of this increase was a 59.6% increase in infrastructure loans, as a result of the growth of our business.

Liabilities

The following tables set forth the principal components of our liabilities as of March 31, 2004 and 2005:

(Rs. in million)

	As of March 31,	
	2004	**2005**
Subordinated debt (unsecured)	6,500	6,500
Loan funds (unsecured)	33,250	58,951
Sundry creditors	27	32
Interest accrued but not due on loan funds	1,209	1,378
Fees received in advance	15	172
Other liabilities	1	43
Provisions:		
Proposed dividend	1,000	1,000
Tax on proposed dividend	128	140
Provision for retirement benefits	6	6
Contingent provision against standard assets	133	204
Total liabilities	42,269	68,426

Our total liabilities increased by 61.9% from Rs. 42,269 million as of March 31, 2004 to Rs. 68,426 million as of March 31, 2005. This consisted mainly of a 77.3% increase in our loan funds as a result of the growth in our business.

Off-Balance Sheet Arrangements and Financial Instruments

Contingent Liabilities

The following table sets forth the principal components of our contingent liabilities as of March 31, 2004 and 2005.

(Rs. in million)

	As of March 31,	
	2004	**2005**
Uncalled liability on partly paid venture capital units [(1)]	800	620
Capital commitment on purchase of shares [(2)]	165	-
Claims not acknowledged as debt in respect of		
Income tax demands under appeal	236	217
Bank guarantees issued on our behalf	2	2
Guarantees issued by us as part of project assistance [(3)]		
Financial guarantees	3,123	4,409
Performance guarantees	425	425
Risk participation facilities	240	240
Take-out facilities	846	716
Other guarantees	1	1
Total	5,838	6,630

(1) *Represents our remaining committed investment in the India Development Fund.*

(2) *Shares of a company that has since become a subsidiary.*

(3) *These types of non-funded project financing assistance are discussed in the section titled "Our Business" on page 43 of this Red Herring Prospectus.*

Contingent liabilities increased by 13.6% from Rs. 5,838 million as of March 31, 2004 to Rs. 6,630 million as of March 31, 2005. The main reason for the increase was a 41.2% increase in financial guarantees.

Undisbursed Approvals

As of March 31, 2005, we had undisbursed approvals net of cancellations of Rs. 43,819 million (including Rs. 620 million committed to the India Development Fund as shown above). Of this amount, Rs. 7,358 million was cancelled on June 16, 2005. We disburse the funds related to these approvals upon the fulfillment of the conditions specified in our approval letters.

Foreign Exchange and Derivative Transactions

As of March 31, 2005, we did not have any outstanding foreign currency or derivative exposure. As of June 21, 2005, we had US$25 million of U.S. dollar borrowings outstanding (equivalent to approximately Rs. 1,087 million). However, we have in the past entered into and may in the future enter into derivative transactions for our own account. In addition, we may provide derivative products to, or enter into derivatives transactions on behalf of, our customers as part of our strategy to expand our portfolio of products and services.

Capital

We are subject to the capital adequacy requirements of the RBI. We are required to maintain a minimum ratio of total capital to risk adjusted assets as determined by a specified formula of 9%.

Our capital adequacy ratios are as follows:

(Rs. in million, except ratios)

	As of March 31,	
	2004	**2005**
Tier I capital (1)	16,459	18,016
Tier II capital (2)	7,303	7,618
Risk weighted assets on balance sheet	58,435	82,411
Risk weighted assets off balance sheet	5,840	7,056
Total capital to risk assets ratio (3)	37.0%	28.7%
Tier I capital to risk assets ratio	25.6%	20.1%
Tier II capital to risk assets ratio	11.4%	8.5%
Minimum capital ratios required by the RBI:		
Total capital to risk assets ratio	**9 %**	**9 %**

(1) *Tier I capital includes equity share capital and reserves and surplus, reduced by investments in subsidiaries and other intangible assets.*

(2) *Tier II capital includes our Rs. 6,500 million subordinated debt facility from the Government of India and general provisions limited to 1.25% of total risk weighted assets.*

(3) *The total capital to risk assets ratio is calculated as capital funds (Tier I capital plus Tier II capital) divided by risk weighted assets (the weighted average of funded and non-funded items after applying the risk weights as assigned by the RBI).*

Our capital adequacy ratios have declined between March 31, 2004 and March 31, 2005 because of the increased deployment of our capital in loans, which carry higher risk weightage for purposes of capital adequacy calculations.

Capital Expenditures

Our business has not in the past required, and is not in the future expected to require, substantial capital expenditures. Our fixed assets of Rs. 504 million as of March 31, 2005 consist mainly of owned office premises in Mumbai, Delhi and Chennai, residential premises in Mumbai, computers, office equipment and furniture. Our capital expenditures in fiscal 2005 were Rs. 2 million.

Contractual Obligations and Commercial Commitments

Our contractual obligations and commercial commitments consist principally of the following, as of March 31, 2005, classified by maturity:

(Rs. in million)

	Payments due by period						
	Total	**Less than 1 year**	**1 - 3 years**	**4 - 5 years**	**6 - 7 years**	**Over 7 years**	**Uncertain**
Long-term debt	62,576	2,500	20,076	25,500	1,000	13,500	-
Short-term debt	2,750	2,750	-	-	-	-	-
Take-out obligations	716	-	-	716	-	-	-
Guarantees (1)	5,450	-	-	-	-	-	5,450
Undisbursed approvals (2)	43,819	23,772	11,688	300	-	-	8,059(3)
Total contractual cash obligations	115,311	29,022	31,764	26,516	1,000	13,500	13,509

(1) *Include the various types of guarantees listed in the table under "-Contingent Liabilities" above, except for take-out financing obligations, listed separately. Currently, none of our guarantees have become funded.*

(2) *Based on management's expectation of when amounts committed will be disbursed.*

(3) *Of this amount, Rs. 7,358 million was cancelled on June 16, 2005.*

Selected Financial Data Comparing Standalone to Consolidated Results and Financial Position

We have three subsidiaries, IDFC Asset Management Company Limited, IDFC Trustee Company Limited and Feedback First Urban Infrastructure Development Company Limited. IDFC Asset Management Company Limited is the manager of the India Development Fund, which is a private equity fund set up to make investments in the infrastructure sector, and completed its first full year of operations in fiscal 2004. In fiscal 2005, IDFC Asset Management Company Limited had total income of Rs. 102 million, profit before tax of Rs. 54 million and profit after tax of Rs. 34 million. IDFC Trustee Company Limited, which acts as a trustee for the India Development Fund, completed its first year of operations in fiscal 2004. In fiscal 2005, IDFC Trustee Company Limited had total income of Rs. 80,000, profit before tax of Rs. 60,000 and profit after tax of Rs. 30,000. In fiscal 2005, we acquired Feedback First Urban Infrastructure Development Company Limited, which acts as an arranger for infrastructure financing projects, and its results are consolidated from the date of acquisition. In fiscal 2005, Feedback had total income of Rs. 9.6 million, profit before tax of Rs. 5.7 million and profit after tax of Rs. 5.8 million. Our consolidated financial statements also include the results and financial position of two joint ventures, namely Infrastructure Development Corporation (Karnataka) Limited and Uttaranchal Infrastructure Development Company Limited. Additionally, as of March 31, 2004 and for fiscal year 2004 our consolidated financial statements include the results and financial position of Infrastructure Finance Company Gujarat Limited which was disposed of in fiscal 2005.

The following table presents selected financial data comparing our restated standalone to restated consolidated results and financial position.

Assets and Liabilities Data

(Rs. in million)

	IDFC Standalone As of March 31,		IDFC Consolidated As of March 31,	
	2004	**2005**	**2004**	**2005**
Infrastructure loans	44,189	70,504	44,243	70,573
Investments	11,640	7,688	11,699	7,485
Other assets	3,431	9,123	3,568	9,606
Total Assets	**59,260**	**87,315**	**59,510**	**87,664**
Borrowings	39,750	65,451	39,883	65,586
Other Liabilities and provisions	2,519	2,975	2,594	3,097
Total Liabilities	**42,269**	**68,426**	**42,477**	**68,683**
Share capital	10,000	10,000	10,000	10,000
Reserves and surplus	6,991	8,889	7,033	8,981
Shareholders' funds	16,991	18,889	17,033	18,981

Profit and Loss Data

(Rs. in million)

	IDFC Standalone Fiscal year		**IDFC Consolidated Fiscal year**	
	2004	**2005**	**2004**	**2005**
Income				
Income from infrastructure operations	5,337	6,818	5,444	6,944
Income from treasury operations	972	368	981	387
Other income	61	90	61	90
Total income	**6,370**	**7,276**	**6,486**	**7,421**
Expenditures				
Interest and other charges	2,260	3,119	2,260	3,119
Operating expenses	307	279	354	348
Provisions and contingencies	1,084	648	1,084	648
Total expenditures	**3,651**	**4,046**	**3,698**	**4,115**
Profit before tax	**2,719**	**3,230**	**2,788**	**3,306**
Provision for taxation	128	190	150	213
Profit after tax	**2,591**	**3,040**	**2,638**	**3,093**
Profit after tax, as restated	**2,596**	**3,040**	**2,642**	**3,093**

Analysis of Certain Changes

Unusual or infrequent events or transactions

There have been no transactions or events, to our knowledge, which would be considered "unusual" or "infrequent".

Significant economic changes

In fiscal 2004 and for part of fiscal 2005, declining interest rates led to increased prepayments and repricing of our loans as borrowers took advantage of the more attractive interest rate environment to reduce their borrowing costs. When interest rates started rising in fiscal 2005, there was a significant increase in funds available for loan financing in the Indian financial system, due in part to the lower deployment of funds by banks and financial institutions in Government securities, which led to increased competition among lenders for loan assets, thereby contributing to pressure on loan pricing. These economic events impacted our financial results in these periods.

Known trends or uncertainties

Our business has been impacted and we expect will continue to be impacted by the trends identified above in "Factors Affecting our Financial Results" on page 152 of this Red Herring Prospectus and the uncertainties described in the section titled "Risk Factors" on page xi of this Red Herring Prospectus. To our knowledge, except as we have described in this Red Herring Prospectus, there are no known factors, which we expect to have a material adverse impact on our revenues or income from continuing operations.

Future relationship between costs and income

To our knowledge there are no known factors, which will have a material adverse impact on our operations and profitability.

Increase in our revenue

In addition to increase in the volume of our lending and investing activities, the introduction of new products and services in the ordinary course of business would also contribute to increase in our revenue.

Total turnover in each major industry segment

We do not report industry segments for our unconsolidated financial statements prepared in accordance with Indian GAAP.

New product or business segment

Other than as described in the section titled "Our Business" on page 43 of this Red Herring Prospectus, we do not have any new products or business segments.

Seasonality of business

Our business is not seasonal. However, there could be variation in our quarterly income or profit after tax because of various factors, including those above in "Factors Affecting our Financial Results" on page 152 of this Red Herring Prospectus and those described in the section titled "Risk Factors" on page xi of this Red Herring Prospectus.

Dependence on a few customers

As described in the section titled "Selected Statistical Information - Concentration of Total Exposure" on page 143 of this Red Herring Prospectus, our infrastructure loans are concentrated in three sectors namely energy, transportation and telecommunications and to certain borrowers.

Competitive conditions

We expect competition to increase in the infrastructure lending sector due to, among other things, the increase of new participants, as described in above in "Factors Affecting Our Financial Results" on page 152 and in the section titled "Risk Factors" on page xi of this Red Herring Prospectus.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN INDIAN GAAP, IFRS AND U.S. GAAP

The Company's' financial statements are prepared in conformity with the generally accepted accounting principles followed in India, the requirements of the Companies Act, 1956 and the guidelines issued by the Reserve Bank of India ("RBI") ("collectively referred to as Indian GAAP"), which differ in certain significant respects from International Financial Reporting Standards (IFRS) and generally accepted accounting standards in the United States of America ("US GAAP"). Such differences involve methods for measuring the amounts shown in the financial statements of the Company as well as additional disclosures required by IFRS and US GAAP, which the Company has not made.

The table below summarises the areas in which differences between Indian GAAP and IFRS or US GAAP could be significant to the financial position and results of operations of the Company. The summary below should not be construed to be exhaustive as no attempt has been made by the Company's Management to quantify the effects of those differences, nor has a complete reconciliation of Indian GAAP to IFRS or US GAAP been undertaken by the Management. Had any such quantification or reconciliation been done by the Management, other potential significant accounting and disclosure differences may have come to our attention which have not been identified below.

Further, no attempt has been made to identify future differences between Indian GAAP and IFRS or US GAAP as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate Indian GAAP, IFRS and US GAAP have significant ongoing projects than could affect future comparisons such as this one. Finally, no attempt has been made to identify future differences that may affect the financial information as a result of transactions and events that may occur in the future.

Potential investors should consult their own professional advisors for an understanding of the principal differences between Indian GAAP and IFRS or US GAAP and how these differences might affect the financial statements of the Company as given in this Red Herring Prospectus.

SUBJECT	INDIAN GAAP	IFRS	US GAAP
Changes in accounting policies	Any change in an accounting policy which has a material effect should be disclosed. The impact of, and the adjustments resulting from such change, if material, should be shown in the financial statements of the period in which such change is made, to reflect the effect of such change. Where the effect of such change is not ascertainable, wholly or in part, the fact should be indicated. If a change is made in the accounting policies which has no material effect on the financial statements for the current period but which is reasonably expected to have a material effect in later periods, the fact of such change should be appropriately disclosed in the period in which the change is adopted.	Changes in accounting policy should be accounted for retrospectively, with comparative information restated and the amount of the adjustment relating to prior periods adjusted against the opening balance of retained earnings of the earliest year presented. An exemption applies when it is impracticable to change comparative information. Policy changes made on the adoption of new accounting standards must be accounted for in accordance with that standard's transition provisions. If transition provisions are not specified, the method described above must be used.	US GAAP Requires recognition and disclosure of the cumulative amount of the change in the income statement for the period of the change. The entity discloses pro-forma comparatives as if the change had been applied to those periods. However, retrospective adjustments are required in certain cases. Under US GAAP change in depreciation method for previously recorded assets are considered as change in accounting principle.

SUBJECT	INDIAN GAAP	IFRS	US GAAP
Depreciation accounting	The Company provides for depreciation using the written down value method as per rates prescribed in Schedule XIV of the Companies Act, 1956. These are the minimum rates and companies are permitted to charge depreciation at higher rates in order to write-off the cost of the assets over their useful lives, if shorter.	The depreciable amount of an item of property, plant and equipment are allocated on a systematic basis over its useful life.	Depreciation is provided in a systematic and rational manner over the estimated useful economic life of the asset.
Revenue Recognition – Interest	Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.	Interest income is recognised using the effective interest method.	Similar to IFRS.
Foreign exchange translation differences	Foreign exchange difference relating to acquisition of fixed assets out of foreign exchange borrowings is adjusted to the carrying cost of such assets. Other foreign exchange differences are recognised in the profit and loss account.	Gains or losses arising out of foreign exchange translation differences are required to be included in the determination of net income, unless these differences are regarded as an adjustment to interest costs, which are eligible for capitalisation as borrowing costs on fixed assets.	All gains or losses arising on foreign currency transactions are included in determining the net income.
Investments in securities	Investments are recognised and measured in accordance with the guidelines issued by the RBI. Investments are classified as "Held to Maturity" (HTM), "Available for Sale" (AFS) and "Held For Trading" (HFT.) **a. HTM Securities**: • Only debt securities are permitted to be classified under the HTM category. HTM securities should not exceed 25% of the financial institution's total investments. However, the following securities which may be classified as HTM, will not be considered for the purpose of computing the 25% limit: i. Investments in subsidiaries and joint ventures. ii. Investments in debt securities and preference shares which are deemed to	Investments are classified as trading, held-to-maturity or available-for-sale. Investments acquired principally for the purposes of generating profits from short-term price fluctuations or dealers' margins are classified as trading. Held-to-maturity investments are investments with fixed or determinable payments and fixed maturity together with the entity's intent and ability to hold till maturity. Available-for-sale investments are those that do not qualify as either trading or held-to-maturity investments. Changes in fair values of trading investments are recognised in the profit and loss account. Held-to-maturity investments are carried at amortised cost. Changes in fair values of available-for-sale investments are recognised in the statement of shareholder' equity.	Similar to IFRS, except that decreases in impairment losses cannot be recognised in determination of net income.

SUBJECT	INDIAN GAAP	IFRS	US GAAP
	be in the nature of advance, subject to fulfillment of certain conditions. • HTM investments are carried at amortised cost. • Reclassification of investments from/to HTM category is permitted at lower of acquisition cost/ book value/ market value on date of transfer, once a year with the approval of the Board of Directors. • Provisions are made for permanent diminution in value of HTM investments in subsidiaries and joint ventures. • Realised gains under this category are first recognised in the Profit and Loss Account and subsequently appropriated (net of effective tax expense and appropriation to Statutory Reserves) to Capital Reserve. Losses are recognised in the Profit and Loss Account. **b. AFS Securities**: • AFS investments are to be marked to market on a yearly basis or at more frequent intervals and the net depreciation under each category is charged to the Income Statement, and an equivalent amount (net of tax, if any), or the balance available in the ***Investment Fluctuation Reserve*** (which is a statutory reserve required to be created at a prescribed percentage of the investments outstanding in the AFS and HFT category) shall be transferred there from to the Income Statement. Net appreciation, if any, is to be ignored. • Transfer from AFS to HFT category is permitted at lower of acquisition cost/ book	Impairment loss is recognised in the profit and loss account. In a subsequent period, decreases in impairment losses incurred on held-to-maturity investments carried at amortised cost are recognised in the profit and loss account, if the decrease can be related objectively to an event occurring after the impairment was recognised. Decreases in impairment losses on unquoted equity investments carried at cost cannot be reversed. Impairment losses recognised in profit or loss account for an investment in an equity instrument classified as available- for-sale cannot not be reversed through profit or loss account. If, in a subsequent period, the fair value of a debt instrument classified as available- for- sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss can be reversed and recognised in the profit and loss account.	

SUBJECT	INDIAN GAAP	IFRS	US GAAP
	value/ market value on date of transfer, with the approval of the Board of Directors/ALCO. c. **Held for Trading Investments**: • Reclassification to AFS securities is not permitted in cases other than that mentioned in the first paragraph. • HFT investments are to be marked to market on a monthly basis or at more frequent intervals and the net depreciation under each category is charged to the Profit and Loss Account. Net appreciation if any is to be ignored. Detailed guidelines have been laid down by the RBI for valuing various categories of securities. Acquisition costs in respect of all investments are generally recognised in the Profit and Loss Account.		
Employee benefits/ retirement benefits	The scope is limited to retirement benefits (including pensions and health and welfare schemes). For measuring retirement benefit obligations and expense, though the actuarial basis is generally accepted, the accrual basis could be adopted by enterprises having only a few employees. Several alternative methodologies are considered acceptable for the purposes of the valuation, and the actuary has considerable latitude in selecting assumptions to be used. There is no specification on the discount rate to be used. Past service costs are recognised immediately in the Profit and Loss Account. In respect of cumulative unrecognised actuarial gains or	The liability for defined benefit plans is reported at the present value of future benefits using the projected unit cost method, with a stipulated method to determine assumptions. Actuarial gains and losses arising on periodic valuation of liability would need to be recognised based on certain criteria. As a minimum, amortisation of an unrecognised net gain or loss shall be included as a component of employee cost for the year if, as of the beginning of the year, that unrecognised net gain or loss exceeds 10 percent of the projected benefit obligation Actuarial gains or losses are amortised based on the expected average remaining working lives of the employees. Other systematic methods such as	Similar to IFRS except that immediate recognition of actuarial gains or losses is not permitted.

SUBJECT	INDIAN GAAP	IFRS	US GAAP
	losses, no corresponding amortisation is required. Vacation accrual or leave encashment, is viewed as a retirement benefit and is generally reported at the actuarially determined present value of future benefits.	immediate recognition of all gains and losses is also permitted. Compensated absences outstanding at the balance sheet date are reported as liability and is priced at the salary rate prevalent on the balance sheet date.	
Issuance and redemption costs for borrowings	Debt issuance costs are generally recognised as expense in the period incurred. Redemption premiums payable may be amortised in the Profit and Loss Account. Redemption premiums are permitted to be recognised in the Securities Premium Account in certain instances.	Debt issuance costs and redemption premiums are amortised using the effective interest method over the life of the debt.	Similar to IFRS.
Deferred taxation	Deferred tax resulting from "timing differences" between accounting and taxable income is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date. Deferred tax assets relating to carry forward losses and unabsorbed depreciation should be recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. All other deferred tax assets should be recognised to the extent that there is reasonable certainty that future taxable income will be available for such deferred tax assets to be realised.	Deferred income taxes are recognised for the future tax effects of temporary differences between accounting and tax basis of assets at the enacted or substantively enacted tax rates. Deferred tax assets and liabilities must be recognised regardless of when the timing difference is likely to reverse. Deferred tax assets must be recognised when it is probable that sufficient taxable profits / reversible differences will be available against which the deferred tax assets can be utilised.	Deferred tax liabilities and assets are recorded for the tax effect of all temporary differences between the accounting and tax base of assets and liabilities, and operating loss carry-forwards, at enacted rates. Changes in tax rates are reported in the income statement in the period of enactment. A valuation allowance is made against deferred taxes if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realised.
Loans and Receivables – **Recognition and Impairment**	Identification of impairment is based on the guidelines issued by the RBI. These guidelines stipulate the minimum amount of provision that needs to be created in respect of Impaired Assets (Non-Performing Assets, "NPAs"). NPAs are classified into three categories – Sub-standard,	Loans are initially measured at fair value plus transaction costs that are directly attributable to the issue of the loan. Subsequent measurements are made at amortised cost using the effective interest method. At each balance sheet date, loan receivables are assessed to determine whether there is any	Loan receivables which the management has intent and ability to hold for the foreseeable future or until maturity or pay off should be reported in the balance sheet at the outstanding principal adjusted for charge offs, allowances for loan losses, deferred fees and costs on

SUBJECT	INDIAN GAAP	IFRS	US GAAP
	Doubtful and Loss Assets. A general provision of 0.25% of the Standard is also required to be created.	objective evidence that such loans are impaired. If there is an objective evidence of impairment, the amount of the loss is measured as the difference between loan's carrying amount and the present value of future cash flows discounted at the loan's original effective interest rate. In subsequent periods if the impairment loss decreases and such decrease can be objectively related to an event after the impairment loss was recognised, the loss can be reversed and recognised in the profit and loss account. The reversal shall not result in a carrying amount of the loan that exceeds what the amortised cost would have been had the impairment not been recognised.	originated loans. Loan origination fees and costs are deferred and recognised over the contractual term of the loan as an adjustment to the yield using the interest method. Impaired loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, or as a practical expedient, at the loans observable market price on the fair value of the collateral, if the loan is collateral dependent. Subsequent to the initial measurement of impairment, if there is a significant change (increase or decrease) in the amount and timing of an impaired loan's expected future cash flows, or if actual cash flows are significantly different from the cash flows previously projected, the impairment is recalculated by applying the procedures stated above and by adjusting the valuation allowance. Similarly, the valuation allowance is adjusted if the impairment is measured based on the observable market price of an impairment loan or the fair value of the collateral of an impaired collateral – dependent loan, if there is a significant change (increase or decrease) in either of those bases. However, the net carrying amount of the loan shall at no time exceed the recorded investment in the loan.
Derivative Financial Instruments	There is no comprehensive Accounting Standard issued under Indian GAAP. In terms of the guidelines currently issued by the RBI, financial institutions are only permitted to deal in interest rate	Similar to US GAAP	The FASB issued SFAS No.137, "Accounting for Derivative Instruments and Hedging Activities-Deferral of the Effective Date of FASB Statement No.133, which amends SFAS No.133, "Accounting for Derivatives

SUBJECT	INDIAN GAAP	IFRS	US GAAP
	futures on notional bonds and Treasury Bills for the limited purpose of hedging the risk in their underlying investment portfolio, subject to fulfillment of certain conditions. Pending the formulation of a comprehensive Accounting Standard, the accounting treatment should be based on the Guidance Note on 'Accounting for Equity Index Futures' issued by the ICAI, which is as under: • If the hedge is 'highly effective', the gain or loss on the hedging instruments and the hedged portfolio may be set off and the net loss, if any, should be provided for and the net gains, if any, should be ignored. • If the hedge is not found to be 'highly effective', no set off will be allowed and the underlying securities will be marked to market as per the norms applicable to their respective investment category.		Instruments and Hedging Activities", with effect from April 1, 2001. SFAS No.133 establishes accounting and reporting standards for derivative instruments and hedging activities, including certain derivative instruments embedded in other contracts, and requires that an entity recognises all derivatives as assets or liabilities in the balance sheet and measure them at fair values, with changes in fair values being recognised in earnings, unless it qualifies the criterion of an effective hedge, as defined in SFAS No.133, in which case the changes in fair value is recognised as other comprehensive income under shareholders' equity. The gain or loss on derivative financial instruments that is designated and effective as hedges are generally recognised in earnings in the same period as the corresponding gain or loss on the underlying transaction being hedged.
Dividends	These are recognised in the financial statements of the period to which they relate, even if they are subject to shareholders' approval.	Dividends are recorded in the year when declared.	Similar to IFRS.
Guarantees	These are required to be disclosed as contingent liabilities.	Guarantees, other than those which qualify as derivatives, are initially recognised at fair values. The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Guarantees that qualify as derivatives are accounted for in accordance with IAS 39 (Revised) Financial Instruments: Recognition and Measurement.	A guarantor is required to recognize at inception a liability for the fair value of the obligation undertaken in issuing the guarantee, except for certain types of guarantees that are accounted as derivatives or are reported as equity or guarantees between parents and subsidiaries.

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as described below, there is no outstanding litigation, suits or criminal or civil prosecutions, proceedings or tax liabilities against us, our Directors, our subsidiaries and joint ventures that would have a material adverse effect on our business and there are no defaults, non-payment or overdue of statutory dues, institutional/bank dues and dues payable to holders of any debentures, bonds and fixed deposits that would have a material adverse effect on our business other than unclaimed liabilities against us or our Directors, our subsidiaries and joint ventures.

Contingent liabilities not provided for as of March 31, 2005: We had contingent liabilities of Rs. 6,630 million including Rs. 5,791 million of guarantees.

Litigation against our Company

Cases related to Statutory Authorities

A. Income Tax Cases

There are disputes relating to income tax assessments for the assessment years 1997-98, 1998-99, 1999-2000, 2000-2001, 2001-2002 and 2002-2003. The Department of Income Tax ("IT Department") has granted short refunds after adjusting the demands raised against us of Rs. 405 million.

The primary issue in the income tax cases is on account of difference in the basis adopted by the assessing officer for computation of the net exempted income from loans to infrastructure projects. We extend loans to entities involved in infrastructure projects. Our income from such loans is exempted from computation of total income under Section 10(23G) of the I.T. Act only for such infrastructure projects which have been approved by the Central Board of Direct Taxes. The disputes have arisen on account of assessing officer computing a lower net exempted income than that claimed by us.

The income tax cases in the various financial years are as follows:

(i) For assessment year 1997-98:

The IT Department has imposed an additional liability of Rs. 27 million on us. The demand has been adjusted against the refunds due for subsequent years. The liability has been imposed on account of assessing income pertaining to subsequent year in the current assessment year. We have filed an appeal before the Income Tax Appellate Tribunal ("ITAT") against the order of the Commissioner of Income Tax (Appeals) ("CIT(A)") and the matter is pending final adjudication.

(ii) For assessment year 1998-99:

The IT Department had not selected the return for assessment and, hence, no additional tax liability was demanded. However, the IT Department has granted a short refund of Rs. 35 million, on account of alleged deficiencies in certificates evidencing payment of tax deductible at source. We filed an appeal before the ITAT against the order of the CIT(A) and the matter is pending final adjudication.

(iii) For assessment years 1999-2000:

The IT Department has granted us short exemption under section 10(23G) of the I.T. Act on account of difference in the basis followed by the assessing officer for calculation of the exempted income under Section 10(23G) of the I.T. Act. An appeal was filed by us before the CIT(A), wherein partial relief was obtained. However, we have filed a second appeal before the ITAT against the order of the CIT(A) and the matter is pending final adjudication. The amount of additional tax liability imposed on us is Rs. 1 million.

(iv) For assessment year 2000-2001:

The IT Department has granted us short exemption under section 10(23G) of the I.T. Act on account of difference in the basis followed by the assessing officer for calculation of the exempted income under Section 10(23G) of the I.T. Act. An appeal was filed by us before the CIT(A), wherein partial relief was obtained. However, we have filed a second appeal before the ITAT against the order of the CIT(A) and the matter is pending final adjudication. The amount of additional tax liability imposed on us is Rs. 41 million.

(v) For assessment year 2001-2002:

The IT Department has granted us short exemption under section 10(23G) of the I.T. Act on account of difference in the basis followed by the assessing officer for calculation of the exempted income under Section 10(23G) of the I.T.

Act. An appeal was filed by us before the CIT(A), wherein partial relief was obtained. However, we have filed a second appeal before the ITAT against the order of the CIT(A) and the matter is pending final adjudication. The amount of additional tax liability imposed on us is Rs. 34 million.

(vi) For assessment year 2002-03:

The IT Department has granted us short exemption under section 10(23G) of the I.T. Act on account of difference in the basis followed by the assessing officer for calculation of the exempted income under Section 10(23G) of the I.T. Act. We have filed an appeal before the CIT(A), where the matter is currently pending. The amount of additional tax liability is Rs. 302 million.

B. Cases pertaining to Interest Tax

There are disputes relating to interest tax assessments for the assessment years 1999-2000 and 2000-01.

The primary issue in relation to interest tax is that the IT Department has treated interest on securities as interest on loans and advances assessable to Interest Tax Act, 1974. We filed an appeal before the ITAT against the order of the CIT(A) and the matter is pending final adjudication. The IT Department has also filed an appeal before the ITAT challenging the relief allowed by the CIT(A) for assessment year 2000-01. The aggregate amount of additional tax liability is Rs. 18 million.

Civil Suit

We had entered into a sub sub-license agreement with Mr. Ram Bilas Agarwal and others for sub-licensing premises for our offices at New Delhi. Subsequently, we vacated the premises but we did not receive the security deposits and therefore, retained the keys to the aforesaid premises. The plaintiff, Bharat Hotels Limited, the main licensor of the premises, has filed a suit no. S-18/03 before the Additional District and Sessions Judge, New Delhi against Mr. Ram Bilas Agarwal and others, including us, for recovery of maintenance charges in relation to the period for which we had not used licensed premises, but retained the keys. The total amount claimed is Rs. 408,640 plus the interest. We have received summons in the captioned suit. The matter is pending hearing and final adjudication.

Litigation against Our Directors

Our Directors have no outstanding litigation towards tax liabilities, criminal/civil prosecution for any offences (irrespective of whether they are specified under paragraph (i) of Part 1 of Schedule XIII of the Companies Act), disputes, defaults, non payment of statutory dues, proceedings initiated for economic offences, in their individual capacity or in connection with our Company and other companies with which the Directors are associated, except as below:

Mr. Serajul Haq Khan

In January 2000, a criminal complaint was filed by a customer before the Chief Judicial Magistrate, Nagpur against Bajaj Auto Limited alleging misrepresentation and cheating under a promotional scheme. The complainant has also claimed a compensation of Rs. 50,000. Among other directors of the said company, Mr. Serajul Haq Khan was impleaded in the criminal complaint. The company has moved the Sessions Court, Nagpur, where the matter is currently pending and the trial has been stayed.

Mr. Shardul Suresh Shroff

SEBI had issued a show cause on August 30, 2004 to all past, present, whole-time, ordinary and independent directors of Himachal Futuristic Communications Limited (“HFCL”) in connection with its claim that HFCL and its subsidiaries provided funds to entities connected with Mr. Ketan Parekh when the price of HFCL was declining.

Mr. Shardul Shroff, as a leading lawyer in India, was appointed as an independent director of HFCL on January 30, 1999 and ceased to be a director thereof on April 20, 2001. On October 15, 2004, Mr. Shroff has filed his reply in defence to the said show cause notice inter-alia, informing SEBI that he had no knowledge or information of funding of Mr. Ketan Parekh’s entities by HFCL. Till date, no hearing or no action has been taken against Mr. Shroff.

Mr. Donald Macinnes Peck

In September 1998, Mr. Peck was appointed on the board of directors of Shree Rama Multi-Tech Limited (SRML) as a nominee director of CDC Financial Services (Mauritius) Limited. In November 2001, an investment proposal for a large project was placed before the board of directors of SRML and Mr. Peck had opposed the proposal. SRML incurred financial indebtedness without the approval of the board of directors. Mr. Peck, apart from dissenting in the board, also took necessary steps for governance like commissioning of independent audit, circulating the audit report to other board members and brought the matter to the knowledge of SEBI, which eventually passed restrain orders against the company and its promoters under section 11 and 11B of the SEBI Act, 1992.

In January 2002, SRML failed to discharge its repayment obligations in respect of loans/debts incurred in relation to the above project. Mr. Peck was a member of the board of directors of SRML at the time of the default by SRML to the institutions, consequent to which SRML and its directors' names appear in the RBI's list of defaulters. Subsequently, in August, 2002, Mr. Peck resigned from the board of directors of SRML.

Contingent liabilities of Our Subsidiaries

Contingent liabilities not provided for by Feedback First Urban Infrastructure Development Company Limited as of March 31, 2005 is Rs. 94,785.

Material Developments

In the opinion of the Board of our Company, there have not arisen, since the date of the last financial statements included in this Red Herring Prospectus, any circumstances that materially or adversely affect the profitability or financial position of our Company.

REGULATORY AND OTHER APPROVALS

In view of the approvals listed below, we can undertake this Issue and our current business activities and no further major approvals from any governmental or regulatory authority or any other entity are required to undertake the Issue or continue our business activities. Unless otherwise stated, these approvals are all valid as of the date of this Red Herring Prospectus.

Approvals for the Issue

1. We received approval from the FIPB pursuant to its letter dated June 22, 2005, for the transfer of Equity Shares in this Issue to Eligible NRIs, FIIs, FVCIs and multilateral and bilateral development financial institutions.
2. We received approval from the RBI stating that the RBI has no objection for Non-Resident Bidders to acquire Equity Shares in the Offer for Sale, pursuant to its letter no. FE.CO.FID/8887/10.1.07.02.200 (665)/ 2004-05 dated June 23, 2005. The final permission of the RBI for acquisition of Equity Shares is to be received on completion of certain filing requirements. Further RBI has granted approval for divestment of Equity Shares in the Offer for Sale from non-resident Selling Shareholders to resident Bidders pursuant to letter no. FE.CO.FID/8916/10.I.07.02.200 (665)/ 2004-05 dated June 25, 2005.

Approvals for our Business

We have received the following significant regulatory and other approvals pertaining to our business:

1. A certificate of registration no. B-07.00718 dated April 25, 2002 to carry on the business of a NBFC not accepting public deposits from the RBI in terms of section 45IA of the Reserve Bank of India Act, 1934.

   It must be distinctly understood, however, that in issuing this certificate of registration, the RBI does not undertake any responsibility for our financial soundness or for the correction of any of the statement made or any commitment made or opinions expressed.
2. As a Merchant Banker with SEBI vide registration number INM000010692 dated December 18, 2003. The certificate of registration is valid till December 15, 2006.
3. As an Underwriter with SEBI vide registration number INU000000746 dated April 16, 2003. The certificate of registration is valid till January 31, 2006.
4. As a Debenture Trustee with SEBI vide registration number IND000000387 dated September 21, 2004. The certificate of registration is valid till November 1, 2007.

In addition, on May 10, 2005, we have applied with SEBI for registration under the Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993. The application is currently pending.

Other Approvals

1. We had received an approval from the RBI dated April 24, 1998 no. MA ECD FID/2661/127GP/97-98 granting general permission under the Foreign Exchange Regulation Act, 1973 for the following foreign investments in our Company:

Sl. No.	Name of the Foreign Collaborator	Country	Amount Invested (Rs. in million)
1.	Asian Development Bank	Philippines	610
2.	International Finance Corporation	United States of America	610
3.	Indivest Pte Ltd	Singapore	610
4.	CDC Financial Services (Mauritius) Limited	Mauritius	610
5.	Kendall Holdings Limited	Mauritius	400
6.	Deutsche Morgan Grenfel Asia Pacific Holdings Limited	Singapore	400
7.	Swiss Confederation	Switzerland	380
8.	SLAC (Mauritius Holdings) Limited	Mauritius	190
9.	BNL Investments SA	Luxembourg	190
	Total		**4,000**

2. We had received an approval from the RBI vide letter dated February 9, 2005 and bearing number FED.CO.ECBC/03/ 02.764(A)(EC)/2004-05 read with letter dated May 13, 2005 and bearing number FED/CO/ECBD/2174/03.02.764(A)(EC)/ 2004/05 dated May 13, 2005 for the purpose of availing external commercial borrowing aggregating US$75 million from foreign branches of State Bank of India and International Finance Corporation, Washington.

FINANCIAL INDEBTEDNESS

Set forth below is a brief summary of our aggregate borrowings of Rs. 65,413 million as of June 21, 2005:

Category of Borrowing	Outstanding Amount (Rs. in million)
Term loans	26,000
Non-convertible debentures [1][2][3]	26,026
Unsecured debentures	1,000
Bonds (in the nature of Promissory Notes)	4,800
External commercial borrowings [4][5][6]	1,087
Other borrowings (subordinated debt)	6,500

[1] *Each series of debentures have been secured to the extent of Rs. 1 million by creating a mortgage on specified immovable property of our Company and have been issued in terms of a registered trust deed. In addition, as per the trust deed, we have been obligated to obtain prior approval of the trustee for:*

(i) selling or disposing of specified property of our Company or create thereon, save certain exceptions, any mortgage or other encumbrance of any kind whatsoever;

(ii) undertaking or consenting to any merger, amalgamation, consolidation, reorganisation, reconstruction, scheme or arrangement or compromise with our creditors or shareholders; or

(iii) declaring or paying any dividend to our shareholders, if we are in breach of any of our obligations thereunder.

[2] *As per the trust deed, we have been obligated not to amend our memorandum and articles of association in a manner detrimental to the interest of the debenture holders.*

[3] *As per the trust deed, the trustee shall have a right to appoint a nominee director on our Board in the event of two consecutive defaults in payment of interest to the debenture holders or any default in redemption thereof.*

[4] *As per the facility agreement in relation to US$25 million facility, we have been obligated not to do the following:*

(i) make substantial changes to the general nature or scope of our business;

(ii) without the prior consent of the lender, enter into any merger, amalgamation or consolidation; and

(iii) without the prior consent of the lender, amend our memorandum and articles of association in a manner which shall in any way affect the rights of the lender.

[5] *As per the facility agreement in relation to the US$25 million facility, any change in our management impairing our ability or willingness to perform the obligations thereunder, subject to certain conditions, would constitute an event of default by us.*

[6] *As per the loan agreement in relation to the US$5o million facility, which has not been drawn down yet, we are obligated to not do the following without the prior consent of the lender:*

(i) declare or pay any dividend or make any distribution on our shares, (save certain exceptions) or purchase, redeem or otherwise acquire any of our shares or any option, unless, subject to certain conditions, the proposed payment or distribution is out of retained earnings;

(ii) incur, assume or permit to exist any debt which would cause non-compliance with certain specified financial covenants;

(iii) create or permit to exist any lien on the property, revenue or other assets, save certain exceptions;

(iv) amend our memorandum and articles of association, so as to be inconsistent with the said agreement;

(v) change the nature of our present and contemplated business;

(vi) reduce our share capital;

(vii) *save certain exceptions, sell, transfer, lease or otherwise dispose of all or substantial part of our assets;*

(viii) *undertake or permit any merger, spin-off, consolidation or transfer our business or operations;*

(ix) *save certain exceptions, prepay any long-term debt; and*

(x) *maintain certain financial covenants.*

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Board of Directors has, pursuant to resolutions dated August 24, 2004 and March 16, 2005, authorised the Issue. The shareholders have, pursuant to a resolution dated May 9, 2005, authorised the Issue.

The details of the authority of each of the Selling Shareholders for the Offer for Sale is as follows:

Sl. No.	Name of Selling Shareholder	Date of Authorisation Letter
1.	GOI	May 11, 2005
2.	IDBI	May 12, 2005
3.	SBI	May 12, 2005
4.	ICICI	May 13, 2005
5.	HDFC	May 11, 2005
6.	UTI-I	May 16, 2005
7.	IFCI	May 13, 2005
8.	IPL	May 16, 2005
9.	ADB	April 29, 2005
10.	IFC	May 12, 2005
11.	CDCFS	May 13, 2005
12.	DB	May 13, 2005
13.	KHL	April 29, 2005
14.	SECO	April 27, 2005
15.	BNL	April 29, 2005
16.	SLAC	May 12, 2005

Prohibition by SEBI

Our Company, our Directors, our subsidiaries and affiliates, and companies with which our Directors are associated with as directors or promoters, have not been prohibited from accessing or operating in capital markets under any order or direction passed by SEBI.

Eligibility for the Issue

We are eligible for the Issue as per Clause 2.2.1 of the SEBI Guidelines as explained under:

- We have net tangible assets of at least Rs. 30 million in each of the preceding three full years (of 12 months each), of which not more than 50% is held in monetary assets;
- We have a pre-Issue net worth of not less than Rs. 10 million in each of the three preceding full years;
- We have a track record of distributable profits as per Section 205 of Companies Act for at least three out of the immediately preceding five years;
- The proposed Issue size would not exceed five times the pre-Issue net worth as per the audited accounts for the year ended March 31, 2005;
- We have not changed our name during the last one year.

The distributable profits as per Section 205 of the Companies Act and net worth for the last five years as per our restated unconsolidated financial statements are as under:

(Rs. in million)

	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005
Distributable Profits[(1)]	1,432	1,931	1,798	2,596	3,040
Net Worth [(2)]	13,922	14,854	15,523	16,991	18,889
Net Tangible Assets [(3)]	13,819	14,684	15,309	16,460	18,227
Monetary Assets[(4)]	5,695	1,164	1,020	43	4,270
Monetary Assets as a % of Net Tangible Assets	41.21%	7.93%	6.66%	0.26%	23.43%

(1) Distributable profits have been defined in terms of section 205 of the Companies Act.

(2) Net worth has been defined as the aggregate of equity share capital and reserves, excluding miscellaneous expenditures, if any.

(3) Net tangible assets means the sum of all net assets of the Company excluding intangible assets as defined in Accounting Standard 26 issued by Institute of Chartered Accountants of India.

(4) Monetary assets comprise of cash and bank balances, public deposit account with the Government.

We undertake that the number of allottees, i.e., Persons receiving Allotment in the Issue shall be at least 1,000, otherwise, the entire application money will be refunded forthwith. In case of delay, if any, in refund, our Selling Shareholders and our Company shall pay interest on the application money at the rate of 15% per annum for the period of delay.

Disclaimer Clause

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, KOTAK MAHINDRA CAPITAL COMPANY LIMITED, THE SENIOR CO-BOOK RUNNING LEAD MANAGER, DSP MERRILL LYNCH LIMITED, AND THE CO-BOOK RUNNING LEAD MANAGER, SBI CAPITAL MARKETS LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURES AND INVESTOR PROTECTION) GUIDELINES, 2000 AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY AND THE SELLING SHAREHOLDERS ARE PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER, THE SENIOR CO-BOOK RUNNING LEAD MANAGER AND SBI CAPITAL MARKETS LIMITED (AS A CO-BOOK RUNNING LEAD MANAGER), ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER, KOTAK MAHINDRA CAPITAL COMPANY LIMITED, THE SENIOR CO-BOOK RUNNING LEAD MANAGER, DSP MERRILL LYNCH LIMITED AND SBI CAPITAL MARKETS LIMITED (AS A CO-BOOK RUNNING LEAD MANAGER), 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:

"We have examined various documents including those relating to litigation like commercial disputes, patent disputes, disputes with collaborators, etc. and other materials, in connection with the finalisation of the draft red herring prospectus pertaining to the said Issue.

On the basis of such examination and the discussions with the Company, its directors and other officers, other agencies, independent verification of the statements concerning the objects of the Issue, projected profitability, price justification and the contents of the documents mentioned in the annexure and other papers furnished by the Company.

WE CONFIRM THAT:

(A) THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;

(B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

(C) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.

(D) BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID.

(E) WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS."

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE ROC IN TERMS OF SECTION 60B OF THE COMPANIES ACT, 1956. ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF REGISTRATION OF THE PROSPECTUS WITH THE ROC IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT."

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

Disclaimer from our Company, the Selling Shareholders, the BRLM, the Senior Co-BRLM and the Co-BRLMs

Our Company, our Directors, the Shelling Shareholders, the BRLM, the Senior Co-BRLM and the Co-BRLMs accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisements or any other material issued by or at instance of the above mentioned entities and anyone placing reliance on any other source of information, including our website, www.idfc.com, would be doing so at his or her own risk.

The BRLM, the Senior Co-BRLM and the Co-BRLMs accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into among the BRLM, the Senior Co-BRLM, the Co-BRLMs and us dated March 31, 2005 and the Underwriting Agreement to be entered into among the Underwriters and us.

All information shall be made available by us and the Underwriters to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centres.

Disclaimer in Respect of Jurisdiction

This Issue is being made in India to Persons resident in India (including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under the applicable trust law and who are authorised under their constitution to hold and invest in shares, permitted insurance companies and pension funds and to permitted

Non Residents, including Eligible NRIs and FIIs,. This Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to Equity Shares offered hereby in any other jurisdiction to any Person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any Person into whose possession this Red Herring Prospectus comes is required to inform himself or herself about and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Mumbai only.

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

Accordingly, the Equity Shares are being offered or sold in the United States only to (i) entities that are both "Qualified Institutional Buyers" as defined in Rule 144A under the U.S. Securities Act of 1933 (the "Securities Act") and "Qualified Purchasers" as defined under the Investment Company Act of 1940 and related rules (the "Investment Company Act") and (ii) outside the United States to certain Persons in offshore transactions in compliance with Regulation S under the Securities Act.

Disclaimer Clause of the NSE

As required, a copy of the draft Red Herring Prospectus has been submitted to NSE. NSE has given vide its letter no. NSE/LIST/13727-A dated June 1, 2005, permission to us to use NSE's name in this Red Herring Prospectus as one of the stock exchanges on which the securities of the Company are proposed to be listed, subject to the Company fulfilling the various criteria for listing including the one related to paid up capital and market capitalization (i.e., the paid up capital shall not be less than Rs. 10 crores and the market capitalization shall not be less than Rs. 25 crores at the time of listing). The NSE has scrutinised the draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. It is to be distinctly understood that the aforesaid permission given by the NSE should not in any way be deemed or construed to mean that the draft Red Herring Prospectus has been cleared or approved by the NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the draft Red Herring Prospectus; nor does it warrant that our 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 of the securities of the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such Person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Disclaimer Clause of the BSE

As required, a copy of the draft Red Herring Prospectus has been submitted to the BSE. The BSE has given vide its letter no. List/smg/vb/2005 dated May 24, 2005, permission to the Company to use BSE's name in this Red Herring Prospectus as one of the stock exchanges on which our further securities are proposed to be listed. The BSE has scrutinised the draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. The BSE does not in any manner:

(i) warrant, certify or endorse the correctness or completeness of any of the contents of the draft Red Herring Prospectus; or

(ii) warrant that this Company's securities will be listed or will continue to be listed on the BSE; or

(iii) take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed to mean that the draft Red Herring Prospectus has been cleared or approved by the BSE. Every Person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the BSE whatsoever by reason of any loss which may be suffered by such Person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Filing

A copy of this Red Herring Prospectus has been filed with SEBI at Corporation Finance Department, Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai 400 021.

A copy of this Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, has been delivered for registration to the RoC and a copy of the Prospectus required to be filed under Section 60 of the Companies Act would be delivered for registration with RoC.

Listing

Applications have been made to the NSE and the BSE for permission to deal in and for an official quotation of the Equity Shares. The NSE shall be the Designated Stock Exchange with which the basis of allocation will be finalised for the Non-Institutional Portion and Retail Portion.

If the permission to deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchanges, the Selling Shareholders and we shall forthwith repay, without interest, all moneys received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid within eight days after our Company and the Selling Shareholders become liable to repay it (i.e. from the date of refusal or within 70 days from the date of Issue Closing Date, whichever is earlier), then the Selling Shareholders and we shall, on and from expiry of 8 days, be jointly and severally 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.

We and the Selling Shareholders shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges mentioned above are taken within seven working days of finalisation and adoption of the Basis of Allotment for the Issue.

Our debentures are listed on the Wholesale Debt Market segment of the NSE.

Consents

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Legal Advisors, the Bankers to the Issue; and (b) Book Running Lead Manager, Senior Co-Book Running Lead Manager, Co-Book Running Lead Managers, Syndicate Members, Escrow Collection Bankers and Registrar to the Issue, to act in their respective capacities, have been obtained and filed along with a copy of the Prospectus with the Registrar of Companies, Tamil Nadu located at Chennai, as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the RoC.

S. B. Billimoria, Chartered Accountants, our Auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the RoC.

Expert Opinion

Except as stated elsewhere in this Red Herring Prospectus, we have not obtained any expert opinions.

Expenses of the Issue

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

Activity	Expense (Rs. in Million)
Lead management, underwriting and selling commission *	Rs. [●]
Advertisement and marketing expenses	Rs. 50
Printing, stationery including transportation of the same	Rs. 80
Others (Registrar's fees, Legal fee, listing fee, etc.)	Rs. 50
Total estimated Issue expenses	**Rs. [●]**

* *Will be incorporated after finalisation of Issue Price*

Other than listing fees, which will be paid by us, all expenses with respect to the Issue will be shared between us and the Selling Shareholders pro rata.

Fees Payable to the Syndicate

The total fees payable to the BRLM, the Senior Co-BRLM and the Co-BRLMs, including brokerage and selling commission for the Issue, will be as per the engagement letter and the memorandum of understanding executed between our Company, the Selling Shareholders, the BRLM, the Senior Co-BRLM and the Co-BRLMs, copies of which are 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 memorandum of understanding between the Registrar to the Issue, the Company and the Selling Shareholders' dated June 20, 2005, a copy of which is available for inspection at our corporate office.

Adequate funds will be provided to the Registrar to the Issue by our Company and the Selling Shareholders to enable them to send refund orders or Allotment advice by registered post.

Particulars regarding Public or Rights Issues during the Last Five Years

We have not made any public issue or rights issue of Equity Shares either in India or abroad in the five years preceding the date of this Red Herring Prospectus.

Issues otherwise than for Cash

We have not issued any Equity Shares for consideration otherwise than for cash.

Commission and Brokerage paid on Previous Issues of our Equity Shares

Since this is the initial public offer of the Company, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of our Equity Shares since our inception.

Companies under the Same Management

There are no companies under the same management within the meaning of erstwhile Section 370 (1B) of the Companies Act, other than the subsidiaries and joint ventures, details of which are provided in the section titled "History and Certain Corporate Matters" on page 66 of this Red Herring Prospectus.

Stock Market Data for our Equity Shares

Since this being an initial public offering of our Company, the Equity Shares are not listed on any stock exchange.

Mechanism For Redressal Of Investor Grievances

The agreement between the Registrar to the Issue, the Selling Shareholders and us, will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of letters of Allotment, demat credit, refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, application number, number of shares applied for, amount paid on application, depository participant, and the bank branch or collection center where the application was submitted.

Disposal Of Investor Grievances

We and the Selling Shareholders estimate that the average time required by us, the Selling Shareholders or the Registrar to the Issue for the redressal of routine investor grievances shall be 15 days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we and the Selling Shareholders will seek to redress these complaints as expeditiously as possible.

We and Selling Shareholders have appointed Mr. Mahendra N. Shah, Company Secretary as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

Mr. Mahendra N. Shah
Ramon House
H. T. Parekh Marg
169, Backbay Reclamation
Mumbai - 400 020
Tel: 91 22 5633 9118
Fax 91 22 2202 9711
E-mail: ipo@idfc.com

Changes in Auditors

There have been no changes of the auditors in the last three years.

Capitalisation of Reserves or Profits

We have not capitalised our reserves or profits at any time.

Revaluation of Assets

We have not revalued our assets since inception.

TERMS OF THE ISSUE

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

Ranking of Equity Shares

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

Mode of Payment of Dividend

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

Face Value and Issue Price

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

Rights of the Equity 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 Memorandum and Articles of Association.

For a detailed description of the main provisions of our Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, see the section titled "Main Provisions of Articles of Association of the Company" on page 216 of this Red Herring Prospectus.

Market Lot and Trading Lot

In terms of existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialised form for all investors and hence, the tradable lot is one Equity Share. In terms of Section 68B of the Companies Act, the Equity Shares shall be Allotted only in dematerialised form in multiples of one Equity Share subject to a minimum Allotment of 200 Equity Shares.

Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidder(s), may nominate any one person in whom, in the event of death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies

Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office or at the registrar and transfer agent of our Company.

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

a. to register himself or herself as the holder of the Equity Shares; or

b. to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, our Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with, within a period of 90 days, our Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

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

Minimum Subscription

If we do not receive the minimum subscription of 90% of the Fresh Issue to the extent of the amount payable on application, including devolvement of Underwriters, within 60 days from the Bid/Issue Closing Date, we shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after we become liable to pay the amount (i.e., 60 days from the Bid/Issue Closing Date), we shall pay interest prescribed under Section 73 of the Companies Act.

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

In case of under-subscription in the Issue, the Equity Shares in the Fresh Issue will be issued prior to the sale of Equity Shares in the Offer for Sale.

Restrictions on transfer/transmission of Equity Shares

Except as stated elsewhere in this Red Herring Prospectus, there are no restrictions on transfer/transmission on our Equity Shares.

ISSUE PROCEDURE

Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein up to 50% of the Issue shall be available for allocation on a discretionary basis to QIBs. Further, not less than 35% shall be available for allocation on a proportionate basis to the Retail Individual Bidders and not less than 15% 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 a member of the Syndicate. Our Company, in consultation with the BRLM and the Senior Co-BRLM, reserve the right to reject any Bid procured from QIBs without assigning any reason therefor. In case of Non-Institutional Bidders and Retail Individual Bidders, we would have a right to reject the Bids only on technical grounds.

Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Red Herring Prospectus. 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 us to make the necessary changes in this Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories, is as follows:

Category	Colour of Bid cum Application Form
Indian public, Eligible NRIs applying on a non-repatriation basis	White
Non-Residents, including Eligible NRIs or FIIs, applying on a repatriation basis	Blue

Who can Bid

1. Indian nationals resident in India who are majors in single or joint names (not more than three);
2. Hindu undivided families or HUFs in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
3. Eligible NRIs on a repatriation basis or a non-repatriation basis subject to applicable laws. NRIs, other than Eligible NRIs, are not permitted to participate in this Issue;
4. Companies and corporate bodies registered under the applicable laws in India and authorised to invest in equity shares;
5. Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/societies and who are authorised under their constitution to hold and invest in equity shares;
6. Scientific and/or industrial research organisations authorised to invest in equity shares;
7. Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to the RBI regulations and the SEBI guidelines and regulations, as applicable);
8. Mutual funds registered with SEBI;
9. FIIs registered with SEBI on a repatriation basis;
10. Multilateral and bilateral development financial institutions;

11. Venture capital funds registered with SEBI;
12. Foreign venture capital investors registered with SEBI;
13. State industrial development corporations;
14. Insurance companies registered with the Insurance Regulatory and Development Authority, India;
15. As permitted by the applicable laws, provident funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to invest in equity shares; and
16. Pension funds with a minimum corpus of Rs. 250 million and who are authorised under their constitution to invest in equity shares.

Note: The BRLM, the Senior Co-BRLM, the Co-BRLMs and the Syndicate Members and any associate of the BRLM, the Senior Co-BRLM, the Co-BRLMs and the Syndicate Members (except asset management companies on behalf of mutual funds, insurance companies, Indian financial institutions and public sector banks) cannot participate in that portion of the Issue where allocation is discretionary. Further, the BRLM, the Senior Co-BRLM, the Co-BRLMs and the Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

Maximum and Minimum Bid Size

(a) **For Retail Individual Bidders:** The Bid must be for a minimum of 200 Equity Shares and in multiples of 200 Equity Shares thereafter and it must be ensured that the Bid Amount (including revision of Bids, if any) payable by the Bidder does not exceed Rs. 100,000. Only the Retail Individual Bidders have the option to bid at Cut-off Price, indicating their agreement to Bid and purchase the Equity Shares at the Issue Price as determined at the end of the Book Building Process.

(b) **For Other Bidders (i.e. Non-Institutional Bidders and QIB Bidders):** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 200 Equity Shares thereafter. A Bid cannot be submitted for more than the Issue size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.

In case of a revision of Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or downward revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIB Bidders are not entitled to the option of bidding at Cut-off Price.

Information for the Bidders:

(a) We have filed the Red Herring Prospectus with the RoC.

(b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.

(c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/or the Bid cum Application Form can obtain the same from our Registered Office or our corporate office or from any of the members of the Syndicate.

(d) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of a member of the Syndicate. Bid cum Application Forms, which do not bear the stamp of a member of the Syndicate will be rejected.

Method and Process of Bidding

(a) Our Company, the BRLM, the Senior Co-BRLM and the Co-BRLMs shall declare the Bid/Issue Opening Date and the Bid/Issue Closing Date and publish the same in an English national newspaper, a Hindi national newspaper and a Tamil newspaper with wide circulation. This advertisement shall contain the minimum disclosures as specified under Schedule XX-A of the SEBI Guidelines. 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 to our Equity Shares should approach any of the members of the Syndicate or their authorised agent(s) to register their Bid.

(c) The Bidding/Issue Period shall be a minimum of three working days and shall not exceed seven working days. In case the Price Band is revised, the revised Price Band and Bidding/Issue Period will be published in an English national newspaper, a Hindi national newspaper and a Tamil newspaper with wide circulation and also by indicating the change on the website of the BRLM and at the terminals of the members of the Syndicate and the Bidding/Issue Period may be extended, if required, by an additional three working days, subject to the total Bidding/Issue Period not exceeding 10 working days.

(d) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details see "Issue Procedure - Bids at Different Price Levels" on page 198) 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 Bid(s) on one Bid cum Application Form have been submitted to a member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the 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 "Issue Procedure - Build up of the Book and Revision of Bids" on page 202 of this Red Herring Prospectus.

(f) 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.

(g) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph "Issue Procedure - Terms of Payment" on page 200 of this Red Herring Prospectus.

(h) 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.

Bids at Different Price Levels

(a) In accordance with the SEBI Guidelines, we reserve the right to revise the Price Band during the Bidding Period. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band.

(b) In case of a 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 working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a public notice in an English national newspaper, a Hindi national newspaper and a Tamil newspaper, with wide circulation, and also by indicating the change on the websites of the BRLM, the Senior Co-BRLM, the Co-BRLMs and at the terminals of the members of the Syndicate.

(c) We and the Selling Shareholders, in consultation with the BRLM and the Senior Co-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.

(d) The Bidder can bid at any price within the Price Band in multiples of Rupee one. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB Bidders or Non-Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.

(e) Retail Individual Bidders who bid at Cut-off Price agree that they shall purchase the Equity Shares at the Issue Price. Retail Individual Bidders bidding at Cut-Off Price shall submit the Bid cum Application Form along with a cheque/ demand draft for the Bid Amount based on the cap of the Price Band with the members of the Syndicate. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders who Bid at Cut-off Price (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders, who Bid at Cut-off Price, shall receive the refund of the excess amounts from the respective Refund Account.

(f) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders, who had bid at the Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band (such that the total amount i.e., original Bid Amount plus additional payment does not exceed Rs. 100,000 if the Bidder wants to continue to bid at Cut-off Price), with the members of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 100,000, the Bid will be considered for allocation under the Non-Institutional Portion in terms of this Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of allotment, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

(g) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders, who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the respective Refund Account.

(h) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 200 Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.

Application in the Issue

Equity Shares being issued through this Red Herring Prospectus can be applied for in the dematerialized form only.

Bids by Mutual Funds

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in equity shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights.

The above information is given for the benefit of the Bidders. Our Company, the BRLM, the Senior Co-BRLM and the Co-BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

Bids by Eligible NRIs

Eligible NRI Bidders should comply with the following:

1. Individual Eligible NRIs can obtain the Bid cum Application Forms from our Registered Office, our corporate office, members of the Syndicate or the Registrar to the Issue.
2. Eligible NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange shall be considered for allotment. Eligible NRIs who intend to make payment through NRO Accounts shall use the Bid cum Application Form meant for resident Indians (White in color).

Escrow Mechanism

We shall open Escrow Accounts with the Escrow Collection Banks in whose favour the Bidders shall write the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders would be deposited in the Escrow Account. The monies in the Escrow Accounts shall be maintained by the Escrow Collection Banks for and on behalf of the Bidders. The Escrow Collection Banks shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Issue Account and the Refund Account as per the terms of the Escrow Agreement.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between us, the Syndicate, the Escrow Collection Banks and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Accounts

Each Bidder, who is required to pay Margin Amount greater than 0% shall, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of his/her Bid in favour of the Escrow Account of the Escrow Collection Banks (for details refer to the paragraph “Issue Procedure - Payment Instructions” on page 207 of this 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 Banks, which will hold the monies for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Banks shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Issue Account . The balance amount after transfer to the Issue Account shall be transferred to the Refund Account.

Each category of Bidders i.e. QIB Bidders, Non-Institutional Bidders and Retail Individual Bidders would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form. The Margin Amount payable by each category of Bidders is mentioned under the heading “Issue Structure” on page 27 of this Red Herring Prospectus. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM, the Senior Co-BRLM and the Co-BRLMs. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the members of the Syndicate do not waive such payment, the full amount of payment has to be made at the time of submission of the Bid cum Application Form.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allotment, will be refunded to such Bidder in terms of this Red Herring Prospectus. Any expense incurred by the Company on behalf of the Selling Shareholders with regard to refunds, interest for delays, etc. for the Equity Shares being offered through the Offer for Sale, will be reimbursed by the Selling Shareholders to the Company.

Electronic Registration of Bids

(a) The members of the Syndicate will register the Bids using the on-line facilities of the BSE and the NSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.

(b) The BSE and the NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorised agents during the Bidding Period. The members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on a regular basis.

(c) The consolidated demand and price for Bids registered on the electronic facilities of the BSE and the NSE will be displayed on-line at all bidding centers, on a regular basis. A graphical representation of consolidated demand and price would be made available at the bidding centers during the Bidding Period.

(d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

- Name of the first/sole Bidder;
- Investor category – individual, corporate, Eligible NRI, FII, 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; and
- Depository participant identification no. and client identification no. of the beneficiary account of the Bidder.

(e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or our Company and the Selling Shareholders.

(f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(g) It is to be distinctly understood that the permission given by the BSE and the NSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company or the BRLM or the Senior Co-BRLM or the Co-BRLMs are cleared or approved by the BSE and the NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our management or any scheme or project of our Company.

(h) It is also to be distinctly understood that the approval given by the BSE and the NSE should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the BSE and the NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that our Equity Shares will be listed or will continue to be listed on the BSE and the NSE.

Build Up of the Book and Revision of Bids

(a) Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the BSE or the NSE mainframe on a regular basis.

(b) The book gets built up at various price levels. This information will be available with the BRLM, the Senior Co-BRLM and the Co-BRLMs on a regular basis.

(c) During the Bidding/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form which is a part of the Bid cum Application Form.

(d) Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the Revision Form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed in the Revision Form. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.

(e) The Bidder can make this revision any number of times during the Bidding/Issue Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. **Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.**

(f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate may at their sole discretion waive the payment requirement at the time of one or more revisions by the QIB Bidders.

(g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate**. It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**

(h) In case of discrepancy of data between the BSE or the NSE and the members of the Syndicate, the decision of the BRLM and the Senior Co-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/Issue Closing Date, the BRLM and the Senior Co-BRLM will analyse the demand generated at various price levels and discuss pricing strategy with us.

(b) We and the Selling Shareholders, in consultation with the BRLM and the Senior Co-BRLM, shall finalise the "Issue Price", the number of Equity Shares to be allocated in each category and the allocation to successful QIB Bidders. The allocation will be decided based, inter alia, on the quality of the Bidder, size, price and time of the Bid.

(c) The allocation for QIBs for up to 50% of the Issue would be discretionary. The allocation to Non-Institutional Bidders and Retail Individual Bidders of not less than 15% and 35% of the Issue, respectively, would be on proportionate basis, in the manner specified in the SEBI Guidelines, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.

(d) Undersubscription, if any, in any category would be allowed to be met with spill over from any of the other categories at the discretion of our Company in consultation with the BRLM and the Senior Co-BRLM.

(e) The BRLM, the Senior Co-BRLM and the Co-BRLMs, in consultation with us, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.

(f) Allocation to Non-Residents applying on repatriation basis will be subject to the applicable law.

(g) We reserve the right to cancel the Issue any time after the Bid/Issue Opening Date but before the Allotment without assigning any reasons whatsoever.

(h) In terms of the SEBI Guidelines, QIBs shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.

Signing of Underwriting Agreement and RoC Filing

(a) We, the Selling Shareholders the BRLM, the Senior Co-BRLM, the Co-BRLMs and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation to the QIB Bidders.

(b) After signing the Underwriting Agreement, we would update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price and Issue size and would be complete in all material respects.

Advertisement regarding Issue Price and Prospectus

A statutory advertisement will be issued by our Company after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of CAN

(a) The BRLM, the Senior Co-BRLM, the Co-BRLMs or the Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue, where the Margin Amount is less than 100%.

(b) In such cases, the BRLM, the Senior Co-BRLM, the Co-BRLMs or the members of the Syndicate would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder by the Pay-in Date specified in the CAN.

(c) Bidders who have been Allotted Equity Shares and who have already paid into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue.

Designated Date and Allotment of Equity Shares

(a) Our Company will ensure that the Allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Issue Account and the Refund Account on the Designated Date, our Company would ensure the credit to the successful Bidders' depository accounts of the allotted Equity Shares to the allottees within two working days of the date of Allotment.

(b) As per the SEBI Guidelines, **Equity Shares will be issued and allotted only in the dematerialised form to the allottees**. Allottees will have the option to re-materialise the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be credited to their Depository Account to them pursuant to Allotment in this Issue.

GENERAL INSTRUCTIONS

Do's:

(a) Check if you are eligible to apply;

(b) Ensure that you Bid within the Price Band;

(c) Read all the instructions carefully and complete the Bid cum Application Form (White or Blue in colour) as the case may be;

(d) Ensure that the details about your Depository Participant and beneficiary account are correct as Equity Shares will be allotted in the dematerialized form only;

(e) Ensure that the Bids are submitted at the bidding centers 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) If your Bid is for Rs. 50,000 or more, ensure that you mention your PAN allotted under the I.T. Act and ensure that you have attached copy of your PAN card or PAN allotment letter with the Bid cum Application Form. In case the PAN has not been allotted, mention "Not allotted" in the appropriate place. (See section titled "Issue Procedure - 'PAN'" on page 208 of this Red Herring Prospectus.);

(i) If you are a Specified Investor making a bid in this Issue ensure that you provide your UIN. If you have made an application for allotment of a UIN before December 31, 2004, but UIN has not been allotted, or where an appeal has been filed but not disposed of, ensure that you provide such information in the Bid cum Application Form (See section titled "Issue Procedure - Unique Identification Number" on page 208 of this Red Herring Prospectus); and

(j) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form.

Don'ts:

(a) Do not Bid for lower than the minimum Bid size;

(b) Do not Bid/revise Bid price to less than the lower end of the Price Band or higher than the higher end of the Price Band;

(c) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;

(d) Do not pay the Bid Amount in cash, through stockinvest, by money order or by postal order;

(e) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;

(f) Do not Bid at the Cut-off Price (for QIB Bidders and Non-Institutional Bidders); and

(g) Do not Bid such that the Equity Shares bid for exceeds the Issue size and/or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations.

Bids and Revisions of Bids

Bids and revisions of Bids must be:

(a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (White or Blue colour).

(b) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).

(c) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form.

(d) The Bids from the Retail Individual Bidders must be for a minimum of 200 Equity Shares and in multiples of 200 Equity Shares thereafter subject to a maximum Bid Amount of Rs. 100,000.

(e) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 200 Equity Shares. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.

(f) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bidder's Depository Account Details and Bank Account Details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THE EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name and identification number and beneficiary account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation ("Demographic Details"). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/allocation advices and printing of bank particulars on the refund orders.

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants and ensure that they are true and correct.

By signing the Bid cum Application Form, the Bidder would deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund orders/allocation advices/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Bank nor the BRLM, the Senior Co-BRLM or the Co-BRLMs shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary account number, then such Bids are liable to be rejected.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum and articles of association and/or bye laws must be lodged along with the Bid cum Application

Form. Failing this, we 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 the Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of the Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of the Bids made by provident funds, subject to applicable law, with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

We, in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application Form, subject to such terms and conditions that we and the BRLM, the Senior Co-BRLM and the Co-BRLMs may deem fit.

Bids by Non-Residents, including Eligible NRIs and FIIs, on a repatriation basis

Bids and revision to the Bids must be made:

1. On the Bid cum Application Form or the Revision Form, as applicable (Blue in color), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In a single name or joint names (not more than three and in the same order as their Depository Participant details).
3. Eligible NRIs for a Bid Amount of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and for a Bid Amount of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation. Other Non-Resident Bidders should bid for a minimum of such number of Equity Shares and in multiples of 200 thereafter that the Bid Amount exceeds Rs. 100,000. For further details see section titled "Issue Procedure - Maximum and Minimum Bid Size" on page 197 of this Red Herring Prospectus.
4. In the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding Eligible NRIs) or their nominees.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only 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 U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

It is to be distinctly understood that there is no reservation for Non-Residents, including Eligible NRIs and FIIs, and all Non-Resident Bidders will be treated on the same basis with other categories for the purpose of allocation.

As per the existing policy of the Government of India, OCBs cannot participate in this Issue. Further, NRIs, who are not Eligible NRIs, are not permitted to participate in this Issue.

PAYMENT INSTRUCTIONS AND PAYMENT INTO THE ESCROW ACCOUNT

We shall open Escrow Accounts with the Escrow Collection Banks for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

(i) The Bidders for whom the applicable margin is equal to 100% shall, along with the Bid cum Application Form submit a cheque/demand draft for the Bid Amount in favour of the Escrow Account and submit the same to the members of the Syndicate.

(ii) The payment instruments for payment into the Escrow Account should be drawn in favour of:

  (a) In case of Resident Bidders: **"Escrow Account – IDFC Public Issue"**

  (b) In case of Non-Resident Bidders: **"Escrow Account – IDFC Public Issue - NR"**

  - In case of Bids by Eligible NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in NRE Accounts or FCNR Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of NRO Account of the Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE or FCNR Account.
  - In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to a Special Rupee Account.

(iii) 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, the Senior Co-BRLM and the Co-BRLMs.

(iv) Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Refund Account.

(v) 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.

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 during the Bidding/Issue Period. A 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.

Separate receipts shall not be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection center of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in case of Individuals

Bids may be made in single or joint names (not more than three). In case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communication will be addressed to the first Bidder and will be dispatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid cum Application Form for bidding in this Issue. More that one Bid cum Application Form submitted by the same sole/first Bidder will be deemed to be multiple Bids and liable to be rejected.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

We reserve the right to reject, in our absolute discretion, all or any multiple Bids.

Permanent Account Number ('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 PAN allotted under the I.T. Act. **The copy of the PAN card or PAN allotment letter is required to be submitted with the application form.** Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** In case the sole/first Bidder and joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form.

Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the sole/first Bidder and each of the joint Bidder(s), as the case may be, would be required to submit Form 60 (form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in Rule 114B of the Income Tax Rules, 1962), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income-tax in respect of transactions specified in Rule 114B of the Income Tax Rules, 1962), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration card (b) Passport (c) Driving licence (d) Identity card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Central Board of Direct Taxes, Department of Revenue, MoF. All Bidders are requested to furnish, where applicable, the revised Form 60 or Form 61 as the case may be.**

Unique Identification Number ("UIN")

Under the SEBI MAPIN Regulations, and the SEBI notifications dated November 25, 2003, July 30, 2004 and August 17, 2004, and press release dated December 31, 2004, no Specified Investor shall subscribe to securities which are proposed to be listed on any recognized stock exchange unless the Specified Investor and its promoters and directors have been allotted UINs, except (i) those promoters or directors who are persons resident outside India (such promoters or directors are required to obtain their UINs by December 31, 2005) and (ii) where such Specified Investor has applied for allotment of a UIN before December 31, 2004 and has not yet been allotted the UIN until disposal of its application, or where it has filed an appeal, until disposal of the appeal, as the case may be.

The SEBI press release dated December 31, 2004, further clarified that wherever the President of India/Central Government/ State Government is a promoter, the Specified Investor is exempted from the requirement of obtaining a UIN under regulation 6(2) of the SEBI MAPIN Regulations.

Previously SEBI required that all resident investors not being bodies corporate who enter into any securities market transaction (including any transaction in units of mutual funds or collective investment schemes) of the value of Rs. 100,000 or more would be required to obtain a UIN by March 31, 2005. Subsequently, by a press release dated February 24, 2005, SEBI has announced that the date for obtaining the UIN has been extended from March 31, 2005, to December 31, 2005, for such Specified Investors.

In terms of the above, it shall be compulsory for a Specified Investor making an application in this Issue to provide its UIN. In cases where a Specified Investor has made an application for allotment of UIN before December 31, 2004, but the UIN has not been allotted, or where an appeal has been filed but not disposed of, the investor shall provide such information in the Bid cum Application Form. A Bid cum Application Form from a Specified Investor that does not provide a UIN or UIN application status (in cases where an application for a UIN has been made before December 31, 2004) is liable to be rejected.

Right to Reject Bids

We, the BRLM and the Senior Co-BRLM reserve the right to reject any Bid without assigning any reason therefor in case of QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders, we have a right to reject Bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

GROUNDS FOR TECHNICAL REJECTIONS

Bidders are advised to note that Bids are liable to be rejected on, *inter alia*, the following technical grounds:

1. Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
2. Age of first Bidder not given;
3. In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such, shall be entitled to apply;
4. NRIs, except Eligible NRIs;
5. Bids by minors;
6. PAN not stated if Bid is for Rs. 50,000 or more and GIR number given instead of PAN;
7. Bids for lower number of Equity Shares than specified for that category of investors;
8. Bids at a price less than lower end of the Price Band;
9. Bids at a price more than the higher end of the Price Band;
10. Bids at Cut-off Price by Non-Institutional Bidders and QIB Bidders;
11. Bids for number of Equity Shares, which are not in multiples of 200;
12. Category not ticked;
13. Multiple Bids as defined in this Red Herring Prospectus;
14. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
15. Bids accompanied by stockinvest/money order/postal order/cash;
16. Signature of sole and/or joint Bidders missing;
17. Bid cum Application Form does not have the stamp of the BRLM, the Senior Co-BRLM, the Co-BRLMs or the Syndicate Members;

18. Bid cum Application Form does not have the Bidder's depository account details;
19. Bid cum Application Form is not delivered by the Bidder within the time prescribed as per the Bid cum Application Form and this Red Herring Prospectus and as per the instructions in this Red Herring Prospectus and the Bid cum Application Form;
20. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the depositary participant's identity (DP ID) and the beneficiary account number;
21. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. See the details regarding the same in section titled "Issue Procedure – Bids at Different Price Levels" at page 198 of this Red Herring Prospectus;
22. Bids by OCBs;
23. Bids by U.S. persons other than entities that are both "qualified institutional buyers" as defined in Rule 144A of the Securities Act and "qualified purchasers" under the Investment Company Act; and
24. Bids by Specified Investors who do not provide their UIN or UIN application status in cases where applications have been made for such UIN before December 31, 2004.

EQUITY SHARES IN DEMATERIALISED FORM WITH NSDL OR CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a dematerialised form (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among our Company, the respective Depositories and the Registrar to the Issue:

(a) an agreement dated December 13, 2004 between NSDL, us and Registrar to the Issue;

(b) an agreement dated December 21, 2004 between CDSL, us and 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 the Depository Participants of either NSDL or CDSL prior to making the Bid.

(b) The Bidder must necessarily fill in the details (including the beneficiary account number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.

(c) Equity Shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.

(d) Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details with the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details with the Depository.

(e) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.

(f) The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.

(g) It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

(h) The trading of the Equity Shares would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

COMMUNICATIONS

All future communication in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, details of Depository Participant, number of Equity Shares applied for, date of Bid cum Application Form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

PRE-ISSUE AND POST ISSUE RELATED PROBLEMS

We have appointed Mr. Mahendra N. Shah, Company Secretary, as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

Mr. Mahendra N. Shah
Ramon House
H.T. Parekh Marg
169, Backbay Reclamation
Mumbai - 400 020
Tel: 91 22 5633 9118
Fax 91 22 2202 9711
E-mail: ipo@idfc.com

DISPOSAL OF APPLICATIONS AND INTEREST IN CASE OF DELAY

We shall ensure dispatch of allotment advice, refund orders and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within two working days of date of finalisation of allotment of Equity Shares. We shall dispatch refund orders, if any, of value up to Rs. 1,500, "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or First Bidder's sole risk.

We shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven working days of finalisation of the basis of Allotment.

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

- allotment of Equity Shares shall be made only in dematerialised form within 15 days of the Bid/Issue Closing Date;
- dispatch of refund orders within 15 days of the Bid/Issue Closing Date would be ensured; and
- we shall pay interest at 15% per annum (for any delay beyond the 15 days 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 days time prescribed above as per the guidelines issued by the MoF pursuant to its letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:

"Any person who:

(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or

(b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years."

Basis of Allocation

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Retail Individual Bidders will be made at the Issue Price.
- The Issue size less allocation to Non-Institutional Bidders and QIB Bidders shall be available for allocation to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 141,260,000 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than 141,260,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 200 Equity Shares and in multiples of one Equity Share thereafter. For the method of proportionate basis of allocation, refer below.

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue size less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 60,540,000 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 60,540,000 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of 200 Equity Shares and in multiples of one Equity Share thereafter. For the method of proportionate basis of allocation refer below.

C. For QIB Bidders

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the QIB Bidders will be made at the Issue Price.
- The Issue size less allocation to Non-Institutional Portion and Retail Portion shall be available for allocation to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- The allocation would be decided by us in consultation with the BRLM and the Senior Co-BRLM and would be at our sole discretion, based on various factors, such as quality of the Bidder, size, price and date of the Bid.
- Except for any shares allocated to QIB Bidders due to undersubscription in the Retail Portion and/or Non-Institutional Portion, the aggregate allocation to QIB Bidders shall not be more than 201,800,000 Equity Shares.

Method of Proportionate basis of allocation in the Retail and Non Institutional categories

Bidders will be categorized according to the number of Equity Shares applied for by them.

(a) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

(b) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

In all Bids where the proportionate allotment is less than 200 Equity Shares per Bidder, the allotment shall be made as follows:

- Each successful Bidder shall be allotted a minimum of 200 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.

If the proportionate allotment to a Bidder is a number that is more than 100 but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.

If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted Equity Shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares. The basis of allocation on a proportionate basis shall be finalised in consultation with the Designated Stock Exchange.

Letters of Allotment or Refund Orders

We shall give credit to the beneficiary account with Depository Participants within two working days from the date of the finalisation of basis of allocation. We shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500 by “Under Certificate of Posting”, and shall despatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or First Bidder’s sole risk within 15 days of the Bid/Issue Closing Date.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, we undertake that:

- Allotment shall be made only in dematerialised form within 15 days from the Bid/Issue Closing Date;
- Despatch of refund orders shall be done within 15 days from the Bid/Issue Closing Date; and
- We shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if Allotment is not made, refund orders are not despatched and/or demat credits are not made to investors within the 15 day time prescribed above.

Undertaking by our Company

We undertake as follows:

- that the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
- that the funds required for dispatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us;

- that the refund orders or allotment advice to the Eligible NRIs or FIIs shall be despatched within specified time; and
- that no further issue of Equity Shares shall be made till the Equity Shares offered through this Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

Undertaking by the Selling Shareholders

Each of the Selling Shareholders undertakes as follows:

- the Equity Shares being sold pursuant to the Offer for Sale are free and clear of any liens or encumbrances, and shall be transferred to the successful Bidders within the specified time; and
- that no further offer of Equity Shares shall be made till the Equity Shares offered through this Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, undersubscription 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 referred above shall be disclosed under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilised;
- details of all unutilised monies out of the Issue, if any shall be disclosed under the appropriate head in our balance sheet indicating the form in which such unutilised monies have been invested; and
- we shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

Restrictions on Foreign Ownership of Indian Securities

Foreign investment in Indian securities is regulated through the Industrial Policy, 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 direct investment in NBFCs is permitted up to 100% subject to certain conditions.

Subscription by Non-Residents

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

As per the current regulations, the following restrictions are applicable for investments by FIIs:

No single FII can hold more than 10% of our post-issue paid-up capital (i.e., 10% of 1,122,453,512 Equity Shares). In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual.

As of now, the aggregate FII holding in our Company cannot exceed 24% of the total issued capital of our Company. With approval of our Board and that of the shareholders by way of a special resolution, the aggregate FII holding limit can be enhanced up to 100%; however to date no such resolution has been recommended to our shareholders for approval.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, an FII or its sub account may issue, deal or hold, off shore derivative instruments such as participatory notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "know your client" requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

As per the current regulations, the following restrictions are applicable for investments by SEBI registered VCFs and FVCIs:

The SEBI (Venture Capital) Regulations, 1996, and the SEBI (Foreign Venture Capital Investor) Regulations, 2000, prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any VCF or FVCI should not exceed 25% of the corpus of the VCF or FVCI, as the case may be.

As per the current regulations, OCBs cannot participate in this Issue.

The above information is given for the benefit of the Bidders. We, the BRLM, the Senior Co-BRLM and the Co-BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF THE COMPANY

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of our Articles of Association are detailed below. Please note that the each provision below is numbered as per the corresponding Article number in our Articles of Association.

CAPITAL

4. The Authorised Share Capital of the Company is Rs. 5000,00,00,000 (Rupees five thousand crores only) consisting of Rs. 4000,00,00,000 (Rupees four thousand crores only) as equity share capital divided into 400,00,00,000 Equity Shares of Rs. 10 each and Rs. 1000,00,00,000 (Rupees one thousand crores only) as preference share capital divided into 10,00,00,000 Preference Shares of Rs. 100 each, with power to increase or reduce the said capital and to issue any part of its Capital original or increased with or without any priority or special privilege subject to the restrictions, if any, as may be laid down by the Government of India by an order or notification or subject to any postponement of rights or to any conditions or restrictions so that unless the conditions of issue otherwise prescribe, such issue shall be subject to the provisions herein contained.

5. The Company in general meeting may, from time to time, alter the conditions of its Memorandum so as to increase its Authorised Share Capital by the creation of new shares of such class and amount as it thinks expedient.

   Any capital raised by the creation of new shares shall be subject to the provisions herein contained with reference to the payment of calls and installments, transfer and transmission, forfeiture, lien, surrender, voting and otherwise.

6. **Shareholding**

   6.1. Minimum Shareholding Level

   6.1.1 For a period of 3 years from the effective date of the Amended and Restated Shareholders Agreement, the Sponsors shall use their best efforts to ensure that their cumulative shareholding in the Company does not fall below 26% of the total issued and paid up equity share capital. ("**Minimum Shareholding Level**").

   6.2. Status under the Act

   6.2.1 The Sponsors shall use their best efforts to ensure that the Company shall not fall within the ambit of Sections 617 and 619B of the Act. For this purpose, the Sponsors shall divest or cause to be divested such number of Shares as may be required to ensure that the Company does not fall within the ambit of Sections 617 and 619B of the Act.

7. Further Issue of Shares

   7.1 Where at the time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares either out of the unissued capital or out of the increased share capital then:

   (a) Such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the Company, in proportion as near as circumstances admit, to the capital paid up on those shares at the date;

   (b) Such offer shall be made by a notice specifying the number of shares offered and limiting a time not less than thirty days from the date of the offer and the offer if not accepted, will be deemed to have been declined;

   (c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in sub clause (b) hereof shall contain a statement of this right. Provided that the Directors may decline, without assigning any reason to allot any shares to any person in whose favour any Member may renounce the shares offered to him;

(d) After expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is giving that he declines to accept the shares offered, the Board may dispose of them in such manner and to such person(s) as they may think, in their sole discretion, fit.

7.2. Notwithstanding anything contained in sub-clause 7.1 hereof, the further shares aforesaid may be offered to any person (whether or not those persons include the persons referred to in paragraph (a) of sub-clause (1) hereof in any manner whatsoever.

(a) If a special resolution to that affect is passed by the Company in General Meeting, or

(b) Where no such special resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the General Meeting (including the casting vote, if any, the chairman) by the Members who, being entitled to do so, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by Members, so entitled and voting and the Central Government is satisfied on an application made by the Board in this behalf that the proposal is most beneficial to the Company.

7.3 Nothing in sub-clause (c) of 7.1 hereof shall be deemed:

(a) To extend the time within which the offer should be accepted; or

(b) To authorise any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.

7.4 Nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debenture issued or loans raised by the Company:

(a) To convert such debentures or loans into shares in the Company; or

(b) To subscribe for shares in the Company (whether such option is conferred in these Articles or otherwise)

Provided that the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

(i) either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with rules, if any, made by that Government in this behalf; and

(ii) in the case of debentures or loans or other than debentures issued to or loans obtained from Government in this behalf, has also been approved by a special resolution passed by the Company in General Meeting before the issue of the debentures or raising of the loans.

7A. Subject to the provisions of Section 86 of the Act, the new shares shall be issued upon such terms and conditions and with such rights and privileges as the Company in General Meeting shall prescribe, and in particular, such shares may be issued with a special or qualified right to dividend and in the distribution of assets of the Company.

8. Except in so far as otherwise provided by the conditions of issue or by these Articles, any capital raised by the creation of new shares shall be considered as part of the existing capital, and shall be subject to the provisions herein contained with reference to the payment of calls and installments, forfeiture, lien, surrender, transfer and transmission, voting and otherwise.

9. Subject to the provisions of Section 80 of the Act and these Articles, any preference shares may, with the sanction of the shareholders, be issued on the terms that they are liable to be redeemed on such terms and in such manner as the Company may before the issue of the shares determine.

10. The cumulative redeemable preference shares (hereinafter called preference shares) shall unless the terms of issue otherwise provide, confer on the holders thereof the following rights and privileges:

i. The right to a cumulative preferential dividend at such rate as may be prescribed by the terms of issue of such shares, on the share capital for the time being paid up thereto, free of Company's income tax but subject to deduction of taxes at source at the rate or rates prescribed from time to time.

ii. The right in the event of winding up to payment of such capital and arrears of dividend, whether earned, accrued, declared or not, down to the commencement of the winding up in priority to equity shares but shall not confer any further right to participate in profits or assets.

11. The Company may (subject to the provisions of Sections 78, 80 and Sections 100 to 105 of the Act) from time to time by special resolution, reduce the share capital and any Capital Redemption Reserve Account or Premium Account in any manner for the time being authorised by law, and in particular capital may be paid off on the footing that it may be called up again or otherwise. This Article is not to derogate from any power the Company would have if it were omitted.

12. The Company in General Meeting may by Ordinary Resolution:

(i) consolidate and divide all or any of its Share Capital into shares of larger amount than its existing shares;

(ii) convert all or any of its fully paid-up shares into stock and reconvert that stock into fully paid-up shares of any denomination;

(iii) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, so however, that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived;

(iv) cancel shares which, at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person, and diminish the amount of its Share Capital by the amount of the shares so cancelled.

MODIFICATION OF CLASS RIGHTS

13. If at any time the Share Capital by any reason is divided into different classes of shares, all or any of the rights and privileges attached to each class will be effective and binding after approvals, if any, required from the Government of India and may, subject to the provisions of Sections 106 and 107 of the Act, and whether or not the Company is being wound up, be varied, modified, abrogated or dealt with, with the consent in writing of the holders of not less than three fourths of the issued shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the issued shares of that class and all the provisions contained in the Articles as to General Meetings (including the provisions relating to quorum at such meetings) shall *mutatis mutandis* apply to every such meeting. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly prohibited by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

SHARES

14. The Company in General Meeting may determine that any shares (whether forming part of the original capital or of any increased capital of the Company) shall be offered to such persons (whether members or not) in such proportion and on such terms and conditions and (subject to compliance with the provisions of Sections 78 and 79 of the Act) either at a premium or at par or at discount as such General Meeting shall determine and with full power to give any person (whether a member or not) the option to call for or be allotted shares of any class of the Company either at a premium or at par or at discount (subject to compliance with the provisions of Sections 78 and 79 of the Act) such option being exercisable at such times and for such consideration as may be directed by such General Meeting; or the Company in General Meeting may make any other provision whatsoever for the issue, allotment or disposal of any shares.

15. Subject to the provisions of the Act and these Articles, the shares in the capital of the Company for the time being (including any shares forming part of any increased capital of the Company) shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion

and on such terms and conditions and either at a premium or at par or (subject to compliance with the provisions of Section 79 of the Act) at discount and at such times as they may from time to time think fit and proper, and with full power with the sanction of the Company in General Meeting, to give to any person the option to call for or be allotted shares of any class of the Company either at par or at premium or subject to as aforesaid, at discount, such option being exercisable at such time and for such consideration as the Directors think fit and may issue and allot shares in the capital of the Company on payment in full or in part of any property sold and transferred or for any services rendered to the Company in the conduct of its business and any shares which may be allotted may be issued as fully paid-up shares and if so issued shall be deemed to be fully paid shares. Provided that option or right to call any shares shall not be given to any person or persons without the sanction of the Members in General Meeting.

16. Any application signed by, the applicant for shares in the Company, followed by an allotment of any share therein, shall be an acceptance of the shares by him within the meaning of these Articles; and every person who thus or otherwise accepts any shares and whose name is on the Register of Members shall, for the purposes of the Act and these Articles, be a Member of the Company.

17. The money (if any) which the Board of Directors shall, on the allotment of any shares being made by them, require or direct to be paid by way of deposit, call or otherwise, in respect of any shares allotted by them, shall immediately on the inscription of the name of the allottee in the Register as the holder of such shares, become a debt due to and recoverable by the Company from the allottee thereof, and shall be paid by them accordingly.

18. Every member or his heirs, executors or administrators shall pay to the Company the portion of the capital represented by his share or shares which may, for the time being remain unpaid thereof, in such amounts, at such time or times and in such manner as the Board of Directors shall, from time to time, in accordance with these Articles, require or fix for the payment thereof.

19. The Company shall cause to be kept a Register of Members, an Index of Members, a Register of Debentureholders and an Index of Debentureholders in accordance with Sections 150, 151, 152 and 158 of the Act, provided that the register and index of beneficial owners of shares and debentures maintained by a depository under Section 11 of the Depositories Act, 1996 shall be deemed to be a Register of Members, an Index of Members, a Register of Debentureholders and an Index of Debentureholders as the case may be. The Company may exercise the powers conferred on it by Sections 157 and 158 of the Act with regard to the keeping of a Foreign Register; and the Board may (subject to the provisions of those sections) make and vary such regulations as it may think fit in respect of keeping of any such Register.

20. The Register of Members, the Index of Members, the Register and Index of Debentureholders and copies of all Annual Returns prepared under Section 159 of the Act together with the copies of certificates and documents required to be annexed thereto under Section 161 of the Act shall, except when the Register of Members or Debentureholders is closed under the provisions of the Act or these presents, be open to inspection, on any working day between 11.00 a.m. and 1.00 p.m. or such other time as the Board may determine, from time to time, for any Member or Debentureholder without any charges and to inspection of any other person on payment of such sum as may be prescribed by the Act. Any such Member, Debentureholder or other person may take extracts therefrom without fee or additional fee as the case may be or require a copy of such register, index or copy or of any part thereof on payment of such sum as may be prescribed by the Act. The Directors may at their discretion reduce or waive the sums payable for each inspection or extract.

21. Save as herein otherwise provided, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share or whose name appears as the beneficial owner of shares in the records of the Depository, as the absolute owner thereof and accordingly shall not (except as ordered by a Court of competent jurisdiction or as by law required) be bound to recognise any benami trust or equity or equitable, contingent or other claim to or interest in such share on the part of any other person whether or not it shall have express or implied notice thereof.

22 A. **SHARE WARRANT**

(a) The Company may issue share warrants subject to, and in accordance with, the provisions of Section 114 and 115 of the Act; and accordingly the Board may in its discretion, with respect to any Share which is fully Paid up, on 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.

SHARE CERTIFICATES

23. The certificates of title to shares shall be issued under the Common Seal of the Company, which shall be affixed in the presence of and shall be signed by

    (i) two Directors or persons acting on behalf of the Directors under a duly registered Power of Attorney, and

    (ii) the Company Secretary or some other person appointed by the Board for the purpose; provided that atleast one of the aforesaid two Directors shall be a person other than a Managing or Wholetime Director. A Director may sign a share certificate by affixing his signature thereon by means of any machine, equipment or other mechanical means such as engraving in metal or lithography.

    PROVIDED ALWAYS that notwithstanding anything contained in this article the certificates of title to shares may be executed and issued in accordance with such other provisions of the Act or the Rules made thereunder as may be in force for the time being and from time to time.

24. Every member or allottee of shares shall be entitled, without payment, to receive one Certificate for all the shares of each class or denomination registered in his name or, if the Directors may from time to time determine, to several such Certificates, each for one or more such shares.

29. If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer upon production and surrender thereof to the Company, a new certificate may be issued in lieu thereof, and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the Company and on execution of such indemnity as the Company deem adequate, being given, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate. Every certificate under the Articles shall be issued without payment of fees or if the Directors so decide, or on payment of such fees (not exceeding Rs. 2/- for each certificate) as the Directors shall prescribe. Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer. Provided that notwithstanding what is stated above the Directors shall comply with such Rules or Regulation or requirements of any Stock Exchange or the Rules made under the Act or the rules made under Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable in this behalf.

30. If any share stands in the names of two or more persons, the person first named in the Register shall, as regards receipt of dividends, or cash bonus, or service of notice, or any other matter connected with the Company except voting at meetings and transfer of the shares, be deemed the sole holder thereof, but the joint holders of a share shall be severally as well as jointly liable for the repayment of all installments or calls and other payments due in respect of such shares.

31. The certificate of shares registered in the names of two or more persons shall be delivered to the person first named in the Register and the Company shall not issue more than one certificate in this regard.

32. Save as otherwise provided herein or in the Act, the Company shall be entitled to treat the registered holder of any share as the absolute owner thereof, and accordingly, shall not, except as ordered by a Court of competent jurisdiction, or by statute, or the Act, be bound to recognise any equitable, beneficial or other claim to or interest in such share on the part of any other person.

33. No member, who shall change his name, or who being a female shall marry, shall be entitled to receive any dividend or to vote in the name other than the one registered with the Company, until notice of the change of name or of

marriage, as the case may be is given to the Company in order that the same be registered after production of satisfactory evidence.

34. Save as otherwise provided by Section 77 of the Act, none of the funds of the Company shall be applied for the purchase of any share in the Company.

34. A Pursuant to a resolution of the Board of Directors, the Company may purchase its own shares by way of a buy back arrangement, in accordance with section 77A of the Act and the Securities and Exchange Board of India (Buy- back of Securities) Regulations, 1998.

34. B. Save as herein otherwise provided, the Company shall be entitled to treat the person, whose name appears in the register in respect of any shares, as the absolute owner thereof and accordingly shall not, except as ordered by a Court of competent jurisdiction or as required under Section 187C of the Act or by any applicable law, be under any obligation to recognize any trust, benami or equitable, contingent or any other claim to interest (future or partial) in such share on the part of any other person whether or not it shall have express or other notice thereof.

CALLS

36. The Board of Directors may from time to time by a Resolution passed at a meeting of the Board make such calls as they think fit upon the members in respect of all moneys unpaid on the shares held by them respectively and not by the conditions of allotment thereof made payable at fixed times and each member shall pay the amount of every call so made on him to the persons and at the time and place appointed by the Board of Directors. A call may be made payable by installments. A call may be revoked or postponed at the discretion of the Board.

37. A call shall be deemed to have been made from the time when the resolution of the Directors authorising such call was passed and may be made payable by Members on such date or at the discretion of the Directors on such subsequent date as shall be fixed by the Directors.

38. (a) Not less than 14 days notice of every call shall be given specifying the time and place of payment provided that before the time for payment of such call the Directors may by notice in writing to the Members revoke or postpone the same.

(b) The Directors may from time to time, at their discretion extend the time fixed for the payment of any call by such Member(s) for such cause as the Directors may deem fit, but no Member shall be entitled to such extension save as a matter of grace and favour.

(c) If by the terms of issue of any share or otherwise any amount is made payable at any fixed time or by installments at fixed times, whether on account of the amount of the share or by way of premium every such amount or installment shall be payable as if it were a call duly made by the Directors and of which due notice has been given and all the provisions herein contained in respect of calls shall relate to such amount or installment accordingly.

(d) If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof the holder for the time being or the allottee of the share in respect of which a call shall have been made or the installment shall be due shall pay interest on the same at such rate as the Directors shall fix from time to time from the last day appointed for the payment thereof to the date of actual payment, but the Directors may in their absolute discretion waive payment of such interest wholly or in part.

(e) No Member shall be entitled to receive any dividend or to exercise any privilege as a Member until he shall have paid all calls for the time being due and payable on every share held by him whether alone or jointly with any person, together with interest and expenses, if any.

39. Subject to the provisions of the Act and any other applicable law, the Board of Directors may, if it thinks fit, agree to and receive from any member willing to advance the same, all or any part of the amounts of their respective shares beyond the sum actually called up; and upon the moneys so paid in advance or upon so much thereof from time to time and at any time thereafter, as exceeds the amount of the calls then made and due in respect of the shares on

account of which such advances are made, the Board of Directors may pay or allow interest, at such rate as the Member paying the sum in advance and the Board of Directors agree upon. The Board of Directors may at their absolute discretion repay at any time any amount so advanced. Provided that moneys paid in advance of calls shall not in respect thereof confer a right to dividend or to participate in the profits of the Company or voting rights in respect of the moneys so paid by the Member until the same would become presently payable.

FORFEITURE, LIEN AND SURRENDER

40. If any member fails to pay any call or installment of a call on or before the day appointed for the payment of the same or any such extension thereof as aforesaid, the Board of Directors may, at any time thereafter while the call or installment remains unpaid, give notice to him requiring him to pay the same together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non payment.

41. The notice shall name a day (not being less than fourteen days from the date of the notice) and a place or places, on and at which such call or installment and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of non-payment on or before the time and at the place appointed, the shares in respect of which the call was made or installment is payable, will be liable to be forfeited.

42. If the requirements of any such notice as aforesaid are not complied with, any shares in respect of which such notice has been given may, at any time thereafter and before payment of all calls or installments, interest and expenses due in respect thereof be forfeited by a resolution of the Board of Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.

43. When any share shall have been so forfeited notice of the forfeiture shall be given to the member in whose name it stood immediately prior to the forfeiture and an entry of the forfeiture, with the date thereof, shall forthwith be made in the Register.

44. Any share so forfeited, shall be deemed to be the property of the Company, and may be sold, re-allotted or otherwise disposed of, either to the original holder thereof or to any other person, upon such terms and in such manner as the Board of Directors may think fit.

45. The Board of Directors may, at any time before any share so forfeited shall have been sold, reallotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as it thinks fit.

46. Any Member whose shares have been forfeited shall, notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company, on demand, all calls, installments, interest, expenses and other moneys owing upon or in respect of such shares at the time of the forfeiture together with further interest thereon from the time of the forfeiture until payment at such rate as the Directors may determine and the Directors may enforce the payment of the whole or a portion thereof if they think fit but shall not be under any obligation to do so.

47. On the trial or hearing of any action or suit brought by the Company against any members or their representatives for the recovery of any money claimed to be due to the Company in respect of whose shares the money is sought to be recovered, appears entered on the Register of Members as the holder, at or subsequent to the date at which the money sought to be recovered is alleged to have become due on the shares in respect of which such money is sought to be recovered in the Minutes Books; and that notice of such call was duly given to the Member or his representatives in pursuance of these Articles; and that it shall not be necessary to prove the appointment of Directors who made such call, nor that a quorum of Directors was present at the Board at which any call was made was duly convened or constituted nor any other matters whatsoever, but the proof of the matters aforesaid shall be conclusive evidence of the debt.

48. The forfeiture of a share shall involve extinction, at the time of the forfeiture, of all interest in and all claims and demands against the Company, in respect of the share and all other rights incidental to the share, except only such of those rights as by these presents are expressly saved.

49. The Company shall have no lien on its fully paid up shares. In the case of partly paid up shares, the Company shall have a first and paramount lien only to the extent of all moneys called or payable at a fixed time in respect of such

shares. Otherwise such partly paid up shares shall be free from any lien of the Company. Any lien on shares shall extend to all dividends and bonuses from time to time declared in respect of such shares. Provided always that if the Company shall register a transfer of any shares upon which it has such a lien as aforesaid without giving to the transferee notice of its claim the said shares shall be freed and discharged from the lien of the Company. The Board may at any time declare any shares, wholly or in part, to be exempt from the provisions of this Article.

50. For the purpose of enforcing such lien, the Board of Directors may sell the shares subject thereto in such manner as they shall think fit, but no sale shall be made unless a sum in respect of which the lien exists is presently payable and until notice in writing of the intention to sell, shall have been served on such member, or the person (if any) entitled by transmission to the shares and default shall have been made by him in payment of the sum payable as aforesaid for fourteen days after such notice.

51. The net proceeds of any such sale after payment of the costs of such sale shall be applied in or towards satisfaction of all moneys called and payable in respect of such shares and the residue (if any) paid to such member or the person (if any) entitled by transmission to the shares so sold. Provided that the amount so paid to such member or person shall not exceed the amount received by the Company from such Member or person towards such shares.

52. Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinbefore given, the Board of Directors may appoint some person to execute an instrument of transfer of the shares so sold and cause the purchaser's name to be entered in the Register in respect of the shares sold, and the purchaser shall not be bound to see to the regularity of the proceedings or to the application of the purchase money and after his name has been entered in the Register in respect of such shares, the validity of the sale shall not be impeached by any person and the remedy (if any) of any person aggrieved by the sale shall be in damages only and against the Company exclusively.

53. Neither a judgment nor a decree in favour of the Company for calls or other moneys due in respect of any shares nor any part payment or satisfaction there under nor the receipt by the Company of a portion of any money which shall from time to time be due from any Member in respect of any shares either by way of principal or interest nor any indulgence granted by the Company in respect of payment of any money shall preclude the forfeiture of such shares as herein provided.

54. A certificate in writing under the hand of any Director or the Company Secretary or such other person as may be authorised, from time to time that, the call in respect of a share was made and that the forfeiture of the share was made by a resolution of the Directors to that effect, shall be conclusive evidence of the fact stated therein as against all persons entitled to such share.

55. The provisions of the Articles as to forfeiture shall apply in the case of non payment of any sum which by the terms of the issue of a share becomes payable at a fixed time, whether on account of the amount of the share or by way of premium as if the same had been payable by virtue of a call duly made and notified.

56. The Directors may, subject to the provisions of the Act, accept a surrender of any shares from or by any member desirous of surrendering on such terms as the Directors may think fit.

TRANSFER AND TRANSMISSION OF SHARES

57. In the case of transfer of Shares or other marketable securities where the Company has not issued any Certificates and where such securities are being held in an electronic and fungible form, the provisions of the Depositories Act, 1996 shall apply in so far as the same is not contrary or inconsistent with the provisions of the Companies Act, 1956 or the Securities Contracts (Regulations) Act, 1956 relating to transfer of physical Share Certificates.

58. In the case of transfer of Shares where the Company has issued Share Certificates, no transfer shall be registered unless a proper instrument of transfer has been delivered to the Company. Every such instrument of transfer shall be duly stamped and executed both by the transferor and transferee and duly attested. The transferor shall be deemed to remain as the holder of such share until the name of the transferee shall have been entered in the Register in respect thereof.

59. The instrument of transfer of any share shall be in the prescribed form and in accordance with the requirements of Section 108 of the Act. Provided that where on an application in writing made to the Company by the transferee and bearing the stamp required for an instrument of transfer, it is proved to the satisfaction of the Board of Directors that the instrument of transfer signed by or on behalf of the transferor and by or on behalf of the transferee has been lost, the Company may register the transfer on such terms as to indemnity as the Board may think fit.

60. Subject to the provisions of the Act and 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 but in such cases, the Board shall within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and the transferor a notice of the refusal to accept 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 is indebted to the Company on any account whatsoever, except when the Company has a lien on the shares, transfer of shares in whatsoever lot shall not be refused.

61. In the case of transfer of shares where the Company has issued Certificates, every instrument of transfer shall be presented to the Company duly stamped for registration accompanied by the certificate or certificates of the shares to be transferred and such other evidence as the Board of Directors may require to prove the title of the transferor, his right(s) to transfer the shares and generally under and subject to such condition and regulation as the Board of Directors shall from time to time prescribe; and every registered instrument of transfer shall remain in the custody of the Company until destroyed by order of the Board of Directors. But any instrument of transfer which the Board of Directors may decline to register shall be returned to the person lodging the same.

62. No fee shall be charged for registration of transfer or for effecting transmission or for registering any probates, succession certificates, letters of administration, certificate of death and marriage, power of attorney and other similar documents.

63. The Board of Directors shall have power on giving not less than seven days previous notice by advertisement in some newspaper circulating in the district in which the Company's Registered Office is situated, to close the transfer books, the Register of Members and/or the Register of Debenture holders at such time or times and for such period or periods, not exceeding thirty days at a time and not exceeding in the aggregate forty five days in each year, as the Board may deem expedient.

64. The executors or administrators of a deceased member shall be the only persons recognised by the Company as having any title to his share except in cases of joint holders, in which case the surviving holder or holders or the executors or administrators of the last surviving holders shall be the only persons entitled to be so recognised; but nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share jointly held by him. The Company shall not be bound to recognise such executor or administrator, unless he shall have obtained probate or letters of administration or other legal representation, as the case may be, from a competent court in India.

Provided nevertheless that in cases, which the Board in its discretion considers to be special cases and in such cases only, it shall be lawful for the Board to dispense with the production of probates or letters of administration or such other legal representations upon such terms as to indemnity, publication of notice or otherwise as the Board may deem fit.

65. Any person becoming entitled to shares in consequence of the death, lunacy, bankruptcy or insolvency of any member or by any lawful means other than by a transfer in accordance with these presents, may, with the consent of the Board (which the Board shall not be under any obligation to give), upon producing such evidence that he sustains the character in respect of which he proposes to act under the Article, or of his title, as the Board of Directors think sufficient, be registered as a member in respect of such shares, or may, subject to the regulations as to transfer hereinabove contained, transfer such shares. This clause is hereinafter referred to as "the transmission clause".

66. Every transmission of a share shall be verified in such manner as the Directors may require and the Company may refuse to register any such transmission until the same be so verified or until or unless an indemnity be given to the Company with regard to such registration which the Directors at their discretion shall consider sufficient, provided nevertheless that there shall not be any obligation on the Company or the Directors to accept any indemnity.

67. The Company shall incur no liability or responsibility whatsoever in consequence of its registering or giving any effect to any transfer of shares, made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register) to the prejudice of a person having or claiming any equitable right, title or interest to or in the said shares notwithstanding that the Company may have had notice of such equitable right, title or interest, or notice prohibiting registration of such transfer and may have entered such notice referred hereto in any book or record of the Company, and the Company shall not be bound or required to regard or to attend or give effect to any notice which may be given to it of any equitable right, title or interest, or be under any liability whatsoever for refusing or neglecting so to do, notwithstanding that the notice may have been entered in or referred to in some book or record of the Company, but the Company shall nevertheless, be at liberty to regard and attend to any such notice, and give effect thereto if the Board of Directors shall so think fit.

68. The Board may in its absolute discretion refuse applications for the subdivision of share certificates, debenture or bond certificates into denominations of less than the marketable lot except when such subdivision is required to be made to comply with a statutory provision or an order of a competent court of law.

69. The provisions of these Articles shall mutatis mutandis apply to the transfer of debentures and other securities of the Company or transmission thereof by operation of law.

JOINT HOLDERS

71. (a) Where two or more persons are registered as the holders of any shares they shall be deemed to hold the same as joint tenants with benefits of survivorship.

(b) The Company shall be entitled to decline to register more than 3 persons as the joint holders of any share.

(c) The joint holder, of any share shall be liable severally as well as jointly for and in respect of all calls and other payments which ought to be made in respect of such share.

(d) On the death of any such joint holders the survivor or survivors shall be the only person or persons recognised by the Company as having any title to the share but the Directors may require such evidence of death as they may deem fit and nothing therein contained shall be taken to release the estate of a deceased joint holder from any liability on shares held by him jointly with any other person.

(e) Any one of such joint holders may give effectual receipts for any dividends or other moneys payable in respect of such shares.

(f) Only the person whose name stands first in the Register of Members as one of the joint holders of any share shall be entitled to delivery of the certificate relating to such share or to receive notice (which expression shall be deemed to include all documents mentioned in the relevant Article herein) from the Company and any notice given to such person shall be deemed notice to all the joint holders.

(g) Any one of two or more joint holders may vote at any meeting either personally or by attorney or by proxy in respect of such share as if he were solely entitled thereto and if more than one of such joint holders be present at any meeting personally or by proxy or by attorney, then that one of such persons so present whose name stands first or higher (as the case may be) on the Register in respect of such share shall alone be entitled to vote in respect thereof but the other or others of the joint holders shall be entitled to be present at the meeting personally and shall be entitled to vote in preference to a joint holder present by attorney or by proxy although the name of such joint holder present by attorney or proxy stands first or higher (as the case may be) in the Register in respect of such shares. Several executors or administrators of deceased Member in whose (deceased member's) sole name any share stands shall for the purpose of this Clause be deemed joint holders.

BORROWING POWERS

73. Subject to the provisions of the Act and these Articles, the Directors may raise and secure the payment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit and in particular by the issue of bonds or redeemable debentures or debenture-stock, or any mortgage or charge or other security on the undertaking of the whole or any part of the property of the Company (both present and future), Provided however that the Company shall not create a charge upon any unpaid capital of the Company.

74. Any debenture, debenture stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination, and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares and attending general meetings of the Company and the right to appoint Directors and others. Debentures carrying the right of conversion into or allotment of shares may be issued to the Public Financial Institutions, specified by the Central Government in the Rules framed pursuant to clause (a) of the proviso to sub clause (3) of Section 81 of the Act provided that the terms of issue of such debentures is in conformity with the said rules. Provided however that debentures carrying the right of conversion into or allotment of shares shall not be issued to any one other than the said Public Financial Institutions except with the consent accorded by a Special Resolution of the Company in General Meeting, and the prior approval of the Central Government.

GENERAL MEETINGS

79. The Annual General Meeting shall be held in accordance with Section 166 of the Act and shall be called for a time during business hours, on a day that is not a public holiday and shall be held either at the Registered Office of the Company or at some other place within the city or town in which the Registered Office of the Company is situated as the Board of Directors may determine and the notice calling the meeting shall specify it as the Annual General Meeting.

80. Every member of the Company shall be entitled to attend every General Meeting either in person or by proxy; and the Auditor of the Company shall have the right to attend and to be heard at any General Meeting on any part of the business which concerns him as Auditor.

84. The Board of Directors of the Company shall on the requisition of such number of members of the Company as is specified in sub-Section (4) of Section 169 of the Act, forthwith proceed duly to call an Extraordinary General Meeting of the Company, and in respect of any such requisition and of any meeting to be called pursuant thereto, all the other provisions of Section 169 of the Act and of any statutory modification or re-enactment thereof for the time being shall apply.

85. Subject to Article 89 below, a General Meeting of the Company may be called by giving not less than 21 days notice in writing. However, a General Meeting may be called after giving a shorter notice than 21 days, if consent is accorded thereto:

    (i) in the case of any Annual General Meeting, by all the members entitled to vote thereat; and

    (ii) in the case of any other meeting, by members of the Company holding not less than 95 percent of such part of the paid-up share capital of the Company as gives them a right to vote at that meeting. Provided that where any members of the Company are entitled to vote only on some resolution or resolutions to be passed at the meeting and not on the others, those members shall be taken into account for the purpose of this Article in respect of the former resolution or resolutions but not in respect of the latter.

88. Subject to the provisions of Article 89 below, a document may be served by the Company on any member thereof either personally, or by sending it by post to him to his registered address, or if he has no registered address in India, to the address, if any, supplied by him to the Company for the giving of notice to and serving of documents on him. Notice shall be given to the persons entitled to the share in consequence of the death or insolvency of a member, by sending it through post in a prepaid letter, addressed to them by name or by the title of the representative of the deceased or assignees of the insolvent or by any like description, at the address in India, if any, supplied for the purpose by the persons claiming to be so entitled or until such an address has been so supplied, by giving the

notice in any manner in which it might have been given if the death or insolvency had not occurred. Provided that where the notice of a meeting is given by advertising the same in a newspaper circulating in the neighbourhood of the Registered Office of the Company under subsection (3) of Section 53 of the Act, the Explanatory Statement need not be annexed to the Notice as required by Section 173 of the Act, but it shall be mentioned in the advertisement that the statement has been forwarded to the members of the Company.

89. **Notice of Meetings**

The Company shall furnish to any Shareholder not less than 21 days' notice in writing by telex or facsimile, of the calling of any meeting of its Shareholders, which notice shall indicate the agenda in reasonable detail and shall promptly thereafter furnish to it by international courier service, copies of all proposals, resolutions, communications and reports prepared by the Company for its shareholders in connection with such meetings and copies of the minutes of all its shareholders' meetings, as long as the shareholder continues to hold any shares in the Company.

91. The accidental omission to give notice of any meeting to or the non receipt of any notice by any member or other persons to whom it should be given shall not invalidate the proceedings at the meeting.

PROCEEDINGS OF GENERAL MEETINGS

94. Subject to the minimum requirements prescribed by the Act and notwithstanding anything to the contrary contained in these Articles, no business shall be transacted at any General Meeting or any adjournment thereof, unless a quorum of Shareholders representing at least 50% of the voting rights in the Company is present at the time when the meeting proceeds to business. In case the quorum is not present, the meeting shall be adjourned to the same day in the following week or the next Business Day thereafter, and the shareholders present at such meeting shall constitute the quorum.

95. Unless otherwise specified by the Act, the resolutions of the shareholders shall be adopted by a simple majority of the number of voting shares.

99. (a) Before or on the declaration of the result of the voting on any resolution on a show of hands, a poll may be ordered to be taken by the Chairman of the meeting of his own motion, and shall be ordered to be taken by him on demand made in that behalf by the person or persons specified below, that is to say, by any member or member present in person or by proxy and holding shares in the Company

(i) which confers a power to vote on the resolution not being less than one-tenth of the total voting power in respect of the resolution; or

(ii) on which an average aggregate sum of not less than fifty thousand rupees has been paid-up.

(b) The demand for a poll may be withdrawn at any time by the person or persons who made the demand.

100. (a) A poll demanded on question of adjournment shall be taken forthwith.

(b) A poll demanded on any other question (not being a question relating to the election of Chairman) shall be taken at such time not being later than forty eight hours from the time when the demand was made as the Chairman may direct.

101. The Chairman of a General Meeting may with the consent of the meeting adjourn the same from time to time and from place to place but no business shall be transacted at any adjourned meeting other than business left unfinished at the meeting at which the adjournment took place. When a meeting is adjourned for more than thirty days notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid it shall not be necessary to give any notice of the adjournment or of the business to be transacted at an adjourned meeting.

102. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which a poll has been demanded.

103. On a poll taken at a meeting of the Company, a member entitled to more than one vote, or his proxy or other person entitled to vote for him, as the case may be, need not if he votes, use all his votes or cast in the same way all the votes he uses.

104. (a) Where a poll is to be taken, the Chairman of the meeting shall appoint two scrutineers to scrutinise the votes given on the poll and to report thereon to him.

(b) The Chairman shall have powers, at any time before the result of the poll is declared, to remove a scrutineer from office and to fill vacancies in the office of scrutineers arising from such removal or from any other cause.

(c) Of the two scrutineers, one shall always be a member (not being an officer or employee of the Company) present at the meeting, provided such a member is available and willing to be appointed.

105. (a) The Chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting by show of hands. The Chairman present at the time of taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.

(b) (i) Subject to the provisions of the Act, the Chairman of the meeting shall have power to regulate the manner in which the poll shall be taken.

(ii) The result of the poll shall be deemed to be the decision of the meeting on the resolution on which the poll was taken.

(iii) In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the Meeting at which the show of hands takes place or at which the poll is demanded, shall be entitled to a casting vote in addition to his own vote or votes to which he may be entitled as a Member.

VOTES OF MEMBERS

110. Subject to the provisions of the Act and these Articles, votes may be given either personally or by an attorney or by proxy or, in the case of a body corporate, by a representative duly authorised under Section 187 of the Act.

111. Subject to any rights or restrictions for the time being attached to any class or classes of shares:

(a) on a show of hands, every member present in person shall have one vote; and

(b) on a poll, the voting rights of members shall be as laid down in Section 87 of the Act.

112. No member not personally present shall be entitled to vote on a show of hands unless such member is represented by an Attorney or unless such member is a body corporate present by a representative duly authorised under Section 187 of the Act in which case such Attorney or representative may vote on a show of hands as if he were a member of the Company.

113. A member of unsound mind, or in respect of whom an order has been made by any Court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee or other legal guardian and any such committee or guardian may, on a poll, vote by proxy.

114. A body corporate (whether a company within the meaning of the Act or not) may if it is a Member duly authorised by a resolution of its Directors or other governing body, appoint a person to act as its representative at any meeting in accordance with the provisions of Section 187 of the Act. The production at the meeting of a copy of such resolution duly signed by one Director of such body corporate or by a member of its governing body and certified by him as being a true copy of the resolution shall on production at the meeting be accepted by the Company as sufficient evidence of the validity of his appointment.

115. Any person entitled under the transmission clause (in the relevant Article herein) to transfer any shares may vote at any general meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that atleast forty-eight hours before the time of holding the meeting or adjourned meeting, as the case may be, at which he proposes to vote, he shall satisfy the Board of Directors or any persons authorised by the Board of Directors in that behalf of his right to transfer such shares, or the Directors shall have previously admitted his right to transfer such shares or his right to vote at such meeting in respect thereof.

116. Where there are any joint registered holders of any share, any one of the joint holders may vote at any meeting either personally or by an Attorney duly authorised under a power of attorney or by proxy in respect of such share

as if he were solely entitled thereto; and if more than one of such joint holders be personally present at any meeting, then one of the said persons so present whose name stands first or higher in the Register in respect of such share shall be entitled to vote in respect thereof.

117. (a) Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint any other person (whether a member or not) as his proxy to attend and vote instead of himself, but a proxy so appointed shall not have any right to speak at the meeting.

(b) The instrument appointing the proxy shall be in writing under the hand of the appointer or of his Attorney duly authorised in writing or if such appointer is a company, under its common seal or be signed by an officer or an attorney duly authorised by it. A person may be appointed a proxy though he is not a member of the Company, but such proxy shall not have any right to speak at any meeting.

DIRECTORS

124. Until otherwise determined by the General Meeting the number of Directors shall not be more than 12 (twelve), which, shall include the following:

(a) non-executive Chairman and up to 2 (Two) whole-time/executive Directors (including the Managing Director);

(b) 4 (Four) independent Directors ("**Independent Directors**");

(c) 2 (Two) Directors nominated by the GOI ("**GOI Directors**"); and

(d) 3 (Three) Directors nominated by the Nomination Committee from the panel of names proposed by the Domestic Institutions and Foreign Investors ("**Domestic Institutions and Foreign Investors Directors**").

The constitution of the independent directors on the Board of Directors shall be subject to alteration due to any change in applicable law including pursuant to the amendment of the Companies Act, 1956 and/or the amendment to the Listing Agreements to be executed with the Stock Exchanges.

The Company shall, inter alia, have committees of the Board of Directors designated as an Audit Committee, a Remuneration Committee and a Shareholder and Investor Grievance Committee for the purposes of compliance of the listing agreements with the stock exchanges. The Nomination Committee shall assist the Board of Directors in appointment of members for the said committees.

126. A Director shall not be required to hold any shares to qualify him to act as a director of the Company.

127. If it is provided by any Trust Deed, securing or otherwise, in connection with any issue of debentures of the Company, that any person or persons shall have power to nominate a Director of the Company, then in the case of any and every such issue of debentures, the person or persons having such power may exercise, such power from time to time and appoint a Director accordingly. Any Director so appointed is herein referred to as a "Debenture Director". A Debenture Director may be removed from office at any time by the person or persons in whom for the time being is vested the power under which he was appointed and another Director may be appointed in his place. A Debenture Director shall not be bound to hold any qualification shares nor shall he be liable to retire by rotation.

130. Subject to and in accordance with the provisions of Sections 260 and 262 of the Act and unless otherwise provided by these Articles, the Directors shall have power at any time to appoint any person as a Director either as an addition to the Board or to fill a casual vacancy but so that the total number of Directors shall not exceed the maximum fixed by the Articles.

132. Subject to the provisions of Sections 198, 309, 310 and 311 of the Act, the remuneration and traveling and other expenses payable to the Directors of the Company may be as hereinafter provided:

(a) Each Director shall be paid out of the funds of the Company a remuneration by way of fee, of such sum for each meeting of the Board of Directors or Committee of the Board attended by him as may be determined by the Board from time to time within the limits prescribed by the Act or Central Government from time to time.

(b) In addition to the remuneration payable as above, the Director who is not a bonafide resident of the place where a meeting is held and who shall come to such place for the purpose of attending the meeting shall be reimbursed such sum as the Board may consider fair compensation for traveling, hotel and other incidental expenses incurred by him in attending and returning from the meetings of the Board of Directors or any Committee thereof or General Meetings of the Company.

(c) A Director including a part time chairman who is neither in the whole time employment of the Company nor a Managing Director, if called upon and willing to render extra services whether of a professional or non-professional nature may be paid remuneration either by way of monthly, quarterly or annual payment or by way of commission, as may be determined by the Board, subject to the provisions of the Act, and such remuneration may be in addition to the remuneration payable under sub-clause (a) above.

(d) In addition to the remuneration payable under sub-clause (c) above, any Director referred to therein shall be reimbursed such sum as the Board may consider fair compensation for traveling, hotel and other incidental expenses incurred by him in connection with the business of the Company.

133. The continuing Directors may act notwithstanding any vacancy in the Board, but if and so long as their number is reduced below the quorum fixed by the Act for a meeting of the Board, the continuing Director or Directors may act for the purpose of increasing the number of Directors to that fixed for the quorum, or for summoning a General Meeting of the Company, but for no other purpose.

134. (1) Subject to the provisions of Section 283(2) of the Act and subject to Articles 129 and 131 hereof, the office of a Director shall become vacant if:

(a) he is found to be of unsound mind by a court of competent jurisdiction; or

(b) he applies to be adjudicated as an insolvent; or

(c) he is adjudged an insolvent; or

(d) he fails to pay any call in respect of shares of the Company held by him, whether alone or jointly with others within six months from the last date fixed for the payment of the call unless the Central Government has by notification in the Official Gazette, removed the disqualification incurred by such failure; or

(e) he or any of his relatives or partners or any firm of which he or any of his relatives is a partner or any private company of which he is a Director or Member, accepts or holds any office or place of profit under the Company, other than that of Managing Director or Manager or Banker or Trustee for the holders of Debentures of the Company, except with the consent of the Company accorded by a Special Resolution and the approval of the Central Government wherever necessary as required by Section 314 of the Act; or

(f) he absents himself from three consecutive meetings of the Board of Directors or from all meetings of the Board of Directors for a continuous period of three months, whichever is longer, without obtaining leave of absence from the Board of Directors; or

(g) he becomes disqualified by an Order of the Court under Section 203 of the Act; or

(h) he is removed in pursuance of Article 145 hereof or Section 284 of the Act; or

(i) he (whether by himself or by any person for his benefit or on his account) or any firm in which he is a partner or any private company of which he is a Director, accepts a loan, or any guarantee or security for a loan from the Company in contravention of Section 295 of the Act; or

(j) he acts in contravention of Section 299 of the Act and by virtue of such contravention shall have been deemed to have vacated office; or

(k) he is convicted by a Court of any offence involving moral turpitude and sentenced in respect thereof to imprisonment for not less than six months; or

(1) he having been appointed a Director by virtue of his holding any office or other employment in the Company, ceases to hold such office or other employment in the Company, as the case may be; or

(m) he is a person who is already a director of a public company which (i) has not filed the annual accounts and annual returns for any continuous three financial years commencing on or after the first day of April, 1999; or (ii) has failed to repay its deposit or interest theron on due date or redeem its debenture on due date or pay dividend and such failure continues for one year or more; or

(n) he becomes disqualified to be a Director of the Company under any law in force in India.

145. Subject to Sections 255 and 259 of the Act and these Articles, the Company may, by Ordinary Resolution, from time to time increase or reduce the number of Directors, within the limits fixed in that behalf by these Articles.

146. Subject to the provisions of Section 284 of the Act and these Articles, the Company may remove any Director before the expiration of his period of office and appoint another person in his stead. The person so appointed shall hold office until the date upto which the Director, in whose place he is appointed, would have held the same if he had not been removed.

PROCEEDINGS OF THE BOARD OF DIRECTORS

148. The Board shall meet at least once in every quarter at the times and under the circumstances specified in the Articles of the Company and in accordance with the provisions of the Companies Act, 1956, for the purpose of making decisions on all matters of policy for the Company and for determination of issues regarding the business of the Company.

150. The quorum for the meetings of the Board of Directors of the Company or any adjournment thereof shall require the presence of one half (1/2) of the Directors in office for the time being present in person or through their alternates. In case the quorum is not present, the meeting shall be adjourned to the same day in the following week or the next Business Day thereafter, and directors present at such meeting shall constitute the quorum.

151. Subject to the provisions of these Articles and the Act, all resolutions of the Board shall be adopted by a simple majority.

154. The meetings and proceedings of any such committee of the Board consisting of two or more members shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Directors, so far as the same are applicable thereto and are not superseded by any regulations made by the Directors under the last preceding Article.

156. All acts done by any meeting of the Board or by a Committee of the Board, or by any person acting as a Director, shall, notwithstanding that it shall afterwards be discovered that there were some defects in the appointment of such Directors or Committee or person acting as aforesaid, or that they or any of them were disqualified or had vacated office, or that the appointment of any of them had been terminated by virtue of any provisions contained in the Act or in these Articles, be as valid as if every such person had been duly appointed and was qualified to be a Director and had not vacated office or his appointment had not been terminated. Provided 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 been terminated.

157. The Company shall cause minutes of the proceedings of every meeting of the Board of Directors and of every Committee of the Board to be recorded in accordance with the relevant provisions of Section 193 of the Act, within thirty days of the conclusion of every such meeting and the minutes shall contain the matters specified in the said section of the Act.

159. The Company shall maintain the following Registers, Books and Documents, namely:

(a) Register of investments not held in the Company's name according to Section 49 of the Act.

(b) Register of Mortgages and Charges according to Section 143 of the Act.

(c) Register of Members and an Index of Members according to Sections 150 and 151 of the Act.

(d) Register of Contracts, Companies and Firms in which Directors are interested according to Section 301 of the Act.

(e) Register and index of Debenture holders according to Section 152 of the Act.

(f) Register of Directors according to Section 303 of the Act.

(g) Register of Directors' Shareholdings according to Section 307 of the Act.

(h) Books of Account in accordance with the provisions of Section 209 of the Act.

(i) Copy of instruments creating any charge requiring registration according to Section 136 of the Act.

(j) Copies of Annual Returns prepared under Section 159 of the Act together with the copies of certificates and documents required to be annexed thereto under Section 161.

(k) Register of Renewed and Duplicate Certificates according to Rule 7(2) of the Companies (Issue of Share Certificates) Rules, 1960.

(l) Foreign Register, if applicable as required by Section 157 of the Act.

(m) Other Registers or Books, if any as may be required to be maintained under any law in force in India or any order or direction issued by the Government of India.

160. The said Registers, Books and Documents shall be kept open for inspection by such persons as may be entitled thereto respectively, under the Act on every working day during the hours between 11.00 a.m. and 1.00 p.m., consistent with the provisions of the Act in that behalf, and copies thereof and extracts therefrom may be furnished as provided in the Act.

161. Any information pertaining to the operations including those relating to management information systems of the Company or policy matters pertaining to the Company or its business and operations will be circulated amongst the Shareholders subject to the provisions of the Act and any other applicable law.

POWERS OF DIRECTORS

162. The management and control of the business of the Company shall be vested in the Directors who may exercise all such powers of the Company and do all such acts and things as are not by the Act or any statutory modification thereof for the time being in force or by any other Act or by the Memorandum or by these Articles required to be exercised by the Company in General Meeting, subject nevertheless to any regulation of these Articles and the provisions of the Act or any statutory modification thereof for the time being in force or any other Act and to such regulations, being not inconsistent with the aforesaid regulations or provisions as may be prescribed by the Company in General Meeting but no regulation made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made. Provided that the Board of Directors shall not, except with the consent of the Company in General Meeting:

(a) Sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company, or where the Company owns more than one undertaking, of the whole or substantially the whole of any such undertaking;

(b) Remit or give time for the repayment of any debt due by a Director;

(c) Invest otherwise than in trust securities, the amount of compensation received by the Company in respect of compulsory acquisition of any such undertaking as is referred to in clause (a) or of any premises or properties used for any such undertaking and without which it cannot be carried on or can be carried on only with difficulty or only after a considerable time;

(d) Borrow money in excess of the limits provided in the relevant Article herein;

(e) Contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, any amounts the aggregate of which will, in any financial year, exceed fifty thousand rupees or five percent of its average net profits as determined in accordance with the provisions of Section 349 and 350 of the Act during the three financial years immediately preceding, whichever is greater;

Provided that in respect of the matters referred to in clauses (d) or (e) every resolution passed by the Company in General Meeting shall specify the total amount upto which moneys may be borrowed by the Board under clause (d) or as the case may be, the total amount which may be contributed to charitable or other funds in any financial year under clause (e).

163. Notwithstanding anything contained in the Act or these Articles, neither the Company in General Meeting nor the Board shall contribute any amount to any political party or for any political purpose, to any individual or body so long as such contribution is prohibited by law.

CHAIRMAN, MANAGING DIRECTOR OR WHOLE-TIME DIRECTOR(S)

166. The Chairman of the Board shall be appointed by the Board by majority from time to time. In case the Chairman is unavailable, any Director may be appointed by the Board as the Chairman for that particular meeting, who shall act as the Chairman of the Board.

167. Unless otherwise specified in these Articles, questions arising at any Board Meeting shall be decided by a majority of votes and in case of equality of votes, the Chairman shall have a second and casting vote.

169. (a) Subject to the provisions of the Act, the Directors may from time to time appoint one or more of their body to be a Managing Director or Managing Directors (in which expression shall be included a Joint Managing Director or Whole-time Director or Whole-time Directors of the Company on such conditions and for such term not exceeding five years at a time as they may think fit and may from time to time (subject to the provisions of any contract between him or them and the Company) remove or dismiss him or them from office and appoint another or others in his or their place or places.

(b) Subject to the provisions of the Act and of these presents, a Managing Director or a whole-time Director shall not, while he continues to hold that office, be subject to retirement by rotation under the Act or these Articles but he shall, subject to the provisions of any contracts between him and the Company, be subject to the same provisions as to resignation and removal as the other Directors of the Company and he shall ipso facto immediately cease to be a Managing Director or Whole-time Director if he ceases to hold the office of Director for any cause, provided that if at any time the number of Directors (including the Managing Director or Whole-time Director.) as are not subject to retirement by rotation shall exceed one-third of the total number of Directors for the time being, then such Managing Director or Managing Directors or Whole-time Director or Whole-time Directors, as the Directors, may from time to time select, shall be liable to retire by rotation to the intent that the Directors so liable to retirement by rotation shall not exceed one-third of the total number of Directors for the time being.

170. Subject to the superintendence, control and direction of the Board of Directors, the Board may from time to time entrust to and confer upon a Managing Director or Whole-time Director for the time being, save as prohibited in the Act, such of the powers exercisable under these presents by the Directors as they may think fit and may confer, such powers for such time and to be exercised for such objects and purposes and upon such terms and conditions and with such restrictions as they think expedient and they may subject to the provisions of the Act and these Articles confer such powers, either collaterally with or to the exclusion of or in substitution for all or any of the powers of the Directors in that behalf, and may from time to time revoke, withdraw, alter or vary all or any of such powers.

DIVIDENDS

177. The profits of the Company subject to any special rights relating thereto created or authorised to be created by the Memorandum or the Articles and subject to the provisions of any law for the time being in force and subject to these Articles shall be divisible among the members in proportion to the amount of capital paid up on the shares held by them respectively. Provided always that (subject as aforesaid) any capital paid up on a share during the period in respect of which a dividend is declared shall, unless the Directors otherwise determine, only entitle and shall be deemed always to have only entitled, the holder of such share to an apportioned amount of such dividend as from the date of payment.

178. The Company in General Meeting may subject to Sections 205, 205A and other applicable provisions of the Act declare dividends, to be paid to members according to their respective rights and interests in the profits but subject to any law for the time being in force and may fix the time for payment but no dividend shall exceed the amount recommended by the Board of Directors. However, the Company in General Meeting may declare a smaller dividend than recommended by the Board of Directors.

180. Subject to the provisions of the Act and any other law for the time being in force the Board of Directors may, from time to time, pay to the Members interim dividends as, in their judgment, the position of the Company justifies.

181. Where Capital is paid in advance of calls upon the footing that the same shall carry interest, such capital shall not, whilst carrying interest, confer a right to participate in profits.

184. No member shall be entitled to receive payment of any interest or dividend 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, howsoever, either alone or jointly with any other person or persons; and the Directors may without prejudice to any other right or remedy of the Company deduct from the interest or dividend payable to any member all sums or money so due from him to the Company.

185. A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer.

187. Unless otherwise directed any dividend may be paid by cheque or warrant sent through the post to the registered address of the member or person entitled or in the case of joint holders to the registered address of that one of the joint holders who is first named in the Register. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. The Company shall not be liable or responsible for any cheque or warrant lost in transmission or for any dividend lost to the member or person entitled thereto by the forged endorsement of any cheque or warrant or the fraudulent or improper recovery thereof by any executors or administrators of a deceased member in whose sole name any share stands, shall for the purposes of this clause be deemed to be joint holders thereof.

191. Any General Meeting declaring a dividend may make a call on the members of such amount as the meeting fixes but so that the call on each member shall not exceed the dividend payable to him, and so that the call be made payable at the same time as the dividend; and the dividend may, if so arranged between the Company and the members be set off against the calls.

CAPITALISATION

193. A General Meeting may resolve that any surplus moneys arising from the realisation of any capital assets of the Company, or any investments representing the same, or any other undistributed profits of the Company not subject to charge for Income tax, be distributed among the members on the footing that they receive the same as capital.

ACCOUNTS

196. The financial accounts of the Company shall be prepared in accordance with Indian GAAP and where applicable, internationally accepted accounting principles.

198. The books of account shall be kept at the Registered Office of the Company or at such other place or places as the Board of Directors think fit subject to Section 209 of the Act and shall be open to inspection by any Director during business hours.

201. The books of account of the Company relating to a period of not less than eight years immediately preceding the current year shall be preserved in good order.

204. The Board of Directors shall lay before each Annual General Meeting a Profit and Loss Account for the financial year of the Company and a Balance Sheet made up as at the end of the financial year which shall be a date which shall not precede the day of the meeting by more than six months or where an extension of time has been granted by the Registrar of Companies under the provisions of the Act by more than six months from the date of extension so granted.

212 (1) The Company at the Annual General Meeting in each year shall appoint an Auditor or Auditors to hold office from the conclusion of that meeting until the conclusion of the next Annual General Meeting and shall within seven days of the appointment, give intimation thereof to every Auditor so appointed. Provided that before any appointment or reappointment of Auditor or Auditors is made by the Company at any Annual General Meeting, a written certificate shall be obtained from the Auditor or Auditors proposed to be so appointed to the effect that the appointment or reappointment, if made, will be in accordance with the limits specified in subsection (1B) of Section 224 of the Act.

(2) At any Annual General Meeting a retiring Auditor, by whatsoever authority appointed, shall be re-appointed unless,

(a) he is not qualified for re-appointment;

(b) he has given the Company notice in writing of his unwillingness to be re-appointed;

(c) a resolution has been passed at that meeting appointing somebody instead of him or providing expressly that he shall not be re-appointed; or

(d) where notice has been given of an intended resolution to appoint some person or persons in the place of a retiring Auditor, and by reason of the death, incapacity, or disqualification of that person or of all the persons, as the case may be, the resolution cannot be proceeded with.

(3) Where at an Annual General Meeting no Auditor is appointed or reappointed, the Central Government may appoint a person to fill the vacancy.

(4) The Company shall, within seven days of the Central Government's power under clause (3) becoming exercisable, give notice of that fact to that Government.

(5) The Board of Directors may fill any casual vacancy in the office of the Auditors, but while any such vacancy continues, the remaining Auditor or Auditors (if any) may act, but where such vacancy is caused by the resignation of an Auditor, the vacancy shall only be filled by the Company in General Meeting. Any Auditor appointed in a casual vacancy shall hold office until the conclusion of the next Annual General Meeting.

(6) A person, other than a retiring Auditor, shall not be capable of being appointed at an Annual General Meeting unless special notice of a resolution for appointment of that person to the office of an Auditor has been given by a member to the Company not less than fourteen days before the meeting in accordance with Section 190 of the Act, and the Company shall send a copy of any such notice to the retiring Auditor and shall give notice thereof to the members in accordance with section 190 of the Act, and all the other provisions of Section 225 of the Act shall apply in the matter. The provisions of this clause shall also apply to a resolution that a retiring auditor shall not be re-appointed.

WINDING UP

226. If the Company shall be wound up, and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid up capital such assets shall be distributed so that as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up, on the shares held by them respectively. And if in a winding up the assets available for distribution amongst the members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members in proportion to the capital paid up or which ought to have been paid up on the shares held by them respectively, at the commencement of the winding up. But this Article is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

227 (1) If the Company shall be wound up, whether voluntarily or otherwise, the liquidators may, with the sanction of a special resolution, divide amongst the contributories, in specie or kind, any part of the assets of the Company and may, with the like sanction, vest any part of the assets of the Company in trustees upon such trusts for the benefit of the contributories, or any of them, as the liquidators shall think fit.

(2) If thought expedient, any such division may, subject to the provisions of the Act be otherwise than in accordance with the legal rights of the contributories (except where unalterably fixed by the Memorandum of Association) and in particular any class may be given preferential or special rights or may be excluded altogether or in part but in case any division otherwise than in accordance with the legal rights of the contributories shall be determined, any contributory who would be prejudiced thereby shall have a right to dissent and consequential rights provided in Section 494 of the Act as if such determination were a special resolution passed pursuant to the said Section of the Act.

(3) In case any shares to be divided as aforesaid involve a liability to calls or otherwise any person entitled under such division to any of the said shares may within seven days after the passing of the special resolution by notice in writing direct the liquidators to sell his shares and pay him his portion of the net proceeds and the liquidators shall if practicable act accordingly.

228. A Special resolution sanctioning a sale to any other Company duly passed pursuant to Section 494 of the Act may subject to the provisions of the Act in like manner as aforesaid determine that any shares or other consideration receivable by the liquidators be distributed amongst the members otherwise than in accordance with their existing rights and any such determination shall be binding upon all the members subject to the rights of dissent and consequential rights conferred by the said Section.

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These contracts, copies of which have been attached to the copy of this Red Herring Prospectus, delivered to the Registrar of Companies, Tamil Nadu at Chennai for registration and also the documents for inspection referred to hereunder, may be inspected at the corporate office of our Company situated at IDFC, Ramon House, H.T. Parekh Marg, 169, Backbay Reclamation, Mumbai 400 020, India from 10.00 am to 4.00 pm on working days from the date of this Red Herring Prospectus until the Bid/Issue Closing Date.

Material Contracts

1. Engagement letter dated May 17, 2005 for appointment of Kotak Mahindra Capital Company Limited, DSP Merrill Lynch Limited, JM Morgan Stanley Private Limited and SBI Capital Markets Limited as the BRLM, the Senior Co-BRLM and the Co-BRLMs, respectively.
2. Memorandum of understanding amongst our Company, the Selling Shareholders, the BRLM, the Senior Co-BRLM and the Co-BRLMs dated May 17, 2005.
3. Memorandum of understanding executed by our Company and the Selling Shareholders with the Registrar to the Issue dated June 20, 2005.

Material Documents

4. Our Memorandum and Articles of Association, as amended till date.
5. The Original Shareholders Agreement and the Amended and Restated Shareholders Agreement.
6. Our certification of incorporation dated January 30, 1997 and certificate of commencement of business dated June 9, 1997.
7. Authority from the Selling Shareholders.
8. Shareholders' resolutions dated May 9, 2005 in relation to this Issue and other related matters.
9. Resolutions of the Board dated August 24, 2004 and March 16, 2005.
10. Reports of the statutory Auditors dated May 16, 2005 prepared as per Indian GAAP and mentioned in this Red Herring Prospectus.
11. Copies of annual reports of our Company and our subsidiaries for the past five financial years.
12. Documents pertaining to appointment and compensation of our Chairman and our Managing Director and Chief Executive Officer and other Directors.
13. General power of attorney executed by the Directors of our Company in favour of person(s) for signing and making necessary changes to this Red Herring Prospectus and other related documents.
14. Consents of the Auditors, the Bankers to the Company, the BRLM, the Senior Co-BRLM and the Co-BRLMs, the Syndicate Members, the Registrar to the Issue, the Escrow Collection Banks, the Bankers to the Issue, the Domestic Legal Counsel to the Issue, the International Legal Counsels to the Issue, the International Legal Counsel to the Underwriters, the Directors of our Company, the Company Secretary and Compliance Officer, as referred to, in their respective capacities.
15. Initial listing applications dated May 18, 2005 filed with the NSE and the BSE.
16. In-principle listing approval dated June 1, 2005 and May 24, 2005 from the NSE and the BSE, respectively.
17. Agreement between NSDL, our Company and the Registrar to the Issue dated December 13, 2004.
18. Agreement between CDSL, our Company and the Registrar to the Issue dated December 21, 2004.

19. Due diligence certificate dated May 17, 2005 to SEBI from Kotak Mahindra Capital Company Limited, DSP Merrill Lynch Limited and SBI Capital Markets Limited.
20. Approval from the FIPB pursuant to its letter dated June 22, 2005 for the transfer of Equity Shares in this Issue to Eligible NRIs, FIIs, FVCIs and multilateral and bilateral development financial institutions.
21. Approval from the RBI stating that the RBI has no objection for non-resident Bidders to acquire Equity Shares in the Offer for Sale, pursuant to its letter no. FE.CO.FID/8887/10.1.07.02.200 (665)/ 2004-05 dated June 23, 2005. Approval from RBI for disinvestment of Equity Shares in the Offer for Sale from non-resident Selling Shareholders to resident Bidders pursuant to letter no. FE.CO.FID/8916/10.I.07.02.200(665)/2004-05 dated June 25, 2005.
22. Employee Stock Option Scheme and Employee Stock Purchase Scheme as approved by our shareholders on May 9, 2005.
23. Power of attorney from the Selling Shareholders and our Directors.
24. SEBI observation letter no. CFD/DIL/ISSUES/PB/PR/42721/2005 dated June 15, 2005 and reply dated June 21, 2005.

Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

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, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, the Securities and Exchange Board of India Act, 1992 or rules made thereunder or guidelines issued, as the case may be. We and the signatories mentioned hereinbelow further certify that all statements in this Red Herring Prospectus are true and correct.

SIGNED BY ALL DIRECTORS

Mr. Deepak Shantilal Parekh

Mr. Vinod Rai

Mr. S. S. Kohli

Mr. Dimitris Tsitsiragos*

Mr. Donald Macinnes Peck*

Mr. Serajul Haq Khan

Mr. Gautam Subodh Kaji*

Mr. Shardul Suresh Shroff

Dr. Omkar Goswami

Dr. Rajiv B. Lall

* Through their constituted attorney Dr. Rajiv B. Lall.

SIGNED BY MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

Dr. Rajiv B. Lall

SIGNED BY EXECUTIVE DIRECTOR - FINANCE

Mr. L. K. Narayan

SIGNED BY EXECUTIVE DIRECTOR - POLICY

Mr. Urjit R. Patel

SIGNED BY THE SELLING SHAREHOLDERS

The President of India
(acting through the Ministry of Finance, Government of India)*

Industrial Development Bank of India Limited*

State Bank of India*

ICICI Bank Limited*

Housing Development Finance Corporation Limited*

The Administrator of the Specified Undertaking of Unit Trust of India*

IFCI Limited*

Indivest Pte Ltd*

Asian Development Bank*

International Finance Corporation*

CDC Financial Services (Mauritius) Limited*

Deutsche Asia Pacific Holdings Pte. Limited*

Kendall Holdings Limited*

State Secretariat for Economic Affairs, Switzerland*

BNL International Investments SA.*

SLAC (Mauritius Holdings) Limited*

*Through their constituted attorney Dr. Rajiv B. Lall.

Date : June 25, 2005
Place : Mumbai.

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